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Do the Muses Make You Happy?

Measuring the Value of the Arts Using Data on Subjective Well-Being

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Abstract:

What is the value of the arts? Looking at revealed behavior one can conclude that only a minority enjoys the arts directly, because only a minority of people visits cultural events, like theaters and operas. The rest of the population undertakes different activities in their leisure time, i.e. watching TV or visiting sports events. The majority receives utility from cultural events only due to external effects, i.e. the option value or the bequest value of cultural events. And both groups are expected to choose *ceteris paribus* the leisure activity that maximizes their well-being, according to standard economics. Can we, thus, expect that utility between individuals will be equalized? Or is the arts one example of a merit good for which most people underestimate that they would benefit from consuming it? Ultimately, these questions can only be answered by using some proxy measures for utility.

In this paper a new development in economics is used which proxies utility by looking at subjective well-being (Frey and Stutzer, 2002; Kahneman et al., 1999). With a measure of life satisfaction people's utility can directly be addressed. Based on a large panel data set for Germany, this paper measures the value of art in terms of well-being. People who visit cultural events report higher well-being scores than people who choose not to consume cultural events. This result is robust to adding

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control variables, e.g. income and education, and to a specification with personal fixed-effects. The question of causality is discussed. It could be possible that the muses don't make people happier but, conversely, that happy people are more likely to visit cultural events.

If the effect is not due to reversed causation, the question remains why people fail to maximize their utility by not going to cultural events. Various standard economic and behavioral explanations are presented. Our favorite explanation is based on a theory of people miscalculating future utility (Frey and Stutzer, 2003). People make mistakes in predicting utility from activities experiencing in the future asymmetrically, i.e. they underestimate the value of cultural events while overestimate the value of e.g. watching TV.

References

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