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THE WARWICK COMMISSION

THE  
FUTURE  
OF  
CULTURAL  
VALUE



**COMMISSIONER DAY 2:  
HOW DO WE VALUE (AND UNDERVALUE)  
CULTURE?**

**02 APRIL 2014 – REGENT'S UNIVERSITY, LONDON**

## Introduction

The question of how to measure the value of culture is a complex one and there exists a significant amount of research into what is measured and the methods employed to carry out this measurement. A recent evidence review commissioned by Arts Council England, ‘The Value of Arts and Culture to People and Society’, identified over 500 reports published since 2010 alone.<sup>1</sup> In order to provide a clear overview of the main issues, this document will focus on the most recent, most influential and most comprehensive reports. It is intended to be illustrative rather than comprehensive and seeks to map the debates and identify areas for further discussion rather than provide answers.

*Eleonora Belfiore and Catriona Firth, April 2014*

## Overview

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<sup>1</sup> Arts Council England, ‘The Value of Arts and Culture to People and Society: Evidence Review’, 2014, online: <http://www.artscouncil.org.uk/what-we-do/research-and-data/value-arts-and-culture-people-and-society-evidence-review/> [accessed 21 March 2014], p. 13.

## What is Cultural Value?

The concept of cultural value started life in academia: in the early 1990s, cultural theorist Stephen Connor, argued in a book entitled *Theory and Cultural Value* that value is inescapable in cultural discourse, alongside the ‘processes of estimating, ascribing, modifying, affirming, and even denying value, in short the processes of *evaluation*’.<sup>2</sup> The processes of evaluation are obviously prominent in cultural policy, where decisions continuously need to be made in a context in which the resources to be distributed are limited, and therefore any spending decision entails a trade-off and the attempt to maximise the impact and effectiveness of each spending decision. As cultural theorist Jim McGuigan puts it, ‘[a]ny discussion of public cultural policy – whether in the narrowest sense of arts patronage or in the broadest sense of reforming the social – must, at some point, address questions of value.’<sup>3</sup>

Of course, in so far as cultural policy is part of government and therefore part of broader mechanisms for decision-making and funding allocation, there are other notions of value alongside cultural value that are crucial in policy formation. A more general definition of value as it pertains to the sphere of policy as well as economic activity is offered by the illustrious cultural economist David Throsby:

At its most fundamental, value can be thought of as the worth, to an individual or a group, of a good, a service, an activity or an experience, with an implied possibility of a ranking of value (better to worse, or higher to lower value) according to given criteria. The process by which value is assigned to something is referred to as *valuation* or *evaluation* [...].<sup>4</sup>

As the rest of this briefing document will show, in the context of policy the valuing of cultural goods and services tends to happen from an economic point of view, whereby value is expressed in monetary terms. However, Throsby maintains that ‘notions of economic and cultural value stand as distinct concepts which need to be separated in considering the valuation of cultural goods and services in the economy and in society’ and acknowledges that this might be a statement somewhat ‘at odds’ with conventional economic theory and its declared focus on individual preferences as ultimate arbiter of value.<sup>5</sup>

We can therefore begin to see where the challenge of valuation lies: how to develop a methodological approach to measurement and evaluation that can reflect, account for and respect these ‘varieties of value’ without falling into the trap of either collapsing all notions of value into a narrow focus on economic value, or the equally dangerous trap of focusing on the cultural dimension of value whilst ignoring its connection to the economic sphere. Either of these scenarios would be reductionist and problematic. The question of measuring the value of culture in the context of policy-making can therefore be articulated as the challenge of a balancing act: how can we capture, measure, quantify and qualify the value of the arts and culture in their cultural, social and economic dimensions to develop a more robust and comprehensive body of evidence in support of policy-making?

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<sup>2</sup> S. Connor, *Theory and Cultural Value* (Oxford: Basil Blackwell, 1992), p. 8.

<sup>3</sup> J. McGuigan, *Rethinking Cultural Policy* (Maidenhead: Open University Press, 2004), p. 114.

<sup>4</sup> D. Throsby, *The Economics of Cultural Policy* (Cambridge: Cambridge University Press, 2010), p. 17.

<sup>5</sup> D. Throsby, *Economics and Culture* (Cambridge: Cambridge University Press, 2001), p. 31.

This is, of course, a question that both the cultural sector and government have been puzzling over for quite some time. The need to capture cultural value more comprehensively was precisely the challenge identified by Tessa Jowell in her 2004 personal essay, 'Government and the Value of Culture', which gave voice to growing concerns that culture and the arts be evaluated by government not singularly in terms of 'instrumental benefits':

As a Culture Department we still have to deliver the utilitarian agenda, and the measures of instrumentality that this implies, but we must acknowledge that in supporting culture we are doing more than that, and in doing more than that must find ways of expressing it.<sup>6</sup>

The 'utilitarian' agenda that Jowell attempts to review has its roots, as Belfiore and Bennett write, in the push for evidence-based policy from the governments of the 1990s (and before).<sup>7</sup> Two years before Jowell's speech, a major piece of research and thought from Sara Selwood demonstrated the over-emphasis placed on evidence and the major problems which emerged from this, within DCMS in particular. Her conclusions (anticipating those of Jowell) point out that the inadequacies and lack of clarity about evidence-gathering in government have raised a number of major questions about value and effectiveness models across the sector.<sup>8</sup>

Jowell's challenge was taken up most publicly by the DEMOS think tank, in particularly by John Holden and Robert Hewison. Holden published two articles on the matter in 2004 and 2006, in which he develops what 'cultural value' entails. In the second, 'Cultural Value and the Crisis of Legitimacy', he offers a three-fold definition of cultural value based on the triangulation of 'Intrinsic Value', 'Instrumental Value' and 'Institutional Value'. Writing in a reflective report last year, Holden defines these as:

'Intrinsic' means 'essential to' or 'integral to', so intrinsic value implies that distinct forms of culture – dance, theatre, literature and so on – have a value in their own right. [...] 'Instrumental value' involves the use of culture as a tool or instrument to accomplish some other aim – such as economic regeneration, or improved exam results, or better patient recovery times. [...] 'Institutional value' refers to the social goods created (or destroyed) by cultural organisations. Such organisations are part of the public realm, and how they do things creates value as much as what they do.<sup>9</sup>

These three aspects of cultural value introduce usefully some of the necessary variables in the valuation of culture. Continued discussions have expanded, challenged and reviewed these base categories.<sup>10</sup>

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<sup>6</sup> T. Jowell, 'Government and the Value of Culture', 2004, online: [http://www.shiftparadigms.org/images/Cultural\\_Policy/Tessa\\_Jowell.pdf](http://www.shiftparadigms.org/images/Cultural_Policy/Tessa_Jowell.pdf) [accessed 26 Feb 2014], p. 9.

<sup>7</sup> E. Belfiore & O. Bennett, *The Social Impact of the Art: An Intellectual History* (Basingstoke: Palgrave, 2008), pp. 7-8.

<sup>8</sup> S. Selwood, 'The politics of data collection: Gathering, analysing and using data about the subsidised cultural sector in England', *Cultural Trends*, 12:47 (2002), 13-84 (in particular pp. 70-72)

<sup>9</sup> J. Holden, 'Valuing Culture', in R. Scott & D. Goodheart, *Twenty Years of Ideas*, 2013, online: [http://www.demos.co.uk/files/477zzzm\\_DemosAnniv\\_08notimeline-Web\\_3\\_.pdf?1374245389](http://www.demos.co.uk/files/477zzzm_DemosAnniv_08notimeline-Web_3_.pdf?1374245389) [accessed 27 Feb 2014], pp. 103-110, (pp. 105-6).

<sup>10</sup> Though space prevents a more careful review of the development of these categories, the reader is referred to Holden and Jordi Baltà's literature review, 'The Public Value of Culture' an EENC paper, for a

The recent study, 'Value and Culture: An Economic Framework' from New Zealand's Manatū Taonga Ministry for Culture and Heritage offers a useful review of current thinking on available methods to measure and quantify value. Starting from an economic perspective, the report employs the notion of 'total economic value', based on its common use in economic theory, and its application to environmental and cultural value (its use is adapted from O'Brien's report for DCMS).<sup>11</sup> The authors of the report explain the benefits of the term with regard to culture:

The total economic value of culture captures values that derive both from market transactions and from non-market sources. It captures benefits that accrue directly to an individual user of culture and also captures benefits that accrue to individuals (society) by virtue of others' use (or potential use) of culture (i.e. 'instrumental values' or 'externalities'). Furthermore, it includes value that may accrue to producers (over and above their income) as well as to consumers.<sup>12</sup>

The various aspects of the total economic value of culture can be summarised in the following chart:

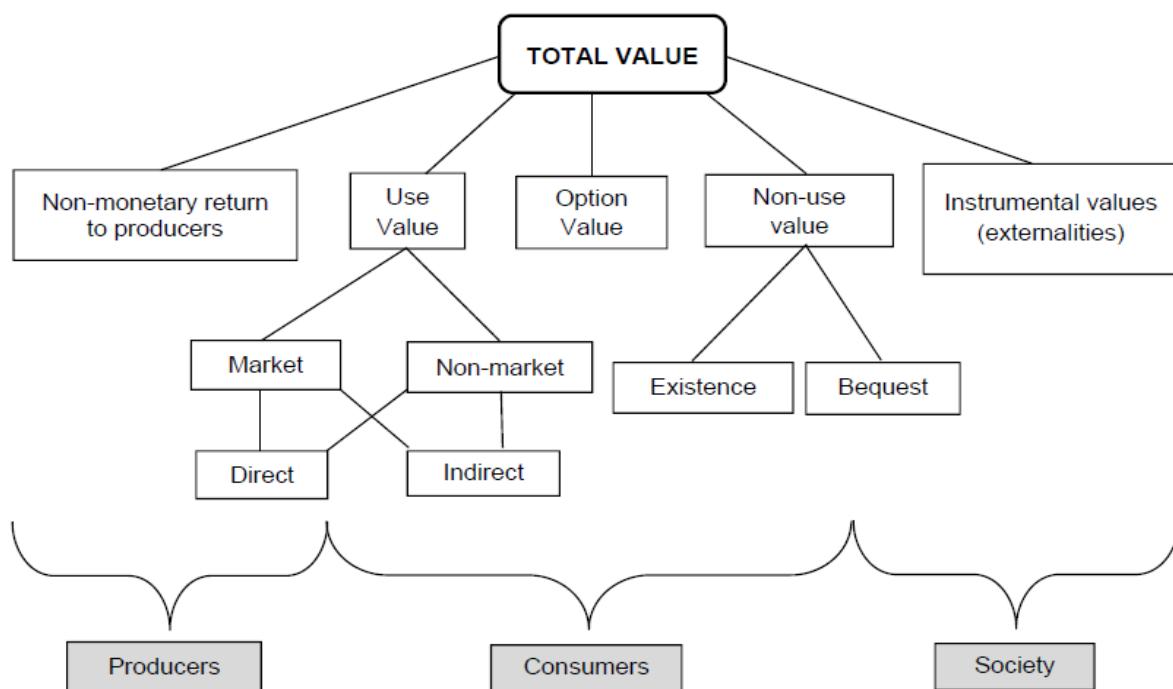


Fig. 2: Total Economic Cultural Value, reproduced from Manatū Taonga, 2013, p. 13.<sup>13</sup>

more comprehensive list. Available online: <<http://www.eenc.info/wp-content/uploads/2012/11/JHolden-JBalta-public-value-literature-review-final.pdf>> [accessed 27 February 2014].

<sup>11</sup> D. O'Brien, 'Measuring the Value of Culture: A Report to the DCMS', 2010, online: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/77933/measuring-the-value-culture-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/77933/measuring-the-value-culture-report.pdf)

<sup>12</sup> Manatū Taonga (Ministry for Culture & Heritage, New Zealand), 'Value and Culture: An Economic Framework', 2013, online: <http://www.mch.govt.nz/valueandculture> [accessed 15 March 2014], p. 12.

<sup>13</sup> This diagram is adapted from a similar one in O'Brien's report on measuring cultural value, which places 'total economic value' into two categories (and similar sub-categories): 'use value' and 'non-use value'. Cf. O'Brien, 2010, p. 23.

For ease of access, we reproduce here the brief definition of each subcategory, though we would refer the reader to the full report for greater detail and more examples.

- **Non-monetary return to producers:** ‘The non-monetary satisfaction derived from the production of cultural goods and services’;
- **Market use value:** ‘The value derived from the consumption of cultural goods and services purchased on the market’;
- **Non-market use value:** ‘The value derived from consumption of cultural goods and services NOT purchased on the market’;
- **Option value:** ‘The value an individual places on themselves or others having the option to consume and enjoy a cultural good at some point in the future, if the future provision depends on continued provision in the present’;
- **Existence value:** ‘The value an individual derives from knowing that a good exists, even if though they will not consume the good’;
- **Bequest value:** ‘The value an individual derives from knowing that a good will be preserved for future generations to enjoy’;
- **Instrumental value:**<sup>14</sup> ‘Benefits that accrue to people other than the producer or consumer as an indirect benefit from provision of the cultural service’.<sup>15</sup>

The sheer number and diversity of the categories that make up this taxonomy of value from an economic perspective highlight the complexity of the evaluation question, even before we address the challenge posed by Throsby to try and combine these categories with ones that relate to cultural value. Throsby identifies the following cultural value characteristics:<sup>16</sup>

- **Aesthetic value:** Throsby suggests we can ‘look to properties of beauty, harmony, form and other aesthetic characteristics of the work as an acknowledged component of the work’s cultural value’. He also adds that this needs to recognise that style, fashion and socially constructed notions of good and bad taste will play a role in shaping this form of value.
- **Spiritual value:** ‘This value might be interpreted in a formal, religious context, such that the work has particular cultural significance to members of a religious faith, tribe or cultural grouping, or it may be secularly based, referring to inner qualities shared by all human beings.’ Throsby suggests that there might be particular benefits emanating from engagement with forms of culture that have spiritual value, which he identifies as ‘understanding, enlightenment and insight’.
- **Social value:** This form of value is manifest, according to Throsby, in those artistic and cultural forms that ‘may convey a sense of connection with others, and it may contribute to a comprehension of the nature of the society in which we live and to a sense of identity and place’.

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<sup>14</sup> It is worth noting that the use of ‘instrumental value’ here is not particularly coherent with that used originally by Holden (among others), meaning measurable economic or social benefits. In this model, such a category would instead be closer to certain aspects of ‘use value’.

<sup>15</sup> Manatū Taonga, pp. 14-15.

<sup>16</sup> Throsby 2001, pp. 28-9.

- **Historical value:** ‘An important component of the cultural value of an artwork may be its historical connections: How it reflects the conditions of life at the time it was created, and how it illuminates the present by providing a sense of continuity with the past’.
- **Symbolic value:** One of the principal functions of the artistic forms is to ‘exist as repositories and conveyors of meaning’ which individuals extract from them as they consume them. Hence, for Throsby, symbolic value ‘embraces the nature of the meaning conveyed by the work and its value to the consumer’.
- **Authenticity value:** This value, for Throsby, ‘refers to the fact that the work is the real, original and unique artwork which it is presented to be’. The different prices that the original and a copy of a painting would fetch at an art auction represent the economic reflection of the presence (or indeed lack) of this form of value.
- **Locational value:** In his more recent work, Throsby has put forward this additional feature of cultural value, which is present when ‘cultural significance attaches to the physical or geographical location of a heritage item’.<sup>17</sup>

Throsby acknowledges that different methods drawn from both the humanities and social sciences are required to fully grasp, analyse and describe these different forms of value. This, of course, makes it challenging to evaluate these different forms of cultural value even before we address the further question of how to consider these forms of value alongside the economic value of the arts and culture.

Furthermore, the declared focus of Throsby’s classification is on *positive* value, that is, value as a concept to refer to the benefits that the arts and culture can generate. Yet, it is important to acknowledge the possibility that the arts might generate *negative* value in the forms of negative social impact, their use or misuse for political propaganda, or for the role they play in situations of conflict and social tension (the way in which the murals in Northern Ireland represent at once a valued form of community self-expression and identity-formation and a set of socially and politically divisive symbols gives an indication of the level of complexity to be faced).

This introductory section is, of necessity, brief, yet it already clearly points to the challenges posed by measuring and evaluating cultural value, whilst acknowledging the importance of valuation in the policy process, which the next section explores in more detail.

## Why Measure Cultural Value?

Before considering the methods and frameworks currently employed to capture and express the value of the arts and culture, it is important to ask why cultural value is being measured and, perhaps more importantly, for whom. The answer to these questions determines the methodology, investment in research and its dissemination and it is clear that there is no ‘one-size-fits-all’ answer.

Citing Sir Andrew Likierman, Dean of London Business School, Mandy Barnett identifies four potential purposes of measuring organisational value:

1. To meet targets
2. To benchmark against rivals

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<sup>17</sup> Throsby 2010, p. 113



3. To improve over time
4. To understand opportunity costs.<sup>18</sup>

That is i) to demonstrate value to internal and external stakeholders and ii) to measure progress and identify (and share) best practice. In concrete terms, reasons may include: advocating for public or private funding in the future, accounting for funding received, measuring outcomes against internal targets to evaluate the success of a project and reflect on possible improvements, desire to increase engagement with audiences by working together with participants to identify and measure value. Identifying the purpose and audience of evaluative research is the first step that should be undertaken by any organisation considering commissioning a study. Further considerations are identified in the decision tree diagram below, created by BOP Consulting for ACE.

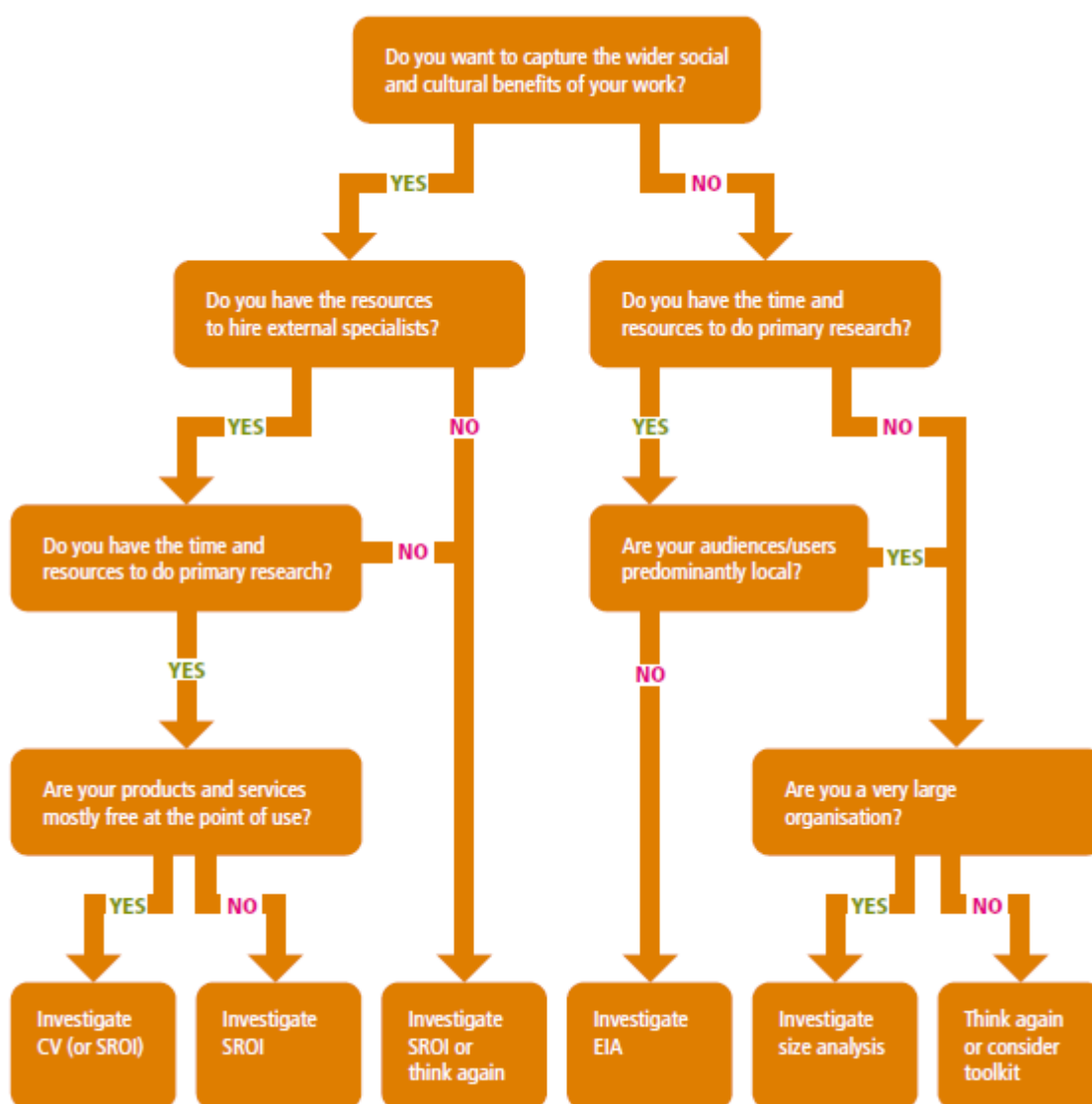


Fig. 1 Decision tree diagram, reproduced from BOP Consulting, 2012, p.6.<sup>19</sup>

<sup>18</sup> M. Barnett and D. Fujiwara, 'Return on Cultural Investment: Developing the Wider Impact of the Cultural Sector', Towards Plan A: A New Political Economy for Arts and Culture, Arts Council England and the RSA, 2013, online: <http://www.artscouncil.org.uk/media/uploads/pdf/RSA-Arts-Towards-Plan-A.pdf> [accessed 21 March 2014], pp. 63-84 (p. 67).



Whilst the decision tree ultimately leads only to a very narrow range of methods, the diagram is valuable in illustrating the challenges and questions facing cultural organisations when deciding whether and how to measure their value. In particular, it demonstrates the impact of practical restrictions, such as research budget or human resources, on the type of measurement employed.

## Methods for Measuring Cultural Value

The cultural value debate has thus far been characterised by a lack of consensus on both *what* should be measured and *how* it should be measured. The ‘what’ refers back to the perceived split between culture’s ‘intrinsic’ and ‘instrumental’ values, or, in Throsby’s characterisation, between cultural and economic value, which translates, in a methodological context, into the division between economic and non-economic measurements of value.

Approaches to the measurement of cultural value have varied according to institutions, from government (national and local) and arm’s-length bodies to independent arts organisations, as well as in academic research. This section outlines several potential approaches to cultural value which cover both economic and non-economic methods of valuation. A useful summary of these approaches, taken from O’Brien’s DCMS report, can be found in the table at the end of this document. None of these methodological approaches can be identified as ‘the best’ or ‘the most suitable for the arts and culture’. They all have their distinctive strengths and weaknesses in relation to cultural value but, in so far as the following have emerged as the most commonly employed methods, they are worthy of consideration.

### 1. Economic impact analysis

Economic impact analysis (EIA) sets out to quantify the **direct** (e.g. money invested in buying goods from a local supplier) and **indirect** (e.g. audiences spending money in restaurants or hotels) economic impacts of an organisation or project, along with the **induced** impacts, which are secondary or ‘multiplier’ benefits (e.g. extra waiters, hired to cope with increased number of visitors, who then spend their wages in the local economy).<sup>20</sup> This type of study has the advantage of attaching a tangible financial value to a particular project or organisation and may be regarded as providing ‘a clear, robust and evidence-based understanding’ of the economic contribution made by culture.<sup>21</sup> However, there are several drawbacks. First, it is difficult to measure accurately the benefits of these effects and to prove that spending generated is genuinely additional to the economy. According to the Green Book (the Treasury guidance document for public sector bodies on how to appraise proposals before making funding decisions), any claims of additionality must be calculated with consideration of the following factors:

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<sup>19</sup> BOP Consulting, ‘Measuring the Economic Benefits of Arts and Culture’, 2012, Arts Council England, online: <http://www.artscouncil.org.uk/advice-and-guidance/browse-advice-and-guidance/measuring-economic-benefits-arts-culture> [accessed 19 March 2014].

<sup>20</sup> BOP Consulting, 2012, p. 7.

<sup>21</sup> Centre for Economics and Business Research (Cebr), ‘The Contribution of the Arts and Culture to the National Economy’, 2013, Arts Council England, online: [http://www.artscouncil.org.uk/media/uploads/pdf/CEBR\\_economic\\_report\\_web\\_version\\_0513.pdf](http://www.artscouncil.org.uk/media/uploads/pdf/CEBR_economic_report_web_version_0513.pdf) [accessed 20 March 2014] p. 8.

- ‘Leakage’ effects, which benefit those outside of the spatial area or group which the intervention is intended to benefit.
- ‘Deadweight’, which refers to outcomes which would have occurred without intervention. Its scale can be estimated by assessing what would have happened in the ‘do minimum’ case, ensuring that due allowance is made for the other impacts which affect net additionality.
- ‘Displacement’ and ‘substitution’ impacts, which are closely related. They measure the extent to which the benefits of a project are offset by reductions of output or employment elsewhere.<sup>22</sup>

In addition to these methodological issues, EIA also fails to account for ‘the full range of benefits which arise from the consumption and provision of cultural goods and services; impact analysis generally considers only market activity [...] and therefore fails to capture the non-market benefits [and] the benefits which accrue to non-users of the goods’.<sup>23</sup>

## **2. Economic contribution analysis (economic footprint analysis)**

Whilst EIA is most frequently used at a local or regional level, economic contribution analysis aims to measure the impact of an organisation at a national level, looking primarily at employment and Gross Value Added (GVA). Although underrepresented in studies relating to arts and culture, this method is used by DCMS to measure the size of the creative industries.<sup>24</sup> GVA measures the value generated for the UK economy by an organisation or industry’s activities. Direct GVA measures the value an organisation adds to its inputs (e.g. goods and services purchased, public or private subsidy) in the course of making its outputs (e.g. theatre production with ticket sales). As with EIA, this method offers a means of expressing value in monetary terms but fails to take into account non-market values and is only really suitable and practicable for large organisations such as the BBC, which has indeed been using this methodology for some time. A report published in January 2013 and entitled ‘The Economic Value of the BBC: 2011/12’ concluded that:

In 2011/12, BBC total operating expenditure in the UK – including both public service and commercial subsidiary UK expenditure – was £ 4,341 million (excluding inter-group re-charges). This expenditure had a significant economic impact, generating a Gross Value Added of £8,323 million for the UK economy equivalent to two pounds of economic value for every pound of the licence fee.<sup>25</sup>

Whilst adopting this method for measuring its economic impact, the BBC report admits that there are important wider benefits delivered by the Corporation that make an important contribution to economic growth but are not captured in the GVA calculation. As a result, they

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<sup>22</sup> *The Green Book: Appraisal and Evaluation in Central Government*, HM Treasury, 2011, online: [www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf) [accessed 20 March 2014], p. 53.

<sup>23</sup> Manatū Taonga, 2013, p. 27

<sup>24</sup> The most recent of these studies was published in January this year: DCMS, ‘Creative Industries Economic Estimates January 2014’, 2014, online: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/271008/Creative\\_Industries\\_Economic\\_Estimates\\_-\\_January\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/271008/Creative_Industries_Economic_Estimates_-_January_2014.pdf) [accessed 19 March 2014].

<sup>25</sup> BBC, ‘The Economic Value of the BBC: 2011/12’, 2013, online: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc\\_economic\\_impact\\_2013.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_economic_impact_2013.pdf) [accessed 21 March 2014].

complement that method with an attempt to articulate the benefits originating from the knowledge spillover and transfer for which the BBC is responsible, and how they lead to innovation and knowledge sharing.

### **3. Stated preference**

Supported by HM Treasury and championed by Dave O'Brien in his 2010 report for DCMS,<sup>26</sup> the stated preference model uses carefully designed surveys to measure the value the wider public attaches to culture and translate this into monetary terms. The two commonly used approaches are contingent valuation (CV) and choice modelling (CM). The former employs carefully framed questions to ask respondents what their maximum willingness to pay (WTP) for a good is (or their minimum willingness to accept), from which the study can attribute a monetary value to the goods or service. Choice-modelling techniques break non-market goods and services down into a package of attributes and present respondents with a variety of scenarios designed to assess comparatively the value placed on each attribute (e.g. how much individuals would be willing to pay for longer opening times). Whilst CV is generally used to demonstrate value to external stakeholders (e.g. funders), CM studies are more commonly used as internal indicators of value that allow organisations to set priorities.

Unlike impact studies, these approaches are able to capture the value of non-market goods (e.g. free entry to museums and exhibitions) and express them in monetary terms, and they can also provide a means of measuring the non-use value of these goods. This method has been proposed as a solution to the perceived impasse between the cultural sector and its funders. Bakhshi et al, for example, argue that this economic approach 'does not replace, but captures and summarises [the] many-faceted valuations [preferred by the cultural sector] in such a way that when choices are being made between spending on the arts and spending on other calls on the public purse, the value set on the arts will be fair and inclusive – that it will, precisely, reflect the public's evaluation of the intrinsic value of the arts.'<sup>27</sup>

As with all approaches, stated preference is not without its drawbacks. At a very practical level, this method is technically demanding and requires expertise, time and, ultimately, resources. At a more theoretical level, stated preference studies are based on a set of assumptions which are clearly challengeable:

- i. that individuals have full knowledge of their preferences
- ii. that these preferences are stable over time
- iii. that all goods are comparable in terms of their value.<sup>28</sup>

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<sup>26</sup> O'Brien, 2010.

<sup>27</sup> H. Bakhshi, A. Freeman and G. Hitchen, 'Measuring Intrinsic Value: How to Stop Worrying and Love Economics', 2009, Missions Model Money, online: <http://www.missionmodelsmoney.org.uk/content/measuring-intrinsic-value-2009> [accessed 18 March 2014], p. 7.

<sup>28</sup> Manatū Taonga, 2013, p. 11. Studies also suggest that various environmental factors, such as the smell of the room, can affect people's preferences and willingness to pay. D. Fujiwara and R. Campbell, 'Valuation Techniques for Social Cost-Benefit Analysis: Stated Preference, Revealed Preference and Subjective Well-Being Approaches', 2011, Department for Work and Pensions and HM Treasury, online: <https://www.gov.uk/government/publications/valuation-techniques-for-social-cost-benefit-analysis> [accessed 20 March 2014].

We could add to this the assumption that the individual's stated preference in a hypothetical situation would match up exactly with his/her actions in a real-life context. In addition, the aggregation of individual preferences requires a decision to be made about the weighting of each individual's willingness to pay.<sup>29</sup> Without a careful and robust weighting mechanism that counterbalances the inequalities in wealth distribution, these studies run the risk of grossly under- or overestimating the value of culture and of under- or overrepresenting particular groups within society.<sup>30</sup>

#### **4. Revealed Preference**

Unlike stated preference models, which focus on hypothetical situations, revealed preference approaches 'are based on what people actually do in real markets',<sup>31</sup> using observed behaviour to infer the value placed on a non-market good. The two principle methods are **hedonic pricing**, which explores the impact of goods or services on market prices (e.g. does a high concentration of theatres raise – or lower – the price of houses in an area?) and **travel costs**, which infers what people value based on the time that they are willing to spend travelling to consume a good or service. Although revealed preference models avoid some of the criticisms levelled at stated preference techniques by using data from real-life situations rather than creating a hypothetical market, they suffer from serious flaws themselves. It is, for example, extremely difficult to isolate the various factors that contribute to house prices and even more difficult to rank them and attach a monetary value to each, and this exercise is possible only if a reasonably wide spread of market data is available. It has also been observed that evaluations based on travel costs rest on the assumption that there is a direct correlation between travel times and the value placed on the good, ignoring, for example, the pleasure an individual may gain from the journey itself.<sup>32</sup> Furthermore, the revealed preferences model is only able to estimate the use values of cultural goods and neglects to capture their non-use and instrumental values, giving only a partial account of cultural value.

#### **5. Social Return on Investment (SROI)**

This approach aims to be a form of 'social accounting'<sup>33</sup> that takes into consideration non-economic costs and benefits. The ACE report, 'Measuring the economic benefits of arts and culture' provides a helpful summary:

At its heart, SROI is a way of understanding the value of an organisation's activities based on their effects on the organisation's stakeholders and audiences. It begins by establishing who all the stakeholders for an organisation are, and how the organisation might have an impact on them, both positively and negatively. This forms the basis of an 'impact map'. The next stages of the process involve assessing which are the most important impacts, and whether they can be measured either quantitatively or qualitatively. Importantly, the focus on getting stakeholders to participate in defining value and impact means that SROI, as conducted according to the nef [New Economics Foundation] guidelines, is a non-comparable methodology.<sup>34</sup>

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<sup>29</sup> See Throsby 2001, pp. 31-4 for a fuller critique of willingness to pay as an indicator of cultural value.

<sup>30</sup> Manatū Taonga, 2013, pp. 30-31.

<sup>31</sup> O'Brien, 2010, p. 28.

<sup>32</sup> O'Brien, 2010, p. 31.

<sup>33</sup> BOP consulting, 2012, p. 24.

<sup>34</sup> BOP consulting, 2012, p. 24.

As the report points out, controversy arises at the point when a monetary value is attached to the identified benefits in order to demonstrate the social GVA and, at present, the sector lacks robust financial proxies.

### **5.1. Wellbeing and health**

An emerging sub-field in the SROI method is the study of culture's impact on health and wellbeing. There has been a long-standing interest on the part of the arts community, policy-makers, local authorities and medical service providers for the impact that arts engagement can have on health and, more recently, wellbeing.<sup>35</sup> A recent publication by the Arts Council England identifies 'health and wellbeing' as one of the four key areas in which the arts can generate public value, alongside the economy, the social sphere, and education.<sup>36</sup> Never before had the health impacts of the arts featured so prominently in a general arts funding body's policy document with a clear strategic nature.

December 2013 saw the All-party Parliamentary Group on Wellbeing Economics devoting an entire session to the theme of 'Culture and Wellbeing'. According to the Group's web page report, the main points to emerge from the day of discussions were that evidence about wellbeing could be used to serve three key roles:

- *To make a case for increased spending on culture by attaching monetary values to the benefits created by participation in cultural activities*
- *To help policy makers maximise the impact of culture policy in terms of increasing wellbeing by understanding whose wellbeing benefits most from different cultural activities, and understanding how cultural policy may be complementary to policy in other sectors, such as health*
- *To help those working in the industry to maximise the impact of their work in terms of increasing wellbeing, by using the evidence to encourage cultural providers to think about the purpose of their work, and inform their strategic decision making.*

It was stated that more research is needed in this area to pinpoint which aspects of culture benefit wellbeing, and to be able to prove causation in order to better inform action in these areas.<sup>37</sup>

Speaking at the ACE/RSA 'Towards a Plan A' conference, Daniel Fujiwara advocated the use of a 'welfarist' approach that focuses on wellbeing. This method assesses the impact of a non-market good on subjective wellbeing (SWB), e.g. life satisfaction, and compares this with the impact of income on wellbeing to work out how much money would be required to derive the same impact. Fujiwara argues that this provides a more accurate assessment of value because it does not involve directly asking people to put a monetary

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<sup>35</sup> See M. White, *Arts Development in Community Health: A Social Tonic* (Oxford and New York: Radcliffe Publishing, 2009) and Arts Council England, 'A Prospectus for Arts and Health', 2007, Arts Council England, online: [http://www.artscouncil.org.uk/publication\\_archive/a-prospectus-for-arts-and-health/](http://www.artscouncil.org.uk/publication_archive/a-prospectus-for-arts-and-health/) [accessed 21 March 2014] for further information on 'arts in health' programmes in the 1980s and 1990s.

<sup>36</sup> ACE, 'The Value of Arts and Culture to People and Society', 2014.

<sup>37</sup> <http://parliamentarywellbeinggroup.org.uk/>

value on culture.<sup>38</sup> Furthermore, as surveys such as ‘Taking Part’ and ‘Understanding Society’ have already collected data on cultural engagement and SWB, this method would be cost-effective, allowing smaller institutions to use this approach to generate an economic valuation of their impact.

## Evidence Gaps

As the above section demonstrates, there are still significant gaps both in terms *what* is evaluated and *how* these evaluations are carried out. As the recent ACE evidence review offers an up-to-date summary of these gaps, it is sufficient here to list the areas they identify:

- Methodological gaps – evidencing relationships between arts engagement and personal behaviours and life outcomes using cohort and longitudinal studies
- Children’s arts participation and engagement – lack of statistical work on drivers of engagement and impact of arts and cultural engagement
- Linking data on investment per head, supply/concentration of arts infrastructure, arts participation and engagement, and attitudes towards the arts
- Talent development and deferred benefit
- The artist and the experience and trajectories of individual artists as an under-researched topic
- Capturing economic contribution and using consistent appraisal and evaluation techniques
- Equality and diversity
- The use of digital technologies.<sup>39</sup>

## Emerging discussion points:

The mapping exercise presented here is necessarily terse, and therefore can only aspire to be illustrative rather than exhaustive. Nevertheless, there are some key issues and discussion points that emerge from the preceding methods-focused discussion, and they all focus on the *politics of measurement*: why do cultural actors *really* measure, audit and evaluate?

- Once policy initiatives and funding decisions have been decided upon and implemented, it is important for government and funding bodies to ascertain whether the initial objectives have been achieved. Monitoring and evaluation are key to this process of review, which is necessary to determine how future policies and decision-making ought to be shaped. As Throsby puts it: ‘Information on the success or otherwise of various policies allows an assessment of their efficiency and effectiveness, and provides valuable feedback to help improve policy performance in the future.’<sup>40</sup> In this view, monitoring and evaluation are activities that are pursued for the purposes of identifying what aspects of a policy intervention worked and which didn’t; to what extent objectives were met and why they might not have been; they are, in other words, learning exercises. The ultimate aim is ensuring that public resources are spent wisely and that maximum impact is reached for the investment made.

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<sup>38</sup> Barnett and Fujiwara, 2013, p. 80.

<sup>39</sup> ACE, ‘The Value of Arts and Culture to People and Society’, 2014.

<sup>40</sup> Throsby, 2010, p. 53.



However, in so far as monitoring and evaluation can help assess policy effectiveness, they are also, inevitably, implicated in processes of legitimation and justification (and, crucially, self-justification): for organisations in receipt of public funding it is important to come out of these mechanisms of monitoring and evaluation looking good. Furthermore, in so far as they want to be seen to handle public cash carefully and effectively, organisations might become keener on processes and procedures that indicate and display a commitment to transparency and efficiency irrespective of the actual efficacy of those procedures. In other words, expectations of accountability and transparency might mean that *showing* a commitment to evaluation becomes paramount, and auditing processes acquire an almost ritualistic character. This is a phenomenon that Michael Power calls the ‘audit explosion’:

The danger is that it is now more important to an organisation’s legitimacy that it is seen to be audited than that there is any real substance to the audit. Even the fiercest critics have become caught up in this logic, as the public issue has become the independence of auditors rather than their competence or relevance. What these critics ignore is that even with strong guarantees of independence, systems based audits can easily become a kind of ritual, concerned with process rather than substance, and governed by a ‘compliance mentality’ which draws organisations away from their primary purposes.<sup>41</sup>

Criticism of the recently published Arts Council England report, ‘This England’, is a good example of the excessive work that measurement and the resulting data are expected to carry out in the policy sphere, and the resulting problems.<sup>42</sup> ‘This England’ is ACE’s response to the heated debate that has developed in England following the publication of the ‘Rebalancing our Cultural Capital’ report,<sup>43</sup> which has resulted in a parliamentary enquiry on work of ACE and its regional funding strategy in particular. ‘This England’ presents the data and argument on which ACE’s own response to the enquiry is based. Liz Hill’s criticism of the report is not that the statistics and calculation are ‘wrong’ or are arrived at incorrectly per se, but she suggests that numbers are presented and, more importantly, interpreted in a manner that led to conclusions that were desirable for the organisation. Considering the data presented on success rates across England for G4A (Grant for the Arts) applications, Hill shows how, looking at the same data from a different angle, a number of very different headlines could be produced, which are also factually correct. The allegation is that ACE picked from among the broad range of factually correct but different readings the one that made it easiest for them to rebuff the accusation of a London bias in the distribution of funding to the arts and culture.

The interpretation of statistical data and metrics is a politically sensitive affair, and the pressures that the needs of advocacy put on the process of data collection and analysis

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<sup>41</sup> M. Power, *The Audit Explosion* (London: Demos, 1994), p. 16.

<sup>42</sup> Cf. L. Hill, ‘It’s England, Jim, but not as you know it’, in *ArtsProfessional*, 13/3/2014, online: <http://www.artsprofessional.co.uk/blog/its-england-jim-not-you-know-it> [accessed 21st March 2014].

<sup>43</sup> P. Stark, C. Gordon and D. Powell, *Rebalancing our Cultural Capital*, 2013, online: [http://www.theroccreport.co.uk/downloads/Rebalancing\\_FINAL\\_10mb.pdf](http://www.theroccreport.co.uk/downloads/Rebalancing_FINAL_10mb.pdf) [accessed 21 March 2014].



for the purposes of producing evidence to be fed into the policymaking process do not always necessarily lead to a higher quality of evidence. This is a widely acknowledged issue in cultural policy. As Scullion and Garcia argued back in 2005, '[...] what the cultural sector really wants from research is the killer evidence that will release dizzying amounts of money into the sector. Its expectations of research can be unrealistic.'<sup>44</sup> Interestingly, they refer here not just to the research, data-gathering and analysis that cultural organisations and funding bodies carry out themselves, but also to academic research, which too is caught in this net of advocacy needs, political expectations and vested interests (especially when the notion of universities carrying out commissioned research for an external clients has become not just acceptable but, in fact, desirable).

The consequence is that a gap might well develop between an official rhetoric of transparency and the appearance of careful auditing and measurement, and what *really* happens within the sector. This inhibits the possibility that monitoring and evaluation can result in genuine learning and improved policy measures, but also effectively distorts public debates over policy.<sup>45</sup>

- Following on from the point above, the narrow focus on methods that often characterises debates over monitoring and evaluation (e.g. the longstanding search for the holy grail evaluation toolkit for the assessment of the socio-economic impact of the arts) can work to obscure the ineluctably political nature of decision-making in public policy. Policy-decisions are always political ones, no amount of measurement, evaluation and evidence-gathering can alter their nature. However, policy-makers, cultural organisations and even individual creative professionals might feel more comfortable focusing on questions of *methods* rather than on questions of *politics* and *ideology*. The temptation, then, is to reconfigure as a methodological question the political decision on the trade-offs that allocating limited resources requires. A good example of this is the way in which the process of 'making the case' for the arts has been collapsed into the quest, over the past twenty years, for the perfect impact evaluation toolkit that might be applied across cultural experiences, diverse type of audiences, geographical locations and art forms. Yet this quest only masks an attempt to displace the problem of justification and legitimation, rather than solving it.
- There is a growing consensus within the cultural sector (expressed for instance in O'Brien's report for DCMS) that, in order to make a convincing case for its value to the Treasury, it might be necessary to use the kind of language the government prefers. This, as we have seen, is the language of cost-benefit analysis enshrined in the Green Book, an idiom predicated on monetization as the key means to quantify and articulate value. On the one hand, it makes perfect political sense that the arts and culture, in so far as they are publicly supported, should be subject to the same expectations of transparency, accountability and the same decision-making processes as other areas of public spending. The risk, on the other hand, is a narrow focus on economic perspectives to the detriment of the interdisciplinarity that is important to addressing complex

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<sup>44</sup> A. Scullion and B. García, 'What is cultural policy research?' in *International Journal of Cultural Policy* 11:2 (2005), 113-127 (p. 120).

<sup>45</sup> See E. Belfiore, 'On bullshit in cultural policy practice and research: Notes from the British case', *International Journal of Cultural Policy*, 15:3 (2009), 343-359.

questions such as that of cultural value. In a recent blog, Commissioner Hasan Bakhshi<sup>46</sup> outlined five basic principles for measuring the value of culture. The second principle is especially relevant here:

*PRINCIPLE 2. The valuation agenda is multi-disciplinary*

A fundamental task is to establish when measures of economic value do not capture cultural value. In such cases it becomes especially important to develop effective ways of measuring the value of culture in its own terms. How can we articulate, and if possible measure, cultural value when there are no standardised units of account? How do these measures square up against economic valuations based on willingness-to-pay, and can the relationship between the two be formally understood? Can we make informed judgements about when economic measures may serve indirectly to capture cultural value and when they do not?

- There is another risk inherent in the attempt to try and speak to government with arguments designed to attract the favour of the Treasury: it simply fosters bad measurement. The longstanding debate on the quality, rigour and credibility of economic impact measurement as practiced across the arts sector is an interesting example. On this, it is interesting to quote the leading British economist John Kay, founding director of the Institute for Fiscal Studies, former Chair of the London Business School, first director of Oxford University's Saïd Business School and therefore very well placed to spot cases of 'bad economics'. In a column for the comment section of the *Financial Times*, Kay reflects on the misguided nature of the economic impact rhetoric in relation to the arts and sport:

Many people underestimate the contribution disease makes to the economy. In Britain, more than a million people are employed to diagnose and treat disease and care for the ill. Thousands of people build hospitals and surgeries, and many small and medium-size enterprises manufacture hospital supplies. Illness contributes about 10 per cent of the UK's economy: the government does not do enough to promote disease.

The analogy illustrates the obvious fallacy. What the exercises measure are not the benefits of the activities they applaud, but their cost; and the value of an activity is not what it costs, but the amount by which its benefit exceeds its costs. [...] [T]he economic value of the arts is in the commercial and cultural value of the performance, not the costs of cleaning the theatre. The economic perspective does not differ from the commonsense perspective. Good economics here, as so often, is a matter of giving precision to our common sense. Bad economics here, as so often, involves inventing bogus numbers to answer badly formulated questions.<sup>47</sup>

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<sup>46</sup> H. Bakhshi, 'Five principles for measuring the value of culture', 2013, online: <http://www.nesta.org.uk/blog/five-principles-measuring-value-culture-0> [accessed 21 March 2014].

<sup>47</sup> John Kay, 'A good economist knows the true value of the arts', *Financial Times*, 10/08/2010.

The challenge that is adumbrated in Kay's words, then, is how to achieve the complex aim of demanding methodological rigour but without forgoing the consideration of the practical, both in terms of the need of the sector, and the constraints to what is possible, and without collapsing cultural into economic value.

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## Appendix 1.

Methods	Used to value	Key question answered	Advantages	Drawbacks
Contingent valuation	Economic values including option and non-use values e.g. the economic value of having a museum in a town or city	How can we capture users' and non-users' valuations of culture for use in cost-benefit analysis?	Stated Preference techniques, particularly contingent valuation, are well established within environmental and transport economics, and are recommended by HMT's <i>Green Book</i> . They are used by the Departments for Communities and Local Government; Environment, Food and Rural Affairs; Business, Innovation and Skills; and Transport. Give monetised valuations of the cultural activities and institutions for cost-benefit analysis	Stated preference techniques are complex and expensive to apply There are a range of technical and philosophical critiques of the method
Choice modelling	Economic values including option and non-use values e.g. the value of one policy option, such as longer opening hours, against another, such as a new building	How can we capture users' and non-users' valuations of culture for use in cost-benefit analysis?	Similar advantages to contingent valuation Doesn't directly ask willingness to pay, so avoids some of the criticisms of contingent valuation Useful for understanding values where there is a clear choice of options	Similar issues to contingent valuation Doesn't directly value goods, but rather is used to assess the values of different options and choices
Hedonic pricing	Economic values, excluding option and non-use values e.g. The value of living near to, so being able to use, a theatre	What is the relationship between a good or service and market prices?	Based on market prices with sophisticated techniques to reveal the values associated with a given good or service	Usually based on property prices which are often only spuriously related to goods and services within the cultural sector Rarely used within the cultural sector Doesn't capture non-use and option values
Travel cost	Economic values, excluding option and non-use values e.g. the value of visiting a free gallery	What do people value based on the amount of time they are willing to spend travelling to	Based on market prices that directly reveal people's preferences for a good or service Has been used to value a range of cultural goods and services and compare those values	May undervalue people who have only short travel time Doesn't capture non-use and option values



		consume a good or service?		May require potentially costly primary research
Subjective wellbeing	Impact of any activity, e.g. taking part in a dance class or visiting a heritage site, understood through the relationship between wellbeing and income	How can we value changes in wellbeing generated by culture?	Avoids many of the criticisms of economic valuation techniques  Has been used by DCMS to value engagement with cultural activity	The relationship between income and wellbeing is still not fully understood  The method need more research before its findings will rival or replace existing forms of economic valuation
Quality Adjusted Life Years (QALYs)	Value of quality and length of a year of human life e.g. the impact of participation in a community arts group on health	How do we make decisions about resource allocation in healthcare?	Allows an analysis of cost effectiveness for often very different health interventions  Bespoke method which avoids the problem of directly valuing human life in monetary terms	Specific to the health sector  Subject to debates over technical issues
Non-economic forms of valuation	The impact of cultural activity on individuals and society	How can we value culture without using monetary criteria?	Methods are drawn from the cultural sector  Avoid the philosophical objections associated with economic valuation techniques	No one method is agreed  None of the methods fit with the <i>Green Book's</i> recommendations
Multi-criteria analysis	Used to make different forms of data commensurable	How can we make judgements using incommensurable forms of data?	Helps to integrate qualitative, quantitative and monetised data  Can involve expert judgement on the weighting of criteria	Still requires a measurement of cultural value, so doesn't avoid the difficulties discussed in this report  Arguments can occur over the relative weights given to each criterion

O'Brien, 2010, pp. 6-7.