Economics of Leisure

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Introduction

Economists were among the first to analyse leisure, foremost among them being Thorstein Veblen, whose *Theory of the Leisure Class*, published in 1899, was subtitled: *An Economic Study of Institutions*. It is one measure of Veblen's originality that it was another 60 years before the economics of leisure was substantially addressed again, with the beginning of the modern era of leisure studies and the publication of the seminal *Economics of Outdoor Recreation*, by Marion Clawson and Jack Knetsch, in 1962. However, it is arguable that Veblen's was both the first and last book published in English on the economics of *leisure* since subsequent books have typically focussed on just one sector of leisure only. Table 1 lists the major books in the field arranged according to major focus and date of publication. It can be seen that, since the 1980s, there has been a drift towards books on specific sectors, notably the arts, sport and tourism. Of course books do not represent the totality of intellectual activity in a field of study; journals and conference papers are also relevant. In the social sciences, however, books are a useful indicator and frequently consist of consolidating statements and/or reprinting of research which has previously been promulgated in other media.

INSERT Table 1

The economics of leisure

While most of the references to Veblen's work in the leisure studies literature tend to refer to his conception of 'conspicuous consumption' as a sociological phenomenon, in fact this is equally an economic concept and the book itself is fundamentally about economics. Veblen set out to explore the historical – and indeed pre-historical – development of societies to the state where they were able to produce a *surplus* of material goods over and above the requirements for subsistence and then to examine how this surplus was controlled, distributed and used. In hunter-gatherer societies, even in times of abundance, very little by way of a material surplus was produced – instead, when sufficient food, clothing and shelter for immediate needs had been secured, work stopped, resulting, in some cases, in abundant time for extensive sleeping and engaging in leisure or cultural activities, such as story-telling, dance, painting and ritual (Sahlins 1974). The idea of producing material goods over and above immediate needs and accumulating material wealth began for the most part with the advent of agriculture which created settled communities and the more elaborate political and social structures that came with them. In such circumstances the powerful could force the less powerful to produce a surplus and usurp that surplus in the form of taxes, rents or tithes, thus facilitating the existence of a 'leisure class'. The very notion of a surplus over and above subsistence is a contested one, since the requirements for subsistence must be assessed by someone and, down the ages, those in power have generally made this assessment in regard to others, but in their own interest. Thus peasants, slaves and workers have at times been forced into starvation to deliver a 'surplus' to serve the material and leisure demands of elites – the 'leisure class'. When pushed too far, empires and dynasties have come to grief in such circumstances. Critical analyses of contemporary Western society see capital as continuing this practice, although identifying the capitalist class with a significant *leisure* class in Veblen's sense is now difficult to achieve (Rojek, 2000: 51 ff.). Such ideas reflect the Marxian notion of 'surplus value'. The idea of 'leisure' being linked to 'surplus' is clearly relevant in current political and social discourse but is absent from contemporary economics.

Such considerations can be seen as being in the tradition of 'political economy' but during the twentieth century the discipline of economics moved away from this parent discipline and became a more technical and limited field of study and this has been reflected in the economics of leisure.

How have economists addressed the issue of leisure? At the core of any economic analysis for any product are the 'micro-economic' phenomena of demand, supply and price, how they are determined and how they interact. These relationships are, for most standard products, unremarkable: it is the 'non-standard' characteristics of many leisure products which have attracted much of the attention of leisure economists. In addition to the micro-economics of individual markets, economics is also concerned with the macro-economics of whole economies: the economic significance of leisure and particular leisure sectors and the economic impact of leisure projects on local and national economies has also therefore been a feature of the economics of leisure. Three broad areas can be identified: the work/leisure trade-off; market sector peculiarities; and public sector issues. These are discussed in turn below. The bulk of the economics of leisure is shaped by what has become known as 'neoclassical' theory: the final section of the chapter considers critiques of this approach and examples of alternative approaches.

Work-leisure trade-off

The question of how workers balance work-time and leisure-time is one of the most long-standing preoccupations of leisure economists. It is arguably the core of Veblen's work, particularly in regard to the historical, and pre-historical, evolution of a leisure class. The level of interest in the topic has fluctuated among the wider leisure studies community, but it has become arguably the key issue, not only of leisure economics but of leisure studies in general, since the 1990s, when it was observed that a supposed long-term trend in reduced working hours and increased leisure time in Western economies had apparently come to an end.

In the 1960s Clawson and Knetsch (1966: 13) set out some of the relevant issues regarding the work-leisure trade-off: that leisure and work are clearly competitors for a fixed amount of time; that the number of hours individual workers may spend in paid work is not completely flexible but is partly constrained by social and commercial norms; that increasing wages resulting from productivity gains could result in workers wishing to work either *more* hours or *less* hours; and that in practice, up to the middle of the twentieth century, American workers had opted for a mixture of both, but with the majority (60%) of the share of the fruits of productivity gains secured by workers being taken in the form of increased wages and just 40% in the form of increased leisure. But these observations were just background to Clawson and Knetsch's primary concern with the economics of outdoor recreation, they were not the focus of their interest.

John D. Owen examined the topic in more detail than anyone else before or since in his book, *The Price of Leisure*, published in 1969. Working hours were posited to be affected by a change in the wage rate in two opposing ways, termed the *substitution* effect and the *income* effect. The *substitution* effect referred to the situation in which workers work *more* hours in response to an increase in the wage rate: since the employer is offering a higher price for labour the worker is prepared to offer more of it. This effect is clearly at work when workers respond to the offer of premium overtime rates by working longer hours. The *income* effect, however, works in the opposite direction since, with a higher wage rate, the worker can secure the same level of income by working *fewer* hours. Which of these effects will dominate in any one situation is therefore an empirical question, depending on the preferences of the individual worker for income as opposed to leisure. In aggregate, the result will reflect the combined preferences of all workers. The extent to which these preferences are able to be exercised in particular labour market conditions, and particularly the extent to which they are reflected in collective bargaining outcomes, is also an empirical question. Owen conducted empirical work using US data for the period 1929-1961 and concluded that the *income* effect had been dominant in America in that period – that is, as wages had risen, the supply of labour per worker had declined, resulting in significant reductions in working hours; in economists' jargon: there was a 'backward sloping supply curve for labour'. However, as Clawson and Knetsch had observed, the income effect was not totally dominant, since the reductions in working hours were not sufficient to offset increases in wage rates altogether – incomes rose at the same time as working hours were falling.

Unlike commentators who implied that rising productivity and wages would *inevitably* lead to reduced working hours and a 'society of leisure', Owen indicated that neither economic theory nor empirical evidence suggested that reduced working hours would apply in all conditions of increasing wages. He presented data to suggest that the income effect had been reinforced in the United States during the study period by particular 'leisure supply' features, including the rapid development of the leisure industries and the decline in the price of leisure goods and services relative to other goods and services. Thus the offer of more leisure goods and services in the marketplace led workers to seek more 'consumption time' to enjoy them - a recognition often attributed to Henry Ford. Further, during the Great Depression, there had been political and trade union pressure to reduce working hours in order to create jobs (Hunnicutt, 1988: 147ff). So increased wages, increased leisure time, reduced prices of leisure goods and services and political influences resulted in a trend towards growth in leisure consumption. Further, he suggested that there was evidence that the 60-hour working weeks and lack of paid holidays which were common at the beginning of the period, had resulted in levels of fatigue which did not produce optimum levels of productivity. So, when reduced working hours and paid holidays were shown to enhance productivity, and hence could be conceded at little or no cost to employers, resistance to change was reduced. The fatigue/productivity relationship, Owen observed, seemed to level out at a working week of about 40 hours. Indeed, Owen's own data indicates that the decline in the working week in the US stalled in about 1948 at around 41.7 hours.

Gratton and Taylor addressed the topic in 1985 in their book *Sport and Recreation: An Economic Analysis*. They examine the 'demand for time' as a preliminary stage to analysing demand for sport. While they make one reference to Owen's earlier work (p. 36), it is not in regard to his central theory and analysis. They partially replicate his work using British data for the period 1950-1980, and obtained similar results, concluding that, since working hours fell during this period while real wages increased, the income effect was dominant, although they note that the existence of continued high levels of overtime working and increasing average hours of paid work by women suggest that the substitution effect was also at work. By 2001, however, the situation had changed: in their volume *The Economics of Sport and Recreation*, Gratton and Taylor examine the period 1975-1995 in Britain. They note a continuing decline in working hours for both men and women up to 1984 but an increase thereafter so that, for men, the number of hours worked per week in 1995 actually exceeded the number worked in 1975. Thus there had been a dominant *income* effect up to the mid-1980s but a dominant *substitution* effect thereafter. This trend is confirmed in a later paper (Gratton and Taylor, 2004) in which the analysis is extended to the year 2000: British workers are rejecting increased leisure in favour of increased working hours and increased incomes and consumption. However, the reason for this change in direction in the mid-1980s is not discussed.

The most celebrated analysis of the issue was presented in Juliet Schor's 1992 volume *The Overworked American: the Unexpected Decline of Leisure.* Schor gives scant regard to Owen's earlier work or to the subtleties of the economic theory which underpinned it. She notes that the decline in the working week in the US halted in the 1940s but that 'increasing leisure time' had nevertheless been a mantra of commentators in the intervening years. Owen had shown working hours to be static at around 41 hours per week from 1949 to 1961, but Schor shows that working hours per worker *increased* between 1969 and 1987. She also notes that the US was out of step with other Western countries, particularly Europe, where working hours continued to decline into the 1980s, as the above British example illustrates.

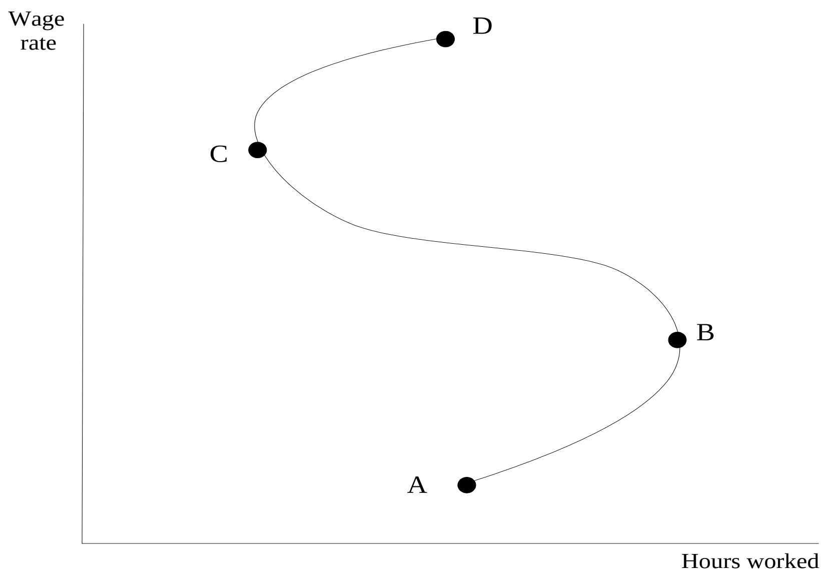
Schor seeks not only to chart this change in trends but to explain it. Owen had used standard neoclassical economic theory to explain the observed income effect in the period 1929-61and associated increase in leisure time, based on trends in prices and development of the leisure industries, but Schor concludes that, because the *substitution* effect has become dominant, neoclassical economic theory is deficient. Economists had typically argued that whether the income effect or the substitution effect was dominant was an empirical question. By implication, economists are suggesting that the remit of economics stops at that point: people's preferences are a 'given' or 'exogenous' factor in economics. But Schor does not accept such limitations: on the basis of survey evidence she concludes that workers do have a preference for shorter working hours but that the system does not allow them to exercise that choice: employers have the upper hand and, in conditions of high unemployment (which obtained in the 1980s when Schor was doing her research), impose a 'take-it-or-leave-it' regime. Thus she finds neoclassical economics deficient in explaining the late twentieth century decline of leisure in the United States:

> The crux of the neoclassical story is that workers determine hours [of work]. But do they? Not according to the evidence. Every study I have seen on this topic has found that workers lack free choice of hours. ... The failure of the neoclassical approach is rooted in its assumption that there is always full employment and that workers' choices are sovereign. ... this characterization is mistaken. ... It is clear that we can no longer rely on the simple assumption that labor and product markets provide optimal outcomes in response to what people want and need. (Schor, 1991: 128-32)

So, even though workers would like to reduce working hours, they are prevented from doing so by employer inflexibility. Schor is not convincing in explaining why American workers were frustrated in achieving their desires in the 1970s and 1980s but had been able to achieve them in earlier decades – although Owen's observations concerning the fatigue/productivity issues, referred to above, may have been relevant. Schor's explanation for increasing working hours is that American workers are caught in an 'insidious cycle of work and spend'. But being caught in some sort of cycle of 'work and spend', insidious or otherwise, is what capitalism, and neoclassical economics, is all about: *homo economics* is, in theory, insatiable as regards market goods and services. This is noted by Schor (pp. 132-38) and criticised on the grounds of environmental sustainability and 'Zen'. Thus, while she rejects neoclassical economics, her arguments for doing so are debatable and in its place she offers a sort of anti-materialist/'green' moral crusade.

In a very brief treatment of the subject, Vogel (2001: 11) provides a plausible explanation of the conflicting views on 'income effect' vs 'substitution effect' – the idea that different processes might dominate at different income levels. Economists tend to use simplified, unidirectional curves when demonstrating their theoretical arguments with graphical representations, but such formats are not intrinsic to the theory or the argument. Thus Vogel suggests, as shown in Figure 1, that the 'labour-supply curve may be 'forward sloping' (hours worked increase with wages) at some points and 'backward sloping' (hours worked fall with increasing wages) at other points. A change in direction may occur when a certain number of working hours is reached, as suggested by Owen, or when a certain level of income is reached. As the economists keep saying: this is an empirical question.

Figure 1. Backward and forward sloping labour-supply curve
(Adapted from Vogel, 2001: 11)



The issue of work/leisure trade-off is arguably the most important in leisure studies in the current era. It is clearly a quintessentially economic issue. There is some dispute over the data used in the above analyses, particularly the use of labour survey data as opposed to time-use budget surveys (see Schor, 1991: 168-169), and there is always difficulty in trying to draw conclusions from aggregated time-series data over substantial time-spans, since many social and economic changes are taking place in addition to those which are the focus of the research. Further, while standard economics is capable of explaining stable relationships between working hours and wage rates, it seems to be incapable of explaining changes in the relationship.

Market sector peculiarities

In predominantly market economies the key challenge in the development of an economics of leisure or any other area where the public sector is involved, is that the core theory and analytical methods of mainstream economics are concerned with the workings of *market* processes. This phenomenon is predominantly analysed using a model which makes a number assumptions, in particular that any good or service is provided by a large number of competitive, profit-maximising firms and that consumers are well-informed about the prices and qualities of goods and services on offer and that they behave rationally in making their choices. This model has been widely criticised for being unrealistic, but economists defend it on the grounds that, despite the lack of apparent realism, it is generally supported by aggregate data and is useful for prediction. The substantial proportion of the economics of leisure seems to be concerned with adapting the standard model to take account of 'odd' situations which do not conform to the standard market format or with 'non-market' situations which involve the intervention of governments in the marketplace. In some cases, it is the market peculiarities which form the basis for arguments for government involvement. The 'market peculiarities' are discussed here, while the non-market, public sector issues are discussed in the next section.

The market peculiarities discussed here relate to: competition in sport: composite products; natural monopoly; and inflation in the arts.

Competition and the economics of sport

Sport appears to violate some of the major assumptions of mainstream economics: that firms compete freely with each other, there is open access to the market and that typical firms seek to maximise their share of the market, even to the point of market domination, even though this is viewed by economists and governments as undesirable and to be resisted by mechanisms such as anti-trust laws and monopolies commissions. Clearly this does not apply to sport, particularly team sports organised into leagues. At the extreme, for one team or club, or 'firm', to become a monopoly, would not make sense: there would be no one to play! Even the common phenomenon of oligopoly, where a market is dominated by a handful of firms, would not make for a satisfactory sporting competition. Sporting clubs therefore collaborate through leagues and federations to ensure the survival of a number of teams/clubs/firms to make up viable leagues. Practices which would be seen as 'anti-competitive' in other situations – including player salary caps, 'draft' systems for recruitment of players and redistribution of gambling levies and broadcasting revenues – are used to achieve this. In fact, it has been suggested that 'the firm' is not the individual club but the league, since the 'product' being produced is the overall competition, not single matches (Dobson and Goddard, 2001: 5). The 'anti-competitive' measures seek not just to ensure the survival of a number of clubs but also to ensure that all clubs are 'competitive' in a sporting sense, since it is believed that, for a league competition to be attractive to spectators, all clubs must have, from time to time, a reasonable chance of success; and even dominant clubs can experience falling attendances at matches if there is no chance of a close match.

Composite products

A composite product is a product or service made up of a number of elements offered by a number of suppliers. Examples in non-leisure sectors include retailing: shoppers are drawn to Oxford Street in London because of the range of competing products on offer. While the traditional shopping 'high street' has generally evolved historically, partly by accident, in the case of the traditional market and the modern shopping mall this coming together of suppliers is deliberately organised by a public or commercial entity. Of course most products and services result from the input of numerous suppliers, but there is typically only one end-point supplier of the product to the customer. In the leisure sector the composite product is common. The sporting league phenomenon discussed above is an example of the composite product, with a number of clubs and the league – and often broadcasting organisations and sponsors – cooperating to produce the sporting 'product'. In the case of sports consumption, as Gratton and Taylor (2001: 49-50) point out, even participation in a single activity can involve a composite product because of the need for appropriate clothing, equipment, transport and possibly tuition, as well as actual participation. Tourism is a quintessential composite product. While some tourism operations – such as island resorts with single owners – are relatively self-contained, more commonly the tourism 'product' involves a large number of commercial, public and not-for-profit organisations.

Thus a holiday to a major city will involve the numerous owners and managers of attractions and hospitality, accommodation and transport providers. Often a 'tourism commission' seeks to provide some sort of coordination, but in many cases such bodies do little more than provide collective promotion and information services – the tourism 'industry' runs itself.

The economics of such industries or products is therefore complex, typically involving analysis of a 'parent' market and of subsidiary markets.

Natural monopoly
The idea of natural monopoly is not unique to leisure, but is common. Natural monopoly occurs when there can only be one supplier of a particular product. This occurs frequently because of the 'iconic' nature of many leisure attractions, particularly in the tourism sector. Thus there can only be one Parthenon and one Niagara Falls. Some phenomena come close to this status because of historical advantage – thus there could conceivably be a rival to Disneyland one day, but it would take many years for another theme park provider to achieve the status of Disney in the popular culture. Typically, leisure organisers can take advantage of the natural monopoly – thus only a limited number of hotels can have a view of the Niagara Falls or be within walking distance of the Acropolis and only a limited number of pubs can be on the waterfront. There are two consequences of natural monopolies which we should note: excessive profit and limitation of supply.

Economic theory indicates that monopolies make excessive profits, to the disadvantage of the consumer. In normal markets it is often possible to impose competition, for example, as has been done in the delivery of telephonic services in recent decades, but this is rarely possible with a natural monopoly. In some cases full advantage of achieving excessive profits is not taken because of government ownership of the attraction. In other cases some of the profit is garnered by the state on behalf of the community by licensing and/or taxation of private operators.

The limitation of supply results in the above excessive profit possibility, but can also create additional problems. While the tourism industry in Athens can increase the provision of hotels and restaurants and even provide additional contemporary attractions and possibly open up additional historic sites, everyone visiting Athens will wish to visit the Acropolis – and in conditions of increasing world population and increasing affluence, more and more people will wish to visit, resulting in problems of congestion and even damage to the attraction itself. The 'economic' solution would be to control demand through pricing – that is to raise the price of admission to deter some demand and bring the total in line with capacity. But going all the way with such a strategy would not be acceptable for iconic sites the visiting of which may be seen as everyone's 'birthright'.

Inflation in the arts
In their 1966 book, *Performing Arts – The Economic Dilemma*, Baumol and Bowen demonstrated that, in conditions of increasing economic prosperity based on technology-based increases in labour productivity, the performing arts are inevitably at a chronic disadvantage since opportunities for increases in labour productivity in the arts are extremely limited – the classic illustration of this being that it takes just as many people just as long to play a Beethoven concerto today as it did when Beethoven composed it. This observation became part of the basis for the claim for on-going, and increasing, public assistance for the arts, as discussed below. While the argument has been widely accepted, it can also be seen as a typical example of 'privatising the profits' and 'nationalising the losses', since there have, in fact, been significant technological advances in the area of the arts, including various forms of recording, distribution

and broadcasting. But the profitable industries which have developed as a result of these technological developments have invariably been separated from the 'parent' arts institutions which historically spawned their talent. Thus the profitable film and television industry is separate from the theatre, the music recording industry is separate from orchestras and opera companies and design is separate from 'fine art'.

Government

The branch of economics known as 'welfare economics' has long developed criteria for government intervention in markets in situations where market processes are considered ineffective at delivering certain goods or services in an efficient or equitable manner. The economist Milton Friedman, who was a 'guru' of economic rationalists in the 1970s and a staunch advocate of the market system, nevertheless quotes approvingly the eighteenth century 'grandfather' of modern economics, Adam Smith, who outlined three essential duties of government:

> .. first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. (quoted in Friedman & Friedman, 1979: 49)

These criteria for government intervention have been extended and elaborated by others and are summarised in Table 2. Space precludes a full exposition of these criteria here, but full discussion is presented elsewhere (Veal, 2002: 53ff.; Gratton and Taylor, 1991; O'Hagen, 1998; Throsby and Whithers, 1979). The most common arguments deployed in the leisure area are the 'market failure' arguments, which point out circumstances where the market is not efficient in allocating services – that is, left to its own devices, the production and allocation of resources would not reflect consumer preferences. In these cases, it is argued, the state should intervene. But this presents two problems: determination of the quantum of state intervention and problems of the efficiency and scale of the state itself.

INSERT Table 2. Welfare economics ...

The quantum issue concerns assessment of the *value* to the user and/or the community at large of the services provided against the *cost* of providing them. Within government, expenditure for one purpose must be weighed against alternative competing purposes. More broadly, an assessment must be made of the value of services funded by government from taxation as against the value of services which taxpayers could secure if they spent the money directly in the marketplace. Even where government regulation, rather than expenditure, is involved, there are inevitably costs borne by private individuals or organisations against which the benefits of the government intervention must be assessed; for example, 'local content' rules in broadcasting have an impact on television companies' costs, and heritage orders have financial implications for property owners. Thus the level and distribution of the benefits produced and the costs imposed should all ideally be assessed if government expenditure is to be justified. The techniques of cost-benefit analysis and economic impact analysis have been developed to achieve this and these are discussed below.

Such an 'economic rationalist' stance is often criticised as being mechanistic and unsympathetic to the sector concerned (eg. Garnham, 1987); it is argued that sport, the arts or heritage should be supported 'for their own sake' and that no amount of money is too much to be spent on important aspects of national culture. Arts economist David Throsby (2001) has recently argued that 'cultural value' cannot be in any way aligned with 'economic value', which would imply that there is no way of ever assessing what an appropriate level of government expenditure should be in the cultural field. But, in fact, the approach can be seen as very humanistic: government resources are derived from the community, and in a democratic society the community is entitled to know that its resources are being allocated in a way that will provide optimum benefits for the community, and not just on the say-so of a self-selected élite. As it happens, virtually all cost-benefit and economic impact studies in the area of leisure provide overwhelming support for government expenditure in the sector. Examples from the literature are listed in Table 3.

Table 3. Cost-benefit and economic impact studies

This 'cost-benefit' process can be complex, involving estimation of what users of subsidised or free services might, in theory, be willing to pay if it were feasible or desirable to ask them to do so, and estimates of the size of broader costs and benefits to third parties and the community at large. A particular challenge is devising, where possible, economic indicators of social, individual, cultural and environmental costs and benefits which are not routinely the subject of economic exchange. In some fields, such as transport planning, projects are routinely assessed in formal cost-benefit terms before being undertaken, but this is rarely the case in the leisure area: much of the cost-benefit analysis conducted has been *post hoc* case-studies designed to establish the value of generic arts, sport, environmental government expenditure, rather than justifying particular projects.

Of particular note in cost-benefit studies in leisure have been two techniques: the 'Clawson' or travel cost method and 'willingness-to-pay'. Clawson and Knetsch (1966), as mentioned above, developed a technique for deriving a demand curve, relating costs to demand levels, for a recreation site even when no admission price is charged, based on the way the level of site visitation varies with distance from the site, and hence travel costs. While it measures only the individual benefits accruing to users, and not any wider social benefits, and while it has been subject to some criticism over the years, it has been widely used and remains an important contribution to the field. The 'willingness-to-pay' or 'contingent valuation' method is not peculiar to leisure; as its name implies, it simply involves discovering, usually by means of a survey, what actual and potential beneficiaries of a service might hypothetically be willing to pay for the benefits received. The technique is conceptually simple and again has been subject to considerable criticism, but has been widely used (Mitchell and Carson, 1989).

Economic impact is a related but different technique: it is concerned primarily with economic outcomes of projects in terms of jobs and incomes and less with costs, or indeed other types of impact. Typically, the aim is to estimate the increase in personal and business income and the corresponding increase in job creation from a development – the technique has been most commonly used in relation to tourism, which is generally developed for economic reasons. Of particular note in such studies is the phenomenon of the 'multiplier', which refers to the fact that expenditure by governments or tourists circulates through a local economy creating additional economic activity as it goes – thus a restaurant employs staff, but also buys in supplies from other businesses who employ staff; the staff themselves spend their money with local businesses and so on (Archer, 1977). Eventually the effect fades out as a result of 'leakages' – that is money which is lost to the local economy by external expenditure on such things as imports and taxes. Estimates of the size of the 'multiplier effect' in different environments has been a key feature of many economic impact studies, particularly in the context of tourism.

Broader issues than estimation of costs, benefits and impact of individual projects arise in considering the role of government, namely: aggregate government expenditure and 'government failure'. As regards aggregate government expenditure, there has traditionally been controversy in economic policy over the appropriate size of government in a predominantly market economy. Even when individual projects or on-going services can be fully justified, there are some who believe that a government sector above a certain size inhibits private sector growth, through effects on the capital market and through the disincentive of high taxation rates. At what point this negative effect takes place, if at all, is a matter for debate and political disagreement. An allied issue is the question of 'government failure', that is the belief that government is intrinsically inefficient, so the more of an economy which is in the public sector the greater the drag on overall efficiency. In some cases, the source of the inefficiency is public accountability and this is unavoidable, in other cases inefficiencies arise from practices which can, in theory, be corrected. In some cases private sector efficiency is sought in the provision of government funded services through 'outsourcing' to the private sector.

Alternatives to neoclassical theory

It is notable that in some of the disciplines which have contributed to leisure studies, there has been considerable development in theory and even sharp paradigmatic change and conflict over the last 40 years. Most notable in this regard is sociology, which has seen Marxist, feminist, postmodern and poststructuralist challenges. By contrast, basic economic theory has remained relatively unchanged. Thus, in discussing the differences between their 2000 book and its predecessor 1985 volume, Gratton and Taylor (2000: viii) refer to the 'wealth of information' which had emerged on the sports industry in the intervening 15 years – but no reference is made to any developments in theory. By and large, economic contributions to the study of leisure adhere to neoclassical economic theory, as developed in the early twentieth century, as their guiding framework. There are some exceptions, but they make only a marginal impact on the central orthodoxy.

Some economists have noted the existence of 'alternative' economic theory and have sought to relate it to leisure phenomena. This is not a widespread practice since economists in general have not given widespread recognition to non-mainstream theory. The practitioners of mainstream economics have shown themselves adept at largely ignoring their critics and alternatives and leisure economists are no exception. The obvious 'alternative' economics is Marxian economics. This, of course, has been roundly rejected by Western mainstream economists for more than a century. But during the 1970s and 80s, when neo-Marxism was enjoying its hey-day in the sociology of leisure, largely based on Marxist political economy, leisure economists were largely silent. They promulgated the neoclassical economic theory, but did not themselves juxtapose it with Marxian perspectives. While mainstream economists continued to 'did their own thing', sociologists pushed a Marxian or neo-Marxian 'economics of leisure', using terms such as 'surplus value' and denying the existence of consumer sovereignty. Examples include Clarke and Critcher (1985), Aronowitz (1973) and Gorz (1978). Marxist expositions of the economics of leisure by Marxist economists, at least in English, are non-existent.

Sinclair and Stabler (1997: 95ff), in addressing *The Economics of Tourism*, make the most substantial effort to consider alternatives, or modifications of, the supply side of the neoclassical model. A number of these is summarised below.

1. *The structure, conduct and performance (SCP)* paradigm in industrial economics accepts much of neoclassical theory but, rather than focussing on the costs and pricing of individual firms and assuming a fully competitive environment, as in the neoclassical model, concentrates on the structure of markets, in terms of the numbers of buyers and sellers, as a key variable in analysing the supply side of a market. If uncompetitive, monopolistic structures emerge they must be countered by government intervention. Such monopolistic tendencies can be seen in a number of commercial sectors with leisure connections, including publishing, brewing and gambling. The *Chicago school/contestable markets model* is an alternative to the SCP model, but holds that anti-competitive behaviour of existing firms is kept in check by the potential threat of new entrants into the market – the phenomenon of 'budget airlines' challenging established airlines is an example.

2. *The Austrian School* offers an alternative view of the workings of markets which does not require the market to tend towards a static 'equilibrium' state as the neoclassical model does. It views markets as more fluid, with firms learning to adapt to change and uncertainty. The 'neo-Austrian' school focuses particularly on the process of evolution in industrial practices which this implies.

3. *Transactions theory* argues that firms cannot behave fully rationally on the basis of complete knowledge of the market, as neoclassical theory assumes, because of the costs of gathering and transmitting information and acting on it – for example in a situation when a firm must source many sorts of supplies from numerous, possibly thousands, of potential suppliers, or where a firm must convey information on it products in numerous markets. 'Short cut' solutions which may or may not produce optimum results, are therefore adopted, such as the exclusive use of an agent to sell product or source supplies. Relationships between tour operators and travel agents are an example in the leisure context.

4. *Behavioural models of the firm*, based on psychology, which explore how managers make decisions in conditions of uncertainty and incomplete information have challenged the neoclassical theory of the firm which assumes complete knowledge and rational decision-making, and have provided empirical depth to an element of the demand/supply process which has hitherto been predominantly theoretical.

5. *Game theory* is suited to analysing situations of oligopoly – that is where there are very few firms operating in a market and consequently a less than fully competitive market. Game theory seeks to analyse the consequences for each of the firms involved in attempting to 'second guess' each other – for example, with regard to pricing or decisions to enter a given market.

While Sinclair and Stabler illustrate how these theoretical perspectives are particularly suited to analysing aspects of the tourism market, it is clear that there is no established body of tourism-related research which uses these approaches.

Each of the alternative perspectives discussed by Sinclair and Stabler is concerned primarily with the supply side of markets – the behaviour of firms. In general, with the possible exception of the Australian school, which is a 'root and branch' alternative to neoclassical economics, the approaches explored tend to incorporate aspects of management or organisation theory, thus they move into inter-disciplinary territory.

Similar moves can be seen in some economists' consideration of the limitations of, alternatives to and developments of the neoclassical approach to the demand side – the behaviour of individuals as consumers.

While we have seen that there is a literature on the economics of leisure and work time in aggregate, Staffan Linder (1970), among others, pointed out that economic theory had generally neglected the dimension of *time* in its consideration of consumption of goods and services, and the constraints this was likely to place on consumption. While this was to some extent remedied, notably by Becker (1985), it has remained as a somewhat isolated piece of analysis and has not been incorporated into mainstream demand theory.

We have seen how Juliet Schor rejected neoclassical theory as inadequate to explain the changing relationship between work, leisure and income. Her critique is partly aimed at inflexibility of employers, which might be deemed anti-competitive and therefore at odds with how competitive markets are assumed, by neoclassical economics, to behave, but this is not entirely clear from Scor's discussion. The main thrust of her critique is, however, aimed at American consumers and/or the materialist culture in which they live. But traditionally such matters are beyond the scope of neoclassical economics – in the model, consumers' tastes are 'given'. In straying beyond the normal confines of economic analysis Schor is also exploring, although not explicitly saying so, interdisciplinary areas such as environmental analysis and philosophy.

Gratton & Taylor (2001: 48) express 'serious reservations as to whether the neo-classical approach .. can ever completely explain the consumer's decision to take part in sport'. In response to this they offer a short exploration of the work of two authors, Scitovsky and Csikszentmihalyi, on consumer psychology, which suggests the need for a more sophisticated approach to consumer behaviour than the neoclassical model offers.

Critiques of the limitations of neoclassical demand theory are not confined to leisure economists. Douglas and Isherwood (1978: 1-24) note that criticism of the neoclassical limitations are widespread among economists; their own contribution is to use anthropological approaches to understand consumers in their social setting, including their leisure setting (Douglas and Isherwood (1978: 90).

'Public choice' theory links economic theory with political science in drawing a parallel between market processes and political processes in analysing the public sector (Self, 1993). In the political process, it is argued, voters support, in a self-interested way, political parties which offer them more of what they want and this is similar to consumers expressing preferences through their expenditure patterns. As political parties bid against each other to offer voters more of what they want this leads to an expansion of the role of the state – including its role in various sectors of leisure – as parties seek to meet as many needs of as many groups as possible. Since much of government provision is therefore a quasi-market process, public choice theory has been used to support the 'rolling back of the state' which took place under New Right governments in the 1980s, but it can equally be used to understand the 'non-rational' economics of the public sector.

Finally, we should note Hirsch's (1977) *Social Limits to Growth* thesis, which posits that certain types of consumption are status-related and are limited by restrictions on supply (whereas the neoclassical model assumes that supply will increased in response to rising demand and rising prices). The classic example is the harbour-side, or river-front mansion: generally, the supply of such dwellings is very limited and cannot be increased, so their desirability pushes up their prices to exceptional levels. Other, less obvious examples in the leisure domain bring us full circle to Veblen, in that much leisure consumption can be seen as status-driven, an aspect of 'conspicuous consumption'. Examples include the desire to belong to exclusive clubs or have access to other 'exclusives' such as corporate boxes, the attraction of 'designer' labels, travel to 'unspoiled' holiday destinations before mass tourism arrives and pursuit of collectables, such as artworks and antiques. In one sense, neoclassical theory can cope with this phenomenon in isolation, with a very steeply sloping, even vertical, supply curve, but the explanation for the phenomenon, its pervasiveness and its effects on overall consumption demand lies beyond the scope of traditional economics.

This brief review of the limitations and boundaries of neoclassical economics suggests that much of what might be interesting and useful in the economics of leisure lies in these 'fringe' areas. This poses a challenge for economists and those working in the overlapping disciplines to develop an interdisciplinary approach to understanding leisure demand, supply and distribution.

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Table 1. Books on the Economics of Leisure, 1899-2004

Year	# Work-leisure	# Outdoor recreation	# Arts & Entertainment	# Sport	# Tourism	Events
2004				#Fort & Fizel, International Sports Economics Comparisons		
2003		# Hanley et al., New Economics of Outdoor Rec'n # Harmon & Putney, Full Value of Parks	# Towse, Handbook of Cultural Economics			
2001			# Throsby, Economics & Culture	# Zimbalist, Economics of Sport	# Tisdell, Tourism Economics	# Preuss, Economics of the Olympic Games
				# Dobson & Goddard, Economics of Football		
2000			# Frey, Arts & Economics	# Gratton & Taylor, Economics of Sport & Rec'n	# Vogel, Travel Industry Economics # Tisdell, Economics of Tourism	
1999			# Wolf, The Entertainment Economy			
1998			# O'Hagan, The State and the Arts			
1997			# Towse, Cultural Economics	# Noll & Zimbalist, Sports, Jobs & Taxes	# Sinclair & Stabler, Economics of Tourism	
			# Towse, Baumol's Cost Disease			
1996			# Klamer, The Value of Culture			
			# Casey et al., Culture as Commodity?			
1995					# Lundberg et al. Tourism Economics	
					# Tribe, Economics of Leisure & Tourism	
1994			# Peacock & Rizzo, Cultural Economics & Cultural Policy	# Cooke, Economics of Leisure and Sport		
1993			# Heilbrun & Gray, Economics of Art & Culture			
1991	# Schor, The Overworked American		# Feldstein, Economics of Art Museums		# Bull, Economics of Travel & Tourism	
			# Pearce, Museum Economics and the Community	# Gratton & Taylor, Government and the Economics of Sport		
1989			# Frey & Pommerehne, Muses and Markets			# Syme et al., Planning & Evaluation of Hallmark Events
1988			# Myerscough, Economic Importance of the Arts in UK			
1986		# Walsh, Recreation Economic Decisions				# Burns et al. Adelaide Grand Prix
1985	# Kelly, Recreation Business			# Gratton & Taylor, Sport and Recreation: An Economic Analysis		
1983			# Hendon & Shanahan, Economics of Cultural Decisions			
1980			# Hendon et al. Economic Policy for the Arts			
				# Sloane, Sport in the Market?		
1979			# Throsby & Withers, Economics of the Performing Arts			
1978			# Netzer, The Subsidized Muse			
1977					# Archer, Tourism Multipliers	
1976			# Blaug, The Economics of the Arts			
1975		# Searle, Rec. Economics & Analysis	# Peacock & Weir, The Composer in the Market Place			
		# Vickerman, Economics of Leisure & Recreation				

1969	***# Owen, The Price of Leisure***				
1966		***# Baumol & Bowen, Performing Arts - The Economic Dilemma***			
1962	***# Clawson & Knetsch, Economics of Outdoor Recreation***				
1899	***# Veblen, The Theory of the Leisure Class***				

Table 2. Welfare economics: the role of the state in a market economy of leisure

Type of service	***Characteristics***	***Leisure examples***
1. National defence	*Protecting the nation/maintaining peace - a public good (see below, 3a).*	*- Some sporting activities promoted to maintain physical fitness for military preparedness (eg. ancient Greek games, archery in medieval England).* *- In 1930s Australia: a National Fitness campaign launched because of concerns about the fitness of men for military service (Hamilton-Smith and Robertson, 1977, p.178).*
2. Law and order	*Providing a legal framework for society, protection of life and property.*	*- Gambling regulation* *- Licensing of sale and consumption of alcohol* *- Licensing/regulation of radio and television broadcasting* *- Copyright laws* *- Fire and safety regulations in places of entertainment*
3. Market failure		
a. Public goods and services	*Non-excludable* - not practically possible to exclude anyone from enjoying the good or service - so difficult to charge the user. *Non-rival* - one person's enjoyment or consumption does not preclude consumption or enjoyment by others - so extra users do not cost more.	- Parks - amenity enjoyed by passers-by - Community pride from national sporting success - Firework displays - Public broadcasting - Public sculpture - Heritage conservation (eg. National Parks, monuments) - Contribution to cultural development by the arts
b. Externalities, neighbourhood or third party effects	Third parties are affected, positively or negatively, by transactions between providers and consumers - market is distorted since third parties do not pay for service received.	- Negative example: airport noise pollution or pub/club noise disturbance - need for government regulation/rules and/or levy on polluters. - Positive example: community health benefits of sport participation - government may therefore subsidise sport facilities/ services to encourage participation and produce social benefits
c. Mixed goods	Both public good/service and private dimensions (Baumol & Bowen, 1976).	- Attendance at an arts event (patrons enjoy personal private benefit; general cultural development of society is a public benefit) - government subsidises to produce in recognition of public benefit. - Urban parks (visitors enjoy personal private benefit; but passers-by and neighbours enjoy 'neighbourhood' benefit)
d. Merit goods	Goods and services considered beneficial, but with high learning threshold.	- Subsidy and education for some art forms - Cultural heritage - Environmental/heritage appreciation education
e. Option demand	Goods and services which people want to maintain *in case* they or their successors want to use them in future.	- Significant environmental, cultural and heritage items
f. Infant industries	Industries where it is difficult for new entrants to get started because of power of existing companies.	- Local film industry - Local publishing industry - Airlines
g. Size of project	Projects too large for private sector to invest.	- Few examples today - possibly major resort development, Olympic Games
h. Natural monopoly	Services where only one supplier is technically required.	Unique heritage attractions or environmental resources
4. Socio-political arguments		
a. Equity or humanitarian measures	Facilities or services considered essential for a minimum standard of living or quality of life so must be provided for all (Cushman & Hamilton-Smith, 1980).	- Access to play facilities for all children - Access to open space and physical recreation facilities for all - government provision or subsidy
b. Economic management & development	Development of facilities or programs that provide jobs and incomes.	- Tourism developments - eg. resorts - government may provide land, tax 'holidays', infrastructure - Major sports facilities - eg. Olympic facilities - government may provide land, funds, infrastructure or direct provision

Table 2. Welfare economics: the role of the state in a market economy of leisure

c. Incidental enterprise	Trading activities which are incidental to a public facility or service.	- Restaurants/cafes in museums, leisure centres - Gift shops in visitor information centres
d. Tradition	Facilities/services which are valued because they have been provided for many years.	- Swimming pools in areas where population has declined or use patterns have changed

From Veal, 2002: 64-65.

Table 3. Cost-benefit and economic impact of leisure - selected studies

Year	Author(s)	Study aims	Methods/approaches
The Arts			
1988	Myerscough	Economic significance of the arts in the UK	Arts multiplier
1989	Dept. of Finance	Economic benefit of museums in Australia	Efficiency analysis - costs per visit
1990	DASETT	Economic benefit of museums (response to Dept. of Finance, 1989)	Review of Dept of Finance (1989)
1996	Casey, Dunlop & Selwood	Economic significance of the arts in the UK	Expenditure and audience analysis
1999	Evans	Economic and social impact of performing arts in UK.	Willingness to pay + audience analysis
Outdoor recreation			
1966	Clawson & Knetsch	Assess value of user benefits of natural areas	Clawson/ travel cost method
1993	Garrod, Pickering & Willis	Economic value of botanic gardens	Willingness to pay
Participation in sport/exercise			
1986	Henley Centre for Forecasting	Economic impact of sport in the UK	Compilation of data on benefits
1988	DASETT	Economic value of sport/exercise participation in Australia	Compilation of data on benefits
1990	Hefner	Economic impact of sport	*********
Sporting events			
1986	Burns, Hatch & Mules	Economic impact of the Adelaide Grand Prix	Cost-benefit, multiplier
1993	KPMG Peat Marwick	Economic impact of Sydney 2000 Olympic Games	Multiplier analysis
2000	Gratton, Dobson and Shibli	Significance of six UK sporting events	Visitor expenditure analysis
2004	Preuss	Economic impact of the Olympic Games 1972-2008	Review of methods and compilation of statistics

Change the existing Preuss (2000) reference to:

Preuss, H. (2004) *The Economics of Staging the Olympics: A Comparison of the Games 1972-2008*. Edward Elgar, Cheltenham, UK.