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**The Limitations of Cost-Benefit Analysis in Assessing Cultural Policies:
the Case of Theatre Policy**

Thesis in partial fulfilment of the requirement for the Master of Arts Degree

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Abstract

This thesis evaluates the usability of the cost-benefit analysis method in the context of cultural policies, with a narrower focus on public policies on theatre. Limitations and possibilities in the use of this “hard” monetization-based method in assessing the theoretically “soft” policy possibly containing various intangible components are indicated on two levels. On a theoretical level, conclusions will firstly be drawn from critiques towards this tool in general, and secondly, from an analysis of studies conducted in the framework of cultural economics, with a focus on the issues regarding theatre if possible. On a practical level, the validity of these theoretical limitations is tested through an attempted application of the method on the Estonian theatre policy. The study suggests general conclusions regarding the possibilities of using this or related methods in assessing theatre policies, and specific conclusions regarding the problems found in the context of the Estonian policy.

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Introduction

They condemn what they do not understand

Marcus Tullius Cicero

If you happen to be one of those people who dare to speak to artists about the reasonable use of taxpayers' money, or vice-versa, to entrepreneurs about the hidden magic of the arts that need unquestioned support, you will probably be looked at with misunderstanding or pity, or sometimes worse – absolute condemnation. An artist is likely to live in a world mostly surrounded by notions of artistry, creativity, purity, independence, criticism, freedom, soul, feelings, irrationality... A purist economist or a bureaucrat in turn is likely to be suffused in ideas of efficiency, effectiveness, efficacy, policy, money, saving, costs, results, goals, rationality... These two understandings are often like two ships passing in the night, and they even seem to be happy about the luck that the other one, probably carrying some sort of plague, passed and did not stop to spread its contagion.

Throsby (1994) suggests the dogmatic separation of the fields of the arts and economy be considered history. In most of the developed world the terms “culture” and “money” have been brought together to a certain extent under a single umbrella. That common space is either a central unit of administration, e.g., the Ministry of Culture (MoC), or more broadly, the general public policy on culture, i.e., cultural policy. This combination usually indicates that the broad term “culture” has been somehow defined to fit the purposes of conducting public policy, and it can mean some kind of an institution or on a more abstract level at least some kind of goal that is meant to be pursued (Lepik 2002). This also means that cultural organizations receive public support. However, the reasons for this can in fact often be argued to be unclear. Frey and Pommerehne (1989) argue that “those loving the art, and convinced that government should support it, should base their case on different arguments. In particular, they should make an effort to convince other members of society by showing (if possible quantitatively) that positive external benefits outside the market do exist” (Frey and Pommerehne 1989 in Hansen, 2). A reasonable way to determine the rationale behind a governmental course of action is to conduct an analysis of the policy. Lévy-Garboua and Montmarquette (1996) who are often quoted among later authors suggest wide possibilities for using economic analysis in the arts.

One of the best established methods for assessing courses of action or policies, Cost-Benefit Analysis (CBA), has its roots in the public sector of the United States of the 1930s and has also been found useful by the private sector as illustrated for example by Oxenfeldt (1979). Since the method mostly speaks the language of money, the language of economics, it could be considered relevant to any field that has to deal with allocating financial resources into programs that have to produce certain desired goods or services – which is what most active public policies do by definition.

This thesis will analyse the limitations of applying the widespread version of the method – the social CBA – on one of the biggest subfields of European cultural policies dealing with the performing arts, namely the public policy of theatres. The study will look for potential pitfalls of the method in evaluating a policy field where outputs are often claimed to be immeasurable by the people working in the arts. Yet, in CBA, in theory, everything can be claimed to be measurable. Figuratively speaking – this study will attempt to contribute into the process of translating two different languages, that of creativity and that of efficiency, to each other. It will seek to combine those two so that a common ground could be found. Best efforts will be made to add a facet to the space of assessing if a “pidgin” could be created or whether it is a lost cause. First, an effort will be made to indicate theoretical problems that arise in combining on one hand a method requiring “hard” data and on the other a “soft” policy. Second, limitations of the method in assessing a theatre policy will be illustrated by an attempted application of the structure and the assumptions of the method on the Estonian theatre policy. A recent pioneering application of CBA on a field of cultural policy in Fleischer and Felsenstein (2002)¹ further indicates the potential of such an approach; so far mostly the potential can be implied as there have been only a few academic attempts to measure the value and benefits of cultural activities with economic techniques (Noonan 2003, Hansen 1997). Fleischer and Felsenstein state that there are of course studies that can be found but a majority do not deal with society as a whole and concentrate only on short-term and project-bound impacts (Fleischer and Felsenstein 2002). It is precisely this concept of taking account of all the impacts of a policy across all the members of a society that defines the difference between the simpler business-related notion of CBA and the more complex policy analysis tool called the social or the societal CBA².

¹ Noonan (2003) who specifically conducted a meta-analysis of literature from 1972 to 2002 found only 3 studies dealing with the estimation of the benefits of theatre through a technique called the contingent-valuation method, and there were less than ten studies using this method conducted across the whole spectrum of cultural policy before the 1990ies. This method, which is discussed in detail in the third section of this study, could be considered one possible prerequisite or alternative to a CBA of cultural resources (Noonan, 172).

² Throughout this study the term CBA designates the social approach of CBA.

The question of rationalization in the framework of cultural policy analysis is not new on the more general theoretical level. “A concern for optimal allocation of private and public resources within a social welfare maximizing framework in a free exchange economy lead inevitably to the question: Is there an economic rationale in normative terms for spending tax revenue in support of the arts, regardless of what governments actually do?” (Throsby 1994, 22). He admits there is a possibility and a certain likelihood that the reasons may lay in compensating for market failures or in the idea that the arts generate external benefits in production and consumption. However, he and others also cast doubt on these presumptions, as the first can be questioned³ (see Netzer 1978 in Zimmer and Toepler 1999; Hansen 1997; Zimmer and Toepler 1999) and the latter is hard if not impossible to prove so far (Throsby 2003).

The present study ties into the present public policy context in Estonia as the improvement of public structures and finances will likely also bring more calls for streamlining public sector activities and for making expenditures more transparent and measurable. Furthermore, as CBA is widely used by many nations, and as the method or its kin are used and required also by the EU (Florio and Vignetti 2003; Illing 2003), it is reasonable to expect that such questions will soon also arise in the field cultural policy, as they have elsewhere. From this perspective the present paper may serve the needs of future Estonian policy makers. One of the reasons for studying the specifics of Estonia is that well-prepared public policy analysis using established research methods is still in the phase of development in this country (Kruuda 2002). Public sector institutions have bought a number of studies of questionable quality from analysts, also often unidentified, during the recent years, but their nature and content has often remained unclear, as 80% of them have not been published (Riigikontroll 2005). Another impulse is of a similar nature: based on the research conducted and on contacts with officials in Estonia it is possible to claim that the Estonian MoC, which is in charge of the coordination and financing of the cultural policy field, has not used nor tried to use systematic policy analysis methods to design a more effective use of the scarce public resources allocated to this field. However, more and more questions are being asked by the private sector, mainly in the performing arts sector segment, about the rationale of continuing to fund certain arts projects that loose money while others manage to be profitable without receiving any state aid. Nonetheless, there are national goals that the MoC

³ The argument of Throsby (1994) is that people do not demand artistic goods in the same amount in private marketplace, so reasons for supporting the arts should be made clear “within a social welfare maximizing framework in a free exchange economy”.

is obliged to pursue by external regulations (e.g., the Strategic Action Plan of the MoC for the years 2003-2006; the Guidelines for the Estonian Cultural Policy for the Near Future; the Performance Establishment Act). Thus, in the context of scarce resources, of the indicated conflicts of interest, and of certain predefined goals, one should ask whether the absolute best use is made of the public funds directed to the arts sector.

As the main focus of this paper is assessing the feasibility of the method of CBA in the context of a theatre policy, the first section will present an overview of the method and its general technique, but also the general critique concerning its applicability and overall use. In the second main part of this study the issues of defining and explaining “cultural policy” and “theatre policy” will be dealt with. It might also be noted that the author has dealt with the topic of theatre policy in depth before. In 2002 he defended his BA thesis entitled “Theatre in cultural policy: an analysis of the Estonian theatre policy via a comparison of different models of cultural administration in Europe.” The thesis received the attention of the MoC, of several theatre managers, of a respected Estonian arts journal, and also of students from different universities interested in either arts management or the very art of theatre. Some of the relevant conclusions of that study will also be used in this thesis. The third part of this study brings the method and the policy field together and subsequently discusses theoretical limitations arising from combining these two areas. In general, the study will take a more theoretical approach to the issues in question. However, some of the basic notions of public administration and public policy analyses imply that a reality-check is mandatory. This will be conducted in the fourth chapter of this study. That section introduces the Estonian theatre policy in detail. An effort will be made to apply the method explained and analysed earlier to this concrete policy, which is limited in space and time. The chapter will be structured based on the theoretical steps of CBA, and it will attempt going through these phases in practice using the Estonian theatre policy as a sample. There is no evidence of such study having been conducted in Estonia before, and very little of similar kind having been conducted elsewhere, and thus challenging the theoretical discussion in preceding chapters can be argued necessary. To guarantee replicability this part will attempt going through the steps of CBA openly and in detail.

This thesis has two hypotheses. The first one deals with the applicability of the method in general and the second with the case of Estonia. Hypothesis 1: The amount of ambivalent factors, both from a theoretical and a practical point of view, makes conducting a thorough social CBA on theatre policies difficult but theoretically not impossible. Hypothesis 2: CBA

of the Estonian theatre policy cannot be completed with the data currently available but practical limitations and some suggestions for overcoming these issues can be indicated.

1. CBA defined and explained

Definition

CBA is one of the most tested and oldest methods of policy (or program)⁴ analysis used by public sector agencies around the world. It has also been named a “core technique” or “the most important technique” of policy analysis or project appraisal (Mulreany 2002; Stokey and Zeckhauser 1978 in Parsons 1999; Jenkins-Smith 1990 in Parsons 1999). It is sometimes also referred to as benefit-cost analysis (Weimer and Vining 1999) and can be found in the context of systems analysis research. However although these two approaches are linked (Hoos 1983), they still have a different scope and background – CBA has its rooting in the spheres of water resources, environment, health care, and road safety, whereas systems analysis has grown out of operations research, which came into use during World War II and has been used extensively in the defence field. The name “CBA” is a reasonably common, probably the most common, and most widespread designation for the craft. Hence, this thesis will also stay focused on that term and will embrace different usages under this one notion.

CBA as a technique for systematically estimating the efficiency impacts of policies came into common use in the United States to evaluate flood control projects in the 1930s and has since been mandated and applied, with varying degrees of success, across a broad spectrum of public policies (Weimer and Vining 1999). “The procedure, which is equivalent to the business practice of cost-budgeting analysis, was first proposed in 1844 by the French engineer A.-J.-E.-J. Dupuit. It was not seriously applied until the 1936 U.S. Flood Control Act, which required that the benefits of flood-control projects exceed their costs” (Encyclopædia Britannica⁵). According to Honohan (2002) and Zinke (1997) there was a decline in the use of CBA in the 1970s, which had to do with the more general questions of how and what the state should influence and direct. However, since that time a substantial recovery in academic interest in issues related to CBA has taken place. Following the method’s first adoption by the US government it eventually spread to Britain and other Western countries in 1960s (Fuguitt and Wilcox 1999). Some European governments have even taken CBA into their common agendas and guidelines, and special how-to-guides for civil servants regarding the conduct of a CBA have been developed (e.g., Ireland, Denmark,

⁴ Boardman et al. explicitly suggest using the terms “policy” and “program” as synonyms in the context of using CBA for the purposes of public policy analysis; many authors take this for granted already

⁵ Encyclopædia Britannica Online, s.v. “cost-benefit analysis”, 22.04.2005.

and USA). Also, CBA has to be employed to assess various projects receiving support in the framework of the EU (Florio and Vignetti 2003).

For the broader public CBA is defined by the Encyclopædia Britannica as “the attempt to measure the social benefits of a proposed project in monetary terms and compare them with its costs” in governmental planning and budgeting. In academic literature CBA is defined in more or less the same manner, although more detail is provided as to what components are important and which criteria are to be kept in mind when using this method. The purpose and uses of CBA are well indicated by Boardman et al. who say that the broad purpose of CBA is to help social decision-making. “More specifically, the objective is to facilitate more efficient allocation of society’s resources.... Cost-benefit analysis is a policy assessment method that quantifies in monetary terms the value of all policy consequences to all members of society. The net social benefits measure the value of the policy. Social benefits (B) minus social costs (C) equals net social benefits (NSB)” (Boardman et al., 2).

A similar attention to the use of scarce resources, on getting the best social outcome for the money used for a program, on (public or social) efficiency, or on rationality of public decision-making, has also been emphasized by several other authors, including Fuguitt and Wilcox (1999), Dunn (2003), Weimer and Vining (1999), Mishan (1971), Hoos (1983), Zinke (1997), and Wildavsky (1997). A Swedish author, who dealt with the issues of using CBA in the public health and medical care sectors, appropriately reminds the reader that “a major prerequisite for the existence of an economic problem is that resources are limited or scarce” (Jönsson, 11).

All in all, CBA is policy analysis tool, which is often used by different governments as one useful input for making decisions. The method draws on monetary estimates of both social costs and social benefits, and it seeks to estimate the value of a given policy or project from the perspective of economic efficiency in the context of scarce resources. The method belongs among the most frequently used project appraisal tools. It is nevertheless important to keep in mind that it can be regarded as measuring a project from the standpoint of but one of the criteria that are important for taking a policy decision.

The significance of CBA can be discussed on two levels: the first one being the overall general level, asking how and in which cases CBA could be used; and the second one being the level of the present study, which attempts to explain the theoretical potential of CBA for assessing a policy in discussion.

Mishan (1971) discusses the potential and the reasoning behind CBA. He poses the question, “why would any institution need CBA”? Why would we not prefer what he calls “plain honest-to-goodness profit and loss accounting”? He suggests an answer, which is in line with subsequent authors. The argument put forth is that what counts as a benefit or loss to a part of the economy – to one or more persons, or groups – does not necessarily count as a benefit or loss to the economy as a whole. “And in CBA we are concerned with the economy as a whole; with the welfare of a defined society, and not any smaller part of it” (Mishan, 6). Thus, social CBA evaluates if society would be better off if a policy would be implemented. It is important to keep that detail in mind, since the cost and benefits of a policy or a program could vary if looked at one stakeholder at a time.

Dunn (2003) stresses that CBA has several distinctive characteristics when used to make recommendations in the public sector:

- Cost-benefit analysis seeks to measure *all* costs and benefits to society that may result from a public program, including various intangibles that cannot easily be measured in terms of monetary costs and benefits.
- Traditional cost-benefit analysis epitomizes *economic rationality*, since the criterion most frequently employed is global economic efficiency. A policy or program is said to be efficient if its *net benefits* (i.e., total benefits minus total costs) are greater than zero and higher than those net benefits that would have resulted from an alternative public or private investment.
- Traditional cost-benefit analysis uses the *private marketplace* as a point of departure in recommending public programs. The opportunity costs of a public investment are often calculated on the basis of what net benefits might have been gained by investing in the private sector.
- Contemporary cost-benefit analysis, sometimes called *social cost-benefit analysis*, can also be used to measure redistributive benefits. Since social cost-benefit analysis is concerned with criteria of equity, it is consistent with *social rationality*.

All in all, as CBA is widely used and well tested, it can be considered to be more than reasonable to apply it also in the context of Estonia. In the best case, the method could be used and ways to improve the quality of data for future studies could be suggested. A more modest scenario would suggest that with this first attempt to use this sort of economic analysis on the sphere of culture in Estonia only problems in the design of the method and in the condition of the policy could be noted.

The core

Based on general categories used for classifying policy analysis methods and/or their usage, most authors suggest that CBA can be conducted either *ex ante* or *ex post*. Several suggest that *ex ante* should be preferred by policy makers (e.g., Mulreany 2002). Boardman et al. go further and indicate four types of CBA: *Ex ante*⁶, *in medias res*⁷, *ex post*⁸, and a fourth type where the results of *ex ante* and *ex post*, or *ex ante* and *in medias res*, are compared (Boardman et al., 3).

Different authors suggest different classifications of the steps of CBA. Most of these steps simply vary by the wording chosen by a specific author and sometimes also different steps are seen as one complex step by one author and, for instance three subsequent steps by another. Because the list with different versions of systems of these steps would probably become tiresomely long, the steps offered by Mulreany (2002) and Dunn (2003) will not be separately indicated, as their concepts generally fit the one used here. According to Boardman et al. (2001), CBA as a complex and possibly confusing method can best be explained by dividing it into nine steps. The authors suggest the following path for CBA:

- Specify the set of alternative projects
- Decide whose benefits and costs count (standing)
- Catalogue the impacts and select measurement indicators (units)
- Predict the impacts quantitatively over the life of the project
- Monetize (attach dollar values to) all impacts
- Discount benefits and costs to obtain present values
- Compute the net present value (NPV) of each alternative.
- Perform sensitivity analysis.
- Make a recommendation based on the NPV and sensitivity analysis

Estimating costs and benefits

Since the most complex part of CBA is often considered to be the estimation of costs and benefits, it is worthwhile to lay out the basic stages of this process. It nevertheless has to be noted that this is not to suggest that if successful evaluation of the costs and benefits of a program were possible no obstacles would face the researcher. There are threats of error and traps in several stages of CBA. These problems will be dealt with separately in next section 1 which covers some of the general critique towards CBA.

⁶ *ex ante* – before introducing a program

⁷ *ex medias res* – while the program is underway

⁸ *ex post* – after the program has been finished

When embarking on CBA the analyst must bear in mind that counting the costs and benefits for the purposes of evaluating the usefulness of a public policy differs from evaluating that policy’s usefulness for one person as would be often done in microeconomics (Mishan 1971). As already stated, CBA tries to assess all the social costs and benefits of the program, which for instance means monetizing positive effects such as time saved, disease infections avoided or even lives saved. Mishan (1971) explains the task of an analyst by comparing the concept of social costs to the costs of an individual or a small firm. “Broadly speaking, for the more precise concept of the revenue of the private concern, the economist substitutes the less precise, yet meaningful, concept of the social benefit. For the costs of the private concern, the economist will substitute the concept of opportunity cost – or social value forgone elsewhere in moving factor into a projected economic activity” (Ibid., 7). Mulreany (2002) and Dunn (2003) have elaborated on the topic by classifying different costs and benefits in further detail.

Mulreany (2002) uses a very clear-cut explanation of different types of costs and benefits. He also elaborates on the concept of *all* social costs, which in essence form the definition for the *social* CBA. “The relevant costs and benefits of projects may be direct, indirect, tangible or intangible or some combination of these. For a road project, for example, identification would include a listing of the recourses used such as concrete, tarmac and labour and the benefits such as time saved, reduction in traffic fatalities and so forth. We would also list effects on property prices, local businesses, quality of the landscape and so forth” (Mulreany, 5). The categorization of costs and benefits he uses is based on Musgrave and Musgrave (1984), and for the purposes of comprehensiveness of this thesis, that division will be illustrated below in *Table 1*.

Table 1 – Types of costs and benefits

Irrigation Project			
		Benefits	Costs
<i>Real</i>			
<i>Direct</i>	tangible	Increased farm output	Cost of pipes
	intangible	Beautification of area	Loss of wilderness
<i>Indirect</i>	tangible	Reduced soil erosion	Diversion of water
	intangible	Preservation of rural society	Destruction of wildlife

Considering the limitations of this paper, these concepts can be briefly explained as follows:

Real and **pecuniary** – Real benefits are those derived by the final consumer. They add to the welfare of society and can be set against the real cost of resources used.

Pecuniary costs and benefits derive from changes in relative prices in secondary markets. Generally, pecuniary costs and benefits are not included in the economic evaluation of costs and benefits.

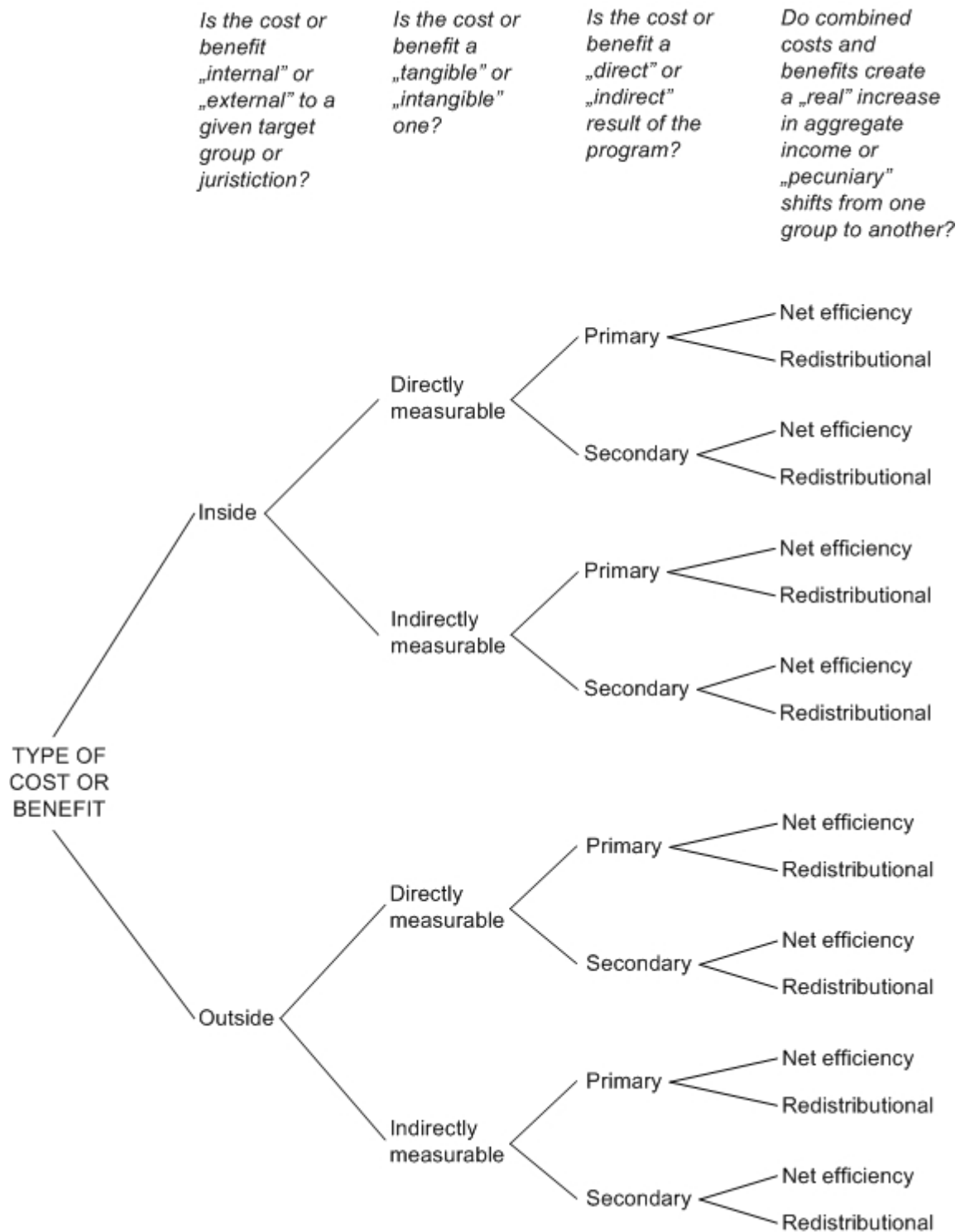
Direct and **indirect** – real costs and benefits can be sub-classified as direct (primary) or indirect (secondary) in relation to the main objectives of projects or programmes.

Tangible and **intangible** – tangible costs and benefits are those which can be valued by the market; intangible costs and benefits are those which cannot.

(Mulreany, 7).

As a complete consideration of all costs and benefits resulting from a policy is required by the CBA method Dunn (2003) also introduces a common method for classifying both costs and benefits of a program. The author admits that achieving such a comprehensive inventory of costs and benefits is rather difficult to attain in practice. Nevertheless he argues that an effort to do this is important since “it can help reduce errors that occur when we omit some costs and benefits from our analysis” (Ibid., 237). He adds to the classification of costs and benefits the category of “internal and external”. Dunn also applies slightly different terminology when explaining the same concepts illustrated via Mulreany (2000). He uses four types of questions to help determine the type of a cost or a benefit and to further guarantee the clarity of this concept their approach will be shown on. In brief, he uses terms such as “inside” and “outside”; “directly measurable” and “indirectly measurable”; “primary” and “secondary”; “net efficiency” and “redistributional benefits”. This classification adds the notions “**internal**/internalities” and “**external**/externalities”, which deal with the question whether a given cost or benefit is internal or external to a given target group or jurisdiction. This approach is illustrated below in *Figure 1*.

Figure 1 – Classification of cost and benefits according to four types of questions
(Dunn 2003)



While Mulreany (2002) limits his discussion of the main categories of costs and benefits to the ones mentioned earlier, he agrees that on a secondary level the concepts of “inside” and “outside” can be introduced, together with the concepts of “final” and “intermediate”. The latter make a distinction “between the provision of goods directly to consumers and the provision of goods as inputs to the production of other goods”. Dunn (2003) admits that in many areas of public policy it is difficult and even practically impossible to estimate costs or benefits. Mulreany (2002) agrees with that position, adding the important aspect of the cost of analysis to the discussion. The problem that needs to be kept in mind is that it is not always reasonable to pursue costs and benefits to the furthest extent possible. “Analysis itself imposes costs and it would be unwise to incur such costs in pursuit of minor impacts of projects or programmes which are being evaluated” (Ibid., 7). As this discussion already embarks on the problems of the method in more detail than needed to explain the most basic notions of CBA, it is appropriate to look at different critiques of CBA.

Critique and limitations

CBA is a method that is widely exercised and therefore also widely criticised. The criticism starts from the idea that everything in this world can not be monetized, or should not be monetized artificially, and ends in allegations that CBA can be used to show anything, in which ever perspective needed, because it is highly open to manipulation through numeric inputs, which in turn may have nothing to do with reality since they do not cover all costs or benefits as required by the philosophy of CBA.

Morçöl (2002), who deals with the issues of validity and applicability of policy analysis methods as such, uses CBA as a “good example of how numbers reflect the assumptions of the analyst” (Ibid., 31). He claims that the assumptions analysts make in two crucial steps of cost-benefit analysis – problem definition and discounting – determine the outcome. The starting question of this issue is what should be counted as a cost or a benefit for a particular program, since it is possible to include or not to include certain intangible costs or benefits through the use of different complex but nevertheless questionable assessment methods. Morçöl illustrates how depending on that decision the results will vary significantly; even though both the principles and procedures of cost-benefit analysis were established by the late 1960s, its objectivity as a method remains questionable. “The

discounting procedure used in cost-benefit analysis illustrates not only that economic assumptions and valuations undergird this method, but also that political decisions determine its outcomes” (Ibid., 33). He illustrates the problem of discounting in CBA, which is based on the assumption that a certain amount of money today will be worth less in the future, by using an example of buying a book (which also happens to be a relevant example for the subject of this theses). The argument follows the line that the logic of CBA assumes that the purchase of a book “can be justified only when the net benefit of this purchase exceeds the expected return of investing the money in stocks, bonds, or a bank account. If the person enhances his or her knowledge by buying this book and makes more money as a result of that, then his or her purchase of the book is justifiable” (Morçöl, 33-34). The cost of buying the book now, and not using the money to invest somewhere else, can be expressed by using a certain discount rate. Based on discounting, in theory, a decision to buy or not to buy could be made. In reality, however, there are differences between those preferring the usage of higher discount rates and those preferring the lower ones. Morçöl argues that for public sector investments this issue is philosophical and political, as well as being economic or technical. By choosing higher discount rates we favour projects that bring quick returns and defer costs, and in that light most public programs do not look beneficial; and by choosing lower rates we give more ground for making the case for a long-term project. Wildavsky (1997) also follows the rationale of that position by saying that it is relatively easy to cut the life of the project deliberately or accidentally below its expected economic life: “The interest rate can be raised.” The very same problem is indicated by Mulreany (2002).

Boardman et al. (2001) are convinced that CBA can be useful in public-sector decision making but that its usefulness depends on its accuracy. Accuracy in turn depends on how well the steps of analysis, indicated earlier in this thesis, are performed. Errors, for different reasons, can be made in all of them. Errors may “result from the manager’s bureaucratic lens”. Some errors are also of a strategic nature and are rooted in self-interest. “There is considerable evidence that managers systematically overestimate benefits and underestimate costs” (Boardman et al., 474; see also Kain 1992). If the assessment is performed by neutral analysts then the likelihood of strategic bias is lower, but nevertheless there are known errors that can occur according to Boardman et al. (2001), which are the following:

Omission errors – analysts may exclude some impact category completely since they may think that it is too unlikely to occur, or because there is uncertainty as to whether a set of impacts is relevant to the project or not. Thus the analyst might find him or herself in the

middle of a “battle of experts” (Boardman et al. 2001) who debate over relevance and irrelevance of the impacts in question.

Double counting – the opposite of omission, where analysts double count benefits by including benefits that arise in both the primary market and a secondary market. This counters the idea brought out by Boardman et al. that in a context where prices equal social marginal costs, the costs or benefits in secondary markets should not be counted.

Forecasting errors – due to cognitive bias, lack of information, varying complexity of programs, etc., forecasting the impacts beyond a few months is often inaccurate, whatever the context. Impacts of government projects that have low complexity, are not unique, and are easily comparable to similar projects, can be forecasted with fewer errors. Major programs are complex and not easily compared to previous projects, and have impacts that extend far into the future.

Measurement errors – the extent of this problem depends on the readiness of the analysts to face potential errors and on their ability to evaluate the impacts in general. Systematically speaking, these problems are technical and methodological by nature. The authors find that these problems have received little attention within the CBA literature.

Valuation errors – accurate monetary estimates of the social value of some impacts are scarce. Until recently even estimates of the value of such important categories as time saved and lives saved varied widely and many previous estimates were inaccurate.

Boardman et al. (2001), as seen above, focused on clearly defined errors a researcher could easily make in using CBA. Mulreany (2002) and Dunn (2003) recognize similar problems with correct estimation of the value of impacts, but they define these from the perspective of the method rather than from that of the analyst. So, instead of cautioning an analyst from making errors, they indicate weaknesses of the method on a more theoretical level, similarly to the approach of Zinke (1997). Mulreany sees limitations especially in the analyst’s ability to estimate benefits, but he also repeats the common critique that the discount rate chosen can dramatically change the outcome of the analysis, thus also making the case for computational difficulties indicated below via Wildavsky. Dunn (2003), Mulreany (2002) and Zinke (1997) all identify the danger of the analysts being often forced to estimate shadow prices when market prices are not available for important goods. Dunn emphasizes that for example in the cases of goods such as clean air or health services these attributed shadow prices are mere subjective estimates of the price that citizens might be willing to pay for

goods and services; he concludes that “these subjective judgments may simply be arbitrary expressions of the values of analysts.” (Ibid., 237). The authors thus basically pose the simple question of whether and under which conditions could this kind of “flexible” analysis conclude anything relevant.

Wildavsky (1997) stresses additional aspects of limitations that the method possesses, on the basis of which the concrete list of errors by Boardman et al. (2001) above can be extended by some more related difficulties:

Computational difficulties – He sees the biggest problem lying in “severe computational difficulties in estimating costs, and especially benefits” (Wildavsky 870). CBA is based on the superiority of the marketplace, under competitive conditions and full employment, as a measure of value in society. Any imperfection in the market works against the validity of the results. “The economic model on which CBA depends for its validity is based on a political theory. The idea that in a free society the economy is to serve the individual’s consistent preferences revealed and rationally pursued in the market place. Governments are not supposed to dictate preferences nor make decisions.... Cost-benefit analysis is a way of trying to promote economic welfare. But what welfare? No one knows how to deal with interpersonal comparisons of utility” (Wildavsky, 871). This critique is closely linked to the weakness of arbitrariness indicated below.

Uncertainty – Wildavsky claims that a CBA analyst must learn to live with uncertainty, for he can never know whether all relevant objectives have been included and what changes may occur in policy and in technology.

Zinke (1997) adds a few questions raised by critics about CBA. On scientific grounds they question the status of CBA as “hard” value-free science. Zinke combines arguments from different critics, and the main scientific arguments can be brought out as follows (based on Rein (1989) and various materials of US government offices):

- CBA has often **not** been conducted in any **systematic** way, such that...
...the assumptions underlying cost-benefit studies are made explicit...
...all the evidence used in the analysis is comprehensively presented, and...
...the results of the analysis are adequately communicated and specified for independent replication in other analyses.
- Analysis is not always conducted fairly and objectively. **Conflict of interest** charges have been levied at those who conduct the analysis.
- There exists a question of the precision of analysts in their calculations of enumerated costs and benefits, because they rely on shadow prices and uncertain

discount rates. Thus the figures arrived at by analysts are **often unreliable** and imprecise in measuring the factors which are valued.

Disabling public debate - Zinke illustrates an additional argument that can be made on a general political level that “increasing the use of cost-benefit analysis changes the nature of decision making”, and that “it closes off opportunities for public debate, and substitutes control by a new breed of “experts” who subtly manipulate the evaluation so that it conforms to the procedures of the market-place” (Zinke, 932). Thus the author agrees with the critics who claim that subjectivity can become a crucial issue when discussing the validity of a given CBA.

Limited and arbitrary focus – Zinke also makes use of the arguments presented by Hoos (1983) who dealt with the topic of systems analysis and considered CBA as a part of it. Since the critique of Hoos covers a wide scope of issues, the excerpts made by Zinke are useful for the purposes of this study. “Hoos suggests that the systems framework in which social cost-benefit analysis has been conceived has “encouraged emphasis on the wrong questions and provided answers the more dangerous for having been achieved through a “scientific” or “rational” means. This has resulted in “a systematic foreclosing of promising avenues toward possible improvement and reform”, Thus, “Cost-benefit ratios, program budgeting and other procedures have forced preoccupation with only limited and arbitrarily delineated facets of public affairs, with the objective more likely to be bureaucratic self-justification than the general social welfare” (Zinke, 933; Hoos, 32, 242). In addition, Dunn (2003) follows the same line of thought by expressing a concern that exclusive emphasis on economic efficiency could mean that criteria of equity, which can be considered highly relevant depending on the context, are meaningless or inapplicable. “In practice, the Kaldor-Hicks criterion simply ignores problems of redistributive benefits, while the Pareto criterion seldom resolves conflicts between efficiency and equity.... monetary value is an inadequate measure of responsiveness, since the actual value of income varies from person to person. For example, an extra \$100 income is far more significant to the head of a poverty household than to a millionaire.” (Dunn, 237).

Arguments on a more philosophical level, similarly to Morçöl (2002), are of importance for Zinke (1997), saying that on **moral and ethical grounds**, opponents of cost-benefit analysis argue that the least-cost, net-worth test of public programs reflects the moral principles of utilitarianism. On the basis of this philosophical association, critics argue that the normative assumptions underlying the use of cost-benefit techniques are morally deficient,

and that as a set of normative principles to be followed in resolving policy questions, cost-benefit criteria are not appropriate for certain types of decisions.

Although the critique those different authors lay out usually follows the same lines, there are distinctions in the scope of their view (conceptual vs. technical) and also in the detail given (some spend pages, even chapters on critique, others focus on the method itself and indicate criticism as something to keep in mind but list its indications only shortly). Herewith most of the problems of CBA relevant to the present study have been laid out. Some additional detail regarding specific critique of CBA in the context of cultural or theatre policy will be added later in analysis in the passage “CBA and theatre policy – limitations of the method”. To conclude this passage of heavy criticism of CBA the claim of Dunn (2003) can be considered relevant, which leaves without answer a suggestion that CBA might eventually fit all instances where an attempt to rationalize policies is being undertaken. “In many areas of public policy, it is difficult and even practically impossible to estimate costs or benefits. For example, the monetary benefits of a fatality averted through mandatory seat belt laws, obligatory state vehicle inspections, or breast cancer screening programs are subject to broad disagreement, especially when the costs of these fatality averting policies are subtracted from the benefits of a human life. The validity, reliability, and appropriateness of such measures are often disputed.” (Ibid., 243). A point made based on Mulreany (2002) gives a fair follow-up justification for this straight-forward criticism, and it could in addition also be used as the core argument for justifying the seemingly negativist approach of this thesis. The idea behind this criticism is a warning to analysts to be conscious about various potential errors of this well established method, and this suggests that by keeping all these threats in mind it is possible to use CBA in the way closest to the *right* way.

2. “Cultural policy” and “theatre policy” defined

In this paragraph the essence of what could be considered a “public policy on theatres”, which will be abbreviated to “theatre policy”, will be described. Terms and concepts that could have multiple meanings will also, be defined. As “theatre policy” is part of the more general “cultural policy”, which some authors, e.g., Chartrand (1989) refer to also as “arts policy”, particular attention will be paid to clarifying the concept of cultural policy as the umbrella discipline. This can be considered to be especially justified since cultural policy as a subject has been dealt with in academic literature but the concept of theatre policy is a more narrow and specific term, which has not found much separate attention, although it can clearly be defined as an object of study on its own.

Before dealing with the definitions indicated above, it might be useful to also shortly explain the usage of an additional term to that of “cultural policy”, i.e., “cultural economics”. Cultural policy, which will be explained in detail below, can be regarded as a public program in action. The term “cultural economics”, or “economics of the arts”, denotes the discipline that has gained ground since the 1960ies, when scholars having interest in the arts combined it with their knowledge of economic theories to analyse economic and social impacts of the arts. (Throsby 1994; Rushton 1999). Today, one of the often asked questions is what is the reasoning behind public subsidies to arts and how could their benefits be measured so that appropriate levels of subsidies could perhaps be suggested (Zimmer and Toepler 1999; Hansen 1997). Cultural economics can be seen as the conceptual framework for analysing cultural policies and programs.

Cultural policy

In this paper a public policy that is aimed towards developing and/or preserving the fields or institutions that are institutionally considered as parts of the sphere of “culture”, and that are objects of administrative activity by means typical of government institutions, will be considered as “cultural policy”. The compatibility of this understanding is supported also by Volkerling (1994), Girard (1983), and Cunningham (1992). The goals of such a policy may vary, and thus the issue of possible goals and purposes of such policies will be explained below. Cummings and Katz (1989) introduce four possible roles for government to influence cultural policy, which is useful for the purposes of analysing the policy:

- as a patron, by giving direct funding;
- as market manipulator, by providing subsidies;

- as regulator, by steering actions; and
- as impresario, or manager, by organizing performances.

(Cummings and Katz 1989, in Bakke 2001).

Thus, the ways of influencing the field are, for instance providing regular state support, providing grants, directing processes by regulation or by offering guarantees, and participating in the system of producing cultural events. All of these are methods to guide the activities of the nation on a higher level. In general, the same approach that is taken to cultural policy, which has simply been studied more thoroughly, can be applied to theatre policy and thus all the categorizations and discussion below are to be regarded as also applying to theatre policy in general terms. Other details, more specific to theatre policy, will be additionally observed in the next paragraph, which clarifies the specifics of that narrow field.

It is appropriate to deal with the issue that culture and politics or policy, as both terms and phenomena, have been considered to be exclusive towards one another, to be substantially separate (Throsby 1994). Stavropoulos (1996) observed the problems of confronting culture and politics, the latter being the process of creating policies, both from the angle of the definition given to culture and also of the one given to politics. "Like all dichotomies, that between "culture" and "politics" is increasingly recognized as illegitimate. Partly (but not exclusively) because of post-structuralist analysis, few now depict "culture" as a discrete, aesthetic realm hermetically sealed from the workings of power" (Stavropoulos, 33). Through an analysis of different authors she concludes that current concepts should be re-evaluated in the light of having understood the haziness of the boundaries of these fields.

Such a re-evaluation, both on the academic and on the state level, has often already taken place, or in the case of the still developing countries – the group to which Estonia can still be included – it is still taking place. In general, it has not been common to draw a conceptual link between notions such as "art, theatre, heritage, culture" and "politics, planning, policy, financing". But starting especially from the last quarter of the 20th century analyses of topics such as arts management, cultural policy or cultural industries have continuously been found to be reasonable and promising activities. Bakke (2001) describes how in addition to the countries of Scandinavia, in the 1970s, culture and arts became part of the political agendas also in other European countries, in the United States, in Canada and in several Asian, African and Latin-American countries. "This fact was reflected not only in policy documents but also by the creation of public councils for the arts and culture, through public arts foundations, and through regulations specifying the relationship between

government and professional artists' and cultural associations (Cummings and Katz 1987).” (Bakke, 2)

Zimmer and Toepler (1996) state that cultural policy became an accepted field of public policy after the Second World War. They claim that while continental European countries, in particular, have provided substantial support for the arts and culture for a number of centuries, the development of explicit and clearly defined cultural policies is a relatively recent phenomenon. “The nation that took the lead in the inauguration of a specific cultural policy was France, where the Ministry of Culture was founded in 1959 (Wangermée, 1991, p. 57). Shortly thereafter, the National Endowment for the Arts (NEA) was established in the United States (1965); in the same year, the first junior Minister with special responsibility for cultural policy was appointed in Great Britain (Ridley, 1987, p. 229); and a Ministry of Culture, Recreation and Social Work was established in the Netherlands (Dutch Ministry, 1994, p. 53).” (Zimmer and Toepler, 33)

Nowadays, different states define the concept of culture differently in the documents that provide a framework to their cultural policies (Thorsby, 20); often no specific definition is given and the fields or subjects covered by that policy are simply named or listed. According to the analysis of the Council of Europe and the European Research Institute for Comparative Cultural Policy and the Arts (ERICarts) regarding different European cultural policies the most common, most basic and most regularly used subfields of cultural policy are considered to be music, theatre, dance, literature, cinema, photography, monuments and sights, museums, fine arts, cultural education and civic action. In addition, depending on any given country's historical and developmental background, categories such as architecture and also media are added. The list given above is not exhaustive to the last possible detail and it also does not take into account that in some countries different fields are considered to be one, and thus one or more of these notions may not be used at all. Nevertheless, this list plays the role of a definition based on content, which means that it gives an overview of the fields that are considered as "culture" in the context of public policies. Therefore, culture as an object of a cultural policy is defined as an institution, which in most cases would mean a cultural organization as a whole, together with its subcomponents. Culture, according to this narrow functional definition, receives the attention of governmental structures with the intent to support Culture in the broadest sense of this term – signifying socio-cultural development – via deliberate activities and programs.

On a theoretical level, there are two main models to be considered in order to classify the systems of cultural policy on the most general administrative level – the *Ministry of Culture model* and the *Arts Council model* (Chartrand 1989). This division has been adopted by most of the authors dealing with the issues of administration of the arts, including amongst others Mangset (1995), Bakke (2001), Zimmer and Toepler (1996), Kangas (2001), Duelund (2001), Copic (2001). The former model has an emphasis on a greater role of the central governing body in the administration and financing of theatres, the latter model sets its emphasis on delegating these responsibilities away from the centre to a non-governmental or quasi-governmental body. The relevance of this distinction in the context of theatre policies will be discussed under the following heading.

Theatre

In addition to narrowing the broad possibilities of using the term "culture" down to the purposes of this study it is necessary to also explain the different treatment of the term "theatre" and ways of administering of what fits the given definition. Here an obvious bottleneck can be identified. Theatre as an organisation, as an object, means different things to researchers and practitioners from different countries in different contexts. For the purposes of this thesis these different meanings, which are also reflected in different readings regarding this field, are well conveyed by the relevant section in the Estonian Encyclopaedia⁹ where the notion of theatre is defined in three different ways, those being (1) the art of theatre; (2) a cultural institution, and (3) a theatrical building (Estonian Encyclopaedia, vol. 9, 320). Other encyclopaedias and also English dictionaries use the following relevant¹⁰ definitions in addition:

- building where drama is staged (World Encyclopedia¹¹)
- a building for dramatic performances (Merriam-Webster Online Dictionary¹²)
- dramatic literature: plays; dramatic representation as an art or profession: drama (Merriam-Webster Online Dictionary)
- drama, art form (World Encyclopedia)
- an edifice specially adapted to dramatic representations; a playhouse (Oxford English Dictionary¹³)

⁹ Eesti Entsüklopeedia [Estonian Encyclopaedia], 1996, vol. 9, p. 320, s.v. "teater" [theatre].

¹⁰ The relevance has been assessed by discretion of the author of this thesis.

¹¹ World Encyclopedia, Oxford Reference Online, s.v. "theatre" and "drama", 22.04.2005.

¹² Merriam-Webster Online Dictionary, s.v. "theater", 22.04.2005.

¹³ Oxford English Dictionary, s.v. "theatre" and "drama", 22.04.2005.

- in dramatic arts, an art concerned almost exclusively with live performances (Encyclopaedia Britannica Online¹⁴)
- dramatic performances as a branch of art, or as an institution; the drama; dramatic art as a craft, the theatrical profession (Oxford English Dictionary)
- dramatic works collectively (Oxford English Dictionary)
- theatrical or dramatic entertainment (Oxford English Dictionary)

Thus, looking at the most relevant institutional definitions for this thesis "theatre" could mean a building together with an administration, operating and maintenance staff, and an artistic team; usually referred to as *repertory theatre*, which this is the most common way of defining a theatre for example in Estonia and Slovenia (The World Encyclopedia of Contemporary Theatre Corporation 2000). On the other hand "theatre" could mean merely a special building, which could be used by different theatre companies or one-time projects (this is one of the more widely used definitions of "theatre" in Great Britain). Third, it is also useful to indicate the option where theatre is viewed as a specific project or a theatre company that travels around the country and enjoys some sort of financial support; a common understanding in Norway and Hungary, but also an alternative to the definition of a building in Great Britain (Lepik 2002).

For the purposes of clarity, it should also, be noted that different countries employ different ministries or departments responsible for the development of the domain of culture, as also indicated in Zimmer and Toepler (1996). The institution responsible for administering, and sometimes also funding, the field of culture could be called the Ministry of Education instead of that of culture (in Finland); it could be a joint-ministry named the Ministry of Education, Culture and Science (as one can find in Austria and the Netherlands); or it could be the Ministry of Education and Sports (in Liechtenstein) or the Ministry of Culture and Communication (in France). Nowadays, one can find two separate institutions, the MoC and the Ministry of Education and Science in Estonia, despite the fact that these two ministries have not always been separated. The issue of the name can be considered to be insignificant in most of the cases for the purposes of a study similar to that of this very thesis. The important factor is that the task of steering or administering a cultural policy is being performed by an agency. However, it should be noted that the question of the name, as it indicates the scope of activity of an institution, would be of great significance of ministry budgets and cultural expenditure ratios would be evaluated in comparative public policy studies.

¹⁴ Encyclopædia Britannica Online, s.v. "theatre", 22.04.2005.

As claimed in Lepik (2002) a clear trend can be traced that most of the European countries¹⁵ (except those considered Scandinavia) usually clearly prefer one introduced model of Chartrand (1989) to the other and develop theatre policy inside that chosen framework. There is no universal basis for claiming the superiority of one path or the other because components drawn from either can be found both in developed and developing countries. In different countries theatres operate in various legal forms, which include national theatres (subordinated to the central government), regional theatres, municipal theatres, NGOs/not-for-profit organizations and commercial for-profit enterprises. In countries of either type usually theatres of all different legal status receive public funding, with the exception of commercial theatres. Broadly speaking, it can be claimed that in all the countries in focus the role of the state in theatre policy has been defined differently and that also offers an explanation to preferring one legal form over the other. There is again, however, no black-and-white basis for claiming that one of the basic models engaged into practice would be clearly inferior to the other.

In Lepik (2002) a trend was indicated, which drew among others from Bakke (2001), Banham (1995), Mangset (1995) and, The World Encyclopedia of Contemporary Theatre Corporation (2000) and stated that in reality most of the European nations lean towards favouring state participation in theatre policy.

Simultaneously, many of the more centralized nations do use components common to decentralized systems in a dissolved form. In most of the European countries there is a trend of introducing also certain aspects of decentralization such as the avoidance of the central government from deciding on the level of subsidies of all theatres in the country and on the range of institutions eligible for subsidies. This direction can be claimed to have gained more momentum in larger countries, whereas in smaller ones it can be seen as more modest (probably due to small numbers of theatre visitors and the fear of economic difficulties arising from this, which could endanger the role of theatres as the institutional carriers of lasting cultural values in the context of free market economy). In the context of theatre policy, this trend of decentralization is usually regarded as contracting out the functions not proprietary to the state, but yet only to an extent which leaves room for some guidance of the development of theatres. However, despite the fact that decentralization has been used to an extent, in most of the European countries observed, theatres are to a lesser or greater extent still under the guidance of the central government (with regards to the typology of Cummings and Katz) and they often receive funding from the state budget via different mechanisms. Countries with more centralized tradition in governing lean more towards the “Ministry of Culture model” and the

¹⁵ In Lepik (2002) the traits of the following countries were observed for generalizations: Austria, Azerbaijan, Bulgaria, Denmark, Estonia, Finland, France, Germany, Great Britain, Hungary, Italy, Latvia, Lithuania, Lichtenstein, Norway, Poland, Portugal, Sweden, Romania, Slovenia, Spain and Russia.

components of the “Arts Council model” are used to a limited extent only, e.g., to allot individual grants in addition to general public subsidies. In addition, larger countries tend to seem less reluctant to decentralization. One of the explanations for this could be that the small amount of national theatres needed to preserve the sector offering “high-art” are also state funded, and the rest of theatres are not regarded as necessary carriers of national “high-art” culture, which in the case of a smaller country could simply equal the total number of theatres operating altogether. Hence, the other theatres in larger countries are left to be guided more by the rules of the marketplace or municipal needs.

(Lepik 2002).

These definitions and clarifications above serve a couple of purposes. First, “theatre policy” could be seen in two distinct ways. It could be regarded as an objective, real and clearly framed policy field in countries where theatres receive significant attention and care in the context of broader cultural policies. However, from a practitioner’s point of view, it could also be interpreted as a somewhat artificially created term that enables an analyst to accommodate theoretical demand for clarity and clear boundaries of the objects of analysis, as the term may or may not be used in different countries depending on the urgency of the matter¹⁶. And as such, these clarifications narrow down the possible notions of “theatre policy” for the purpose of a coherent discourse. Second, these specifications enable one to designate the specificities that *do* enable handling a given nation’s approach to managing theatres separately from broader cultural policies, which might include many, and cross-nationally often dissimilar, programs and sub-policies. In this regard these concretizations can be regarded as fine-tuning the study to enable it to follow a universally understandable path of a clearly defined argument.

However, with regards to this current study and despite the fact that on the level of international discourse these specifications are necessary, the term ”theatre”, similarly to the multifacetedness of the term ”culture”, should probably not be seen as a source for misunderstanding since it will be used conjointly with explaining terms where necessary. As the field of concepts has been narrowed down from “public policy” to “cultural policy”, and from “cultural policy” to “theatre policy”, it is now possible to proceed to observing the

¹⁶ However, reality suggests the term has come to wider use in recent years, and cannot be regarded as a mere theoretical artefact. The simplest reality check can be seen to lie outside the academic framework. Thus by submitting the term “theatre policy” in conjunction with that of “ministry” to a proper international Internet search engine as search keys (the latter, or anything of the like, should be included to crudely exclude random hits outside institutional and policy context), numerous relevant hits suggest the term is used by non-governmental research institutions and by governmental agencies in numerous countries. This search will give even broader results if other languages beside English are used. Those results will include amongst others, representing a random sample, Finland, Great Britain, Norway, Hungary, Iceland, Croatia, Estonia, Belgium, and France.

limitations of the method in question, while keeping in mind the narrower focus on theatre policy where it is possible to extract it from the broader context of cultural policies. More details as to what can be regarded as specific defining components of a concrete theatre policy will be elaborated in the segment of this study labelled “Limitations illustrated using the Estonian theatre policy”. There the policy of Estonia has been described in detail for the purposes of bringing the theoretical issues together with practical ones under an umbrella of the reality-check of the theoretical assumptions put forth in this thesis.

3. CBA and theatre policy – limitations of the method

In this chapter the theoretical limitations of using CBA in assessing a cultural policy field such as theatre policy will be discussed. In the previous two sections the widely used method of policy assessment was introduced, together with the general critique towards it. Also the main framework and concepts of theatre policies were laid out with different approaches to and understandings of the field.

Specific limitations and problems in the context of theatre policy

Arguments will be drawn from the rare sources that have made a direct effort to use CBA or its kin on subfields of cultural policy and also from analyses dealing with the problems of applying similar money or economic-efficiency-centred methods to policies involving high amounts of intangible factors or outcomes. Although the goal of this thesis is to assess the limitations of the CBA method, other methods that could be used hand-in-hand with or instead of CBA will be discussed in the end of this passage. Their very existence and the need for them may have indications towards the practicability of CBA.

Every method can be criticized but CBA has nevertheless remained viable on the practical level. Additional precautions and analyses, before any application of the method can be undertaken, are appropriate from the standpoint of theatre policy. One could argue that the critique regarding the use of CBA that was highlighted earlier also extends to theatre policy, and argue that by keeping this in mind, these problems could be avoided when applying CBA. Indeed, all the general precautions still do apply. However, they only concern the loopholes in the method itself. As CBA can nevertheless be seen applied in various areas, despite the problems in its nature, this passage will demonstrate that there are additional limitations that make using CBA that tries to cover all social impacts in the context of a theatre policy relatively complex. The issues addressed below will provide arguments to evaluate whether using CBA in the given context could be expected to be a feasible; whether such an application could theoretically offer more answers than additional questions to those planning a theatre policy.

In the studies regarding theatre demand, or demand for other goods in the cultural sector, several common problems can be traced. The issues researchers have to deal with are basically twofold – issues of numerical tangibility and issues of the economic nature of the sector. The questions include problems related to counting impacts, inputs or outputs; if the latter could somehow be abstractly measured, or the problem somehow overcome, several

issues of measurability would remain. To start out with, there are thus problems with having the proper data for an economic analysis that stem from difficulties of measuring certain data. One may add to this another facet of the problem – the lack of proper data due to human inactivity. Studies have also been conducted regarding the value of culture and “cultural goods” (see Throsby 1994), which in turn requires a complete understanding of what exactly the good produced by a theatre is, and whether that necessarily is a public good, or whether it could also be seen from other angles. Furthermore, in searching for the rationale behind public subsidies for theatres, scholars can stumble across the debate on whether market failure really is the core reason for public support or not (e.g. Rushton 1999, Throsby 1994, Zimmer and Toepler 1999). These problems will be discussed below.

There are authors who have found that there is great potential in the CBA approach (e.g., Fleischer and Felsenstein 2002; Dayton-Johnson and King 2003). However, the issues that will be discussed below could be seen as representing the fundamental problem arising from introducing a quantificationists approach (Strauch 1976 in Morçöl 2002) to a field full of qualitative values. One could make an argument that this attempt is futile to begin with, as it provides answers only in a predefined framework of assumptions and method-oriented requirements. That is, *if* it succeeds in providing answers. The problem of measurability can be approached on a broader scale. Earlier, the problem of tangible and intangible data was identified regarding CBA. In its essence, these narrower problems could be interpreted as specific expressions of the more general issue. The horizon can be broadened for a moment to a level of abstraction where the predefined framework of the method together with its assumptions can be focused on externally. Drechsler (2000) elaborated on the possibilities of “quantitative-mathematical social science” in general, drawing from various issues of concern in the context of philosophy or hermeneutics. He offers an argument relevant in this context. In a simplified manner his argument can be summarized to the opinion that such an approach to a field concerned with human beings can not be reasoned and does in fact not provide real answers as the quantificationists’ approach is useful in other areas, and is not fit for issues of qualitative concern. Morçöl (2002) too focused on the questions regarding quantification, assumptions of objective realities, presumptions surrounding any given method, positivism, etc. He found that quantitative approaches should not dominate over qualitative ones, and the measurement-based truth is not better of that achieved by other means.

However, if the focus of the discussion would entirely shift on the issues of hermeneutics, on criticising the very notion of the *method*, the public-policy-in-action point of

view relevant in this context could easily get lost. The assumption underlying the following passages is that finding the answer to the questions posed is necessary in the narrower framework of public policy analysis for rational decision making. The difficulties below should be kept in mind when designing future studies and choosing economic tools to achieve estimates for hard-to-measure impacts of a theatre policy. Critiques and problem identifications from various authors will be referred first and summarizing implications, including those of a more hypothetical nature, concluded after each problem described.

Using market failure as the reasoning behind state support

Honohan (2002) puts forth that in its essence CBA is designed to deal with situations of market failure presence where market prices do not correspond to social value. “If there were no market failure, then optimising behaviour by profit-seeking enterprises and by individuals in household should result in a socially optimal outcome” (Ibid., 48), but as the “invisible hand” does not provide all relevant data in the context of theatre policy, reliance on the concept of market failure, keeping in mind its ambivalence, could be considered justified and hence CBA of the policy, if other problems were to be solved, could still be attempted with regard to this single but relevant issue. Several authors, e.g., Zimmer and Toepler (1999), Throsby (1994), and Rushton (1999), have addressed the problem of the market failure concept being insufficient for explaining and justifying public support for the arts. As the question of rationalizing public expenditures for the arts is at the core of cultural economics, as is also the problem concerning the nature of the good, the fragility of the foundations of assumptions must be kept in mind.

Market failure can be considered to be what Throsby (1994) calls “a biased presumption” that “only partly helps us”. Along these lines, the common question whether public subsidies for the arts are in fact justified can easily be asked. The proposal should even stand up to the criticism from artists who would defy such a question. From that perspective, the idea of using CBA in trying to estimate the overall social costs and benefits of a theatre policy might be deemed a reasonable idea.

The In fact two separate arguments for public support for the arts can be made. The competing explanation to that of market failure is pure and simple historical tradition (Zimmer and Toepler 1999). The case example the authors used is Sweden where the reason behind public support derives from the concept of a welfare state. The welfare state approach of justifying state involvement relates to issues of equality and democratization of the arts as

well (Netzer 1978 in Zimmer and Toepler 1999). “To answer the question, ‘on what ground government should intervene’ (Netzer, 1978, p. 13), Netzer referred to the classic market failure arguments as well as to basic issues of social and cultural equality, which were features of the so-called “welfare state doctrine” in the 1960s and 1970s. Of these two alternative strands of rationales that Netzer discussed, market failure arguments have clearly come to dominate the debate in cultural economics and neighbouring disciplines.” (Zimmer and Toepler, 34). They suggest that with the obvious shortcomings of the market failure approach it might perhaps be time to search for alternative analytical concepts in order to understand the driving forces of a government’s engagement in the arena of the arts and culture and to analyze how cultural policies are shaped cross-nationally. “In most continental European countries, support for the production and consumption of the arts and culture is deeply rooted in the history of the nations. From this vantage point, government support for the arts and culture today is not the result of market failures, but of former policies.” (Zimmer and Toepler, 35). For them, the issue remains that market failure concept is perhaps not be the most useful in explaining governmental support for the arts since there are significant cross-national variations. “Should we not expect that the arts are the same public goods, produce the same externalities, and are subject to the same market failures everywhere? If so, why does government spending vary so substantially?” (Ibid., 46).

Hansen (1997) found that numerous economic impact analyses have been conducted calculating “the short-term economic effects of cultural activities on economic indicators such as consumption, employment, income, public revenue in the form of taxes and duties”, and that these short-term economic effects of cultural activities are not a sufficient reason for public subsidy to the arts. The supposed benefits might not exceed those generated by supporting other public activities. Rushton (1999) claims in addition that in situations where exclusion is possible (which is the case of theatre) the argument does not hold. And even “As for externalities, one gets the strong suspicion of a backwards argument: “we know there is a rationale for subsidizing goods which exhibit positive external effects, we subsidize the arts, therefore arts must have positive externalities.” The external effect is purely speculative, and a non-falsifiable hypothesis at that. And even when the market-failure argument can be made convincing, there is still the hurdle of the critique from the public choice school, concerning what will happen to the good intentions of economists when our theoretical ideas are put into the hands of employees of arts funding agencies who may have very particular ideas about the best disposition of funds.” (Rushton, 141). But he also finds there is also a different approach

to the arguments introduced above. Using Taylor (1985) he introduces the notion held by some that there are certain institutions in our cultures which “have made us what we are, and that we have an obligation to maintain them.”

Implications: The problem described above is relevant to this study from two aspects. First, it implies the goals of a policy may in fact differ from the reasoning why support is given. There is a difference whether the argument is plain market failure, social equity or history. That suggests the analyst would have to pursue the goals the forth for a theatre policy in detail, as assumptions for state support may vary institution by institution. Secondly, in the context of CBA that would mean different sets of impacts in each case that had to be included into or excluded from the analysis. In a situation, where the policy is stated to carry additional goals to simple provision of a certain number of performances, the market failure approach would hold if these goals were something one could not exchange for money on the free-market. That in turn would give a preliminary implication that an attempt to use CBA is valid, as the market place would not provide necessary data. However, it can be suggested the scope of impacts to be catalogued would need extra care.

Deciding on the nature of the good

A common problem that can be traced through many of the modern studies regarding cultural economics, cross-linked to the above issue of market failure, is that it is easy to automatically approach cultural productions as public goods. However, several authors such as Throsby (2003), Poor and Smith (2004), Blanco and Pino (1997) caution researchers from taking this for granted. Fleischer and Felsenstein (2002) who conducted a rare study – a CBA of a Eurovision Song Contest (ESC) – make a point about at least one facet of the argument saying that the object of their research may in fact not be a “pure” public good. “We are not suggesting, tautologically, that the ESC is a public good because it receives public support” (Ibid., 155). They find however that these aspects of the good that are of a public nature provide arguments for looking into the social justification for public support of the project without deciding on the exact nature of the good. Throsby (1994) suggests the nature of the good is as yet unclear among other goods and that the “cultural good” is yet to be classified. “The most relevant first step is to make taste for the arts dependent on past consumption, providing thereby a plausible explanation for the rightward shifting of the long-run demand curve. In turn, further elaboration of these ideas will enable a sharper definition of “cultural goods” and their relationship with other goods in the life-cycle consumption and investments patterns of individuals and households.” (Throsby 1994, 3).

Blanco and Pino (1997) find in analyzing cinema demand that cinema is a luxury good. From certain aspects, leaving out the cases where the justifications of subsidizing theatres explicitly include strategic national goals, it could be claimed that theatre is of a similar nature, that it is – not a necessity. The arts “can scarcely be construed as a social or economic necessity¹⁷, no matter how convinced artists and others might be of the central importance of art in life.” (Throsby 1994). Also Poor and Smith (2004) follow the same line of thought in analyzing the demand for a cultural heritage site. Although cultural heritage as a good can be seen as differing significantly from theatre (one might think about the differences in supplying the good to start out with) it is still relevant from the point of illustrating the problem. Dunn (2003) suggests another notion that could be considered relevant in the context of theatre. He proposes the division of public and private goods into specific, collective, and quasi-collective goods. The latter have been defined as “specific goods whose production has significant spillover effects for society” (Ibid., 232). The example Dunn uses illustrates the potential relevance of this concept in the context of cultural goods: “Although elementary education can be provided by the private sector, the spillovers are regarded as so important that the government produces great quantities at a cost affordable by all” (Ibid., 232).

Even if the researcher leaves the problem of public good vs. private luxury good aside, there remains the debate as to what the output or the product of a performing arts institution is. “Superficially, the output of a symphony orchestra is a concert, or that of a theater company is a performance of a play.... interpretation of output in these terms does not capture the fact that the purpose of a performance is to provide a ”cultural experience“ for an audience which itself may be thought of as the final product; hence an alternative measure of the output of a performing company can be taken as the number of attendances over a given time period, an approach similar to that used in defining the output of a university as the number of enrolments, or that of a hospital as the number of patients.“ (Throsby 1994, 9). Gapinski (1980) argues that each member of the audience receives a cultural experience from being present and he hence considers it natural to regard output as the number of cultural experiences measured by attendance. He draws a parallel with a doctor, a barber or a teacher who cannot have an output without a patient, client or a student – there is thus no theatrical output without the audience experiencing it. This suggests that the numbers of performances

¹⁷ Such as housing and education, which could be considered merit goods where redistributive questions are concerned. He admits nevertheless that “a distributional motive from time to time influences the behaviour of the managers of performing companies and art museums, for example, in their efforts to keep prices down as a means of enabling access to the arts by all, and not just by the rich”. (Throsby 1994, 24)

provide little information, but that combined with attendance, and ideally also with a function of quality, relevant information could be produced.

Throsby (1994) did in fact offer an additional argument in his study that can be regarded relevant by suggesting that “when performances are given in closed venues of fixed capacity, output of the performing arts can be seen as an excludable local public good, nonrival in consumption up to the point where a capacity constraint is met. At a more general level, output of the performing arts can be characterized as a mixed good with joint production of a private component enjoyed by individual attendees and a public-good component deriving from the value of the arts and culture to society at large.” (Throsby 1994, 9). This suggests that any analyst will have to look at the purposes and goals of any given theatre policy and the granting of public subsidies with utmost attention, as depending on the goals to be achieved the nature of the good can be approached with varying techniques. In the case of a private good, as market would regulate the efficiency of resource allocation, applying CBA would be unnecessary.

Given specific public goals attributed to theatre policies, such as supporting the national identity of citizens for example, the approach of a public good seems valid to make certain arguments. However, in conducting detailed economic analyses including regarding demand for Throsby’s “cultural good” this aspect cannot be overlooked.

Implications: The implications of the vagueness of the nature of the good provided by theatres loop back to those briefly discussed under the market failure problem. In all the cases where the good would be defined differently – as semi-public necessity; or as a collective good to which everyone has a certain right from the point of view of equity; or a luxury good – the underlying assumptions regarding impacts and also regarding those who have standing could be suggested to be different. To make the argument more clear, slight exaggeration could be used: in case public subsidies were given to a luxury good, not accessible to everyone because of a relatively high price for access that however remains, then those not being able to benefit from the subsidy would incur higher net costs than in the case of a public good. The public good could be considered to have spillover effects for non-users of the service. In the case of the luxury good, be it opera or an overpriced publicly subsidized theatre, the non-users’ share of public funds would be redistributed to those with a higher income, and no net benefits would be gained.

Obtaining data – Counting and measurability problems

An issue that makes using CBA, which relies only on money-values of impacts, complex is the availability of data needed. The availability of certain statistical data that simply has not been collected is but one issue. The main focus here lays on the other problem that the costs and benefits that must be included in the calculations are not transparent and may also not be directly obtainable at all as the studies of Blanco and Pino (1997), Gapinski (1986), Throsby (1994) suggest. The problem of tangible vs. intangible has a strong impact on the possibilities of conducting a CBA, as it is constructed into the method by its definition of including all social impacts.

A short example of this problem is the study of Blanco and Pino (1997), which deals with economic analysis of cinema demand in Spain where in order to include full participation costs of the persons attending a movie they had to derive a substituted value. “It is generally accepted that when an individual goes to the cinema, not only does he or she incur the expense of purchasing a ticket but also other related expenses, basically, of means of transport (public transport fares, parking expenses, etc.)” (Blanco and Pino, 61). However, the data on these specific costs was not available, and hence they used the average price of a public city bus fare in towns, which they admitted was not accurate but served the purpose of enabling the analysis to proceed while accepting the price of a loss in preciseness.

The same problem can be encountered for example when determining the influence or benefits of tourists (Gapinski 1986; Fleischer and Felsenstein 2002) or accurate travel costs (Poor and Smith 2004). In the case of theatre policy where theatres engage in business relations with private entrepreneurs, the benefits to those companies and other affected parties are difficult to estimate. Yet, theatre is suggested to have a positive effect on local economies (Gapinski 1980), and thus these estimates could be necessary.

The other side of the coin, the lack of data arising from the inactivity of those gathering it, also seems to cause problems in various countries. The necessity for additional studies in order to specify the demand for theatre with more accurate data is widely accepted (see Hansen 1997; Urrutiaguer 2002; Lévy-Garboua and Montmarquette 1996). Throsby (1994) stresses that a “serious constraint imposed on research in cultural economics” is the lack of comprehensive statistics on the arts industry or its sub-sectors. As it will be seen in the fourth part of this study, that is one of the great obstacles for conducting any extensive economic analysis of the Estonian theatre policy as well.

Implications: This issue ties back to the general problem arising from the requirement of CBA that all social impacts must be included and measured; impacts automatically get divided into tangibles and intangibles. The issue that needs to be addressed is whether this in-built room for vagueness opens possibilities of introducing the method to fields where it should never be introduced. The two distinct sides of the problem have different implications. The problem of correlations that cannot be established could in some case be theoretically overcome with additional methods of study. However, in the case of broadly defined impacts that are deemed desired (quality of life, motivation gained), they would have to be included in the analyses but would probably remain intangible to a great extent.

Defining demand – The value of culture and theatre

Another aspect of the intangibility problem is probably one of the most intriguing points of this discourse. That is the problem of defining the value of culture or the benefit that people and society as a whole receive as a consequence of a theatre policy. From an artistic point of view the value of an artistic act could be argued to be priceless in direct monetary terms. Adding to this the earlier mentioned dogmatic separation of economics and the arts provides an overview of the general nature of the problem. It could be asked, given that CBA requires everything to be measured in monetary terms, whether this can be done in the case of a performing art such as theatre that does not really produce a countable or measurable product. Of course, as already discussed, performances *can* be counted but the argument remains that this is not necessarily a valid count of impacts.

Throsby (2003) looked into the feasibility of economic studies in the case of culture, and whether these studies could take into account cultural values. One of his conclusions was that cultural value is something that could not be directly defined¹⁸. It remains separate of a project's economic value even when monetary estimates were to be attributed to the good or service in order to include them in calculations. He suggested that if it were possible to combine both the cultural and the economic value of a project then the decision makers would have sufficient criteria for making decisions on funding one project or another¹⁹. He also

¹⁸ Throsby (2003) describes cultural value as something that is “multi-dimensional, unstable, contested, lacks a common unit of account, and may contain elements that cannot be easily expressed according to any quantitative or qualitative scale.” He specifies that “the characteristics of cultural goods which give rise to their cultural value might include their aesthetic properties, their spiritual significance, their role as purveyors of symbolic meaning, their historic importance, their significance in influencing artistic trends, their authenticity, their integrity, their uniqueness, and so on.” (Ibid., 280)

¹⁹ The author illustrates this as follows: “The benefit-cost ratio of project A, counting in all market and nonmarket effects correctly measured, is 1.1, that of project B is 0.9. By some means an independent assessment of the cultural value of the projects is obtained, which shows unambiguously that the cultural value of project A is low and that of project B is high. Accepting the validity of these measurements, which project is the policy-

suggests that the fact that “there are aspects of cultural value that cannot be expressed in monetary terms... does not imply that the implicit cultural value assigned to a cultural good in an economic study is zero. Rather it is to say that we are talking about different metrics, and although there is likely to be a broad correlation between them across a range of cultural goods, it is quite possible in specific cases for low economic value to be associated with high cultural value and vice versa.” (Ibid., 280). In 1994 Thorsby had made a point that has been widely accepted by later researchers, saying that although “at the heart of the matter regarding tastes, both art lovers and artists themselves will argue that the inconsistencies, spontaneity, and unpredictability in behaviour in the arts will always defy rational explanation, because these responses derive from notions of mystery, imagination, and the unfathomable creative impulse” and that “this is doubtless true of some individual actions and reaction in both production and consumption of art” the “aggregate data suggest otherwise. Tastes for the arts do seem to be moved by systematic phenomena, such that the aggregate behaviour of consumers and of artists can be modelled in ways that are mostly consistent with economic theory.” (Thorsby 1994, 4).

An additional factor concerning demand, which also influences the perception of quality that in turn influences demand, is that the demand for theatre, or any cultural good, is different from that of a more regular good. This demand is supposed to follow the path of “learning by consuming” and hence demand would rise the more experiences the consumer had (Tobias 2004, Lévy-Garboua and Montmarquette 1996). This approach is slightly connected to the concept of “high-arts” vs. “low-arts” (Thorsby 1994) or “highbrowness” vs. “lowbrowness” (Lévy-Garboua and Montmarquette 1996; Tobias 2004; Urrutiaguer 2002), which suggests that the demand for “high art” is more linked to education (Blanco and Pino 1997) and requires more experience to be built up. The demand for these two kinds of performances is different. Understanding this may be relevant in the studies comparing public support to theatres in situations where demand “low art” is higher but “high-arts” do receive significant support despite of that.

Implications: From the perspective of CBA the lack of univalent indicators of the added value generated by theatres to society could be one of the most crucial problems. Secondary estimates could be derived using the amount of visitors to subsidized theatres per year, which would be usually available without special research. However, this would result maker to choose? An economic criterion would suggest project A, a cultural one would indicate B. The tradeoff between the two sources of value can be framed either as indicating the economic price that would have to be paid to achieve a culturally desired outcome, or conversely the cultural price that would have to be paid to achieve an economically desired outcome, in choosing either project over the other.” (Thorsby 2003, 280)

in no implications to supposedly desired external intangible primary or secondary benefits. There are possibilities leading out of this situation, which will be discussed in section 3.2.

Including quality variables

To make the issue of measuring impacts more complex, the problem of estimating quality of the policy or the goods and services offered, as indicating the significance of various impacts that could be identified, can be added to the previously discussed problem of demand. Urrutiaguer (2002) looked into developing a method to measure subjective quality assessments and their impact on the demand for theatre. He represents the view that quality influences demand. In addition he concluded, drawing also from several other studies such as Jenkins and Austen-Smith (1987), Krebs and Pommerehne (1990), Hume (1974), that the assessment of quality in turn depends on several factors, such as the public and personal perception of quality, but also reputations and professional reviews. He suggests, following the line of Throsby (1990), that the latter *can* however be analyzed and that conclusions for using at least binary or tertiary dummy variables in calculations can be made. Urrutiaguer found the studies conducted so far to be inconclusive. He measured subjective quality assessments and reputation and their impact on theatre demand. However, he did not offer tools to directly measure the quality of theatre but he illustrated how correlations between different variables can indicate factors that influence the demand curve of a theatre. He found that further studies are possible and needed.

Blanco and Pino (1997) argued that from a theoretical viewpoint the quality of the product must also be a significant determinant of the demand for performing arts (the argument also included cinema). “Although its influence has been empirically demonstrated (Abbé-Deccarroux 1994; Lévy-Garboua and Montmarquette 1996), it is hard to include quality explicitly in an empirical analysis. In the case of cinema in Spain it is difficult to define a unit of standard quality for the sample period.” (Blanco and Pino, 60). They considered this issue to be of importance, and discussed ways to include quality variables into their study, but were eventually forced to state that their “demand function proposed does not include any quality variables.” Tobias (2004) who studied the quality of theatre from the supply side found that expert opinions can be analyzed via surveys and that in the case of drama expert judgments follow principles other than transparent economic variables. “It turns out that expert judgment in the field of drama clearly cannot be rationalized to the same extent as in ballet or opera.” (Ibid., 121). This implies that also expert opinion might not be suggested as a good base for objective quality assessment attempts.

Implications: It is hard to argue the claim that in arts the quality is everything. The quality in turn can be subjective. To estimate all the impacts theatre has on its viewers (omitting from the argument other benefits such as, for example, architectural value of theatre houses) a function of combining at least quality, attendance, number of productions and the amount of subsidies, could be suggested to be necessary. Studies so far, however, have not been able to find a simple solution to that problem. Hence, if the analyst is willing to overlook the fact that omitting objective quality measures from calculations affects the results, indirect estimates using surveys or expert opinions could be used to draw some kind of monetary estimates regarding the importance of quality of a theatre.

Including non-use values of theatres

In assessing the value of theatre one target group of theatre policy are the consumers – those who go to the theatre. However, the percentage of the population of a country that actually visits and hence theoretically directly benefits from theatre performances during one year may be relatively small, e.g., 7% in the case of France (compared to a relatively high 43% in Estonia, which makes Estonia an exception in the context of this global argument). However, all the other tax-payers are important as well. The question of how to determine non-use values (Poor and Smith, 217) must be answered and they should be included in final calculations. There are techniques, which in turn require surveys, to reach certain estimates (these will be discussed in a separate passage). This distinction must not be overlooked. It can easily be claimed that certain buildings or areas having to do with theatre are of interest for tourists. Furthermore, Hansen (1997) finds that there are other non-use values a national institution of performing arts can carry, such as an option price for being able to “maybe visit” the institution²⁰ or educational value, bequest value, prestige value and vicarious consumption²¹.

Implications:

The limitations arising from difficulties of taking account of non-use values of theatres should also not be overlooked. As the non-use values may account for an important portion of the impacts arising from a theatre policy they should be included in a CBA study. The

²⁰ In the Danish case of Hansen this institutions was the National Opera. Depending on the country’s and also the analysts’ point of view in certain contexts opera and spoken theatre can be regarded as different (see Throsby (1980) for example). Thus when calculating substitute prices, the argument was presented in broader terms. In its essence it can be presumed to apply across all performing arts. That point can be supported by the fact that for example in Estonia no such difference is made and opera visits are regarded as theatre visits on the state level.

²¹ Hansen found that “as the Royal Theatre is mainly financed by public subsidies it means that the non-users are financing the main part of the theatre’s budget through taxes” (Hansen, 2).

practical implication of this is that an analyst can not simply catalogue theatre visitors as the singular members of the society who benefit from theatre. The problem with this concept, however is, that it is not “real” in the sense of Morçöl (2002) similarly to the concept of support for political parties in surveys, which is an abstract construct. It is an economic construct, which attempts to encompass this area of impacts that could be considered to be even harder to grasp than the demand for theatre or the quality of performances. This in turn implies that any estimates provided to these impacts via additional analysis methods are strongly method-dependent.

Opportunity cost estimation problems

Blanco and Pino (1997) were faced with another variable that from a common sense point of view needs no discussion. However, from an analyst’s point of view the issue of which arts or activities act as economically most significant substitutes for theatre in reality is not free of controversy or at least caution. “One might believe that theatre would be a substitute for cinema par excellence. However, this opinion is questionable not only in theory, but also in practice... research on the performing arts in United Kingdom (Gapinski, 1986) shows that the best substitute for a theatre play is not a film, but a different theatre play... A second alternative would be to regard any leisure activity as a potential substitute for cinema. [22]... Finally, it has been considered that television and video are the closest substitutes for cinema. This possibility is faced with a great disadvantage: there are no published data on the price of television consumption and on the price of video films that are for sale and to be rented.” (Blanco and Pino, 62). This is a significant issue. Choosing among the substitutes would potentially have an influence on the calculations of CBA, as analyzed by Gapinski (1986), who refers to the conclusion of Baumol and Bowen (1966) that “movies substitute for live performances”. Gapinski (1986) concluded that if movies, reading or recreation are potential or real substitutes for theatre, then so are other performing arts²³. Lévy-Garboua and Montmarquette (1996) suggest that cinema, book reading and magazines are substitutes for theatre. “From the point of view of demand there are important aspects that the cinema has in common with the performing arts and other cultural events. In both cases when consumers purchase their tickets, they are rendered a cultural service that, once inside the theatre, is a nonrival consumption. Due to this, it is possible to establish some methodological similarity

²² “To include this alternative, a generic leisure price has been incorporated by using average earning per working hour (Owen, 1960). No significant results have been obtained so the generic leisure price has been excluded from the final specification of the model.” (Blanco and Pino, 62)

²³ Such as for example dance, opera and symphony.

when analyzing the demand for cinema and the demand for the performing arts.” (Blanco and Pino, 59). They argue, however, relying on Baumol and Bowen (1965) and Heilburn and Gray (1993), that from the point of view of supply “there are considerable reasons to separate the cinema and the performing arts.” Noonan (2003) finds further that “Constructing plausible contingent markets may be problematic or even impossible for many cultural goods” (Noonan, 162). The problem of operating with the correct substitute cost was identified also by Fleischer and Felsenstein (2002), who represent one of the rare attempted social CBA studies of cultural projects.

Implications:

It might be worth taking note of the trend that most of these limitations indicated concern mainly intangibility or measurability problems of the benefits. The last issue focuses on the cost side of cataloguing the impacts. By running a theatre policy the state invests funds into that field with at least a theoretically constructible expectation of distributing benefits across the society by doing so. The question that has to be addressed in the context of CBA is why not invest the money into creating recreations sites, or into creating public parks, or into attracting more audiences to cinemas, as the net social benefits might turn out to be higher than in the case of theatre. The discussion is relevant in the context of CBA in that the opportunity cost should be included taking account of competing policy fields reaching similar goals by different means. If the goals of nation building, of education, of providing inspiration for innovative idea are considered important, then simply using the alternative cost calculated based on stock market increases would not be a significantly informative count.

Summary

The prior overview of problems that a researcher plotting to apply CBA on a theatre policy has to keep in mind, and eliminate in order to succeed, cannot be considered complete. It is far from being perfect as it is difficult to claim it includes *all* the details that one could look at when studying each of these issues one by one. However, there are studies dealing with each of those in depth, hence an attempt to briefly stress the most relevant ones in the current context could be considered sufficient. In addition, based on the mainstream studies that deal with applying studies of an economic nature to the arts it can be claimed that these principal issues guarantee that more additional work can be done in the future on different facets of these problems in order to achieve the relevance and preciseness that an analyst would expect. As many of the studies regarding the application of the observed methods to

cultural or theatre policies have come out only recently (Noonan 2002), it may be suggested that it is too early to look for groundbreaking conclusions regarding best use of any of these in the given context.

It may be that the rationalist approach to issues of society has taken one step too far when CBAs of cultural policies were about to become widely applied. The field of cultural economics, where serious problems in applying extreme quantification-based methods can be observed, offers an interesting case. These methods are deemed justified and their results desired in that context, but for some reason, the boundaries of the method must be shifted or excuses made to pardon its dysfunction. Which leads one to pose the questions why not use some valid alternatives. Theatre policies often take up the biggest share, or one of the biggest shares, of a European nation's cultural budget. Hence the questions asked by cultural economists can be considered highly relevant. All of the limitations indicated have been synthesized using already conducted mainstream studies in the field. Thus, all these limitations are relevant, as they draw from studies that approach the issues of quantifying the goods of the performing arts, the museums, the cinemas, or the recreation areas. A distinctive feature regarding theatre, and the performing arts in general, can be claimed to be that they are different from cinema (differing from the perspective of demand, as it is considered to be a luxury good) and also from museums or recreation areas (from the perspective of supply, as they change less dynamically in time). The constantly changing nature of theatre suggests measurability problems. These problems are associated with difficulties in evaluating the quality of the good, as well as in estimating demand for the good, as the products or parts of the "package of theatrical benefits" keep changing constantly.

It can be suggested these limitations must be dealt with in order to consider any reasonable application of the CBA method. Under the conditions of the bias of an analyst, mentioned under general critiques towards CBA, it could be easy to fall victim of either overestimating the costs, or the benefits. Boardman *et al.* (2001) did indeed suggest that the tendency leans toward overestimating benefits, but in the given context, as benefits are highly intangible, the threat of applying the same mistake the other way around could be suggested. If one or several of the issues discussed were disregarded in cataloguing the impacts, hypothetically a situation could be created were a relatively clear list of costs would be available but several impacts would either not be included, be misinterpreted, or not have been assigned measurable values. In order to provide suggestions of reason in the context of

theatre policies by using some of the instruments of the economists, it can be suggested the following methods were considered as amendments to, or replacements of CBA.

Overcoming limitations with alternative methods

Looking for reasons to justify or rationalize public subsidies to theatres seems to be justified. The issue is, which is the best way to find answers to this question. CBA could be regarded one of the tools enabling an analyst to provide relevant suggestions to a certain extent. However, the limitations associated with using CBA in accordance with strict money-bound definition in the case of theatres do suggest that this widespread method might not be the best choice for the analysis.

There are other methods of study that could be undertaken to attempt finding a rationale and justification for public support to theatre. Depending on one's point of view these can be regarded as separate from CBA, or as prerequisites to, parts of, or discounted versions of the method. In the case of theatre policy one has to deal with a situation of multiple variables for which market prices are not available. CBA, however, demands by definition that all impacts be converted into monetary terms. In such a situation it might be reasonable to consider not using CBA and to substitute it with a different method. Another option would be to modify the method itself, which in its essence would mean, again, giving up the framework of clear criteria set for estimating the results in the framework of CBA. or to use additional smaller scale research methods that would allow arriving to certain monetary estimates for intangible impacts.

Below various options such as the cost-effectiveness analysis method (CEA), the contingent valuation method (CVM), and the travel cost method (TCM) will be observed. The cost-utility analysis (CUA) technique will not be discussed beyond mentioning this option here, although on a broader scale it is a viable method ranking ahead of CEA in its closeness to CBA (Boardman et al. 2001). As CUA relies on quality indicators in its calculations, its use would not further the aim of finding ways to overcome the limitations indicated in the use of CBA. "Non-market valuation techniques have primarily been used by economists to value environmental goods, which possess public good characteristics" (Poor and Smith, 217). According to Ready and Navrud (2002) in Poor and Smith (2004) the most predominant valuation method has been the stated preference method of contingent valuation. Furthermore, travel cost models that "involve a revealed preference method, which infer value from

individual travel expenditures to access and utilize the public-type good” (Ibid., 218) could also be considered. The above-mentioned two techniques can be regarded as relevant to cultural economics, where they have been used. The separate method, CEA, gains its relevance for this study from the context of the problems and shortcomings inside the CBA framework. Reasons for considering these methods to be necessary and for enabling an analyst to shift his or her study out of the focus of the criticisms will also be suggested.

Cost-Effectiveness Analysis

Several scholars such as Fuguitt and Wilcox (1999), Boardman et al. (2001), Wildavsky (1997), Dunn (2003), Weimer and Vining (1999), and Mulreany (2002) suggest CEA as an alternative method to assess policies in a situation where a choice between alternatives has to be made. “CEA compares (mutually exclusive) alternatives on the basis of the ratio of their costs and a single quantified but not monetized effectiveness measure, such as dollars per lives saved. Programs that cost less per life saved are more efficient than other programs.” (Boardman et al., 437). Fuguitt and Wilcox (1999) regard CEA as one variant of the CBA technique, as it can be seen going through some of the similar phases of analysis without attempting, for different reasons, to perform all of the operations deemed necessary in CBA. These reasons might include *high costs* of collecting the data for CBA, *inability of valuing* a specific policy consequence “with any of the still evolving techniques”, *moral obligations* (contexts where expressing, e.g., the value of life, death or of health in monetary terms might cause confusion and problems), or *need to avoid unnecessary disputes* in certain contexts (Ibid., 1999). Boardman et al. (2001) and also Wildavsky (1997) add to this the situation of being unable to comply with the principal requirement of CBA – that of taking into account *all* benefits of each policy alternative. This in turn is the main reason Mulreany (2002) labels CBA “a painstaking activity” to which alternatives such as CEA should sometimes be chosen.

CBA and CEA can also be regarded as distinctly different from the perspective of their function. According to Weimer and Vining (1999) CBA “can assess both (1) whether any of the alternatives is worth doing (that is, whether social benefits exceed social costs), and (2) how alternatives should be ranked if more than one generates net social benefits.” (Ibid., 274). CEA can assist a decision maker only in deciding which policy alternative will achieve a goal most efficiently, i.e., “with minimum losses of social surplus”. Mulreany (2002) also stresses that CEA cannot be used for choosing optimal expenditure levels.

Inside the framework of CEA two separate approaches to a given problem can be taken. Those being the *fixed budget* approach and the *fixed effectiveness* approach. The first method chooses a defined level of expenditure and looks for the policy alternative that would provide the largest benefits. The second defines a certain level of benefit and then looks for the alternatives that are able to achieve that with the lowest cost. (Weimer and Vining 1999).

CEA has been used in health policy (Fuguitt and Wilcox 1999; Boardman et al. 2001; Lynch 2002; see also Trussell et al. 1997) and military spending analysis (Fuguitt and Wilcox 1999; Wildavsky 1997; Hoos 1983; see also Foster and Hoerber 1955). However, its characteristics suggest that where other methods (which will be introduced below) do not provide a scope wide enough from a public-funding-decision maker's perspective, and CBA is difficult to implement because of some or all of the problems listed earlier, it could prove to be one of the most valid tools for assessing a theatre policy as a whole.

The relevance of CEA in the context of a theatre policy arises from several aspects. CEA does not require monetization. Therefore, in a situation where several of the limitations indicated would appear, and significant variables could not be assigned monetary values, this method could enable an analyst to assess policies. Competing variants could be evaluated from the perspective of which of the alternatives achieve the set national goals best.

Depending on the purpose and the resources of the study, CEA might be preferred to CBA. It requires fewer resources due to lower complexity. Also, in case the budget of the policy would be fixed, which might be the case in the given context (as public allocations to theatres could be expected to depend on the costs of previous years, as no measurable benefits without special studies could be directly indicated), comparing the effectiveness of alternatives could provide reasonable ground for decision making. CEA does not enable one to skip quantification of the impacts. However, the count of performances could be compared to another count of performances. The estimates on the quality of the performances produced under one policy could be compared to those under the other, using, for example, surveys evaluating quality on the scale from 1 to 10. This list could be amended impact by impact, but the argument to be made should be clear – as impacts would *not* be converted to a common value disregarding the specific nature of any given impact, the measurability problem would be more likely to be solved. Fewer measurability and intangibility problems that remain could be either pushed aside (with reservations), with qualitative descriptions of their importance, or additionally, the following CVM method could be used to also complement CEA.

Contingent Valuation Method

Another approach to finding ways out of a situation where starting CBA from *carte blanche*, is not possible or feasible, would be turning to CVM. CVM measures people's willingness-to-pay (WTP) for non-quantifiable goods for which market prices are not available. Throsby (2003) even uses CVM and WTP as equal interchangeable terms signifying the same process of using surveys and questionnaires to determine preferences of people and thus also to arrive at shadow prices of the goods in focus. Multiple authors have used CVM to estimate the demand for cultural goods that are hard to measure, include subjective quality matters, and receive public support. Such studies can be found, for instance in Lévy-Garboua and Montmarquette (1996), Tobias (2004) and Hansen (1997).

The method is called CVM because the responses depend on a hypothetical market, which the interviewer describes to the consumer (Mitchell and Carson 1989 in Hansen 1997). "CVM has created a vehement debate among economists because economists traditionally have a strong bias in favour of estimates that are inferred from observed behaviour as opposed to stated preferences such as those revealed in CV studies. On the other hand, CVM is the only method capable of estimating the total value (use, non-use and option value) of a good" (Hansen, 5).

Many studies regarding demand for specifically defined cultural goods have been conducted to serve as model examples of how demand for any given good, be it a public or a luxury good, can be arrived at to further the discussion of justifying public subsidies for the arts. Throsby (2003) goes further and sees CVM in a wider perspective of providing the initial data for moving on to calculating cost-benefit ratios or net present values of cultural programs, which in essence means conducting CBA of cultural policies. In this perspective CVM can be regarded as a useful, and already tested and criticized, tool in cultural economics that could be incorporated into cultural sector CBA as a prerequisite able to eliminate intangible factors.

Hansen (1997) claims that the application of CVM in estimating demand for a cultural good is quite new, as CVM has for the most part been used on environmental goods. He states that there were only a few examples of the utilization of CVM for cultural goods to be found in the literature and that most of these studies have defined their object goods vaguely. He finds however that CVM is a relevant tool in cultural economics with great potential as "CVM is the only benefit measurement approach which can be used to quantify the level of consumer externalities generated" (Hansen, 1).

Despite an increase in its application in recent years CVM also has its downsides. Throsby (2003) discusses the problem of acquiring relevant information from using CVM of cultural goods. “In a CVM study of an “ordinary” public good such as street lighting or national defence or even environmental amenity, it is presumably possible, at least in principle, to provide enough information for an informed response to be generated. But it has long been asserted that a distinguishing feature of cultural goods is that acquiring a taste for them takes time, i.e., they are classed as experiential or addictive goods, where demand is cumulative, and hence dynamically unstable. If these demand conditions do indeed obtain, it can be suggested that CVM will not be able to provide fully-informed WTP estimates for cultural goods.” (Throsby 2003, 277). Noonan, who finds WTP estimates to be useful for finding a way to access the issues of intangibles in cultural policy analyses, stresses also the fact that financial limitations force researchers to neglect some of the widely accepted general guidelines²⁴, which results in incomplete studies. Hansen (1997) discusses further whether CVM could be used to cope with day-to-day political decisions and he finds the answer to be negative. The method is found to be *too expensive, requiring too much work*, and the *uncertainty of the estimates* too large for this purpose. “CVM can only be used regarding big questions – e.g., about State grants for the Royal Theatre [*in Copenhagen*]. In these cases CVM is, however, well suited to get an estimate of the total value of a cultural good which has public good characteristics.” (Hansen, 22).

It appears that CVM, which also is probably one of the most used methods of study of the demand for cultural goods – while keeping in mind this criticism – could theoretically be a most useful tool in the context of a CBA of a theatre policy. It could potentially provide information regarding the social value attributed to theatre. Possibly, combined with questions enabling analysts to estimate opportunity costs and the impacts of quality, it could ease many of the limitations facing CBA. In practice, however, its applicability, especially due to its cost, cannot be seen to be as immediate as its theoretical applicability would suggest.

The use of CVM on its own, in the context where market failure and public good arguments guide decisions, might provide the decision makers with very little information.

Hypothetically, the WTP estimates derived might be lower than those envisaged, but based on market failure arguments, and maybe the lobby of artist organisations, higher subsidies would nevertheless be granted. WTP would provide the knowledge, that the support exceeds the WTP estimates, and indicate the theoretical price paid to compensate for market failure, but

²⁴ In 1992 the US National Oceanic and Atmospheric Administration (NOAA) organized a panel of scientists where thorough guidelines for conducting CVM in assessing damage to natural resources were proposed.

would not help to rationalize the subsidy based on the outputs of the policy. Under such conditions CVM could be used, as discussed earlier, as an input to CBA or CEA, indicating the value the users and the non-users put on theatre.

Travel Cost Method

This method is probably the least useful, among those discussed here, in assessing demand for the good, in the context of theatre policy. Unlike the CUA method, which was shortly touched upon a few passages ago as an alternative to CBA but neglected as non-applicable in the context of theatre policy, TCM is a method that will not provide changes as significant as CEA or CVM. However, it can be regarded, however, as carrying the potential of being a useful tool in assessing some narrow impacts in a theatre policy's framework.

Unlike CVM, which indicates *stated* preferences of survey respondents, TCM makes use of *revealed* preferences of visitors of cultural institutions or sites (Boter, Rouwendal and Wedel 2005), i.e. by questioning people about their actual behaviour (Weimer and Vining 1999). Weimer and Vining (1999) find that most of the studies determining the social value of cultural goods using non-market valuation techniques as the latest development in the field of cultural economics have been conducted using stated preference methods. They find these studies have dealt with an "important area in cultural economics" of trying to find justifications for various levels of government subsidies. Poor and Smith (2004) used a more specific version of TCM called Zonal TCM (ZTCM), and also stressed its importance with the argument that most of the cultural heritage site demand evaluation to date has been conducted using CVM. The main application of the method in cultural economics can be found in estimating the value people put on recreation and heritage sites (Weimer and Vining 1999; Boardman et al. 2001; Fuguitt and Wilcox 1999). TCM tries to measure the time and resources individuals expend "when travelling to and from a particular resource site" Fuguitt and Wilcox, 239). According to Poor and Smith (2004) for TCM "visitor demand function for the recreational experiences at the site is estimated using sample data obtained from visitors"²⁵. The ZTCM is also referred to as the Clawson method (Dunn 2003) or the Dawson-Knetsch method (Fuguitt and Wilcox 1999) and it makes an effort to estimate visitation rates for different zones, travel costs, visitation rate function and the demand curve for the resource site (Ibid.).

²⁵ In the case of ZTCM this process also involves using basic survey information to identify zones of origin from which travel costs can be calculated and socio-economic data gathered.

It can be suggested that the usefulness of TCM in analysing theatre policy cannot be considered as being very high. Perhaps two of the most relevant applications could be (1) using it to assist in estimating the value of bigger theatres where the fact that people travel significant distances to reach the theatre can be established, and (2) using it in studies comparing the value of two competing theatres or other arts institutions inside the cultural market. The first one would directly have an input to CBA, the latter rather not, as it would deal with redistributive impacts. As the study of Blanco and Pino (1997), discussed earlier, indicated the actual travel costs are hard to obtain, hence their method of finding a shadow price for the travel time might sometimes be regarded as more reasonable, despite its lower accuracy.

TCM does not address most of the limitations of CBA. It could be regarded as operating on a lower level and being able to levy the problem of obtaining data regarding demand, or regarding quality of a theatrical good.

Summary

In general, if the analyst is to follow through with an attempt to apply CBA on a theatre policy despite the problems associated with the method itself, or with its applications on estimating the impacts of a theatre policy, additional CVM-like studies could probably be suggested universally. In specific cases associated with the problems of data collection CVM might be complemented with additional data generation. CVM would potentially provide estimates on demand for the good, and if combined with additional survey questions, additional data regarding median subjective quality assessments could be gathered.

In case the limitations observed are convincing in that the amount of intangible factors remains too high to reach comprehensive conclusions, using CEA could be considered instead.

Conclusions

In this paragraph the general critique towards CBA introduced in the first chapter was paralleled by limitations that are likely to be encountered in trying to assess a theatre policy with that method. The broader critique has its rooting in the nature and the technique of CBA, drawing from descriptions of known problems by different scholars who have studied CBA or policy analysis on its own. These additional limitations indicated above arise from the

characteristics of the field of theatre. They were arrived at by analyzing the works of scholars in the field of cultural economics, who each often indicate only one problem at a time, since most of these studies focus on narrower issues rather than trying to estimate a whole broader policy.

The position held by the author is, that since CBA is being widely used despite its potential weaknesses, its usability should be carefully studied case by case; or at least field by field. Otherwise, the critique may simply be there and remain unnoticed, because an analyst might tautologically suppose that their seriousness is of no issue, as CBA *is* being used. There are indications – considering the increase in studies conducted internationally in recent years (Noonan 2002) – that economic approaches are beginning to become more established in the framework of evaluating cultural policies. Also, the methods commonly used in economics have come to be used in assessing the various qualities of theatres. As the broader pursuit in the field of cultural economics is often finding the reasoning behind state support to the arts, and also specifically to theatre, the knowledge of these case-based limitations may turn out to be useful in practice by enabling the researchers and analysts to save resources.

The author takes the view, that the general critiques can be considered *threats* that may or may not realize depending on the amount of their being taken into account; but more importantly, depending on any specific field that would be chosen as a potential object a CBA. The specific limitations could be designated as *weaknesses*, since they bring about these theoretical threats due to their specific characteristics.

Based on that notion one should be able to trace the limitations discussed above back to those indicated under general critique. For several of these limitations, in case one might choose refuse to accept their importance in general, the case can be restated in the specific context of theatre policies. Most of the problems that need reemphasizing from the perspective of the performing arts can be seen as connected to the general critiques indicated by different authors as problems of measurement; of valuation; of computational difficulties; of uncertainty; of arbitrariness; of denying public debate; of unclear assumptions; and of unreliability. Neither of these lists, not that of the limitations of CBA in the framework of theatre, nor that indicated in the previous sentence, could be considered complete. However, they serve the purpose of enabling the author to fetch a rough outline of the issues of concern from the points relevant to this thesis.

The issues encountered in cultural economics could be abstractly divided into two distinct groups: those dealing with assumptions and criteria, and those dealing with the variables. Market failure problem and the public good problem could be counted into the first one; those of defining demand, obtaining data, including quality variables, including non-use values, and of estimating the opportunity cost, into the latter.

The problems of the first groups could be expected to be context dependent. In a situation where theatre is to simply operate on the market selling its product (e.g., Broadway) public good arguments would be very difficult to fortify. But as the author will suggest also in the next paragraph, in a situation where theatre is regarded as carrying out important social missions in addition to the simple exchange of money-for-good, the public good argument could be used with relatively high judiciousness. In addition, given that there are other impacts that society deems necessary to gain, which the private marketplace would fail to provide, the “compensating for market failure” argument could be used rather than not used in the context of the Estonian theatre policy as well. These issues tie back into the general critiques of unclear assumptions and transparency. As shown by several studies above these assumptions should however not be taken for granted and they should be clearly addressed before an analysis of a theatre policy.

The other five potential obstacles that arise from the nature of theatre policies can be expected to be present in most of the cases of trying to introduce CBA into the framework of a theatre policy. In reality, all of these – the “Obtaining data - counting and measurability problems”; the “Defining demand – The value of culture and theatre”-problem; the “Including quality variables”-problem; the “Including non-use values of theatres”-problem; and the “Alternative cost estimation problems” – would need to be estimated before an actual CBA could be conducted.

In case the problems of measurability and valuation would seem to be present, some of the alternative methods could be exercised. The choice would depend on whether the complexity of the problem arises for example from the fact that the data had simply not been collected, or from the lack of resources of the analyst to conduct additional studies, or from unproven correlations between variables. Depending in the situation either complementary methods to CBA such as CVM or TCM could be suggested. The author would suggest that if such indirect valuation methods were to be accepted by the analyst, it might be useful to include into the CVM also survey questions asking respondents to estimate the quality of theatres and directly asking people for reasons why they think theatre should or should not be

supported. The latter amendment may not give a mathematically significant addition to the rest of the data but the potential to assist the analyst in prioritizing impacts is there. The author suggest, this time taking also into account the argument that CBA is being widely exercised in various policy fields, that the most general *threats* (omission errors, double counting errors, forecasting errors) can be taken notice of and depending on the policy field a CBA could nevertheless be conducted. However, in the case of theatre policy the amount of uncertainties, of measurement problems, and of valuation risks could be expected to be relatively high. In case those who would intend to conduct any of such CBAs were not in possession of a luxurious time-frame and budget (Hansen (1997) and Fleischer and Felsenstein (2002) among others suggest the cost of CBA may be unreasonably high in practice), the CEA could be suggested as a reasonable replacement for CBA. CEA has the potential to provide enough data regarding a theatre policy to convince a quantificationist in the validity of the arguments to a certain extent; simultaneously it leaves some room for qualitative assessments that could help overcome valuation problems. The latter in turn could be replaced with simpler questionnaires asking respondents to rank (not to assign WTP values) impacts or units based their order of preference and indicate their opinion as to why theatre should be subsidized in case resources for conducting such additional studies were available.

4. Limitations illustrated using the Estonian theatre policy

Estonian theatre policy

Estonian theatre policy as it appears today has developed mostly on an *ad hoc* basis. Its general model is not necessarily in need of structural reforms, although it is in need of an improved formal structure, development and systematic implementation. On the scale of Chartrand (1989), which was introduced earlier, the Estonian theatre policy model leans towards the centralized, Ministry of Culture model. At the same time there appear certain signs of the use of a decentralized model in the form of a modified type of Arts Council for providing small grants to individual performers and independent projects in addition to the public funding provided to theatres by the MoC. (Lepik 2002).

Goals of the policy

From two principal documents, the Strategic Action Plan of the MoC for the years 2003-2006 adopted in 2003, and the Guidelines for the Estonian Cultural Policy for the Near Future adopted in 1998, the following policy goals and roles for the ministry and the state can be extracted:

- Guaranteeing conditions for artistic creation with the main state being *planning* and *financing*
- Preservation of the Estonian nation and culture
- Guaranteeing a harmonious life and creativity for the people (in order to develop a nation based on traditions, spiritual education, physical fitness and unmediated communication)
- Fostering regional development (as a future trend, municipal support to theatres is expected to grow) through understanding that educated communities have better chances of development
- Guaranteeing accessibility to the art of theatre to diverse target groups and regions
- Guaranteeing the existence and development of Estonian-speaking theatre
- Guaranteeing the preservation of the infrastructure of theatres.
- Keeping state provision of support for serving visitors on the level of 50-80% of optimal expenditures per visitor, depending on the type, size, location and other sources of financing
- Achieving and maintaining a situation where the average ticket price peaks at a maximum level of 1% of average national monthly income
- In the future, supporting at least 20 permanently active theatres is deemed necessary
- Achieving 1 million visits to theatre performances on average per year
- Raising competitiveness of theatre on the entertainment market

- Raising the prestige of theatre work in society and thus guaranteeing the participation of theatre on the labour market, thereby providing work for the artists
- Introducing Estonia and Estonian culture to the world.

For further clarity it must be explained, that the basic statutes declare the role of the state to be planning and financing. These roles cover two of the less interfering approaches of the state in cultural policies as defined by Cummings and Katz (1989). Also, the statutes indicated suggest that the state does not interfere with the activities of theatres in any other way. In a broader sense the policy could be defined as providing the framework, the goals and the instruments for achieving desired goals. However, using tools of economic analysis suggest certain preoccupation with subsidies. With certain reservations the subsidies and those receiving the support can be considered expressing the very nature of the policy, including goals. For practical purposes the notion of theatre policy will be handled interchangeably with the notion of public subsidizing of theatres (based on given policy goals), unless implied otherwise. On the broader scale this approach could be easily challenged, as a policy should not be seen merely as granting subsidies. However, given the one of the main questions of cultural economics regarding the rationale behind public subsidies to the arts, and the strict nature of the CBA, this approach can be considered useful in the given context.

As for the sitting government's position regarding the public financing of theatres, the current Coalition Agreement between Eesti Reformierakond, Eesti Keskerakond and Eestimaa Rahvaliid states as follows: "The coalition supports the visits of theatres and concert-organizations to rural areas" (Coalition Agreement 2005). Parliamentary parties pay only limited attention to cultural policy. Only two of the six parties mentioned the word "theatre" in their programs (Keskerakond and Rahvaliid). Rahvaliid is the only party to consider theatre, and its public support, to be among the priority fields for national cultural policy. Two parties (Isamaaliit and Res Publica) stress the importance of developing transparent and systematic funding of cultural organizations. Res Publica also stresses the need for long-term planning, and output- and goal-oriented financing. Three parties of the six regard regional development in the framework of cultural policy important (Res-Publica, Keskerakond and Isamaaliit).

Based on the transcripts of the meetings of the Cultural Affairs Committee of the Parliament the committee did not show special and systematic interest towards theatre policy in the period 1999-2002, and before that theatre was a significant separate topic mainly in the context of streamlining the document that gave a framework to national cultural policy in 1998. The main principles and directions for its development originated in the MoC, which

acted as a consulting expert body to the committee (Lepik 2002). In the years 2002-2005 some issues relevant to theatre policy have been shortly touched upon by the committee. These have been topics such as problems with the system of subsidies, the reform of the legal status of some state owned theatres, and access to theatre in rural areas. However, most of the systematic work has remained within the confines of the MoC and hence further focus of the role of the state will look on the activities of the MoC, although in the broader context of governance and modern network- and grassroots-oriented approaches to the state such a monosemantic understanding could be challenged.

General build and funding

In 2003 there were 19 theatres in Estonia that received subsidies from the state to cover some or most of their activity costs (Statistical Office 2004; MoC 2004). Estonian theatres in general are state owned, municipality owned or private organizations (MoC 2005). Those with direct public involvement, as defined by ownership, operate as repertory theatres that have the use of permanent theatre buildings. On the web page of the MoC this general division is still presented as the *status quo*. However, in the year 2005 processes that started in 2002 have resulted in a reform, which has created some organizations that can now be considered quasi-governmental structures. These are defined as “state founded legal persons in private law” (addressed by the MoC as “state founded NGOs”), rather than operating as state owned theatres. This would enable the above list to be expanded to include owned theatres, municipal theatres, quasi-governmental organizations and private theatres (usually operating as *real* not-for-profit NGOs). However, this change has not affected the way state funds are allocated and therefore, specifically for the purposes of this study, and for the purposes of a coherent argument, these quasi-governmental institutions (which will be indicated simply as “state founded NGOs” in this paper for clarity, as this is the legal distinction the MoC uses itself) will also be considered public theatres. Furthermore, the state is supposed to support theatres regardless of their ownership (State Gazette 1998; MoC 2004), thus further strengthening the point that the legal status is irrelevant in this matter. The claim of Rāhesoo (1999) that in most cases the theatres that were created in Estonia as results of civic action during the “first republic” between 1918-1940 and were subsequently nationalized by the Soviet system, and those that were created during Soviet rule, have remained the property of the state following the regaining of independence, still stands from

the point of view of their financing. However, legal definitions and ways of commanding finances on a practical level²⁶ have evolved and taken a somewhat new form.

According to the Performance Establishment Act (PEA)²⁷ the support theatres receive is considered to be a subsidy to the visitor of a show or a concert. This is calculated as a compensation for the difference between the real cost of serving a viewer and the book price of a ticket. According to this act the base for making a decision of awarding subsidies is formed based on the number of visitors predicted for the following year; the number of new stagings or concerts; and expenditures on payments to staff and for administering the property that are made in connection with the production of these shows. The book price of the ticket is to be calculated based on the location of the organization, the data provided by the Statistical Office regarding the average income of local inhabitants, and the main desired target groups²⁸ (*Ibid.*, § 16: 1, 2).²⁹

State theatres in Estonia receive income mainly from five different sources: the state budget, local government, ticketing, artistic subcontracts, sponsors and “other sources”. State support, including investments and allocations from the Estonian Cultural Endowment and the Gambling Tax Council, constitutes on average 70 % of the proceeds of state theatres, this is followed by incomes from ticketing (up to 19 %). In the case of private theatres state support constitutes approximately 30 % of their proceeds, which is followed by income from ticketing (25 %) and support from sponsors (15 %) and local governments (12 %) (MoC 2005). In 2003, theatres received roughly 237 million kroons in subsidies from the state budget (Statistical Office, 2004). It is important to note that the Statistical Office differentiates between subsidies made to public theatres and those to private theatres (labelled as “state and city theatres” and “small theatres” accordingly). Considering how the MoC and by the PEA address these matters, using simpler and more clear-cut terms such as “public” and “private”

²⁶ When the reform was introduced on a practical level, one of the most valuable expected outcomes was to be the ease of use of the finances and assets of the theatre. If more convenient ways of solving problems that faced theatres in producing extra revenue as a result of their activities had been found then the reform would probably have not taken place (Transcripts of the Cultural Affairs Commission of the Parliament; Allik, J. Head of Theatre of the Viljandi Drama Theatre “Ugala”, Former Minister of Culture, interviewed by author 15.03.2002, Viljandi; Saar, I. Managing Director of the Rakvere Theatre, Chairman of Association of Estonian Theatre Managers, interviewed by author, 07.02.2002, Rakvere; Viller, J. Former Managing Director of Theatre “Vanemuine”, former Chairman of the Association of Estonian Theatre Managers, interviewed by author, 19.02.2002, Tartu)

²⁷ Etendusasutuse seadus

²⁸ Decision on the number of visitors who must be served by a theatre has to be reached by the committee approved by the ruling of the Minister of Culture. The committee comprises of representatives of the ministry, theatres, Estonian Theatre Union, Estonian Drama Agency, publicity and regions. (Ministry of Culture 2005).

²⁹ The reality differs from the model outlined by the law, but it is presented here for the purposes of first laying out the framework of the policy as defined by the legislator as clearly as possible. These issues will be dealt with later for the purpose of a reality-check.

is appropriate. This still preserves the distinctions used by the Statistical Office, the MoC in giving subsidies, and the PEA. The latter defines the meaning of a theatre or a performance establishment in detail, and it also distinguishes organizations that are state owned or state established, and those that have come about relying on private initiatives.

Of these 19 theatres that were recipients of governmental support in 2003¹¹ were public theatres and received a total sum of approximately 232 million kroons; and 8 were private theatres, which received approximately 6.8 million kroons. Although the law stipulates that these sums are to be calculated based on specific data, the State Audit Office of Estonia has indicated already twice, in 2001 and 2005, that the MoC has not followed the guidelines prescribed by the PEA in allocating operating subsidies to theatres. Thus the differences between actual costs of production and estimated ticket revenues have not been calculated and used as a base for granting subsidies. As the MoC also failed to provide data needed for CBA regarding the variables supposedly used during recent years in calculating subsidies³⁰, and indicated it would continue to do so, at least one part of any CBA of the Estonian theatre policy would have to rely on more subjective data than would be necessary if clear data were available and the letter of the law had been transparently followed. Thus, in the analysis of the limitations of CBA to this public program in general it is necessary to deal with this uncertainty regarding the relation between the requirements, inputs, outputs and outcome.

It is important to indicate that the financing offered by the Cultural Endowment of Estonia (CE) is formally independent of the national Cultural Policy. The latter provides the CE with a framework and guidelines specifically also for granting subsidies, but it does not directly prescribe the actions of the CE. The CE acts at an arm's length from the state in providing additional financing to artists and arts organizations. The CE gives grants to individual artists and to projects presented by the latter or by theatre organizations, including those already subsidized by the MoC. In the context of this study the most important factor is that it also provides for other private theatres, which have not found a place among those organizations considered strategically important for the state. This makes it possible to leave the segment covered by the CE out of the direct focus of this analysis, as the CE has no official or direct link with the goals of the national theatre policy and is not pursuing a

³⁰ A request for public information with regards to this set of information (in accordance with the Estonian laws that define all public sector information that has not been specifically designated as secret as being public) was sent to the MoC on 28.04.05. The timely answer provided on 05.05.05 to the request of information did not provide the data. The answer can be regarded as stating that such variables have in fact not existed and the legal construct had only been used for *ex post* justification of certain subsidies granted, which in fact were based on other criteria by the special committee – e.g., the proposed creative plans and former expenditures of any given theatre.

centrally prescribed agenda of the government. The CE seeks to independently promote the state of the arts in the country in general but is not bound to limitations imposed by state policies (Lepik 2002). Most of the finances of the CE come directly from the state budget³¹ and the allocations made are in general not earmarked with respect to their place in theatre policy³². It can be stated that the CE's mission is to take another approach to financing the arts in the form of a principle that could be interpreted as saying: support the arts, as you, the artists yourselves best see fit, in areas not covered by the formal national cultural policy.

Prior to 1992 there was no free market and there was no official incentive to promote theatre in order to preserve Estonian language and culture – although it has been claimed that theatre nevertheless did play a significant role in this regard (Tormis 2005). Theatre in general was seen as a tool for propaganda by the state (Rähesoo 1999; The World Encyclopedia of Contemporary Theatre Corporation 2000; Copic 2001). Thus formally the state policy prior to 1992 has no links to the present policy. In addition, the nineteen-nineties were a time of constructing and restructuring the economy, and also the legal system, and since the first version of PEA was only introduced in 1997 doubts can be also raised whether activities prior to that could be considered a coherent and transparent policy. This will have implications for the choice of the time frame in bringing together CBA and the Estonian theatre policy, which will be discussed subsequently.

Other relevant data

Below other relevant data that is available regarding the field of theatre in Estonia will be observed. This section will rely mainly on the newest official data available, which is the data published by the Statistical Office for the year 2003. All official sources, i.e., the MoC, the Statistical Office, and the Theatre Information Centre, are interconnected and basically operate with the same data. The Statistical Office will not be the sole source but it will be the main one. The data of the Statistical Office for year 2003 covers “19 theatres, which received, on an average, 235 visitors per performance.... The theatres employed 2,439 persons..., of whom 1,125... were creative staff.... There were 78 visits to the theatre per 100 inhabitants in 2003 and the state allocations to theatres amounted to 175 kroons... per inhabitant”

³¹ The revenues of the CE include proceeds pursuant to the Alcohol, Tobacco and Fuel Excise Duty Act (3.5% of the revenues on alcohol and tobacco excise), proceeds from gambling tax pursuant to the Gambling Tax Act (46% of each month's receipt), property donations and bequests made in favour of the Cultural Endowment, income received from investment of the assets of the Cultural Endowment, income from other economic activities and “other income.”

³² Certain funds *have* been earmarked by the legislator e.g., 0.5% of the proceeds pursuant to the Alcohol Excise Act have been specifically designated for the sub-endowment for physical fitness and sports, and 63% of the proceeds from gambling tax pursuant to the Gambling Tax Act have been allocated for cultural buildings.

(Statistical Office, 60). 43% of the population of Estonia had visited a theatre during 2003. “89% of theatre-goers attended a performance in their home town or region, 32% elsewhere in Estonia.... Theatre performances are most often attended in special theatre buildings (76% of theatre-goers), more seldom in other places (33%), culture centres (30%) and schools (12%).... Comedies are preferred by 77% of the population. Musicals, family productions, classical and contemporary productions are also popular.” (Statistical office, 122).

It is important to note that in assessing the preferences of the consumers a detailed catalogue of different genres is indicated by the Statistical Office, whereas in the case of theatres the division is simply based on a few categories, of which the biggest one essentially covers all of those preferred, or *not* preferred, by the consumers, namely that of “plays in prose”. This makes comparing the supply and demand based on credible official data impossible without a separate analysis, which in the current case of Estonia would in turn mean an additional and more detailed survey, or at least restructuring, of the mechanisms of collection of data.

In a Survey on the Consumption of Culture conducted by Saar Poll Ltd on orders of the MoC in 2003, the average price of a ticket that people would be willing to pay without major problems was found to be, on average, 67 kroons for attending a theatre performance, whereas of the price considered appropriate for a movie theatre ticket was considered to be 37 kroons, and that of a concert 87 kroons. These three numbers could be used to draw a possible order of preference of consumption based on demand.

The data of the Statistical Office also includes information regarding the frequency of visits to theatre performances during the past 12 months (the survey was conducted in the beginning of 2004). Nearly 60% of people had not been to any theatre performances at all. Some 27% had been to theatre 1-2 times and nearly 15% had visited performances 3-10 times³³. Note that, the same order of preferences – concerts over theatre, and theatre over cinema – can be observed. The average frequency of visiting theatre performances in one’s hometown or county in 2003 was 2.5 times, and that of visiting one further afield was 0.7 times³⁴.

³³ Note that only visits to special cultural institutions were taken into account in drawing conclusions by the Statistical Office (Statistical Office, 125).

³⁴ These numbers indicate the average number of visits among those who visited a cultural event at least once (Statistical Office, 125). Also, one conclusion could be that there are roughly 3.6 times more people who have access to culture at their place of living than those who have not, but that could also simply indicate that some people preferred the diversity and travelled to another location, and thus definitive conclusions regarding accessibility cannot be drawn.

According to the Statistical Office the main factors restricting participation in cultural activities were distance from cultural institutions (29% in the case of theatre), lack of time and interest (24% in the case of theatre). Highly relevant for the study is also the fact that for theatre, concerts and cinema too high ticket prices (51% in the case of theatre) were named as a problem for most of the population.

Summary

Already in the case of the Finnish market with its 5 million people there is talk of the smallness of the cultural market and therefore the rules of the free marketplace can be seen as relatively impracticable (Mitchell 2001). In addition, according to Lepik (2002) researchers refer to the dangers of delegating theatre policy related functions to small or weak municipalities³⁵. Nevertheless, an entirely separate and legitimate set of problems regarding the current status quo policy remain, and the issues to be addressed, such as the extent of proper planning of the execution, comprehensiveness, integrity and clarity of the policy, in other words of its quality, also remain. This also includes a need for sound and transparent reasoning behind current public subsidies for theatres, which in turn justifies the quest of this study.

Isolating data units to test CBA

To make it easier to follow the discussion, most of the next paragraph will be structured based on the approaches to CBA described in the first paragraph of this analysis entitled “CBA defined and explained”. Accordingly, this study will discuss the problems found under each section dedicated to that specific issue. In the following passages, as the method and policy have generally already been laid out, a detailed framework for final conclusions will be created. Below, the Estonian policy will be segmented to fit the expectations of the CBA method. As the goal of this thesis is not to fully conduct the CBA of the policy, and as the reader will be shown that it is also impracticable with the data readily available in Estonia, each step of CBA will thus be covered to an extent reasonable for the purposes of the discourse and conclusions. First, the challenge of choosing a set of policy alternatives will be discussed; second, possible targets and interest groups will be limited;

³⁵ Mangset (1995) identifies the risk that the sphere of culture would be defeated by other municipal problems of stronger standing and would hence lose resources. In addition, he finds that local cultural administrators lack sufficient knowledge, and because of the local importance of the issues of education and tourism they also lack permanent interest in dealing with cultural issues, which in turn would damage coordination of the field supposedly covered by national cultural policy in the whole country.

third, impact prediction problems will be discussed; fourth, the possibility of monetization will be observed; and fifth, discussions regarding discounting, net present value calculation, and sensitivity analysis will be conducted. Last, issues observed will be discussed within the framework of theoretical limitations indicated earlier in this thesis.

However, before proceeding an additional specification of the object of this study is necessary. As was discussed, historical issues cause problems of transparency and coherence to remain up to the present day, which as a consequence, and in regard to the limited application of CBA in this study, make defining the lifespan of the policy highly problematic. In addition, as the PEA stipulates that a committee appointed by the Minister of Culture review the subsidies for theatres annually, it is reasonable to consider the lifespan of a funding project to be one year for this CBA. There is no theoretical obstacle to deciding not to finance any of the 19 supported theatres in the following year if the results have not satisfied the conditions of the contract. Thus one year would be a reasonable “lifespan”. There exists in theory a variety of alternative choices, but in practice deliberately choosing another amount of years would not contribute to the analysis, and would, in addition, introduce complementary noise and difficulties, as also suggested by Boardman et al. (2001).

The one-year-horizon could of course be criticised, as a reasonable public policy would have to have more long-term goals, but the current build of the Estonian theatre policy system semi-prescribes this line of thought. Furthermore, in the context of the current implementation it is impossible to obtain reasonable data even for one single year, let alone then for an abstract period of time, even if one were to presume that a random point could be reasonably fixed as the beginning of a program and funding horizons would exceed that of a budget year. The framework of that one year also guarantees that the goals which are set when granting a subsidy cannot change *post-factum*. And the amount of money is measurable, and the scope of the program is fixed. Hence, despite the narrowness of this timeframe, this conditional one-year timeline can be regarded as an underlying presumption for this thesis’ arguments.

Specifying the set of alternatives

As current analysis can be considered *ex post* – the data used will be acquired from the past – the requirement of working with two or more alternative programs that have not yet been introduced, i.e., *ex ante*, is not applicable. It can also not be considered absolutely mandatory for the purposes of this analysis, as this study is looking into the limitations of

CBA in assessing Estonian Theatre Policy, such as it is. However, while alternative policies are not available, a different approach to introducing comparability, in order to understand the value of a given policy, could be used. Policy and no-policy, also referred to as the “baseline scenario” or “without-policy”, options can be compared (NCEDR 2005; Fuiguitt and Wilcox 1999).

Theoretically, if an analyst were to evaluate two or more competing programs *ex ante*, in order to suggest the best one, competing policies would be preferred. However, as such alternatives are not available this approach will have to be neglected. A wide, almost infinite variety of theoretical policy options could be created, if this study was to gradually and deliberately substitute inputs and goals with random deliberate replacements, for instance one by one. However, as they all would be of a speculative nature, and would have no practical input from those interested in and those formulating the policy, the generally suggested and widely used “baseline-scenario” approach serves the purpose of representing all other options on the zero-extreme end of the line of status quo policy and no-policy policy. Therefore, the relative benefits and costs brought about *as causes of Estonian theatre policy* will be drawn against the hypothetical alternative policy of “no-policy”, where no subsidies granted and no goals set by the state would be available.

It must nevertheless be stressed that the main aim of this thesis is not to compare policy options, but it is first of all to lay down a framework to enable an analyst to see the problems associated with the use of CBA in this field in order to avoid corrupt conclusions and theoretical traps. A full comparison would assume that there were no problems regarding the acquisition of objective data and that all impacts could be clearly indicated from scratch. As this is not currently possible in the context of the rational use of resources, fully developing an abstract baseline scenario would be an intellectually interesting underplot, but it would not bring added value to this study, as it is not yet certain whether it is possible to achieve readable results for the current policy at all. In the current case, if CBA were fully conductible, an answer to the question whether Estonian theatre policy could be regarded as socially beneficial or not, would be satisfactory, and that in turn could have interesting implications for future researches, as it would basically open the windows for comparing possible alternative policy configurations from the CBA perspective.

Limiting standing agents

In order to give a clear overview of the chosen approach, and as clear structures are not already available, this study will have to limit the number of those who have a share in the policy, or are affected by it. The threat in this is that an entire “catalogue” of the field will not be arrived at and that some secondary actors might be overlooked. A separate question would be whether data regarding their costs and benefits would be available in any case; but objectively such a bias is possible. The strength of this approach is that this system will be drawn based on the laws and views of different bodies, and that in turn may enable omitting another kind of bias, namely that of those working directly in or on the policy, and who might have a special interest in defining the scope of the field one way or another. Thus the strength of this could be the neutrality stressed also by Boardman et al. (2001) and Zinke (1997).

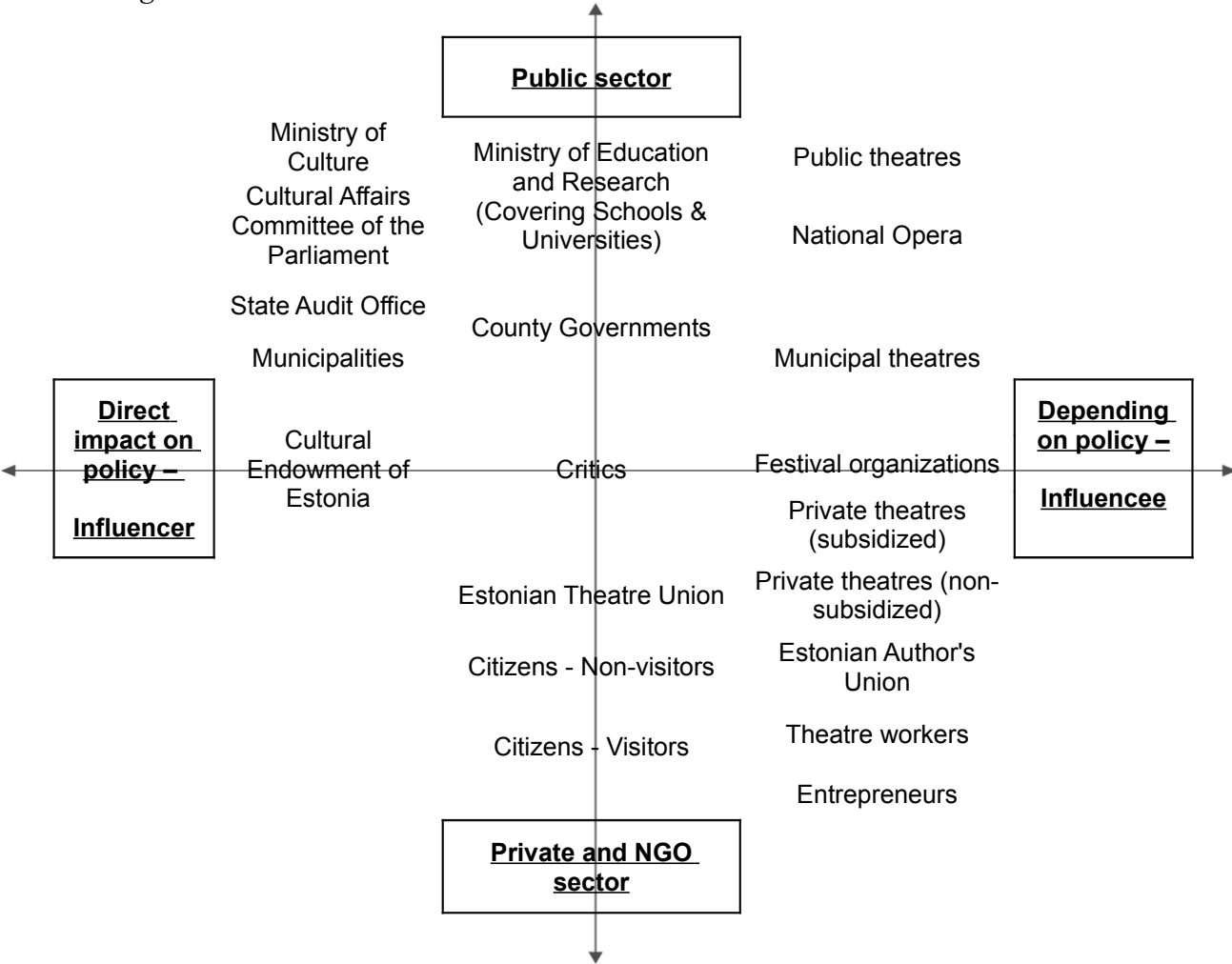
For the purposes of limiting those agents and bodies that have standing, the main data used is acquired by cross-examining the relations between assumed agents of the policy from the following sources: Ministry of Culture, Statistical Office, Estonian Theatre Information Centre, Higher Theatre School, State Gazette, Official State Web Centre, Central Commercial Register, Legal Language Centre, and Register of State and Municipal Agencies.

An illustrative description of (nearly) every agency or body that is influenced by (or, for now, influences) the policy, is given in appendices *A* and *B*, as due to the size of the structure it would be difficult to follow it inline with the rest of the material. The structure depicts the hierarchical structure of the state, but where public funding is granted to non-public entities they will still be graphed as subordinate units to granting institutions, based on the hierarchical cash-flow or the flow of control. Thus a few separable “systems” can be presented, where one describes those primary agents that are directly controlled and influenced by the state and those that are affected but not directly controlled, and the others describe the remainder of the interest groups of the policy that do not fall under the direct supervision or funding by the state.

Having established the wide range of units involved (see attached appendices) it is important to narrow the definition down to allow the presentation of data that is still plausible, but to do it in a more workable way. For the purposes of creating a basis for the task of the next paragraph regarding the cataloguing of impacts, smaller organizations, or sub-organizations and sub-units which are already present on the “wide” map, on appendices, will be included, under easily readable umbrellas. In order to still preserve an understanding for which agents have a direct impact on policy, and which are the ones resulting from, or acting

according to, the policy, the data will be presented along two basic axes that indicate functional relationships between the actors. These are abstractly divided into four quadrants – the axis describing relations as influence-*er* vs. influence-*ee*, and that of sorting units based on their class or interest – public sector, and private/NGO sector³⁶. There remain, however, multiple agents who carry characteristics from both ends of the axis depending on their activities – these agents will be drawn along the “axes”. In this diagram those units whose direct and/or indirect, tangible and/or intangible, real and/or pecuniary costs and/or benefits will be counted are present; the information presented will be used as the basis for the catalogue of impacts.

Figure 2



The possible weaknesses of the drawn set of actors are twofold. The author of this thesis may have omitted some of the probably secondary actors despite the fact that the sources used were carefully cross-examined. This links back to the threats of omission and

³⁶ Private sector organizations, private persons, civic organizations and other NGOs can currently be listed as belonging to one group since their relation to policy creation and implementation can be looked at as being close to identical.

subjectivity, and could be argued to also relate to the point of conflict of interests. Due to the possibility that some standing agents have not been included, it could be speculated that consequently several impacts could be omitted. Also, as the sources used have not been designed to reveal such relationships between agents, there is a possibility that the author has misinterpreted or overestimated the significance of some actors. The conflict of interest argument can be made as well, although the author speculates that it can not be considered too strong: there is the possibility that the author has willingly or unwillingly (which would be the current case) manipulated data in order to arrive at estimates that would support the assumptions revealed earlier. However, as this sort of analysis serves the purpose to illustrate the limitations discussed in the previous chapter, the impact of such errors for this study can not be estimated too high, as arguments can still be made and illustrated.

Cataloguing the impacts

For the purposes of cataloguing the impacts of theatre policy this analysis will use the so-called consequence net framework suggested by Oxenfeldt (1979) in a modified and simplified manner, mixed with the layout used by Musgrave and Musgrave (1984). For the purposes of conducting the analysis as transparently as possible the general guidelines offered by Boardman et al. (2001) and Mulreany (2002), which were indicated earlier, are used for structuring the flow of analysis. As the latter offer a much more detailed approach to be followed in the analysis, the more compact but less transparent tools offered by Oxenfeldt that are intended for simpler private sector situations need to be modified to fit a reduced tabulated format. The private sector approach would be appropriate if all market prices were available or easily derived – if, for instance, it were used to analyze an enterprise producing a certain good involving several target groups. As will be demonstrated, for many of the benefits and costs listed no direct measure is even available and therefore for the purposes of this study the step-by-step approach can be more indicative of the strengths and weaknesses of the CBA method when it is applied on such a “soft” field as theatre policy. Some correlations between variables that cannot be attributed monetary values in the current situation will be suggested for further research as well.

In this paragraph the different impacts the policy has on those who can be considered to have a share in the policy (indicated by scholars also as those “who have standing”), will be listed. The data from *Figure 2* will be used to list different targets horizontally, in the relative order of importance, and regardless of their relation to the policy. A note must also be made in advance concerning the theoretical relevance of monetization and sensitivity analysis: several

entries refer potentially to the problem of double counting of impacts across the whole social field covered by the policy. This is a factor that would be relevant in final calculations of any CBA where some impacts could be viewed as being simply of a redistributive nature, and simultaneously one agent's individual cost and another's benefit, thus resulting in zero net social impact. This issue can therefore be regarded as taken notice of but as nevertheless neglected, as the purpose is to get a comprehensive overview of the full spectrum of impacts and relationships.

Citizens

As mandated by PEA, the main target of the subsidies could be seen to be the final consumer, the theatre visitor. However, when listing the goals of the policy other much wider goals than just that of serving a visitor could be seen and therefore a slight contradiction in terms of the goals and the means to achieve them can be observed. Other broader societal goals indicate different targets as well, namely those benefiting from the non-use values of theatres and from processes of "introducing Estonia to the world", "preserved culture", "harmonious life", etc. Hence, it seems more reasonable to use *citizens* (in the sense of Peters and Pierre 2000, signifying empowered policy agents)³⁷ as the main beneficiaries of the policy. Furthermore, if one is to incorporate into this framework the approach discussed by Mintzberg (1996) that citizens in essence form the very notion of society, and hence they that are also indirectly at the origin of policy, this is even further justified.

But as formulation and implementation of the policy has been delegated to governmental structures, and in the concrete context of Estonia these structures are in reality viewed as the main influencers of the policy, it seems however reasonable, in the context of CBA, to list instrumental impacts of a more general nature separately under the umbrella of MoC and not of the citizens. The citizens will experience most of the broader benefits the policy will bring about to society, which they form, and the MoC can be seen as mediating most of the general costs and specific policy process-oriented benefits (that is to say: more or less measurable results leading to broader benefits). The MoC can be regarded as a mediating body that has been put into place to act as an expert, conjointly with the special committee of the Parliament, to help society in achieving desired national goals. As also the visitors of theatre performances form a distinct group, which may potentially have strong implications

³⁷ This concept focuses on the interest-carrying inhabitants of a country, and it does not involve the concept of citizenship in trans-national terms.

for studies of theatre demand, their special benefits will be listed separately from those of the rest of the society, as they experience other impacts in addition to those available to everyone.

Hence, the relevant benefits and costs to the citizens, which occur due to the fact that a policy instead of a no-policy³⁸ is in place, can be laid out in two separate conditional groups as follows:

Citizens – Society	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Amount of the Estonian nation and culture preserved - Amount of national security gained - Better conditions for creativity created - Introducing Estonia to the world - (Amount of crimes prevented)³⁹ - Equality⁴⁰ – Better access⁴¹ to service across social and regional groups – availability closer to home means savings in <i>full cost</i> due to increased regional activity and touring programs of theatres - Positive influence on local economies⁴² 	<ul style="list-style-type: none"> - Cost of policy (see also the costs listed under MoC) - Social opportunity cost – money invested into the field of theatre rather than for example into the competing field of cinema or education, which would bring about similar benefits⁴³ - Amount of tax-revenues spent on the account of those unwilling to support theatre at all (WTP≤0)

Citizens - Visitors	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Cheaper/affordable tickets available due to subsidy - More frequent consumption of the service possible - Higher quality service available; better performances - Diversity; choice available - Increased quality of life (motivation gained, social network developed, useful ideas) 	<ul style="list-style-type: none"> - Full price of attendance <ul style="list-style-type: none"> Money invested (price of attendance, concurrent expenditures (e.g., baby-sitter, fuel, eating out etc)) Time invested (arriving and leaving; attendance) - Opportunity cost of the best alternative

³⁸ All impacts indicated as being of a nature carrying “more” or “less” of a value or a characteristic are compared to an abstract situation, described in the beginning of the chapter, where no-policy would be in place.

³⁹ This impact is purely of a speculative nature, and should in fact hence not be listed, as no scientific correlation can be established between the policy and the impact, and as in addition, this *is not* a direct programmed goal of the policy. It is listed here for informative purposes indicating the broad possibilities of interpreting intangible benefits that a policy may bring about.

⁴⁰ Seen as linked to the stated goal of achieving “harmonious life”

⁴¹ Linked to the concepts of the “option price” (Hansen 1997), or “option value” (Boardman et al. 2001).

⁴² This view is suggested by Gapinski (1980) and it is also held by the Cultural Affairs Committee of the Parliament in Estonia.

⁴³ It can be debated whether gain on investments of the same amount of money into, say, the stock market or real estate could be used as valid comparison, as the resources can be considered to be earmarked to a certain extent (given that the public benefits pursued with the policy have to be achieved).

learned etc) - Quality experience gained during time invested - Additional education; Broadened horizon	
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As seen in both sections, across the whole society and in the narrower group of visitors, it is possible to spot a trend among the impacts indicated that most of these benefits are of an intangible nature, whereas the costs could be theoretically estimated in numerical values. The possible abstract measures that would have to be dealt with in order to provide data for a CBA will be indicated in section 4 where the problems associated with measuring will be further illustrated.

Possibly, benefits arising from cheaper tickets could be expressed in monetary terms, and the frequency of consumption could be counted (and later converted into money by using WTP estimates for example). As for the tickets: based on the average income of citizens and the Survey on Consumption of Culture (2003) the criterion of “affordability” can be considered to be applicable, as price and the number of visits are correlated; however, as there have been no surveys conducted using for example again the CVM enabling researchers to use people’s WTP as a measure, it is in reality difficult to say how many people would stop consuming the service. As for the frequency of consumption: there is no real data regarding the level of increase in consumption compared to the situation where no policy existed, and this increase would also have to be separately estimated (to simply suggest one option: by comparing for example the attendance in subsidized theatres and non-subsidized ones, or by asking the estimates on that matter from the specialists in the MoC, the theatre managers, and the consumers). The remaining benefits mostly refer back to other intangibility problems discussed.

The concept of “full price” of theatrical goods used by Garboua-Lévy and Montmarquette 1996 is relevant, as buying a ticket price does not include all costs associated with obtaining the good. Gapinski (1986) also stresses that time is a highly relevant cost in cases that would include theatre, as “a cultural experience is a time-intensive consumable” (Gapinski 1986, 25), and Boardman et al. (2001) call upon the relevant notion that “time is money” in the context of CBA. Hence, just using the average price of a ticket to a performance does not provide sufficient data for CBA. The components of the full price would have to be estimated (using shadow prices as seen in Blanco and Pino 1997), or the author would suggest also surveying the consumers). The opportunity cost problem can be

solved in the case of Estonia. The results of the Survey on the Consumption of Culture allow a reasonable presumption for CBA that based on the WTP indicator used that concerts are preferred to theatre, and theatre in turn to cinema. Based on ratios of how much one field is preferred to the other certain estimates for the opportunity cost could be suggested.

As can be seen above, the amount of impacts who’s measuring is faced with the almost all the problems indicated earlier – those of obtaining data, of defining demand, of quality variables, of non-use values and of opportunity cost – is quite high when looking at the impacts of the Estonian theatre policy on the inhabitants of the country. There reassuring fact is that certain WTP values have in fact already been surveyed in order to get an overview of the field. However, the studies so far have not had a scope wide enough to enable a CBA analyst calculate all the impacts experienced by the citizens.

Ministry of Culture

The MoC is the main agent for carrying out the theatre policy of the state (even if one might consider this approach obsolete from the point of view of governance or empowering, it is the *de facto* approach in Estonia). It is also directly involved in inducing the costs and controlling the instrumental benefits (positive outcomes, quantitative increases) associated with the policy. All of these impacts that relate to the stated roles of *planning* and *financing*, and that need to be indicated, will be listed under this heading. In addition, the Cultural Affairs Committee of the Parliament does not act separately in the field of theatre policy as an executor and acts based on expert opinions of the MoC. However, it has nevertheless been involved in determining the priorities. The detailed result-oriented impacts that could also be seen as regarding the Committee will also be listed herein, as towards the goals of the policy these two institutions can be considered to be different faces of the same entity institutionally carrying out the tasks of the state, based on the orders of the broader society, i.e., the citizenry.

MoC

<i>Benefits:</i>	<i>Costs:</i>
<ul style="list-style-type: none"> - Bigger quantity of theatre production - Bigger theatres can operate due to subsidies, which could imply returns to scale⁴⁴ - Vitalizing the labour market by creating jobs in the cultural industry 	<ul style="list-style-type: none"> - System costs – resources spent on implementing the policy (i.e., giving out subsidies; maintaining control; operating costs; contracting out etc) - The opportunity cost of resources spent

⁴⁴ This speculative correlation could be suggested based on the study of Gapinski (1980).

<ul style="list-style-type: none"> - Infrastructures preserved⁴⁵ - Competitiveness of theatre in the entertainment market raised - Conditions for raising the amount of visitors created 	<p>on one issue rather than any another</p>
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For measuring these impacts listed above, which that have been specifically defined desired to be desired with regulations, it should be possible to reach certain estimates. The increase in production can be counted, also the number of theatres. In order to significantly include impacts affecting the labour market, correlation between the policy and changes in the labour market should be established. An initial count could consist of theatre workers and their salaries. The benefits gained by maintaining infrastructure are also complex. Including this benefit is somewhat problematic in the framework of the Estonian theatre policy, as due to certain problems it would be difficult to take into account the costs associated with the creation of infrastructure. The cost cannot be provided without a special research. Also, including this impact automatically introduces a policy framework beyond one year and hence attempts to achieve a comparable ground, by trying to define the policy in concrete terms, would become futile. In addition, arguments can be made *pro* and *contra* whether the infrastructure is considered to be a direct part of the policy or not. This issue will be explained in more detail in section 4 of Predicting the impacts over the life of the project.

The issues of the nature of the good and of quality variables appear in estimating some of the impacts above as well. It has already been argued that the count of performances is not a valid count to indicate the output of a theatre from the broad point of view of the whole policy, as it does not embrace the cultural good offered by theatre as a whole. Hence, a function including at least quality variables, number of performances, and attendance indicators should be used. The claim however is of a theoretical nature.

The author suggests that from the perspective of CBA these impacts should be regarded rather as instruments leading to more general social benefits than final goals themselves. Using philosophical arguments it could be debated whether simply having certain cultural institutions exist is value, independent of their impacts, on their own or not. The same questions could be posed using the historical tradition argument made by Taylor (1985). The

⁴⁵ Including this benefit is somewhat problematic in the current framework of the analysis, as due to problems that will be discussed it is difficult to take into account the creation of the infrastructure. The cost cannot be computed without a special research. Including this impact automatically introduces a policy framework beyond one year and hence attempts made in trying to define the policy in concrete terms would become futile. Also, arguments can be made *pro* and *contra* whether the infrastructure is considered to be a direct part of the policy or not. These issues will be dealt with under next phases of the analysis.

system costs could probably be estimated, as all the data regarding employment and salaries in public institutions are public. Estimating the opportunity cost implies knowing the benefits that another policy in a different field aiming for comparable goals would achieve. However, there are no CBA studies in comparable fields conducted so far and also CVM studies are yet to be introduced into this framework if CBA, and hence such comparisons, were deemed needed.

Theatres

Having named the two other main agents in the framework of the policy – the citizens and the main administrating body – the third one, which is the direct subject of the policy and also the very medium of it, has to be introduced before listing those who have smaller shares or whose impacts are of an indirect nature. As defined earlier, even though theatres receiving support can be divided into several categories, the main distinction can be made whether the organizations that receive support are of a private or of a public origin. The legal division has been clearly indicated in *appendix A*. For the purposes of defining impacts of the policy this division is insignificant, based on the argument of pursuing public interest with a public mandate. However, as the impacts of the policy on a local level could be considered to be slightly different from other public theatres and also private theatres, the theatres observed will be categorized as *public* (state theatres, “public NGOs”, and the National Opera), *municipal* and *private* in this section.

Public Theatres	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - More workers - More productions - More customers served - More promotion for a theatre due to increased productivity as more customers are aware of service and the theatre can be more active - Possibility to also produce and offer to customers "high art" 	<ul style="list-style-type: none"> - Less independence - Certain centrally imposed costs (touring performances, visiting countryside etc) - Operating costs, which also include: <ul style="list-style-type: none"> Salaries paid to <i>additional</i> workers due to increase in production Real-estate maintenance

Municipal theatres	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - All the same benefits can be listed, plus the following: 	<ul style="list-style-type: none"> - Less independence

<ul style="list-style-type: none"> - More <i>local</i> customers served - Municipality promoted and tourism encouraged 	<ul style="list-style-type: none"> - Operating costs, which also include: Salaries paid to <i>additional</i> workers due to increase in production Real-estate maintenance - Certain centrally imposed agenda
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Private theatres (subsidized)

<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - All the same benefits as those of public theatres can be listed, plus the following: - More promotion for the private theatre company 	<ul style="list-style-type: none"> - Less independence - Operating costs, which also include: Salaries paid to <i>additional</i> workers due to increase in production

Private theatres (non-subsidized)

<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Artistic freedom guaranteed⁴⁶ 	<ul style="list-style-type: none"> - Revenues lost - Customers lost to those subsidized - Production lost due to unfair competition in manipulated market - Independent ideas not disseminated to society

Theatre workers

<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Salaries earned - Performances seen 	

First, it should be stated that one of the general problems arising from the context of CBA itself also has indications in this section. In addition to omission and double counting errors, that can arise in any step of impact assessment, not just regarding theatres, the problem of uncertainty applies – the analyst has to decide, whether theatres would be regarded as means to an end, or they are considered to be part of the very ends. One of the questions that should be answered is for example whether more promotion to a theatre means benefits to the whole society, arising from a broader claim that *Theatre* is an essential part of human life, or it means that theatres as production units of other social benefits are simply more productive.

⁴⁶ A state subsidy can be considered to suggest certain expectance as to results or content, although it might not.

This has significance in deciding whether qualitative traits such as “freedom” and “independence” are benefits or not, which in turn implies a choice between more or less intangible impacts to be included in the study. This also connects to the problem of the nature of the good, as defining theatre to be a non-excludable part of human life excludes the possibility of operating with economic tools that are used in the cases of the luxury goods.

Some of the impacts experienced in theatres, disregard of the notion whether they are regarded as objects of the policy or carriers of it, can be counted. Simultaneously, several of the impacts cannot be counted without a special approach. However, an option used for example by Urrutiaguer (2002) and Blanco and Pino (1997) is including dummy variables indicating whether a qualitative trait is or is not present. This, however, implies withdrawing from the general principles of CBA.

Other public agents

Previously the main actors that participate in, and are affected by, the policy were observed. However, there are still multiple other units that should be recognized from the perspective of social CBA. The issue in focus is how the impacts outside the framework of agents listed already sum up on a social level. This focus has been indicated multiple times during this study, especially in the section laying out the theory and the general practice of the method. The resources used belong to all of society, which according to CBA philosophy means that the impacts across the identifiable parts of society must be assessed. Hence, in the following passages other units experiencing impacts will be observed.

Cultural Endowment of Estonia	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Potentially additional number of organizations and people can be supported⁴⁷ 	<ul style="list-style-type: none"> - Operating costs - Money spent on those theatres not covered by the policy - Money spent on theatres already covered by the policy (bigger number=wider needs)

It will be argued under sensitivity analysis that the CE may be either included to or excluded from this study. However, in case the CE is included, the most relevant impacts it

⁴⁷ It is possible to hypothesize that were the MoC not to provide grants the burden would fall on the CE, which operates outside the policy as suggested earlier. The introduced policy liberates the policy independent CE from that theoretical burden, thus potentially creating room to support a wider spectre of recipients.

experiences can be claimed to be of a quantitative nature, as it does not share the same goals combined with same reasons for supporting the theatres and the artist as the MoC, as it can be seen as operating outside system of distributing subsidies of the MoC. Hence, the problem of deciding whether to include this actor or not, and to which extent, should be solved, as the decision would potentially change the outcome of the CBA.

State Audit Office	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - (Money saved to society) - (Gain in efficiency in public sector) 	<ul style="list-style-type: none"> - Operating cost (including resources spent on auditing the policy and the agencies involved)

It can be argued, that the State Audit Office does in fact not experience any benefits in the context of the theatre policy, as it does not pursue any special goals via the policy. However, similarly to the reasons argued earlier for presenting certain instrumental impacts under MoC instead of Society, it can be argued that this actor does incur costs because a theatre policy must be evaluated. The inclusion or exclusion of the *benefits* the Audit Office brings about to the society in the form of savings and efficiency can be debated. No money is saved nor is there any gain achieved in the society as the direct and unique result of a certain theatre policy being in place. An analyst should be careful in choosing the inputs for CBA in this regard. This potential mistake links to the general problems of unsystematic analysis and unclear assumptions.

County Governments	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - More regional entrepreneurs encouraged - Equality – Better access to service across social and regional groups⁴⁸ - Jobs created in the region in the context of unemployment 	<ul style="list-style-type: none"> - Operating costs

Country governments in Estonia can be seen as having special interests in a theatre policy and can also be seen the other way around. As there is not regional level of local government in Estonia and the County Governments operate as representatives of the central government, these benefits listed above could also be listed under the Society or the MoC

⁴⁸ Already present also under “Citizens – Society”.

categories of this study. In case it would be defined in the context of a CBA that the counties do carry specific regional interests on their own, then taking note of their benefits is justified. The costs should nevertheless be included, as the administration of a central policy might bring tasks, and hence costs, to county offices as well.

At least one of the benefits listed above has already been included under the category describing society as a whole. This repeated entry enables a clear illustration of the issue of double counting, which is relevant in the context of calculations. Depending on the method of collecting and cataloguing the impacts they might be attributed to several actors. However, on the broadest social level such impacts can be counted only once.

Municipalities	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Tourism encouraged via municipality promoted - Local spillover revenues earned by local entrepreneurs - Jobs created in the municipality - Money saved on subsidies⁴⁹ 	<ul style="list-style-type: none"> - Operating costs - Money spent on subsidies - Opportunity cost of the money

The fact that the municipalities do pursue specific local interests, which might become satisfied due to the theatre policy put in place, further strengthens the point of not including any benefits for the counties. In listing municipalities as those having a stake in the national theatre policy there is also the threat of double counting the impacts later on in the theoretical phase of net present value calculations. As the national cultural policy also sees the municipalities in support of the theatres already subsidized by the state, the costs associated with providing the subsidies should be included in the catalogue.

Ministry of Education and Research, Schools & Universities	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Increased revenues earned from offering theatre-related education, which arises from increased demand for such education - Students educated – education has been claimed to social well-being and raise income (see Throsby 1994) 	<ul style="list-style-type: none"> - Operating costs - Opportunity cost of the resource of scholars

⁴⁹ Hypothetical impact, which would become valid in case having an operational theatre were deemed a must by a municipality but state subsidies were not available, and accordingly the municipality would have to provide for the theatre to a greater extent.

The problems associated with including the Ministry of Education are discussed under sensitivity analysis. In general, this actor might also be considered for exclusion from the analysis, depending, again on the assumptions of the analyst.

Independent agents

Below the impacts experienced by smaller or secondary agents are briefly observed. As it will be indicated, most of the problems that can be found here have already been indicated under other units. The significance of any of these limitations may however be affected by their importance also in the context of the following actors. Hence, short attention will be paid to those units as well.

Estonian Theatre Union	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Revenues earned from more members - Revenues from state subsidies - Lifestyle promoted 	<ul style="list-style-type: none"> - Increased operating costs

The Union is mostly occupied with providing additional social guarantees and training to those working in theatres. As it also receives public funding to from the state to support its activities (Estonian Theatre Information Centre 2005), it should be included in the calculations. However, their inclusion also implies that the costs experienced by the state in proving support also for this organization, ought to be included. As these subsidies do not appear in public statistics regarding theatres, they must be separately analyzed. This aspect might be easily overlooked. The impacts the Union experiences in general seem to be relatively easy to measure in monetary terms.

Critics	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Salary earned 	<ul style="list-style-type: none"> - More time needs to be invested into more precise comparison

Because the theatre market is being sustained, the services of theatre critics are needed. These impacts do not imply major problems of estimation besides estimating the time required to accomplish one’s tasks. Indirect estimates could be used, as this group can be

suggested not experience major impacts from the point of view of the whole society, or questionnaires used.

Entrepreneurs	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Revenues from services and goods sold directly to theatres - Spillover revenues 	<ul style="list-style-type: none"> - Revenues lost by other entertainers due to manipulated market

The data regarding theatre’s transactions with private companies is not readily available. However, theatres do use fabrics, pain, wood, metal, various tools, gas, electricity, water, vehicles etc. Due to the policy in place theatres require more services from the private sector, and these transactions generate additional income to entrepreneurs. In addition, entrepreneurs theoretically experience intangible benefits from spillovers, as people who visit theatre performances might also use the services offered by hotels, cosmetics companies, restaurants, oil companies, etc. Determining these impacts is theoretically possible in the first case, but can be suggested impossible in the latter. As for the cost indicated above, it describes the revenues lost by competing enterprises who also offer leisure time activities because due to subsidies provided in the framework of the policy the opportunities for free competition are hindered, as theatres can artificially offer cheaper access than it would be possible without a policy.

Estonian Author's Union	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Revenue earned on music due to additional production 	<ul style="list-style-type: none"> - Operating costs

Festival organizations	
<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> - Revenues earned - Festivals organized - Additional promotion of Theatre⁵⁰ 	<ul style="list-style-type: none"> - Increased operating costs - Additional costs of production due to wider scope of shows to be included

⁵⁰ Promotion of Theatre as a general form of art.

Including festival organizations that provide mediums for the presentation of theatre performances adds another intangible category of benefits to the broader picture. As promotion of theatre is one of the goals of the national cultural policy, these impacts should theoretically be included. The author would however suggest that such a general impacts as “promotion” that is not correlated to increase in sales can not be reasonably studied and included into the framework of CBA.

Summary

The above catalogue should be regarded as a model of how to approach the analysis of a theatre policy with CBA. It is abstract in its nature, as all these impacts could also be simply listed and cost and benefits to the society; they do not have to be listed actor by actor, which was considered to be the more indicative way of conducting this study by the author. There is a possibility that it does not include all the relevant actors on the field touched by the Estonian theatre policy, and it can hence not be considered perfect. Also, all agents touched by the policy that could be identified were included despite arguments that could be made for excluding them in order to indicate the very problems of inclusion and omission, as preliminary implications of the limitations discussed earlier may appear in a specific context. For a more thorough and empirically better based catalogue the data above might have to be tested at least by asking the opinion of the agent indicated, as additional correlations or actors might be indicated, or those included, disputed. However, the approach taken has proven to be sufficient from the point of view of providing transparent and comprehensive data enough to discuss theoretical loopholes in the potential application of the method, and to observe possibilities and limitations of it for further studies. The impacts listed will be assigned theoretical units of measurement as required by CBA in order to make further suggestions regarding the usability of CBA in the given context.

In addition, the general critiques of the threats hidden in the method, namely those of the bias of the analyst, of double counting, and of omission, also apply to this context, as these possible errors can be regarded as being of a universal nature and not context dependent.

Assigning units of measurement

As the next phase, that of monetization, would require measurable units that could be converted into money-value in addition to the impacts in general being listed, an effort will be made in this section to assign units of measurement to impacts indicated. Below all the impacts identified will be weighted from the perspective of the basic units by which they

could be measured or counted. Indicating these units would be necessary for the step of monetization. No monetization of non-monetary impacts will be attempted, even if these could easily be converted into monetary values at first glance. This is done with the purpose of keeping this analysis transparent and the flow of arguments traceable, so that in future research the steps could be repeated and possible mistakes corrected, or the data. Several impacts that seem reasonably measurable in monetary terms will in fact in fact remain intangible or immeasurable in the context of the Estonian theatre policy, as correlations or data are not available, or the data lack detail.

The previous section listed all the impacts regardless of their repetition or of the issues of double counting, as from the point of view of assigning units of measurement that issue is not relevant (it would make a difference in the step of calculations). In order to arrive at the result below, in this section several of the impacts will be simplified as generic units of measurement cannot be seen to be dependent on the specifics of the relationship between the impact and the subject. As similar impacts will be seen across different actors, the units used to evaluate them will be the same. Thus at this point, in order to make the list of unique impacts and measuring units clear and compact, those entries that would repeatedly indicate a similar type of impact, will be combined. A detailed differentiation of the impacts was relevant for understanding the wide scope of benefits and costs across actors, depending on the specifics of any given situation, and details would be relevant also in the phase of monetization to indicate correlations or formulas that could be used, practically or theoretically, to arrive at potential monetary values. When simply indicating impacts it can, however, be suggested that it is unreasonable to have separate entries for “revenues earned from A” and “revenues earned from B”, as in similar cases the measuring unit for revenues could be expected to be the same across cases.

To group the impacts under measurable categories, the following classifying units of measurement will be suggested: *money* and *amount* on the directly measurable impact side; and abstract measures such as *Cultural Gain Unit* and *Preservation Gain Unit* on the intangible side. For achieving the results below the Atlas.ti program for qualitative analysis (Scientific Software Development 2005) has been used to identify similarities and group impacts.

Money: Impacts that can or could be expressed in direct money value:

<i>Benefits</i>	<i>Costs</i>
Better access	Money spent

Cheaper/affordable tickets due to subsidy	Operating costs
Gain in efficiency in public sector	Opportunity cost
Money saved	Revenues lost
Revenues earned	Certain centrally imposed costs
Salaries earned	Cost of policy
Spillover revenues earned	Unwillingness to pay for service

Counted or expressed in numbers: Results and impacts that can or could be counted in numbers: e.g., number of visitors, of jobs, of supportees, of “big” theatres subsidized, of entrepreneurs, of students, of productions and events, of projects, of tourists. (This would however be useful only if a correlation between the policy and the impact can be established and counted. If not, some of the last impacts could be measured in the Preservation Gain Units):

<i>Benefits</i>	<i>Costs</i>
Vitalizing the labour market; Jobs created	Customers lost
Conditions for raising the amount of visitors created	Production lost
More customers served	Time invested
Competitiveness of theatre in the entertainment market raised	
More workers	
Additional organizations and people supported	
More bigger theatres better off = returns to scale	
Additional projects evoked	
More regional entrepreneurs encouraged	
Students educated	
Bigger quantity of production	
More productions	
Festivals organized	
Crimes prevented	
Conditions for raising the amount of visitors created	
Additional number of organizations and people supported	

Cultural Gain Units: Impacts, which are measurable in an abstract manner by indicating that a value is added by these impacts but that the value is impossible or difficult to

calculate in monetary terms. In this thesis, these kinds of impacts will be described as measurable by an abstract Cultural Gain Units (CGU):

<i>Benefits</i>	<i>Costs</i>
Quality experience gained during time invested	Less independence
Higher quality service	Certain centrally imposed agenda
Diversity	Independent ideas not disseminated to society
Increased quality of life	
Possibility to produce "high art"	
Artistic freedom guaranteed	
Performances seen	
Lifestyle promoted	
Additional accessibility to culture	
More promotion for theatre	
Better conditions for creativity	
More frequent consumption of the service possible	
Introducing Estonia to the world ⁵¹	
Tourism encouraged via municipality promoted ⁵²	
Positive influence on local economies	
Additional education; Broadened horizon	

Preservation Gain Unit: Results and impacts that cannot be directly counted or expressed in monetary value, nor expressed with other suggested measures, but are nevertheless considered desirable by agents, if reached. As they are named among the principal goals of the policy, they have to be expressed with at least an abstract unit, even if they remain intangible. Currently that unit will be the Preservation Gain Unit. It expresses the variable of gain achieved due to policy. It involves abstract measures such as the calculated value of Life (the value of existing at another period of time: a second, a minute, an hour, a day, a decade), Security or relative well-being:

<i>Benefits</i>
Amount of nation and culture preserved
Amount of national security gained
Lifestyle promoted

⁵¹ If correlation between increases in tourism could be established, this impact could be counted. However, establishing a direct correlation can be expected to be unlikely.

⁵² If the correlation could be established with a separate study, this impact could be counted.

Summary of cataloguing

As one might have predicted based on the nature of the policy field, the amount of impacts that cannot be expressed in direct monetary values is indeed relatively high. If one were to conduct a contemporary CBA including *all* social impacts (Dunn 2003) all these impacts would have to be dealt with, since in the context of Estonian theatre policy almost all of these impacts have high relevance, as they are deemed the goals of the policy. The impacts that can be or could be counted are in fact mostly of a secondary nature. As Wildavsky (1997) also suggested, obtaining direct monetary values for a majority of costs seems to be achievable, as most of these costs can be derived from the data already indicated. Some difficulties could arise when estimating opportunity costs, but as general data for substitutes, regardless of the theoretical disputes regarding substitutes for theatre, can to a certain extent be obtained, it should be possible to achieve broad estimates similar in their accuracy at least to those used by Blanco and Pino (1997). However, the amount of intangible benefits that should be included, because of their importance in the context of the policy, suggests a theoretical need for additional studies, which could be used to generate data for proceeding with this CBA beyond this stage.

Predicting the impacts over the life of the project

It was laid out earlier in this paper and also emphasized by theory, that in order to assess the usability of CBA in analyzing theatre policy a clear timeframe was mandatory. Arguments were brought forth as to why choosing any random period consisting of multiple years would be problematic for the purposes of this analysis. The focus of this study is on finding the problems and traps of using CBA. Even though the eventual goal is not to argue for or against the existing policy, and even though sufficient data is thus far not available, obstacles due to which CBA *cannot* be implemented, or why it should be approached delicately, can be indicated by using the current approach. Hence, using the coherent and clear cut time frame indicated earlier – one budget year – is sufficient to achieve the goals intended, even though this time frame could be considered unsatisfying if one was to conduct a full *ex post* or *ex medias res* CBA. But due to inconsistencies in the data, nominating even one specific year would cause problems in the case of Estonia. Hence, in some cases, an abstract measure based on the trends of other years would have to be derived in order to construct a theoretical model-year-frame.

To add a dimension of complexity to the difficulties of evaluating the project over its clear life span, an additional issue can be introduced to indicate obstacles in the framework of this subject. Estonian public theatres have to maintain sometimes unreasonably large special buildings that require regular subsidies. Depending on the point of view, these buildings can be regarded as parts of the policy⁵³ in the framework of which they consume an unreasonably high amount of resources instead of allowing for that money to be used for producing art (Minister of Culture Raivo Palmaru in Cultural Affairs Committee 2005, no. 161). However, if the researcher were to include buildings he or she would encounter several problems. Would Estonia be about to begin considering building theatre houses, the approach described by Wildavsky (1997), that a long view of a project should be taken and costs should be estimated not only for the immediate future but also for the life of the project, would be infallible. “The usual procedure is to estimate the installation costs of the project and spread them over time, thus making them into something like annual costs” (Ibid., 870). Since the decision to build new ones, or to preserve those earlier built, was taken tens of years ago, when the economy was still driven by the rules of socialism, this is not possible without a separate study. There are two options that can be drawn from the extreme sides of one argument. First, the decision makers either choose to live with these buildings, which means also accepting the costs arising from large special houses, and the analyst conducts his or her study accepting that the buildings are already simply there. The buildings are not considered among the main carriers of the Estonian theatre policy, although according to the MoC theatre organizations receive significant amount of infrastructure subsidies to maintain buildings already in place. These subsidies are however *not* summed up with operational subsidies in public statistics and are hence considered separately from the activities of theatre policy. Second, on the other extreme end of the line, it could be decided that it would be useful to conclude the present project and to sell or demolish these buildings. This thesis is not proposing either of the solutions, but the scale of argument, can be drawn along these lines for illustrative purposes. Thus, as there is no clear market price for those buildings, neither their original building cost is obtainable without a separate study, the impacts associated with theatre houses built outside the timeframe chosen, but also outside the current policy undertaken, which was argued earlier to have no links with the former soviet policy, remain

⁵³ However, it can be argued that considering these buildings as parts of the real goals of the policy is to an extent questionable. The problem associated with including the buildings with unclear costs and purposes of creation in the framework of the very same policy, or at least in the framework of an earlier one with similar goals that does not exist, remains. In order to be able to operate with a lifecycle that would encompass every aspect in time and space a separate study establishing the value of the real estate should be conducted.

unclear⁵⁴. In this context the analyst would be faced with the issue of buildings that bring costs, which may be unreasonable, but cannot be undone.

As the buildings are not financed based on the same clear criteria set forth by public regulations for theatrical activities bringing about “Cultural Gain”, as this thesis has designated it, and as generating data regarding their creation and cost from the perspective of CBA would probably require a separate study, including those impacts (given the timeframe) might not enhance CBA analyses conducted in the such situations but could instead distort them from the perspective of irrelevant or at least highly problematic factors.

Given that *ex ante* analysis is not possible, then under regular circumstances of *ex post* CBA the analyst would establish the actual length of the policy, starting from the point of its creation, and gather and analyze data across this lifespan. As indicated earlier, current policy in focus has been inconsistent and its beginning is virtually untraceable. Hence, as predicting the impacts quantitatively over the life of the project first of all concerns the *ex ante* approach of CBA and as the lifespan of one year in focus (which is directly measurable, fits the purposes of this thesis, is sufficient to theoretically change the direction of the policy, and can thus also cause the termination or at least dramatic change of most theatre organizations affected), servers the purposes of a model lifespan, this step of analysis does not require additional discussion. The desired or potential impacts of the policy have been established and hence the issues regarding the step of monetization can be discussed.

In future researches, however, if all the data indicated were eventually obtained, the model time frame enabling might have to be modified to accommodate a more realistic lifespan of the policy.

Frozen milestone revealed

Ideally, the next step of CBA would be that of monetization, and after that discounting and net present value calculation. As a result of the phase of monetization, ideally, monetary values would be assigned to each impact and these estimates in turn could to be used in the following stages of CBA. However, as the goal of this study is illustrating the limitations of the method in the context of the Estonian theatre policy, and as in reality the amount of

⁵⁴ If one was to look at theatre houses as the main components of the policy, which remains questionable, as the only enable the artists to create cultural values, establishments built in different times could be brought to a comparable basis using Equivalent Annual Annuity Method or The Replacement Chain Method, which would enable one to transform net present values for projects with different life spans into a common metric. (NCEDR 2005)

intangible impacts that cannot be monetized based on the data available remains relatively high compared to those that can be attributed direct monetary values, all the following steps will be conducted with the goal of re-emphasizing general theoretical problems using the examples that can be drawn from the impacts of the Estonian theatre policy.

As the scope of substantial limitations of using the method in Estonia can already be indicated based on the study conducted so far – (1) having observed the data provided by the public sector at the current moment, (2) having determined a relatively wide framework of impacts with a high degree of ambivalence associated with it, and (3) having thus in essence indicated, although not yet discussed, the presence of most of the theoretical problems described earlier – the process of monetization will not be pursued further in the sense of creating another full catalogue with all the impacts listed, as it would not bring added value to the argument. This in turn excludes the “polishing” phase of discounting from this discourse given the time frame and the high amount of remaining intangible factors in addition. Also, due to lack of monetary values the final calculation cannot be performed.

There have been studies conducted which have modelled more or less hypothetical formulas, functions or vectors to discuss theatre or arts demand in the context of economics. This however, is not the purpose of this study where more policy analysis oriented conclusions, as opposed to those more closely related to economics, have been deemed desired. Consequently, no effort will be made to search for formulas that could be used for calculating all the variables needed on one theoretical and abstract day in the future. This could however be a valid focus of another study. The approach taken here does not claim to be perfect, but this approach does provide the basic level information to start out with in the future, potentially having theoretical implications on the broader theoretical level, and practical implications for potential analyses in Estonia as no known in depth studies on the topics of cultural economics have been conducted in Estonia.

Most of the theoretical problems have proven to be highly relevant in the current practical case, and identifying them here, before the theoretically expected step of monetization, can be argued to be relevant given that monetization would require taking into consideration all the problems and difficulties found. There were seven basic theoretical problems identified earlier, and in the context of the Estonian theatre policy most of them can be shortly assessed prior to proceeding with a short discussion regarding the remaining phases that are to be skipped.

“Deciding on the nature of the good”-problem – This problem can be considered to be highly context dependent, as in a situation where theatre is to simply operate on the market selling its product (e.g., Broadway) public good arguments would be difficult to fortify. But in the case of Estonia, where theatre is regarded as carrying out important social missions in addition to the simple exchange of money-for-good, the public good argument could be used with relatively high judiciousness. Its downsides in the context of Estonia can be seen in estimating the output of theatres. Assuming theatre is a public good would lead to excluding the luxury good approach and hence possibly also to different calculations regarding demand for the good.

“Using market failure as the reasoning behind public subsidies”-problem – This broader issue follows the same lines as the argument above. Given, that there are other impacts the society deems necessary to gain, which the private marketplace would fail to provide, the “compensating for market failure” argument could be used rather than not used in the context of the Estonian theatre policy.

All the other five potential obstacles that have been identified across the wide spectrum of cultural economics research have proven to be present in the context of preparing for a CBA analysis of the Estonian theatre policy. All of these – the “Obtaining data - counting and measurability problems”; the “Defining demand – The value of culture and theatre”-problem; the “Including quality variables”-problem; the “Including non-use values of theatres”-problem; and the “Alternative cost estimation problems” – would need to be addressed before an actual CBA could be conducted. The issues involved in dealing with these problems will be touched upon in the following passages and also in the section of conclusions.

Monetization

Below, the catalogues of target groups and impacts drawn out earlier will be used to further illustrate and describe two sets of limitations: (1) those having to do only with the theoretical nature of CBA and its feasibility in the current case, and (2) those arising from the activities or inactivity of the Estonian public sector. The latter also directly affect the possibility of conducting a CBA of the Estonian theatre policy, but these specific obstacles should not be generalized as they arise due to decisions taken or not taken in Estonia and, as such, do not describe the overall theoretical feasibility of CBA inside the framework of theatre policy analysis.

In theory, this crucial step of CBA would provide data for all the next stages leading to the almost final stage of making calculations. The limitations encountered described cause the attempt to apply CBA on the Estonian theatre policy to halt, which enables focusing on making conclusions regarding the feasibility of CBA in general, and regarding CBA in the narrow context in Estonia immediately after the exclusion of the remaining steps phase will have been touched upon.

To shortly illustrate the matters, some examples from the catalogue of impacts will be used. There are impacts whose correlations with other processes are hypothetical. There are also impacts whose value could theoretically be derived but would require a separate study, as data for these calculations has not been collected or lacks detail. These two issues are different. One has philosophical implications; the other is entirely practical and would require new courses of action so far not used. Examples of the first kind could be suggested to be all those designated as measurable by Preservation Gain Unit, and most of those measurable by the Cultural Gain Unit (diversity, gains in quality, better conditions, broadened horizon, etc.). All these could be suggested to be difficult to measure in monetary terms. Examples of the second kind would be several impacts that could be counted or expected to be measurable in money.

Halted phases

Discounting benefits and costs: Under regular circumstances, if CBA could be fully conducted, monetized estimates of impacts would be available at this point, thus costs and benefits occurring in the future could be either deflated to a moment in past (see example of application in cultural economics in Tobias 2004) or future impacts could be converted to a comparable basis in present terms (Fuguitt and Wilcox 1999). In the current context of Estonia one of the options for a discounting rate could have been using a rate of 5% per year⁵⁵ (Võrk 2004). However, as indicated, conducting discounting is firstly highly impracticable due to the amount of immeasurable factors from the perspective of this study, and secondly, the usefulness of this process from the perspective of determining the limitations of the method of CBA is questionable.

Net present value calculation: The former steps of monetization and discounting are in their essence preparatory procedures for the final calculations. As the steps of monetization and discounting have not been practicable, evaluation of the policy via the given method, in

⁵⁵ As this theoretical suggestion for the discount rate is not thoroughly reasoned, it would have to be seriously tested by sensitivity analysis.

the conditions of data availability (problem of a practical nature) or data generation possibilities (problem of a general theoretical nature) observed, can not be completed.

Most of the authors discussing CBA in general indicate two broader ways to reach a conclusion – that using the net present value (NPV) and that using the cost-benefit ratio (B/C). Fuguitt and Wilcox (1999) provide a good treatment of the matter to shortly address the difference between the two. The broadest difference is defined by whether present values of benefits and cost are subtracted or divided. The authors, similarly to Dunn (2003), argue that depending on the situation, and the criteria for decision, the use of either is different. Fuguitt and Wilcox (1999) similarly to Boardman et al. (2001) find, however, that NPV should be used as the main tool for decision. “According to Kaldor-Hicks criterion, a single policy promotes efficiency if the social benefits outweigh the social costs. Thus, the appropriate criterion for assessing one policy’s efficiency is whether the *net present value* (NPV) is positive” (Fuguitt and Wilcox, 82; supported also by Boardman et al. 2001). That approach would hence provide the decision maker with the answer whether a policy should be implemented or not from the standing point of economic efficiency, compared to another policy or to status quo. Fuguitt and Wilcox (1999) claim that during earlier years the B/C had been abused in that it was considered as the decision criterion for assessing efficiency of projects across various cases. They state there is only one situation where B/C could be used. And in that situation it would also be used to provide only additional information for the decision maker. This applies to a situation where one has to consider more than one project in the context of fixed budget constraints – the decision in this situation is suggested to be reached by identifying all affordable combinations of policies, and again, by designating the most efficient combination based on the maximum NPV, but in addition ranking individual policies by B/C is seen as providing supplementary information regarding greatest net benefits per investment dollar spent. “The NPV criterion chooses individual projects yielding the greatest net benefits” (Fuguitt and Wilcox, 88) without taking into account the total costs of a project.

For future reference, as it is currently not possible to calculate neither the NPV nor the B/C of the Estonian theatre policy program, it is not possible to claim that the budget would necessarily be fixed if alternative configurations would be observed. However, given the difficulties of reassigning resources and any restructuring inside the framework of cultural policy in Estonia (Minister of Culture Margus Allikmaa in Cultural Affairs Committee 2002,

no. 266) decrease of the expenditures earmarked for cultural policy in the state budget, high rigidity of the theatre policy's budget is reasonable to be assumed as well.

Sensitivity analysis: Sensitivity analysis is commonly employed for dealing with uncertainty by changing input variables and observing the sensitivity and changes of the result. "For example, if a positive present value is calculated for a range of discount rates, the analyst can conclude that uncertainty over which discount rate to use does not factor heavily in the analysis." (NCEDR 2005). In the context of natural resources it has been suggested by the NCEDR that the method can be approached in two ways: by employing either a *variable-by-variable analysis* or by using *scenario analysis* where groups of variables are changed at once. Boardman et al. (2001) stress there are practical limits to the feasibility of sensitivity analysis, as theoretically every estimate could be varied almost infinitely, and they suggest the analyst has to "use judgement and focus on the potentially most important assumptions." They admit that there is potential for opening CBA to vulnerabilities of the subjectivity-based biases of the analyst but find that "carefully thought-out scenarios are usually more informative than a mindless varying of assumptions" (Boardman et al., 16).

The omission of previous steps excludes the possibility of any sensitivity analysis of reason regarding this CBA, as the previous steps do not provide the data for this phase on the reasons explained above. However, that is not to say, that the issue cannot be addressed on a more abstract level.

There are questions that arise from the idea that the content of what exactly forms, or should form, the policy is to an extent debatable. The problem has to do with the political choices, and with the concepts drawn for the purposes of this analysis based on these choices. On a broad level, this raises questions regarding the included impacts, and the choice of those who have standing. It can be suggested, for the purposes of a complete catalogue of impacts, representatives of each of these institutions should evaluate the relationships proposed in this study. This could enable an analyst to refer to a wide range of somewhat tested impacts, and in addition, all those representing certain agents might suggest additional institutions or impacts that may have been overlooked in this preliminary analysis. In addition, there are several institutions, whose problematic status towards the policy can, and in the case of at least two, has been discussed. One would have to consider whether excluding one or all of them would significantly change the course of this study. Below some examples will be shortly discussed.

Firstly, it could be asked what would change if one was to consider or not consider the Cultural Endowment as part of the Estonian theatre policy. An argument was brought forth that the CE could be seen as operating outside the framework of the theatre policy, and that it was in fact part of a separate additional program to assist artists. However, the coin could be flipped, and it could be claimed on the contrary that the state budget is simply one state budget; if allocations from these funds are made to actors and theatres with the purposes of developing and sustaining theatres, then this fact makes CE part of the public approach taken to theatres. The latter would stand even if this approach were not mentioned in documents formulating the cultural or theatre policy, as the CE nevertheless influences the outcomes of the policy. The first argument could be seen as being of a practical nature, and it can be supported with the fact the documents and institutions involved in planning and evaluating the policy do not include the CE, and its funds are, hence, also not included in public statistics. And therefore, CE should be regarded and studied separately, as its existence and operations are independent of the theatre policy implemented by the MoC. Based on that, only secondary impacts experienced by the CE would be included in the analysis. The counterargument could be seen as more theoretical, disregarding what the content of papers, which might include mistakes, states. It can be supported by combining the assumption that any state activity towards the same objects could be regarded as one, and since the CE performs some of the tasks indicated by Cummings and Katz (1989), it should be included on the primary level as having direct influence on theatres. Hence, all impacts, primary and secondary, that are involved with the CE in action, should be included. On a practical level the latter choice would imply that the Statistical Office and the MoC re-evaluated their approach to expressing public expenditures related to maintaining a sustainable field of theatrical art.

Secondly, theatre buildings might or might not be included in the analysis. On one side of the argument, their existence is independent of the will of the policy. The main goal of the policy can be claimed to be guaranteeing that theatrical art is produced, disregard of the venue. This would also explain why additional support for investments has not been included in public statistics and why also the MoC regards costs associated with buildings separately of producing art. On the other hand, maintaining the existing infrastructure is listed among the goals of the MoC; disregard of the choice, whether the buildings are regarded as merely means to achieve goals, or also as goals that have heritage value, they do receive funding and hence are subject to theatre policy. An analyst would have to approach this issue with care, as it remains unclear whether some of these buildings could be regarded as a burden instead of an

asset in some cases. It also remains unclear whether these buildings are seen as part of the theatre policy, or instead, of the broader cultural policy, which could mean these buildings receive support because they exist but it has not been decided whether all of them they carry a cultural value relevant from the perspective of the art of theatre of their own.

Thirdly, one could include or exclude the Ministry of Education that deals with universities and schools, or also exclude the State Audit Office to an extent. The production of professional theatrical performances requires properly educated people; hence the existence of a theatre policy influences various educational institutions. Demand for their services ideally depends on the size of the field that needs workers with special education. However, an argument could be made that the schools are considered separate of that of the field dealing with theatre. As most of them providing theatre-related education receive public funding based on a different policy and different grounds, disregard of the given purposes of the theatre policy, the Ministry of Educations and educational institutions might not be included in the calculations. People would be educated by the schools disregard of the theatre policy. The State Audit Office could be excluded partially, as the benefits its activities bring about are not results of the theatre policy. However, the costs experienced by the Office are. It can be suggested that in this case only costs experienced by the actor would be calculated.

Also, as several indirect impacts of the policy remain immeasurable (e.g., impact of local economies; impact of gained tourists; higher quality; cost of the best alternative, etc.) one might consider presenting the results with and without including those impacts. In fact, with reasonability, this approach could be followed with all significant components of the study. Depending on the view on the earlier discussed limitations regarding combining CBA and the policy, these critiques could be included or excluded. However, with significant factors, it can be suggested, the choice should be transparent, and those theoretically making decision to choose between alternative courses of action should be presented with some various versions of conclusions. So, in theory an analysis could be presented with certain groups of impacts included, and without them.

The separate issue of some data not being collected has nothing to do with immeasurability of impacts. It could be claimed to be inactivity or unwillingness of those in charge of planning, rather than intangibility of variables. The options for solving this issue include changing or broadening the statistics collection system, or generating the data by the analyst. These options will be discussed in the part of conclusions.

Making a recommendation based on the NPV and sensitivity analysis: As noted above, it is currently impossible to use CBA in all its potential for the purposes of assessing the policy in discussion. Hence, this phase of CBA is irrelevant in the given context. However, similarly to the skipped step of sensitivity analysis, certain remarks regarding the planning and measuring of the policy can still be provided in the part of conclusions using the theoretical study of CBA in the framework of cultural policies, and the halted application of CBA on one concrete program.

5. Conclusions

The questions observed during this study were several. Could one of the most widely exercised policy analysis methods be used in the context of cultural policies? Which are its general problems that can be translated into threats? Could the method be applied to a specifically defined area inside the framework of cultural policies, namely that of theatre? Are there any additional limitations arising from the policy in addition to those found in the method? Would the threats be converted into weaknesses in case the method were applied to a theatre policy that is specifically limited in space and time? Would it be possible to conduct a CBA of the Estonian theatre policy in order to justify or refute, or even restructure the public funding to provided to the theatres? If not, how could the policy be assessed so that conclusions regarding the economic efficiency of the policy could be suggested?

There were also a few clear assumptions underlying the study. First, there are those who believe that in general everything can be converted into common monetary values and thus answers to the questions of efficiency or effectiveness can be provided across different fields, disregard the specifics of any them. Second, various studies using the tools from economics have been conducted inside the framework what has acquired the name of cultural economics. Several of these so far mostly preliminary studies have concluded that using such tools is in general justified and legitimate, and that answers to urgent questions regarding the allocation of public funds to cultural activities could be provided. Third, the field of theatre often receives one of the biggest shares from public funds allocated to various policies inside the framework of cultural policy in different European countries; hence analyzing this relatively well definable field could be considered relevant. Fourth, looking for transparent causes for the funding of any institution via public funds is by definition justified as funds could be reallocated to better use in case unreasonable allocations could be proven. Combining these assumptions and understandings provided the justification for the study undertaken, and formed its framework.

The analysis followed a structure consisting of four main parts. The first chapter introduced the method and its weaknesses to provide the framework for the study. The second chapter introduced the notions of cultural policy, of cultural economics, and of theatre policy providing the context for the study. The third chapter observed the theoretical possibility of using the method with its predefined assumptions, requirements and structure in the context of a theatre policy, which has its specific characteristics that might or might not fit the

assumptions of the method. Limitations of this combination were indicated. The fourth chapter tested whether the general weaknesses and theoretical limitations would remain relevant in practice using the structure of CBA for approaching the Estonian theatre policy.

The study conducted enables drawing separate conclusions regarding CBA of theatre policies in general, and concerning the possibilities of a similar analysis of the Estonian theatre policy. This also complies with the two hypotheses set for this thesis. It should be stressed that regarding the problems in Estonia these conclusions can provide answers mainly from the perspective of the predetermined framework of the method that draws from the assumptions of economics and from the belief of the possibility universal objectification. The study does not provide an analysis of the policy outside the structure defined by the CBA. Philosophically, this could also be seen as the main weakness of this study as the results could be seen as having a definite meaning only in this specific theoretical framework. However, the attempted reality-check was a conscious effort to link the theory to a concrete policy to observe the possibilities of employing the theoretical framework of this study by the decision makers in reality.

From a broader philosophical perspective the definition of success of such a study is also predefined by its presumptions and basic interpretation of the surrounding realities. Along the lines of Drechsler (2000) and Morçöl (2002) it can be suggested that one should use quantificationist methods with great care. They are part of a certain narrowly defined thought which does not take into account social, cultural, and economic realities that have more plasticity (Morçöl) than assumed by methods striving for objectification.

“These human realities... are not easily reducible to their components, and therefore they are not easily quantifiable. Quantitative methods can still provide useful insights into human realities, but forcing equations on them carries the potential risk of objectifying them... This [mathematical] objectivity excludes personal judgements and strives for impersonality. This is not to say that all mathematical knowledge necessarily objectifies reality or that all mathematicians and scientists are quantificationists, but the potential is there.” (Morçöl, 37, 38)

As the main goal of the study was finding the limitations of CBA in the context of the Estonian theatre policy the secondary conclusions regarding that very policy will be provided first, and then the principal issues concluding this thesis will be provided.

One of the two hypotheses was that CBA of the Estonian theatre policy cannot be completed with the data currently available but practical limitations and some suggestions for

overcoming these issues can be indicated. Several of the theoretical problems whose influence in the context of a concrete theatre policy was tested indeed proved to hinder the conduct of CBA of the theatre policy in Estonia. These were firstly obstacles of a theoretical nature, discussed below more general conclusions, but also of a practical nature.

The Estonian theatre policy could be regarded as a rather curious case, as funds to theatre organizations are allocated but the transparency of these actions from a legal perspective can be questioned. That being the case, most of the attempts to estimate the rationale behind these subsidies without a separate analysis could become futile. The fact that there have been no efforts made to collect data that would enable systematic analysis of the policy to be conducted suggests re-evaluating the data collection system and its criteria. In addition, the legal issues suggest that guaranteeing transparency that could indicate some interest towards analytical input has not been of a concern for the MoC on the broad scale. There could be both objective and subjective reasons for this. The objective problem is that in the Estonian MoC there is only one position specifically designed for analyzing, planning and implementing the theatre policy. The subjective problems might include disinterest, as the opacity guarantees less detailed questions from the members of the society.

Furthermore, a fact not discussed in the study as it is of a technical nature, is that the current system of allocating subsidies, which has been suggested to be not followed completely, can be seen as being replaced by a calculation of human working years needed to maintain an existing theatre and achieve its predicted production (although the MoC (2005) claimed it was being amended). However, the new system does not correlate to the outcomes of the policy. In fact, it could be hypothesised that it provides guaranteed subsidies to bigger organizations despite the quality of their production, which could be suggested untying the goals of the policy from the main instrument of achieving them, namely subsidies.

On the practical side, it could be suggested that the surveys conducted by the statistical office would firstly make efforts to include variables dealing with all the goals set forth for the policy. The possibility of this in the current framework is suggested by the fact that surveying is already being used to a limited extent, hence the framework could be amended with a complete CVM or at least partial suggestions from various parts of this study. Secondly, those organizations receiving governmental support should be additionally or exclusively divided into categories of “public” and “private” that would be transparent beyond the boundaries of the cultural policy, as the current categorizations carry opaque notions supposedly relevant mostly in the context of actually differentiating organizations based on their legal status

although the laws demand otherwise. As the policy does not contain goals of supporting x amount of smaller or y amount of bigger theatres, and also this difference is not defined in public documents, differentiation based on the criteria of undefined size remains questionable. Thirdly, and most importantly, the allocation of all public funds directed to theatres and theatre related organizations must be reflected in official statistics. Currently, subsidies earmarked for infrastructure are not clearly indicated, support to the unions is not included, and the support to the amateur organizations, which have not been touched upon during this study, is also not included although it could be claimed they all should be.

The author believes that taking account of the critique and implementing these corrections would enhance the possibilities of making the policy more transparent and also more open to possibilities of internal reallocations towards increases in effectiveness, as the access to the policy with systematic policy analysis methods would be provided.

The main hypothesis of this thesis was that the amount of ambivalent factors, both from a theoretical and a practical point of view, makes conducting a thorough social CBA on theatre policies difficult but theoretically not impossible. Based on the study conducted, it can be suggested CBA is indeed theoretically not impossible to use in assessing theatre policies: that is, if certain requirements be fulfilled. Firstly, a certain amount of the impacts that remain intangible because of their theoretical nature could be omitted from monetization. If possible, they should, however, be included in the results with narrative explanations of their importance; also, more quantified reasoning could be added, e.g., using surveys. In the latter case, estimates of the participants and the wider citizenry regarding the significance of an intangible impact, or the achievement of a desired goal could probably provide more information than no information. Thus, it could be considered a reasonable solution to this situation. If surveys had to be used, CBA would therefore be suggested to be not conductible on its own. The issue of why not use CEA instead of CBA could then arise. The answer to that lay in the choice of the purpose and resources of the study. Were the analyst to use the research for comparing alternatives on the basis of their costs and effectiveness, especially in the context of a limited research budget, CEA could be suggested (based on Fuguitt and Wilcox (1999), Boardman et al. (2001), Wildavsky (1997), Dunn (2003), Weimer and Vining (1999), and Mulreany (2002)). In case optimal expenditure levels for the field were searched, with varying outcomes of alternative policies, and it would be possible to conduct additional studies to include a maximum number of social impacts, CBA could be used.

This study suggests that CEA may in fact be more relevant in the context of theatre policies due to relatively high intangibility of a wide range of impacts.

Secondly, all or most of the data missing because it has not been collected, or is not comprehensive, would have to be generated. This could be achieved by including gathering such data in the framework of any given study. Also, postponing the study for example for a year, and restructuring the public statistics collection of the issues of concern during that period, might also achieve that purpose. The first approach would require additional resources and could be predicted to have a limited effect in time; the latter could be hypothesized to provide more plausible data also in the future, but could imply postponing the study itself indefinitely, as the political need for it may change over time. Because of the latter alternative methods of analysis might have to be used. Thirdly, most of the limitations mentioned in this study should be addressed, as the answers to some of these issues in specific contexts might be different (e.g. whether the “theatrical good” is regarded as private or public in a country, and linked to that, whether market failure is seen to be in need of adjustments).

This leads to providing the conclusions regarding the principles based on which the relevance of the potential errors the method might contain, and the limitations arising from a specific policy could be approached in subsequent studies.

Some of the general problems associated with CBA may or may not be of issue depending on definition of the object of the analysis. For example the problems of uncertainty of general assumptions, of the boundaries of the problem in focus, of computational difficulties, of forecasting, of valuation errors arising from scarce records depend on the scope of the policy and the practical availability of data in a given country. Other potential errors simply depend on the professionalism of the analyst and are not policy-dependent for that matter, and could surface independent of the specifics of any given policy. Examples of the latter are errors of double counting, of omission, of being biased or unsystematic, and measurement errors.

The limitations arising from the very policy being analyzed, in turn, can be suggested to be relevant in most cases. Only issues such as the market failure argument and the nature of the good problem could be regarded as context and decision dependent. The rest of these limitations of (1) data obtaining problems (intangibility and collection), (2) demand and value of the good problems, (3) inclusion of quality variables, (4) inclusion of non-use values, and

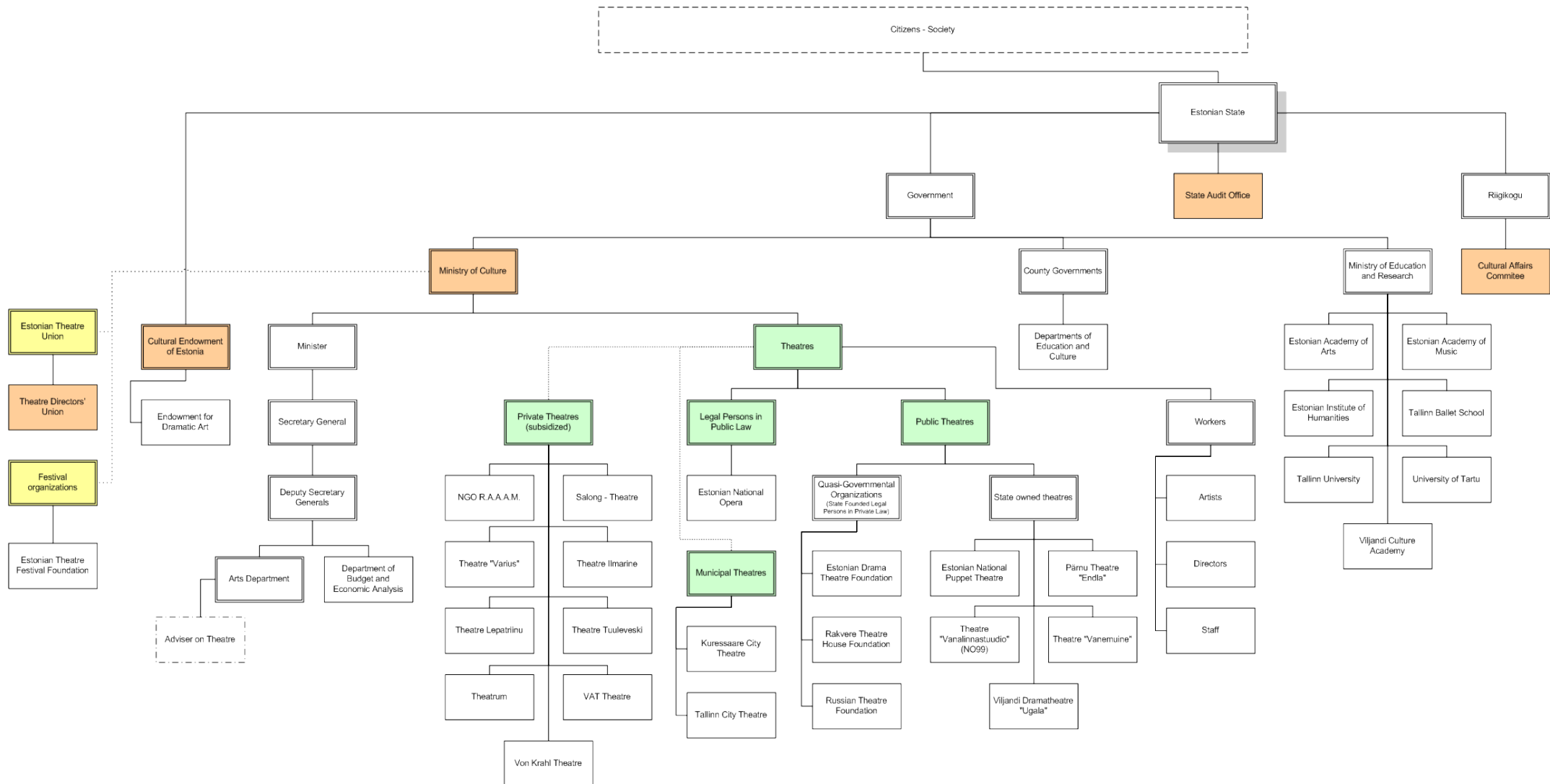
issues of (5) estimating the opportunity costs were theoretically hypothesized and appeared to be present in the framework of the Estonian theatre policy.

This implies that the general problem of an analyst finding himself in the middle of the “battle of experts” remains relevant throughout the whole context of combining CBA and theatre policy, as several factors depend on a point of view taken. The claims of Morçöl (2002) support this conclusion in that political decisions determine the outcomes of an economic analysis, and especially CBA. Indeed, if for example, the theatre policy of Estonia would be formed differently, and the goal of it would be deemed to be only producing x amount of performances per year, then the available data would enable conducting a simpler complete analysis.

It can be suggested that the more goals are attributed to a policy the higher the likelihood that CBA has to be substituted to another method or has to be at least supported by additional studies, using for example the contingent valuation method. A reasonable replacement for the CBA in the given context of theatre policy analysis, and hypothetically also in other fields of cultural policy, could be the cost-effectiveness analysis. This would mean giving up the extreme-quantificationist expectations of the method of cost-benefit analysis after all, but it could nevertheless provide useful answers for the theorists and the practitioners. Albert Einstein might well have been right in saying that “Not everything that counts can be counted, and not everything that can be counted counts.”

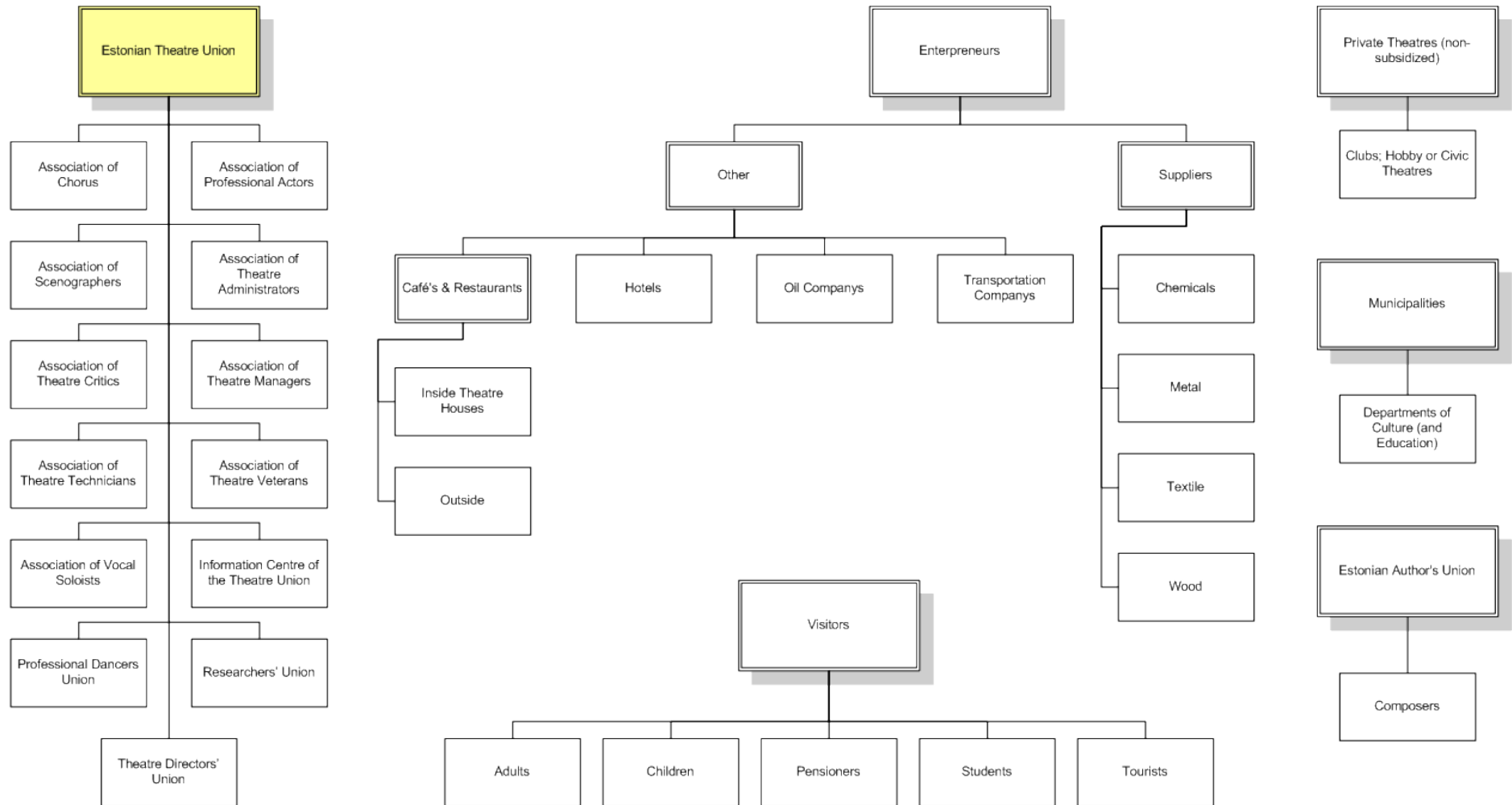
Appendices

Appendix A – A hierarchical catalogue of those who have standing



Appendix B – A hierarchical catalogue of those who have standing

Secondary agents of the Policy



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Kokkuvõte

Käesolev magistritöö vaatleb kulu-tulu analüüsi kui hindamismeetodi rakendatavust kultuuripoliitika kontekstis, keskendudes kitsamalt teatreid käsitlevale halduspoliitikale. Autor osutab vaatlusaluse kvantitatiivse ja rahalistele mõõdikutele orienteeritud meetodi piirangutele ja võimalustele “pehme” poliitika hindamisel kahel tasandil. Arutluse lähtepunktiks on kultuurimajanduse [*cultural economics*] üks põhilisi uurimisküsimusi: kuidas ratsionaalselt põhjendada kultuurivaldkondade riiklikku subsideerimist ning toetuste suuruseid. Uurimuse peaesmärgiks on kulu-tulu analüüsimeetodi piirangute leidmine antud kontekstis.

Kultuuri ja poliitikat, nagu ka kunsti ja raha, on tihti käsitletud kui teineteist välistavaid või kokkusobimatuid mõisteid. Esimese valdkonnaga seotud inimesed keskenduvad tõeselgelt pigem kunstipärasusele, loovusele, puhtusele, sõltumatusel, kriitilisusele, vabadusele, hingelisusele, tunnetele ja irratsionaalsusele. Teise poole äärmuslikud esindajad enamasti efektiivsusele, tõhususele, läbipaistvusele, mõõdetavusele, rahale, säästmisele, kuludele, eesmärkidele ja ratsionaalsusele. Alates 1960. aastatest arenenud uurimisvaldkonna, kultuurimajanduse, raames peetakse nende mõistete ettevaatlikku eraldikäsitlemist aegunud arusaamaks. Mitmed uurijad on veendunud, et need kunstiarmastajad, kes arvavad, et valitsused peavad kunsti toetama, on kohustatud leidma veenvaid põhjendusi ülejäänud ühiskonna jaoks – ühiskonda tuleks sel juhul veenda selles, et kultuurivaldkonna positiivsed mõjud ulatuvad väljapoole kunstide kitsast turgu. Mitmed uurijad on veendunud, et seda tuleks ja on võimalik teha kvantitatiivselt. Selliste ratsionaliseeritud põhjenduste otsimise eesmärk ei ole kunstidelt raha ära võtmine, vaid pigem kultuuripoliitikate raames tõhusaimate rahapaigutusvõimaluste leidmine, et luua rohkem ühiskondlikku lisatulu.

Kulu-tulu analüüs, mis 1930. aastatel alguse saanuna on alates 1960. aastatest levinud üle maailma, on üks enim kasutatud poliitika- ja programmianalüüsi meetodeid. Selle meetodi mõõtühik on ühene – raha. Erasektoris kulude ja tulude kaalumise kasumi arvutamisel eristab *sotsiaalset* kulu-tulu analüüsi *kõikide* ühiskondlike mõjude kaasamine arvutustesse. Sotsiaalne KTA (edaspidi KTA) arvestada kõiki indiviidide ja organisatsioonide huvisid, et need summeerida. Kultuuripoliitika raames ratsionaalsuse poole püüdlemine ei ole teoreetiliselt uus nähtus. Küsimust, kas vaba turumajanduse tingimustes, kus püüeldakse avalike ja eravahendite optimaalseima kasutuse poole, on ühest õigustust maksutulude

suunamiseks kunstidele, on korduvalt küsitud. Niiöelda „kõvade“ majandusmeetodite rakendamine kultuurivaldkondade hindamisel on muutumas tõusvaks trendiks.

Teostatud uurimus tugineb mitmetele eeldustele. Esiteks, leidub piisavalt uurijaid ja praktikuid, kes leiavad, et kõige väärtust on võimalik rahas väljendada. Seega on võimalik leida vastuseid kasutegureid ja tõhusust puudutavatele küsimustele igas valdkonnas, olenemata spetsiifilistest eripäradest. Teiseks, kultuurimajanduse raames on hiljuti teostatud erinevaid uuringuid, mille esialgsed tulemused viitavad, et majandusmõjude hindamise meetodite kasutamine on õigustatud ja kultuurivaldkondade avaliku rahastamise põhjendatust on teoreetiliselt võimalik uurida. Kolmandaks, teater on kultuuripoliitika valdkond, mille osakaal erinevate Euroopa riikide kultuurieelarvetes on sagedasti üks suurimaid. Seetõttu ongi käesolevas uurimuses selle valdkonna uurimist õigustatuks peetud, arvestades täiendavalt et teatripoliitika on uurimisobjektina piisavalt selgesti defineeritav. Neljandaks, maksutuludest ükskõik millise institutsiooni toetamise õigustatuse kohta küsimuste esitamine on alati põhjendatud, sest ressursse oleks võimalik ebaefektiivsuse korral paremal viisil kasutamisele ümber suunata. Nimetatud eelduste ja arusaamade ühendamine andnud õigustuse ja raami käesoleva uurimuse teostamiseks.

Teoreetisel tasandil tehakse esmalt järeldusi tuginedes konkreetse meetodi vastu suunatud üldisele kriitikale, ning teiseks, tuginedes kultuurimajanduse raamistikus teostatud uuringute analüüsile. Praktilisel tasandil testitakse eeldatavate teoreetiliste piirangute kohasust läbi katse rakendada meetodit Eesti teatripoliitika hindamisel. Uurimus pakub võimalusi üldistusteks vaatlusaluse või sellega suguluses olevate meetodite kasutatavust puudutavate piirangute osas. Ühtlasi tehakse töös kitsamaid järeldusi, mis puudutavad Eesti teatripoliitika raames leitud probleeme. Käesolev analüüs on struktureeritud nii, et see annab esmalt ülevaate laialtkasutatud KTA meetodist ning selle nõrkustest, et anda uurimusele selgeid eeldusi ja tingimusi sisaldav raamistik. Tutvustatakse ka kultuuripoliitika, kultuurimajanduse ja teatripoliitika tähendusi, et lisada teoreetilisele meetodile täiendava mõõtmena konkreetsem teoreetiline kontekst. Uurimuse põhiosas vaadeldakse antud meetodi teoreetilisi rakendusvõimalusi teatripoliitika kontekstis, kombineerides KTAs sisalduvad eeldused, tingimused ja struktuuri teatripoliitikale eripäraste omadustega, mis kas kattuvad või ei kattu toodud eeldustega. Läbi eelneva kõrvutamise osutatakse KTA ja teatripoliitika ühendamisel tekkivatele analüüsi piirangutele. Meetodi Magistritöö teises analüüsis osas hinnatakse kas üldised kitsaskohad ja tuletatud teoreetilised piirangud on relevantsed ka praktilisel tasandil,

kui rakendada KTAd ajas ja ruumis selgeltpiiritletud teatripoliitika – Eesti teatripoliitika – analüüsimisel.

Autor järeldab üldisel tasandil, et kulu-tulu analüüsi kasutamine antud kontekstis ei ole võimatu, kuid on tänu erinevatele piiritlemis- ja mõõdetavusprobleemidele võrdlemisi keeruline. Töös soovitatakse ka täiendavate meetodite, nagu kontingentanalüüsi [*contingent valuation method*] või reisikulu meetodi [*travel cost method*] kasutamist juhuks, kui meetodit hoolimata tema piirangutest siiski teatripoliitika hindamisel kasutatakse. Need meetodid võimaldaksid uurijal omistada raskesti kvantifitseeritavatele mõjudele mõõdetavad väärtused, kuivõrd neid ei tohiks meetodikesksete probleemide ettekäändel analüüsist välja jätta. Autor pakub välja mõned võimalused selle vältimiseks.

Kuigi töö peaeesmärk on meetodi teoreetiliste piirangute leidmine ning nende kontrollimine, ilmnevad uurimuse empiirilise osa läbimise käigus ka mõningad kitsaskohad Eesti teatripoliitika läbipaistvuses ja süstemaatilises planeerimises. Eesti teatripoliitikat võib pidada huvitavaks juhtumiks, kuna eraldi teatriorganisatsioonidele tehakse, kuid eraldiste põhjendatus ning läbipaistvus on küsitav. Töös osutatakse Riigikontrolli 2001. ja 2005. aasta kriitikaga sarnaselt, et Kultuuriministeerium ei lähtu toetuste määramisel etendusasutuste seaduses toodud mehhanismist ning et reaalne toetuste jaotus ei ole objektiivselt seotud tulemuslikkuse, vaid olemasoleva struktuuri suurusega; viimasenanimetatud kriteeriumit aga riiklikes dokumentides toetuse alusena toodud ei ole. Samas eristatakse ka üleriigilises statistikas teatreid õiguslikult defineerimata „suur-väike“ teljel. Töös oletatakse, et sellistes tingimustes on tõenäoline, et enamikke püüdeid toetuste ratsionaalsust hinnata ei saada ilma eraldi teostatava süsteemse analüüsita edu.

Õiguslikud ebakõlad osutavad võimalusele, et läbipaistvuse tagamine, mis osutaks huvile süsteemi süsteemselt korrastada, ei ole olnud üksikuid inimesi ja nende isiklikke arvamusi kõrvale jättes ministeeriumi kui terviku huviobjektiks. Andmed lubavad oletada, et sellel on nii objektiivseid kui ka subjektiivseid põhjuseid. Objektiivselt on ministeeriumis teatripoliitika analüüsimise, planeerimise ning koordineerimisega tegelemiseks loodud vaid üks ametikoht. Subjektiivsed probleemid võivad sisaldada näiteks huvipuuudust, kuivõrd läbipaistmatus tagab väiksema arvu detailsete küsimuste esitamise ühiskonnaliikmete poolt.

Täiendavalt lisatakse töö kokkuvõttes osas kõrvalepõikena, et senine toetuste jagamise süsteem on asendamisel uue süsteemiga (kuigi Kultuuriministeerium (2005) väidab, et süsteemi täiendatakse), mis tugineb olemasoleva teatri tööshoidmiseks vajalike

inimtööaastate arvestusel. Uus süsteem, millele puuduvad viited ja alused kehtivas seadusandluses, ei ole teoreetiliselt seotud teatripoliitika tulemustega, kuivõrd on võimalik väita, et see tagab stabiilsemad toetused suurtele organisatsioonidele olenemata kvaliteedist. See omakorda võimaldab väita, et riiklikud kultuuripoliitilised eesmärgid teatri valdkonnas on teoreetiliselt tasandil vähemalt osaliselt lahti seotud nende eesmärkide saavutamise peamisest instrumendist, rahalistest toetustest.

Praktilise ettepanekuna soovitatakse töös riikliku andmekogumissüsteemi ja -kriteeriumite ümberkorraldamise kaalumist. Ettepanekute kohaselt oleks riikliku statistika teatripoliitikat puudutavate andmete kogumisel kasulik haarata laiemat hulka muutujaid, arvestades kõiki uurimuses toodud teatripoliitika eesmärke. Selle ettepaneku realiseeritavusele viitab tõsiasi, et küsitlusi kasutatakse piiratud juba praeguse andmestiku koondamisel, seega oleks võimalik seda raamistikku laiendada kas tervikliku kontingentanalüüsi kaasamisega või vähemalt töös toodud teisi ettepanekuid arvestades. Teiseks, peaks andmetes asendama teatriorganisatsioonide liigituse teljel suur-väike läbipaistva ja võrdset kohtlemist hinnata võimaldava jaotusega teljel avalik-era. Kolmas ja kõige põhimõttelisem ettepanek puudutab *kõikide* teatritele ja teatritega seotud allorganisatsioonidele eraldatud subsiidiumite väljatoomist ametlikus kultuurstatistikas. Antud hetkel ei ole välja toodud infrastruktuuritoetusi, toetusi ametiliitudele, ning näiteks toetusi amatöörorganisatsioonidele.

Autor leiab, et toodud kriitika ja tehtud ettepanekutega arvestamine avardaks võimalusi kõnealuse halduspoliitika läbipaistvamaks muutmiseks ning sektorisestse ümberjaotuste kaalumiseks, eesmärgiga saavutada tõenäoliselt samaks või võrreldavaks jääva eelarve juures paremaid tulemusi, kuivõrd avataks võimalused avalikuks aruteluks ning Eesti teatripoliitika hindamiseks süstemaatiliste poliitikaanalüüsi meetoditega.

Üldisemalt tasandil järeldatakse töös läbi KTA piirangute analüüsi, et KTA kasutamine võib osutada võimalikuks, kui täita olenevalt kontekstist teatud eeltingimused. Esiteks, osad mõjud, mis jäävadki oma olemusest tulenevalt mõõdetamatuks, saaks rahaks konverteerimise faasist välja jätta. Kui võimalik, tuleks need mõjud sel juhul siiski lisada tulemuste hulka koos avatud selgitustega nende olulisusest. Täiendav kvantitatiivsem lähenemine oleks küsitluste kasutamine teatud mõjude tähtsuse või seotud eesmärkide saavutamise taseme kohta informatsiooni kogumiseks; võib väita, et subjektiivsem informatsioon oleks eelistatud informatsiooni esitamata jätmisele. Kui jätta aga vahele rahaks konverteerimine ja valida kaudse hindamise tee, tekib küsimus, miks mitte kasutada lihtsamat kulu-tõhususe analüüsi

(KTõA). Vastus peitub uuringu eesmärkides ja vahendite hulgas. Kui analüütik kavatseks alternatiivseid poliitikat võrrelda fikseeritud eelarve tingimustes, oleks soovitatav valida vähem ressursinõudlik KTõA. Kui aga eesmärgiks on teatripoliitika läbiviimiseks parima kulutuste taseme leidmine, lubades erinevate lõpptulemustega manipuleerimist, ning võimalik oleks läbi viia ka lisaurimusi maksimaalse arvu sotsiaalsete mõjuda hindamiseks, siis võiks kasutada KTA-d. Käesolevas magistritöös jõutakse järeldusele, et KTõA võib teatripoliitika hindamise kontekstis esinevaid arvukaid mõõdetamatusi ja laia mõjuspektrit arvestades osutada asjakohasemaks analüüsimeetodiks.

Teiseks tuleks genereerida kõik andmed, mis puuduvad kas põhjusel, et neid ei ole kogutud või avalik statistika on puudulik. Seda saaks ühelt poolt teostada kaasates andmekogumise konkreetse uurimuse põhitegevuste hulka. Teisalt oleks teoreetiliselt võimalik uurimust näiteks aasta võrra edasi lükata ja selle aja jooksul teemakohase avaliku statistika kogumist ümber struktureerida. Esimene lähenemine eeldab täiendavad vahendeid ja selle mõju oleks eelduslikult lühiajaline. pikemas perspektiivis. Teise variandi puhul on teoreetiliselt võimalik tagada asjakohaste andmete kogumine ka tulevikus, kuid see lahendus võib uurimuse enese määramatuks ajaks edasi lükata, sest poliitilised vajadused võivad aja jooksul muutuda. Viimatinimetatud põhjusel peaks kaaluma alternatiivsete uurimismeetodite kasutamist. Kolmandaks, kõikide antud uurimuses toodud piirangutele tuleks lahendus leida, kuivõrd olenevalt olukorrast võivad probleemide vastused olla erinevad (näiteks võib teatri poolt pakutavat „kaupa“ vaadelda nii avaliku hüve kui ka individuaalkaubana, ja sellega seondub ka küsimus, kas teatri tegevust käsitletakse turuhälbe tingimustes toimuvana või mitte).

Uurimuses leitakse, et KTA meetodiga seotud üldised kitsaskohad võivad, kuid ei pruugi, olenevalt analüüsi objekti defineerimisest probleemideks osutada. Näiteks eelduste ja uurimisobjekti raamide ebaselgus, ennustamise võimalikkus, ning hindamisvead sõltuvad konkreetse poliitika definitsioonist ja andmete kättesaadavusest uuritavas riigis. Ülejäänud potentsiaalsete vigade ilmumine sõltub analüüsija professionaalsusest ja ei ole seotud poliitika või meetodi eriomadustega. Sellisteks vigadeks saab arvata topeltlugemise, väljajätmise, eelarvamused ja ebasüsteematisuse, ning mõõtmis- ja arvutusvead. Uuritava halduspoliitika kontekstist väljakasvavate probleemide puhul saab väita vastupidiselt, et enamik neist piirangutest ilmneks tõenäoliselt enamikel juhtudel, kui sarnast poliitikat uuritaks. Vaid turuhälbe argumendi ning teatri poolt pakutava kauba olemuse probleemi puhul saab osutada kontekstist ja konkreetsetest otsustest sõltumisele. Uurimuses väidetakse, et

ülejäanud vaadeldavad piirangud, nagu andmete koondamise probleemid (möödetamatus ja kättesaamatus), kauba väärtuse ja nõudluse probleemid, kvaliteediomaduste arvestamise probleemid, otsese kasutamise välise lisaväärtuse arvestamise probleemid, ning alternatiivkulu probleemid, mille esinemist teoreetiliselt ennustada võib, ilmnevad ka Eesti teatripoliitika hindamise raames.

Osutatu viitab üldisemale probleemile, millele töös alguses meetodisuunalisi üldiseid kriitkaid tutvustades ka osutatakse, kus analüüsija jääb abstraktselt „ekspertidevahelise sõja“ keskele ning ei saakski seetõttu justkui uurimuses üheseid aluseid arvestada, kuivõrd eeldused sõltuvad langetatud otsustest ja vaatenurgast. Töös osutatakse, et poliitilised otsused määravad sellises kontekstis ära majandusliku analüüsi, eriti KTA, tulemuse, viidates teoreetilistele käsitlustele kirjanduses ning illustratsioonile, et juhul kui Eesti kultuuripoliitika oleks formuleeritud teisiti ning selle eesmärgiks oleks vaid mingi kindlaksmääratud koguse teatrietenduste väljatoomine aasta jooksul, siis oleks saadaolevate andmete põhjal võimalik lihtsam KTA ka lõpuni läbi viia. Eraldi küsimus oleks sel juhul, mida selline KTA näitaks.

Oluline on toonitada, et Eestit puudutavates probleemides pakub uurimus vastuseid peamiselt KTA poolt defineeritud raamistikus, ning tugineb seega analüüsis pigem majandusteaduslikele eeldustele ja vaatele, et kõiki nähtusi on võimalik objektiivselt kirjeldada ja mõõta. Uurimuse käigus ei teostata teatripoliitika analüüsi väljaspool KTA poolt määratud tingimusi. Filosoofilisest vaatenurgast võiks seda käsitleda uurimuse suurima nõrkusena, sest on saab väita, et tulemusi on võimalik tähenduslikult tõlgendada vaid konkreetses teoreetilisest raamistikus. Siiski leiab autor, et läbiviidud katse siduda teoreetilised probleemid konkreetse poliitikaga, et vaadelda uurimuses kasutatava teoreetilise käsitluse rakendatavust otsusetegijate poolt päriselus, pakub võimaluse kontrollida teoreetilisi järeldusi reaalsuses.

Veelgi laiemas filosoofilises perspektiivis on võimalik väita, et taoliste uurimuste edukus on eelmääratud läbi seatud eeltingimuste ja eelduste ning sõltub ümbritseva reaalsuse tõlgendamisviisist. Tuginedes mitmele uurijale, viitab autor teaduskirjanduses analüüsitava teoreetilisele probleemile, et kvantitatiivseid meetodeid tuleks kasutada ettevaatlikult – moodustavad osa kitsalt piiritletud mõtteviisist, mis ei arvesta meetodi poolt eeldatust paindlikumaid sotsiaalseid, kultuurilisi ning majanduslikke mõõdeid.

Uurimuses oletatakse, et mida rohkem eesmärke omistatakse mingile halduspoliitikale kultuuripoliitika raamistikus, seda suurem on tõenäosus, et KTA tuleb asendada mõne teise

meetodiga või seda tuleb mõnega neist täiendada. Autor pakub analüüsi tulemusena välja võimaluse, et kulu-tulu analüüsile lähedane kulu-tõhususe analüüs on teatripoliitika hindamiseks otstarbekam vahend, kuna viimane ei eelda kõigi tulemuste ja mõjude täielikku rahaks ümberarvutamist. Hüpoteesiliselt võiks seda järeldust laiendada ka osadele teistele kultuuripoliitika valdkondadele. See tähendab ühtlasi äärmuslikest kvantifitseerimiseeldustest ja -nõuetest loobumist; sellest hoolimata leiab autor, et on piisavalt alust eeldada selle mõnevõrra lihtsama meetodi asjakohasust arvestatavate vastusete andmisel nii teoreetikute kui ka praktikute küsimustele.