Measuring the Total Opportunity Costs of Cultural Expenses: An Empirical Exercise for the Spanish Economy

Topic: Input-Output and Orange Economics
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(1)-(2): Research question and Method used:
The present analysis uses an extended version of the restricted I-O demand-driven SAM multipliers to compute the economy-wide opportunity costs of Householdsâ€™ cultural expenses (Guerra and Sancho, 2011) . In other words, our research allows quantifying the total opportunity costs of diverting resources from non-cultural consumption to cultural consumption. To this end, we present a novel methodology that allows capturing the direct and indirect costs associated to movements along the Householdsâ€™ expenditure possibility frontier. This novel methodology is applied in the context of Spain: use a Social Accounting Matrix for the Spanish economy. Apart from computing the total opportunity costs of cultural expenses for the average Spanish Household, we have also evaluated these total costs for eight different Households categories classified according to its monthly net income. Hence, since cultural consumption is strongly condition by income levels (both the volumen of consumption along with the structure) (Eurostat,2025), another research question addressed through are analysis is : what are the differences across households' income levels regarding the total opportunity costs of cultural consumption?
(3) Data used:
In our analysis, we use a SAM for the Spanish economy for the year 2022.
In reconciling the distribution of household final consumption according to the COICOP classification and the original CPA classification present in the original SAM ,we have used an updated version of the bridge matrix for Spain developed by Cazcarro et al. (2022) for the year 2018.
As we previously stated, in computing and analysing the economy-wide opportunity costs of Householdsâ€™ expenditures on cultural commodities, we distinguish across eight types of Spanish Households classified according to their regular monthly net income.
(4) The Novelty of the Research and Policy Relevance:
A key aspect, not addressed by the existing literature, is to quantify the opportunity costs of consumption of cultural activities. In other words, what is the cost associated with diverting resources from the consumption of other goods and services to those linked to cultural expenses?. From the demand side, on the one hand, having measures that accurately quantify the opportunity costs of consumption in cultural commodities can help to understand why some economies, such as Spain, consume less in culture and to what extent this leads to a high cost for the Spanish economy as a whole i.e. in terms of its economy-wide impact. On the other hand, quantifying the opportunity costs of household consumption of culture, taking into account different households categories and their characteristics, can also help to better design policies that seek to promote and encourage consumption of these activities. This is specially the case for the group of households that devote less income to the consumption of culture i.e. low income households.

In this regard, we contribute to the existing literature presenting a novel methodology that allows capturing the total (direct, indirect and induced) opportunity costs of Householdsâ€™ cultural expenses. In doing so, we use a SAM approach for the context of the Spanish economy applying the â€œrestrictedâ€• version of the demand- expenditure multipliers that makes possible capture the total effects of Householdsâ€™ movements along the expenditure possibilities frontier (EPF) and thus, the economy-wide opportunity costs associated to Households' cultural expenses, in this case. In the second part of our empirical exercise, we have computed the total opportunity costs of cultural expenses for eight different householdsâ€™ categories classified according to its monthly net income. This type of classification was selected because consumption in culture is a good with income elasticity greater than one: households with higher incomes consume a greater proportion of cultural goods and services (Frey,1994; Trosby, 2001).

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