



The Cultural Value

in the Thought of David Throsby

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Received date: February 7, 2025

Acceptance date: May 30, 2025

Publication date: July 1, 2025

Para citar este artículo

Hidalgo-Villota, M. E. (2025). The Cultural Value in the Thought of David Throsby, *(Pensamiento), (Palabra)... Y Obra*, (34), e22739. <https://doi.org/10.17227/ppo.num34-22739>

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Abstract

David Throsby is undoubtedly the most renowned contemporary economist in the field of cultural economics. His scientific contributions to understanding the cultural world in its interrelation with economic science have earned him admiration and respect. This article interprets the thinking of David Throsby on two fundamental issues: cultural value and economic value. In fact, cultural value goes beyond the limits of economic value, without losing sight of the fact that both constitute a dual value system. David Throsby argues that economic value, based on market price in most cases, fails to capture the real dimension of cultural value. If value and price do not mean the same, and it is desirable for cultural value to be higher than market price, then the challenge for the cultural economy is to motivate cultural consumers to pay a price above cultural value to produce a favorable economic result. Cultural value encompasses different types of values, namely: aesthetic, spiritual, social, historical, symbolic, authenticity, and even emotional value that transcends the logic of functional rationality. Since the purpose of the cultural economy is to understand cultural phenomena from an economic perspective, it is necessary to advance the production of knowledge about how cultural preferences are formed and then focus efforts on developing the corresponding satisfiers.

Keywords: cultural goods and services; cultural value; David Throsby; economic value; preferences

JEL Classification: A32, B31, Z11

Valor cultural no pensamento de David Throsby

Resumo

David Throsby é, sem dúvida, o economista contemporâneo mais reconhecido no campo da economia cultural. Suas contribuições científicas sobre como entender o mundo cultural em sua inter-relação com a ciência econômica o tornam merecedor de admiração e respeito. Este artigo interpreta o pensamento de David Throsby em relação a duas questões fundamentais: o valor cultural e o valor econômico. De fato, o valor cultural ultrapassa os limites do valor econômico, sem perder de vista que ambos constituem um sistema dual de valor. David Throsby sustenta que o valor econômico, baseado no preço de mercado na maioria dos casos, não consegue captar a dimensão real do valor cultural. Se valor e preço não significam o mesmo, e o desejável é que o valor cultural seja superior ao preço de mercado, então o desafio da economia cultural é, portanto, motivar no comportamento do consumidor cultural sua disposição de pagar um preço acima do valor cultural com vistas a produzir um resultado econômico favorável. O valor cultural engloba diferentes tipos de valores, a saber: estético, espiritual, social, histórico, simbólico, de autenticidade; inclusive, o valor emotivo que ultrapassa a lógica da racionalidade funcional. Como o objetivo da economia cultural é compreender os fenômenos culturais a partir de uma abordagem econômica, é necessário avançar na produção de conhecimento sobre como se formam as preferências culturais, para depois concentrar os esforços no desenvolvimento dos correspondentes satisfatores.

Palavras-chave: bens e serviços culturais; David Throsby; preferências; valor cultural; valor econômico

El valor cultural en el pensamiento de David Throsby

Resumen

David Throsby es, sin duda, el economista contemporáneo más reconocido en el campo de la economía cultural. Sus contribuciones científicas acerca de cómo entender el mundo cultural en su interrelación con la ciencia económica, lo hacen merecedor de admiración y de respeto. En este artículo se interpreta el pensamiento de David Throsby con respecto a dos cuestiones fundamentales: el valor cultural y el valor económico. De hecho, el valor cultural rebasa los límites del valor económico sin perder de vista que ambos constituyen un sistema dual de valor. David Throsby sostiene que el valor económico fundamentado en el precio de mercado en la mayoría de los casos no logra captar la dimensión real del valor cultural. Si valor y precio no significan lo mismo, y lo deseable es que el valor cultural sea superior al precio de mercado, entonces el reto de la economía cultural es, pues, motivar en la conducta del consumidor cultural su disposición a pagar un precio por encima del valor cultural con miras a producir un resultado económico favorable. El valor cultural encierra distintos tipos de valores, a saber: estético, espiritual, social, histórico, simbólico, de autenticidad; inclusive, el valor emotivo que desborda la lógica de la racionalidad funcional. Como el propósito de la economía cultural es entender los fenómenos culturales desde un enfoque económico, es necesario avanzar en la producción de conocimiento acerca de cómo se forman las preferencias culturales, para luego, enfocar los esfuerzos a desarrollar los correspondientes satisfatores.

Palabras clave: bienes y servicios culturales; David Throsby; preferencias; valor cultural; valor económico



Introduction

David Throsby was born in Australia in 1939. His career as a teacher and researcher in cultural economics was developed at Macquarie University (Sydney, Australia). Thanks to his excellent training, tenacity, and intellectual acuity, he is currently considered the most brilliant economist in the field of the economics of art and culture. His vast intellectual work has inspired many researchers and thinkers from different latitudes to apply the tools of economic analysis to the understanding of the cultural world. We would certainly not know so much about the economics of art and culture today, nor would we be motivated and passionate about this developing discipline, without the legacy of Professor Throsby.

As for the purposes of economics, they undoubtedly focus on the material welfare of society, more specifically on the level of gross domestic product *per capita* as a debatable measure of economic prosperity. The role of the economist is thus to evaluate the costs and benefits of resource allocation among a set of possible alternatives

(Blaug, 1992). Indeed, some alternatives are more advantageous than others, so the mission of the economist mission is to identify the optimal, or at least the suboptimal, allocation. In this scenario, economic science is clear that its field of study is production, distribution, exchange, and consumption of goods and services for the satisfaction of material needs. In the case of cultural goods and services, they not only satisfy the current needs of individuals related to their direct and indirect use. The non-use value associated with the concepts of existence value and legacy, or inheritance value is also contemplated. There are many of us who agree in preserving the arts and cultural manifestations and institutions, not only thinking of today, but also of tomorrow, that is, we share a concern for the welfare of future generations.

However, the conjunction of culture with the economy is hardly evident. Artistic and cultural activity draws on economic fundamentals to justify government and private funding of artistic and cultural activity (Throsby & Withers, 1979). For Frey (2000), the arts and the economy walk hand

in hand: the economy provides financial support to culture for its sustainability, while artistic creativity ensures that the economy flourishes. Incidentally, Throsby (2011) reminds us that cultural production and consumption are elements of human activity that have been around for a long time, even, needless to say, that both appeared in parallel to the human species. However, the price system that replaced the rustic exchange system is the fruit of capitalist development from its earliest stage as an instrument to accelerate the accumulation of capital.

Throsby & Zednik (2014) question the adequacy of economic value theory as a mechanism to fully capture the value of cultural phenomena. These authors argue that, although in theory the parallel existence of these two types of value is accepted, the empirical evidence is not sufficient to support the thesis that they are distinct phenomena or, at least, to explore a possible relationship between them. In fact, in the approach of De Marchi (2008), the question is whether it is possible for artistic, cultural and economic valuations to coincide. Depending on the type of science or discipline consulted, the answers will surely be opposite. The opinions of cultural economists are inclined, in principle, to affirm that artistic and cultural value largely explain the variations in the market price of cultural goods and services. Their perception may even go further, stressing that economic value incorporates the cultural value. Nor is it advisable to lose sight of the perspective of philosophers of aesthetics, and cultural anthropologists and sociologists, for whom artistic and cultural value is intrinsic, since it is strongly linked to cultural, aesthetic, and artistic experience. Thus, Throsby (2001) reminds us that cultural value depends on creativity and symbolic meaning with marked implications for personal and group identity.

The purpose of this article is twofold: on the one hand, to pay a well-deserved tribute to David Throsby as one of the most influential researchers and theorists in cultural economics of the world, whose theoretical and empirical approaches have illuminated the path of many economists and other professionals; and on the other hand, to examine and interpret in the thought of Professor Throsby, the concepts of cultural value and economic value as channels of communication and cooperation between culture seen as a whole and economic science, always concerned with the efficient allocation of limited resources that have diverse uses. This manuscript provides some theoretical elements that help understand the difficulties in the allocation

of cultural value given the limitations of the economic approach. Although this old debate is not resolved here, it is hoped that the reflections provided may be useful to the public interested in the subject and may motivate the development of future research.

Theoretical framework

Culture beyond economics

Before delving into the theoretical discussion about cultural value and economic value in the work of David Throsby, it is needed to first take a look at the definitions of economics and culture. With regard to economics, it is worth noting that, in the past, academic debate revolved around whether it was a science or a discipline. Fortunately, this discussion is now outdated because the concept of science is more flexible and inclusive. With the strengthening of the social sciences and the new vigor of the humanities, we have overcome the classical positivism of the natural sciences, which were burdened by the search for truth through causal relationships.

It should be recognized that, since the marginalist revolution at the end of the 19th century, economics has acquired such a degree of mathematical formality that the Royal Swedish Academy of Sciences has been awarding the Bank of Sweden Prize in Economic Sciences in memory of Alfred Nobel to outstanding economists and other social scientists¹ for their remarkable contributions to economic science since 1969. This event can be seen as evidence that economics has aroused enormous scientific interest, placing it more in the field of hard sciences. The truth is that economics, however you want to look at it, is extremely valuable for understanding artistic and cultural phenomena, as well as for assessing the appropriateness or otherwise of decisions involving funding for the cultural sector.

Many people may be surprised that economics deals with the arts and culture, which, at first glance, seem to be outside the field of economic reasoning and calculation (Frey, 2019). This question is not at all strange, nor does it deserve to be surprising. In fact, cultural goods and services also provide utility in their consumption. These goods and services are freely produced and sold in markets,

¹ It should be remembered that the Nobel Prize in Economics, with the exception of economists, has also been awarded to other types of professionals, such as outstanding physicists like Jan Tinbergen, brilliant mathematicians like John Forbes Nash and Robert John Aumann, psychologists like Daniel Kahneman and political scientists like Elinor Ostrom.

generating wealth, income, and employment. From this the link between the economy and the cultural world, or, if preferred, between the cultural world and economic science stems. It goes without saying that cultural goods and services, by their very nature, differ from conventional goods and services in both their production and consumption. Some of them are even non-reproducible, such as works of art, which, apart from being unique, have a high value in terms of authenticity and legacy.

As far as economics is concerned, David Throsby considers its definition to be clear and widely accepted. However, the same cannot be said of culture, the definition of which is the subject of intense debate and ongoing disagreement. As opposed to economics, “culture is a word employed in a variety of senses in everyday usage, but without a tangible or generally accepted basic meaning” (Throsby, 2001, p. 23). In fact, culture is an amalgam of concepts or ideas drawn from the social sciences as well as the humanities. This implies that, in the study of culture, scientific and vulgar knowledge come together to further problematize its delimitation, analysis, and conceptualization. For example, for Giménez (2005), on the one hand, culture is intimately related to processes, meanings and interpretations of social codes and symbols; on the other hand, for García (1999), culture involves group and individual identities with high symbolic value. Geertz (2003) points out that culture is framed in an interpretative field, which seeks to give meanings to the combination of economic, symbolic and aesthetic facts. From these three definitions, it can be concluded that interpretation as a subjective action and symbolic significance are aspects that define cultural value. Therefore, there is no doubt that the cultural world is vast, and artistic creativity is infinite and inexhaustible (Hidalgo, 2024).

Adam Smith in the 18th century referred to the value of the arts and their prominent role in social life. It is worth mentioning that this moral philosopher was the first economist to highlight the importance of artistic professions. According to him, the arts require the development of specific and unique skills, making them worthy of the highest consideration. Thus, he stated it: “Education is longer and more costly in the liberal professions and in the arts, for they demand great skill. Therefore, the pecuniary remuneration of painters, sculptors, lawyers, and doctors should be much more generous — and indeed, it is.” (Smith, 1937, p. 100). Adam Smith also showed a sensitive

concern for the future of the arts and their probable extinction, when he affirmed that the pecuniary remuneration in the arts should be of such a magnitude as to guarantee their preservation, without ignoring that the training of artists is long, costly and sacrificial. In this regard, Hansen (1992) points out that the arts are highly significant in innovation and creativity, without disregarding their notable contribution to the quality of life of people.

When delving into the essence of accumulation, it is worth noting that Smith (1937) makes a distinction between productive and unproductive labor. According to him, the former adds value to the object to which it is attached, while the latter does not have such an effect. Thus, unproductive labor, according to him, does not determine economic growth. This argument does not mean that the father of modern economics felt contempt for unproductive work; on the contrary, his philosophical conception reveals his great admiration for all kinds of work. In one of the passages of *The Wealth of Nations*, he stated: “The labor of the most insignificant has its exact value and is regulated by the same principles that govern any other kind of labor” (Smith, 1937, p. 300). Fortunately, today there is no substantial difference between productive and unproductive work; that is, goods are neither more nor less important than services. Moreover, cultural and artistic goods and services are in no way considered rare goods, as they were in the 18th century.

Concerning the method of study of cultural phenomena, Wolff (1981) proposes to approach the study of the arts from different perspectives, namely: the sociology of art, including semiotics, hermeneutic theory, and the phenomenology of perception, that is, through theories of interpretation. This proposal clashes to some extent with the dominant neoclassical paradigm, which advocates the use of quantitative techniques and methods that can be adapted to the study of art and culture (Heilbrun & Gray, 2001). It is worth clarifying that the cultural world is much broader than the economic world, and that the objects and methods of culture and economics follow very different paths, but with a common motivation. While, in the cultural world, the theories of interpretation proposed by Wolff (1981) are desirable and plausible, in the economic world, on the other hand, the determination of causal relationships is advocated in search of greater formality and scientific rigor.

It is not daring to say that the economy operates as a subsystem of a large system called culture, similar to that described by ecological economics in its attempt to dethrone environmental economics. In this new paradigm of the ecological world, the biosphere constitutes the natural system that makes life possible. Moreover, the biosphere contains the social which in turn contains the economic. In this alternative approach that gives supremacy to nature, the economy loses its dominant position, becoming an accessory but necessary. It is by no means an attempt to go to extremes in the interpretation of economics in culture, but simply to show that cultural value encompasses economic value, and that in the study of cultural phenomena, interpretation takes precedence, thus requiring the use of subjective and intersubjective approaches, which economics tries to dispense with.

The essential function of economics is to provide information to support private and public decision making through an efficient allocation of scarce resources that have diverse uses. In this sense, economics serves as a financial support to culture, without forgetting that culture is multidimensional because it incorporates in its understanding and management historical, religious, sociological, anthropological, psychological, political, geographical, demographic, environmental, technological and institutional aspects, which complicate its definition and analysis. As Throsby (2001) reminds us, evoking Robert Borofsky: defining culture is “similar to trying to cage the wind” (p. 23). That said, the most sensible thing to do is to recognize that “the limits of creative and symbolic value extend far beyond the horizon of economic value, without the one breaking with the other” (Throsby, 2001, p. 23). As Bille (2024) puts it, the consumption of art and culture causes individuals to accumulate cultural capital, which in turn triggers positive externalities in favor of cultural capital. Larraín (2012) also notes that creativity unleashes innovative ideas, and innovation drives the technological progress that explains economic growth. Note here the power of cultural value expressed in cultural consumption and its influence on the formation of cultural capital as a source of economic development.

It should also be mentioned that cultural goods and services, apart from their direct and indirect use value, also have a non-use value expressed in the existence value and in the legacy or inheritance value, the latter related to the desire that future generations may enjoy the use of a specific good. Suffice it to illustrate this with a brief example: let us say that a significant proportion of the population of a locality might be willing to pay a monetary fee for the operational support of a museum exhibiting works by famous painters and sculptors. It is possible that in the minds of these potential private sponsors there is no desire to visit such a museum given their apathy to leave home. So, their role as patrons is motivated by their desire that, in the future, children may encounter the fine arts at an early age, and in the long run may become artists.

Throsby (2001) sets out to define culture in an analytical and operationally useful way and then links it to the economy. In doing so, he considers the fact that “culture encompasses not only intellectual endeavors, but the totality of the ways of life of a people or society” (p. 24). This definition is based on two analytical frameworks of different scope, as follows: 1) an anthropological or sociological framework that describes culture as “a set of attitudes, beliefs, conventions,





customs, values, and common practices shared by any group” (p. 24), and 2) a definition of culture on a functional or operational level, which integrates “certain activities undertaken by people and the products of those activities, which relate to the intellectual, moral, and artistic aspects of human life” (Throsby, 2001, p. 25). That said, “cultural activities lead to the enlightenment and education of the mind, rather than the acquisition of purely technical and vocational skills” (p. 25). It should also be noted that the intention of Throsby in making this useful distinction is to examine the impact of cultural factors on economic outcomes.

Finally, Throsby (2001) closes his discussion on culture by stating that activities to be considered “cultural” must have three characteristics in common: 1) they must incorporate some form of creativity in their production, 2) they must generate and communicate symbolic meaning, and 3) cultural products must represent, at least potentially, a form of intellectual property. However, intellectual property, as manifested in copyright, is not so easy to put into practice, but creativity and symbolic meaning are indeed the most outstanding aspects of cultural goods and services that differentiate them from other goods. Needless to say, the work of Professor Throsby is valuable for understanding what culture is and how it relates to economic development.

Culture and economy or economy and culture?

The origins of cultural economics date back to 1966 following the publication of the book *Performing Arts: The Economic Dilemma* by William J. Baumol and William G. Bowen, who, in examining the economic performance of opera, concerts and theater in the United States, noted that unit labor costs in the performing arts (also known as the performing arts) grew homogeneously in comparison with the rest of the economic sectors. In fact, labor productivity in this sector was low or, at best, remained constant. Expressed in practical terms, in the performing arts the increase in wages was not duly compensated for the increase in labor productivity, as occurs in other branches of economic activity such as manufacturing industry. This phenomenon was called the disease of costs, the evil of costs or, simply, Baumol’s Law. Now, faced with the impossibility of overcoming what happened, Baumol & Bowen (1966) concluded that the sustainability of the performing arts unavoidably depends on government funding, if what is sought is to avoid their extinction. Similarly, Snowball (2008, 2011) shares the same thesis, arguing that the interest of economics in valuing the arts lies in providing information that facilitates better funding decisions by public and private sponsors.

The findings of Baumol & Bowen (1966) marked a milestone in the history of cultural economics for two fundamental reasons, namely: a) the application of economic analysis to the understanding of the behavior of the arts, and b) the reasoned justification of state intervention in the financing of cultural activities as part of economic and social welfare. For his part, Baumol (1967) gave technical support to the progressive and cumulative increases in real costs incurred in the performing arts and in other economic sectors of low productivity. His theory argues for the existence of unavoidable forces being more powerful than market forces. These forces, said Baumol (1967), are so great that in medieval times they managed to maintain usury as a reward for the use of money of other people, despite recurrent criticism by the scholastics. These same forces in modern times have brought down price controls. Baumol concludes that palliative efforts at cost reduction in low productivity economic activities are inoperative in the long run. He thus justifies the state funding of art and culture.

In the thinking of David Throsby, the influence of culture on the economy prevails, not the other way around. Hence, cultural economics, initially considered a subdiscipline of economics, was transformed over time into a subdiscipline of anthropology, in charge of studying the

role of values in the economy (Klamer, 1996; Throsby, 1999). Following the same line, Blaug (2001b) shares the concern of Throsby, pointing out that the objective of cultural economics is to improve the understanding of cultural phenomena from an economic approach. In this sense, Frey & Briviba (2023) stress that there are two types of cultural economics: the first is concerned with the study of cultural institutions, namely: the performing arts, visual arts, and other forms of cultural industry; and the second, with examining the influence of culture on the economy. In short, cultural value, because of its symbolic significance, is above economic issues, but it requires the economy to materialize.

What to say about theories of value

The word *value* is polysemic. For example, the dictionary of the Spanish language defines value in many senses. For this article, we will refer to three definitions as follows: a) value as the degree of usefulness in providing well-being or delight. Here, utility, suitability, and merit are highlighted. As regards utility, emphasis is placed on the level of satisfaction that a consumer feels or experiences when consuming a product; b) the quality of things, by virtue of which their possession is only possible, thanks to the payment of a certain sum of money or equivalent. Such a definition faithfully agrees with the exchange value and, therefore, with the economic value. This definition includes price, amount, valuation, and appraisal; and c) the scope of significance of a thing incorporating terms such as importance, significance, and transcendence. This definition is attached to cultural value.

In the previous paragraph, value is highlighted as a quality possessed by some good or service, expressed in its usefulness as a measure of satisfaction. This means that the merchandise acquired is useful for something or someone. Let us illustrate this situation with an example: a pair of shoes is useful (has use value) because it serves a person to walk, run or jump without fear of hurting his feet. Shoes have exchange value expressed in the market price that makes exchange possible by virtue of the existence of a double coincidence of needs between sellers and buyers. Going back to our example, shoes, as an economic good, have a price charged by their producer and that, surely, will be paid by the consumer if this good satisfies his preferences. Thirdly, we will refer to the importance or significance of something for someone, that is, going beyond

the market price. This quality represents the symbolic or the meaning that the consumer gives to the traded good or service. Going back to the shoes, they could have been handcrafted and customized by a skilled and recognized craftsman, who worked on commission to satisfy an unusual demand. Apart from the price appraisal, there is something else about shoes that gives this commodity its own identity and special significance because of its authenticity: the *cultural value*. This example illustrates how cultural value manages to transcend economic value, or how the creative and symbolic influences the strictly monetary, if the fact that the price paid for the handcrafted shoes is equal to or higher than their cultural value is configured.

In economics, the concept of value is subject to frequent and intense scrutiny. Despite the considerable development that economics has undergone in the last two and a half centuries, the interpretation of the theory of economic value is antagonistic and polarizing. This is shown by the theory of objective value whose origins go back to the classical English school of political economy, and the theory of subjective value strongly rooted in the marginalist and Austrian paradigms. It is worth mentioning that the term “value” in everyday language is immediately associated with price, intuitively believing that a good that has a higher price is more valuable and vice versa. Value and price are different things that arise in different spheres of the economic circuit, as will be discussed below.

About economic value

It is useful to go back to the 18th and 19th centuries in England to introduce us to the thought of Adam Smith (1723-1790) and David Ricardo (1772-1823), authors of *The Wealth of Nations* published in 1776, and *Principles of Political Economy and Taxation* published in 1817, respectively. These two representatives of the classical school of political economy, in analyzing the functioning of the capitalist system, were acute in differentiating between the value and the price of commodities. For them, value was determined in production by the amount of human labor invested, while price was determined in the market because of the interaction between supply and demand. In other words, value did not depend on the will of consumers, while price did. For Smith (1937) and Ricardo (2004), value was an objective category originating in the productive process, and not in consumption, as marginalist and Austrian economists would later argue. Following

Blaug (2001a, 2012), Schumpeter (2006) and Landreth & Colander (2002), the labor-value theory, although not so original in its conception², emerged initially from the philosophical reflection of Adam Smith, and later, was refined by David Ricardo. Finally, Marx (1887) transformed it into the theory of capitalist exploitation to question the foundations of capitalism.

According to the Marxist tradition, Adam Smith and David Ricardo did not manage to discover value as a quality, and even less as a social relation, but only as a quantity of labor that made it possible to compare one merchandise with another (Sabogal, 1996). For Marx (1887), the magnitude of value was expressed in the amount of labor invested in the production of a commodity, that is, the abstract labor materialized in production. Value, says Marx (1887) has a magnitude that is socially necessary labor and is presented in the market in the form of exchange value, referring to the price. Hence, value and price do not mean the same because they act in different spheres: the first in production, and the second in the market. According to Marx (1887), value arises in the production process as a direct effect of human labor, while the price of a good, which can be equal to, greater or less than value, only materializes in the market, that is, when the commodity is sold. For Marxist theory, value is objective, has a social character and is historical; for the marginalist and Austrian schools, on the other hand, value is subjective, this means that it depends on the 'perception of the consumer, preferences, budget constraint, as well as on diminishing marginal utility³.

The theory of subjective value, as opposed to the labor-value theory, was born in the second half of the 19th century by the economists William Stanley Jevons, Leon Walras and Carl Menger, who developed their theoretical approaches in an isolated and independent manner. This theory states that the value of a good or service is not

determined by any inherent property, nor by the amount of work invested in its production, but by the importance that the consumer assigns to each good or service according to his preferences (Mas-Colell et al., 1995; Nicholson & Snyder, 2008). Thus, consumers assign value to goods and services according to their tastes, freedom, sovereignty, and available budget. In turn, the buyer can choose what is most convenient for him, therefore, let us say that he is a true allocator of value.

Now, the neoclassical theory of individual preferences is based on the premise that each person is best suited to decide on his own economic welfare, in other words, everyone chooses from a set of possible options, the alternative that brings them the highest level of utility⁴. In the words of Becker (1993), individuals are rational subjects who maximize their welfare according to how they conceive it, without excluding the possibility that their preferences are motivated by altruistic, selfish, loyal or even masochistic issues. In addition, individuals are not only guided by self-interest, but also by other types of motivations, which Adam Smith, in his *Theory of Moral Sentiments*, published in 1759, called sympathy.

About cultural value

Goods and services can be public and private. The provision of private goods is determined by market forces. This condition ensures that what is produced is in harmony with the tastes and preferences of consumers. In contrast, the provision of public goods involves a political process of majority voting called public or social choice. In fact, many cultural goods and services are provided by the state, because of the cost disease.

Now, cultural goods and services provided by government face Arrow's impossibility, according to which, "we cannot expect the government to act with the same degree of consistency and rationality as a person" (as cited in Stiglitz & Rosengard, 2015, pp. 178-179). In fact, the government does not act as a rational being. Its decisions, which sooner or later will become public policies, will be made by different governmental actors, regardless of the consequences of an unbalanced political voting process (Stiglitz & Rosengard, 2015). In this order of ideas, the financing of

2 William Petty (1623-1687) as a mercantilist economist was the first economist to incorporate the labor-value category into economic analysis in the seventeenth century in his *Treatise of Taxes and Contributions* published in 1663. According to Petty, land and labor constitute the source of value, distinguishing between natural value, that is, the amount of labor necessary for production, and market value, determined by the interaction between supply and demand. The work of Richard Cantillon (1680-1734), initially examined by Adam Smith, also theorizes about labor value. It is worth adding that Karl Marx classified William Petty among the classical economists precisely because he referred to labor-value. Hence, William Petty could be considered the precursor of the English school of political economy.

3 The greater the quantity of a good or service consumed, the lower the utility provided by each additional unit of the good. This means that consumption has limits, therefore, the consumer who reaches satiation, so to speak, experiences a loss of utility or satisfaction, consequently, the good loses value.

4 The utility of a good or service is not cardinal but ordinal, it means that the individual is unable to measure numerically the satisfaction that a good or service consumed brings him. On the other hand, a consumer can order the different consumption options according to the degree of satisfaction obtained.

art and culture involves economic considerations, even if the logic of rational choice does not operate to its full extent (Blaug, 1977).

For Throsby (2001), cultural value encompasses a set of elements present in a cultural asset, referring to aesthetic value. For example, in a work of art (a famous painting) which combines attributes of beauty, harmony, and form, influenced by style, fashion, and good or bad taste; spiritual value is not necessarily framed in a formal religious context, but also secular, involving aspects such as understanding, enlightenment, and knowledge; social value that connects identity and space; historical value that links the present with the past to understand the historical context in which the cultural asset emerged; symbolic value that gives meaning to cultural assets beyond their price; and authenticity value related to the originality and non-reproducibility of the artistic object.

Bonet (2007) adds that cultural property can be perceived in different ways and therefore express different values, such as a functional value focused on the utility of the property (what it is used for). For example, entertainment value in the case of a film, decorative value for any craft, or educational value present in a property that incorporates knowledge. At a higher level, there is symbolic value directly linked to culture, its meaning, interpretations, and manifestations, which implies the existence of a rationality distinct from functional rationality. And finally, at a much higher level, there is emotional value imbued with overwhelming irrationality, that is, the emotions and passion that invade consumer decision-making, far from the absolute rationality defended by the dominant neoclassical paradigm. In this regard, Towse (2012) points out that, although the economic value of cultural goods includes aesthetic, symbolic, and spiritual values, the value that these goods contribute to social cohesion and the functioning of society should not be underestimated. That said, cultural value permeates the social fabric and conveys a meaning far beyond market price.

Methodology

The analysis of cultural value and economic value in the work of David Throsby was approached through the review and study of his numerous books, articles, interviews and lectures given in different academic spaces throughout his professional career. In his vast scientific and academic work, manuscripts both of his individual authorship and

texts shared with other prominent theorists of cultural economics are distinguished, namely: Victor Ginsburgh, Ruth Towse, Bruno Frey, Mark Blaug, Anita Zednik, Glenn Withers, John R. Severn, Katya Petetskaya, among others.

'The theoretical position of David Throsby on cultural economics is complemented by the publications of several Nobel Prize-winning economists, namely: Herbert Alexander Simon (1916-2001), Kenneth Joseph Arrow (1921-2017), Gary Stanley Becker (1930-2014), Daniel Kahneman (1934-2024), Amartya Kumar Sen (1933-), Richard Thaler (1945-), and Joseph Eugene Stiglitz (1946-). It is also worth mentioning the inclusion of theoretical positions of representatives of the classical school of English political economy such as William Petty, Adam Smith, and David Ricardo, who were pioneers in examining the labor theory of value, as well as the prominence of Karl Marx as the standard-bearer of the theory of capitalist exploitation centered on commodity fetishism. This theory is in stark opposition to the subjective theory of value, defended tooth and nail by marginalism and the Austrian school from the second half of the 19th century onwards.

The Journal of Cultural Economics was consulted as a valuable and up-to-date source of information on the state of the art of cultural economics in general, and the study of cultural value in particular, bearing in mind that the work of David Throsby also addresses other topics, such as cultural capital, cultural policy, cultural economic development, cultural sustainability, the labor market for artists, and cultural heritage.

Results and discussion

David Throsby in chapter 2 *Economics and Culture*, published in 2001, asks: can economic value encompass cultural value? Or in other words: can economic value include cultural value? To this question, Throsby (2001) points out that it is essential to understand that: "economic value and cultural value are distinct concepts that need to be separated in order to analyze the valuation⁵ of cultural goods and services in the economy and in society" (pp. 59-60). In fact, the constituent aspects of cultural value remember the

5 Although valuation simply refers to the numerical calculation for assigning a monetary value to a given good or service, for example, a house, in the cultural sector many goods and services, at most, have no price due to the non-existence of a market, therefore, the challenge is to value the positive and negative externalities and then derive the net benefit. An illustrative case study (see Hidalgo et al., 2024) is the economic valuation of a historic religious temple where values such as faith and architectural rarity are combined as aspects that encourage religious tourism in southwestern Colombia.

aesthetic, spiritual, social, historical, symbolic, authenticity, and let us add one more to the list: emotional value. All of them fit adequately into the theory of individual preferences in the neoclassical tradition.

Individual preferences refer to an ability of an individual to order consumption possibilities according to their relative utility, until the optimal or, rather, the suboptimal (second best) choice is achieved, understanding that the optimal is a faithful copy of the caricature of *homo economicus* extracted from the ideas of John Stuart Mill in the 19th century. Neoclassical economic theory assumes that preferences are determined by consumer tastes, which are considered infinite, making the consumer an insatiable being, but at the same time limited in his decisions by the effect of diminishing marginal utility. That said, economic rationality establishes that individuals act in a way that is more convenient to their tastes when faced with budgetary decisions and restrictions. This means that, when people use reason appropriately, they are less likely to make mistakes in the allocation of their limited resources, as Robbins (1984) states.

David Throsby directly and clearly argues that cultural value and economic value are two distinct concepts. Each has its own identity and a defined field of action, although the two act together, complementing each other and generating common benefits. Cultural value and economic value form a dual value system referred to by Hutter & Throsby (2008) as twin concepts of value. This means that cultural value is associated with cultural, aesthetic, and artistic experience, while economic value is directly related to exchange.

Although the theory of subjective value enjoys recognition and acceptance in mainstream economics, it is not free from criticism, doubts, and inaccuracies. It is worth noting that absolute rationality has been questioned, both in the scientific and pragmatic fields. This is demonstrated by the findings of Simon (1955), for whom rational behavior is limited by the fractioned knowledge of reality, the human impossibility of anticipating the consequences of desired acts and the limits of imagination. According to Ariely (2008), human beings, far from being rational individuals, generally exhibit irrational and compulsive behaviors that make them unpredictable; Sen (1977) stresses that the strictly rational being created by the fiction of neoclassical economics is mentally retarded from the social point of view. Added to this is the fact that actual behavior of people differs from the predictions of economic models

(Thaler, 1980). The self-interest and willpower of human beings are limited, and, in many cases, their social preferences are motivated by justice and equity (Thaler, 1985), not only by economic outcomes. Ultimately, individual choice in risky situations does not conform to neoclassical rational choice theory, because people tend to choose a safe alternative rather than a likely one, due to the existence of cognitive biases (Tversky & Kahneman, 1981).

That said, humans, as individual and social beings, do not act as simple machines devoid of will, feelings, emotions, passions, and even altruism. The limits of economic value are narrower than those of cultural value, the latter being more profound in its conception and application, particularly when it comes to answering the question: how much does culture contribute to economic development? It should be recalled that the purpose of Throsby (2001) is to define culture, initially from an anthropological and sociological perspective, and subsequently to identify its instrumental aspects to approach its valuation. With regard to the economic measurement of culture, Throsby (2003) is aware of the limitations of economic valuation methods, for example, he recognizes certain strengths of the contingent valuation method in quantifying the demand for non-market cultural goods and services; however, he criticizes this method for not providing a complete picture of economic value, given its inability to capture the complexity of cultural value. If economics is guilty of being abstract, culture is even more so.

According to Bille (2024), contingent valuation is a suitable method for the valuation of cultural heritage because the benefits are only related to the legacy or inheritance value. Beckert & Rössel (2013) argue that the determination of the value of a work of art is the result of an intersubjective process where the opinions of gallerists, curators, critics, art dealers, journalists and collectors are combined. Note that the price set for a work of art incorporates elements of cultural value, not only those represented in the talent and gifts of the artist, but also those related to the professional trajectory, the good name, including the characteristics of the context in which the work arises. For Bonus & Ronte (1997), the quality of the visual arts cannot be measured objectively. Therefore, if an artist wants to generate economic value in their works, they must necessarily gain credibility among the public. Finally, Dekker (2014) adds to this view, expressing that market prices are not enough to determine cultural value.



In fact, Throsby (1990) points out the importance of qualitative variables in demand and supply decisions in the performing arts, despite the inclusion of qualitative variables not susceptible to measurement. In the case of live theater, Garboua & Montmarquette (1996) argue that, although demand is price elastic, taste for theater requires long and disciplined learning, given the importance of both past and recent audience experiences. Throsby et al. (2024) point out that while preferences are the cornerstone of neoclassical consumer theory, it is essential to first understand how preferences are formed and then to develop the means of satisfaction. They also recommend incorporating non-market preferences into the analysis of the arts and culture market if a more structured view of cultural economics is to be achieved.

Angelini & Castellani (2019) clarify that economic value and cultural value complement each other, highlighting the link between the characteristics of the artist and the value of cultural goods. Thus, the fame and talent of artists largely explain the formation of cultural value. In this regard, Throsby (2006) highlights the contribution of creative talent to the human capital of artists. Hence, Throsby (2008) asserts that creative work is the driving force behind cultural industries, distinguishing them from other economic ventures. In fact, creative work is governed by uncertainty, but without uncertainty, self-realization is not possible as it lets alone creative innovation. In the discourse of Menger (2014), this means that without techniques to manage uncertainty, it will be virtually impossible for profitable artistic careers and cultural ventures to emerge. One needs only look at the labor market for artists to realize that, despite the low pay and multiple jobs characteristic of this sector, academic training has not stopped, as was the concern of Adam Smith in the 18th century.

Throsby (2008), when referring to cultural policy, is concerned that it is losing clarity and becoming just another accessory to economic policy. It should be remembered that cultural value determines cultural consumption, which in turn contributes to the formation of cultural capital. Cultural capital determines cultural economic development, with cultural policy being a useful instrument of cultural management. Throsby (2010) argues that the centrality attributed to the creative arts can serve to reinforce the orientation

of cultural policy, relying on creativity as a catalyst for innovation. Finally, Throsby (1997) draws a parallel between natural capital and cultural capital to highlight the influence of culture on sustainability and economic development.

Before concluding this section, it is worth recalling some of the points discussed in this article regarding the theories of objective and subjective value. Regarding the first theory, value is, in essence, the result of the labor incorporated into the production of any commodity, leaving aside the commodity fetishism exposed by Marxist ideology. As for the second theory, we will take a brief example to illustrate how subjective value operates in the market sphere. We will start with any good, for example, a handicraft in which raw materials, inputs, direct and indirect labor have been invested. The artisan adds a percentage of profit to the direct cost as a reward for their talent and creative effort, which results in the natural price based on production costs, including profit. The natural price is the price calculated by the artisan for the sale of their handicraft, which could be lower than, equal to, or higher than the market price according to the preferences or tastes of handicraft consumers.

Subsequently, the optimistic artisan, convinced of his creativity, takes his craft to the nearest market in search of the highest bidder. This cultural producer is aware of the difficulties involved in marketing a superior good, so he chooses to display his product on an elegant shelf, highly visible to the public. His desire is that potential buyers can observe the tangible and intangible attributes of the handicraft and then proceed to purchase. Potential consumers then look closely at the handicraft and analyze the desirability of its price, which contains a lot of value. In the dialogues that the artisan establishes with the attending public, some express that the price is adequate, others argue that it is expensive, and others, on the other hand, believe that it is cheap. Note that the opinion of potential buyers is a matter of individual will. Those who believe that the price of the handicraft is adequate, as well as those who consider it to be low, will surely make the purchase decision, but those who perceive the price to be high will desist immediately.

Note that potential buyers do not only see in craftsmanship the exchange value. They seek to be sensitized to the cultural value of the handicraft object expressed in its physical characteristics, namely: size of the object, weight, design, color, decoration, texture, attractiveness,

originality, and so on. Although they know that handicrafts are predominantly handmade, they do not know at first glance how many hours of work the artisan dedicated to its elaboration, nor are they aware of the history of the object. Consequently, the objective value centered on the amount of human labor is difficult to see, although it is understood that in cost accounting one can find information related to the calculation of the selling price or reference price for the upcoming negotiation. Recall what De Marchi (2008) said: the artistic and cultural value largely explains the variations in the market price of cultural goods and services. This assumes that the economic value incorporates the cultural value. This position is openly rejected by cultural economists who believe that this relationship operates, but in the opposite direction.

In the previous example, we see that the value that was initially objective for the artisan depended on the number of hours of hard work and the level of creativity, has now been turned into a subjective value by the consumer. Their rationality and preferences have determined that the price paid for the craftsmanship may be higher, equal, or lower than the cultural value that the artisan assigns to the good according to the complexity of the work involved. It should be noted that, for the consumer, price is the guide that determines the assignment of value. Beyond the fact that value and price are two different elements, and that the value of artistic work as a product of talent is superior to non-artistic work, consumers in general are guided by the market price they assign. In fact, cultural value may be higher if the price paid by the cultural consumer is higher than the natural price initially set by the artisan.

It goes without saying that the principles of labor theory of value are applied in the valuation of some artistic goods. Many cultural consumers value the time invested in artistic work and are therefore willing to reward that talent by paying a higher price for the ticket. Cultural consumers can identify both use values and non-use values; consequently, they would be willing to reward creative effort by paying a market price higher than the value. There are plenty of examples that demonstrate this, namely: paying for expensive tickets to hear a famous rock band play, the exorbitant prices paid for works of art by renowned artists, the high prices paid for unique and irreproducible historical objects, or the simple fact of standing for several hours in an open, rainy space or in an extremely hot environment, listening to a musical concert where the cries of excitement

and personal and collective satisfaction echo. This is a clear sign of the reward for cultural value.

There is no doubt that economic value is determined by individual preferences and diminishing marginal utility. Cultural goods and services are no exception to this reality. Given that capitalism is based on the market and that the flexible pricing system is its main feature, at least in competitive markets, consumers are short-sighted about objective value. For this reason, subjective value centered on functional rationality is and will continue to be decisive in the valuation of all types of goods. In this sense, the great challenge facing the cultural economy is to make the multidimensionality of cultural value more visible to consumers. In other words, the challenge for artists is to externalize cultural value in such a way that consumers are willing to pay a market price higher than the cultural value as a reward for creativity and symbolic significance. Thus, for David Throsby, cultural value and economic value are inseparable. Although the two act together, it is important to understand that cultural value transcends the boundaries of economic value, that is, cultural value is above the market price subject to individual preferences. That said, cultural value is strictly governed by the symbolic, which is not always properly captured by the market price that symbolizes consumer tastes.

Conclusions

Before defining the differences and boundaries between cultural value and economic value, and even before referring to a possible order for these two concepts, David Throsby prefers to first define culture. He initially does so from an anthropological perspective, and later in an instrumental or operational way to facilitate its intervention and management. From the first approach, the cultural world is made up of a set of attitudes, beliefs, conventions, customs, values, and practices common to any group. From an operational point of view, culture encompasses a set of activities that lead to the development of the arts or artistic talents that create cultural value. This author is emphatic in stating that culture incorporates some form of creativity in its production, transmitting symbolic meaning. Creativity is, at least potentially, a form of intellectual property that can be protected.

Once the definition of culture has been resolved, David Throsby deals with the theories of value of great interest for economic science since the origins of the classical

school of English political economy headed by Adam Smith and David Ricardo. In the thinking of David Throsby and Arjo Klamer, the term “twin concepts of value” was born as an expression to communicate the inevitable and highly beneficial interaction between the cultural and economic worlds. That said, the purpose of cultural economics is to improve the understanding of cultural phenomena from an economic approach, meaning to examine the influence of culture on the economy, not the other way around. This theoretical argument assumes that the cultural world operates as a large system within which the economic world interacts, that is, cultural value is much richer and broader than exchange value. From this, the answer of Throsby arises as to what cultural value and economic value are not the same. The former is primarily difficult to quantify and value despite the existence of scientifically proven methods and techniques. The cultural value is intrinsic because of the creative and symbolic aspects it contains. Thus, in many cases the natural price and the market price do not always correspond. In fact, the challenge of cultural economics is to provide the necessary knowledge about how cultural preferences are formed and then to develop the satisfiers that motivate cultural consumer behavior, the willingness to pay a market price over and above the cultural value.

The logic of the market, to which art and culture do not escape, does not allow the consumer to see a commodity objectively (from the perspective of human labor incorporated in material and immaterial production, be it goods or services) beyond the market price. In the meantime, the theory of subjective value is a determining factor in the valuation of all types of goods, whether cultural or not. If the cultural consumer can feel the subtlety of the creative and artistic work in cultural goods and services, he will probably be more willing to pay a price equal to or higher than the cultural value. In this desirable scenario, the cultural producer, the cultural consumer, culture and society will have won; otherwise, the economy will put cultural sustainability at risk. Let us remember the message of Adam Smith: monetary remuneration in the arts should be of such a magnitude as to guarantee their preservation, without ignoring the fact that the training of artists is long, costly and sacrificial. Although this does not sound good, the solution in favor of culture is to be found in the realm of economics in rational choice despite its imperfections.

Despite the limitations of the economic valuation exercises of cultural goods and services frequently carried



out by cultural economists, these attempts cannot be considered unsuccessful. Precisely, the essence of cultural economics since its emergence in 1966 is to better understand culture from an economic perspective to support decision-making related to public intervention and regulation, government and private financing, and the design and implementation of economic incentives. In the words of Frey (2000), culture and economics go hand in hand and need each other: without a solid economic base, culture dies out, and without creativity and cultural innovation, the economy cannot flourish.

David Throsby and other theorists of the economics of culture cited in this article doubt that market prices can capture cultural value in its full dimension. The underlying question, then, is: are there any other means that can do so? If market prices make more than one uncomfortable, the answer should be sought in the labor-value theory in the conception of Smith and Ricardo as a measure of comparison. The operative problem that arises here is that objective value would have to contend with serious problems of instrumentalization with little chance of success.

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