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Short title:

**An investigation into the value proposition of classical music:
The creative value chain, music as work and value measurement in
a New Zealand context of opera, orchestra and composition.**

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Abstract

Composition and performance of classical music provides a service offering that simultaneously fulfils the artistic goals of composer, performer and audience whilst contributing to education, community, the economy, and well-being.

Arts organisations are heavily reliant on service quality leading to the satisfaction of both performer and audience member. This forms a co-production value proposition which can be analysed in non-financial dimensions as well as traditional financial measures of economic impact.

Culture as the disrupter to the economic drive for commoditisation and relatively homogenous pricing. Therefore, the ability to fix an equivalent value on cultural objects or events is complex as it involves experience by immersion, rather than consumption. This thesis proposes that to measure the value proposition of classical music one must be able to define the degree to which it expresses the realities of the human condition, the relationship between life and music and whether that quality is quantifiable.

Measuring the value and impact value of classical music experience has not been effectively surveyed or measured in Aotearoa New Zealand to date, and other empirical surveys in Europe, the United Kingdom and Australia data relating to value have focussed on a limited number of attributes of a complex, multi-dimensional sector.

The impact that tertiary education can have on enhancing the understanding of how to understand, interpret and use the aspects of a value proposition in the generation of personal income from classical music can be accomplished through delivery of business management skills for classical musicians. This capability is needed to offset the pervasive suspicion of artists of the financial aspects of business and the comparable misinformation of the musician as structurally impoverished.

Despite the vagaries of the marketplace, the essential nature of art which classical music embodies will in the long term prevail. Proof of the value proposition of classical music may be the next important phase of assuring musicians and audience members of the sustainability and endurance of classical music.

Preface and Acknowledgements

At various points in a person's life there may arrive moments when the need to explore becomes a purpose, a goal, or a driving force. Those with a 'standard' career path of choosing and industry, gradually maturing skills and associated progression of rank may have a sense of satisfaction that dissolves any need to explore. Others, like myself, switch careers, industries and roles to keep the need for exploratory learning and collaboration satisfied. The constant for me throughout these changes has been music – as a devoted audience member, as an amateur performer, leader and manager of performance, choral and orchestral organisations, always with the intensity of listening both to the 'unheard' music within my mind and the music of the natural world.

Along the journey there have been many uninformed discussions – as a businessperson the perplexing issue of why classical musicians seem to be significantly underpaid in New Zealand has been source of concern. This thesis is an attempt to provide some background for the basis of this phenomenon and whether there may be a 'treatment' for the problem.

I want to acknowledge some key people who have influenced and supported my curiosity in this regard; my partner Ian Campbell who has shared his time and critique of my thinking so generously, my mother Barbara who introduced me as a child to the marvels of classical music, my children Riley, Millan, Elliott and Taylor, my closest musical friends Francis Cowan, Craig Bradfield, Martin Griffiths, Jayne Tankersley, Greg Neill, Amy Thomas and the myriad musical thinkers and performing buddies near and far who have shared our time and our home over the years.

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1 Introduction

Composition and performance of classical music provides a service offering that simultaneously fulfils the artistic goals of composer, performer and audience whilst contributing to education, community, the economy, and well-being. The value of this offering, or value proposition, is expressed in the Creative New Zealand *Statement of Intent Tauākī Whakamaunga Atu 2019 – 2029* as a component of the virtuous circle of the public value model (Arts Council of New Zealand Toi Aotearoa (Creative New Zealand), 2021).

Specifically, to measure outcomes against the goals of this Government-funded organisation, there are statements which are surveyed every three years, five of which relate to the arts having a value proposition:

- The arts should be part of the education of every New Zealander
- The arts should help improve New Zealand society
- The arts help define who we are as New Zealanders
- My community would be poorer without the arts
- The arts improve how I feel about life in general

In considering the term ‘value proposition’ it is necessary to understand the relationship between the economic terminology and the broader terminology which brings non-financial and non-market dimensions into consideration. To extend the use of value into the realm of classical music composition and performance also requires a definition of classical music.

This thesis is structured into major sections:

- Definitions of ‘classical music’ and ‘value proposition’ for the purpose of the research within the thesis
- The research into current thinking, divided into sub-sections of the Value Chain, the value proposition of classical music, consideration of ‘work’ in an economic sense related to composer, performer and academia and the potential influence of liminality of the working musician on value
- Creation of the method of measurement of value
- Conclusions and suggestion for further research

From current research there are recurring themes – that value is multi-dimensional, and that classical music is not one contained genre within the broader sector of music in the performing arts. It has therefore been necessary to define boundaries of ‘classical music’ for this thesis and explore the application of ‘value’ as a component of a value proposition within the arts sector.

It could be argued that this thesis better sits within an economics or business context, yet the intent of the outcomes and conclusions is to expand the understanding of the in-practice relationships that classical musicians and classical music organisations have with their own value. This could potentially lead to an improvement in the future careers of classical

musicians in Aotearoa New Zealand by actively refuting the misinformation about artistic poverty.

The potential for improvement in the financial well-being of performing arts organisations and individuals will be shown to be reliant on factors that are broader than traditional economic aspects alone. Arts organisations are heavily reliant on service quality leading to the satisfaction of both performer and audience member. This forms a co-production value proposition which can be analysed in non-financial dimensions as well as traditional financial measures of economic impact.

This thesis is presented as a case study narrative with examples from international research and uses analysis of two New Zealand classical arts organisations, the New Zealand Symphony Orchestra and New Zealand Opera, to illustrate the economic effects and multi-dimensional value proposition under discussion.

Without both personal and professional interest, knowledge, and engagement with the performing arts this thesis would rely heavily on extant data. However, the end goal is to suggest a new method for value determination of classical music which is inclusive of non-financial measures such as satisfaction, engagement, education, civic agency, and the humanising effect of classical music. This has been a subject of thinking, personal practice and performance and much discussion, culminating in the desire to formalise this with research beyond the dining table or green room.

To effectively propose a measurement methodology and tool for data gathering requires a definition of both classical music and the value proposition (or value) of that music. Because there are as many definitions of classical music as there are listeners a definition of classical music has been created specifically for use in this thesis and a wide study of the spectrum of research into the economics of classical music has assisted in defining a value proposition.

To refine the definition of the value proposition, the adequacy of current models of value assessment have been explored given the relatively recent interest and generation of a monetised consideration of the value of classical music.

The research has considered whether a value measurement of classical music can be determined through application of economic theory (Porter's Value Chain Analysis) to the service industry of classical music performance. Describing classical music performance, including opera and symphony orchestra performance, as a service industry will be explained and reviewed in the context of delivery of work as a traditional cornerstone of economic performance.

The question of whether composition and performance of classical music should be considered work is posed and answered. Without recognition of this concept any assessment of the value proposition of classical music carries inherent risk. Liminality, as related to working musicians, further explains the importance and fragility of value 'in the margin'.

The challenges to establishing, growing, and preserving the value proposition of classical music are explored. As a result, a suggested model and method of multi-dimensional analysis has been developed that can form the basis of further research.

Finally, some conclusions are drawn to illustrate what could be learnt, how current methods may or may not fulfil the need to measure value and what limitations exist for understanding the value drivers as a shaping force for continued access to classical music.

2 Literature review

The literature review outlines the resources used to develop the body of the thesis. The first part of the review introduces the concept that classical music value is broader than economic or monetary valuation. The context of economic value and accepted frameworks are introduced and augmented by current research into arts and cultural value to bring relevance to the value of classical music into focus. Finally, the discussion of the 'work' of a musician is raised due to the impact of Adam Smith's labour and production theories on the methods for evaluating worth (Skinner, 2011). These explorations into the theories and frameworks culminate in an offering of a way to establish and measure the value proposition of classical music in New Zealand.

In a response to a column in the 1997 Music Educators Journal, a point is raised that "the arts, and music in particular, will always be in trouble until measured emotional responses can become accepted data for studies that "prove" music humanizes us" (Thomas, 1998).

The value of music has been considered from several angles. For instance, music has been described as another world revealing the creative powers of other minds, "its value therefore lying in the purity of its revelation of the human spirit" (Goldman, 1992, p. 43).

The Distinguished Professor of English and Music at Fordham University, Lawrence Kramer, who is also a prizewinning composer (University of California Press, n.d.) wrote in *Why Classical Music Still Matters* (Kramer, 2007) that "Classical music differs from many other kinds in being fully composed. In most pieces, allowing for limited, historically specific exceptions (the figured bass, the concerto cadenza), every detail of design has been attended to. Every pitch, rhythm, and instrumental color is predetermined and notated. As a result, the details tend to do far more than support and enrich an expressive tonality. In the course of doing that (and sometimes undoing it), they act out independent dramas, form rivalries, find and lose meanings, pursue affinities and antagonisms. Everything that happens, even the smallest thing, can matter, and matter a lot. Details add up to processes that take on a life of their own under the broad umbrella of the whole." (Kramer, p. 22)

Kramer uses this basis for the importance of classical music to describe the values of the music itself and then extends the book to discuss the value of music in a societal context. Kramer describes the power of classical music to dramatise a triumph of "spirit over matter", using a

New York subway busker performing Bach's G-Minor Sonata for Unaccompanied Violin (Kramer, p. 206).

The three reasons for this triumph are stated in that classical music is designed to be heard attentively which induces a psychological condition beyond the physical, that it reorients listeners from the unexceptional to the exceptional and induces self-forgetfulness, (Kramer, p. 216) and that classical music carries a cultural authority. This cultural authority allows for truth to be expressed in a two-way contract between performer and listener.

Kramer refers specifically to Bach's purpose in composing music for the glorification of God, with a biblical Davidite aesthetic and exposes a paradigm in doing so. As a human being the tension between exaltation of sublime performance for both performer and listener and the servility to the will of the composer, or the choice of the listener to continue listening, are measures of the value of music.

To understand value in terms beyond the humanistic and into the economic requires an understanding of a value proposition. In other words, what is the object or service that is offered to a customer or consumer, that they are persuaded sufficiently by its intrinsic value that they are willing to pay for it using their discretionary funds. 'Discretionary' means there is choice for and against the purchase decision, as opposed to spending on necessities such as basic foodstuffs.

David Aaker, Professor Emeritus at the University of California at Berkeley has refined the definitions and conditions for creating value and a value proposition in *Strategic Market Management* (Aaker, 2008).

The questions raised are:

- Is there a real customer value proposition?
- Is there a perceived customer value proposition?
- Is the strategy feasible?
- Is the value proposition relevant to customers?
- Is the value proposition a point of difference that is sustainable? (Aaker, pp. 139-140)

These definitions will be used to create the test for whether the value of classical music does, in fact, have an economic aspect to it.

In his essay "Music, the Unknown", one of three essays in the book *Musicology* (Harrison, Hood, & Palisca, 1963), cited in John Blacking's *The Value of Music in Human Experience* (Blacking, 1969), Professor Mantle Hood (1918 – 2005) , describes three interdependent considerations of music, which together act as guides for study, especially in relation to ethnomusicology:

1. The function of music as an aspect of the behaviour of man in his society.

2. Characteristic musical style identified in its own terms and viewed in relation to its society.
3. The intrinsic value of individual pieces of music viewed in relation to the world of music.

This third point is expanded on in a description of the value of music in terms of social or moral value, real and virtual time, division of labour and communication, offering a modification of the third of Hood's points (Blacking, 1969). Blacking proposes that study of the intrinsic value of music should not be taken in terms of the world of music, but to the world of human experience (Blacking, p. 59). Extending Hood's guide points, Blacking states that the function of music is to enhance the quality of human experience.

Therefore, this thesis proposes that to measure the value proposition of music one must be able to define the degree to which it expresses the realities of the human condition, the relationship between life and music and whether that quality is quantifiable. Overall, satisfaction as a measure of well-being, is the key measure for both performer and audience member.

Roger Scruton introduces the concept of aesthetic value from the perspective of experience prompting aesthetic interest, including judgement of that experience and what the impact of subjectivity within this judgement does to influence value (Scruton, 1997, pp. 369- 391). The chapter of *The Aesthetics of Music* argues that "values are preferences; but not all preferences are values. A preference becomes a value when it matters to us in a certain way whether others share and accept it."

Dividing the chapter into the sub-sections covering the language of criticism, aesthetic value and judgement, musical competence, taste and absolute music, Scruton uses a multiplicity of musical examples to illustrate the complexity of ascribing value to classical music. At no point in the chapter does he introduce monetary value; however aesthetic value cannot be ignored in the multi-dimensional model under review.

B. E. Baarsma published *Monetary Valuation of Environmental Goods: Alternatives to the Contingent Valuation* which opens with a quote from the Roman emperor Titus Flavius Vespasianus (30 – 81AD) "Pecunia non olet" (Baarsma, 2000, p. 1). Roughly translated it means that money does not smell – Titus's answer to complaints over the stench from vegetable, fish, and cattle markets from residents of Rome. In other words, the markets were generating income for merchants and the state, and the side effects of that activity, the actual smell of commerce, were of no concern.

Baarsma argues that in a more complex world today than the close relationship of buyer and seller in a Roman market, the side effects, or externalities in economic terms, must be factored into the calculation of value. Baarsma proposes several alternate methods of valuation which allow for factors to be calculated, such as individual choice and well-being,

which are not causally related to monetary value, or the price one is willing to pay for a product or service.

Baarsma focuses on the monetary valuation of environmental goods and alternate valuation theories providing detailed descriptions of the theories and methods of application. The comparisons are useful as a basis for establishing which of the valuation methods appears most appropriate to apply to establishing the value proposition of classical music.

Armbrecht explicitly recognises the multidimensional nature of the value of arts and culture and suggests that incorporation of value that is derived, regardless of 'use' is an important factor in value assessment. 'Use', or utility, is a core economic factor for monetising value and, as the arts create phenomena which cannot be directly observed, such as public good and individual well-being enhancement, the proposition is that scales are the appropriate measure to determine value (Armbrecht, 2014).

A useful comparison of the need for a scale of measurement of value is offered from another branch of the arts, the visual arts. The authors of *An Artist's Perceived Value: Development of a Measurement Scale* (Hernando & Campo, 2017) acknowledge that the study has the limitation of being centred on collectors and artists in Spain alone. However, the quantitative research provides strong support for requirement for a multi-dimensional tool for measurement and evaluation of economic value of the arts.

This complex view of the value of arts and culture was studied in economic terms in 1965 by William Baumol and William Bowen of Princeton University with a paper entitled *On the Performing Arts: The Anatomy of Their Economic Problems* (Baumol & Bowen, 1965). This study had two objectives. Firstly, to explain the economic environment in which performing arts organisations operate their businesses, both profit-making and not-profit making, and analyse any underlying structural causes of the perceived lack of financial sustainability. Secondly, based on that analysis, to produce some conditional forecasts of the financial future of the performing arts.

Baumol (1922-2017) is the author of a theory known as Baumol's Cost Disease, or the Baumol Effect, where labour intensive services cannot effectively increase productivity to improve throughput. Therefore, units unable to be sold are yet affected by the general upward trend of the cost of that labour in society, albeit in a lag. Using the examples of "legitimate theatre, the symphony orchestra, the chamber group, the opera, the dance" Baumol and fellow researcher Bowen state that the "output per man-hour of the violinist playing a Schubert quartet in a standard concert hall is relatively fixed, and it is fairly difficult to reduce the number of actors necessary for a performance of *Henry IV, Part II*" (Baumol & Bowen, p. 500).

The analysis of the lack of opportunity to increase productivity and rising costs is supported by empirical data showing that the rate of increase in ticket prices has lagged substantially behind increases in costs. The burden of financial difficulties in arts organisations is likely to

be shifted to the performers and arts managers who are generally poorly paid by commercial standards (Baumol & Bowen, p. 501).

One aspect of the anatomy of the arts in economic terms is the introduction of the special nature of the labour involved in the provision of performing arts. The live performing arts has a labour market “in which the need for great native ability and extensive training limits the supply, but in which the psychic returns to those who meet these tests often offers a very substantial inducement to remain in the field” (Baumol & Bowen, p. 501). This first mention of the 1965 term ‘psychic returns’ is equated with the 2021 term ‘well-being’ from the perspective of the performer for the purpose of this thesis.

Hans Abbing, Emeritus Professor of art sociology at Amsterdam University, compares economic developments in the classical, or established, arts with the popular arts and describes ways in which the classical arts can learn from the popular arts. Abbing suggests in *Why Are Artists Poor? The Exceptional Economy of the Arts* that by lowering costs of production, encouraging innovation, becoming less exclusive, and relinquishing nineteenth century ideology of the artist as a bohemian, autonomous creative with a strong need for authenticity then there may be some relief from the in-built poverty of the arts (Abbing, 2002).

Baumol’s Cost Disease is also subjected to scrutiny in Robert Flanagan’s *The Perilous Life of Symphony Orchestras* (Flanagan, 2012) and is analysed against cyclical factors such as economic recession. Flanagan proposes that both structural (Baumol’s Cost Disease or Cost Effect) and cyclical factors influence the financial viability of symphony orchestras (Flanagan, p. 20). The orchestras of the central analysis are those originating in the United States, however direct comparison is made with the finances of orchestras from Australia, Canada, Finland, France, Netherlands, and the United Kingdom.

As the Porter’s Value Chain model is introduced the thinking of Rajesh Bhadwal exposes the insufficiencies of the model when applied to the service sector. The service sector is not necessarily driven by efficiency or profit and, in the case of classical music organisations, there may be hidden subsidisation through the impact of amateur and volunteer ‘gifts’ of labour, goods and venues alongside the civic agency of public and private sponsorship.

Flanagan places the symphony orchestra in the same sector as opera and ballet companies for the purposes of considering competition for an audience or patron’s monetary contributions. The summary of the analysis in the chapter *The Economic Future of Symphony Orchestras* concludes that ‘All organizations with limited productivity growth – including other performing arts, universities, and some government agencies – must find methods to offset their growing gaps between operating income and expenses.’ (Flanagan, p. 172)

The unaffordability of the performing arts and need for patronage and sponsorship is not a twentieth century phenomenon. *The Gilded Stage: A Social History of Opera* (Snowman, 2009) traces the path of opera from its origins in the late 1500sCE *intermedi* based on Greek and

Roman myths to the first recognisable opera in 1600CE “Il rapimento di Cefalo” performed at the festivities for the marriage of Maria de’ Medici to Henri IV, King of France (Snowman, p. 17).

Costs of opera performance, which Snowman has used to illustrate the imbalance between payments to the prima donna and the composer, show that between 1658 and 1668 the composer Pietro Cavalli (1602 – 1676) received no increase in fee yet the singer Giulia Masotti earned four times as much as Cavalli in 1666 and nearly six times as much in 1668. This upward trend of labour costs was unsustainable, and offsets were offered to the impresario producing an opera whereby opera-loving nobility would accommodate a prima donna, and perhaps her husband and servant, in a palace free of charge (Snowman, p. 30). This subsidy effect continues into the twentieth century as will be shown in empirical research results of both the New Zealand Opera and New Zealand Symphony Orchestra.

A French commentator reported in 1683 that the nobility of Venice patronised the opera theatres for entertainment more so than for profit as income from opera ‘did not normally furnish half the expense’ (Snowman, p. 36).

What then is the reason for continued patronage of opera, ballet, and orchestral performances?

James O. Young of the Department of Philosophy at the University of Victoria, British Columbia in Canada attempts to decipher the cognitive value of music, arguing against the views of Immanuel Kant that music is a lesser art and has only sensorial or hedonistic value (Young, 1999). Young argues that classical music is, in fact, representative and therefore must have a cognitive component as the process of representation requires or acquires knowledge. Although cognitive value is not considered in the economic model hypothesised in this thesis Young’s paper does serve the purpose of demonstrating that value of the arts is a multi-dimensional construct.

The aspect of customer satisfaction is mapped from the performing arts event quality, peripheral service quality and perceived value, as drivers that are suggested as considerations for the arts to respond to in terms of organisation strategy. Two Australian researchers Margee Hume and Gillian Maree Sullivan Mort, through Griffith University, have created a dataset using survey and scale methodologies to propose that satisfaction, a multi-dimensional structure, is a value driver for higher arts organisations (Hume & Sullivan Mort, 2008).

Igor Kopytoff examines the dichotomy between commodities and singular items. He describes a commodity as a thing of value that can be exchanged for a counterpart of equivalent value (Kopytoff, 1986). This could be a monetary exchange or an exchange of gifts. There is a problem of equivalent value for classical music. To apply the counterpart theory as an equivalent commodity price to a cultural object, place, or event, be that a public park, a

composition which has been performed in a multiplicity of ways according to a director's choice or even a single experience of that performance by an audience member, is identified. The item or experience of that item is unique, incomparable at individual level and is therefore singular.

Kopytoff describes culture as the disrupter to the economic drive for commoditisation and relatively homogenous pricing, and therefore, the ability to fix an equivalent value on cultural objects or events is complex. "Culture ensures that some things remain unambiguously singular, it resists the commoditization of others; and it sometimes resingularizes what has been commoditized" (Kopytoff, p. 73)

The role of the musician as a worker in the field of classical music is examined from the perspective of composer and the use of subsidising income streams to reduce economic uncertainty. A book by Alan Peacock and Ronald Weir, *The Composer in the Market Place*, has been critiqued and revisited by David Throsby in a chapter of *The Artful Economist* entitled *The Composer in the Market Place Revisited: The economics of Music Composition Today* (Throsby, 2016). Throsby concentrates on the question of whether the economic circumstances of composers have changed in the forty years since the Peacock/Weir publication, distancing the discussion from the changes in technology and commerciality of music through intellectual property protection and the matters of copyright.

Throsby draws on the work of Baumol and Bowen and identifies that their 1965 book has a relatively light consideration of the economics of music composition. Data from a survey led by Throsby of Australian composers' financial security provides an update on the Peacock/Weir research and confirms that the economic drivers have not significantly altered in the forty years from the 1975 publication.

This historical context of the economics of composers has undergone intensive study by F. M. Scherer for the period of 1650CE to 1900CE, with the qualitative histories of 645 analysed. The paper confirms some 'conventional wisdom' about composition activity increasing as the middle class expanded in number and influence and identifies specific details relating to composers of opera and other classical music genres (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, 2001).

Liminality has been broadened in its use as an anthropological term by Arpad Szokolczai in *Liminality and Experience: Structuring transitory situations and transformative events*. The author challenges Kantian analysis which places the idea of "limit" in negative terms, turning this instead to the positive point at which transition, and creative outputs occur – in the liminal stage of societal or even personal relationships (Szokolczai, 2009). The work of the musician and the transitional effect the performance of this work may have on an audience member is introduced and this thesis explores the uncertainty effect of the liminal status for both.

Bringing the research into the New Zealand and current era context, the empirical data from the Colmar Brunton survey, commissioned by Creative New Zealand/New Zealand On Air adds local perspective on the uncertain economic status of musicians (Creative New Zealand and NZ On Air, 2019).

The United Nations Educational Scientific and Cultural Organisation (UNESCO) operates the Culture Satellite Account with the intent of facilitating the development of a framework for international comparability of culture statistics. The core question is “How much do artists, musicians or any cultural activity contribute to the dynamism of an economy?” (UNESCO Institute for Statistics, 2021).

The report by author Hristina Mikić from the Modern Business School, Belgrade on behalf of the UNESCO Institute for Statistics is a detailed assessment of current methods and offers some reviewed and broad comparative literature on economic valuation of the cultural sector (UNESCO Institute for Statistics, 2012). For instance, at a country level, Aotearoa New Zealand is identified as having the following main economic measures of contribution, using economic size and structural analysis (UNESCO Institute for Statistics, 2012, p. 79):

- revenue, intermediate consumption, and value
- added by sub-sectors
- employment
- number of enterprises
- international trade measures
- household expenditure on culture

Most recently two areas of data-driven research have become available. The Arts and Humanities Research Council in the United Kingdom has introduced a deep and broad discussion of cultural ecosystems in its Work Package 5 report (Arts & Humanities Working Group, 2014) led by author Peter Coates. There is a further report led by Dr Patrycja Kaszynska on the outcomes of the Cultural Value Scoping Project which explores how an improved understanding of the value of participation in the arts, and engagement with culture, might benefit people working in arts and culture and their funders, policy makers and academics. The report suggests which resources and infrastructure would be most useful and relevant to support these distinct but overlapping constituencies (Arts & Humanities Research Council, 2018).

The European Commission has presented a large study mapping the creative value chains in Europe and providing some empirical data about the value of music in the European economy (European Commission, 2017). Music, as a sector within the performing arts, had an estimated turnover of 31.9 billion Euro and some useful links to the Armbrrecht work on public good is evidenced using scales of measurement, rather than absolute values.

Finally, *The Economics of Music* has brought together the economic theories of the late 20th and early 21st centuries to start to explore the areas that the UNESCO report identified as

requiring more input (Tschmuck, 2017). Tschmuck has introduced a text which defines the underlying economic principles in the music market, an area of academic study which is in flux with the pace of technology change. The text covers the sectors of classical concert and opera performance in some depth which indicates these art forms remain valid, viable and worthy of investment in the author's opinion.

To provide context for the multi-dimensional nature of value other fields of study or other sectors can be considered. To establish equivalence of these sectors they must be considered in terms of having many external influences and they must include non-monetary components to their value.

These varying sources have been used to develop the new material within the thesis, resulting in the proposed multi-dimensional model and scale which could be used to establish the value proposition of classical music with real world data.

3 Definition of "classical music"

3.1 Background

For the purposes of this thesis the definition of "classical music" needs to be bounded to allow a core value theory to be developed. To open the definition to all forms of music, from traditional ceremonial music in chant form through to the recent technology development allowing the composition of electronic trance music, would force a complexity and complication into the modelling of value that would likely not produce an outcome.

Classical music is a term which is varyingly applied within the spectrum of the study of music and can be used to describe, rather than define:

1. Music composed roughly between 1750 and 1830 (i.e. post-Baroque and pre-Romantic) which covers the development of the classical symphony and concerto;
2. Music of an orderly nature, with qualities of clarity and balance, and emphasising formal beauty rather than emotional expressions (which is not to say that emotion is lacking);
3. Music generally regarded as having permanent rather than ephemeral value;
4. A generic term meaning the opposite of light or popular music (University of Oxford, 2001)

Another shorter glossary description, which contains the narrative definition to Western music, states that classical music is:

1. Art music as opposed to vernacular or entertainment music;
2. Period or style [of music] from circa 1730 to circa 1820 (Grout & Palisca, 2001)

Even between these two academic definitions there is a disagreement of the dates of the classical period. Grout and Palisca write that "The great bulk of music written between 1700 and 1900 lies on a continuum..." which further blurs the time boundaries.

The common-practice period, taken as approximately 1650CE to 1910CE in Western art music, overlaps this same period. It is marked by the evolution of tonal harmony and the parallel development of opera, takes in the periods of late Baroque, Classical, Romantic, and early Impressionist eras.

However, some conformity can be observed in the use of 'light or popular', 'vernacular or entertainment'. The term 'permanence' to assist in the valuing of music may also be useful. Importantly the term 'classical music' for this thesis is considered a generic term, rather than the music of the Classical period defined by Grout and Palisca above.

Erica Getz, in *Why Classical Music Still Matters* (Getz, 2015) discusses the interchangeable terms of the generic 'classical music' with Western art music describing this as "music from 1400 – 1920 is "Western Art Music," citing Kramer's definition of this as "a specific body of nontheatrical music . . . with one aim in view: to be listened to." (Getz, p. 2). The aspect of listening becomes important in assessing the value proposition for classical (or Western Art Music) as an experience for the customer.

3.2 Analysis of the broad definition as 'fit for purpose'

Lawrence Kramer describes dimensions of the importance of classical music in *Why Classical Music Still Matters* (Kramer, 2007). Kramer uses 'fully composed' as a structure, 'independent dramas' and 'details that take on a life of their own' as his summary of the values of classical music (Kramer, p. 22). The generic treatment of the term 'classical music' above has coherence in this context using 'clarity', 'orderly', and 'permanent rather than ephemeral value'.

The use of a broad definition allows for the extension into the dimensions of economic value and allows for the inclusion of classical music under study and the exclusion of other forms of music such as jazz or popular music, worthy as these are. The extension into economic dimensions allow for consideration of value to the individual, for civic agency, for the economy and for well-being.

Value to the individual can map to composer and performer within the definition and this will be considered from the perspective of price paid to musicians. Civic agency can map to order and permanence and this will be examined as to the influence classical music institutions can have on society and local economy. The economy itself maps to value exceeding entertainment value and well-being can map to balance and beauty as measures of intangible value.

4 Methodology

The Qualitative Case Study Methodology (Baxter & Jack, 2008) has been selected as the most appropriate form for researching and publishing the methodology for determining the value proposition of classical music. The conditions for selection of case study methods include the

need to answer “how” and “why” questions and the inclusion of contextual information as relevant to the focus of the study (Baxter & Jack, 2008, p. 545)

Baxter and Jack identify several approaches for qualitative case study which each require definition of the question or analysis and bounding of the study.

The proposition of the thesis is to extend understanding of this relatively recent area of research and generate a theory with a suggested method of measurement. Cited within the Baxter and Jack paper, Stake (Stake, 1995) suggests that intrinsic, instrumental, and collective case study methods are appropriate and identifiably different.

The key characteristic of the instrumental case study is an intent to gain insight and understanding of a particular situation or phenomenon. With limited studies and reports published within the last five decades, the time span where the study of the economic value of the arts had its genesis with William Baumol and William Bowen’s 1965 paper *On the Performing Arts: The Anatomy of Their Economic Problems* (Baumol & Bowen, 1965), the instrumental case study method has been selected to gain insight and understanding of the value proposition of classical music.

Data to support the instrumental case study includes published, peer reviewed and institutional information from books, journals, digital media, conference proceedings and international reports from non-profit global agencies.

From research to date there is no current mathematical formula for valuing classical music, meaning the scope to generate data remains. However, evidence from economic research that classical music has a value proposition, and the drivers of that will be presented in the conclusion. Further, a method for establishing the value proposition from a multi-dimensional scale to gather data for analysis forms a cornerstone for further quantitative research.

5 Value: monetary valuation and theory

The primary question as to the relevance of trying to place a value on classical music is answered in a chapter of Nick Gogerty’s book *The Nature of Value* (Gogerty, 2015). Entitled *Value and Why It Matters*, Gogerty provides a link between ecology and economy using adaptive and evolutionary forces. “Value, in the simplest sense, is the human perception of what is important. As such, it is subjective and context dependent. Value is experienced in many forms, from the physiological - food, water, shelter - to the experiential - music, art, sport - to the psychological desires for social position, freedom, creativity, and love.” (Gogerty, p. 16)

Gogerty goes on to describe the positioning of a flexible system of valuation using Maslow’s hierarchy of needs, which moves from the base requirements of a need for food, water, shelter through to self-actualisation derived through psychological and cognitive functions, including creativity.



FIGURE 2.1 Maslow's Hierarchy of Needs and Value

Table 1: Maslow's Hierarchy of Needs from (Gogerty, p. 17)

Further, Gogerty claims that value is based on relative experience and is a subjective, flexible construct, especially when trying to establish representational value of intangible cultural artifacts (Gogerty, p. 17).

Gogerty introduces the difficulty of trying to use linear models for understanding economic forces. Gogerty identifies Karl Marx's economic theories as flawed, being "fixed absolute models" (Gogerty, p. 17) rooted in Marx's understanding of economic history. Gogerty claims that Marx "understood history to be on a human-guided, predictable trajectory, contradictory to nature's more discursive path." (Gogerty, p. 20)

The use of the value of nature as a starting point for creating a value proposition for classical music is examined in 5.1.5 of this thesis.

In David Aaker's textbook *Strategic Market Management* (Aaker, 2008) a set of conditions is listed which a product or service must offer to have appeal, or a value proposition to a customer. The value proposition must be relevant and meaningful, sustainable, and differentiated from other products or services which a customer could also purchase.

The value proposition can involve provision of products or services that are perceived as having:

- Good value (in monetary terms)
- Excellence of an attribute of that product or service
- Best overall quality
- Breadth to the range of products or services offered
- Innovative offerings
- A shared passion for the activity associated with a product or service or that product or service itself
- Global connections and prestige

Aaker states that the value proposition is one of four dimensions of strategy for a business or organisation. The other three dimensions are product-market investment strategies, assets and competencies of the organisation and functional strategies and programs (Aaker, p. 4).

The following questions are posed later in the book to assist with the decision as to which of these four dimensions should form the basis of a strategy for an organisation:

- Is there real customer Value Proposition?
- Is there a perceived customer Value Proposition?
- Is the Value Proposition relevant to customers?
- Is the Value Proposition a point of difference that is sustainable? (Aaker, 2008, pp. 139-141)

A response to each of these questions will be provided in this thesis from the perspective of classical music. Firstly, the definition of the value proposition of music must be established through monetary valuation methodologies, as the core question of value is always related to the price a customer is willing to pay for a product or service. In the case of music, the customer could be:

- an audience member buying a ticket;
- a donor or benefactor offering monetary or non-monetary sponsorship; or
- a volunteer or amateur musician covering the rehearsal and performance costs when there might be other use for those funds.

This last customer definition differentiates music from other products or services, which will be examined in the later section on Value Chain analysis.

However, Aaker also offers alternative value propositions being that the product or service may have:

- A superior attribute or benefit
- Appealing design
- Systems solutions
- Corporate social programs

- Superior customer relationship
- Or be a niche specialist (Aaker, pp. 141-145)

The alternative value propositions seem to have closer alignment to the organisations promoting classical music, relating to the experience of classical music performance from an audience member's perspective where all but the systems solutions and corporate social programs can be incorporated into the contract between performer and listener. As part of a multi-dimensional scale these non-financial aspects will be incorporated as they are more fit for purpose than the purely fiscally driven measures as will be shown.

5.1 Overview of monetary valuation methodologies

Establishment of value in an economic sense, requires a mechanism to quantify or monetise the product or service under consideration.

In attempting to create a Value Proposition (or Value) statement for classical music the inclusion of the monetised portion of the value is an essential factor for any empirical survey or method for establishing value.

In the book submitted as a PhD thesis *Monetary Valuation of Environmental Goods: Alternatives to Contingent Valuation* (Baarsma, 2000), Baarsma proposed that externalities, being the side effects of competitive market activity, are a necessary consideration for monetising environmental economics as they include aspects of generational impact and moral, ethical and intuitive considerations (Baarsma, pp. 5-6). The book outlines a comparison of four monetary valuation methods used by economists, the accepted 'norm' of the contingent valuation method, the conjoint measurement method and two alternative methods: the welfare evaluation method and the well-being evaluation method.

As this thesis seeks to establish a value proposition for classical music, rather than a detailed economic discourse, the theories themselves are not studied in detail here. However, for context, the following overview is offered:

5.1.1 Contingent valuation method

The Contingent Valuation Method (CVM) uses a questionnaire to ask two types of questions of respondents – how much are you willing to pay for a welfare gain? Or how much are you willing to accept as compensation for a welfare loss? (Baarsma, p. 57)

5.1.2 Conjoint measurement method

Conjoint Measurement (CM) uses a series of descriptions or situations (vignettes) with differing attributes which respondents are asked to rank and rate in terms of desirability (Baarsma, p. 93).

5.1.3 Welfare evaluation method

Welfare evaluation asks an individual to provide specific values to the question "Which monthly after-tax income would you, in your circumstances, consider to be Very Bad? Bad? Insufficient? Sufficient? Good? Very Good?" (Baarsma, p. 106). To establish an individual

parameter, such as the price of an event ticket, the language of the question can be modified e.g. What ticket price to x event would you, in your circumstances, consider to be Very Bad? Bad? Insufficient? Sufficient? Good? Very Good?

5.1.4 Well-being evaluation method

Well-being evaluation empirically defines value by requesting three core responses, depicted as a ladder. Respondents are asked to define the highest step of the ladder “If you imagine your future in the best possible light, what would your life look like then, if you were to be happy?”. The lowest step is then defined as the worst possible future. The ladder is graduated between 0 (lowest) and 10 (highest,) as defined by the respondent, and the present situation is ranked on this scale (Baarsma, p. 109). Variables can be introduced as modifiers to measure or value the change in happiness (well-being) in specific situations, for example if a ticket to a symphony concert were \$x would a respondent change their current rank and to where (higher or lower on the scale).

In the direct comparison of the four methods Baarsma has tabulated the results against aspects of strategic bias, cognitive stress, embedding effects, endowment effects, over-estimation, and aggregation issues. The table below is derived directly from Baarsma’s work:

Method	Strategic bias	Cognitive stress	Embedding effects	Endowment effects	Over-estimation	Aggregation issues
Contingent valuation	-	-	-	-	-	-
Conjoint measurement	++/-	+/-	++/-	?	?	-
Welfare evaluation	+	++/-	NA	NA	?	-
Well-being evaluation	+	+	NA	NA	?	-

- Indicates that the method performs poorly on this point; +/- indicates a medium performance; ++/- indicates a good performance; + indicates a very good performance; NA indicates that the point is not applicable to this method; ? indicates that it is not obvious what the performance is

Table 2: Comparison of the four valuation methods (Baarsma, p. 242)

Strategic bias occurs if an under estimation of value is provided by a survey respondent on the assumption that others will pay for its provision. Alternatively, the bias can occur if a respondent tries to raise the mean of a survey result to ensure a desirable outcome.

Cognitive stress occurs in some value determination surveys where direct questions are asked of a respondent on the assumption that clear and pre-defined ideas about worth and desirability can be provided by the respondent. Where this capability is not evident to or accessible by the respondent then cognitive constriction or stress can occur.

Embedding effects occur when a respondent cannot or will not differentiate between goods or effects under evaluation when asked to value those differences, especially where the differences are marginal, or differences of scale exist for the same good.

Endowment effects occur if a respondent overvalues an asset due to current possession of it, which might also be termed the value of the asset is inflated due to the impact of a potential loss of it. The gap between willingness to pay and the willingness to accept compensation for loss is an empirical measure of the endowment effect.

Over-estimation is a criticism specific to CVM whereby respondents over-estimate the monetary value of an object when compared to the 'real-world' market (Baarsma, p. 77).

Aggregation issues challenge the reliability of data relating to value being aggregated from the individual respondent/s to a population or society. The reliability of survey results is dependent on assumptions of homogeneity of demographics, cultural norms and the value of the welfare or well-being within the survey population. Aggregation has been found to diminish value calculation or derivation when significant null or zero results are obtained.

These structural considerations or weaknesses will be used to assist the design of the methodology to establish a value proposition for classical music.

5.1.5 Discussion

Returning then to externalities and the effect on economic value. Whilst Baarsma's thesis is centred on being able to empirically value environmental good, there appears to be a strong parallel with the premises on which to value the environment and those of classical music, as one aspect of arts and culture.

One of the pioneers of environmental preservation, John Muir (1838-1914), a Scottish-American environmental philosopher (amongst other roles) (Wikipedia contributors, 2021) outlined values that can be assessed for the environment, being:

Aesthetic Value - Appreciating beauty through the senses

Cultural Value - Maintaining the attitudes and practices of a specific group of people

Ecological Value - Maintaining the integrity of natural systems

Economic Value - Exchanging goods and services for money

Educational Value - Benefitting from learning and instruction

Egocentric Value - Focusing on self-satisfaction and personal fulfilment

Legal Value - Referring to the law and its enforcement

Recreational Value - Using leisure time

Social Value - Sharing human empathy, feelings, and status (California Department of Education)

The evidence of parallels between environmental economic valuation and arts valuation is supported by the findings of the Arts & Humanities Working Group, a group convened by the Arts and Humanities Research Council (AHRC) in the United Kingdom. The final report of the Working Group states "culture and nature are largely inseparable; that cultural benefits of ecosystems are no less tangible and material than other types of benefit; that a broad range of perspective, methods and tools are required to access and appreciate the full range of

Cultural Ecosystem Services; and that it is hard to overstate the importance of context – spatial, temporal and socio-cultural - in the shaping and articulation of values.” (Coates, et al., 2014).

The conclusion in the Final Report concludes that “Ecosystem services assessment should be self-reflective about its own assumptions and Arts & Humanities approaches are strategically positioned to conduct a rigorous examination of the very notion of ‘value’ itself, with reference to the basic and higher human needs - for belonging, identity, respect, recognition of worth, health and happiness – that generate well-being (physical, psychological/mental and spiritual).” (Coates, et al., p. 63).

Mapping the dimensions of environmental value to the cultural ecosystem values shows strong concordance, highlighted across the two value structures:

Environmental Value	Cultural Ecosystem Value
Aesthetic - Appreciating beauty through the senses	Psychological/mental well-being
Cultural - Maintaining the attitudes and practices of a specific group of people	Belonging
<i>Ecological - Maintaining the integrity of natural systems</i>	
Economic - Exchanging goods and services for money	Recognition of worth
<i>Educational - Benefitting from learning and instruction</i>	
Egocentric - Focusing on self-satisfaction and personal fulfilment	Identity, spiritual well-being
<i>Legal - Referring to the law and its enforcement</i>	
Recreational - Using leisure time	Physical well-being
Social - Sharing human empathy, feelings, and status	Health and happiness

Table 3: Comparing Environmental value with Cultural Ecosystem Value dimensions

The Cultural Value Project, another funded initiative of the AHRC, advises that “Ecological, multi-component and multi-level models rather than one-dimensional ones are therefore needed, because of the complex nature of the effects of cultural engagement,...” (Crossick & Kaszynska, 2016).

These research findings, however, are at odds with other research in the arena of the value of music. As with the Cultural Value Project the one-dimensional valuation methods attempting to monetise value is criticised by John Armbrecht from the School of Business, Economics and Law at the University of Gothenburg, Sweden.

Armbrecht cites economic research that spans public good, welfare contributions, creativity, education and skills, prestige, and social relations. Also cited are efforts to research the value of arts and culture in anthropology, sociology, history, and heritage studies (Armbrecht, 2014).

Of interest to this thesis is the inclusion of two cultural institutions whose product (or service) is music, being the Göteborg Opera House and the Göteborg Concert Hall, alongside the Göteborg Museum (Armbrecht, p. 258). With limited material available from extensive

searches this is the first example discovered of data collection with the purpose of developing a scale of measurement of value that has an explicit link to music.

From the results a six-factor model has been developed to describe and compare cultural institutions using qualitative methods. By combining the CVM and well-being evaluation methods, Armbrecht proposes that the six factors of social relationships, education, health, image/cultural capital, identity, and economic development effect can be enumerated against a scale (Armbrecht, p. 268). This scale can then be used to produce value analysis of different cultural institutions from individuals from different socioeconomic backgrounds.

Comparing the environmental, cultural ecosystem and Armbrecht’s scale, this thesis proposes that there is an observable concordance:

Environment Value	Cultural Ecosystem Value	Six-Factor Scale Value
Aesthetic	Psychological/mental well-being	Image
Cultural	Belonging	Identity/cultural capital
Ecological		
Economic	Recognition of worth	Economic development
Educational		Education
Egocentric	Identity, spiritual well-being	Identity/cultural capital
Legal		
Recreational	Physical well-being	Health
Social	Health and happiness	Social relationships

Table 4: Comparing Environmental, Cultural Ecosystem and Six-Factor Value dimensions

Supporting this concordance is a scale developed for the measurement of perceived value of visual artists. Elisa Hernando and Sara Campo start with a useful, but broad, definition of ‘perceived value’. “It is a complex phenomenon made up of several interrelated dimensions” (Hernando & Campo, 2017). By reviewing differing approaches to understanding value, Hernando and Campo developed a scale which measures five dimensions of value, aggregating extrinsic, intrinsic, and systematic dimensions.

The five values used in the study are aesthetic; cognitive; influencer-brand; social; and legacy. Descriptions of the five values have been provided:

Value	Description
Aesthetic	Aspects of the purchaser’s taste; sensorial components such as language, creativity, innovation, originality, brilliance, and spontaneity of the artist and his/her work
Cognitive	Intellectual understanding and semantic and aesthetic appreciation of the art work and the artist’s language
Influencer-brand	Prestige and assessment by influencers with whom the artist works (galleries, critics, museum directors, certain collectors)
Social	Social commitment of the artist and social impact of her/his creation
Legacy	Recognition of the artist for his/her contribution to universal or artistic heritage

Table 5: Description of artistic value (Hernando & Campo, 2017, p. 36)

Again, the harmony of these terms can be seen with the values from environmental and cultural value sources.

Environment Value	Cultural Ecosystem Value	Six-Factor Scale Value	Perceived Value
Aesthetic	Psychological/mental well-being	Image	Aesthetic
Cultural	Belonging	Identity/cultural capital	Legacy
<i>Ecological</i>			
Economic	Recognition of worth	Economic development	
Educational		Education	Cognitive
Egocentric	Identity, spiritual well-being	Identity/cultural capital	Influencer-Brand
<i>Legal</i>			
Recreational	Physical well-being	Health	
Social	Health and happiness	Social relationships	Social

From this concordance and the consideration of the Contingent Valuation Method, Conjoint Method and Well-being valuation methods, a modified valuation method can be derived which is described in Section 12. The question remains however, why bring ecosystem and music together for the purpose of establishing a value methodology?

The Greek philosophers’ writings, the discourse of the early music theorists, through to the published musical thinking of the Middle Ages, have each drawn an explicit link between music and Nature: the laws of Nature could be overturned by music in the Orpheus myth; St Augustine introduced a scale of values in the way that music should be exercised; the Catholic

Church condemned Ars Nova as moving more towards Nature than the divine; and Vincenzo Galilei argued “At the time of Guido of Arezzo every light of virtue in Italy has been quenched, particularly with regard to disciplined music. Nonetheless, men still preserved that manner of singing which ever since the world began has been acquired as it were in the course of Nature.” (Fubini, p. 132).

Philosopher René Descartes (1596-1650CE) formalised six basic affects, or passions, which could be combined or intensified and thereby form a taxonomy of the affections. The Doctrine of Affections became a governing force of Baroque composition through the musical elements of intervals, key and tempo. (Dissmore, 2017). Citing Kramer in the thesis *Why Classical Music Still Matters* (Getz, 2015) brings the argument of the value of classical music forward in time to the modern audience. Getz argues that if a listener gives a piece of classical music their “concentrated attention, they are rewarded with emotional complexity”. This idea of a transaction of exchange, time and attention for emotional reward, forms part of the value proposition for classical music.

There may also be a cognitive value of music, which is presented by James Young, whilst acknowledging that there are strong arguments against this stance. Young argues that much of the scepticism about the arts, and particularly music, having cognitive value is generated by the assumption that to have this value there must be systematic demonstration, such as in the sciences (Young, 1999). The methods for assessing cognitive value for music include interpretive representation and affective representation and through these there can be a measure of the increased awareness of human affects and nuances which might otherwise escape attention (Young, p. 52). Young finishes with a statement that “The failure of some listeners, even some of the most discerning, to find cognitive value in music does not, however, entail that music has no cognitive value” (Young, 1999, p. 53).

Getz adds to the value proposition of classical music in discussion of the cognitive value of music. Studies conducted in the late 1990s used positron emission tomography (PET) and functional magnetic resonance scanning to physically measure the effect of listening to music (Jenkins, 2001). The results of listening to classical music induced a physical impact, primarily in the regions associated with spatial reasoning, and this was shown to have a lasting effect especially for children who were exposed to classical music through piano lessons.

Immanuel Kant, however argued that music had hedonistic value but no semantic content, stating that “this art speaks to us by means of mere sensations, without concepts, thus leaving no opening for thought as poetry does...” (Fubini, 1990, p. 220).

This dichotomy of thinking, the difficulty in enumerating value, no measure of cognitive value is provided in Young’s paper, and the prevailing philosophy of Kant into the twentieth century of music having no value other than that of beauty, pleasure and perhaps distraction, may explain the lack of academic exploration of a monetised value for classical music.

In *The Aesthetics of Music* (Scruton, 1997) Roger Scruton links virtues to value, specifically aesthetic value, through the language of criticism. “Our moral judgements tend to focus on the virtues and vices of people. In the same way, aesthetic judgement discovers virtues and vices – often the same virtues and vices in works of art.” (Scruton, p. 373).

Scruton goes on to explain what important factors in the design of any scale and survey may exist, to arrive at a value for classical music, stating that “Terms denoting virtues and vices are the most important in a critic’s vocabulary, the most necessary to critical judgement, and the hardest to understand and justify.” (Scruton, p. 373)

The difficulty in finding a common logic or common theory, Scruton states, is that the variety of terms used for criticism means “that there is no hope of accounting for it...” (Scruton, p. 373).

To explain the compounding of the difficulty in logical progression from critique to value, Scruton considers the following factors as pertinent:

- We praise works of art that we deny being beautiful, citing Bartók’s *Miraculous Mandarin* being full of “ugliness and grotesquery, the ugliness of which is an immovable part of the aesthetic effect” (Scruton, p. 373)
- We use aesthetic values to distinguish the great from the good, we recognise the great as the goal or authority, citing Bach’s *Well-Tempered Clavier* and the whole suite of Beethoven symphonies as examples of the great or superlative (Scruton, p. 374)
- We recognise different experiences as having aesthetic value (Scruton, p. 374) , such as the difference in the lexicon of informed criticism of a comedic opera against the terms used in criticism of a tragedy or political commentary opera.

This requirement for experience of art is the cornerstone of the argument to aesthetic value for Scruton. The experience of artistic presentation or performance must, by its nature, have no utility and offer “knowledge by acquaintance” (Scruton, p. 376) rather than being a means to gain information. These cornerstones will be tested in the design of the value equation for classical music and the survey to test that hypothesis that the equation can deliver empirical data in a meaningful scale.

5.1.6 Musical Value Research in the Twentieth Century

Value for, and of music had been defined in terms of the human condition, the human effect and a relatively unsystematic relationship with the economy, a traditional approach where the nature or spirit of ‘culture’ did not harmonise with detailed analysis. This belief, or attitude, prevailed until the latter part of the 20th Century.

In the early 1960s, when John Blacking and colleagues were starting to propose a framework for the research of the intrinsic value of music, the economic contribution of cultural industries was not a focus of research.

In the same decade William Baumol was producing economic papers on the difficulties of the performing arts sector, which behaves like a not-for-profit sector with goals beyond profit generation and wealth retention.

Factors that may have contributed to the relative lack of interest in the cross-over study of economics and the arts are identified as lack of evidence and lack of longitudinal studies generating data, poor measurement approaches for analysis and scarcity of investment potential, as the cultural sector was viewed as a public good and therefore to be financed through government.

The UNESCO report on economic contribution of cultural industries has provided a foundation for further work. The report provides analysis of a variety of macro-economic methods for cross-cultural evaluation of the impact that cultural industries make. It does conclude that, due to the lack of harmonisation of statistics, economic contributions can only be understood and interpreted in their specific local, regional, or national contexts.

At country level the measures of economic contribution can be distilled into five broad categories:

- Economic size and structural analysis which estimates macro-economic aggregates such as the Gross Value Added, Gross Domestic Products, employment, and trade
- Cultural Satellite Accounts which integrate demand and supply within the cultural economy
- Multiplier Analysis which measures direct, indirect, and induced impacts of cultural industries
- Production Function which can be used to measure the relationship between capital and labour in cultural industries
- Disequilibrium modelling which measures, predicts, and estimates economic contribution based on reallocation of capital and labour

Each of the measures have strengths for analysis at national or whole cultural industry level but have significant weaknesses when considering value at a smaller grouping of the specific cultural form within the industry. Understanding of supply, demand, consumer patterns and other driving forces can be improved by using sub-market and sub-sector analysis (UNESCO Institute for Statistics, 2012, p. 87).

The broad instruments for understanding the value of music are problematic and this statement underpins the premise of this thesis being, that at sub-sector level there can be improved analysis using a consistent, formulaic, or methodologic approach to derive the value of music. A consideration of the micro-economics of music is indicated as a result.

5.1.7 Microeconomics of music

A recent publication *The Economics of Music* uses specific examples to illustrate the externalities of music (Tschmuck, 2017).

Tschmuck argues that music must be considered as a civic or public good as the ‘use’ of music by one person does not reduce the ‘use’ by another. For example, at an open-air concert where audience members (consumers) cannot be effectively excluded, the public good effect provides equivalent enjoyment for attendees and the voluntary or unintended audience being neighbours and by-standers.

There is an increase in social welfare or well-being on the voluntary consumer which is a positive externality. However, as anyone could potentially enjoy the concert for free, the public good effect demands that no money can be collected to pay the musicians. Donations, or koha in Aotearoa New Zealand, can alleviate some of this problem along with options of the venue owners paying the musicians or local authorities subsidising the rights to income for their performance with public money. In economic terms these mechanisms compensate for potential market failure, which would lead to the loss of free public concerts, but the mechanisms have inherent valuation problems.

The magnitude of the externality, that is the number of non-paying audience members, cannot be defined. Demand is therefore unknown, supply is increased and equilibrium, the price of that externality, is reached at a lower level than if demand and supply were true market forces.

Tschmuck illustrates this in the diagram from the chapter *Microeconomics of Music* (Tschmuck, pp. 37-55) in which he considers music as a public good, a merit good, a club good, an information good and a common good.

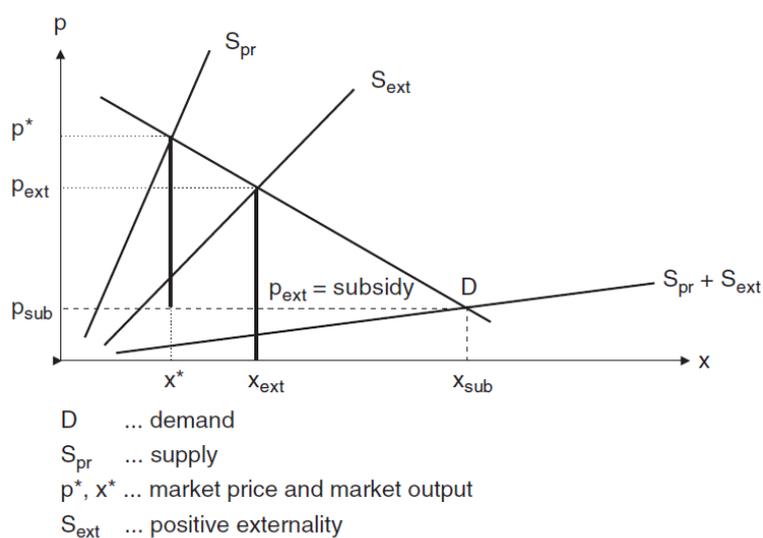


Figure 2.6 The internalization of a positive externality by subsidization

Figure 1: The public good subsidy mechanism - *The Economics of Music* p47

The five goods used by Tschmuck are defined as:

1. Public good – a good which a person cannot be prevented from using, nor does that use reduce another person's ability to use it. For music this would be exemplified by a free music performance.
2. Merit good – a good which makes a person better off but the person does not realise the benefit of consuming that good. In having no realisation of preference for the good there can be an increase in welfare or well-being, and this is used to legitimise subsidies provided to opera houses and concert halls in Europe. (Tschmuck, p. 48)
3. Club good – a good which a person can be excluded from using but that has a low level of rivalry for its provision, that is each person receives the same amount of benefit as other consumers. Ticketing is the method of exclusion for a club good and all audience members have equal opportunity to benefit from the performance, although each will perceive that benefit or value in a distinct way.
4. Information good – a good which derives its value from usage and must be experienced to judge its quality. The uncertainty of information about 'consumption' of classical music in performance, or even as a recording, can contribute to destruction of economic value as the quality cannot be derived until the experience has been completed. (Tschmuck, p. 50)
5. Common good – a good which a person cannot be excluded from but consumption of that good is subject to rivalry, that is it has a limited resource. For classical music this can be achieved by licensing music through royalties, governed by an independent body, creating a limitation on its use. Or in the case of creative commons, allowing lawful private use of music, but restricting derivative or commercial use of that music.

Of the five types of good, the club good appears to provide the best alignment of variables allowing it to be used for valuing classical music.

Music can be transformed from a pure public good such as the free open-air concert to a club good. Club good was first described by James Buchanan in 1965 (Buchanan, 1965). According to Buchanan a club good has key attributes; it is a private organisation where members collectively consume at least one product or service that individually they could not finance. Membership of the club is voluntary and non-rival, that is the member enjoys the benefits as an individual without detriment or denial of the benefit to another member.

In a traditional economic model, the costs to build and provide an opera house or concert hall and within them produce opera, ballet or symphony orchestra performances are unaffordable compared to the ticket price for an individual audience member. Conversely, if a ticket price reflected actual costs it would be unaffordable to most intending audience members.

If an audience member increases their number of attendances, then the average costs of the production decreases. This produces a natural monopoly which is at risk of new competition whereby the lowered market price for a ticket no longer covers the average cost of the production. In the following diagram to illustrate the risk (S) is supply of options for an

audience member to spend money on, (D) is demand which decreases as experience of the audience experience increases and (AC) is the average cost of production.

Two scenarios are shown – either the natural monopolist must produce fewer concerts/performances to ensure the ticket price (income) at least equals the average cost (p_{AC}) or the equilibrium of supply (number of performances) and demand (number of tickets) is met at a ticket price (p_S) that is a nett loss as it does not equal average cost.

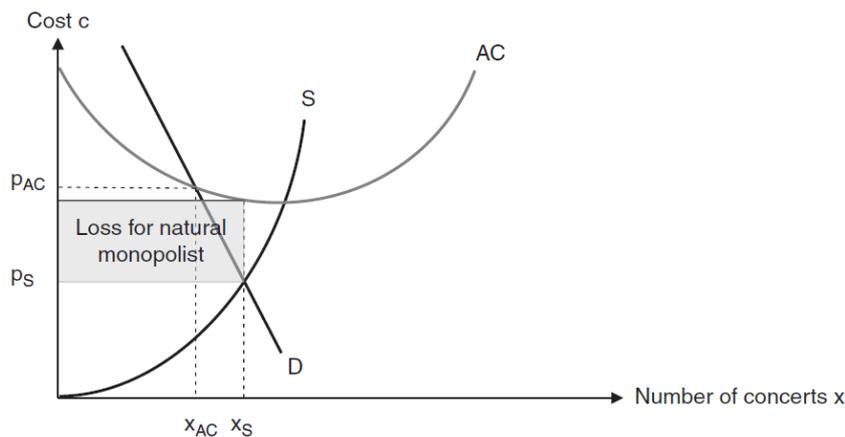


Figure 2.7 The inefficiency of a natural monopoly
Source: After Varian (2015: 452)

Figure 2: The club good mechanism - The Economics of Music p49

To solve this problem of risk or inefficiency an authority could subsidise the performance to continue to provide the good to their public, or regulate ticket pricing, to ensure the performance company avoids a loss. Because of the mechanisms of competition in a sector that is at risk of choice and discretionary spending, such as that used by audience members to attend orchestra or ballet performances, opera houses are often subsidised (in Europe) or supported by wealthy patrons (in the US) (Tschmuck, p. 50).

Opera, by necessity, has a static venue unlike popular music and the touring band sector and has limited scale for ticket sales, unlike music festivals. There are, of course, touring opera productions however these are limited by type of venue, cost of accommodation, transport costs for stage, set, costumes and living costs or *per diems* for performers. The non-opera band and pop music performers have access to cross-subsidised income, such as commercial branding and sponsoring from large, affiliated companies such as providers of refreshments, which keeps ticket pricing unregulated.

In Aotearoa New Zealand there remains one large-scale opera company, New Zealand Opera. A company with three static venues and occasional touring performances, the financial well-being of the company is reliant on subsidy. With one Government and three local government funders the total public funding equates to 62% of income with a further 19% coming from grants, donations, and sponsors. Other income of 4% from co-productions, costume and set

hire/sale accounts for a total of 85% of non-ticket income for the financial year of 2019 (NZ Opera, 2020).

The box office income, donations and other grant dropped by 46% between 2018 and 2019, with no appreciable increase in other minor grants. The financial lever of reduced production costs had to be used to ensure that the company would remain financially viable. There was a net 40% reduction in production costs between these two years.

From the limited information available in the NZ Opera Annual Report 2019 it can be derived that should the actual costs of the production of \$3,111,571 be borne by ticket sales alone, with 15,326 people attending performances, the ticket price would be set at \$203.35. If all costs of the company at \$5,609,690 (NZ Opera, p. 27) were to be borne by ticket sales this would increase the ticket price to \$366.02.

It should be noted that for ease of calculation and lack of data, the assumption is made that the reported attendance was for a paid seat, whereas in reality, there will be non-paying seats gifted as 'in kind' payment or benefits for sponsors and donors.

Pricing for the 2019 season was not available at the time of writing so a comparative price has been provided for the 2021 season. Ticket prices range from \$50 to \$190 for a popular Mozart opera and \$25 to \$147.50 for a 'reimagining of Gluck's Orpheus and Eurydice' (NZ Opera, 2021).

Current participation in the opera or operetta market in Aotearoa New Zealand has the lowest volume when compared to classical music, rock, or pop concerts with 16%, 24% and 49% respectively. Current is defined as having attended an event in the past three years (Creative New Zealand, 2018, p. 132).

At a calculated cost recovery price of \$203 - \$366 for a ticket the relative affordability and the marginal risk of low participation it becomes obvious that the club good mechanism, where subsidy is required for a sustainable business, is evident in this one company.

Reaching back in time this affordability argument has been documented in *The Gilded Stage: A Social History of Opera* (Snowman, 2009). When the Teatro Santa Luca was being rebuilt in 1653CE after a fire, the then manager increased the price of an annual box fee from 20 to 25 ducats and asked for two years' rental in advance (Snowman, p. 33). When the annual fee was raised to 30 ducats in 1663CE the price rise was met with resistance and was conceded at 25 ducats. This may account for the lag inherent in the Baumol Effect where the impact of the unseen value of the performing arts is reflected in the labour costs but not in the recovery of those costs through ticket pricing.

In the 1651/2 season of Pietro Cavalli's *La Calisto* at the Santa Aponal theatre Snowman identifies that the cheapest ticket for a performance was often the equivalent of more than a day's wages (Snowman, p. 34).

Some two hundred years later in a letter to *The Times* on 8 April 1853 a gentleman complained about his entry to the Royal Italian Opera, Covent Garden, being refused on the grounds of unsuitable dress code. In the letter he prices his ticket at seven shillings, the average day's wages for a skilled tradesman ¹

Even at minimum wages in Aotearoa New Zealand of \$18.90 per hour in 2021, and assuming an eight-hour working day, this would compute an equivalent low-cost opera ticket price at \$151.20, more than three times the current minimum ticket price of \$50 in the 2021 season of a popular Mozart opera.

To further illustrate the financial anomalies between income and revenue, the detailed comparison of orchestra revenues in Australia from *The Perilous Life of Symphony Orchestras* (Flanagan, 2012) provides empirical data. In 2003, across eight symphony orchestras in Australia, the average earned income from concert performances, education and rent on property was 30% of the total income with public subsidy through government grants ranging from 48% for the Sydney Symphony Orchestra to 81% for the Tasmanian Symphony Orchestra (Flanagan, p. 147).

The New Zealand Symphony Orchestra has one output – orchestral services. To perform these services the orchestra is subsidised by public funding to 72% of total income (New Zealand Symphony Orchestra, 2020), the total for 2019 being \$14,736,000. Despite this the orchestra ended the financial year with a net loss of \$760,000 against a budgeted \$40,000 profit.

This incongruity in the sustainability of pricing for performance tickets as an income stream against other forms of subsidy and benefaction to cover costs, using both orchestra and opera as the examples, requires analysis and has a prerequisite of defining the value proposition of classical music.

A third piece of the value chain is the generator of classical music, the composer. In Aotearoa New Zealand a guideline is published for composers by the Composers Association of New Zealand, Te Ropu Kaitito Puoro o Aotearoa (CANZ). Last updated in 2018 the suggested scale of fees for a commissioned composition for orchestra + soloists/choir, including opera is a range between \$1,300 - \$2,700 - \$4,000 per minute of music (Composers Association of New Zealand, 2021).

The guideline offers that the minimum scale “potentially applies to qualified professional composers; experienced composers may require more than the median rates.” The guideline also explains that “Community groups and non-professional performers may opt for the minimum rates or may request that a composer provides a portion of their commission fee *gratis*.”

¹ Using the National Archives currency converter <https://www.nationalarchives.gov.uk/currency-converter/#currency-result>

Calculating a simple fee of per-minute rates for a ninety-minute opera composed by an experienced composer would provide an income of $\$2,700 \times 90 = \$243,000$ or $\$117,000$ if calculated for the less experienced rate of $\$1,300$ per minute.

There is further explanation that Creative New Zealand is the main funder of composition commissions, but they do not generally fund university lecturers or students and “usually prefer the performer(s) to apply on behalf of the composer, although it is possible to ‘self-commission’ a work.” (Composers Association of New Zealand, 2021).

This possible de-classification of the composer as being productive in an economic sense, that is doing ‘work’, is another incongruity, especially given that the association which can represent a composer is providing the advice.

CANZ confounds the financial status or value of the composer of classical music with the following: “For longer works (concert pieces of more than thirty minutes, or operas of more than ninety minutes), the per-minute rates may need to be adjusted and used as a basis for discussion.”

By comparison the Musicians’ Union in the United Kingdom advises rates on the basis of music genre and complexity, rather than the skill or experience level of the composer. The range for the 2020/2021 year range between £250 (491.69NZD) per minute for solo instrumental works to £800 (1,573.42NZD) per minute for orchestral works with soloists and/or chorus². This rate is on the lower end of the equivalent scale for New Zealand composers, however, the rate and composers have the protection of the Musicians’ Union for contract negotiation (Musicians' Union, 2021).

6 Drivers for retaining and improving the value proposition:

Curt Sachs has stated in the Thoughts and Methods preliminaries of *The Wellsprings of Music* that “Men of high civilization have become voracious hearers but do hardly listen. Using organized sound as a kind of opiate, we have forgotten to ask for sense and value in what we hear.” (Sachs, 1961).

This statement strongly echoes sentiments expressed by Boethius, cited in *A History of Music Aesthetics*, where “The hearing certainly discovers things in their vagueness and with a clarity that only approximates to the truth, but their integrity is established with the aid of the intellect...” (Fubini, 1990).

The key words of hearing, organised sound, truth, integrity and intellect are challenging to measure in the context of deriving the value of music. There are models that exist which extend outside the economic terms of monetised value, and the academic study of non-market value in the arts was started in the second half of the twentieth century.

² Rates calculated at 1 GBP = 1.96678 NZD from www.xe.com

6.1 Value drivers for the performing arts

In a seminal paper from 1965 William Baumol and William Bowen (Baumol & Bowen, 1965) identify that performing arts organisations have two characteristics in common with not-for-profit organisations. They earn no, or low, pecuniary return on invested capital and they claim to fulfil some social purpose (Baumol & Bowen, p. 497). The fundamental goals of high-quality performance, generous rehearsal time and a group of performance projects which cannot be afforded but are still ‘hopefully’ planned for future presentation to audiences, align the arts with the not-for-profit sector.

Baumol and Bowen introduce technological advancement as a way to increase productivity, but immediately discount it as an effective treatment for rising costs – the virtuoso violinist cannot be replaced by a robotic or digitally recorded version in live performance.

Other treatments to allay rising costs could include reducing rehearsal time or quality, using less skilled performers, lesser quality or quantity of costumes and sets or re-use of the same across multiple productions. Whilst these are varyingly deployed, such as in the New Zealand Opera’s use of Studio Artists, young singers in a minimal cost internship-type contract for performance, there is a risk of loss of audience and community support should these devices be used too often.

For this latter example, the level of income for performer, considering the investment into education, training, and instruments in the case of orchestral performers, is remarkably low. The organisation has shifted some of its financial burden to the performers. Yet, there is a willingness of those who work in the performing arts to sacrifice money income for the less material benefits of participation in the sector.

In New Zealand a 2019 Colmar Brunton survey commissioned by New Zealand On Air and Creative New Zealand has found that “the median personal annual income for 'creative professionals' is around \$36,000 - compared to \$52,000 for those earning a wage or salary. It is below the living wage” (RNZ, 2019).

The survival of the great many performing arts organisations, despite the wages offset, requires a constant flow of contributions (Baumol & Bowen, p. 499)

If profit can be reduced in importance as a value driver for classical music performance due to the inflow of benefaction and subsidy there must therefore be other drivers evident for longevity of the sector, as it has not collapsed into non-existence. The absence of profit in the Creative Value Chain outlined in Section 7 indicates the necessary existence of other drivers of value.

Armbrecht introduces the development of a scale for valuing the arts with the statement that ‘arts and culture can be regarded to comply with public good characteristics,’ (Armbrecht, 2014). The six value categories introduced for measurement include economic, education and skills, social, identity, image and health. These categories are the result of a comparison of

the value typologies from sources cited (Armbrecht, p. 256) and form the basis of recommendations for further research and for policy-makers to adopt in framing new demand-oriented policies (Armbrecht, p. 269).

Hume and Sullivan Mort have identified that satisfaction is a driver for valuing the performing arts experience (Hume & Sullivan Mort, 2008) through a survey study of 273 participants who were planning to attend a social or entertainment function at the time of sampling and had attended as least one performing arts show in the last three years. The researchers focus on the 'high arts' experience, although there is no definition of high arts offered. For this thesis it is assumed that the high arts include events where classical music is the major musical component of the event, being either opera, ballet, or symphony orchestra performances.

The survey was conducted to test five hypotheses being:

- H1: Show experience quality is directly related to value
- H2: Peripheral service quality is directly related to value
- H3: Show experience quality is directly related to satisfaction
- H4: Peripheral service quality is directly related to satisfaction
- H5: Value is directly related to satisfaction

This is depicted in the visual map, derived from the research output.

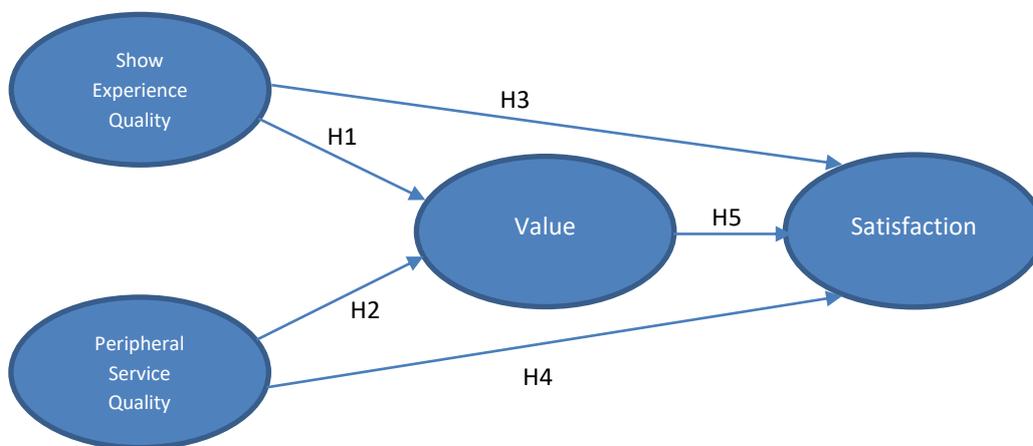


Figure 3: Conceptual model of satisfaction and role of value: performing arts from (Hume & Sullivan Mort, p. 319)

The research identified that service quality attributes, such as the experience of the arts event including assurance, trust and reliability have importance when determining the value of the event. Peripheral service quality, such as convenience of access, parking and transport, behaviour of staff in non-performance roles such as ticketing and ushering and the general organisation of the venue were strong predictors of value (Hume & Sullivan Mort, p. 322).

The findings of the Hume and Sullivan Mort study show that in the performing arts, specifically the high arts, value is derived from the appraisal of service quality and show experience and that value entirely mediates the relationship to satisfaction (Hume & Sullivan Mort, p. 322).

Reversing the through flow of this model could indicate that satisfaction could drive value and with consistent high ratings for satisfaction the opportunity to increase ticket price, without reducing the experience of peripheral and show experience quality. This is yet to be tested.

International consultancy firm Deloitte have explained the concept of social asset value.

Economic contribution itself may understate the value of an asset to a community (Deloitte, p. 15). If an organisation provides services below true value (or cost), and economic contribution can only be measured by the price paid, this constrains the actual value derived from that service.

Deloitte use three categories of value – social asset, attendance and existence.

Social asset value is the sum of attendee value and existence value and is proposed as a better measure of the value of cultural experiences.

Attendance value is made up of the transaction value (revenue from the sale of goods and services), consumer surplus value (individual satisfaction) and choice value (adding to the choices available to consumers).

Existence value is a measure of symbolic or iconic value that is attributed to an experience, even for those who have not attended. Deriving this value requires survey and the example provided has the identifiable elements of the conjoint measurement method (Deloitte, p. 17).

Summarising the selected value drivers for the performing arts which can then be compared for the purpose of survey design and a value methodology again shows concordance with the previous models.

Environment Value	Cultural Ecosystem Value	Six-Factor Scale Value	Value Drivers
Aesthetic	Psychological/mental well-being	Image	Aesthetic
Cultural	Belonging	Identity/cultural capital	Existence
<i>Ecological</i>			
Economic	Recognition of worth	Economic development	Attendance
Educational		Education	Education
Egocentric	Identity, spiritual well-being	Identity/cultural capital	Identity
<i>Legal</i>			
Recreational	Physical well-being	Health	Individual Satisfaction
Social	Health and happiness	Social relationships	Belonging

Table 6: Concordance of Value Drivers with Environment, Cultural and Six-Factor Scale Values

These six value drivers will be used in the design of a methodology and survey which could be used to determine the value proposition of classical music.

6.2 Anonymity as a Negative Driver

Anonymity is a bias that can be observed in responses to direct monetary donations to universities. Kopytoff describes the mechanism whereby a complex Western society can consume money for the arts without credibility for a monetary transaction being questioned. “our financiers cautiously navigate... matters as gift-giving to universities. A straight money donation in general funds, if it is of any size, is suspect because it looks too much like purchasing influence, and such donations when made, are normally anonymous or posthumous. A money donation in instalments would be particularly suspect, implying the donor’s power to withhold the next check. But, converting a large donation into a building moves the money into a nearly decommoditized sphere, freezes the gift into visible irrevocability, and shields the donor from suspicion of continuous undue influence on the university.” (Kopytoff, p. 77)

Examples of this transformation of money into buildings as a form of sustainable value for the arts is evident in naming rights, not just of buildings but of rooms, chambers, or halls within buildings. The Gallagher Academy of Performing Arts at the University of Waikato (Waikato, Academy, 2021), the Verbrugghen Hall within the Greenway Building, home of the Sydney Conservatorium of Music (Sydney, 2021) are two such examples. The Gallagher Academy also has the Dr John Gallagher Concert Chamber within the building (Waikato, Gallagher Concert Chamber, 2021) indicating perhaps a long-term commitment to benefaction.

Further, examining the financial records of two organisations under study in this thesis, New Zealand Opera and the New Zealand Symphony Orchestra, it is easily determined that anonymity is an important component of financial gift-giving. The numbers below are drawn from the Annual Report for 2019 of each organisation and show the “Anonymous” category of donations from the total number of donors, by banding of monetary value.

Value (NZD)	New Zealand Symphony Orchestra Anonymous Donors – 2019	New Zealand Opera Anonymous Donors (2019)
\$10,000+	2 (18)	(26)
\$5,000+	2 (18)	
\$2,500+ (Platinum)	1 (19)	(24)
\$1,000+ (Gold)	8 (76)	7 (93)
\$500+ (Silver)	26 (127)	1 (49)
\$100+ (Bronze)		Not stated
Notified legacies	16 (33)	
Realised legacies	1 (25)	

Table 7: Comparison of anonymous donations to attributed donations for New Zealand Symphony Orchestra and New Zealand Opera

The percentage of anonymity for donation to each organisation is not under study, nor is the overall quantum of donation. It is enough to observe that anonymity is a factor in direct monetary gift-giving for the donors of these two arts organisations in New Zealand.

7 Value Chain Analysis

Value Chain Analysis focuses on analysing business activities to understand costs, identify value-adding activities and activity that might differentiate a business from its competition. The analysis is more complex than a simple profitability analysis as it brings in principles of economies of scale, capacity, and perceived value which correlate to drivers in the music sector.

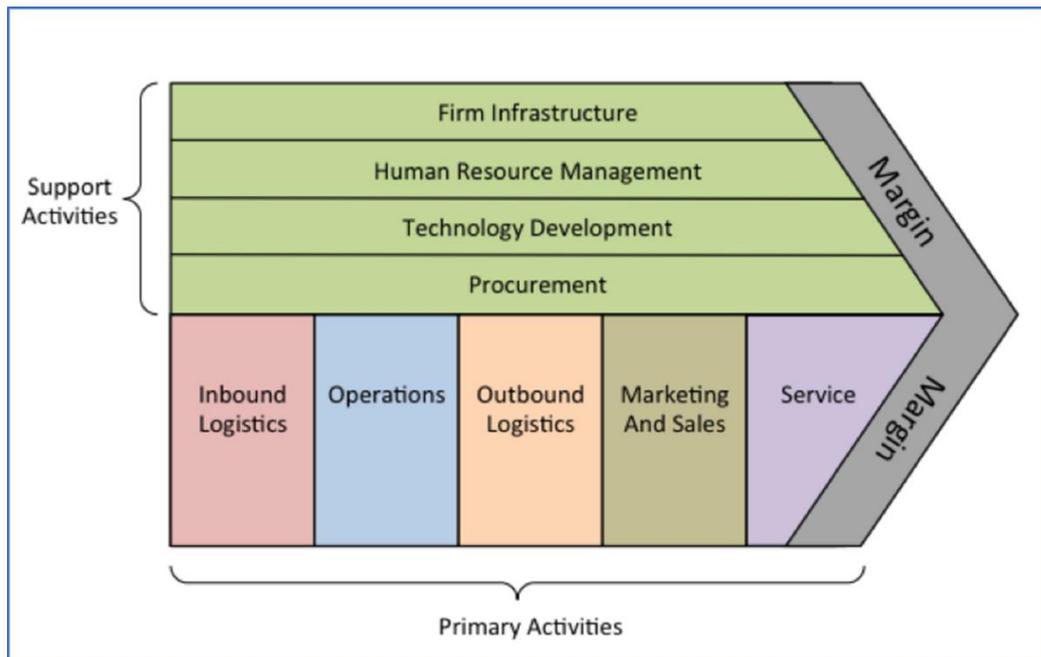
As a chain the analysis identifies the links between primary and secondary functions of a department, a business unit, or a whole company. By breaking down product and service activity into smaller pieces the costs of each can be understood and decisions made based on how those costs could be altered to meet a perceived value, or the willingness of a consumer to pay for that product or service.

However, value chain analysis is not a simple exercise, requiring data to be gathered and attributing that accurately to the activities within the company.

7.1 Porter's Value Chain

A well-used framework, Michael Porter's Value Chain, has been disseminated throughout the commercial world to assist in identifying the factors that build competitive advantage. The premise is that by analysing the chain of inbound logistics, operations, outbound logistics, sales, and service with the supporting activities of the company's infrastructure, human resource management, technology and procurement, the opportunities to minimise or optimise costs will increase profit. This then provides a lever to optimise perceived value (the value proposition) by either manipulating costs by activity type – for opera or music that might mean increasing advertising (inbound logistics) to maximise sales and retaining loyalty or increasing benefaction through relationship management (service).

Pictorially the Value Chain identifies the primary and supporting activities with the margin, or profit, influenced by efficiencies or productivity in those activities.



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Figure 4: Porter's Value Chain sourced from Creative Commons

7.2 Service Industry Value Chain

In an on-line article Rajesh Bhadwal questions whether Porter's Value Chain services the service industry. (Bhadwal, 2015) The important points that differentiate service from products, the cornerstones of Porter's model, include that service cannot be stored, it is simultaneously delivered and consumed, it is intangible and there is the personal identity modifier that affects the performance of the service, both from the provider and receiver of that service.

The intangibility and modifier effect of the performer and audience is exemplified in a description of a young busker in the New York subway, where a crowd of fifteen or twenty people gathered to listen closely to a performer playing the opening adagio of Bach's G-Minor Sonata for Unaccompanied Violin. In the description Kramer writes that "If you listened closely enough, you could even follow the thread of the music when a train rumbled by, though the sound of the violin at that point was more imaginary than real" (Kramer, p. 206). This is a tangible example of the intangible effect of music on the human condition. From the audience perspective Kramer states that "the music would probably be recognized as "classical" even if it weren't recognized as Bach, and that this recognition would invite forms of behavior quite different from those invited by more familiar, more "Popular" forms of ambient music" (Kramer, p. 209). This last point brings into play the idea from Bhadwal of a service being a modifier.

In attempting to map Porter's Value Chain to a Service Industry Value Chain, replicated here from the source website (Bhadwal, 2015), Bhadwal identifies that each stage is a value chain

within itself, both primary and supplementary services contributing to the value for the customer.

Firm infrastructure					
HR Management					
Technology Development					
Procurement					
PV Chain	Inbound Logistics (IL)	Operations (Ops)	Outbound Logistics (OL)	Sales	Service
Primary Services	Delivery				
Supplementary Services	Advertising	Sales	Prepare to serve		Customer Relationship Management
Value for the customer	IL + Ops + OL + Service = Value	IL + Ops + OL + Service = Value	IL + Ops + OL + Service = Value	IL + Ops + OL + Service = Value	IL + Ops + OL + Service = Value
Opera example:	Advertise season	Sell tickets	Pre-show education Rehearsal	Performance	Benefactor and post show feedback

Table 8: Map of Porter's Value Chain to Opera as a Service Organisation (modified from (Bhadwal, 2015))

7.3 Creative Value Chain

The observed conflict between the accepted Porter's Value Chain economic model and applicability to the creative and cultural sectors has been addressed directly in a study of economic and policy assets in Europe. In the report from the European Union *Mapping the Creative Value Chains* (European Commission, 2017) the authors identify structural differences between nine creative value chains, including music.

The report suggests that there is a mapping from Porter’s Value Chain to the Creative Value Chain (CVC) thus:

Porter’s Value Chain Dimensions	Creative Value Chain Dimensions
Inbound Logistics	Creation
Operations	Production/Publishing
Outbound Logistics	Dissemination/Trade
Sales	Exhibition/Reception/Transmission
Service	Ancillary goods and services
Firm Infrastructure	Preservation/archiving
HR Management	Education/training
Technology Development	Management/regulation
Procurement	

Table 9: Porter’s Value Chain compared to the EU Creative Value Chain

There is a small degree of conformance between the two sets of dimensions at first review however this diverges on exploration of the definitions used to describe the core functions of creative industry. The CVC core functions can be summarised as:

Creation – activities related to elaboration of artistic ideas, content and original cultural products

Production/Publishing – activities which turn produced cultural goods and services into available work

Dissemination/Trade – Dissemination is the activity of making created and produced work available and includes communication and marketing. Trade involves buying cultural products from a Third Party to sell them with little or no transformation

Exhibition/Reception/Transmission – the provision of live and/or unmediated cultural experiences by granting or selling access to consume or participate e.g. festival organisation and production and opera houses. This sometimes includes transfer of knowledge and skills either tangibly through education or intangibly from generation to generation (European Commission, p. 38)

Valuing arts products is difficult, in part because the perceived value cannot be determined by the consumer (audience member) until after it has been paid for and experienced. This is made more complex from the nature of performance; no two performances are the same in real time so quality and individual or customer satisfaction cannot be assured as it could be from a production line manufactured good.

Other complexities in trying to value music include that each performance is a scarce commodity, it is only performed once in the same way when experienced live, music is a public good and performance is complex to coordinate.

From a value chain perspective there is little efficiency to be gained – a 90-minute opera, performed in full at its premiere is likely to still take 90 minutes to perform some 300 years later, despite technological changes. This is the type of example used by Baumol in 1965, as described in Section 6.1 of this thesis.

Due to the labour-intensity of opera performance the true costs of production and performance is too high to be reflected in ticket prices, as identified in the NZ Opera example above.

In the digital age of music production, the digital services and associated costs must be factored into the CVC for the performing arts, and also provide a potential source of income much like that of the saleable material of rock and pop concerts. The genre of musical theatre has blurred the lines between traditional opera performance, with little or no memorabilia other than the programme and the experience, and the popular culture sector with its clothing products and regulation by the owner of the intellectual property of the production over licensed marketing and advertising.

A visual mapping of the CVC for the performing arts has been proposed:

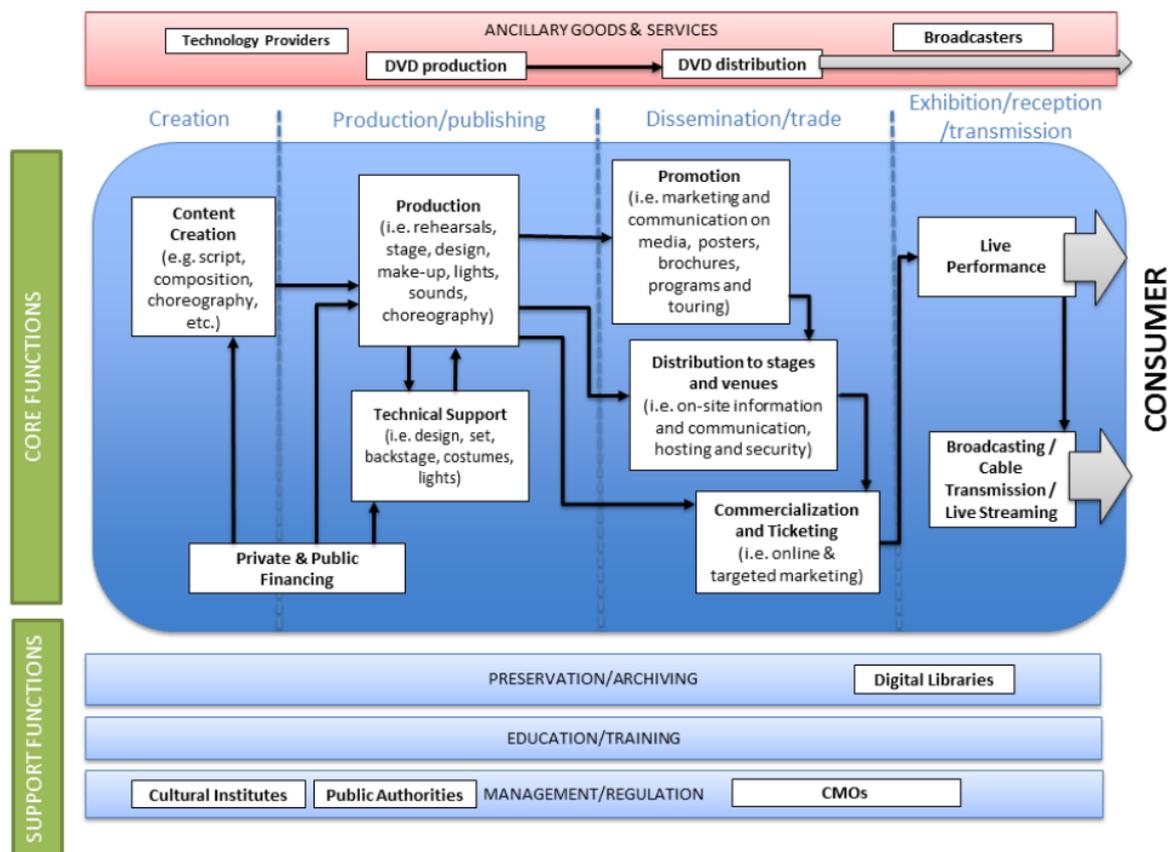


Figure 5: Stylised Value Chain for Performing Arts - Mapping the Creative Value Chains - Figure 6 (European Commission, p. 64)

7.4 Profit and the subsidy effect of volunteerism

Another obvious disconnect between the Porter's Value Chain and the Creative Value Chain is the inclusion of margin, or profit in one model and not in the other. Porter's model identifies that by reducing cost or increasing productivity the profitability of an organisation or enterprise can be improved. The CVC model is built on the recognition that production and performance of creative ventures is driven by not-for-profit values and, being labour intensive and subject to cost disease, it appears to discount profit in the modelling altogether.

What is also discounted or not considered in these models is the influence of amateur musicians and volunteers in the sector of classical music. In a lengthy dissection of the economy of the arts entitled *Why are Artists Poor?* Hans Abbing challenges the cost disease of rising labour costs with concepts of internal subsidisation and volunteerism (Abbing, 2002).

Starting with the most basic law of economics, that the balance between supply and demand drives price, Abbing asserts that during the nineteenth century academies and guilds gradually lost their power to control entry or membership, except for the arts. "In the late nineteenth and twentieth century, artists became more or less autonomous. Both artists and the art world at large regarded artistic autonomy as a step forward." (Abbing, p. 127).

However, the impact of a free trade sector, that is one without a membership requirement, was that anyone could become an artist. With supply of artists' outputs increasing there was a downwards effect on price and demand was more easily met.

Artists, including performers and composers of classical music, today often have subsidised income from second jobs, sometimes unrelated to performance or composition, but often as teachers or academics in their chosen speciality. Abbing describes this as internal subsidisation of the arts by the artists themselves and their relatives (Abbing, p. 166).

The impact of this subsidy is to soften the effect of cost disease – under normal economic conditions the increase in labour costs would be reflected in the price of purchase of an item. The second job subsidy means that artists are willing to work for lower incomes for their performance or production; the full impact of cost disease is not felt in the sector.

Abbing also poses the challenge of the subsidy effect of amateur and volunteer labour in the arts. "One has to wonder whether over time the rise of the amateur sector and breakdown of barriers that divide amateurs and professionals are going to emerge as some of society's answers to the cost disease. For instance, many professional classical music choirs and professional jazz big bands have already been replaced by amateur groups where only the director is paid. The existence of the cost disease has necessitated the slashing of labor costs, which has enabled these forms of music production to survive." (Abbing, p. 166)

Returning to the Value Chain with the multi-dimensional framework of the Creative Value Chain these opposing forces need to be considered.

Testing the functions in the CVC and the conflicting economic drivers of amateur and volunteer inputs outlined by Abbing produces the following:

Function or sub-function	Classical music/opera validity	Subsidy effect or negative driver
Ancillary Goods & Services	Recorded performance	Invalid for live performance
Content creation	Core activity - composition and direction	Second job
Private and public financing	Non-core activity	Public and private donation, anonymity
Production	Core activity – labour cost sensitive	
Promotion	Core activity to drive ticket value and ticket sales	Payment in kind
Technical Support	Core activity – labour cost sensitive	
Distribution to stages and venues	Non-core activity – adds to satisfaction	
Commercialisation and Ticketing	Core activity to attract ticket sales	
Live Performance	Core activity – labour cost sensitive	Amateur and volunteer subsidisation
Broadcasting/Stream/Live Transmission	Non-core activity – democratises experience	Free to air music experience
Preservation/Archiving	Non-core activity	Experience as a singular item
Education/Training	Core activity – pre-show talks and studio artist or youth programmes	Low-cost labour from studio or youth programme participants
Management/Regulation	Non-core activity – necessary for contracting labour and legal compliance	Volunteer or patronage subsidy

Table 10: The subsidy effect on classical music

Abbing describes the economy of the arts as ‘exceptional’ with contributing factors to this exceptionality including (Abbing, p. 282):

- Valuation of the arts tends to be asymmetric with one group looking up to the high art of the other group and vice versa. This can be illustrated by the view of classical music as ‘high art’ and potentially unattainable or unable to be understood, whereas popular music is ‘low art’, accessible to all but having lesser perceived value due to transient consumer tastes
- The large majority of artists earn less than other professionals do, which in a modern welfare state such as Aotearoa New Zealand is illogical. This is explored in the Value of Work section of this thesis.
- Poverty is built into the arts, exemplified by the misinformation that by subsidising the arts governments are providing for their artists. By increasing subsidies there is a

stimulation of the number of practicing artists as the arts are perceived to be a high-status profession. This in turn leads to an over-supply of low paid artists and the market reacts by lowering prices for consumption of outputs as demand is easily met. The low income of artists can be compensated by second incomes and from non-financial rewards such as personal satisfaction and status, yet musical instruments, lessons and venues still require cash payment.

7.5 Government subsidisation

Abbing has noted distinct differences between the Western European and United States of America (USA) government approaches to subsidisation. To allow a common ground for analysis of the two approaches, the use of tax deductions and tax incentives for supporting the arts can be used.

In the USA the government offers subsidisation of the arts through financial encouragement of private institutions or individuals in the form of tax concessions. Approximately 70% of US government's support is derived from tax deductions for purchase or gifting for the arts for public consumption or access. (Abbing, p. 258)

In Western Europe this tax-based support is much lower at 20%. This is explained by the desire for public display of direct support for the arts, and therefore greater control over the form of art displayed to, or performed for, the consumer. (Abbing, p. 258)

8 Value of work

Recognising that this thesis discusses only Western music and Western models of valuation the focus can now turn to whether value can be retained and improved for classical music through the viewpoint of the musician's labour value or work.

Adam Smith, Chair of Moral Philosophy at Glasgow University from 1752 – 1764, first formally described the distinct factors of production (land, labour, capital) and matched these to specific forms of monetary return (rent, wages, profit) (Skinner, 2011). The explicit link between labour and wages was established and remains a cornerstone of modern employment law in Aotearoa New Zealand – work deserves reward in the form of monetary consideration.

Smith also proposed that the role of Government would be defined and “was concerned to point out that the state would have to organise services or public works, which the profits motive alone could not guarantee.” (Skinner, p. 166).

The direct linkage between labour and wages has been a founding principle for the role of humans as units of production and therefore to be included in valuing work. The converse of the argument is that work that requires labour should distribute that value back to the person in the form of wages or other monetary consideration – a person contracts their labour and the unit of exchange for the equivalent value is provided as money.

This establishment of the contract for labour and recompense has been tested in several jurisdictions. Either bound by religious or cultural beliefs a system of relative value has evolved – in Aotearoa New Zealand a General Manager will earn more money than a skilled labourer even though each may work equal hours.

The premise of this unequal monetary value is that with seniority comes increased responsibility, accountability, and liability. In effect, the type of work is divided into types or bands, each with a distinct monetary value attached. Does this division of labour operate within the world of music?

Blacking's use of the division of labour as a driver for music as an enabler of humanity is described thus:

“Ideally music should comment, like all the arts, on the degrees of human cooperation which exist in societies at various stages of social and culture development. The increase in the division of labor which has accompanied cultural advances has made men more dependent on their fellows, but it has not necessarily made them more *aware* of that interdependence. Insofar as men become less aware, they become less human; the aim of music is to make people more aware, and hence more human.” (Blacking, p. 61).

In modern economies, both Eastern and Western, people do not generally meet the producers of the goods or services they consume. Food is procured from a third party, stocking the manufactured products of cooperative or commercial producers. Music is delivered through digital means across a geography that could not be reached in person by the composer or performer.

Yet classical music experience is one that can draw the consumer closer to the producer. At a premiere of a new composition the audience, or selected members of the audience, may meet the composer in person at the performance. Certainly, the composer is acknowledged in person as the originator of the piece performed, at whatever scale.

8.1 Arts sector work viewed as musical labour

To understand the division of labour and uncover any hierarchy or earning bands within classical music requires a description of ‘work’ in a musical labour context, rather than in the sense of an opus, or musical work itself.

In 1999, Pierre-Michel Menger wrote that “Artistic work can be considered as highly attractive along a set of measurable dimensions of job satisfaction...” (Menger, *Artistic Labor Markets and Careers*, 1999) and moves to describe satisfaction and the benefits of autonomy, the opportunity to use abilities (as opposed to skills), a sense of community and a low level of routine. These benefits, which need to be experienced to be valued, have a “shadow price, which may be compensated for by a lower income than would be expected from less amenable jobs” (Menger, *Artistic Labor Markets and Careers*, p. 555).

However, Menger also writes that uncertainty is a key feature of the work of bringing classical music into a consumable form. “To consider talent as an initial endowment that is unequally distributed, and only needs a proper occasion to be set in motion and to express itself...” (Menger, *Artistic Labor Markets and Careers*, p. 558) misses the features of two types of uncertainty; the chance of individual success in relation to the behaviour of other musicians and the strategic uncertainty of consumer preferences and therefore assignment of value.

In a second Menger publication he expands on the uncertainty factors stating in the abstract “uncertainty of the creative process, that goes along with the ‘functional flexibility’ requirement in the arts, helps explain artistic behaviour: neither a rational actor nor a deterministically driven agent, the artist may be described as a Bayesian actor learning to balance self-actualization against occupational risk” (Menger, *Artists as workers: Theoretical and methodological challenges*, 2001).

This uncertainty may be a factor in the value proposition of classical music when moderated by “artistic behaviour”; the traditional view of a worker as an economic unit of production is challenged when confronted by the flexibility and trajectory of learning required to pursue a classical music career.

8.2 Work as a composer

For the composer the value of her or his music is relatively recently able to be stored in a variety of forms due to the changes of technology in the nineteenth and twentieth centuries.

Storage of a performance, whether recorded live in front of an audience, recorded in a studio, or entirely performed and recorded in digital or ‘non-live’ formats has the possibility to change the value of work as a composer.

Prior to this the composition value could be stored as ink on a background whether paper or vellum, whether mass produced through mechanised printing or hand-transcribed, and there was some possibility of income from the sale of these copies.

Scherer offers an interesting analysis of the role of composer as a free-lance, or entrepreneurial, musician, beginning with “the antecedents of free-lance composing can be found much earlier” (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 307) than the benchmark of Wolfgang Amadeus Mozart (1756-1791CE). In “Vienna in 1781 Mozart decided to try his luck there as a freelancer... he was a “commercial composer”: he expected his music to be performed, to please his audience, and to make money for him.” (Grout & Palisca, p. 493).

Scherer identifies the components of free-lance activities of composers born between 1650 and 1699, one hundred years earlier than Mozart. The economic analysis of the ways of earning a living of Johann Sebastian Bach (1685–1750CE), Antonio Vivaldi (1678–1741CE), Georg Friedrich Händel (1685–1759CE), and Georg Philipp Telemann (1681–1767CE) are studied in detail (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 308).

Bach was employed as organist, director of court music and finally cantor and director of music for the Church of St Thomas from 1723CE to 1750CE (Grout & Palisca, p. 386). He supplemented his income by self-publishing some works, teaching, working as a technical organ inspector and charging admission for concerts of an unofficial Leipzig orchestra, the Collegium Musicum (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 308). These are identifiably entrepreneurial activities.

Vivaldi was employed at the Pio Ospedale della Pietà in Venice from 1703CE to 1740CE as conductor, composer, teacher, and director of music (Grout & Palisca, p. 375) and the institution charged admission fees for student concerts to support the running costs. Vivaldi supplemented his income through this commercialising of performance, and by composing for specific occasions and some forty-nine operas for the noble families who owned opera houses or the impresarios who ran them (Grout & Palisca, p. 376), (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 309).

Telemann and Händel, contemporaries of Bach, likewise subsidised their income as employee, or recipient of an annuity in Händel's case, with free-lance activity. Shifting from opera to oratorio composition Händel increased his financial security by serving as both composer and impresario and later shifted from selling season subscriptions to selling individual entrance tickets (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 310).

Telemann supplemented his fixed income, once appointed in 1721 as the Kantor of the Johanneum and musical director of the five main churches (Kennedy, p. 881), by directing the private Hamburg opera, teaching, earning fees for his scores from a local printer and a copyright for publication of his compositions in Paris, plus income from private concerts around the city (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 310).

Some 740 composers born in the time period 1650-1849CE were identified by Scherer in the *Schwann Opus* (Fall, 1996 cited in (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 311)). Using quantitative data from biographies in *The New Grove Dictionary of Music and Musicians* (Sadie, 1980 cited in (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 311)) the initial survey population was reduced to 645 due to sparseness of information in the biographies or lack of cross-reference biography between the two reference texts.

Scherer claims that free-lance composing was evident earlier than the mid to late 18th century and goes further in his analysis to make distinctions between opera, instrumental solo, chamber, and orchestral composers. These data are indicative of the economic forces at play, including musical taste (or fashion), an expanding market with the rising middle class and the eventuality of organised concert series and seasons of opera (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 317).

To illustrate some of the shifts the following graphs have been drawn directly from Scherer's work. Firstly, the net growth in numbers of composers and of their supplementary work as both composer and performer, plus the expansion of the pure performer numbers is shown here:

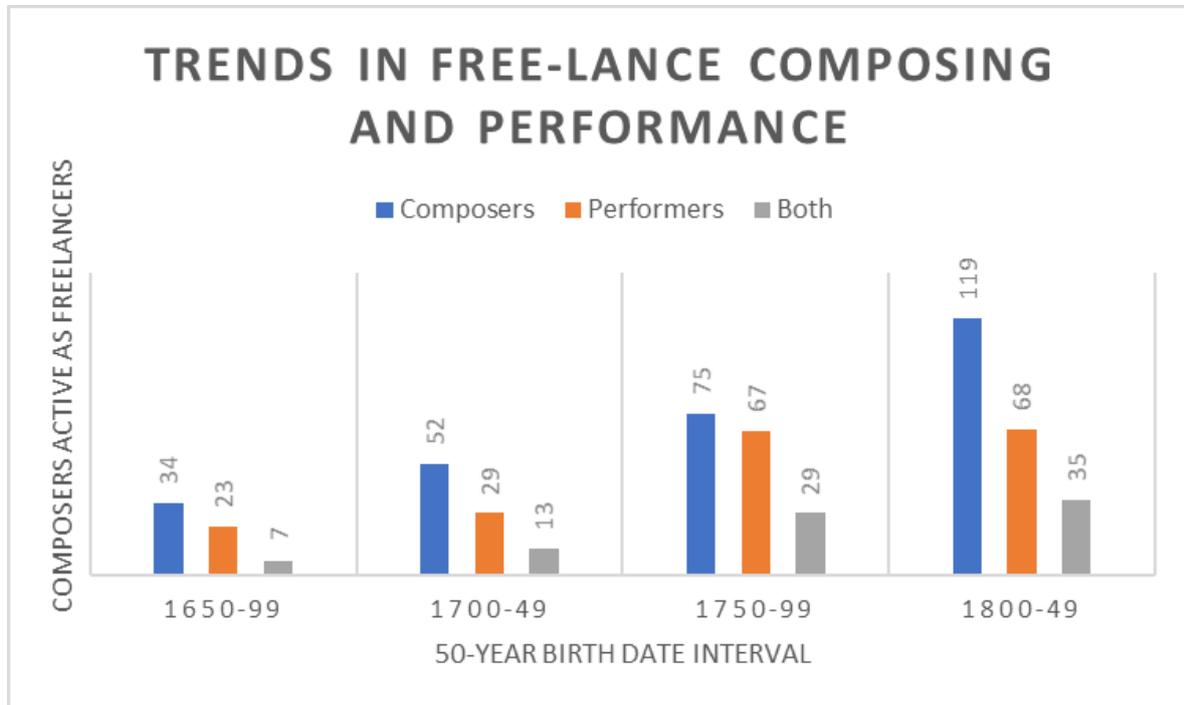


Figure 6: Trends over 150 years of free-lance composer and performer numbers from Figure 1. (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900*, p. 313)

For composers born between 1650CE and 1849CE, free-lance composition activity increased and involvement in church and court employment concurrently decreased noticeably according to Scherer. He illustrates the change as a quantum and a percentage in the following graph, combined from two presented in Scherer's study for this thesis:

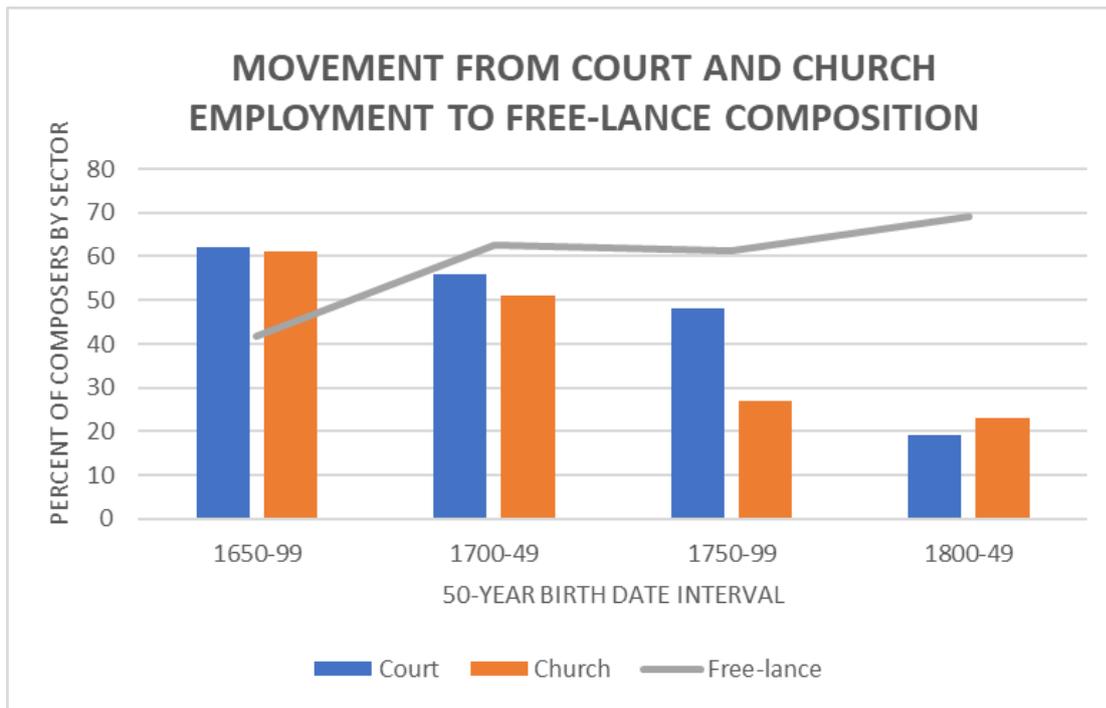
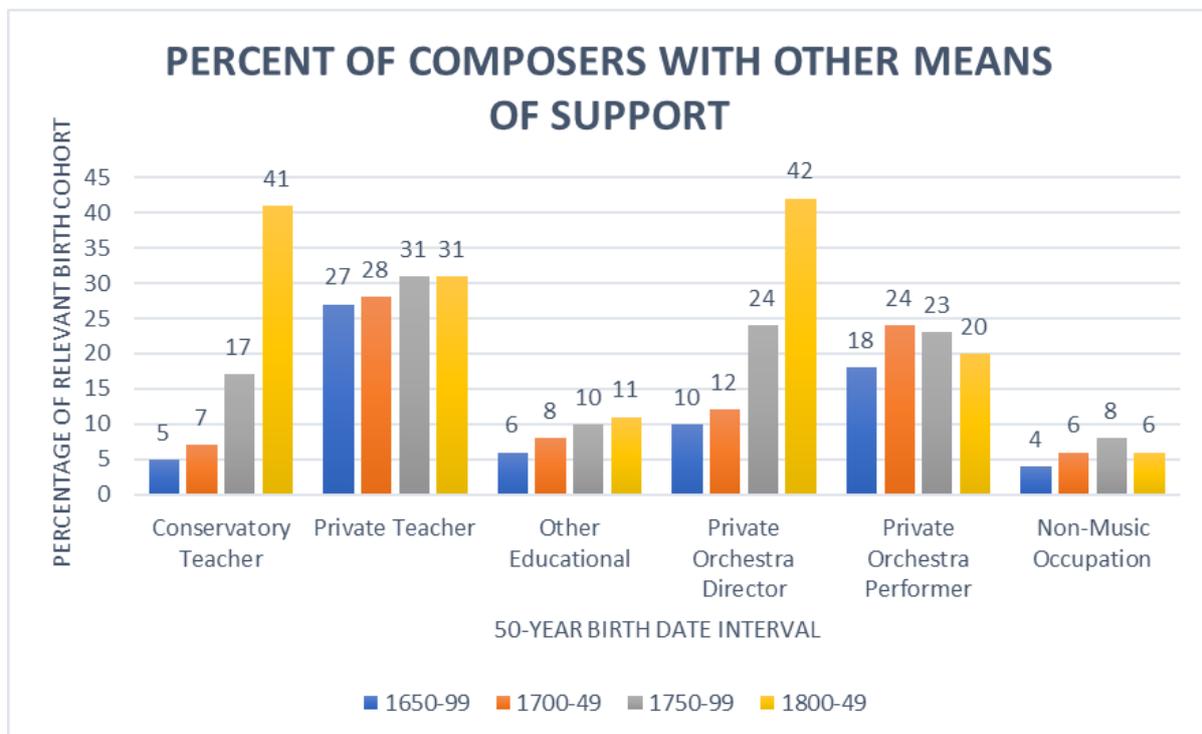


Figure 7: Trends from court and church employment to free-lancing as an income source from Figures 3. and 4. (Scherer, *The Evolution of Free-Lance Music Composition, 1650-1900, 2001*)

The income earned by composers for copies of their music remained subsidised by activities such as performing, conducting, and teaching to reduce the uncertainty of consistent or even sustainable income. Scherer has differentiated these alternative sources, which provides a baseline for comparison with the current era.



In 1914CE in Britain the Performing Right Society was founded by a group of music publishers for the purpose of collecting royalties for the non-dramatic public performance and broadcasting of members' works (Kennedy, 1994 (Reprint in 2001)). The Society (now PRS for Music, a cooperative between the Performing Right Society and the Mechanical-Copyright Protection Society) (PRS for Music, 2021) claims 150,000 members, 30 million works under its care and has distributed £686 million to its rightsholders.

The need for this type of protection of income for composers potentially illustrates the confusion of the positioning of classical music in the value proposition to consumers. Where the civic agency or public good impact is evident the consumer may not identify a need to willingly pay for the work of a composer.

David Throsby cites Peacock and Weir's book *The Composer in the Market Place* in their view that composers diversify their income, in part due to a lack of preparedness in a commercial sense for managing their business enterprise and carry a "pervasive suspicion...[of] the workings of the market which they see as aligned against their interests." (Throsby, p. 156).

Throsby has tested three hypotheses and gathered empirical evidence from survey data from responses from Australian artists, of which 93 of 1000 identified their principal occupation as composer. Under analysis were the propositions that:

- There is continuing pressure on composers to diversify their income streams
- There is continuing pressure on composers to differentiate their product; however
- Despite composers' efforts to respond to these pressures, their earnings from musical composition are likely to remain low. (Throsby, p. 160)

The sources of income (as percentages) from the survey in 2009 include composition (creative income), arts related income that includes teaching music, performing, and reviewing in the context of the study and other non-arts income. Results are tabulated as:

Income source	Classical composers	Songwriters	All composers
Creative income (%)	25.1	62.6	56.6
Arts-related income (%)	58.1	13.5	22.4
Non-arts income (%)	16.8	23.9	79.0
Total (%)	100	100	100
Total annual income 2009 AUD	36,300	75,600	49,500
2021 equivalent NZD³	52,309	108,941	71,330

Table 11: Income sources of composers from (Throsby, p. 162)

³ From <https://www.currency-converter.org.uk/currency-rates/historical/table/NZD-AUD.html> for 6/10/2009 at a rate of 0.8258 inflation adjusted using the rate provided by <https://www.rbnz.govt.nz/monetary-policy/inflation-calculator> for the equivalent full quarter in 2020 of 1.19. At the time of writing the full quarter of 2021 has not completed.

The results show that the classical music composers have relatively poor income from their work as a creative when compared to other styles of composer, being songwriter, jazz, hip hop, rap, film music or commercial jingles. Throsby calculates other data from the study showing that 50% of classical composers surveyed earned less than 20% of their income from composing, with only 17% earning more than 80% of their income from composing (Throsby, p. 161).

In New Zealand, the need to diversify income is borne out in the commissioned survey from November/December 2018 summarised in *A Profile of Creative Professionals Research Summary* (Creative New Zealand and NZ On Air, 2019). The diversification, described in the report as the 'safety net' (Creative New Zealand and NZ On Air, p. 9) includes income sources or access to funding from their life partner, non-creative work, and savings. 59% of creatives stated that they had insufficient income to make a living, yet 82% see themselves in the creative sector in 5 years' time.

From the detail of the report data the summary from the sectors of creative work the music and sound sector, which includes composers, has a median income of \$28,300 (NZD), below the median of all creative professionals of \$35,800 (NZD). Removing the diversified, or safety net, income the average reduces to \$15,000 (NZD) which is substantially less than New Zealanders earning a wage or salary, the median income for this group being \$51,800 (NZD) (Creative New Zealand and NZ On Air, p. 9)

The trend of subsidising income for work as a composer is not a new phenomenon, as shown by Scherer's analysis and the latest data from Throsby's survey in Australia and the government agency data commissioned in New Zealand. The non-arts income is a minority in the Scherer study at below 10%, at 16.8% in the Throsby study and 72% of music and sound creatives in New Zealand in 2018 working outside the creative sector, although an income percentage could not be found (Colmar Brunton, 2019).

8.3 Work as a classical music performer

Work, in terms of a ladderised organisational design, where rank equates to value (in monetary terms this is salary) is a form of hierarchy. This applies in the context of classical music performance where "pseudohierarchies can be seen at play among Western musicians, both mimicking external social hierarchies (country music for the working classes, classical for the middle and upper classes), and among ostensibly similar kinds of musician, for example in the cut-throat world of orchestral string sections, in which where you sit is a visible reminder of your place in the pecking order" (Brown, 2007).

The hierarchies of work are borne out in the naming conventions of orchestras, with first and second sections for all instruments other than percussion and timpani. In an opera company there is the under-study role, sometimes called a cover, and the difference between cast and chorus. The language of these roles indicates a clear hierarchy

Abbing introduces the concept that Baumol's Cost Disease is founded in relation to real-time personal service, likening a musician in performance with that of other service workers such as actors, dancers and prostitutes (Abbing, p. 156). Because the performance of a Haydn string quartet, a cantata or a symphony is in real time there are natural limits to efficiencies being enabled by technology.

The nature of 'work' for a classical musician has been influenced by the changes in technology. In the twentieth century, mass media development has allowed for wider dissemination of performances of the combination of symphony orchestra with vocal or instrumental soloist, which through royalties can increase the overall revenue for each party.

This has led to a new category of performer, the artist-entertainer, who orients themselves to the market by pleasing their audiences (Abbing, p. 301). Examples such as André Rieu, Andrea Bocelli are prime examples internationally. In Aotearoa New Zealand there is the example of Sol3Mio who perform opera and oratorio individually yet have gained popularity as entertainers with their reworking of classical and folk music as entertainment.

8.4 Work in academia in Aotearoa New Zealand

David Throsby has selected a summary of the Peacock and Weir final chapter and states "universities and other institutions that educate professional musicians would service their students better if they provided some form of training in how to manage the business side of their careers." (Throsby, p. 156)

The Composers Association of New Zealand offers advice to composers that the onus is on a composer to meet three criteria to improve the uncertainty relating to earning commission fee income. These are:

1. Put your music out there in front of performers
2. Meet and connect with performers
3. Try and make your music as easy as possible to get hold of (Composers Association of New Zealand, 2021)

The pathway to meet these criteria is not easily aligned to the Creative New Zealand eligibility for funding which requires that a funding recipient should have a track record of experience and success. The definition for a musician of 'track record' means "having performed publicly with a degree of critical or box-office success. This does not include performances made as part of a course of study." (Creative New Zealand, 2021)

For a composer, a 'track record' means "having had published or performed at least one work that received a degree of critical or sales success. This does not include performances made as part of a course of study." (Creative New Zealand, 2021)

This confusion of the value chain for an emerging performance musician or composer is difficult to navigate. The key guidelines of the major public sponsor of the arts disallowing any

part of their apprenticeship to be considered having value worthy of funding could be considered a disincentive to continue in the sector.

Further, for the academic musician and composer Creative New Zealand will accept applications from tertiary education organisation employees, but the application must state the level of support the employer will provide.

This potentially creates a conflict for both employer and musician or composer as the employment relationship will generally be for the provision of teaching expertise, with some research or citation requirement for the purpose of university quality ranking.

In relationship to performances or composition the income earned from a performance, rights to any broadcast or recorded versions of that performance and the copyrights of the composer becomes a potential frustration to the employment contract, should that contract require the employee to dedicate their time to the purpose of their employment.

From the perspective of the undergraduate student, a search of the New Zealand Qualifications Authority (NZQA) using broad and narrow criteria, relating directly to the approved courses for teaching skills development for the entrepreneurial or business aspects of their career has been undertaken (New Zealand Qualifications Authority, 2021). An undergraduate degree is a Level 7 qualification in the NZQA framework and a search of the NZQA 2020 database has been undertaken a research for this thesis. The results are tabulated here:

Key search word/s	Results returned	Music professional practice related content
Music	45	0
Music (limited to Performing Arts degree category)	32	0
Music Management	4	1 + 1 conjoint
Music Management (limited to Performing Arts degree category)	1	0
Composition	4 (2 discontinued)	0
Composition (limited to Performing Arts degree category)	4 (2 discontinued)	0
Performance music	8 (2 discontinued)	0
Art Management	24 (5 discontinued)	0
Art Management (limited to Performing Arts degree category)	3 (1 discontinued)	0

Table 12: Review of NZQA approved courses offering professional practice content

Simple review of these figures shows that of the 137 approved courses for a Bachelors degree in 2020 or 125 current courses, there is one offering (at a polytechnic) and one conjoint offering (at a university).

Including both domestic and international students, there were 2,990 students enrolled in one or more music papers in 2019⁴ (Ministry of Education, 2021) in the Music field of study.

The provision of two approved degree papers against a population of 2,990 students across New Zealand's tertiary institutions shows a clear deficit between potential demand and potential supply for professional practice pre-career training.

New Zealand tertiary institutions appear to have an opportunity to rise to the challenge set by Throsby to educate musicians in the business side of their careers. This is supported by the Colmar Brunton research which places 'business management' as the area that creative professionals would like more support in (Colmar Brunton, p. 66).

Education is not limited to the academic arena. NZ Opera and the New Zealand Symphony Orchestra each have an education outreach programme whereby performers go out to schools, or invite students in to the theatre, to meet and encourage greater participation in the arts (NZ Opera, 2020) (New Zealand Symphony Orchestra, 2020).

This outreach is designed to "realise our ongoing desire to provide regional access to opera and develop audiences of the future" (NZ Opera, p. 12) and to "foster interest and deeper discovery into opera as an art form, and as a possible career path." (NZ Opera, p. 14). There is no information provided in the Annual Report as to the success of the outcomes of this outreach. The reported results are based on attendance rather than a measure of satisfaction or likelihood of the attendees to follow an opera career before and after the outreach programme.

For the New Zealand Symphony Orchestra achieved its targets for provision of "opportunities for the training and development of young and emerging musicians" (New Zealand Symphony Orchestra, p. 23). However, the targets are numeric, based on attendance and numbers of events provided rather than a measure of value based on satisfaction or numbers of younger people who would consider a professional music career as a result of attendance.

8.5 Liminality of the musician

Simon Frith offers a viewpoint on the role of working musicians that succinctly describes the liminal status of musicians. "Musicians occupy a place in society which falls partly on one and partly on the other side of the line dividing the proletariat from the liberal professions; and they offer an example of the difficulty of drawing a sharp distinction between intellectual and manual workers." (Frith, 2017).

⁴ The latest data available from the New Zealand Government and Ministry of Education is from the 2019 enrolment year.

This is expanded into a term used by Katherine Butler Brown of the experience of institutional liminality (Brown, 2007), being “The status of music as a profession is the most undefined and vague, a musician may be an itinerant fiddler and of the lowest grade of society; or a man of the highest attainments, moving in the most exclusive circles” (Brown, p. 43). A musician could be a court jester or a protester, composer in a court or church for a ducal master or a self-published definer of songs to challenge societal norms.

The concept of liminality is placed in similar realms of the roles of imitator and trickster, the process of schismogenesis in *Liminality and Experience: Structuring transitory situations and transformative events* (Szakolczai, 2009). Schismogenesis is the feature of society where unity, or community is fractured or broken, yet the factions featuring in the divide are “forced to stay together, producing an unpleasant, violent, harrowing, truly miserable existence.” (Szakolczai, p. 155).

Arguing that transformation is often effective in the liminal stage of societal development Szakolczai presents the requirements for transformation to be effective. “Liminality without masters of ceremonies can easily lead to lasting rule by tricksters. A liminal situation should only be provoked if one has a proper “form” in hand to impose on the soul of those whose emotions are stimulated by being put on the “limit”. This is what happens in the case of a work of art, like a Shakespeare tragedy, a Chekhov play, a Puccini opera, a Dostoevsky novel, or a film by Truffaut or Tarkovsky.”

8.6 Does liminality increase, decrease, alter, or moderate the perceived value of music?

Liminality may be in part understood in terms of uncertainty. Uncertainty is a characteristic of the classical musician, not just in the formative stage of their journey towards creating value out of talent through hours of learning and practice, but throughout a career spanning many years, constant renewal is required for composer, performer, and teacher to remain relevant as taste from the consumer market changes.

This change in audience tastes, change in technological tools for the musician, change in tools for the preservation and presentation of classical music creates the stage for transition at individual and institutional level. Szakolczai emphasises the dichotomy of positive and negative outcomes of transition stating “while liminal situations and positions can contribute to creativity or the renewal of institutions and structures that have become oppressive or simply tired, liminality also implies deep anxiety and suffering for all those entering such a stage. The stimulation of creative potentials is inseparable from tragic experiences.” (Szakolczai, p. 166)

Uncertainty and the ambivalence of the societal status of the musician requires that the value to the consumer must be understood, as ‘taste’ relates to the music perhaps more than to the musician. The relevance of classical music exists in its endurance – Bach Passions, first performed in the first half of the 1700s, are being performed nearly three centuries later.

In an empirical study of the impact of service elements of a classical music concert, Antonella Carù, Professor of Marketing at Bocconi University at the time of writing, and Bernard Cova, Professor of Marketing at the European School of Management, Paris, at the time of writing, propose that artistic experience of classical music is “predicated on multiple rather than one-time immersion, and that full immersion may never occur.” (Carù & Cova, 2005).

This research indicates that, for the classical music consumer, there is an appropriation cycle driven by three elements:

- nesting where the consumer feels at home with the experience of the music event
- investigating where the consumer explores and develops new knowledge of the music
- stamping where the consumer attributes specific, personal meaning to the context of the music event (Carù & Cova, pp. 44-45)

The research into the experience of nine novice classical concertgoers attending the “Milan Auditoriums’ Discovery Concerts, whose ostensible goal is to facilitate appropriation of classical music by a non-connoisseur public.” (Carù & Cova, p. 44). The music performed was Strauss’s *Don Quixote* and Stravinsky’s *The Rite of Spring*.

By selecting a naïve consumer group, Carù and Cova have identified five contributing factors that influence the artistic experience of classical music performance: the conductor, references or education provided by the conductor, rituals, design of the concert environment, and the music itself. The study has also identified that appropriation of a complex art form is not the result of a single exposure, resulting in life-long conversion. To be successful the provider of the classical music experience needs to support the consumer through the immersion process, perhaps even treating the consumer as a co-producer. (Carù & Cova, p. 51)

9 Value of Music

Before coalescing the previous study statements into a proposition there are other, non-market value studies to be considered. In 2007 Lawrence Kramer offered his book *Why Classical Music Still Matters* (Kramer, 2007) as a presentation of his arguments as to the value of classical music, due to its internal ethics or values. Kramer defines these ‘values’ as the beliefs, attitudes, and meanings that [classical] music has supported in the past and can support into the future (Kramer, p. vii).

Kramer offers a succinct explanation of why classical music matters, stating “classical music enlarges the capacity of all music to attach itself, and us, more closely to whatever we care about.” (Kramer, p. 33)

Reaching further into the societal ranking of classical music, perhaps against popular music, Kramer argues that “questions of aesthetic rank have been nothing but harmful to classical music... [tarring] it with unreasonable pretensions to supremacy and universality.” (Kramer, p. 32)

Specific to America, Kramer identifies some of the negative economic features of the classical music market. Symphony orchestras struggle to find money and audiences, public radio stations replacing music with talk shows, classical recording categories including the artist-entertainer and a dearth of television networks maintaining their own orchestras (Kramer, p. 1). Yet in Britain the BBC maintains a dedicated symphony orchestra and symphony chorus. The economic drivers may be different between nations.

9.1 Value of music in the economy

One of the difficulties of placing a value on classical music is a dichotomy between commodity and the singular. “For the economist, commodities simply are. That is, certain things and rights to things are produced, exist, and can be seen to circulate through the economic system as they are being exchanged for other things, usually in exchange for money” (Kopytoff, 1986)

According to a study in 2014 by global consultancy firm EY, cited in the EC report on Creative Value Chains (European Commission, p. 60) the performing arts sector turnover, including music, in 2012 was 31.9 billion Euro. The sector directly or indirectly employed 1,234,500 people of which 78% were creators and/or performers.

A report for the Arts Council England by the Centre for Economics and Business Research Ltd in 2019 (Centre for Economics and Business Research Ltd, 2019) uses four dimensions to measure the total economic footprint of the arts sector in the United Kingdom.

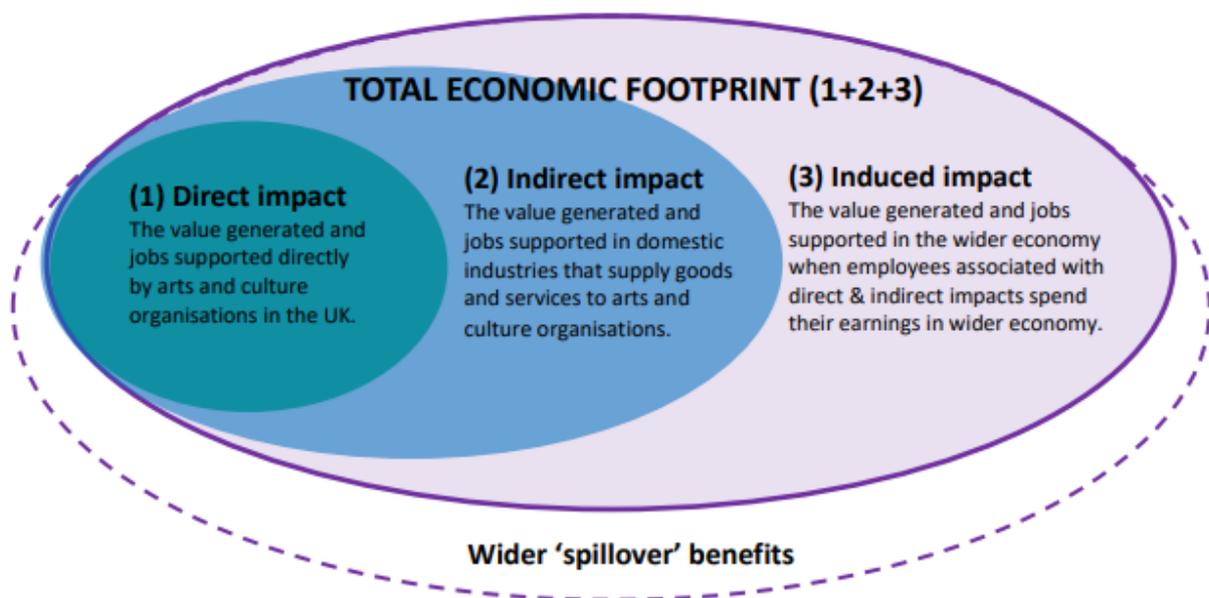


Figure 8: Diagram illustrating total economic footprint from (Centre for Economics and Business Research Ltd, 2019, p. 6)

The direct impact of the arts and culture industry in the United Kingdom in 2016 from survey results showed that the sector produced £2.12 billion in turnover and £10.8 billion in Gross

Value Added, being the gross domestic output less the value of the inputs used to produce that output (Centre for Economics and Business Research Ltd, p. 6)

From the details of the primary research 12 percent of the organisations that responded listed their principal activity as music (Centre for Economics and Business Research Ltd, p. 50). Extrapolation, although inaccurate, does give a guide that there could be up to £25.4 million in turnover and £1.3 billion of Gross Value Added by the music sector.

9.2 Music value in tertiary education

In the tertiary academic setting the teaching of classical music, has a preference for “adult-led pedagogy where pupils usually take one-to-one lessons” (Bull, 2019, p. xviii).

Baumol’s Cost Disease has a definite impact on the model of teaching within tertiary institutions where the mode of learning, especially at under-graduate level, is of moderate to mass class sizes. The cost of labour of the lecturer or teaching fellow is evenly divided by the number of students enrolled, not necessarily those in attendance. Therefore, in a class of 150 first year computer science students taking a paper in Introductory Programming, the cost of production (the lecture itself) is 0.7% of the salary equivalent of the lecturer or fellow. In the one-to-one lesson for a classical music student, be that a vocal or instrumental lesson, the cost is 100% of the salary equivalent.

Driven by rising costs of salaries, of operational costs such as energy and services plus the requirement to maintain the capital assets such as buildings it could be argued that the teaching of classical music is inefficient if the value proposition is constrained only to the dimension of financial value.

9.3 Value of music to identity and well-being

In the survey of 1477 creative professionals in Aotearoa New Zealand, Colmar Brunton have identified that for most, their work is a critical part of their identity, this work being a means for self-actualisation, driven by a desire to entertain, connect with people, express inner hopes and dreams through a creative and spiritual outlet, escape banality of every day life and make sense of experiences (Colmar Brunton, p. 88).

Three questions relating to identity and well-being, measured in terms of career satisfaction were posed to participants:

B5: All things considered, how satisfied are you with your career in the creative sector?

B1: How do you feel about life as a whole?

B2: To what extent do you feel the things you do in your life are worthwhile? (Colmar Brunton, p. 77)

In response to the questions the analysis has shown that there is a “strong and positive relationship between career satisfaction and wellbeing” Well-being is mapped into the two dimensions of life satisfaction and sense of purpose (Colmar Brunton, p. 77).

The well-being correlation maps closely to the career satisfaction, those less satisfied in their career have a lower sense of purpose and life satisfaction. Conversely the higher career satisfaction rating induces a greater sense of purpose and life satisfaction.



Figure 9: From "A Profile of Creative Professionals" Colmar Brunton 2019, p. 77

However, this positive correlation does not mean an overall positive value proposition. Music and sound creative professionals have an overall career satisfaction of 44% against the sector’s rating of 53% and the national average of 66% (Colmar Brunton, p. 70).

Extrapolating the 44% average rating for music and sound professions from these data would give an average rating of ~44% for life satisfaction and ~58% for sense of purpose. The influence on this relatively low life satisfaction may be that music and sound professionals in the survey have an average personal income after expenses of \$28,300 per annum, against a median for creative professionals of \$35,800 and a median for all New Zealanders of \$51,800.

The opening words from the *Arie des Rocco* in Beethoven’s opera *Fidelio* are resonant with this representative data: “Hat man nicht auch Gold beineben, kann man nicht ganz glücklich sein, traurig schleppt sich fort das Leben, mancher Kummer stellt sich ein” (Scherer, 2004, p. 1) (*If one has no money to hand, one cannot be happy, one trudges sadly through life, many troubles afflict you. Translation: author’s own*).

9.4 Value of satisfaction in music careers in Aotearoa New Zealand

There is a tension between satisfaction and dissatisfaction evidenced in the creative sector career path in Aotearoa New Zealand. Although career satisfaction differs by art form, by age, by career maturity and sufficiency of opportunities for a sustainable career, there is a statistically important feature of creative professionals’ satisfaction.

53% of creative professionals surveyed were satisfied with their career which is lower than the national average of 66% (Colmar Brunton, p. 68), yet only 12% stated they were dissatisfied. The survey also indicates a strong link between career satisfaction and personal well-being, with more than 90% of those who were very satisfied with their career also feeling satisfied with life and believe that what they are doing as a creative professional is worthwhile. "For creative professionals, career satisfaction is driven by a passion and love for the work that they are doing" (Colmar Brunton, p. 72).

The greatest reason for dissatisfaction with a creative career in Aotearoa New Zealand is low income and the small size of the domestic sector.

10 Can value be generated?

The European Commission warns of the rising pressure for cultural institutions to generate their own income sources. This pressure carries a risk that "for-profit" logic may become dominant over "not-for-profit" logic (European Commission, p. 102).

An example of this could be the sale of an asset, such as a concert hall, owned by a cultural organisation to private enterprise, and the new owner increasing lease costs to improve their own profitability without consideration for financial constraints on the not-for-profit or public good previous owner.

In contrast, the Guggenheim Foundation is the private owner of a network of museums in Venice, Berlin, and Bilbao. The Bilbao museum has been the subject of intensive study of the economic and cultural sector impact in what is termed the "Guggenheim effect". Most of the impact analysis, centred on increased value generation, has come from two perspectives.

The political economy, where Bilbao city has become a tourist magnet and an image-making device (Plaza, Tironi, & Haarich, 2009), is one perspective and the direct economic benefits of the museum in terms of employment and individual wealth is another.

A study into a third art or cultural perspective has identified four value generating effects of the Guggenheim Museum Bilbao. Firstly, the flagship, or prestige development effect of a building itself. The building could house a museum, a convention centre, or a university; Plaza, Tironi and Haarich posit that it is the presence of the building itself, rather than the activity within, that generates value for the arts.

Secondly, the arts supporting policies of the local authorities and organisations are important. Consumption of arts services is not sufficient to retain value; policy must support arts production and cultural innovation.

Thirdly, integration of allied and associated arts ventures grows the commercial market overall, when stimulated by the presence of the flagship.

Fourthly, physical, or spatial location has a spillover effect and, if properly ordered, can improve the value to individuals for access to complementary arts experiences through proximity.

Although these identifiers of value generation are attributed to a museum, the parallels can be considered with an iconic opera house. Deloitte undertook a longitudinal study of the economic contribution of the Sydney Opera House midway through its decade of rejuvenation (Deloitte, 2018). In 2016/17 the total economic contribution was valued at \$1.2 billion AUD, an increase of 44% from the 2012/13 valuation and that contribution is similar year on year. The social asset value had risen from \$4.6 billion AUD in 2013 to \$6.2 billion AUD in 2018.

11 Is there a value proposition for classical music?

Value is more likely to be real if it is driven from the customer's perspective than from that of the business operation. The establishment of real versus perceived value is raised by David Aaker in the question "Does market research confirm that value is added from the customer's perspective?" (Aaker, p. 140)

There is extant data about the cost of production, about payment to musicians and the contribution to the macro-economy from the arts. The paucity of empirical data relating to the customer or consumer value perception for classical music means this question is not easily answered.

Aaker lays the challenge to the organisations delivering classical music, stating "Delivering a value proposition is pointless unless customers know about it and believe it. The perceived value problem is particularly acute when the customer is not capable of judging the added value easily. A business must make what customers want to buy. If the products are considered passé or inferior, the business will lack relevance" (Aaker, p. 140).

The *Audience Atlas New Zealand 2017* (Creative New Zealand, 2018), a published study carried out for Creative New Zealand with a sample size of 5014 respondents, shows that classical music audience members have a significantly higher than average requirement for expression and affirmation from a classical music experience. Conversely, these same audience members are not in the market for release, perspective, or entertainment (Creative New Zealand, p. 132). The measures in the survey relate to behaviours and relationships with the creative sector and do not consider the economic drivers in the macro-environment.

Herein lies the conundrum for classical music and classical musicians. Without an end-to-end evaluation of the value proposition and the strategies through a value chain delivery from the perspective of the customer, or audience member, the effectiveness of the value investment cannot be determined.

12 Method to determine the value proposition of classical music

The multi-dimensional value proposition for classical music is complex and the organisations and individuals who produce and perform the genre exist in a Western economic reality that requires monetary support, as revenue and as a club or public good.

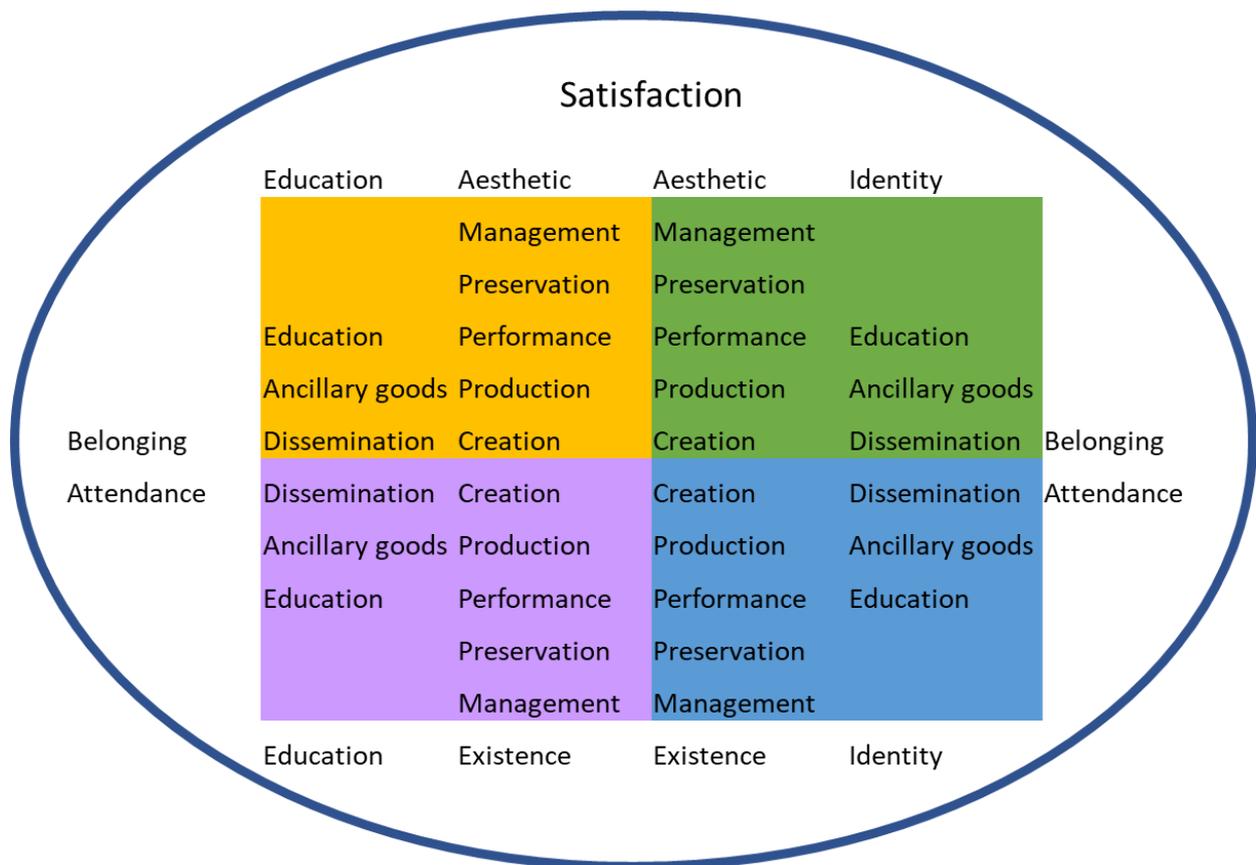
To coalesce the variables into a single scale risks minimising one or more factors that contribute to the value proposition. Therefore, a multi-dimensional model has been developed that attempts to bring the drivers of value, the creative value chain, and the well-being evaluation model into an entity, from which a survey could be derived to enumerate the results for organisations or individuals.

The alternative value proposition of classical music can be mapped against all eight factors of the Creative Value Chain as to create the product or service all steps must be taken into consideration. This can be a simple two-dimensional map or table. However, there is the six-factor scale to consider, mapped in the following way:

Value Proposition mapped to Six-Factor Scale	Superior attribute	Appealing design	Superior customer relationship	Niche specialist
Aesthetic	✓	✓		
Existence			✓	✓
Education	✓		✓	
Identity		✓		✓
Attendance			✓	✓
Belonging	✓			✓
Satisfaction	✓	✓	✓	✓

Table 13: Mapping value proposition attributes to the Six-Factor value scale

Satisfaction is strongly mapped to well-being and can be considered the driver of overall perceived value. To bring all aspects into one model can be depicted as follows.



Superior attribute
Appealing design
Superior customer relationship
Niche specialist

Figure 10: Multi-dimensional model of value proposition determination

Within the model a survey scale can be developed to rate the value proposition of an organisation, or of a classical music performance using the well-being evaluation methodology.

To test the identity value of a niche performance of an opera in terms of what could be learned (Niche specialist, Identity value, Education value in the matrix), survey respondents would be asked:

On a scale of 1 – 5 (1 being not at all, 5 being completely) how connected to the meaning of the performance did you feel before the performance?

On a scale of 1 – 5 (1 being not at all, 5 being completely) how connected to the meaning of the performance did you feel after the performance?

The results of this well-being evaluation can also be used to determine whether value has been created. An uplift in rating from before and after results can show a development of value, and therefore an improved value proposition for future audience members.

Using the model of the appropriation cycle these questions of identity can be enhanced to test the degree of uplift of the individual valuation of the niche performance.

Nesting could be tested by questions relating to comfort, either physical, emotional, or spiritual, before and after the performance. Investigating could be evaluated by questions relating to whether the respondent had researched the music, composer, or performer/s before the experience, and whether they might begin or extend this after the performance. Stamping could be understood through questions about whether impressions of the work formed before the experience matched or were discordant with their impressions post-event.

The experience of a classical music event could be as intimate as a solo performance in a private home through to a large symphonic experience in a European or American concert hall. The survey methodology must not disadvantage or engender bias in its design.

The strong relationship between satisfaction and well-being from the Colmar Brunton survey (Colmar Brunton, 2019) would appear to embed the need for a well-being valuation methodology.

The development of a detailed set of survey questions to support this model is the obvious next step for the establishment of empirical data to support a value proposition for classical music.

13 Conclusion and limitations

The measurement of the value proposition of classical music is dependent on individuals' perception. The scale methodology proposed may need to adapt to future perception as new cultural or societal values arise (Armbrecht, p. 269). However, to recognise that the individual, as performer, composer or customer of the classical music experience exists within a macro-economic landscape is essential to effective valuation.

Uncertainty for the individual, the organisation, and the community provides a true rationale for the public support of classical music (as a form of art) (Menger, *Artistic Labor Markets and Careers*, 1999). Certainty may be improved by use of a common methodology and rating that allows cross-evaluation of different organisations and which does not disadvantage ratings based on the size of the organisation (which may be one individual or a symphony orchestra).

Ultimately, however, it can be argued that the survival of classical music is not dependent so much on the economics of musical supply and demand as it is on the fundamental significance of the intrinsic aesthetic qualities of this genre of music which extends well beyond the confines of the Western cultural tradition. Evidence suggests that classical music is not under immediate threat, yet in Aotearoa New Zealand there is a need to improve the portrayal of classical music as a viable career path. Further, for an audience member it is an appealing use of discretionary income as a form of aesthetic experience.

This reasoning relates to the importance of music as a repository of meaning, a purveyor of civilising values, and a vehicle for cultural transmission through time. It resonates with the efforts made by cultural economists to differentiate between the cultural value of art and its economic value. These considerations suggest that, despite the vagaries of the marketplace, the essential nature of art which classical music embodies will in the long term prevail. (Throsby, 2016)

The impact that tertiary education can have on enhancing the understanding of how to understand, interpret and use the aspects of a value proposition in the generation of personal income from classical music can be accomplished through delivery of business management skills for classical musicians. This capability is needed to offset the pervasive suspicion of artists of the financial aspects of business and the comparable misinformation of the musician as structurally impoverished.

Proof of the value proposition of classical music may be the next important phase of assuring musicians and audience members of the sustainability and endurance of classical music.

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