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MUSEUMS OUT OF THE BOX!

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MUSEUMS, MARKETS AND EUDAIMONIA: ECONOMIC INSIGHTS FOR MUSEUMS

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1. INTRODUCTION

Museums are, ostensibly, in a constant state of transformation, responding to social and economic developments at various levels (NEMO, 2018). Such transformation is important, according to the Network of European Museum Organisations (NEMO), because “there is a need for museums to stay relevant and responsive”(NEMO, 2018).

This paper discusses some of the spillover that occurs between museums and the socio-economic contexts they inhabit, identifying insights that may inform the quest for responsiveness and enduring relevance. The approach draws from three key fields of scholarly work in economics, namely:

I. Standard neoclassical theory on markets and market-failure,

II. Research on the measurement and determinants of eudaimonic wellbeing as an indicator of socio-economic development,

III. Insights from the behavioural economics literature on deviations from rational self-interested behaviour and the implications of this for policy and intervention design.

The paper is also informed by research currently underway in Valletta, Malta as part of Valletts’s 2018 European Capital of Culture title initiative.

2. MARKETS AND MUSEUMS

Discussions around the topic of the economic contribution of any activity often implicitly or explicitly focus on market-based achievements. While this approach may, at first glance, appear to have only narrow relevance for museums, it does offer a worthwhile starting point for examining some of the basic insights - particularly on the phenomenon of consumer demand for goods and services. Within neoclassical economics, demand (for anything) is typically theorised (and often empirically found) to respond negatively to price: the higher the price, the fewer the number of people willing and able to pay for almost any good or service. In the case of museums, one may well argue the opposite case - that some people would be more likely to visit a museum against a higher price, for reasons like prestige and signaling of social status

(Matrix Knowledge Group, 2010; Walker, C. & Scott-Melnyk, S., 2002). But despite the presence of some exceptions, it is still likely that higher prices would result in a fewer visits overall.

Museum managers, and/or policy-makers, may well consider the power that price has as a lever for more visits. But it must also be borne in mind that demand for museums, just like that of other goods and services, responds to a number of other phenomena simultaneously. These include the availability of complementary goods and services (like transport infrastructure), the presence and price of competing or substitute goods and services (like cinema), consumer preferences and, of course, income.

Higher incomes present the kind of liquidity and freedom necessary to purchase more of anything - including entry passes to museums and other cultural services. While museum managers can do little to influence the incomes people earn, they certainly do well to be forewarned, and forearmed, for the prospect of an economic boom or slump in their relevant local, national or tourist-source economy. Similarly, there may be little control on the price and availability of competing services, but it is useful to be vigilant to their impacts. On the other hand, it is plausible to conceive that some leverage exists to lobby for better complementary services, such as public transport infrastructure. The role of preferences may also be leveraged directly through advertising, social marketing, and behavioural change campaigns, or indirectly by seeking to influence education policy.

The supply-side of the micro-economics toolbox typically focuses on the quest for profit, a notion that may seem alien to publicly-funded museums. Yet, even here, useful insights may be drawn from understanding the role of resource costs in determining their use in the production of services. As prices of resources change (for example, the cost of human versus capital resources), it may become necessary to consider juggling the resource-mix to the extent that this may be possible. Similarly, the prospect of technology enabling the providers of goods and services to do so better at lower costs, can inform museum management in much the same way as it informs the provision of other services.

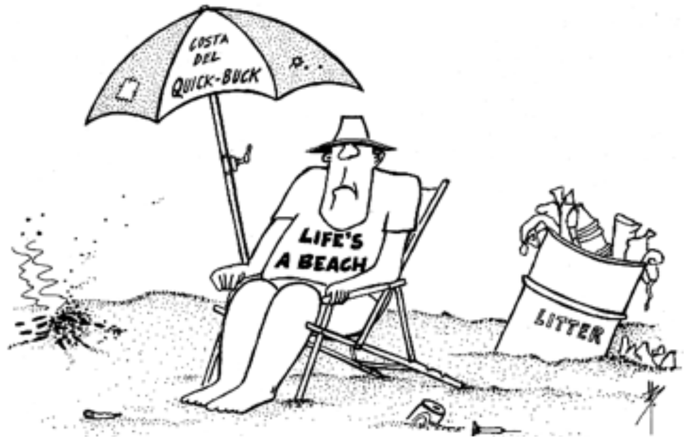
While the reality of market demand, resource costs and government intervention is more complex, in their simplicity, these insights offer a useful starting point for museum managers and policy-makers to articulate the kind of questions necessary to examine the links between museums and their socio-economic contexts. Such questions include: To what extent will visits decline/increase in response to higher/lower entry fees? How may planning permits for competing activities and complementary services influence the demand for museums? How sensitive is demand to changes in household incomes, economic booms and busts? To what extent can policy in other domains, including education, influence preferences for museums? Can the human vs. capital resource mix be improved to produce a service at lower cost? What prospects does technology offer to lower cost and improve service?

Economic analysis would also typically ask questions on the relationship between museums and the economy as a whole, using indicators like "Gross Domestic Product (GDP)" which measures the total output of activities in all markets in a given country, "Tourism expenditure" which measures money spend by tourists, "Investment", "Employment" and so forth. Museum managers interested in examining economic impacts at this level may do well to ask questions like: What is the contribution of museums to tourism expenditure and GDP? How many people are employed directly and indirectly by the museums sector? How much investment expenditure has been made on museums? Indeed, to date, these kind of impacts are the ones that have received the most attention in the economics of museums, with organizations making (and often substantiating) claims that museums "are a key factor of cultural tourism" and that museums are "one of the most rapidly growing economic sectors..." (NEMO, 2019a).

Useful though these insights from textbook economics may be, their relevance is constrained by the sweeping assumption that markets do function, that the swift "invisible hand" factors in the scarcity and cost of resources necessary to produce that which consumers derive value from - and to offer it at the right price (Briguglio, M., 2019; Smith, A., 1776). This prospect of perfectly-functioning markets is certainly enticing in that it promises to be pro-business (allowing business to enjoy tax-free profits and lower bureaucracy), pro-consumers (allowing consumers to enjoy low prices thanks to competition), and pro-tax-payers (allowing them to avoid having to finance expensive government intervention). Elegant though it may be, however, it is also over-optimistic. A soberer view that considers the prospect of market-failure could offer further insights. These insights are just as relevant to museums.

Firstly, while markets do well in the context of private ownership, they often fail to reflect the value of assets which have no such ownership – assets like landscape, cultural heritage, the sea bed, or the atmosphere. Markets are notoriously blind to the negative spill-over impacts of economic activity (pollution, climate change, resource depletion, heritage destruction) on such assets. It takes government intervention to guide markets away from this (Moncada S., Spiteri, J. & Briguglio, M., 2018). Similarly, markets are also highly unlikely to spontaneously provide public goods - the very nature of which is that they are indivisible and hard to own with exclusivity. Again, it takes government intervention to provide the finance for such goods (Briguglio, M. & Bonello, S., 2018). Thirdly, markets are populated by people who have the willingness and ability to pay. It takes governance to intervene with a view to ensuring that income inequalities do not exclude entire swathes of people – including from participating in museum-going (Briguglio, M., 2017a).

These insights on market-failure should (and often do) inform the development of museums. There already exists a healthy literature which strives to examine the true economic value of intangibles, regardless of the absence of market price (Fujiwara, D. & Campbell, R.,2011). But more importantly perhaps, what this literature underlines, is the notion of museums as a public good. To ignore this and to focus extensively on museums for market activity is to miss the point of their



Do free-markets maximize socio economic wellbeing?

economic (albeit non-market) contribution. In the words of NEMO, "Museums are institutions offering learning, inspiring, engaging and so forth" (NEMO, 2019b). There certainly seems to be a recognition of this kind of value, though perhaps a less clear understanding that this too is perfectly economic in nature.

The literature on market-failure provides further hooks for museums in search of relevance. Given the sheer ubiquity of the fruit of market failure, to operate as though this does not exist is to fail to respond to what are arguably some of the most pressing socio-economic issues of our time. Management practices, collections, and curated exhibitions as well as advocacy could be some of the avenues through which museums could engage with the darker side-effects of the economy, with a view to redressing the negative impact of market-failure, and gaining relevance. Similarly, to ignore income inequalities is to miss an opportunity to be relevant through redistributive pricing and practices.

Can museums engage with the darker side-effects of the economy?

3. MUSEUMS AND EUDAIMONIA

If the focus on markets risks ignoring relevant market failures like spillovers, public goods and income inequalities, so too do headline figures based on aggregate values of said market activities. It has long been acknowledged, including within several circuits of the economics discipline itself, that the lead statistic in use by several countries - GDP – is a flawed measure of socio-economic development (Blanchflower, D. G., 2008; Briguglio, M., 2018). GDP proxies economic development by measuring the sum total of all market activity. In so doing, it very much ignores the fact that distribution of the "product" is often far from equitable, that some of this market activity is itself inherently negative, generates considerable negative spillover effects, and is often based (at least in part) on the irreversible depletion of resources. We need to go beyond GDP to understand whether development is sustainable (European Commission, 2018).

In short, GDP may well be measuring market activity, but it seems a far cry from measuring the extent to which the main economic goal - namely the maximization of human welfare – is being achieved. It certainly seems to fall short of measuring the extent of human flourishing, life satisfaction, or Eudaimonia (Easterlin, R., 1974; Frey, B. S., 2008; Kahneman, D. & Krueger, A. B., 2006). Fortunately, as it turns out, there are plenty of other aggregate statistics capable of shedding light on the socio-economic development of a country, and arguable more relevant for museums to aspire to contribute to.

Several of these are already in use in countries as diverse as Canada and Bhutan, and by institutions like the European Union, the OECD and United Nations (Briguglio, M., 2015; New Economics Foundation, 2008; OECD, 2019). Some involve the use of composite indicators that combine market, environmental and social data. Others focus directly on the question of life-satisfaction or quality of life. There is now a thriving literature in economics that is based on data derived directly from citizens, a representative sample of whom are asked to self-assess their life-satisfaction. The premise is simple: aggregating self-assessment offers better insights on socio-economic wellbeing than sole reliance on commercial activity does.

The question is: what does this change for museums? What does it matter if economics is turning its focus towards Eudaimonic wellbeing? It matters to the extent that what determines Eudaimonic wellbeing differs from what determines GDP. The economics literature on this very question is now rich and diverse, with some fairly consistent findings. Disappointingly for GDP's credentials as a proxy for wellbeing, the findings indicate that the links between GDP and wellbeing are rather weak. The positive effects of income appear to flatten out at higher income levels. Employment would appear to be a far more relevant proxy, but even that is not the sole determinant of wellbeing. It seems very clear that health, including mental health, sport, social interaction, environmental quality and even cultural engagement contribute directly to life-satisfaction - in several countries around the world. Trust in politicians, democracy and freedom, as well as religion and spirituality also seem to contribute positively. In short, the focus on money and on commercial market activity short-changes us of several elements which can enhance our wellbeing.

This presents some very pertinent considerations for museums. The first broad insight is if the headline indicator of social prosperity is shifting away from GDP in economics itself, then it makes little sense for museums to continue to clamber, to jump onto the GDP bandwagon, especially if they have a substantial and measurable contribution to make to a newer indicator on the block. The second insight is, in fact, that museums and others in the cultural sector can take heart in the finding that they contribute positively and directly to wellbeing – and not just through income or employment. Indeed, it seems that they do so to a substantial amount - equivalent to some 3.000 GBP worth of income per year, per person in the UK (Fujiwara, D., 2013).

In Malta a context of relatively low public participation (in almost every domain, bar television and cinema), the formula for wellbeing was computed with cultural participation as one of the determinants. It appears to be the productive engagement (not attendance) in cultural activities that contributes to wellbeing. Health, environmental engagement, sport, religion, unemployment and political interest appear to matter to wellbeing. There are also regional differences and differences in wellbeing among migrants (Briguglio, M., Camilleri G. & Vella, M., 2019; Briguglio, M., 2017b; Briguglio, M. & Sultana, A., 2018). This leads us to the third insight, namely that there are clearly a whole range of determinants of wellbeing, on which museums can also have an indirect impact: freedom of speech, spirituality, the quality of the environment, mental health, life long learning, and community are domains where museums can have both a direct role (as employers, as service providers, as curators) and an indirect role in advocacy.

In light of this, the kind of questions that museums can focus on are: How can the museum experience contribute to wellbeing directly? How can museums influence the other determinants of wellbeing like health, mental health, community, and social interaction, etc? How can museums contribute to the understanding and measurement of wellbeing itself? Projects like "The Happy Museums Initiative" are examples of initiatives that come close to the analysis of such questions, while examples of museums whose collections and experiences have focused on the topic of wellbeing itself are increasing (Museum of Broken Relationship, 2019).

4. MUSEUMS AND MISBEHAVIOR

Out-of-the-box economics is not limited to the examination of market failure – a topic that has featured since the early days of the discipline (to varying degrees and with different nomenclatures), or the pursuit of a broader set of socio-economic goals. It also involves the prospect of human "misbehavior". Several premises and predictions in economics are based on the assumption that people make well-behaved, rational, self-interested decisions informed by a comprehensive understanding of costs and benefits in the present and future, and that they are capable of executing their decisions with perfect self-control. This kind of assumption is what leads to the unequivocal prediction that lower prices and fees result in higher demand, and that the provision of information is a useful thing to offer consumers to help them reach such rational decisions.

But developments in behavioral economics show that decision-making is often more complex than this, far less rational, more intuitive, and subject to biases which can lead people to "misbehave" – at least relative to how a rational (albeit theoretical) economic creature would behave. Interestingly, and fortunately, this misbehavior is also increasingly predictable in its own right. As such, it is possible to examine these predictions with a view toward informing the museum on a quest to respond effectively in real-life socio-economic contexts (Thaler, R. H., 2016).

People, it seems, not only run into cognitive limitations when computing costs and benefits, but also into limits of self-control when trying to act upon their rational decisions, especially if the decision has future consequences. People have complex social preferences and care about their reputation (Briguglio, M. & Spiteri, J., 2018). Economists are increasingly capable of understanding not just how rational decisions are made, but also when decisions are likely to be less than rational and the kind of factors at play that influence the more intuitive decision making. In fact, the literature has revealed a whole new set of tools, beyond price and information, that can "nudge" people (Briguglio, M., 2016).

The use of social norms, the use of appropriate/suitable messengers, and the salience of appropriate behaviors, for instance, have been shown to work in several domains to create a non-monetary influence that promotes particular behavior. Primes (anything from nice smells to warm food and drinks) seem to transfer if somehow linked to the behavior being promoted. Commitment devises and default options also seem to condition behavior: people tend to automatically stick to the status quo (Haynes, L., Service, O., Goldacre, B., & Torgerson, D., 2012).

Applications of nudges from the realm of museums are increasing. The use of social media to "share" one's visit to museums, the engagement of relatable people to promote museums, the presence of visual reminders in the streets, Instagram-ready spaces in museums, the use of season-tickets and apps like "Muzing", are just a few that come to mind. The positioning of coffee-shops and attractions are not just cash-cows but also act as magnets for visitors. Malta's Taste History initiative appeals to the visceral, the more basic instinct as a stepping stone to engage with the more cognitive, akin to the bundling of coffee-shops with museums – not just as cash-cows/money generators but also as magnets/lodestones (Heritage Malta, 2019).

Certainly museum managers can explore the potential of such nudges in stimulating the kind of behaviors they may be pursuing of their audiences (or perhaps of their funders). But arguably more importantly, this literature suggests that human behavior is complex. It therefore pays to pilot-test initiatives before rolling them out - this helps allow interventions to be based on evidence, provided of course, that such evidence is acted upon.

5. CONCLUSION

This paper set out to discuss ways to ensure that museums respond well to socio-economic stimuli and stay relevant in their context. The analysis drew upon economic theories on markets and market-failure, research on the measurement and determinants of eudaimonic wellbeing, and insights from the behavioral economics literature on behavioral biases and nudges. A number of key insights emerge which are now summarized for ease of reference.

Insights from markets and market failure suggest firstly that demand for museums is subject to market forces like incomes, competition, complementary services and preferences, besides price. Understanding them allows museums to be forearmed for response. Secondly, while the provision of museum services may be assisted by public funds, the implications of the cost of resources and technology cannot be ignored for cost-effective supply of service. Thirdly, the ubiquitous presence of negative spillovers of market activity suggests an important role for museums to contribute to the preservation and valuation of cultural and natural heritage. Fourthly, the public good characteristics of museums suggest that this be pursued as their principal economic function. Turning to insights on eudaimonic wellbeing, the paper suggests that this is increasingly emerging as a more relevant socio-economic endgame than GDP alone, in turn proposing that museums would do well to focus on their contribution to this metric rather than attempting to quantify their impact on beleaguered GDP. Museums can contribute directly to wellbeing through the experience they offer and indirectly by documenting, advocating, and enhancing the other determinants. Finally, the paper suggests that we need to also understand "mis"-behavior and to design – and pilot test – interventions accordingly. There is a wealth of insights – both theoretical and practical – that can help museums respond better to their own goals, given socio-economic realities.

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