ACCOUNTING FOR SOCIAL AND CULTURAL VALUES[1]

BY

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Summary

Economic reasoning heavily relies on an outdated accounting scheme. This article contains a proposal to reconsider the conceptualisation of the traditional notions of 'goods' and 'capital.' The point is that to account for crucial goods in the life of humans, communities, organisations, and societies, we need to go beyond the accounting for economic capital alone, and include forms of social and cultural capital. These are the capitals that generate the values that really count, i.e. social and cultural values. The issue of measurement remains acute. The argument calls furthermore for a reconsideration of the concepts of property and ownership.

Key words: accounting, capital, goods, property, values

The proposal is to reconsider the conceptualisation of the goods that count and with that the concepts of capital, value and property. The point is that we humans possess a great deal more than what standard balance sheets and national accounts account for and that we derive crucial goods and values from the possessions that are unaccounted for. Indicators like profits for organisations, income and wealth for households and individuals and economic growth for (national) economies do not suffice for a society in which 'the good life' counts for more than the consumption of goods and services. Other indicators are needed to account for the variety of values that constitute a 'good life' and a 'good society.'

The proposal goes quite far and, admittedly, falls outside the scope of the imaginable and the possible at this point. Then again, when *De Economist* began its appearance, there was no notion of national income and a magnitude like eco-

1 With thanks to Harmen Verbruggen, Eric van Damme, Martin Fase, and the participants in the cultural economics seminar at the Erasmus University for serious and tough comments. Arnold Heertje charged during the session that I had failed to consider Hennipman's ideas. Others added that my argumentation ignored the definition of economics as given by Lionel Robbins. These criticisms are correct. I accept them and note that they show that the definition of the economic subject may be the issue here. I presented an earlier version at a seminar on economics and philosophy at the Erasmus University. There, too, I received a great deal of criticisms. I have adjusted the text to accommodate some of the criticism but I fear that I have not been able to satisfy the critics. Especially, the Hennipman branch of the Dutch economists (see for the tree Klamer and van Dalen (1996)). Time will have to demonstrate whether I was wrong after all, or not.

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De Economist **150**, 453–473, 2002.

nomic growth was not much more than a concept, without numerical content. After the need for more comprehensive accounts became apparent, it still took half a century before the national accounts were a fact. Whether the profession is ready to face the need to expand the accounts by accounting for a variety of intangibles remains to be seen. The tendency to subsume the intangibles in the usual containers, like transaction costs, welfare functions, externalities, utility and the like may prevail. The proposal here is to resist that tendency and to expand the territory of economics. A motivation is in order.

1 MOTIVATION

Ever since I began to consider the world of the arts from an economic perspective I have been dealing with the restrictions of the standard economic perspective. It was as if that perspective did not allow me to see things particular to that world. The standard categories fell short, or restrained me too much in grasping what I saw. The questions then spilled over to other realms of the economy to end up infecting everything that we economists tend to view as part of our domain. Let me give a few examples (see also Klamer (1996, 2001a, b)).

– *Consumption of cultural goods is not really consumption*. It is unclear what people consume when they visit a museum. Is it the experience of seeing art, or is it a way of passing time when in a foreign city? Is it the aesthetics or the intellectual challenge? Consuming a museum seems to be more like an activity. The satisfaction that visitors get, appears to depend on what they bring to the museum in terms of knowledge and capabilities to experience the art. As even Gary Becker (1996) has come to realize, the taste for art requires an investment. In that sense the ability to enjoy the consumption of art appears to be a return on an investment. Acquiring taste involves work and so we are led to think of the productive dimension of consuming art.

– *Consumption is more than consuming products and experiences*. The previous observation leads to another, that is, that the experiences of consumers count for a great deal. Cars are not just vehicles for transport of people, they are also experiences and symbols. That is why people are willing to pay a great deal more than is needed to get them comfortably from A to B. A cup of coffee is more than a drink to satisfy the need for caffeine; it is foremost an experience that depends a great deal on where it is 'consumed,' and with whom. The material and physical aspects of consumption appear to loose out against the cultural, symbolic, and other nonmaterial aspects. So many goods, and especially cultural goods, are experience goods (cf. Caves (2000), p. 3). The enjoyment of such goods furthermore depends on the consumption of others. I am able to enjoy a Rembrandt mainly because so many others care for the work that I know a great deal about it and can share my enjoyment with others. Cultural goods are in that sense also social goods (cf. Hirsch (1978)).

– *The values of cultural goods are more than economics can account for*. When considering investments in cultural heritage, theatres, opera and the like, city governments may want to stress economic justifications. They may point to the contribution of cultural heritage and the like to the economy in terms of tourist revenue and additional employment and their attractiveness for businesses that consider setting up shop in the city. Such arguments suggest that cultural investments are the means towards greater economic prosperity. But do they? And is that the reason to subsidize the arts and culture?

In an attempt to go beyond the economic value of cultural projects, economists may evoke the externality argument in the sense that cultural consumption has benefits over and beyond the benefits that the individual consumer of culture enjoys. This argument is problematic as it has to call upon the merit good argument (art is good for you whether you believe it or not). Democratic governments are reluctant to act paternalistically and force their citizens to pay for the procurement of a good that interests only a small, and usually an elitist, segment of the population. Yet if, as we economists can show, the economic contributions amount to little, government officials are left with the merit argument.

This could not be all there is. Culture must amount to more than merit and economic return, at least so I surmised. Think of the great cities, cities where you want to spend a weekend with your lover, cities like Venice, New York, Amsterdam, Paris. No, Rotterdam probably is not one of them, and Arnhem almost certainly not. What renders Venice so special? It is not the economics, nor is it the social cohesion among its citizens. It must be more than that. What do Venice, New York and Amsterdam have that Arnhem and Manchester do not? Is it something that standard economic analysis does not call attention to?

– *Organisations may be worth more than what their balance sheet shows*. Having the equipment, the licenses or whatever else is reported on the balance sheet is not sufficient for an organisation to perform well. Human capital is not on the balance sheet, yet is critical, and so is goodwill. There must be more to it. What causes the flow of an organisation that motivates workers and gives them a sense that what they are doing is meaningful (cf. Mihaly Csiksczentmihalyi (1990) and Bruno Frey (1999)). Students of businesses are fascinated with this search for excellence, this thing that some companies have so much more of than others. Creative industries in particular require a quality that draws in their workers in such a way that their intrinsic motivation is preserved. What is it that such organisations have?

– *A good life must consist of more than the pursuit of economic wealth*. Even if economic conditions are important for the mental state of people, they do not suffice. People would rather refer to their good health, their children, or their status in society as the ‘possessions’ that give them satisfaction. Money, and whatever counts as such, is nothing but an instrument to acquire the goods that contribute to the good life. A good like a painting is not consumed as such; it is enjoyed because it generates other goods, like aesthetical pleasure, inspiration maybe, or social status.

– *The important values seem to come about outside the sphere of economic calculation and exchange*. Friendship and love are goods people treasure. We want to have friends and seek, sometimes desperately, a true lover. Most of us consider them part of the good life (alternatives may be fame, work, or power). We cannot buy them, however. Friends and lovers come about in a distinctly non-economic, social sphere in which social rules apply and social action is required. The same is true for values like justice, responsibility, and a caring society.[2] And how about the values of truth, beauty, and spirituality? Scientists, artists, and spiritual communities may have good reasons to keep the market and all the values that it stands for at bay to sustain and affirm important scientific, artistic, and religious values.

– *So many goods are shared*. Economists know all to well the phenomenon of collective goods. But the usual distinction between private and collective goods is too sharp. So many goods, possibly most of them, are neither collective nor private. My friendship I have in common with my friend; the atmosphere at work I share with colleagues, collegiality is a common resource and so is the 'culture' of my town. Even the privately owned Italian restaurant in town I share with my fellow citizens who love to go there like I do. How to account for the commonness of so many goods?

– *Non-economic goods contribute to economic performance*. People who have friends tend to do more in terms of volunteer work (see Putnam (2000)). The degree of freedom that citizens enjoy accounts for part of their joint (national) economic performance and so may the level of mutual trust (de Haan and Sturm (2000)). Yet, the economic accounts do not include categories like that. Cultural factors do count, too (Harrison and Huntingtin (2000)).

– *The ends cannot be economic in kind*. Maybe because of the 'economisation' of public discourse, the impression is given that the improvement of economic indicators is the objective of policies. Politicians are inclined to motivate and assess their policies on the basis of the effects on quantities like economic growth, efficiency, employment, and prices. Accordingly, European integration is deemed necessary in order to improve economic growth and employment. Liberalisation of the taxi business serves the end of lowering prices for consumers. But more growth and lower prices are only means towards other ends. Politicians would do better asking themselves whether their policies contribute to the good life and the good society. They may wonder, for example, whether European integration and the growth that it generates (yes, that is an assumption) will stimulate citizens to be more involved politically, more caring, more satisfied in their jobs, and to have a stronger sense of identity than if the autonomy of the various

2 Admittedly, other important values may come about in the market sphere, values like prudence, creativity, entrepreneurship, and freedom.

countries had been preserved. Managers who contemplate mergers may ask themselves similar questions. Unfortunately, the standard accounts do not account for non-economic categories. As a consequence, policymakers are groping for the real ends while steering for economic goals only because they are measured, more or less.

– *The contrast between the culturalist and economic perspectives*. In my line of work I often run into literary critics, art historians, archaeologists, anthropologists and people like them who prefer to address the cultural values of things cultural, like their historical, artistic, spiritual, and aesthetic values to argue that such values are in tension with economic values as expressed in prices, income and profit. I call these people culturalists to stress the contrast with my colleagues in economics, who are inclined to subsume such values under the usual container terms like utility, externality, and public good. The two groups seem to inhabit different worlds. In the cultural economic perspective that I am presenting here, I try to develop a position in between. It is a perspective that tries to do justice to the role of the intangibles like freedom and trust, and accounts for the various values that people generate and realize in an act of consumption, or of labour. The objective is to strike a balance between the economic and the cultural concerns.

> As the commentator, Eric van Damme, points out (see his article following this one), each of these observations has a standard economic response. One may think in terms of endogenous preferences when the topic of consumption comes up, and it will be pointed out that the unaccountable on the balance sheet of the firm is valued in a take-over or merger; in case of shared goods we can think in terms of externalities and the issue of non-economic ends is the point of welfare economics. Van Damme does not see a problem even though he acknowledges that work is needed to account for all these phenomena in the standard economic terms. My assessment is different. I take the position that we have to do more, to develop other concepts and different arguments, in order to have a meaningful account for what is happening. (The key is the adjective 'meaningful.') The existing manner of speaking, with its vocabulary of utility, externality and welfare is of no use when we try to be more concrete on the values that are operating. I am thinking beyond the conversation that economists are having among each other and refer to the challenge to present a story to politicians, civil servants, managers, and others engaged in the daily wheeling and dealing. The standard vocabulary falls short so we need to do better.

2 ACCOUNTING, THE MASTER METAPHOR OF ECONOMICS

The place to start is accounting. As McCloskey and I have argued, accounting is the master metaphor of economics (Klamer and McCloskey (1992)). Study economics and you learn to think in terms of capital and returns, savings and investment, circular flow, profit, national income and national product, all of which are accounting categories. Contemporary economists use these concepts almost routinely, unaware of the elaborate discussions that lead to their current definitions. A re-reading of Keynes, Hicks, Stone, Kuznets and so many others will serve as a useful reminder that the current concepts of investment, saving, income and product are the conclusion of extensive and intensive wrangling. Should savings include capital gains and losses? Are savings part of income? Fisher argued they should not. Our past tells us how argumentative our accounts actually were, allowing for disagreement and therefore, alternative accounts.

Accounting involves calculation of some kind. Robinson Crusoe, Defoe's creation (he published in 1719 far ahead of Adam Smith), accounts for his possessions and arranges the items in such a way that he has sight on the revenues in his future. He schemes to raise goats, for example, to procure himself of necessities in case he is too feeble to hunt. Yet besides the economic accounting he also does some moral accounting. After having made arrangements for shelter, food, and protection he begins

> 'to consider seriously my condition, and the circumstances I was now reduced to; and I drew up the state of my affairs in writing [. .], to set the good against the evil, that I might have something to distinguish my case from worse; and I stated it very impartially, like debtor and creditor, the comforts I enjoyed, against the miseries I suffered thus' (Defoe, p. 68)

And he continues to set up a balance sheet with on one side Evils like 'I am cast upon a horrible desolate island, void of all hope of recovery,' 'I am without any defence or means to resist any violence of man or beast', and 'I have no soul to speak to, or relieve me.' On the other side he lists Goods like 'But I am alive, and not drowned, as all my ship's company was,' 'But I am cast on an island, where I see no wild beasts to hurt me [..],' and 'But God wonderfully sent in the ship near enough to the shore, that I have gotten out so many necessary things as will either supply my wants, or enable me to supply myself even as long as I live' (ibid. p. 69). What the balance is – positive or negative, he does not specify. Does Good prevail over Evil? It must have in view of his enterprising spirit.

As long as reflection on the economy befell to ministers and moral philosophers such a moral accounting would have been meaningful. Adam Smith for one had a penchant to consider the moral ramifications of economic actions. He stressed the appeal to the self-love of butchers, brewers and bakers only as a matter of prudence when there is no occasion for an appeal to their friendship and cooperation, as is so often the case in civil society. In his *Theory of Moral Sentiments* he is adamant, however, that magnanimity is a superior moral sentiment. Later Keynes would still insist that economics is a moral science, yet he lacked the conceptual apparatus to convey the moral dimension to his colleagues.

The discourse was taking him over to bar the moral issues and direct the focus of attention on matters 'merely economical.'

Economics as we know it was created and shaped during the first half of the previous century. Then economists carefully cut away, shredded, and threw away elements non-economical. And so social, moral, and psychological elements, common features in classical writings, got marginalized and disappeared from the discourse. The guiding questions in these formative years were 'what is economics' and, more importantly, 'what falls outside the domain of economics?' Economists at the time were compelled to be more reflexive with respect to the nature of the discipline than they are now. This is shown in the intense attention for the book by Lionel Robbins on the nature of economics. Robbins' definition that evokes the allocation of scarce resources as the central issue of economics caught on and his argument on *a priori* reasoning calmed worries about the abstract turn that the theory of the discipline was taking.

Particularly enlightening is a rereading of *The Social Framework* by John Hicks (1942). This historian at heart proved himself to think like an accountant. As he confessed himself shortly before his death, he would have preferred the Nobel prize for this work rather than for *Value and Capital* (Klamer (1989)). In *The Social Framework* he develops the accounts that underlie modern economic reasoning and clearly delineates the realm of economics in the process. Unlike Robbins, scarcity is not the guiding theme for Hicks. He follows Marshall's definition of economics as 'the study of mankind in the ordinary business of life.' On page two he writes: 'Economics is the science which deals with business affairs.' Hicks only wants to extend the scope of 'business,' to include the shopping of a housewife, the paying of taxes, the working for a wage and so on. A crucial feature that he attributes to economics is its double-sidedness. People produce stuff for a wage, and with that wage these same people, as consumers, buy that very same stuff. '[W]e can look upon the economic system as a co-operation of producers to satisfy consumers' wants (including collective wants); or alternatively (apart from the qualification about taxation) we can look upon it as a system of mutual exchanges' (ibid. p. 21). And so he smoothly carves the subject of the economy by cutting away so much of what occupies humans in their daily life. He treats wants as a given, or as a subject that falls outside the scope of economics. Typically for the discourse then and now, he feels no need to justify the assumption. He defines production as 'any activity directed at the satisfaction of other people's wants through exchange' (ibid. p. 22). The latter addition proves to be critical. As he later admits, it implies that work done within households is to be left out even if it serves the satisfaction of wants. The same applies to voluntary work. He regrets this but sees no other way if we want to stay faithful to the definition (see p. 23). This would be problematic certainly when important wants are satisfied by means of unmeasured work, or work that works without a moment of exchange. Hicks also recognizes another limit of his framing:

> ‘Although there are wide stretches of human experience (the whole fields of art and religion, for example) on which economics has nothing, or nothing fundamental to say, economic activities do occupy a large part of the life of nearly everyone, and are bound to do so’ (p.2)

Yet what if these activities would bear on economic activities, or have an important economic dimension?

Without his saying so, he is cutting away dramatic parts of human life. The picture is that of people exchanging goods and services, usually in measured amounts (collective goods and services to be excepted). They do not socialize, make friends, or communicate. There is no issue of reciprocity as in gifts. There is no mentioning of norms, and culture as factors to reckon with – even though they had played a role in economic reasoning before. His framing simply had no space for such factors, or at least, so Hicks may have thought.

More importantly to him were the distinction between stocks and flows and their interdependence. The distinction is the basis of accounting. He taught students to think of the consequences of every economic transaction for the stocks and flows in the economy. Investment is an addition to the stock; an expenditure is a flow that is a depletion of a stock. Every change in the stock implies a flow of the same amount, and any net flow implies the same change in the stocks. (The bathtub is a good metaphor to illustrate the process to students: flows in add to the level in the bathtub and flows down the drain decrease the level.) Capital [..] ‘consists of all those goods, existing at a particular time, which can be used in any way so as to satisfy wants during the subsequent period.’ They are also the goods that appear on the balance sheets of consumers, businesses, and national economy. (In the latter case he spoke, interestingly, of social capital – to avoid the notion of national capital, I gather. His book actually does contain a balance sheet for the entire economy – see p. 113.) The returns to capital, therefore, come in the form of goods that satisfy wants. In case of producers' capital the goods may be intermediate when they are inputs in other production processes. Whatever, every production process ends up with consumer goods in the end. ‘Consumption is the sole end and purpose of all production...’ as Adam Smith would put in the *Wealth of Nations* (volume II, book IV, chapter VIII).

Hicks's notion of capital, therefore, is in principle not different from Smith's who defined capital as wealth that generates cash revenues. For economists capital is a pivotal concept. It represents the productive capacity for any economic entity. Any revenue, income should be the result of one capital or another. At least so we are led to think. Nothing of value drops out of the sky. If it does we need to formulate something like natural capital, as we do nowadays. Capital can wax because of investments, fortunes (think of windfall profits, capital gains) and decrease due to use, tear, and wear. This focus on capital is distinctive for economic reasoning. Capital is a factor of production, along with labour, that helps us explain production and productivity. We now automatically think of capital as a variety of assets, including houses (which may not generate cash revenues but do generate important services to those who dwell in them).

As said, when we notice flows of income that the existing forms of capital do not account for, we look for other forms of capital. Human capital is the prime example here. We owe its conception to the Old Chicago economist Theodore Schultz, although if he had not thought of it, others probably would have. Unlike the capital assets that Hicks considered, human capital is intangible and elusive. Yet it is critical, so we now know, to account for the returns to education and the returns for consultancy and other knowledge-intensive firms. People do not only invest in machines and buildings but also in their brainpower to increase their mental capacities as workers. Companies invest in human resources. Such investments add to their human capital.

The concept makes a difference. I use it to stimulate my students and to convince them that, if the government were to stop its generous support of their studies, they can borrow on higher future earnings. I then help them to realize that their most precious possession by far is not their car, computer, and stereo but the mushy stuff between their ears. In development economics we now know that investment in education is a *sine qua non* for economic development.

More recently, 'natural capital' has been added to the range of capital goods. This addition, too, has had a major impact on the discussions. Although the valuation of its stock has proven to be elusive, knowing that it is there, has consequences for the conception of the economic significance of nature. We now can invest in nature and we can deplete it. Sovjet countries that neglected this capital for decades are now paying the price.

The proposal to extend the range of capital goods with social and cultural capital represents a similar move. Even if they turn out to elude measurement, knowing that such capitals are there, and are responsible for important goods, might make a difference for the way we perceive our worlds and, who knows, might lead to a change in policies of households, organisations, and governments.

3 AN ECONOMIC ACCOUNTING OF SOCIAL AND CULTURAL CAPITAL

The urge to expand the notion of capital is getting strong not only among sociologists (e.g. Coleman, Putnam, Bourdieu, Gouldner) but also among accountants (see for example Thompson (1999)). Bourdieu (1985) argues for example that the membership of a certain class, the social background, the status that one has can all have an impact on the level of someone's income. That is why he wants to add a category of social capital to the range of capitals that economists already have registered. It represents an earning power and therefore has to be accounted for. In addition he defines cultural capital as the acquired taste that enables the possessor to appreciate art, literature and the like as well as the titles and diplomas that gives the owner prestige. Like social capital cultural capital can be conceived as representing earning power. It helps the owners to qualify for certain jobs and to give access to distinctive circles. Accordingly, if we want to know why some people, or organisations, do better than others, we need to take into account their social and cultural capital in addition to their human, physical, and financial capital. Thompson (1999) makes a convincing case for the inclusion of cultural capital in the accounts.

Thompson's analysis brings out the peculiarities of cultural capital. Whereas investments in physical and financial capital are quite easy to pinpoint, investments in cultural capital are more difficult to discern and even more difficult to measure. Should membership of a golf club be considered such an investment? And how about visits to a museum and journeys through exotic countries? These difficulties notwithstanding, the accounting profession is aware that it needs to expand the accounts to account for the increasing share of intangibles. As Thompson observes: '[k]nowledge, expertise, ability, skill, respect and standing in the community: all contribute to the successful operation of a productive enterprise... they really do represent wealth of a kind despite their intangibility...' (p. 394). During the eighties the price that was paid for intangibles in take-overs increased from 20 percent to 70 percent of the total value. Even so, the traditional accounting understates or ignores the intangibles.

The economic question is then what drives people, organisations, and countries to invest in their social and cultural capital, rather than their physical capital? How do agents allocate their scarce resources and why would they spend scarce resources on a cultural asset like reputation rather than a computer? The answer requires an assessment of the contribution of the intangibles to the flows of profits and other forms of economic income.

Here the analysis falls short. This characteristically economic reasoning fails to address the issues that I raised in the beginning. Implied is the suggestion that additions to social and cultural capital serve the purpose of increasing flows of economic income. Yet, often the opposite may apply: people invest in their cultural capital in defiance and even denial of economic returns. People spend time on and with the arts and do not even want to know what the economic consequences of their choices are. Economic calculations interfere in friendship and may actually destroy it. The maximization of economic returns may therefore actually end up damaging the capitals that really matter to us.

Moreover, as economists should point out to Bourdieu and Thompson, their focus on economic returns is misguided for the simple reason that such returns have to be put to use to generate other values like social values (i.e. friendship, family, status) and cultural values (i.e. the taste for art, the religious experience). In other words, social and cultural capital in the sense of the power or ability to generate social and cultural values are not merely instrumental for the generation of economic values like profit and income – they could very well be –, but are objectives in and of themselves. We spend time with friends because we value our friendships. We visit museums because we feel richer knowing how to appreciate art.

So although the accounting for social and cultural capital, as proposed by Thompson, serves to give a more accurate account of the sources of economic flows, it falls short when we want to know what contributes to the good life. Surely, when reputation adds to the earning power of an economic entity, we need to account for it. Yet another question is what an acquired reputation does to the cultural capital of a person. It may add to the ability to generate cultural values, but it may also stand in the way of artistic or spiritual growth. If the goal is the latter than further investments in one's reputation would be counter-productive.

The problem, therefore, is this fixation with economic outcomes. A broader palette of goods and values is called for to give content to the non-economic realm.

4 WHAT ARE THE GOODS?

The argument starts from the premise that whatever people do and possess serve the realization of the good life, the good community, or the good society. Economic processes do not have ends in and of themselves but serve other ends. People earn money not for the sake of earning money but in order to realize goods such as friendship and membership of a group. People own an economic good like a car not for merely economic reasons but ultimately in order to better their life – the car may give them a sense of independence or more time with the family. Economists will immediately recognize the notion of economic welfare, or well-being. But instead of being content with these container concepts, I venture that we need more in order to further the discussion. We need in particular to broaden the notion of the goods that make up the welfare of agents, and with that a more generous accounting for possession.

Ask people about their possessions, and you most likely get a summation of things like cd players, cars, computers, bicycles, paintings, washers and dryers. 'Possessions' make people think of tangible 'goods.' They materialize their possessions. A neo-Aristotelian perspective compels us to probe further and ask 'what for,' or 'what good do these things do?' We possess things to certain ends; 'goods' have to be good for something.

The notion of utility that is current in mainstream economists does not suffice. In *The Nature of Rationality* (1994) Robert Nozick points at the narrowness of the concept of utility and suggests the addition of 'symbolic utility.' We care for things, he argues, not only for their practical usefulness, like the nutritional value of food, but also for the values and emotional commitments that they express and evoke. That is, things have symbolic utility for us. To pursue this suggestion we could consider the immaterial 'goods' that the possession of a material thing generates. The picture in my living room may not only generate a pleasure whenever I look at it, it also gives me status (among those who know about neo-expressionism), a sense of being cultured, and a financial security (in dire times

I can sell it). All these are positive 'goods.' For some the picture may also signify negative goods, like snobbery and waste. These immaterial goods are values. They are the qualities that we attach to things in order to place these things in the field of values that we have.

This extension of goods to include values will meet resistance with the majority of economists, satisfied as they are with the notion of preference and utility. As some economists have pointed out, however, the notion of utility is without content (cf. Bianchi (1998)). Any utility will do; all utilities add up to form a single quantity. Such an abstraction permits an analysis that is focused on the constraints under which people operate and works well when 'efficiency' is the overriding value. That more values are involved is the case made in an extensive literature (Bourdieu (1984), Hirsh (1977), Scitovsky (1976), Hutter (1998), Douglas and Isherwood (1979), Hirsch (1978), Beaudrillard (1993), and Campbell (1987)). The inclusion of values changes the analysis. A more interpretive approach is called for to make sense of why people consume what they consume. It may involve relationships, knowledge, status, reputation, identity, honor, grace and so on.

This need to go beyond the vacuous notion of utility and to consider the substance of our choices led John Rawls (1971) to speak of primary goods like respect and freedom. In his view we need to differentiate between 'goods' when we compare our possessions; the primary goods are to be valued most, regardless of individual preferences. Amartya Sen argues in addition that we should not just compare economic values (like income and wealth) when we assess distributive justice. He wants to focus on differences in capabilities, or freedoms, like the liberty of political participation and dissent, the opportunity to receive basic education, and the freedom to live long and well (see for example Sen (1999)). African Americans may be economically quite rich in comparison with many people in developing countries yet have a lower life expectancy than many people in China and parts of India. The possession of freedom enables people to do things, to realize goods, that they would not be able to have when suppressed and inhibited in their actions. 'Freedom', therefore, is a valuable good to have for all kinds of reasons, with all kinds of returns. As de Haan and Sturm (2000) show, this possession is good for economic performance overall. It may be good for other goods as well, like self-respect, creativity, a sense of community. If all that is the case, why not account for it instead of having it drop from the sky?

When durable friendships and our taste for music make a significant contribution to our welfare we need to account for something that we might call the goods of friendship and taste. In our economic analysis we may then want to account for the time, money and attention we are spending on listening to good music and shooting pool with friends rather than studying or working. Clearly, listening to good music amounts to more than spending (or wasting) our time; by doing so we may realize the good 'taste for music.'

Accordingly, the important good is not the cd we buy, but the values we can realize by playing the cd, values like our appreciation of music, the company of friends, a kick at a party. Mainstream economists are satisfied with utility as the end: we possess a cd player or painting because its enjoyment adds to utility. However, it is not utility in the abstract that we derive from consuming the cd, but a great deal more in particular. We do not say much when we observe that the purchase of a cd adds to our utility; it says more if we could say to which social and cultural values the cd contributes.

Pursuing the leads of Hirsch, Sen, as well as the sociologists, we may, therefore, expand the notion of goods to include intangibles like freedom, trust, friendship, culture, reputation, or a good conversation. In all cases we might say that we made efforts to acquire the good. Even if we have not bought these goods outright, we have invested time and even money to build up a friendship, to have a good conversation, and to be part of a culture (like the Dutch culture). Even if we cannot sell these goods for money, we may loose our freedom, a friendship, a culture, or a good conversation when we fail to invest the minimum resources that are required to sustain them. That is where economics comes in.

5 POSSESSIONS ARE NOT ONLY ECONOMIC BUT ALSO SOCIAL AND CULTURAL

We might extend these arguments and work towards a different classification of possession. First of all, possessions are not just those things that an individual owns; communities, cities, nations or any organisation have possessions as well. They are of various kinds. In general a possession is anything that an individual or social entity has that generates something of value for that individual or social entity. I will call a collection of possessions capital. Those who dislike the economic vocabulary may think in terms of power, or capacity. The basic idea is that any possession enables the generation of values. I follow the distinction that Bourdieu and others made between economic, social, and cultural capital, but will adjust the characterizations thereof.

Economic capital denotes the capacity to generate economic income or economic values. It comprises besides the possessions of land, natural resources, factories, durable goods, and machines, the possession of knowledge. Human capital is part of economic capital insofar it is responsible for additional income.

I will not dwell on the issue of measurement although it plays an important role. The efforts of economists during the first half of the twentieth century went into the development of measurements of economic capital. That is what all the accounting discussions were about at the time. The measurements that were produced are still quite unsatisfactory as they insufficiently account for the value of human and natural capitals.[3] Yet, they seem to work as magnets in policy discussions. The very fact of their existence seems to award economic capital an exceptional status so much so that objectives are often stated in their terms.

Even so, the privileged status for economic capital is dubious in light of earlier remarks on the nature of goods. Economic values, like the balance in a checking account or a stock of shares, have only meaning insofar as they enable the realization of other values. Having a large balance is nice of course, but only insofar as it enables me to achieve social status, security, freedom to do whatever I please, friendship, a meaningful life, or whatever else matters to me. As has been argued by, among others, Fred Hirsch, an increase in economic capital does not necessarily represent an increase in overall satisfaction (Hirsch (1976)). Some of the increase is due to the additional capacity needed to deal with negative aspects of economic growth like congestion. In order to live peacefully and quietly, people have to move further and further away from the place where they work. So they spend more and more on cars, petrol, roads, and time spent in heavy traffic just to maintain their living pleasure. Dutch people have to spend relatively more on their vacation in order to maintain a sense of having a special vacation. Driving to Italy does not suffice anymore; an expensive flight to Thailand offers better opportunities for that special vacation that you come home with and tell about to your friends and family. Hirsch points out that many of the goods that economic capital generates, are intermediate goods – he calls them defensive goods (p. 57) – that serve the realization of ultimate goods. Economic capital, therefore, is instrumental in the sense that it enables the generation of the values that count towards the good life and the good society, like social values.

Social capital is the capacity to generate social values like friendship, collegiality, trust, respect, and responsibility (cf. Bourdieu (1985), Coleman (1988), Portes (1998), Putnam (2000)). In its inception Bourdieu focuses on the benefits that people derive from participation in groups. Michael Waltzer (1983) argues that membership of one or more groups is the most important possession of a person. Membership is a social good, as is friendship and solidarity. It enables a person to have an identity and to receive recognition, attention, care and the like. Like economic capital, social capital needs to be acquired. In the language of economists, people need to invest their time, resources, and energy to build up their social capital. We go out for dinner, attend Christmas gatherings, write notes, give compliments, exchange gifts all to bolster relationships with family, friends, and colleagues. Economic value, therefore, can be a means to general social capi-

3 A commentator pointed me to the estimations of human capital by Pen and Fase (J. Pen, 'Wat zijn Nederlanders waard?,' *ESB*, August 1976; M.M.G. Fase, 'Human Capital, Distribution of Labour Income and Scope for Further Consumption,' *Amsterdam-Rotterdam Economic Review*, 41, June 1975, pp. 5-10).

tal, and *vice versa* as when a relationship produces a job or a profitable tip. People possess social capital but organisations, cities, or countries also have it.[4]

Cultural capital is, in short, the capacity to inspire and be inspired. This, too, can be in the possession of organisations, cities, and nations as well. We may recognize cultural capital in the capacity to find meaning in a walk through the woods, a visit to a museum, or during a church service.[5] Cultural capital enables us to award meanings to so-called symbolic goods and to lift us up from the drudgery of daily life. It enables intellectuals to have those energizing sparks of insight and, if I understand the theologians well, enable us to experience the grace of God. Immeasurable as it is, cultural capital appears to generate the most important values of all, the values that can give meaning to our life.[6]

I hasten to acknowledge the shortcomings of these descriptions. I realize full well the difficulties of making the notions of cultural and social capital more concrete. Their immeasurability, at least as for now, does not signify their irrelevance, though. On the contrary, the cultural and social values that they generate are crucial for the worth of our lives and the communities we live in. But we will need to negotiate the meanings of these concepts and possible measurements. As for now, the main objective of their distinction is to pinpoint the different possessions that we have. We can gain economic values, yet loose social and cultural values, or, to put it differently, we can build up economic capital while decreasing our social and cultural capital.

Considering the three forms of capital, we will less quickly claim to be rich, or poor. When I suggested this to a church group that dealt with issues of poverty, I was criticized for downplaying poverty. Although they had earlier agreed on the importance of cultural capital, the participants insisted on an economic interpretation of poverty. I pointed out how strange it was that their suspicion of the economic sphere notwithstanding, all they cared about was economic values (money!). But why not think in terms of social and cultural values? Surely, hunger and deprivation are serious impediments for the capacity to live a long and meaningful life. Money can solve it, but membership of a strong community (like a church, a family, or a country) can be as important, if not more, and not only because of its economic values. The practical problems remain. It is still so much easier to talk in terms of money than in the terms that really matter. And surely, having money enables people to do things (yet can distract them as well).

4 The Human Development Index that the United Nations calculates for each country is a combination of social and economic indicators. Inspired by Sen's notion of capabilities it does not come even close to being a measurement of social capital.

5 The concept of cultural capital gives cause to a great deal of confusion. A general definition as given here hopefully suffices for the purposes of this exposition.

6 The Unesco, along with various statistical agencies, is currently working on cultural indicators. The proposed measurements concern thus far mainly physical quantities like production and employment figures for the cultural sectors. Such figures are only superficially related to the notion of cultural capital as defined here. See Unesco World Culture Report, 2000.

The importance of social and cultural capital is illustrated by the performance of a British artist. He succeeded to destroy everything he owned, all his material properties, that is. He cut up all his books, his passport, his bed, his clothes, his car, everything. He did so in a London gallery. Does that mean that he is left without any possession? Of course not. For one, he has the identity of an artist. Because of this action he received a great deal of attention and has become a much better known artist. He owns this piece, the performance and very well might derive economic value from it. He still has his social capital, as nothing of that went through the grinder, and probably added to it because of this performance. His cultural capital probably increased, too. His poverty, therefore, exists only in an economic sense and also then is only short term as he has maintained his human capital and that part of social capital that is economically viable.

6 COLLECTIVE AND COMMUNAL PROPERTIES

Whereas a great deal of the possessions that fall under economic capital may be privately owned, many of the social and cultural possessions are commonly owned. Take the good of an ongoing intellectual conversation. I happen to value being in such a conversation. I make major efforts and go at great expense to 'have' it. Yet, I will never be able to say that I own the conversation myself. The conversation works when others who participate make an effort, are committed to the theme, share certain codes and certain values. A conversation is a communal thing and continues to be valuable as long as it maintains its status of a res nullens, a thing belonging to no one. An explicit determination of private property would most likely signify the undoing of the conversation as it violates the value of sharing that makes it work.

Cultural heritage is another good that needs to be shared in order to be meaningful. I can only cherish a Caravaggio because the appreciation of his work is shared by a community of scholars, art critics, and curators. Dutch cultural heritage is mine in a way since I associate with being Dutch. So any effort that anyone makes to sustain that heritage, is a gain for me. Then again, I also benefit from the efforts that Italians undertake to sustain their rich cultural heritage. Part of the heritage is owned almost universally. I can be a Christian, and experience Christian spirituality only by virtue of a Christian community that has sustained the Christian tradition and practices. Likewise, I have a national identity only because I share it with 16 million other people. I can express social and political values by virtue of a national community that in my case happens to be the Netherlands. The possession of the Dutch passport allows me to be proud of being part of a caring society; it also gives me the right of being ashamed for Dutch actions in the former colony Indonesia and more recently for the drama of Sebrenica. The shame is possible only because I can identify with and am part of the entity called the Netherlands.

Ownership, therefore, is not just an individual matter. Most of what we have, we own in common. In nature all things are held in common. On that principle nomadic people do not stake claims to territory. 'Friends have all things in common,' the Greeks told each other. When I claim that something is mine, I am telling you that it is not yours. With a good friend I would not make that claim, would I? Even if I can claim to have a friend, I do not own the friendship myself; at best my friend and I share the friendship.

For many goods the attribution of ownership is an issue, and matters. Take the university, an institution with which most readers will be intimately acquainted. Who owns it? Legally spoken, the university is a legal entity that is accountable in case one of 'its' bricks hits one of 'its' students. Yet, that does not settle the issue of ownership morally or socially. When administrators act as if they are the owners, they assume control, manage the business by hiring a faculty to provide services to their customers, the students. When the faculties have a sense of ownership, they will act upon this sense by taking care of the research and the teaching, and they will be inclined to consider administrators as serving them, the actual owners. In that case the university is more like a cooperative, or an academic community. When politicians claim 'our' university as a collective property, they will presume that they are responsible for its budget and its programme. I presume that most readers will opt for the second version of ownership and prefer to consider their university a communal good. Market-oriented strategies that administrators as well as politicians tend to advocate, will be anathema to them.

The assignment of ownership also matters in cases of intellectual property. To what extent can I claim ownership of an idea? Most probably, I could only have it because of the ideas of others. Even if an idea is original, it will invariably incorporate ideas of others. And what if the idea can circulate only because of a discursive context that others have brought about? Should it not make more sense to speak of communal property in that case and of the development of that idea of mine as a contribution to that communal property? If I were to do that, I may be more modest than when I were to cling to the idea of authorship and intellectual copyright.

And how about the ownership of a business? When a business issues shares, it is legally owned by the shareholders. As Ellerman convincingly shows, this is a strange construction in the light of any moral or social sense of ownership (Ellerman (1992)). For why assign ownership to people who have not expended labour, often have no ties with the corporation, may not ever have visited its physical locations, and only have supplied money? Why should they be privileged over and above those who invest their heart and soul in the corporation, or at least, spend a great deal of their time in its physical locations and contribute in one form or another to its production? The assignment of ownership may have instrumental reasons (without such a deal people may not be willing to surrender their savings), but lacks a satisfactory moral or social justification. The assignment of ownership to the workers matters. It matters for the culture of the organisation, for the sense of ownership on the part of the workers, and with that, their sense of responsibility. (How to run such a company is another matter. Worker-managed companies do have troubles with management, and are not always equipped to adjust to changing circumstances as the tough choices are avoided. Then again, quite a few professional organizations like law firms and accountant firms are worker-managed and generally do quite alright.)

7 CONCLUDING REMARKS

The point is that to account for crucial goods in the life of humans, communities, organisations, and societies, we need to go beyond the accounting for economic capital alone, and include forms of social and cultural capital. For the good life and good society social and cultural goods and values are the ultimate goods. Economic goods are only instrumental. When I speak of a painting as an economic good, I address its instrumentality. The question is how the possession of a painting adds to the values that really count for me. Does the painting inspire me, does it convey a special meaning? Does it help me to be in conversation with others who are interested in the arts? Insofar the painting has significant monetary value so that I can sell it, the question I will have to answer is what the sale is enabling me to realize in terms of the values that count. After all, I may use the money to go on a spiritual journey to India and Tibet.

The conception of ownership over and beyond the legal sense of property serves several purposes. For instance, it will call attention to a sphere of human interaction besides the spheres of the market and the government. Such refocusing will reactivate the notion of a moral economy and motivate a re-evaluation of the values that really matter in the end. This is not an indictment of markets and economic values *per se*. If that would be your conclusion, I have done a bad job presenting the case. As McCloskey (1996) has made patently clear, markets are not only an important instrument for the generation of (instrumental) goods, they may also generate important social values like prudence, entrepreneurship, and other bourgeois virtues. Markets alone cannot generate all important values, however. Even the inclusion of a collective entity like the government does not suffice. Many of the important social and cultural values, like friendship, grace, love, and faith come about outside, and even in spite of, the spheres of the market and the government. By following Hicks et al. in their focus on 'production as the activity directed at the satisfaction through exchange' we lost sight of the activities that contribute to the good life and the good society.

Another extension to the economists' story is the notion of the common property. Admittedly, economists have developed the concept of a collective good with clean air as the typical example. Clean air is of great value yet paying for the maintenance of its quality does not make a great deal of sense for an individual as others can be excluded from its consumption. That is why we say that clean air is collective property. The argument here extends the notion of collective property to include all kinds of immaterial goods. Think for example of the atmosphere of a town. All kinds of people contribute to it, nobody owns it, and everyone, including passers by, benefit from it. The atmosphere is what the citizens of the town have in common. I would say that the atmosphere is part of the cultural capital of that town.

'Common property' differs further from 'collective property' in the sense that it is restricted to a group of people. So other people can be excluded from sharing it even if no property rights are established or trades involved. The example is a discursive practice. When I want to write and talk about the cultural aspects of economics, I benefit tremendously from the existence of a literature on the subject and of scholars with the same interests. It matters a great deal whether these other scholars have already made efforts to set up an association, to organize conferences and to publish journals. Such efforts bring about a common discourse that I can join and that may get me attention for what I am doing (quite valuable, you must acknowledge), a reputation maybe, and, who knows, a job. I would not survive for very long without such a practice. At the risk of being excluded and ignored, I will have to invest in the social and intellectual capital that are particular for that practice, like a shared literature (the classics), a certain vocabulary, methods of research and so on. Yet, no markets are involved directly in realizing this valuable possession, and no government either. It rather comes about in a network of informal, scholarly relations.[7] The same is the case for religious practices.

When we consider social and cultural values in addition to economic values, the disagreement on an institution like the market becomes a difference of opinion on the weighing of different spheres of value. The sphere of the market tends to favour the values of efficiency, liberty, and prudence. Yet it may very well weaken and undermine other social and cultural values which do better in the public sphere where property is collective or in another sphere, the one that sustains common property (cf. Klamer (1996)).

Many questions remain, such as questions about the interactions between the various forms of possession, about the precise role of markets in the generation of social and cultural values – to what extent do markets stand in the way really? – about the spheres that are most amenable to generate the cultural values that we consider relevant. Another vexing issue is the measurement. Even though I started the discussion by stressing the need to account for non-tangibles, I cannot be more precise as to how to do so. Even accountants are mute on the issue. A full accounting is probably impossible and maybe even undesirable. A possibility is the development of indicators as to the changes in social and cultural capital. It is likely that we will have to include, apart from some objective indicators, evaluations of the so-called stakeholders, that is, of people who are involved in some way or another.

7 See Collins (1998) for an impressive account of how discursive practices come about.

The absence of a measurable form will undoubtedly be an obstacle for the inclusion of social and cultural capital as categories in the reasoning of economics. For the time being we may be satisfied having named them and realizing their role in our lives.

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