Economics of the Arts
A Subjective and Personal View

Victor Ginsburgh
ECARES, Brussels and CORE, Louvain-la-Neuve

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Precursors

- Johann Winckelmann (1764), *Geschichte der Kunst des Altertums*
- Adam Smith (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations*
- Many other economists: Jean Bodin (1530-1596), Bernard Mandeville (1670-1733), David Hume (1711-1776), Adam Smith (1723-1790), Anne Robert Jacques Turgot (1727-1781), Ferdinand Galiani (1728-1787), Jeremy Bentham (1748-1832), David Ricardo (1772-1823), John Stuart Mill (1806-1873), Stanley Jevons (1835-1882), Alfred Marshall (1842-1924), Lionel Robbins (1898-1984), a would-be artist
- and of course John Maynard Keynes (1883-1946)
Starting Point and Followers

• Baumol and Bowen (1966), Performing Arts. The Economic Dilemma
  ● Towse, ed. (1997), Baumol’s Cost Disease: The Art and Other Victims

• Collections of papers, books and handbooks
  ● Benhamou (2000), L’économie de la culture
  ● Frey and Pommerehne (1989), Muses and Markets
    ● Grampp (1989), Pricing the Priceless
  ● Heilbrun and Gray (2001), The Economics of Art and Culture
  ● Towse, ed. (2003, 2008), A Handbook of Cultural Economics
  ● and many other
Crossroads

• The subject is not well defined. It is located at the crossroads of
  • art history
  • art philosophy
  • sociology
  • law
  • a pinch of economics
  • management (though “I would prefer not to”)
What We Should Be Interested In

- why Van Gogh’s paintings are so expensive, and why copies are so cheap
- why Pre-Raphaelite painters were rediscovered in the 1960s, after having been completely forgotten during almost a century
- why European public or national museums are not allowed to sell
- how the performance of museums should be evaluated
- which (and given the budget constraint, how many) buildings should be saved from demolition, and kept for future generations
- why the arts should (or should not) be supported by the state
- why there are superstars who make so much money
- why contemporary classical music is so difficult to listen to
- whether works that have been sold should be subject to copyright laws
- why a photography of a work by Rembrandt should be subject to copyright
- whether copyright in general is right or wrong
- why internet pirates may not be so wrong
- and why there is such a big need for competitions and awards
Nice Extensions

- The extension of the Economics of the Arts to Culture now also includes
  - anthropology
  - development economics
  - cultural conflicts
  - psychology
  - religion and customs
  - linguistics
What I am Less Interested In

• “If anything is wrong with the arts, we should seek the cause in ourselves, not in our economy. I am asking you to think about it, and to think about it as consumers (of art) rather than as economists” (Scitovsky, *American Economic Review*, 1972)

• In the program of this conference the word *art* is used only twice, the same number of times as the word *industries*

• In the call for papers, the words that were more used are *entrepreneurship, business, cultural tourism, marketing, promoting culture, entertainment, media, internet*

• We went from the *economics of the arts*, to *cultural economics*, then to *cultural industries* and finally to *creative industries*. My fear is that we are slowly, but surely, taking the direction of *cultural business*
Is the Field Inventive?

- Mark Blaug (2001):
  "We have all been hoping that the field might actually suggest and promote developments that would spill over with benefit to economics outside its own domain. Has this happened? Not really but is that perhaps asking too much of a subject no older than 30 years?"

- Some imports
  - Stigler and Becker (1977): rationality of cultural consumption
  - Montias (1978-79): microdata used to analyze the Dutch 17th century Golden Age
  - Rosen (1981): superstars
  - Baumol (1986): returns due to aesthetic pleasure
  - Ashenfelter (1989): art and wine auctions
  - Peacock (1993): Paying the Piper
Public Support. Why?

• Because
  • art is a public good and is therefore not priced correctly
  • it has spillover effects on hotels, restaurants, etc...
  • it is a merit good: uninformed consumers are unable to evaluate all its benefits
  • it should be made available to low income consumers
  • culture is only imperfectly transmitted by parents to their children
  • it is subject to the Baumol disease

• For an extremely entertaining refutation of all these arguments, read
  • William Grampp (1989), *Pricing the Priceless. Art, Artists and Economics*, and have fun
Public Support. How?

• All sorts of means...
  • Direct (state-owned museums, theater companies, etc...)
  • Indirect (subsidies), Lotteries
  • Reduced VAT rates
  • Tax relief and concessions, Tax exemptions for donors
  • Regulation, Copyright


• There is one thing that we should really study: Why is there so much private support in the US and the UK, and so little in most other countries

• And one thing that we should really do: Educate children to enjoy the arts. This would certainly increase participation in cultural activities and lead to less need for public support
Labor Markets

- Rich man, poor man, beggar...
  - Filer (1986), The starving artist—Myth or reality? Earning of artists in the US
  - Wassal and Alper (1992), Toward a unified theory of the determinants of the earnings of artists
  - Throsby (1994), The production and consumption of the arts: A view of cultural economics

- Superstars
  - Rosen (1981), The economics of superstars

- Careers of artists: Music composers
  - Scherer (2004), Quarter Notes and Bank Notes. The Economics of Music Composition in the Eighteenth and Nineteenth Centuries

- Careers of artists: Young and old
  - Galenson (2001), Painting Outside the Lines: Patterns of Creativity in Modern Art
  - Ginsburgh and Weyers (2006), Creation and life cycles of artists
Artworks are heterogeneous. Back in 1708, the French art critic and historian de Piles suggested to decompose works into more elementary properties:

<table>
<thead>
<tr>
<th>Painter</th>
<th>Composition</th>
<th>Drawing</th>
<th>Color</th>
<th>Expression</th>
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<tbody>
<tr>
<td>Raphael</td>
<td>17</td>
<td>18</td>
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<td>Rubens</td>
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<td>Titian</td>
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<tr>
<td>Rembrandt</td>
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<td>Leonardo</td>
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<td>Durer</td>
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<tr>
<td>Veronese</td>
<td>15</td>
<td>10</td>
<td>16</td>
<td>3</td>
</tr>
</tbody>
</table>

Ginsburgh and Weyers (2008), On the contemporaneousness of de Piles’ *Balance des Peintres*

Graddy (2012), The extraordinary art critic Roger de Piles: an empirical analysis
The Visual Arts

• Financial returns
  • Baumol (1986), Unnatural value: or art investment as floating crap game
  • Buelens and Ginsburgh (1993), Revisiting Baumol’s “Art investment as floating crap game”
  • Landes (2000), Winning the art lottery: The economic returns to the Ganz collection
  • Frey and Eichenberger (1995), On the rate of return in the art market: Survey and evaluation
  • Ashenfelter and Graddy (2006), Art auctions

• Tastes
  • Haskell (1980), Rediscoveries in Art. Some Aspects of Taste, Fashion and Collecting in England and in France
  • Grampp (1989), Pricing the Priceless. Art, Artists and Economics
  • Ginsburgh and Weyers (2011), De l’(in)efficacité des concours et des prix
The Visual Arts

• Canonical status
  • Vasari (1568), *Le Vite de’ più eccellenti pittori, scultori e architetti*
  • van Mander (1604), *Het schilder-boeck*
  • von Sandrart (1675), *Teutsche academie der bau-, bild- und mahlerey-künste*
  • Ginsburgh and Weyers (2010) On the formation of canons: The dynamics of narratives in art history

• Copies of artworks
  • Dutton, ed. (1983), *The Forger’s Art. Forgery and the Philosophy of Art*
  • De Marchi and Van Miegroet (1996), Pricing invention: original, copy, and the valuation of art in early modern Netherlandish markets
  • Benhamou and Ginsburgh (2006), Copies of artworks. The case of paintings and prints
The Visual Arts

• The great John Michael Montias
  • Montias (1989), Vermeer and His Milieu: A Web of Social History
  • Montias (1978-1979), Painters in Delft, 1613-1680
  • Montias (1982), Artists and Artisans in Delft. A Socio-economic Study of the Seventeenth Century
  • Montias (1996), Quantitative methods in the analysis of 17th century Dutch inventories
  • Montias (2004), Art dealers in Holland

• Other “economic” art historians
  • De Marchi and Van Miegroet (1996), Pricing invention: Originals, copies and their relative value in seventeenth century art markets
  • De Marchi (2004), Auctioning paintings in late 17th century London
  • De Marchi and Van Miegroet (2006), The history of art markets
  • Nelson and Zeckhauser (2008), The Patron’s Payoff. Conspicuous Commissions in Italian Renaissance Art
The Visual Arts

• Auctions
  • Ashenfelter (1989), How auctions work for wine and art
  • Ashenfelter and Graddy (2006), Art auctions
  • Beggs and Graddy (1997), Declining value and the afternoon effect: Evidence from art auctions
  • Ginsburgh (1998), Absentee bidders and the declining price anomaly in wine auctions
  • Pesando and Shum (1996), Price anomalies at auction: Evidence from the market for modern prints
  • Bauwens and Ginsburgh (2000), Art experts and auctions: Are pre-sale estimates unbiased and fully informative
The Performing Arts

- Opera, concerts, ballet, theater and other live performances
  - Blaug, ed. (1976), *The Economics of the Arts*
  - Throsby and Withers (1979), *The Economics of the Performing Arts*
  - Throsby (1983), Perception of quality in demand for the theater
  - Towse (1993), *Singers in the Marketplace: The Economics of the Singing Profession*
  - Throsby (1994), The production and consumption of the arts: A view of cultural economics
  - Frey and Busenhart (1996), Special exhibitions and festivals
  - Courty and Pagliero (2013), The pricing of art and the art of pricing: Pricing styles in the concert industry
- Alan Peacock (1993), *Paying the Piper. Culture, Music and Money*
Heritage

• Historical buildings and museums
  ● Benhamou (2003), Who owns cultural goods? The case of built heritage
  ● Feldstein, ed. (1991), The Economics of Art Museums
  ● Frey and Mayer (2006), The economics of museums
  ● Peacock and Rizzo (2008), The Heritage Game. Economics, Policy and Practice
  ● Schuster, ed. (1997), Preserving the Built Heritage. Tools for Implementation
  ● Towse, ed. (1997a), Cultural Economics: The Arts, the Heritage and the Media Industries
There are many open issues to work on. Since we are in Japan, let me single out a few:

- Jomon pottery and Yayoi bronze bells
- Mural paintings from the Kofun and Asuka periods
- Hokusai, Hiroshige, Utamaro, and more recently Fujita and many other Old and Contemporary Masters
- Rashomon, The Seven Samurai
- Literature from Classical (800-1200) to Kawabata, Mishima, Inoue, so much concerned with problems of the nuclear age, that unfortunately you know too well
- Classical music
- Go to the session on cultural heritage in Asia
- Doesn’t all this look much better than video games?
References


Blaug, Mark (2001), Where are we now on cultural economics?, Journal of Economic Surveys 15, pp. 123-144.


Galenson, David (2003), The life cycles of modern artists. Theory, measurement, and implications, manuscript.


Throsby, David and Glenn Withers (1979), *The Economics of the Performing Arts*, New York: St. Martin's Press.


Winckelmann, Johann (1764), *Geschichte der Kunst de Altertums*, Dresden.


Graddy, Kathryn (2012), The Extraordinary Art Critic Roger de Piles (1635-1709): An Empirical Analysis of his Rankings and Sale Prices, manuscript.