

KEYNES LECTURE IN ECONOMICS

A Future for the Past:
The Political Economy of Heritage

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Introduction

MY INTEREST IN THE ECONOMICS OF PRESERVING THE PAST first began when I was a visiting research professor at the Einaudi Foundation in Turin in 1970. One day walking along the Via Lagrange (which is named after the illustrious mathematician known to economists for his invention of the undetermined multiplier) I noticed that the Palazzo Cavour where the famous statesman had lived was in a very poor state of repair. In contrast, not far away was a fine memorial commemorating the vini-cultural achievements of Signor Carpano, the inventor of vermouth. I used this contrast in treatment as a peg on which to hang some observations about the economic problems of preserving the past. Not wishing to appear ungrateful to my Italian hosts, I was careful to point out that neglect of historic buildings was certainly not solely an Italian phenomenon. I published my piece in *La Stampa* fearing that I risked being accused of ignorance and ingratitude.

I had misread the Italian mind. Far from being pilloried, my views were taken as a long overdue exposure of official lack of concern for the built heritage. The fact that a 'straniero' had drawn attention to this malefaction brought forth more than the usual amount of vituperation

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which Italians reserve for their bureaucrats and politicians. A senior official of the Ministry of Education had to issue a stout defence of official policy. I found myself unexpectedly popular and was invited to the exclusive Whist Club in Turin of which Cavour had been a member. An amusing consequence of my article was that the firm of Carpano wrote to me in some embarrassment for they actually owned the Palazzo Cavour, a fact which they could not believe was unknown to me. In the end, this storm in a teacup subsided. Nothing was done, no-one expected anything to be done, and the Palazzo Cavour, I am informed, remains much as it was.

The point of this story is that it illustrates the common phenomenon that a collective interest in the provision of some good, in this case historical preservation, which is perceived to confer benefits on individual citizens, may generate a public demand for community or government action, but not sufficient incentive for those who demand it to ensure that any action will be taken. The reasons for this may be complex and a main purpose of this lecture will be to consider both the logical and practical solutions to the problem of marrying public support for preservation with appropriate public action.

My story also indicates that my interests in preserving the past imply a rather narrow definition of 'heritage'. I shall confine my attention to historical artefacts both moveable (such as pictures) and immovable (such as monuments and historic homes) though I am well aware that 'heritage' to many of us covers also land areas of natural beauty and of scientific importance.

If the allocation of intellectual resources by economists is correlated with the relative size of different forms of economic activity, then heritage would be low down the list of priorities. 'Cultural economics' is outside the mainstream of economists' activities being rather a 'cult' subject. As I shall argue shortly, there are both supply and demand constraints in the 'market' for the 'product' of cultural economists. Nevertheless, growing public awareness of the impact of the built environment on our daily lives and public concern at the effect of economic and social change on the stock of cultural assets which we shall bequeath to future generations draw attention to important economic issues. Criticism of national accounting systems that offer only economic measures of welfare are widespread, though these may emanate primarily from the relatively rich and cultured. An international cultural demonstration effect is manifested in attempts to draw up 'cultural league tables' normally based on public expenditure on the

arts, though these are particular favourites of cultural producer interest groups seeking to shame governments into more generous funding. A more acceptable international dimension to heritage problems lies, perhaps, in the concern which nationals of one country may feel for the preservation of artefacts in other countries, Venice being the prime example. Having established, that the economics of heritage is worthy of attention and presents some fascinating intellectual problems. I must stress that their solution may mean risking close encounters with powerful, articulate, cultural interest groups.

My lecture offers the following agenda. It is useful to begin by saying a little about the problems encountered by cultural economists in obtaining recognition of their role both as analysts of cultural activities and as a source of advice on policy questions. I shall then outline the characteristics of heritage 'supply' as a prelude to offering some views on the 'welfare economics' of heritage. In subsequent sections, and with special reference to financial and organisational questions, I suggest the modifications of official policies which would be required to accommodate my opinions.

The Dilemma of the Cultural Economist

Cultural economics, the study of the 'markets' for the visual, performing and creative arts, has only recently become an established discipline, now recognised by a separate category in the famous *JEL* classification and boasting a Journal.¹ At the same time, it has to be admitted that cultural economics is still rather a 'one-off' pursuit by economists who are specialists in well-established disciplines with reasonable career prospects, such as consumer theory industrial economics, labour economics and public finance. Indeed, it has often been a sideline of economists with artistic or musical tendencies who have found themselves consulted by foundations or governments concerned about some particular difficulty in funding the arts. In the UK and, I suspect generally, employment of economists as experts on cultural matters even on a consultancy basis has been strictly limited. All this is in sharp contrast with the growth in the demand for economists as

¹ The first collection of articles on the economics of the arts appeared as late as 1976: see Mark Blaug (1976). The first extensive review article in English appeared only this year in *The Journal of Economic Literature*: see Throsby (1994).

teachers and researchers, as practitioners engaged in analysis and forecasting in private industry, trade unions, professional organisations and government.²

It is obvious that the supply constraints on being a cultural economist are considerable, but less obvious perhaps are the demand constraints. These have their origin in what I shall call the ‘Ruskin’ syndrome. Ruskin, as is well known, was an implacable opponent of the Classical economists from Smith to Mill. He rejected their analysis, on ‘scientific grounds’—people were not as they described them—and on ideological grounds—he associated classical economists with the sole objective of the pursuit of wealth.³ He had a point about the bias in political economy towards accumulation of wealth, but his conception of the nature of economic choices was wholly misconceived as Lionel Robbins demonstrated in his famous first book.⁴ The legacy of Ruskin is the denial of the scarcity problem as a necessary human condition, or at least the affirmation of the proposition that ‘artists’ should be immunised from economic realities, both because of the purity of their motives and the importance of their product.

There is a related strand in Ruskin’s thinking, still widely supported today, and namely that judgment of artistic products depends primarily on the expertise of those with professional knowledge of painting and architecture. This is in direct contrast to the economist’s view that the ultimate judge of the value of productive activities is the consumer. However, as we shall observe later, in making judgments about viewing or possessing works of art, it is perfectly in tune with the doctrine of consumer sovereignty that consumers should seek information and advice, based on the judgment of those who have a specialised knowledge of art.

There is a further point about the Ruskin tradition. Convinced of the

² The succession of agencies and departments of government concerned with the Arts contained no economists appointed as such until 1993, when the Department of Heritage appointed one. Economists have not infrequently served on boards of management of arts organisations, examples in recent years being Wyn Godley, Lionel Robbins, Basil Yamey and the lecturer. The link-up between his discipline and the visual arts is to be found in Basil Yamey’s scholarly and admirably illustrated *Art and Accounting* (1989).

³ See Ruskin (1887), (1890). Amongst important figures interested in architecture and heritage who echo his views, one notes Patrick Geddes (1885) and Lewis Mumford (1938). For a useful account of Ruskin’s views on political economy though containing a rather dated assessment of Classical economists see Fain (1956).

⁴ Robbins’s refutation of Ruskin and Carlyle’s position is crucial to the development of his thesis that the attainment of non-material ends requires resources which have alternative uses. See Robbins (1932).

rightness of his case against economists and what constituted his ideal of how production should be organised and how tastes should be formed, he had recourse to the most high-flown rhetoric.⁵ The tradition of using rhetoric to persuade those who need persuading, notably politicians and patrons, has persisted. In contrast, we economists rather look down on rhetoric. We put forward propositions about human behaviour which are engulfed in models which offer conclusions for which we seek empirical tests. The nature of our subject means that the results we achieve are tentative and are usually cautiously expressed. We cannot assume, however, that reason will triumph over rhetoric.

The Ruskinian rhetoric lives on today and is used unsparingly by the producer interests in the visual and performing arts in order to lambast successive governments alleged to be 'philistine' in nature and intention. This is the exploitation of a comparative advantage in histrionics which one can well understand though it has equivocal results, as I aim to demonstrate later in this contribution. (For a fuller account, see Peacock 1992). No better evidence of the continuation of the Ruskin tradition may be found than in a recent debate on the arts in the House of Lords. Speaker after speaker, many of whom declared an interest arising from their involvement as supporters of particular arts organisations, were anxious to show their commitment to all things beautiful, like Ruskin, and how those who contribute to our artistic heritage need as well as demand some special immunity from economic forces.⁶

I would not like to leave the impression that Ruskin and his latter-day followers should be pushed aside in any serious debate about the aims and objects of artistic policy. As is often the case, Marshall summed up the matter very well. The attacks by Ruskin (and Carlyle,

⁵ Particularly in Ruskin (1890).

⁶ Particular interest attaches to the maiden speech of Lord Menuhin, of which the following is a typical excerpt to compare with Ruskin: '(t)ake the issue of the free market with its release of dynamic energies, yet entailing untold suffering and sacrifice for all peoples, including our own, or the relationship of culture to crime. We know all about that from Hitler's Germany. Study the advantage of the prophylactic versus the merely therapeutic; or the confrontation between states and cultures and between many more such dualities which I must spare you today. But, to take only the latter—states and cultures—we are witnessing the proliferation of states and the extinction of cultures. In other words there are more national anthems—often commissioned of Englishmen with, no doubt, overtones of Empire—and less music. There are more bombs and fewer songs. What we actually need are fewer sovereign states and more autonomous cultures. It is time that the great trees in the centre of each cultured garden were tended and determinedly protected rather than that high, harsh walls be allowed to throttle the garden.' (See House of Lords: Official Report 26 January 1994).

too) were misconceived because 'command over material wealth' is not the prime motivation identified by the Classical economists:

money is general purchasing power, and is sought as a means to all kinds of ends, high and low, spiritual as well as material If the older economists had made this clear, they would have escaped many grievous misrepresentations; and the splendid teachings of Carlyle and Ruskin as to the right aims of human endeavour and the right uses of wealth, would not then have been marred by bitter attacks on economics based on the mistaken belief that the science has no concern with any motive except the selfish desire for wealth, or even that it inculcated a policy of sordid selfishness. (See Marshall 1890)

As the very end of his famous Appendix C, he turns the argument round and adds: 'as the imitators of Michael Angelo copied only his faults, so Carlyle, Ruskin and Morris find today ready imitators, who lack their fine inspirations and intuitions'.

What is relevant to this contribution in the on-going debate is that economic analysis applied to the conduct of heritage policy must take account of what looks too much like a dialogue of the deaf. This is unfortunate for I believe that as economists we have something important to learn about our own subject from the professional experts on heritage, notably in regard to the formation and evolution of artistic tastes as the complement to making individual choices, which requires us to consider the implications of dropping the normal assumption in our economic models that tastes are given. Likewise I believe that arts pundits must come to terms with the fact that what they regard as expertise in matters of taste comes down in the end to subjective, if informed, judgments which cannot be allowed to go unchallenged.

The Supply of Heritage

The definition of the output of a particular sector of the economy presupposes some physical characteristic (e.g. cars, pounds of butter) or similarity in services (legal, medical services) usually implying that these are regarded by consumers as close substitutes. The output of historical artefacts is associated with a heterogeneous range of objects from fixed-site historical buildings, often ruins, to moveable paintings and sculpture though even the fixed/moveable distinction may be blurred.⁷ Probably the common characteristic in heritage is fixed

⁷ An interesting example is provided by famous ships such as *Victory* and *Discovery*.

location, whether it be a historic home or a museum; and the location itself may be part of the output as in the case of the Roman Wall or a battlefield.

A Beckerian⁸ way of regarding heritage is rather as one might regard justice, that is to say as an intangible service increasing the utility of consumers, in which historic buildings and artefacts are inputs. This emphasis on the consumer as the 'producer' of his/her own utility with possibilities of substitution between heritage inputs modifies any view of the 'locational' nature of heritage output, because of the growing influence of technology on its supply. Video tapes of guided tours of historic homes and reproduction of pictures offer the possibility of benefits from heritage output without visiting their location, though I agree that, as in the case of taped music and drama, there may be a strong element of complementarity between 'live' and 'canned' methods of transmission of viewing artefacts. I shall consider later the question of how technology may affect one's view of the 'future of the past'.

Heritage production has some unusual features:

1 A large proportion of artefacts are not produced with the idea of reminding us of our past, although there are important exceptions in the case of public buildings and memorials, particularly war memorials. They become identified as heritage goods usually by archaeologists and historians who have obtained some form of official recognition or public acceptance of their status as experts in determining their artistic or historical significance. These experts exercise a pronounced effect on the accretion process which is reinforced by their influence as holders of senior positions in the heritage services which are provided by public institutions not normally subject to market forces. However, freedom of entry into the heritage business does offer them employment opportunities in advising private producers who frequently occupy a 'niche' position in the heritage trade, as in the case of museums specialising in exotica such as vintage cars and whisky production. The lines between expert-led definition of heritage, antiquarianism and Disney-type fantasies is not one that I would care to have to draw.⁹

⁸ Following the methodology of the Nobel Laureate in Economics, Gary Becker, in *The Economic Approach to Human Behaviour* (1976).

⁹ For a strong attack on the 'phoneyess' of much of the development in 'heritage' output, see Robert Hewison (1987). However, I have heard the view expressed by a director of a National Museum that the success of the heritage 'fringe' in attracting the public has had a salutary effect on the efforts of national museums to improve their image with the public.

2 The stock of 'significant' heritage artefacts, therefore, is by a process of accretion rather than by organised production. It follows that the potential stock of artefacts cannot be responsive to collective or individual demand for possession, a fact which gives rise to illicit practices such as forgery of works of art and robbery of archaeological sites and even 'invention of the past'.¹⁰ However, the perceived public interest both in increasing the range of heritage services available and in preserving them for future generations can accelerate the process of accretion by diverting privately-owned artefacts for public use by such measures as the official listing of historical buildings, by restrictions on the sale of works of art, particularly abroad, by fiscal inducements which oblige private owners to display historical and artistic treasures and by the offer of artefacts in lieu of taxes due, notably inheritance taxes. The justification for these interventionist measures in the name of the public interest is yet another matter for further discussion.

3 It is frequently claimed that heritage artefacts have important public good characteristics.¹¹ Certainly they provide examples of indivisibility, in the sense that viewing enjoyment by one person does not preclude similar enjoyment by others, though this is true only up to the point of congestion. My viewing of Edinburgh Castle does not restrict the view of other people and congestion is unlikely to be the same problem as, say, if one views a famous Rembrandt at a peak viewing time in a gallery. An important consequence of indivisibility is that if we measure output by individual visits to museums and historic sites, production costs fall as output increases, up to the point of congestion—as with roads. The second public good characteristic, that of non-excludability, may not be so prevalent. Certainly, the costs of excluding those not prepared to pay for enjoying the exterior architecture of a public building in a public thoroughfare could be prohibitive. However, when property rights in artefacts have to be protected by security arrangements of the kind found in a museum or gallery, it is clearly technically possible to price access to artefacts.

¹⁰ J. Geraint Jenkins (1992) draws attention to the importance of art history and archaeology for preventing the growth of myths about the past. For a brilliant exposé of 'inventions' of tradition, see Eric Hobsbawm and Terence Ranger (editors), (1983).

¹¹ For the application of public goods theory to the arts in general, see Peacock (1969). For a rare official example of the use of this analysis to justify public financing of heritage, see the review of museums and their performance in Australia conducted by the Federal Department of Finance, Canberra (1989).

Again, it is worth mentioning the complication introduced by technology. 'On the spot' video presentation designed to enhance enjoyment of artefacts together with sales of video-tapes are divisible services, and exclusion of non-payers can be achieved. The problem with 'canned' performance is that audio- and video-tapes can be copied and, while the seller may seek legal redress, detection is costly.

So far, I expect that those professionally concerned with heritage matters might be tolerant of how the economist describes their working world. But imagine their reaction to the kinds of questions that the economist would raise about attempts to define cost and production functions designed to throw light on the productivity and efficiency of their activities. This would require identifying units of output and valuing them in some meaningful way with which to compare with units of input to which factor prices are attached. Given that the heritage pundits could conquer their repugnance at the very use of terms such as 'productivity' and 'efficiency', they could draw attention to formidable difficulties of definition and measurement.

This may be illustrated with reference to museums and galleries (MGs) which have attracted econometric investigation.¹² The first obstacle is how to agree on the range of outputs and their relative importance. Perhaps agreement might be reached on a broad distinction between two kinds of output:

- 1 services to present generations, which may be sub-divided into permanent displays, exhibitions, publications and educational lectures; and

- 2 services to future generations reflected in acquisition conservation and preservation of stocks of artefacts whether on display or not and in associated research activities conducted both by museum and gallery staff and scholars.

The museologist will be on his/her guard when it comes to defining units of output, sensing immediately that the demand for such information is in order to make odious cross-section comparisons between MGs and comparisons of their performance through time. For example, the use of a performance indicator such as visitor attendance, whether or not adjusted for length of visit, implicitly concedes that the consumer is the judge of the MG product. Museum directors would certainly wish to see any such measure qualified by reference to some quality indicator determined by themselves. Econ-

¹² For a useful summary of evidence, see Heilbron and Gray (1993), Chapter 10.

omists tend to be suspicious when a profession becomes judge in its own case, particularly in the case of those administering institutions in receipt of public subsidy, but we should be careful here. The Fellowship of this august institution is based on peer group assessment and official grading of university economics departments, according to teaching and research capability, is carried out by professional representatives! And there is something in the argument that peer group assessment may offer useful information to the public which may aid their selection of heritage institutions that they would wish to enjoy and support. The problem of measuring the output of activities devoted to the benefit of future generations is even more acute. Recourse to a performance indicator such as the number of research enquiries is at best a very indirect measure apart from requiring aggregation of such a heterogeneous list of items. A rough compromise on the question of quality would be to select MGs according to some form of professional accreditation, a procedure which probably has the advantage of confining attention to MGs for which data are more readily available.

Heroic assumptions begin to abound when we extend enquiry to the valuation of output. Apart from the intrinsic objections of museologists to consumer sovereignty, a valuation based on what the consumer is willing to pay would be difficult to derive from data on admission charges which are normally highly subsidised. Apart from yielding results which might be difficult to interpret, the polling of visitors to MGs about their 'true' valuation of MG services must be an expensive operation particularly if registration of changing preferences is to be attempted.

Turning to inputs, an economist may be entering a minefield when enquiring about quantity and valuation of inputs, and their assignment to their various outputs. In the case of capital inputs, treading on professional toes will be the natural consequence of discovering, as is frequently the case, that MGs do not even have a complete inventory of their stock and valuation of stock is resisted—for reasons explored later. There is a presumption that if stock is not normally on display then, assuming that the stock is identifiable, it is assignable to services to future generations. Curators are likely to buy this proposition if, as is claimed, the display:stock ratio may be as low as 1:4. Conscious of the awkward questions to which this gives rise, Corporate Plans for National Museums refer to growing access to stock as a source, not

only of research material, but as raw material for educational outputs in the form of videos and TV programmes.¹³

Finally, the calculation of the volume and value of labour input is complicated by the importance in the heritage sector, including MGs, of voluntary service. It is well known that governing bodies of MGs and heritage bodies generally serve in a voluntary capacity whether appointed by Government, local authorities or as board members of independent MGs and bodies such as the National Trust. By way of illustration, it has been estimated by the Museums and Galleries Commission that in the case of the larger museums, several being National Collections, there are as many as 150,000 persons giving their services free, compared with a total employed staff of 68,500 in 1991. Independent museums, numbering now well over 1,000, rely even more heavily on voluntary help. Nor is such help confined to routine tasks but extends to conservation and restoration work.¹⁴ How are we to measure the opportunity cost of voluntary labour?

You will not be surprised to learn that economists seeking to analyse the motivation of MG Directors and how this affects the way they allocate resources have very sensibly relied on less recondite methods than those normally pursued by econometricians. Fortunately for me, I believe that my fellow economists have produced enough indirect evidence which, together with extensive examination of official statements on policy, enables me to avoid having to rely on elaborate testing procedures as back-up to my policy recommendations.

The Demand for Heritage Services

In considering the demand for heritage services, it is convenient for me to move closer to policy matters by invoking the doctrine of 'consumer sovereignty'.

One can identify two 'general' markets in which individual purchasers operate. In the first, individuals purchase artefacts which offer both consumption benefits—a psychic return from viewing and possession and impressing others—and investment opportunities accruing to both the owners and their heirs. No obligation is necessarily recognised to

¹³ A particular emphasis on this use of undisplayed stock is found in the comprehensive Corporate Plan (1994–2000) of the National Maritime Museum.

¹⁴ See Museums and Galleries Commission (1993).

offer accessibility to others who might enjoy them. In the second, historical artefacts are bought with the clear intention of providing satisfaction to viewers, though this distinction cannot be clear-cut in the case of private owners who both enjoy consumption benefits and may also offer the public limited access to viewing their artistic treasures, usually in return for a charge. There is obviously a close link between the two systems as found, for example, when private purchasers compete against state and municipal museums in the markets for Old Masters. I concentrate here on the second general market.

Figure 1 (see Appendix) may be of help here. It is a schema identifying the sources of funding in this 'market', recognising that, eventually, all funding is derived from private individuals, even that from firms, although firms are separately identified as an 'original source' (see column 1).¹⁵ I shall not attempt to explain all the flows and decision-makers, which are identified in the Appendix to this Lecture. You might imagine that this diagram, complete with financial information would be immediately available as policy background, but in fact it is only possible to offer data corresponding to each flow for the final column—and only then after much digging and guesstimating. I have attempted this in Table 1 (see Appendix) but only for one past year. I cannot therefore say much about the trend in the relative importance of private and public direct funding of heritage services.

Before I comment on the flow system, I should perhaps outline what I mean by the doctrine of consumer sovereignty. The first essential point I would make is that it assumes that the consumer has freedom to choose how to allocate his/her resources amongst goods and services which are on offer in the form of competing alternatives. I do not envisage that the optimal economic system is one described by a static Walrasian equilibrium in which entrepreneurial activity is virtually eliminated. Entrepreneurs are led by constantly altering market conditions to satisfy consumers by product and process innovations. I see competition as a dynamic process in which, equally, consumers' preferences do not remain fixed but in which an important element in consumer satisfaction is revising their preference patterns.

Both producers and consumers are making choices subject to uncertainty. So far as the latter are concerned, they may not know precisely how far particular combinations of goods and services may affect their utility

¹⁵ The schema is based on an earlier one used by Peacock and Godfrey (1973) displaying the sources and uses of finance for art organisations in general.

and may have to consider the costs and benefits to them of investing in information. Such economic calculation may rationally entail having others choose for them, but always subject to some form of agreement or contractual arrangement which preserves their freedom to reject vicarious choices. Additionally, consumer satisfaction may take account of the welfare of others which can entail mutual co-operation in the process of resource allocation; in other words, 'externalities of consumption' can be incorporated within my essentially 'liberal' presuppositions about welfare. Clearly, I am setting the stage for consideration of cases where the performance of the market is compared with the performance of alternative arrangements for delivering heritage resources, but I also stress the point that I do not consider myself bound by an appraisal which is founded on the restrictive tenets of Paretian Welfare economics.¹⁶

Before anyone suggests that I am peddling some dubious commercialisation of the heritage 'market', let me examine a little further the implications of some 'consumer-driven' system of delivery of heritage services.

First of all, there is a deep-seated interest in past events and artistic activities and their symbols—historical artefacts—which is reflected in demand for their public availability and, by implication, for their preservation. We cannot in any meaningful way adjust the data to demonstrate this fact to fit with a competitive pricing model of the kind which would meet the conditions of consumer sovereignty, but it is not without interest that payment for viewing heritage attractions has certainly not deterred the growth in visitor numbers and that these numbers have increased at much the same rate as visits to those suppliers of heritage, principally museums and galleries, which do not charge for admittance.¹⁷ An interesting hypothesis (see Wolf 1970, Pommerehne and Frey 1980) suggests that the utility of preserving the past increases with age particularly in an era of rapid economic and social change, for such change reduces the stock of cultural knowledge and attacks the identity of older people. One might add that this hypothesis supports the view that demand for current benefits from preserving the past will increase with the ageing of the population. The potent force of nostalgia offers a corrective to the common view amongst economists that 'bygones are for ever bygones'.

Secondly, our model does not rule out 'interdependent' utility

¹⁶ For further discussion of the 'restrictive tenets' see Rowley and Peacock (1975).

¹⁷ For evidence, see National Audit Office (1993) and analysis in Eckstein (1992, 1993).

functions which would make preservation of the past also a function of the utility derived from conferring its benefits on both present and future generations. I shall only deal briefly with the familiar arguments presented by cultural economists.¹⁸ There may be an 'option demand' exercised even by those who never go near a museum or castle. Even those who have no intention of visiting the Tower of London might suffer a loss of satisfaction if it were destroyed. A more tangible example is provided by the desire of even culture-averse parents to see that their children have access to education which embodied the arts postulating an 'investment in the quality of choice' which welfare economics finds difficult to handle. In the case of future generations, a mixture of motives may affect the demand for preservation. Rich donors may wish to influence the amount and composition of historical artefacts available to future generations because of the desire to achieve immortality. The less exalted financially may feel uncomfortable at the thought that future generations might curse us for destroying artefacts which can never be re-created.

A more interesting question raised by interdependent utility functions is the mode of delivery of heritage services designed to achieve these 'externalities' of consumption. It has been noted that heritage services attract a large amount of voluntary service, whether in the public or private sector. The volunteers themselves presumably derive utility from such service to others, whereas those who receive heritage services have them supplied at a cost less than would otherwise be the case. Voluntary provision would supplement market incentives and there would be no presumption that government intervention would be necessary. The other striking instance of voluntary transfer of resources to benefit others is in the form of gifts of historical artefacts. There is clear evidence from the conditions of bequest that the perceived benefit of 'immortality' is a potent force in the voluntary transfer of historical artefacts. Moreover, the immortality motive may very well influence donors to prefer public authority suppliers of

¹⁸ Don Fullerton (1991) in his useful exposition of interdependent utility functions embodying the Arts in individual welfare functions claims that the intellectual support derived from his argument for public funding of the Arts has a greater appeal to economists than simple 'public goods' arguments. Typically, Ruskin in his *Seven Lamps of Architecture* (1903 Edition) makes an emotional appeal: 'It is again no question of expediency or feeling whether we shall preserve the buildings of past time or not. *We have no right to touch them.* They are not ours. They belong partly to those who built them and partly to all generations of mankind who are to follow us'.

heritage services whose chances of survival are greater than private institutions and who are more likely to be able to accept conditions which require that gifts are not sold. A very large proportion of the stock of paintings and sculpture in our public institutions are gifts. Some might argue that without public authority institutions willing to act as guardians of such gifts, heritage services would be under-supplied. Others might argue that this is not sufficient reason for public ownership and operation of heritage supply services. The supply of such artefacts may bear no relationship to the present-day preferences of consumers and the perceived preferences of future generations.

A much stronger case for public support and operation of heritage services is derived from the 'free rider' problem which besets a market solution to the problem of taking account of externalities of consumption. I may be willing to finance education services directed at expanding knowledge of art and architecture and to finance preservation of historical artefacts which will benefit future generations in a way which increases *my* utility—provided others are willing to do the same. There are two problems here. Trying to raise the wind by voluntary subscription runs into the familiar difficulty that those who were not prepared to subscribe would still benefit, but, that, if there is escape for one there is escape for all, and the service could simply not be provided. In the pure public goods case, instanced in public buildings whose services are non-rival and non-excludable, it would be difficult not to support both public financing by taxation and public responsibility for provision of the service, it being an open question whether that provision means public operation of the service or some form of franchising or executive agency arrangement. In the case of education externalities, we are faced with a number of issues, of which the most relevant is whether the producer of the service, in either the private or public sector, should receive an ear-marked grant to promote interest and appreciation of heritage or whether public support should be channelled through the private consumer or representative bodies of consumers. This latter method would seem to conform more closely to my own scenario.

The relative size of public and private financing and of public and private production of heritage services cannot be laid down in advance. It would be a function of the 'arguments' in individual consumption functions which may change as tastes and incomes change, taking account of how individuals perceive the extent and nature of the externalities of consumption. This emphasis on the dynamics of consumption implies a concomitant flexibility in the response of

supply to demand. It would require a minimum of restriction on entry into the 'heritage business' and on the 'portfolio' of heritage products that producers would wish to offer to the public. To be more precise, it means questioning some of the conventional wisdom about who should attach the 'label' of heritage to particular artefacts and the extent to which individual suppliers are able to buy and sell such artefacts in accordance with their desires either to own them or to exploit them in response to market forces. This would not rule out efforts by private institutions committed to preservation of the past from trying to persuade the public to accept what is considered by the institutions to be 'good art' and the acceptance of a public interest in investment in the 'improvement' of choices could entail some public financing of institutions committed to that purpose in order to improve the flow of information to the public. Also where private persons or institutions tried to restrict access to the enjoyment of artefacts which were widely recognised as of great historical interest, it might be necessary to remove such restriction in return for some form of compensation.

The application of these broadly stated principles will be illustrated with reference to current policies in the UK but it may help us to gain perspective if I try to translate them first into the modifications suggested in our 'flow of funds' system.

A preliminary difficulty in illustrating the changes is that our principles implicitly question the structure of government itself, particularly the division of responsibilities between central layers and local government. It would clearly be more in accord with the principles enunciated above that individual voters/taxpayers should be more directly involved in the decision-making process in regard to cultural matters, offering an argument not only for administrative devolution, which characterises the official production of heritage services, but also for fiscal and legislative devolution.¹⁹ National heritage is not an

¹⁹ Swiss experience with 'direct democracy' through the use of referenda offers useful insights into the public participation in the process of government. As Frey (1994) argues, referenda à la Suisse are not plebiscites but embody procedures which ensure both that the public are involved in pre-referenda debate and that the referenda themselves offer protection against politicians' coalitions which prevent the public from having access to the political agenda. Also as Frey and Pommerehne (1989) record, of 1701 referenda conducted in the Swiss municipalities between 1950 and 1983, no fewer than 108 concerned cultural matters. The results are counter to the accepted proposition that culture would 'suffer' if expenditure proposals are put to popular vote. On the contrary cultural expenditure rose at a faster rate than municipalities' expenditure as a whole over the period in question.

indivisible whole but may have strong regional dimensions to it. Moreover, as public choice theorists have argued, federalist forms of devolution of power may promote healthy competition between fiscal authorities, making them more responsive to voter/taxpayer pressures. I promise not to bore my audience by a digression on my views on devolution of power, but perhaps I can convince those who regard heritage problems as marginal to our major economic and political concerns that they do raise rather fundamental problems about public finance. While not logically constrained by our present system of delivery of public services, my later discussion assumes that we are saddled with our present centralist democratic system, though not necessarily displaying the same rigid control over local finances from the centre as exists at present.

So far as the supply of finance is concerned, one would expect that much more emphasis would be laid on financing by individual transfers, translated into charges, subscriptions and sales. This would give consumers much more direct control over the direction of heritage services. However, this would not rule out the use of tax incentives to both individuals and firms which would match payments made to heritage suppliers. The point to make here is that the 'tax flow' to support direct government financing of heritage services may be reduced but this would not reduce the amount of tax paid, which would have to reflect the tax concessions designed to promote heritage spending.

Turning to the allocation of finance, one would envisage a shift in the proportions of finance by both central and local government between direct support for heritage suppliers towards public financing of households or associations of households, for example through voucher schemes.

It follows that spending on heritage would radically change towards a much greater proportion of 'market-oriented' finance, whether or not the heritage supply is publicly or privately provided. That would not preclude direct public subsidies from public budgets and the newly established National Lottery to support capital expenditure justified by 'public goods' arguments and 'research services' supplied by heritage suppliers which supply uncovenanted benefits in the form of improved methods of identifying, preserving and displaying heritage artefacts.

Following my earlier argument about the structure of government, it would seem logical to reconsider the proportion of heritage supply delivered by public institutions with the object of matching improve-

ments in allocative efficiency through the operation of more consumer choice with 'technical' efficiency, that is providing given outputs at minimum cost. In principle at least, heritage services without pure public goods characteristics could be privatised in one form or another, but with activities regulated and possibly subsidised to conform to heritage objectives. Privatisation need not require that previously publicly provided services should become profit-making enterprises. They could be operated as private trusts, like the National Trust. Extensions in heritage provision in response to policy requirements might take the form of franchise agreements with private institutions. Publicly operated services which do not justify financing their operations mainly by pricing could be put out to competitive tender, as in the Executive Agency arrangement favoured by the present Government and actually in operation in the case of Historic Scotland.

Rather than draw up a blueprint for heritage provision, which might extend to the performing and creative arts as well, which would be merely a gleam in one's eye and not in the eye of many others, I shall try to keep a dialogue going with those concerned with cultural policy. I am sure that they would find it hard to countenance institutional changes of the magnitude that would be compatible with a consumer-driven system. I shall assume that any policy changes emanating from economic analysis must take it for granted that we shall continue to live in a highly centralist democracy and that attempts to meet the canons of consumer sovereignty are subject to the constraint that major national heritage institutions such as the British Museum and National Gallery would continue to be public institutions. This would not preclude a change in the relative proportions of public and private financing.

Heritage and Public Policy

Public Participation in Decision-Making

My basic contention about the role of consumer preferences in the delivery of the supply of heritage services requires me to consider the rationale of the present methods.²⁰ The public transfer of resources to support heritage 'production' takes three general forms: (1) compulsory exactions, i.e. taxation; (2) voluntary payments in the form of admission

²⁰ I have been over this ground, in general form, before. See Peacock (1992).

charges, subscriptions and donations; and (3) regulation, such as controls over the ownership and disposal of heritage artefacts by private individuals. I shall relate my observations about public policies to each of these forms of support.

Taxation is justified on the grounds that it reflects the public interest which is safeguarded by voters' opportunities to elect those who approve government expenditure and revenue plans.

There is a division of opinion about the extent to which the democratic process, particularly in a centralist democracy, is an analogue to a pricing system characterised by competition.²¹ Chicago economists argue that the pattern of public expenditure reflects the influence of voters through the incentives given to politicians, anxious to remain in power, to reflect their wishes. Any attempt by politicians to impose their own preference patterns, e.g. believing that they have a more enlightened view of the public interest than the public itself, would be defeated in the polls or through pressure group activities to bring politicians into line. What the government carries out in the heritage field would simply reflect what voters want, for, if it did not, then political forces would bring about change.

The other view, that of the Virginian School, is that there are too many opportunities for politicians and public officials to use discretionary behaviour which makes it possible to delude voters or simply to ignore their preferences.²² I shall concentrate on only one example of this kind of opportunistic behaviour, associated with what is known as the 'principal/agent' problem. If voters are to judge properly what they should be expected to pay for any service, such as heritage, then they must have a clear idea what that service is, how its output is to be measured, and clear information on what it costs to produce it. However, the costs of obtaining that information are high and may involve technical knowledge about, say, what the government should pay for paintings or for restoration work. This is because whoever goes to the trouble to find out that information will provide benefits to others, but with no prospect that they will share the costs. Organising voter interests in specific items of expenditure is normally very difficult. Nor is there any incentive for those engaged in heritage production to volunteer such information, particularly if the result may be to question

²¹ For the Chicago position, see Wittman (1989), and for a perceptive critique of it see Tollinson (1989).

²² See various essays in Rowley (1987), notably those by Seldon, Niskanen and Tollinson.

what they are doing. If information is requested then there will be an understandable reluctance to provide anything more than what is actually asked for—which may not be what the enquirer really requires in order to make a rational choice. In such circumstances public choice theory would argue that the ‘objective function’ of those engaged in heritage provision will reflect the tastes and preferences of the public official rather than that of voters.

I can imagine the various organisations concerned with heritage matters in the UK being rather puzzled by any suggestion that they act in an arbitrary and capricious manner, and ignore completely those who supply their funding. Moreover, they have recently been subjected to detailed scrutiny given the emphasis now being placed on Citizen Charters and the influence these must have on their various Mission Statements. The strands of protection offered the public can be baldly summarised as follows:

1 Public expenditure on The Built Heritage and National Collections, and on the various advisory bodies associated with them is fully set out in the Public Expenditure Plans for the Department of Heritage and equivalent authorities for Scotland and Wales,²³ and must obtain Parliamentary approval.

2 The accounting checks by the National Audit Commission which are available to the Heritage Committee of the House of Commons ensure that only authorised expenditures are incurred, with differences between budgeted and actual expenditure requiring explanation and justification.

3 There is growing use of ‘performance indicators’ in order to promote the aim of obtaining ‘value for money’, with investigations covering the whole range of advisory and executive bodies to which detailed expenditure decisions are devolved.²⁴

4 Where contracts, e.g. for restoration work, are concluded and franchises awarded, competitive tendering is encouraged.

5 Regular surveys are now conducted of public attitudes to heritage services and results published. Generally speaking these show growing interest in and appreciation of these services.²⁵

6 Decisions which impinge directly on the public, nationally or

²³ This is fully confirmed by the ‘new-style’ Annual Report (1994) of the Department of Heritage, which contains Government Expenditure Plans for the period 1994/5 to 1996/7

²⁴ See, for example, English Heritage: Corporate Plan 1993–7 section 6 (1993); also, for museums and galleries, National Audit Office (HC 841, 1993) p. 9.

²⁵ See, National Audit Office (HC 841 1993), Part 3.

regionally, are frequently taken only after a public enquiry or an open process of consultation.

7 The composition of the various advisory bodies and executive agencies includes persons appointed who are capable of gauging the sensitivities of the public to their activities.

There can be no doubt that the various heritage authorities pay increasing attention to the impact of their efforts on public tastes and preferences but the crucial point is that the public who are expected to benefit from these efforts have no direct part in setting the agenda for the development of heritage services primarily dependent on public funding. Such matters as the siting of publicly-funded museums, the choice of scheduled buildings which are to be saved and the purchasing policies of state galleries are not in the public's provenance. What must now be considered is whether the public have a legitimate claim to be involved in agenda-setting and, if so, how it should be exercised.

I apologise to non-economists if the point of departure of my discussion of this issue is a rather esoteric branch of public economics. Individuals may agree that there are circumstances where others may make more sensible choices of goods promoting their welfare than they can make for themselves. This will entail accepting a 'paternalistic' influence on their pattern of consumption which in particular instances can only be exercised by government provision or financing through taxation. Such 'merit goods' include, so it is claimed, national heritage.²⁶ We may accept that, when it comes to assessing the value of historical artefacts, there are those who have a claim to be much more competent than we are at choosing which sites and buildings should be preserved and which paintings and sculptures should be retained in national collections.

Whether voluntary acceptance of choices made by others on our behalf is a surrender of consumer sovereignty could involve one in a sterile debate. What is important in this context are the implications of the 'merit good' position. First of all, any 'merit good' has an opportunity cost and a decision as to its value has to be made with reference to the alternative uses of government finance to supply other goods, whether these are 'merit goods' or not. That decision has to be a political decision and can therefore be made subject to political processes which reflect taxpayer/voter preferences. The likelihood is that if

²⁶ For an authoritative review of 'merit goods', see Musgrave (1987). Musgrave specifically lists 'heritage' as an example of a 'merit good'.

we accepted the views of special interest groups promoting the merit goods which are claimed to be necessary for our welfare, the resultant claims on public expenditure would be wholly incompatible with each other. Experts in provision of heritage goods and services cannot decide for us how much should be spent on providing them but, at most, can advise on how to spend what resources are made available.

Secondly, once the allocation of resources for artistic merit goods is agreed, that does not make a case for the removal of the arrangements to ensure public accountability already adumbrated. One might note in this connection that part of the 'bargain' between those whose artistic values are allegedly superior to our own and ourselves is that one of their principal tasks is to reduce our claims on their expertise. That follows from their own justification of heritage provision as a method for improving individuals' evaluation of works of art.²⁷

But we are demanding more of our experts than technical judgments such as how to preserve buildings, and which artefacts are authentic and representative of different schools and so on. They must be able to distinguish between 'good' and 'bad' art if they are to help us to maximise an inter-temporal welfare function in which 'heritage' is to benefit not only present but future generations.

I suppose most economists would accept that aesthetic judgments are subjective, though prepared also to accept that an informed aesthetic judgment presupposes 'collateral information'²⁸ that only our experts can supply either from knowledge or practice of the arts. At least this would concede that experts are useful as advisers if not as decision-makers. I imagine that our more radical sociology colleagues would regard this as conceding too much. They would argue not only that there are no absolute aesthetic standards but that the only good art expresses some 'oppositional culture' (Marcuse) which 'improves' our lives through its challenge to conventional perceptions of sights and sounds.²⁹ Aesthetic judgments derive their status from the political attitudes they reflect and not from the reputation of those who can supply 'collateral information'.

²⁷ See, for example, English Heritage: Annual Reports and Accounts (1992–3) pp. 31 *et seq.*

²⁸ The term is derived from Gombrich (1979). For an economist's defence of a 'certification' process as a method by which art specialists contribute to consumer information, see Mossetto (1993), Chapter 6. Mossetto emphasises that the specific demand by the public for 'certification' makes it unnecessary to invoke the 'merit good' argument as a way of justifying the role of art specialists.

²⁹ For a useful review of sociologists' views on art, see Wolff (1983).

I must dwell further on this point of the status of the expert. One might be impressed if there were some kind of aesthetic consensus amongst the pundits, but it must be emphasised that this does not represent some 'objective' judgment which can be verified by standard forms of scientific testing. It would simply be a coincidence of informed value judgments. In any case, anyone who has been engaged, as I have, in the allocation of funding for artistic ventures already will have come across copious examples of intense professional disagreement about which of those ventures to support. What is more, when a rough-and-ready consensus emerges, it may not be a stable one. The most striking example of such instability in the heritage field has been the sudden but relatively tardy recognition of the contribution of Victorian art and architecture. This shakes one's confidence in the ability of experts to make judgments now about the historical artefacts that future generations will bless us for preserving. The point about the forecasting of taste is beautifully made by Ernst Gombrich (1979).³⁰ When the Sheldonian was completed in 1679 and the ceiling was revealed, Robert Whitehall, Fellow of Merton, wrote a panegyric to its designer, Streeter, which contained the notorious couplet:

That future ages must confess we owe
To Streeter more than Michael Angelo

My case for public participation is that it offers a much more direct way of ensuring that the 'agents' take fully into account the views of the 'principals'. The experts have no absolute right to a monopoly of value judgments and it may even be in their interests not to claim that they are the guardians of arcane mysteries which only they are capable of understanding but have the opportunity not only to inform 'principals' but to persuade them that their judgments are sound.

I have known economists who would argue that having made this point, one should wave a hand in the direction of others to devise some suitable system but I believe that to adopt this position is to abrogate

³⁰ Gombrich's essay on 'Art History and Social Sciences' from which the couplet is taken, is essential reading for those seeking a defence of the authority of the art critic and historian, although he admits that he cannot and would not wish to plead the case for 'objective judgment' in artistic matters. His ensuing correspondence with Quentin Bell on 'Canons and Values in the Visual Arts' (See Gombrich (1979) pp. 167–183) is an exploration of the same theme of authority, conducted with a sensitivity and respect which is all too lacking in much intellectual discourse. They both eschew any form of dogmatism. As Quentin Bell puts it, they both 'sit on the fence', adding 'intellectually a fence does not make a very comfortable seat; but it affords a wonderful view of the scenery'.

one's responsibility. At the same time, I am not sure that I know how participation should be organised. I have two tentative proposals. I am well aware, having been an example, that 'lay' persons officiate as members of cultural quangos. I have no objection to this system, except that I consider that all posts of this kind should be publicly advertised, even if governments in power, suitably advised, regard it as their prerogative to make such appointments. My second proposal is that where the public are invited to identify themselves with heritage concerns, as they are by becoming 'friends' of English Heritage or Historic Scotland, their subscriptions should entitle them to elect representatives to the appropriate quangos. Friends are no longer simply well wishers but shareholders. To those who see this as the thin end of a large wedge to be driven into the system of heritage governance, I answer that they are right—as I shall now demonstrate.

Pricing Services

The issue of the pricing of heritage services, notably in the case of museums and galleries, is one which clearly demonstrates the gulf opened by Ruskin between the economists and the art experts. Throughout the existence of the Museums Association started over 100 years ago, there has been implacable opposition to even small admission charges,³¹ that is until fairly recently. While there are still influential figures who see charging as breaking some fundamental but inscrutable principle, the combination of financial pressures and the competition from private museums having to rely mainly on entry charges has begun to lead to more reasoned discussion of the issues. Indeed, now in a position to choose, eight of the nineteen national museums (i.e. those directly funded by central government) charge for entry, quite apart from charges for special exhibitions—a practice which has always been considered acceptable.³²

The Museums and Galleries Commission takes a neutral stance on charging, and prefers to summarise both sides of the argument, though

³¹ The history of the museums movement is summarised in Geoffrey Lewis (1989), formerly Director of Museum Studies at the University of Leicester. The work also includes a very useful bibliography. The Museums Association began as an association of municipal museum curators but later became representative of all national, private and municipal museums.

³² For commentary on the 1970s controversy about government proposals for charging, see Peacock and Godfrey (1974).

it is careful to preface discussion with the words: '(m)ost people working in UK museums would instinctively prefer to see no charge made for admission' (Museums and Galleries Commission, 1992, p. 45). The traditional objection remains, that charges conflict with the 'externality' arguments for access to heritage services, by deterring the poor and uneducated. Charges may break contracts with past donors of artefacts who gave them on the understanding of free admission, and may offer a disincentive to future donors. A more subtle argument is that raising the supply price will not only reduce attendance, which is contrary to their educational objectives, but also produce a concomitant fall in trading revenue from museum shops and restaurants.

Experience with charging, notably by private museums, produces counter-arguments. What should be borne in mind is service to the public which is best engendered by direct payment by the public itself, although discriminatory pricing can be used in order to attract the poor and uneducated and concessions offered to regular visitors, and so on. Introduction of charges, it is claimed, results only in a temporary reduction in attendance. They provide a useful source of income by which to improve visitor facilities.

The discussion on admission charges opens up much wider issues, but before I turn to these, I must mention an argument for zero or near-zero admission charges which is derived from economic reasoning. This is the familiar 'decreasing marginal cost' proposition. In the case of museums, at least up to some undefined point of congestion, an extra visitor imposes no extra cost on the museum or gallery; therefore, consumer welfare is maximised by zero pricing or, taking account of losses incurred by the pricing rule, for example by some Ramsey-type pricing which minimised the loss of consumer welfare while covering average costs.³³ I need not rehearse the arguments which economists have used to question the applicability of the price = marginal cost rule, though it appears that some authorities have clung to it if only because it seems to offer 'scientific' backing to the case for zero pricing.³⁴ In this context, as already mentioned, the multi-product nature of museum output offers a considerable compli-

³³ For the application of the marginal cost = price rule to museums and galleries, see Martin Feldstein (1991).

³⁴ In his impassioned attack on pricing museum services, Sir David Wilson, formerly Director of the British Museum, refers to 'serious economic arguments which are too complicated to rehearse' which support his case. See Wilson (1991).

cation, particularly if museums are to be regarded as important sources of advice on the identification and preservation of heritage artefacts, as well as vehicles for their display.

The wider issue is that the relation between the output and the resource inputs for museums and galleries is not solely determined by technological factors but by behavioural and institutional ones. This characteristic, which is shared with other producers of services, has excited the interest of the so-called 'new institutional economics' which has used economic analysis to explain behaviour within firms and similar institutions, including non-profit making concerns.³⁵ Museum authorities supporting charging have normally considered it to be only a supplementary source of income, at least in the case of the national museums, and not as a means by which museum activities would become 'consumer driven'. As my previous argument suggests, in cases where the major source of funding remains government, then the opportunities open to discretionary behaviour on behalf of the directors of museums give them considerable influence over their own 'objective function', and, by implication, over the allocation of the resources available to them.

As I have already indicated, economists have had some difficulty in testing hypotheses about discretionary behaviour by direct enquiry. In the case of museums and galleries two well known cultural economists, Frey and Pommerehne,³⁶ have sought evidence in the widespread incidence of what might be called the 'Prado disease'. In 1992 it was revealed that out of nearly 20,000 objects in the Prado Museum, Madrid, less than 10 per cent were on display, and the authors believe it is safe to say that the display/stock ratio in most European state museums is rarely more than 1 to 4. What accounts for this low ratio? While there would be considerable problems in arriving at a balance sheet evaluation of stocks of artefacts, they must have an opportunity cost represented by estimated sales value. Stocks realised could provide funds for developing museum services

³⁵ For a useful introduction to this aspect of institutional economics, see Ricketts (1994) Chapter 11. Applications of the theory of non-profit enterprise behaviour to the field of cultural economics have largely concentrated on the performing arts. For a short review of this literature, see Peacock (1994).

³⁶ In their pioneering work (1989), which makes a bold attempt to analyse museum directors' behaviour. For a racy account of the ambiguities in museum policies, see Grampp (1989) Chapter 5. For a complementary analysis by an ex-gallery curator, see the forthright views of Phillip Wright in Vergo (ed) (1989).

of all kinds, including a change in the composition of the stock itself.³⁷ Certainly it would appear to be in the consumer interest to allow changes in the size and composition of stock, subject to a constraint on items considered as an essential part of the national heritage.

One obvious explanation is that directors are simply prohibited from deaccessioning by law and inhibited from selling or exchanging past gifts given on the understanding that they would not be disposed of. However, this is not a credible explanation, for such inhibitions are generally supported by museum directors themselves and our government has merely codified their wishes. Likewise, disposal of gifts is frowned upon, if only for the practical reason that this may reduce the future flow of private gifts.³⁸

The explanation of Frey which complements my general thesis is that once the stock becomes 'monetized' and directors have to advise on the buying and selling of artefacts, their performance becomes easier to evaluate. This is on all fours with the use of charging as a device for measuring the director's success in interesting a public who might otherwise be spending money on alternative cultural experiences which have to be paid for, such as visits to the theatre or concert hall. As Frey puts it '(a)s long as the criteria for evaluation are exclusively of an art-historic kind, the museum community is to a substantial extent able to define its performance itself'.³⁹

However, this leaves open the matter of the criteria of success which museum directors themselves recognise as important. I hazard the explanation that reputation with one's peer group is of particular importance. Apart from any inherent satisfaction in being of good professional standing, reputation may determine long-run promotion prospects so long as professionals have a major say in the selection process. Professional judgment has an important bearing on the deaccession issue. Historians of art will judge a museum not only by its

³⁷ Apart from anything else, museums should at least have a complete inventory of what they possess, a requirement which would be reinforced if valuation of stock was insisted upon. Grampp (1989) gives some poignant examples of cases where museums have not known what has been missing from their collections until the police recovered missing items.

³⁸ For an alternative view, coupled with some acute observations on the deaccessioning issue, see Elliot (1994). He is particularly critical of the strictures of the Museums Association, which would like to operate a register of museum disposals with a view to severely limiting deaccessioning.

³⁹ His conclusion to a fascinating analysis of the possible reasons why museum directors are infected with the 'Prado Disease'. See Frey (1994/6).

display but by its stock as an accessible research archive. The more comprehensive the stock, the more the director is immune to changes in professional judgment and also the more able to alter the display according to the influence of artistic views on which artefacts best represent our national heritage. (S)he is like the risk-averse investor who holds on to a widely diverse portfolio and who only alters its composition by additions which are small in relation to the total stock.

If, as I have argued, public participation in the heritage agenda is desirable, then this calls for a radical change in the organisation of our national museums, who are important leaders in the heritage business. Following my previous argument, I would prefer to see them operate as independent Trusts, like the National Trust, with Trustees appointed not only by the government but also by local government and by representatives of a subscribing public, who might even be in a majority.⁴⁰ The Trusts would receive public funding reflecting the 'externalities' already outlined, notably those reflecting the educational value of museum and gallery services which would allow discriminatory pricing through 'free days' and 'free tours' for targetted groups such as schools. Government current financing would represent a much smaller proportion of total revenue than at present. However, an initial endowment could be provided through the proceeds of the National Lottery.

This last proposal partly takes care of an objection to the Lottery itself raised by David Sawyer.⁴¹ Expenditure on the arts financed by a tax on the lottery is likely to be regressive because of the incidence of gambling by income group. Public attitudes surveys suggest that the relatively poor benefit more directly from museums and galleries than other forms of the Arts supported by government.⁴²

Although these proposals would give much more independence to museums and galleries, which may be welcomed by the more enterprising museum directors, they must be designed so that, in the long run, the concentration of services in the metropolis is reduced. This could take place either through an extension of the existing system of 'outliers' for national institutions or by local initiatives which offer the likelihood of being able to develop heritage services within this new financial regime.

⁴⁰ This proposal accords with an earlier one for privatised museums suggested by Douglas Mason (1991). He envisaged that privatised museums could be endowed with remaining government holdings of stock of privatised industries and with gilt-edged stock.

⁴¹ See Sawyer (1993) in his strong attack on most forms of government funding of the arts.

⁴² For review of the evidence, see Towse (1994).

Regulation and Heritage

I deal only briefly with the issues raised by the regulation of trade in works of art and heritage buildings. The major object of such regulation is to control the 'stock' of heritage artefacts. The two methods are (1) an elaborate process of listing buildings and archaeological sites and scheduling them for preservation with associated regulations requiring owners of properties and works of art to conform with the scheduling requirements;⁴³ and (2) controls over the exports of works of art.⁴⁴ In line with my previous argument, I concentrate on the implications of greater public involvement in the 'heritage agenda' for the regulatory process.

Once again there might be some puzzlement on the faces of those who are in charge of such regulation concerning their guardianship of the public interest. Our regulations governing the export of works of art are the most liberal in Europe, so that the arts market can live with the existing regime.⁴⁵ In listing and scheduling homes and offices, there is little evidence that regulation has resulted in any major effect on the economic values of property. The number of properties affected by listing and scheduling (Class I) represents only 2% of the total property count. What evidence is available indicates that the value of commercial properties which are listed is not substantially affected by preservation orders.⁴⁶ To the extent that preservation imposes costs on home owners and others, an elaborate system of incentive grants induces them to conform to heritage requirements, though, as is reasonable in the case of historic homes at least, limited access must be allowed to the public.⁴⁷ Finally, the heritage authorities could employ the Chicago School argument that the evidence on public attitudes to national heritage supports the view that they execute policies in conformity

⁴³ For a detailed account of conservation procedures and practices, see the annual analysis of heritage trends conducted by the English Tourist Board (1993) and also English Heritage (1992) survey of buildings at risk. For critical appraisal, see National Audit Office (House of Commons Paper 132), 1992.

⁴⁴ For a brief outline of the method of control, see Department of National Heritage (Cmnd. 2511, 1994) pp. 64–5.

⁴⁵ This is apparent in the wide-ranging survey by Grampp (forthcoming) on comparative cultural heritage policies.

⁴⁶ See the study conducted by the Department of Land Economy, University of Cambridge, for the Royal Institution of Chartered Surveyors and English Heritage published by English Heritage (November, 1993).

⁴⁷ For further detail see English Heritage, Annual Reports, 1992–3 and Corporate Plan (1993–7).

with public demand.⁴⁸ Taking this last point, I wonder how far public attitudes would change if there were greater public participation in heritage governance and greater freedom for heritage producers in the acquisition and disposal of works of art. Certainly an economist of a more 'Virginian' persuasion would want to draw the public's attention to a number of points about the present arrangements.

Consider first the costs of heritage provision. The costs borne by the community in the form of taxation to finance public expenditure on heritage provision clearly understate the opportunity costs, even ignoring the costs imposed by regulation on those who have to conform to them. Naturally, English Heritage, Historic Scotland and the National Trust are concerned at the £20b road programme which the Government proposes to pursue in the 1990s. We can see this programme as an essential complement to the maintenance of economic growth which eventually generates increases in taxable incomes to finance government expenditure. Planning regulations leading to the diversion of roads in order to protect archaeological sites and conservation areas may well yield economic as well as other benefits to the public, but the resource costs of diversion must be considerably more than the costs of survey work funded by the Department of Transport and various heritage authorities.⁴⁹ The implication of a policy which assumes the public has to accept that we must find the funds to prop up every building or preserve every site identified now and in the future by the listing and scheduling process must be that these costs, largely hidden away in departmental budgets, would rise considerably.

Of course, as Nathaniel Lichfield (1988) insists, any cost/benefit analysis used as a decision tool in conservation work will not be operational unless it takes account of distributional as well as efficiency objectives. However, this important qualification only reinforces my argument. If distributional weightings are introduced into the cost/benefit equation to reflect the different interests of those affected by preservation orders, then it is already being conceded that the judgment of those who formulate and interpret preservation orders is not absolute.

Consider further the relation between regulation and the benefits

⁴⁸ See detailed studies of visitors' rating of heritage sites, museums and galleries in National Audit Office (House of Commons Paper, 841, 1993). An unpublished study of attitudes to national heritage prepared by Gallup for TRH The Prince and Princess of Wales's Office indicates public concern for preservation of historic buildings.

⁴⁹ See English Tourist Board (1993).

accruing from placing restrictions on alterations to buildings claimed to be of historic importance. I suggest that the 'public goods' element in such buildings applies more forcibly to exteriors than to interiors—to the visible contours and the setting rather than to the contents. I am not suggesting that this is a universal principle, but only that freedom should be given wherever possible to allow buildings to be adapted to present-day uses where they can be sensibly used for commercial and domestic activities. In any case, given the uncertainties in informed taste, particularly in the future, why should it not be possible for the exteriors of historic buildings to be enhanced by some modern development of their style instead of perpetuating what may be the stultifying effect of preserving to the last corbel the precise period style of buildings? Lord Gowrie makes the same point, using a graphic example:

Part of the fascination of Boughton House . . . the principal residence of the Duke of Buccleuch is that the family built a French-influenced chateau without altogether destroying the Tudor Boughton so the whole looks like a small village from the air. I see no reason why a contemporary Duke of Buccleuch should not be allowed to add a conformable 20th Century house, if he wished. I cannot see a Conservative Council or government giving him permission to do so. (Gowrie, 1993)

Finally, so far as moveable works of art are concerned, greater freedom in the disposal and sale of works of art in order to take account of changes in the amount and composition of heritage demand could have a considerable impact on the art market. One hopes that this would not be counterbalanced by tightening up the regulations on export of works of art, as a response to both internal and external pressures.⁵⁰ When art experts claim⁵¹ that our heritage would be 'up for grabs' if deaccessioning took place, we need to remind ourselves that a large proportion of the stock of moveable historical artefacts—Lord Gowrie (*loc. cit.*) puts it at 80%—are past acquisitions of the work of artists of other countries, not always acquired by the respectable method of purchase in a competitive market. A definition of 'heritage' may sensibly embrace understanding and appreciation of the artistic influences of other countries, but does not need to comprehend every canvass, etching or doodle by every artist featured in the rank-ordering of our art historians.

⁵⁰ On the EC situation, see particularly Giardina and Rizzo (1994).

⁵¹ See the detailed analysis of museology opinion on this matter in Grapp (forthcoming). See also Vergo (ed), Wright (1989).

Concluding Remarks

In this contribution I have tried to follow through the logic of individual choice to where it would lead in constructing a consistent and coherent policy in the provision of heritage services. In doing so, I have deviated somewhat from the strict requirements in welfare economics that we must assume fixed individual preferences, for this removes one of the essential characteristics of individuals' preference systems, the desire to make choice experiments which represents conscious acceptance that their preferences may change. Additionally, I have explored further than is usual the choice implications of interdependent utility functions.

I agree that these variations on choice theory make it impossible for me to prove that the policy changes that I have suggested represent an improvement in community welfare. This supposition is reinforced by my refusal to accept that the optimal output of heritage services is represented by some static equilibrium position or is illimitable as is implicit in the listing and scheduling system. My measure of improvement is crude and simple—the expansion of opportunities for individuals alone or in voluntary association to direct the provision of heritage services in a way consistent with their desire to learn and appreciate their heritage and to offer the opportunity for future generations to do likewise. This desire is wholly consistent with providing full opportunities for the cognoscenti to widen our horizons and to use their specialist skills to identify, preserve, restore and display historical treasures.

The essential point governing my policy proposals is that they cannot be fulfilled if the public at large are to be treated as passive adjusters to heritage services pre-ordained by their producers. This would subvert the aim of improving choices and would be inconsistent with the educational mission that producers themselves believe to be one of their most important functions.

I realise that I have gone well beyond the confines of discourse which economists normally permit themselves, at least nowadays, but a clear precedent was set by that remarkable figure in whose memory these lectures were founded. As we all know, John Maynard Keynes was deeply devoted to the arts, notably to the visual arts and theatre, supported many private ventures and was the founder of what became the Arts Council.⁵² He wished to see the public encouraged to enjoy

⁵² For evidence, see Keynes (1989) and also Mary Glasgow (1975). I review Keynes's views on state action to support the arts in Peacock (1993).

their artistic heritage whether in private or public hands, and also to be affluent enough to own their own artefacts, as well as enjoy the sight of those belonging to others, including the state. He was in favour of regional diversity in artistic developments.

He hardly commends himself to the conservationist. He once suggested that if artistic resources were not fully employed, then it would be worth knocking down the majority of buildings in South London next to the Thames and replacing them with the best of contemporary building and parks laid out like St James's. He was severely critical of the arts establishment. When in 1923 the National Gallery refused to purchase a Cézanne, he wrote: '(t)ime is a mighty one and conquers all things,—even the obstinacy, ignorance and bad taste of official custodians' (Keynes, 1989).

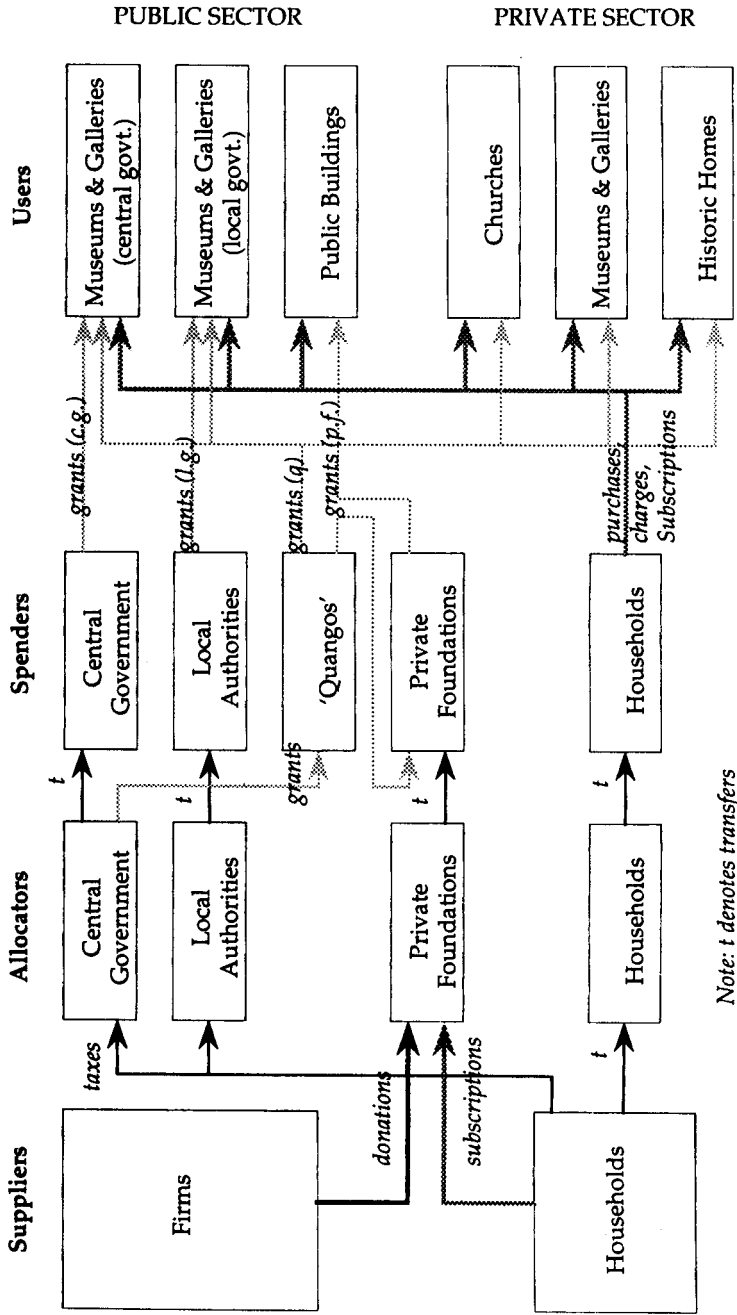
I support wholeheartedly Keynes's emphasis on the importance of encouraging public appreciation of the new additions to the stock artefacts, and not simply of the stock which we call our heritage. But whether one agrees with Keynes or not, our perspective as economists can only be improved by observing how our discipline can be applied in unwonted places, such as the provision of culture, and by exercising our right to enter the debate about artistic values, as Keynes did himself.

Note. A large number of persons have kindly offered me help in preparing this lecture, and I am particularly grateful to the following: Timothy Clifford, Jeremy Eckstein, Gerald Elliot, Ben Evans, Bruno Frey, Martin Kemp, Peter Longman, Douglas Mason, Graeme Munro, Robert Ormond, Jennifer Page, Hayden Phillips, Charles Ritchie, Peter Shipley, and Jocelyn Stevens. It will be evident from the text that I would be very foolish to commit any of them to my analysis and conclusions! I also acknowledge with many thanks the administrative help received from Ms Rosemary Lambeth of the British Academy and Ms Kathy Mountain of The David Hume Institute. Finally, I express my gratitude to the Royal Economic Society for financial support available through its small grant scheme.

Appendix

Introduction

This appendix has two functions. The first is to present a simple flow diagram (see Figure 1) which displays the sources and uses of finance devoted to heritage (as defined in the text). This requires the identification



Note: t denotes transfers

Figure 1.

Table 1. Sources and uses of heritage funding (£m), England and Wales 1991/2.

	Central Government	Local Government	Quangos	Households	Private Foundations	Total	%
Sources							
Grants	219	113	101	—	54	487	79
Charges	—	—	—	43	—	43	7
Subscriptions	—	—	—	35	—	35	6
Sales	—	—	—	49	—	49	8
Total	219	113	101	127	54	614	100
%	36	18	17	20	9	100	—
Uses							
Museums Galleries (G.G.)	—	—	—	52	—	259	42
Museums Galleries (L.G.)	207	113	4	?	—	117	19
Built Heritage	—	—	97	11	—	108	18
Museums Galleries (Pr. Sect.)	12	—	—	10 (?)	2 (?)	24	4
Historic Homes (Pr. Sect.)	—	—	—	54	52	106	17
Total	219	113	101	127	54	614	100
%	36	18	17	20	9	100	—

of the main groups of decision-makers responsible for providing and receiving finance. It further requires the identification of the different types of finance, thereby distinguishing between private financing (charges, purchases, subscriptions and donations) and public financing (grants).

The second function is to attach numbers to the flows for the purpose of revealing the relative importance of public and private provision of heritage services and of public and private financing of such services (see Table 1).

There are two important limitations in these data. The first is that it has only been possible to produce suitable data for England and Wales, at least for giving some indication of the roles of the public and private sector. The second is that very little information is available on the financing of private museums and galleries, at least in aggregated form. Even if one adopts a restricted definition of 'heritage' by reluctantly confining the definition of 'private producers' to those receiving some funding from government sources, it has to be admitted that the size of private provision is clearly an under-estimate. However, I do not believe that even a broad definition of private production would alter the conclusion in the paper that the public sector plays a dominant role in both the financing and provision of heritage services. The main sources of data are:

Eckstein, Jeremy (Editor), *Cultural Trends* Nos. 15 (1992), 18 (1993) and 19 (1993). Policy Studies Institute, London.

English Heritage, *Annual Report and Accounts* (1992–3), HMSO, London, 1993.

Myerscough, John, *The Economic Importance of the Arts in Britain*, Part I. 3. Policy Studies Institute, London, 1988.

National Audit Office, *Department of Heritage, National Museums and Galleries: Quality of Service to the Public*, House of Commons Paper 841, London HMSO, 23 July 1993.

Decision-makers

HOUSEHOLDS. Individual taxpayers who supply funding to the Government in the form of taxation, pay charges and subscribe to heritage suppliers and buy their products at heritage shops.

FIRMS. Firms are identified primarily as donors to Foundations. They also supply public revenue through taxes on business, but it could be argued that ultimately only individuals pay taxes.

PRIVATE FOUNDATIONS. The most important private foundation is the National Trust, which is the only one identified in Table 1. The National Trust is a major supplier of heritage services, which are financed directly by sales and charges and indirectly by members' subscriptions.

CENTRAL GOVERNMENT relies primarily on tax revenue to finance heritage services, some of which are directly responsible to individual government departments, e.g. Departments of Defence and Education. Most public museums and galleries receive central government funding through the Department of Heritage, but the Built Heritage, e.g. castles, battlefields, are financed through English Heritage (See Quangos).

LOCAL GOVERNMENT has broadly the same relationship to heritage services as Central Government.

QUANGOS. A large part of central government funding is channelled through Commissions or Councils which have a large degree of autonomy in the allocation of funds and whose members act as advisers to the government on heritage matters. These include the Museums and Galleries Commission and English Heritage. An interesting addition will soon be the National Lottery Fund.

MUSEUMS AND GALLERIES. These are divided into public and private sector users of funds. It is to be noted that no reliable data are available on the extent to which local government museums and galleries and their private counterparts are financed by charges, subscriptions and sales.

CHURCHES. Churches are important providers of heritage services. Unfortunately, I have had to exclude them from Table 1 because of lack of data.

BUILT HERITAGE (PUBLIC BUILDINGS). These are now separately identified in heritage reports and in some cases are important recipients of private finance through charges, e.g. Tower of London and Edinburgh Castle.

HISTORIC HOMES. This is an important part of the private sector. A large proportion of historic homes are now administered by the National Trust.

Types of Finance

GRANTS. Public and private grants-in-aid should be distinguished. The former are those authorised by Parliament or by Local Councils. The

latter are provided by Private Foundations (sometimes to Historic Homes and other heritage providers which they themselves own).

CHARGES. These are not significant in the case of public museums and galleries, though there are now important exceptions; and special exhibitions are often charged for. They are relatively more important sources of finance in the case of Public Buildings and private sector Users. (See also Subscriptions below).

SUBSCRIPTIONS. A major source of income supplied by private individuals to Foundations. Subscriptions are also paid directly to English Heritage (Quango) by households. It is difficult sometimes to separate subscriptions and charges, given that subscriptions may give the right of admittance to heritage sites and buildings.

PURCHASES. The public can buy a huge assortment of goods in shops attached to both public and private sector heritage suppliers, e.g. reproductions, cassettes, etc.

TRANSFERS: Intra-sector payments.

Discussion

Christopher Smout, *University of St Andrews; Fellow of the Academy*

I am delighted and honoured to have the chance to be a discussant of Sir Alan Peacock's Keynes Lecture. I do not come to it as an economist, but as a social and economic historian. Economists are the witch-doctors of our age, whose arcane language and ritual formulae mesmerise the onlooker. From their recipes cures are foretold by the credulous, though seldom reported by the public, but even the incredulous have a sneaking feeling that they offend economists at their peril. So I hasten to compliment Sir Alan on being a splendid witch-doctor whose intellectual dance has charmed and impressed us all: luckily I can do so with sincerity, as well as with a sense of touching wood.

But should we believe him? Do not believe him when he tells you that Ruskin and his friends have a comparative advantage in the arts of public persuasion. Who can recall a single aphorism of any art historian who ever lived? Who can forget the best of those of the economists? For example: 'Combinations are a conspiracy of the few against the many'; 'There is no such thing as a free lunch', 'In the long run we are all dead'—the last, of course, from Keynes himself.

Should we believe his recipes? I believe his diagnosis that museums

and galleries are suffering from remoteness to the public—we do need more access to the collections and the public should have more say in determining the policy of these institutions. From my own experience of heritage quangos in Scotland, I completely reject any implication that there is a conspiracy by professional museum and gallery staff to thwart the patient's recovery. The institutions I know are run by people who live far more easily with performance indicators of every kind than my own academic colleagues: they are in the forefront of Citizen's Charter applications: their lives are full of questionnaires where they seek to plumb visitor satisfaction: public education is top, or close to the top, of their published agendas. Whether you call it customer-care or by its better, old-fashioned name of public service, I have nothing but praise for the professionals in the publicly-funded heritage industry whom I encounter.

How sound are Sir Alan's recipes? What are they? The first is to increase the proportion of financing raised by admission charges, subscriptions and other non-public-sector contributions. He says that 'payment for viewing heritage attractions has certainly not deterred the growth of visitor numbers'. According to *Cultural Trends* this is certainly not true for museums and galleries. In 1986 the Science Museum welcomed 4.8 million visitors a year, and the British Museum 3.9 million. In 1992 six years after the Science Museum had begun to charge, attendance had dropped to 2.6 million: the British Museum, still not charging, then welcomed 6.7 million. This seems a crazy public policy in a country trying to increase knowledge of science. In the same period, the National History Museum (charging) fell from 3.2 million to 1.2 million and the National Gallery (not charging) rose from 3.2 million to 4.3 million. No figures are perfect, but the sheer magnitude of these movements surely puts Sir Alan's claim, and charging policy, in a doubtful light.

Nevertheless, even with charging, over 80 per cent of the costs of national museums and galleries are still met by the public purse, and Sir Alan himself sees a degree—apparently a substantial degree—of public funding continuing. As charges so far have discouraged public attendance, so the cost to the tax-payer per visitor has grown. In two non-charging institutions, the British Museum and the National Gallery, in 1992–3 the cost was £4.8 and £4.0 respectively; in the charging Science Museum it was £8.7, in the charging Natural History Museum, £18.0 and in the charging National Maritime Museum it was £21.8. In every way, not least because, as Sir Alan says, the least

well off are more likely to visit museums and galleries than other heritage attractions, the introduction of charging appears to have narrowed choice, and proved costly to the taxpayer. Despite what I have just said about devotion to public service, I admit I know of one charging museum where staff have told management that they welcome the consequent reduction in their workload.

Sir Alan's second recipe is to replace, or partly replace, trustees appointed by government by trustees elected by those affluent and motivated enough to pay a membership fee to a trust, similar to the National Trust or the National Trust for Scotland. The analogy is also made with a company and its shareholders. I do not see how this would at all overcome the objections which the Virginians made to the arguments of the Chicago school: how do you prevent the development of an inner clique which would 'use discretionary behaviour which makes it possible to delude voters or simply to ignore their preferences'. Company history abounds with such deceptions practised by boards upon their share-holders.

Like Sir Alan, I do not think a great deal of the present system of appointing to quangos, taking them as a whole and not specifically pointing a finger at heritage trustees. There are too many businessmen too busy making money to attend very often, too many others (including academics) well past their sell-by date, too many politically correct appointments of both genders. The notion that vacancies should be advertised is an excellent one: let us extend it to ensure that every quango member also receives a job description and is obliged to meet performance indicators. At the very least the attendance record of every member should be in the public domain in the annual report. There would be some surprises. But I cannot see reform coming just by delivering policy formation to trustees elected from subscribers, which would perhaps mainly have the effect of ensuring that museums and galleries reflected the taste of a middle-class clique even more firmly than at present.

The third recipe is that in order to release resources trustees should have freedom, as Sir Harold Macmillan would have put it, to sell the family silver. The argument here is about opportunity cost. But museums, at least, are also national research resources: one wonders if Sir Alan would excuse the trustees of the British Library or the Bodleian if they had flogged off old stocks of journals on the grounds that no-one foresaw a need to read the works of dead (or even last year's) economists. I hope he would not. More seriously, donors are

hardly likely to give anything to museums who might decide in ten years' time to raise the wind by selling the donation. A few years ago a library in the north of England decided to sell some remarkable items to cover a financial problem: a major long-term lender of fabulous books in its catalogue reacted immediately, and very properly, by withdrawing them all and depositing them in the National Library of Scotland instead. That was his choice, as consumer of that English library's standards of public obligation to the heritage. At best, new donors to national heritage collections would become lenders, and because of the insecurity of loans, national museums and galleries might become chary in turn of accepting them.

Sir Alan has told us that 'the relatively poor benefit more directly from museums and galleries than from other forms of the Arts supported by government'. Imposing admission charges and handing them over to boards elected by subscribers will soon bring that situation to an end. For the 'relatively poor' the effective opportunity cost of a subscription or (for example) an entrance charge for two adults to the National Maritime Museum, is a decent meal: for one of his more typical subscribers, perhaps a tenth of an opera ticket. Rationing by price is only a brilliant idea where economic equality is more highly developed than in contemporary Britain.

The system as we have it for the public museums and galleries of this country is based on Victorian values, and they are good ones. There are three guiding principles. Firstly, public access to knowledge is not rationed by income. Second, public spirit calls on the socially lucky to serve the public weal: this is not working better in the late twentieth-century heritage sector than elsewhere in British public life, but it is not clear that the answer is to turn to analogies of trusts and companies. Thirdly, it was assumed that it would be safe to gift, safe to deposit and hard to dispose of the heritage. 'Risk-aversion' seems to be a most admirable characteristic of museum directors, and I hope it will stay that way. Long may the cultural heritage remain true to the Victorian ethos, and safe from the spells of even the most benign of free market witch doctors.

Mark Blaug, *University of Exeter; Fellow of the Academy*

Cultural economics or the economics of the arts is a young subject. The publication of *Performing Arts—The Economic Dilemma* by Baumol and Bowen in 1966 is as near as we can come to its moment of birth. In

that life of less than thirty years, Professor Sir Alan Peacock has been a major contributor to the literature of this subject. As an amateur composer and one-time chairman of the Scottish Arts Council, he has been on both the receiving and paying end of 'the subsidy game' and hence is singularly well equipped to address the political economy of heritage. In so doing, he has very wisely shed the blinkers of traditional welfare economics. The standard economist's case for the preservation of heritage, or for that matter anything else, is to run through the incidence of what is called 'market failure', the characteristics of certain goods and services which cause markets to fall short of their traditional function of allocating resources with maximum efficiency. These market failures are, in brief, (1) 'consumer ignorance' because of the technical complexity of the products in question; (2) 'natural monopoly' because of economies of scale in the production of certain goods and services; (3) external effects or spillovers in both the production and the consumption of goods and services; and, finally, (4) the polar case of what are called 'public goods', which are both non-rival and non-excludable. Heritage, whether made up of movables such as paintings and sculptures or immovables such as buildings and monuments, fits none of these instances of market failure, not even the last one, as Professor Peacock points out, because the congestion of a gallery or stately home immediately makes it rivalrous in consumption. Thus, if we continue to look at the world through the spectacles of Paretian welfare economics, there is no case whatsoever for subsidising heritage.

But Paretian welfare economics is an orthodox dogma that has for too long commanded the unquestioning acceptance of academic economists. No doubt, it allows one to say something definite and rigorous about the scope of government intervention in individual markets even if that is of a severely limited kind. For example, every individual is taken to be the best and indeed the only judge of their own welfare. Thus, if heroin addicts infect themselves with a dirty needle, economists are not prepared to say that they should have been forcibly prevented from doing so. In all such cases where addicts injure themselves, or children refuse to go to school, or adults refuse to wear seat-belts in cars, the economist condemns himself or herself to silence. Similarly, only economic changes that meet with unanimous approval, that make some better off in their own eyes without making even one other person worse off, are to be unequivocally approved as 'Pareto-optimal'. But, alas, life affords few practical examples of

changes that harm no one and so economists deny themselves the opportunity of appraising many of the recommendations that appear on the agenda of political parties. Moreover, any voluntary exchange, say, buying or selling at a market price, would appear to be a good thing, according to this criterion. But when a poor Turk sells his kidney to a rich Englishman, we all tend to recoil in horror because, clearly, we do not automatically regard every voluntary exchange as an unambiguous improvement in economic welfare. In short, there may well be higher values than making people better off as they themselves would judge it: Paretian welfare economics is not all there is to welfare.

At this point in the argument, every economist in the audience will instinctively react by insisting that the power of Paretian welfare economics is precisely that it can say much about little, whereas the opposition can say just about anything it likes about absolutely everything. But this knee-jerk reaction is grossly exaggerated. There is much that can be said, and said with considerable conviction, even if we give up the self-denying ordinance of Paretian welfare economics. It is true that what we can then say lacks the rigour and precision of orthodox welfare economics. But it is, surely, better to be vaguely right than to be precisely wrong. Thus, we may argue for more reliance on charges for the delivery of heritage services, and even privatising the provision of some heritage attractions, as contributing to economic welfare even though we cannot demonstrate the advantages of these changes beyond the shadow of a reasonable doubt. Much of Professor Peacock's paper is taken up with exploring precisely these and other ideas that might encourage more consumer-oriented heritage services and somewhat less public operation of heritage activities.

So far, I have been addressing the economists in the audience more than the arts and heritage administrators. Turning to them I note, first of all, that theirs is a closed world if there ever was one. That is to say, there must be few activities of government, other than, say, defence, that are so scrupulously reserved for self-styled experts. Take, for example, the current procedures in this country for regulating the export of cultural goods judged to be of 'heritage quality'. There is an advisory committee, the so-called Reviewing Committee on the Export of Works of Art, which is appointed to judge whether any object that is about to be sold abroad is of outstanding aesthetic quality or is of significance for a branch of learning or industry in Britain. If the committee declares the object to be important or outstanding, the government delays the granting of a licence for up to six months in

order that a fund-raising campaign can be organised to buy the work for a public collection, to which the government itself may make a contribution. On the face of it, this has all the appearance of a participatory process and it is certainly a great deal more democratic than the procedure in many other countries, such as France, Italy and Germany, where governments claim the absolute right of first purchase of any important work of art at the market price and, in addition, tax a privately-sold exported one at 50 per cent of its value. Nevertheless, in practice even the British procedure places severe limits on the property rights of private collectors by means of a sort of public hysteria that is whipped up by the heritage lobby in the face of the potential export of a cultural icon.

A case in point is the recent brouhaha over the sale of Canova's marble statue of *The Three Graces* to the Getty Museum in California at the price of £7.6 m. Judging by press releases, the museum community judged this work to be a masterpiece and although it was a copy by Canova of a first version of the statue now in the Heritage Museum in St Petersburg, it did at least have historic links with Britain, having been commissioned from Canova in 1814 by the 6th Duke of Bedford. The piece in question is a prime example of neo-classicism, a style that was all the rage in the early nineteenth century but which is now rather out of fashion. In my view, not only is the style itself one of the low points in the history of western art, but Canova's *Three Graces* is an awful kitschy example of that style. Now of course, this is only one man's opinion and, I have no more right to such aesthetic views than you have. But my point is that such negative views never found expression anywhere in the five-year hype that has accompanied the campaign to secure this particular export licence.

We know that *The Three Graces* will now be kept in this country because public funds to the tune of £6.5m. have been raised from the purchase grant of two museums and the National Heritage Memorial Fund, with Paul Getty Jr. making up the total to a sales price of £7.6m. While we cannot go so far as the Swiss would in a case like this, namely, to make it the subject of a national referendum, it would be desirable in all such incidents to involve interested taxpayers to the maximum extent possible and certainly to publicise the true opportunity costs of the magpie acquisitiveness of our public museums and galleries, according to which we are supposed to be better off in Britain by having a great work of art present within our national borders even if in so doing we find ourselves having to pay the market price for it out of

tax revenues. When we consider the extraordinary small proportion of the tax-paying electorate that frequents museums and galleries, this is an arrogant redistribution of income in favour of a highly educated middle class represented in this case by a tiny minority of cultural bureaucrats. Studies have shown that about 10 per cent of our adult population visit an art museum more than once a year, spending less than an hour per visit, and twice as many people attend one or more performances of classical music each year as visit an art museum. Surely, this suggests even greater responsibility on the part of the Department of National Heritage to represent the entire community and not just art historians and museum administrators.

I know full well how civil servants react to such comments. Their fear is that, if something like majority rule is allowed to hold sway in allocating heritage funds, the decisions that will be made will be all wrong, that is, at variance with those of the experts. I agree that heritage is rather like education in that competence to judge excellence in these fields is not equally distributed among the population. Here there is perforce no alternative to peer group assessment but it ought to be peer opinion that has been sensitised to the views of the customers. Perhaps the best argument for museum charges, like the argument for tuition fees in higher education, is precisely that it directs attention to the preferences of consumers. The glaring but little known fact that most European museums display less than 20 per cent of their holdings, and yet fail to take stock or even to list the 80 per cent of art works held in stock, much less to value them in any way—the ‘Prado disease’ as Frey and Pommerehne call it—is only the tip of the iceberg of the paternalism that characterises the heritage industry. I can only echo Professor Peacock’s call for more public involvement in the setting of the heritage agenda and to endorse his call for the creation of independent Trusts like the National Trust to run at least some of our national museums and galleries.

The Rt Hon. Sir Richard Luce, *University of Buckingham*

I am delighted to join Sir Alan Peacock, who firstly gave me such wise advice in my capacity as Minister for the Arts when he was Chairman of the Scottish Arts Council. He was later one of my predecessors as Vice-Chancellor of the University of Buckingham.

I will confine myself to picking up just a few threads of Alan’s astute lecture. Firstly, the references to the Ruskin attitude towards the

arts. As I understand it, Ruskin suggests that artists should be immunised from economic reality in order to preserve the purity and importance of their aims. When I became Arts Minister in 1985 there was a very clear strand of opinion in the arts world which claimed that the taxpayer owed them a living. Alan Peacock has emphasised today the unreality of divorcing the arts from the real economic world. My own view is that the great majority of those involved in the arts now accept that the Ruskin syndrome is not realistic.

Secondly, I have always argued that if the arts are to be autonomous—which they must be in a democratic society—then they cannot be dependent on any one source for funding, but must diversify their support so that it ranges from taxpayers to commercial sponsors, benefactors, the paying public and now the National Lottery.

Thirdly, Alan Peacock has acknowledged that, in our current economic climate, a measure of taxpayers' support is essential. I cannot see how the National Theatre or the British Museum can survive without such support. However, the taxpayers' support should be given only on its own merits and in isolation from arguments about contributions to tourism and the economy.

Fourthly, I welcome Alan's view that consumers of the arts, whatever their background, be able both to appreciate them and equally to play an active role in influencing their development.

We must be very careful, however, that the means to facilitate public participation and influence over arts organisations does not undermine the ability of those organisations to make decisions and to operate efficiently.

Alan's proposal that there should be a kind of consumer voucher for the arts is fine in theory, but in practice I cannot see how it could work to the benefit of the arts in our country and this needs more detailed examination. Alan Peacock has added a new perspective to our discussions.

Andrew Selkirk, Editor, Current Archaeology

Sir Alan Peacock has provided a breath of fresh air in his analysis of the 'Heritage'. The problem facing the Heritage is the breakdown of what I call the 'market place' in the Hayekian sense of the market being the place where decisions are made. When I began *Current Archaeology* 27 years ago the problem was a simple one in that there was an easy relationship between amateurs and professionals. If you wanted to do

a dig you had to attract amateurs to do the digging. If your ideas were not attractive, you had no dig. Today archaeology has become 'professional'—many would say over-professional—which means that virtually the sole supplier of funds is the Government. Thus the demands on Government have no limit, as Sir Alan so rightly emphasised. However, I do not think that his solution—which I hope I can characterise not too unfairly as being populist—is the right one, for I fear that the general public also believes that the government's purse is bottomless.

The solution surely lies with the much-maligned amateurs—that is those who are prepared to devote their own time and their own money to preserving the past. The typical example is the person who buys an ancient house, who wants to do it up and preserve it, but at the same time to make a few changes and add their own mark upon it—as previous generations have done. Increasingly however they are frustrated by the purists of English Heritage.

Sir Alan is quite right that we should widen the scope of those appointed to heritage quangos. However the answer surely is to appoint some 'amateurs' (or 'independents') as English Heritage Commissioners—people who have actually wrestled with the problems for themselves. It is only by seeing how people spend their own time and money that we can assess the balance between supply and demand and thus judge the 'price' of the 'heritage' and the 'arts'.

Nathaniel Lichfield, *University of London*

As one involved in the application of economics to the general environment, I enjoyed Sir Alan's masterly review. My own focus in the subject is the cultural built heritage. From this standpoint could I make the following comments:

Sir Alan's treatment was very broad, encompassing many different divisions of the heritage. But while the general treatment offered insights it is apparent that there will be variations for the different sub-divisions because of their distinct characters. For example, in the built heritage the cultural element is indissolubly welded into the built fabric. Such fabric was originally created as *real estate*. Its conservation is therefore subject to the generality of considerations to real estate. It is here that the distinct problems of conservation arise compared with heritage embodied in say fine art or music.

One problem which creates controversy is the listing of buildings

and areas earmarked for conservation, where the ownership remains in the hands of the property owners and the regulation for protection in the hands of Departments of State, English Heritage and the local authorities. The mere designation creates problems for all sides. The owners and occupiers are not free to act as are those involved with non-heritage property. The regulating authorities have the problems of protecting the national asset. This clearly requires some careful selection at the point of designation. In turn this requires some carefully articulated 'philosophy' behind the reason for designation, and also the economic responsibilities which are set up in consequence for all concerned.

Jeremy Eckstein, *Policy Studies Institute (speaking in a personal capacity)*

We have heard a great deal from the speakers about the 'supremacy of the consumer'. What if we were to follow this concept to its logical extreme conclusion. Suppose that *all* central government cultural sector funding was withdrawn completely, and replaced by a system of consumer tax credits or vouchers, given to all households, which they were free to spend absolutely as they chose. They could spend the vouchers or credits on any cultural activity—or indeed, not on the arts at all, but on sport or other leisure or recreational activities, or on food, or on absolutely anything they chose. If this were to happen, which cultural institutions do you think would survive exposure to such free-market economic forces? How do you think the profile of the directly consumer-funded arts would differ from what we have at the present time?

Neil Chalmers, *Natural History Museum*

Professor Smout quoted figures which appear to show that those national Museums that have introduced admission charges have experienced massive reductions in their visitor numbers as a result. I believe that these figures must be treated with extreme suspicion, for experience shows that when Museums do not charge for admission they do not count visitor numbers accurately. Instead they rely on estimates, and these can substantially exaggerate the true numbers of visitors coming to Museums. For example, when Professor Smout quoted a figure of more than three million visitors per year for the number who came to the Natural History Museum prior to charging, we know that this is a

figure of fantasy, simply because the Museum could not have physically accommodated anything like that number annually.

The claim that charging narrows the spectrum of people who visit museums also does not bear examination. I would challenge anyone who has been to the Natural History Museum during half term, when it is, to my delight, pulsating with thousands of visitors, to say that the range of backgrounds from which they come is narrower than that found in Museums that charge.

Figures for the cost per visitor to the state are similarly banded around with little regard of whether like is being compared with like. Quite apart from the inaccuracies that derive from inaccurate visitor counts, Museums vary greatly in the range of activities that they carry out. The Natural History Museum, for instance, is a large and important scientific research institution, with an international role, and to include the costs of this activity in a costs-per-visitor comparison with Museums that lack such activities is seriously to distort the picture.

Ruth Towse, *University of Exeter*

There is evidence of consumer sovereignty being exercised in the area of museums and heritage, and that is to be found in the growth of private museums. Though it is often acknowledged that there has been a growth of private museums no work has been done either counting them or analysing their provision. Presumably they are regarded askance by the 'official' museum world. It would be interesting to see how they survive financially and what attraction they have for visitors. Such a study might throw light on what consumer sovereignty implies.

Jennifer Page, *English Heritage*

I would like to respond to two of the previous speakers since they both made remarks affecting the work of my organisation.

I cannot agree with Nathaniel Lichfield's view that on listing 'the mere designation creates problems for all sides'. Designation adds to the processes through which a building's potential is reviewed at the point of potential change; that can provide opportunities for constructive and co-operative debate. Listing can also, at least at the higher grades and in conservation areas, offer the opportunity for financial support through eligibility for English Heritage and any grant the local authority might be able to offer.

The Act requires the Secretary of State to list purely on special architectural or historic interest, without regard to other circumstances. Listing does not fossilise: it provides a mechanism for ensuring that the non-financial value of a building is considered before decisions to alter it are taken. It is at this stage, rather than at the designation stage, that economic considerations properly come into play. This is recognised in the new policy planning guidance, PPG 15, which seeks to emphasise how historic buildings can contribute to economic prosperity and requires English Heritage and local authorities to be flexible in balancing conservation and new uses. Moreover, we are involved, together with RICS and the Department of National Heritage, in research into the economics of listing which will, I hope, help to advance the debate when it is published in mid-1995.

Turning to Andrew Selkirk's comments, I recognise his particular interest in encouraging a resurgence of the amateur archaeologists who previously dominated what is now a professionalised field. More generally I acknowledge that as a nation we are dependent on the 'amateurs', that is, the owners who devote so much time and money to the heritage. Quite properly, many are motivated to leave their mark on their properties, and to add a twentieth-century contribution to the heritage. English Heritage is increasingly realistic in its appreciation of the dedication of individual owners and volunteers to the heritage and of the need for buildings to change. We willingly work in partnership with such people, as well as with the 'professionals' in local authorities and elsewhere. Finally, at English Heritage we have a number of advisory committees whose members are by no means exclusively professionals; that is why we value them so much.

Sir Alan Peacock subsequently replied in writing:

Let me begin by thanking all those who have contributed to the debate and particularly the appointed discussants. The purpose of a reply is to answer questions put and criticisms voiced by participants in the debate, but it is noticeable that much of the debate has been between members of the audience. I shall not intervene in that debate but confine attention to the substantive points directed at my own argument.

I build my reply round the robust criticisms of Professor Smout. First, he disagrees with my account of the behaviour of those responsible for the delivery of heritage services. I certainly would not wish to claim that they are partners in a conspiracy against the public. I know

that many museum and gallery directors and custodians of ancient monuments are devoted to the education and enlightenment of the public, though they tend to be equally devoted to the view that they know best what the public ought to appreciate. The more patrician and opinionated of them (often the same people) believe that their expertise entitles them to seek immunity from direct public scrutiny of their decisions and to denounce as Philistines those who question illimitable public funding of their activities. I do not doubt the sincerity of their views, any more than I doubt that of those who use similar tactics to advance the claims of higher education and academic research.

Second, Professor Smout regards charging for museum and gallery services as a deterrent to those who wish to obtain knowledge of our heritage and not as a method for giving expression to consumer choice. He presents some data purporting to show the link between the introduction of charging and the falling away of attendances. I could dispute these figures but prefer to give way to Mr Chalmers, Director of the Natural History Museum. In his informative intervention he maintains that estimates of attendance when there is free admission can be wildly exaggerated. Also his own experience suggests that 'the claim that charging narrows the spectrum of people who visit museums does not bear examination'. Whatever the evidence and how we interpret it, I would not like to be committed to existing methods of charging. If charging were a deterrent to attendance then there is a whole range of pricing devices known to economists for remedying this situation. Price discrimination in favour of targeted groups, such as school parties or pensioners, is widely practised in private museums, many of which receive regular or intermittent public support as well. 'Free days' are a well known feature of state museums in other countries. I was careful to point out in section IV that the shift in the balance of funding from direct subsidies to the producer towards payment by individuals and groups need not necessarily reduce the amount of government funding as a whole, if for example, tax concessions or voucher schemes were introduced.

In this connection, Mr Eckstein makes the telling point that the logic of the voucher approach points towards generalised support for the arts and not specifically for heritage services alone. I agree with him but must admit straightaway that I have little idea what would happen if such a system were in operation. I agree with Sir Richard that any voucher-type scheme would need the most careful examination. I have considered the problems of arts voucher schemes *in extenso* elsewhere

(Peacock, 1993: 124–30). I shall only mention here that unlike education vouchers which are designed to finance compulsory consumption of services, arts vouchers could not conceivably be issued on the assumption that any of us should be compelled to attend artistic performances or visit museums and galleries! As so much attention is focused in discussion of heritage on the interests of future generations perhaps vouchers might be confined to pupils and students. If there were an educational voucher scheme in operation one could ‘latch on’ an arts voucher component; and this could be extended to students in higher education alongside the issue of grants and loans.

Third, I am glad that Professor Smout agrees that appointments to arts quangos need a thorough review and I accept entirely that one should not single out heritage quangos as being in particular need of reform. I am naturally disappointed that he cannot go along with Professor Blaug and myself in seeking a way by which those who supply heritage services have their claims to be judges in aesthetic and scientific matters subject to scrutiny and approval. One may be prepared, with some reservations, to accept peer group assessment of heritage provision but, as Professor Blaug so rightly states, ‘it ought to be peer opinion that has been sensitised to the views of the customers’.

Finally, I would like to remove any misunderstanding about my position on the question of ‘deaccessioning’. It should be widely accepted that the objectives of heritage policy should be reflected in the stock of historical artefacts that we wish to preserve and maintain. However, the balance of objectives will change through time, as it has in the past, and this logically entails the existence of a full inventory and valuation of the stock of artefacts and the prospect of altering both its amount and composition. There are surely ‘gains from trade’ to be made which improve heritage services if the stock can be changed. It is not a case, as Professor Smout puts it, of ‘selling off the family silver’—a good example of an emotive phrase disguised as a factual proposition—but of ensuring that the balance between the plates and the cutlery fits with their function. The area of real sensitivity is that of the disposal of valuable artefacts by private individuals which pundits seem suddenly to claim as part of the national patrimony though few members of the public may have been apprised of their existence. The public has not only a right to examine the reasoning behind restriction of private sale to public institutions and, as taxpayers, also should be informed of the true opportunity cost of public funding of any purchase. This argument reinforces my proposal, supported by Professor Blaug,

that governing bodies of English Heritage and Historic Scotland should include elected representatives chosen by those who subscribe to its support.

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