

CULTURAL ECONOMICS AND MUSEUM BEHAVIOUR: A REPLY

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Peter Johnson in his comment (see previous article) is quite correct in stating that a high demand for museum visits is *not necessarily* connected with a low price elasticity of demand. I am glad that he points out the lack of precision in my paper (1994). I nevertheless wish to argue that very important *empirical* cases exist in which the high demand for museum visits derives from persons exhibiting a low price elasticity so that a price rise increases museum revenues. I am thinking of museums in tourist locations such as the Accademia or the Palazzo Ducale in Venice, the Uffici in Florence, the Prado in Madrid, and to a considerable extent also the National Gallery in London. For such museums there are good reasons to assume that a price rise (within reasonable limits) hardly affects attendance figures. In art cities, a visit to the world famous museums is an essential part of the tourists' holiday experience. In the case of collectively organized trips, the visit to such world-famous museums is in most cases included in the prearranged package. The increase in the ticket price (say by ten Ecus) is then subjectively not related to the previous level of the entry price but rather to the expenditures for the trip as a whole. A given price rise is then, in comparison, perceived to be small only and does not have much impact on museum demand (for the general argument, see Thaler 1980; more specifically for museum admission fees see Blattberg and Broderick, 1991).

Empirical evidence supports these theoretical notions. Attendance figures at the Museum of the Palazzo Ducale in Venice, for instance, have been fairly stable although admission fees for the exhibitions presented in the last years have increased by slightly more than 10% on average. In fact, the number of visitors to the Palazzo Ducale seems to be in direct proportion to the number of people visiting the centre of Venice (ICARE, 1994).

Concerning museum behaviour, Johnson in his comment (footnote 2) questions the statement in my previous article 'A museum directorate which can independently determine its budget and *therefore* has an incentive to increase revenue, has various possibilities to do so' (emphasis added). He is again formally quite right: Behaviour not only depends on constraints but also on the preferences of museum decision makers (but not on 'the museum's objectives' as Johnson writes because institutions have no preferences or utilities). However, following Stigler and Becker's (1977) methodology, it is more useful to analyze differences in *institutional conditions* than to speculate (without

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empirical basis) about what objectives a typical museum director pursues. Directors of museums which are part of the normal public administration have little incentive to increase revenue because with a given budget allocated by the ministry in charge, the government subsidies would simply be correspondingly reduced. The implied 'tax rate' of 100% on any effort to raise revenue is even higher if the subsidies for future years are reduced as a consequence of higher earned income. The situation basically differs in the case of a museum with an independent budget which allows the directors to keep, and use at their discretion, additional revenue. The directors' utility functions must look rather awkward if this institutional difference does not induce an increased effort in raising earned revenue. Even if the directors do not value income as such, their opportunity set widens allowing them to serve preferences such as professional distinction, acclaim among colleagues, size and importance of the museum under their control, and even a less strained life (see, more fully, Frey and Pommerehne, 1989).

With respect to both issues discussed above, in order to get insights it is important to move beyond formalism to empirically relevant statements.

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Date of receipt of final manuscript: 10th January 1995