

# “Are Subsidies in the Arts Necessary?”

Cameron M. Weber, PhD

Wesleyan College Convocation

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# “Are Subsidies in the Arts Necessary?”

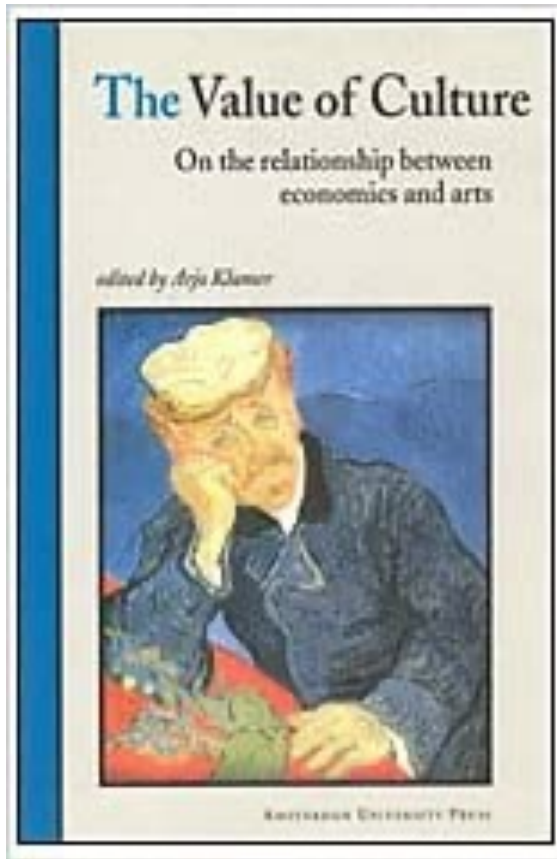
## Background and Motivation for Discussion

Interest in cultural economics

Research (case study) for our book:

*Artists and Market in Music: The Political Economy of Music in the Covid-Era and Beyond* (Routledge 2023).

Co-authors: Ying Zhen and JJ Arias



Klamer, ed. 2006

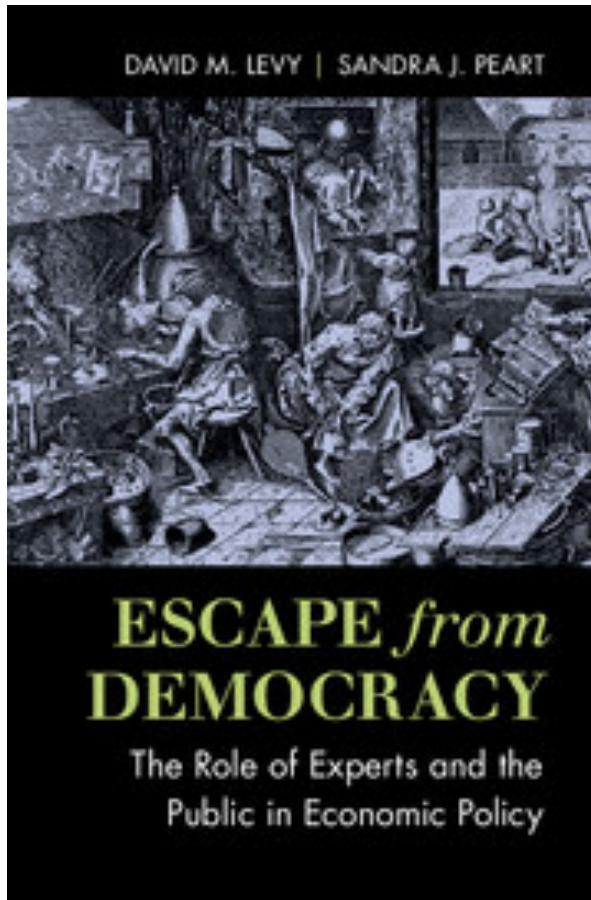
# “Are Subsidies in the Arts Necessary?”

## Outline of Discussion



- i. History of economics as a science
- ii. How cultural economics values art in society
- iii. Arguments for and against government intervention in the arts
- iv. Conclusion: Political economy objections to arts subsidies

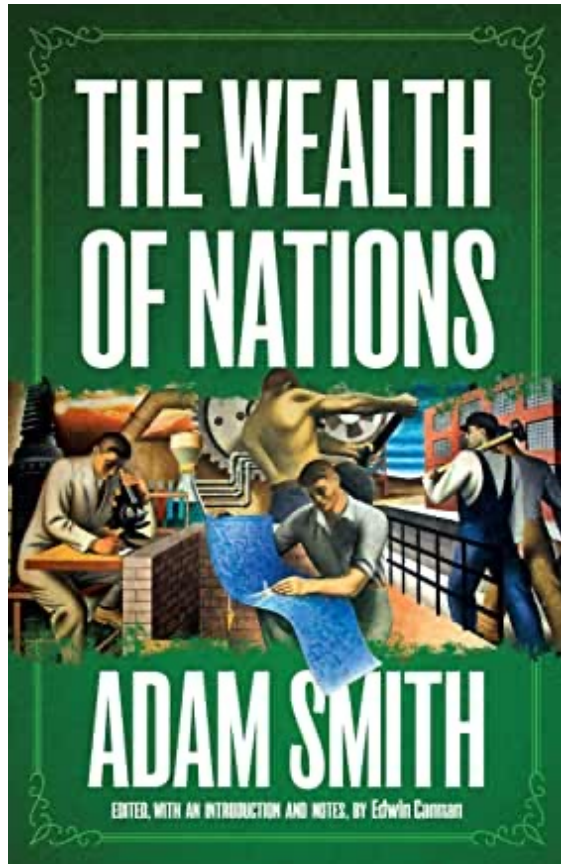
# “Are Subsidies in the Arts Necessary?”



## Main Idea of Discussion

Describe the creation and rise of (economic) scientific experts in society

Present a criticism of this expertise (as applied to the arts)



## *History of economics as a “science”*

Moral Philosophy (18<sup>th</sup> century)

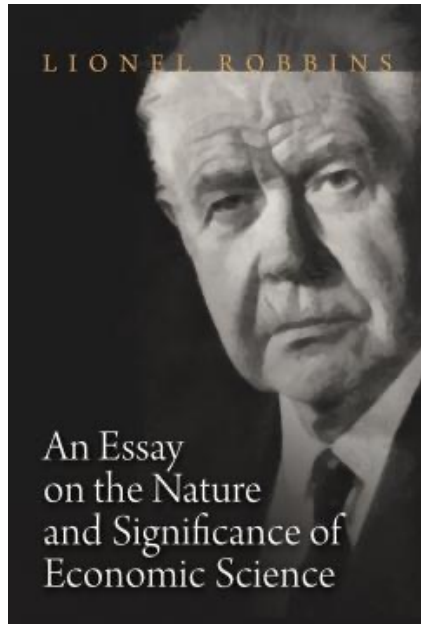
Political Economy (19<sup>th</sup>) laissez-faire

Economic Science (20<sup>th</sup>) led by experts\*

\* Where our story begins

## ***History of economics as a “science”***

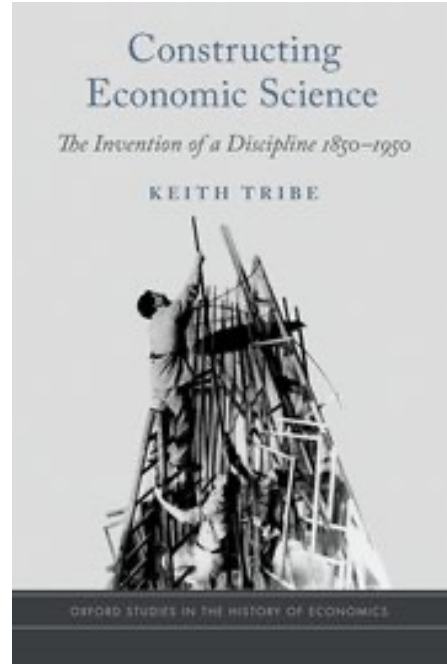
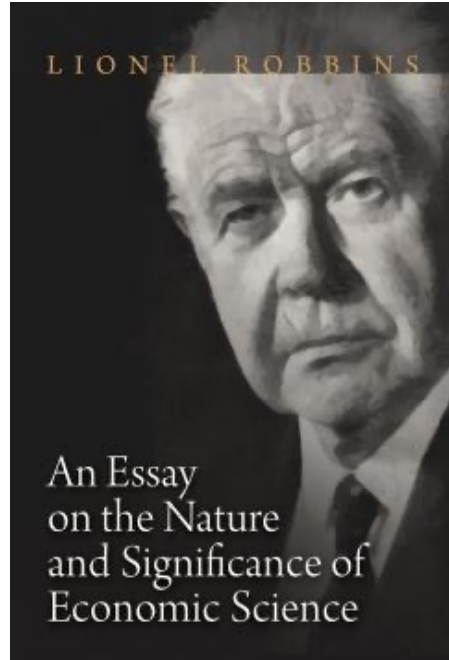
“Economics is the *science* which studies human behaviour as a relationship between ends and scarce means which have alternative uses.” (Lionel Robbins 1932, 5, *emphasis added*).



Robbins 1932

Lead protagonist in transformation from political economy to economic “science”

## *History of economics as a “science”*

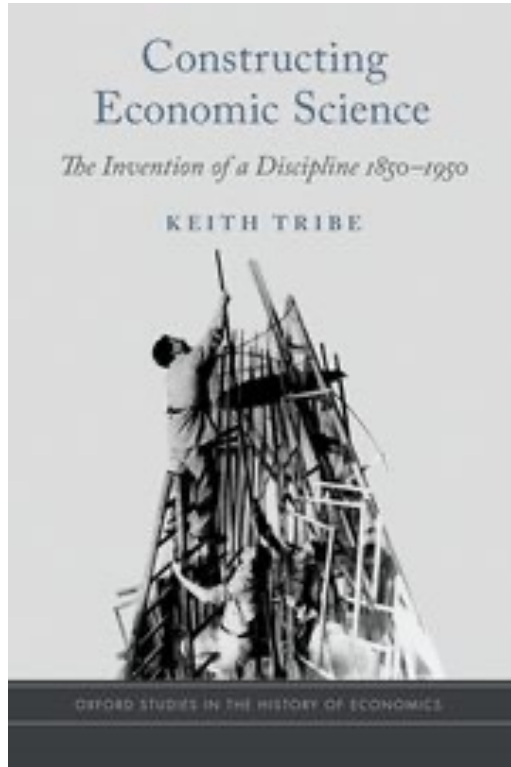


Established first economics undergraduate degree at Cambridge in 1903

Intends to use the university to promote a new “science” of experts (British Utilitarianism)

Tribe 2022

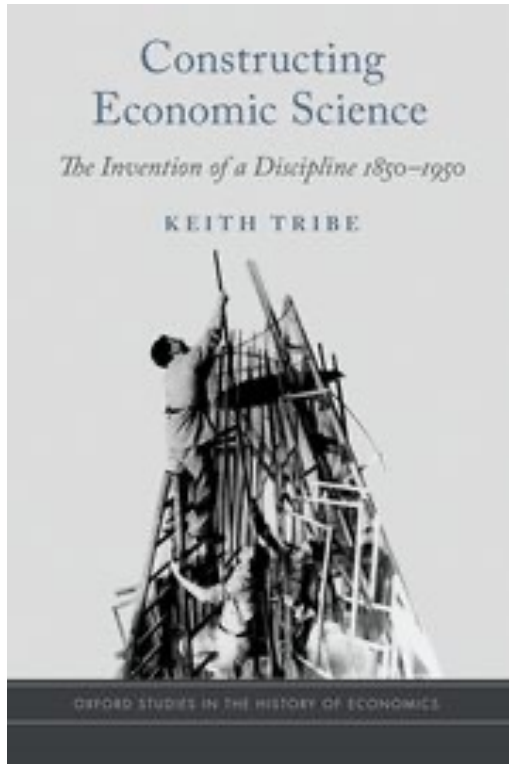
## *History of economics as a “science”*



Robbins’s project of an economic “science” of experts becomes institutionalized concurrent with events of the 20<sup>th</sup> century



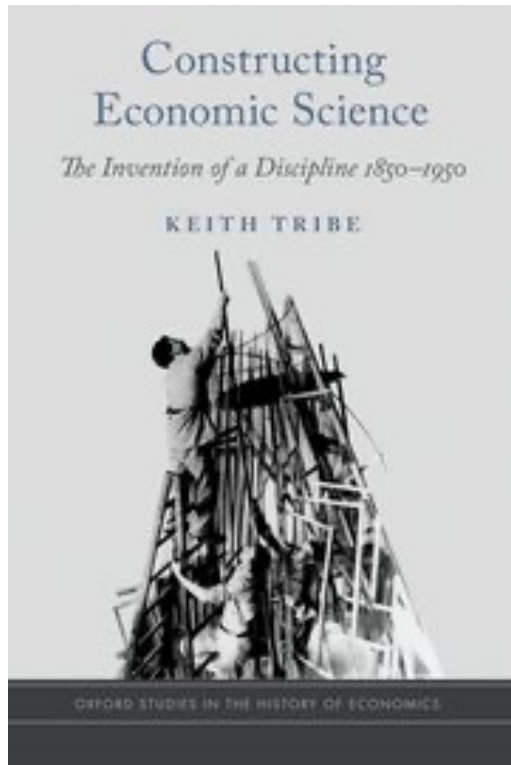
## *History of economics as a “science”*



Modern economic planning is created during the “30 Year Crisis” (WWI, The Great Depression, WWII)

This creates demand for economists, especially in the United States

## ***History of economics as a “science”***



G.I. Bill (1944) for WWII, Korean, and Vietnam (etc.) war veterans means greatly expanding university education

Helps to establish and further economic “science” as an elite profession serving the establishment

## *History of economics as a “science”*



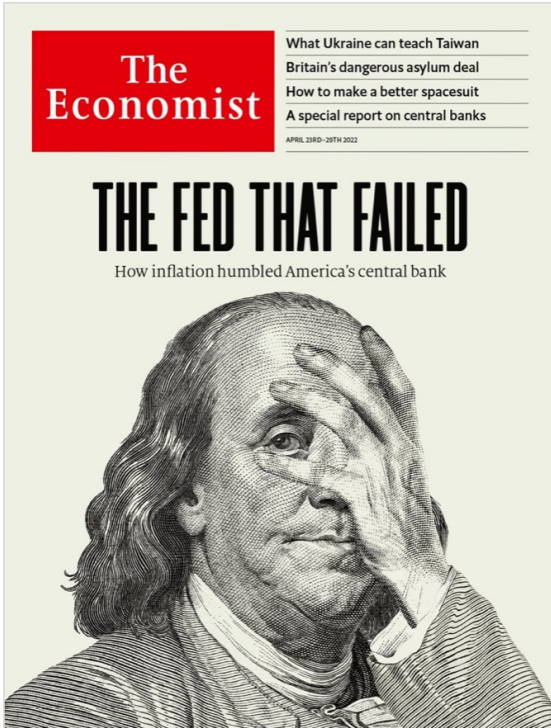
Employment Act of 1946 creates CEA to move from "ad hoc style of economic policy-making to a more institutionalized and focused process"

Economists have established “expert” status through federal tax-and-spend (subsidy) decisions

## *History of economics as a “science”*

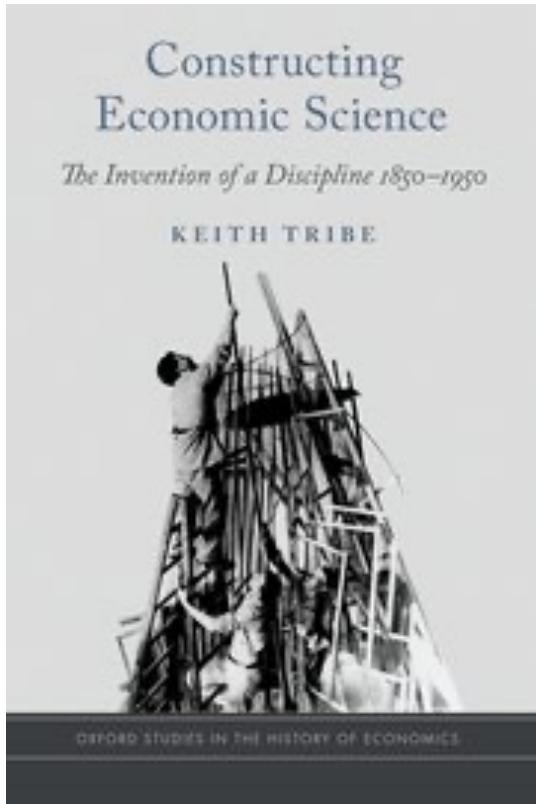
Next the Full Employment Act of 1978 requires each administration to move toward “full employment” and “price stability” within a specific time period

The economy (society) is now seen as can be directed by the centralized state as opposed to decentralized “laissez faire” found in classical political economy



*Economist April 2022*

## *History of economics as a “science”*

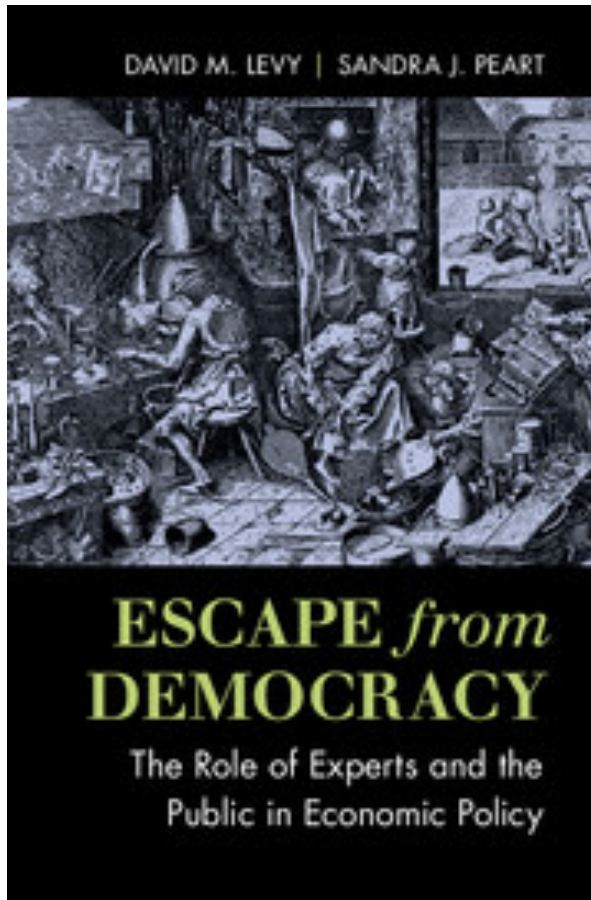


Economic policy is now an elite and aspirational profession as opposed to a form of public discourse

“Disciplinary knowledge is knowledge that is embedded within a career structure” (Tribe 2022, 370)

Example of the ‘professionalization of everything’ in the post-WWII era (including the artist)

# “Are Subsidies in the Arts Necessary?”



## Main Idea of Discussion (redux)

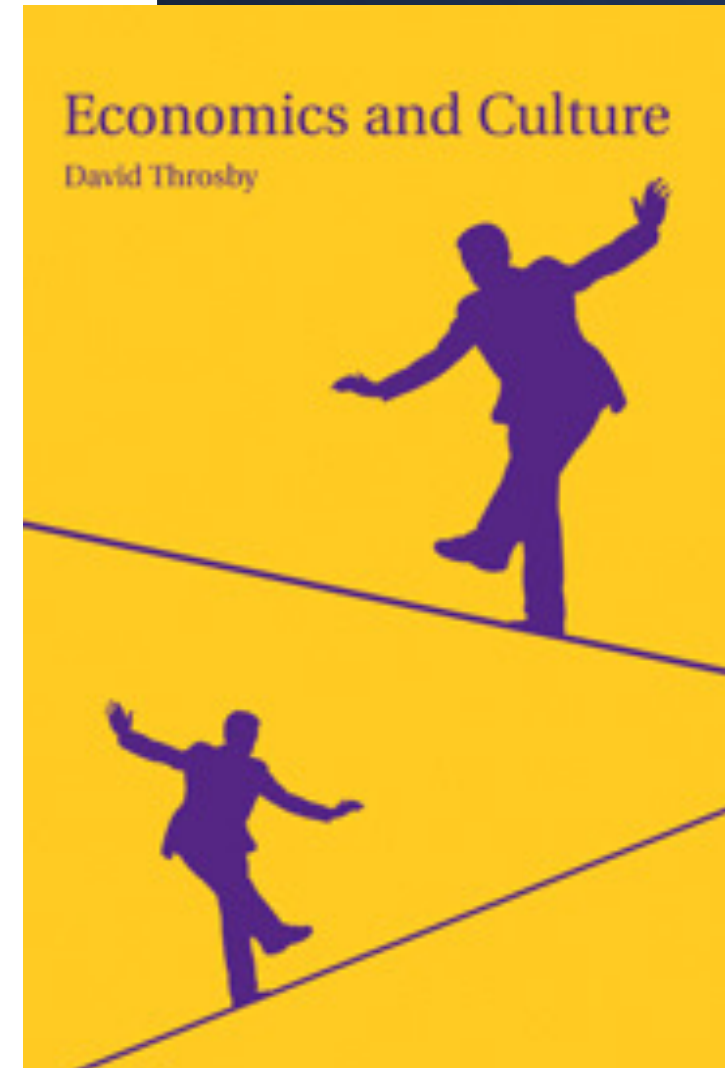
Describe the creation and rise of (economic) scientific experts in society

Present a criticism of this expertise (and as applied to the arts)

***How cultural economics describes the value of art in society***

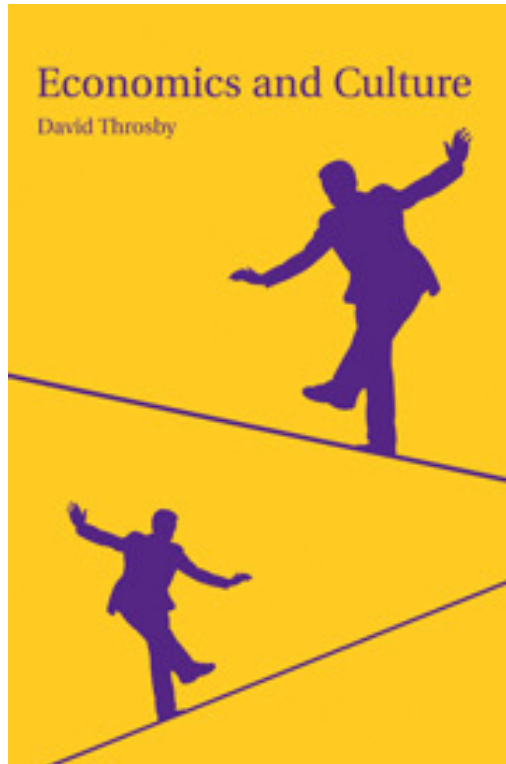
Art has value beyond market exchange-value

Art has intrinsic values such spiritual, historical, novelty, homage and symbolic value



Throsby 2001

# “Are Subsidies in the Arts Necessary?”



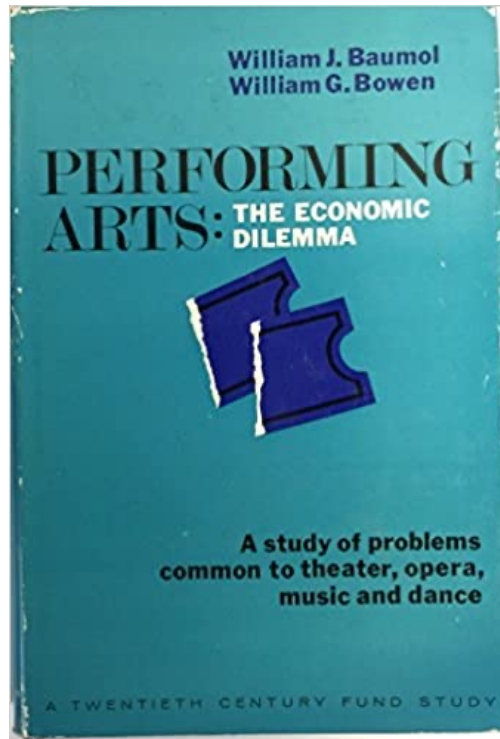
Throsby 2001

***How cultural economics describes the value of art in society***

We can see the rise of experts with the evolution of cultural economics as a field



## *How cultural economics describes the value of art in society*



Baumol & Bowen 1966  
About not-for-profit organizations

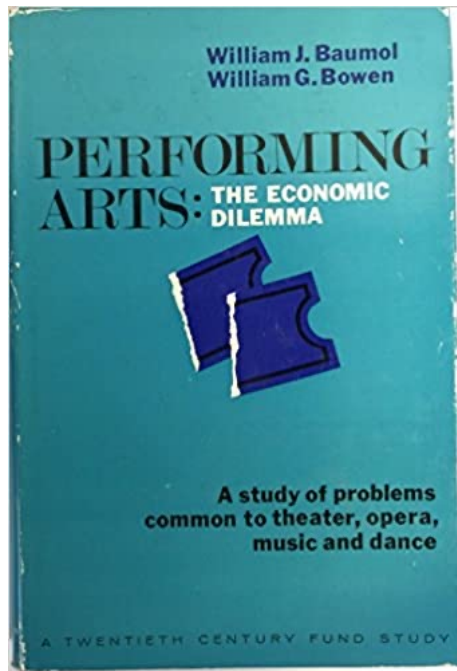
Baumol's "cost disease":

As the economy becomes more productive the performing arts will become more costly to produce relative to the rest of the economy

It takes four musicians the same time to perform a Beethoven string quartet today as it did in 1800. You can't change this with robotics

# “Are Subsidies in the Arts Necessary?”

## *How cultural economics describes the value of art in society*



Baumol & Bowen 1966

Therefore,

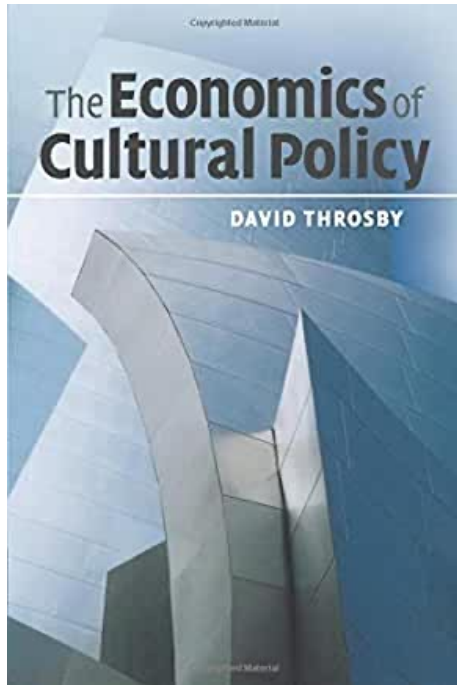
The state needs to fund (subsidize) ‘fine-art’ or it will become too expensive and priced-out of the market

We find that experts are determining what art is, regardless of people’s tastes\*

\* First counter-argument to state intervention

# “Are Subsidies in the Arts Necessary?”

*How cultural economics describes the value of art in society*



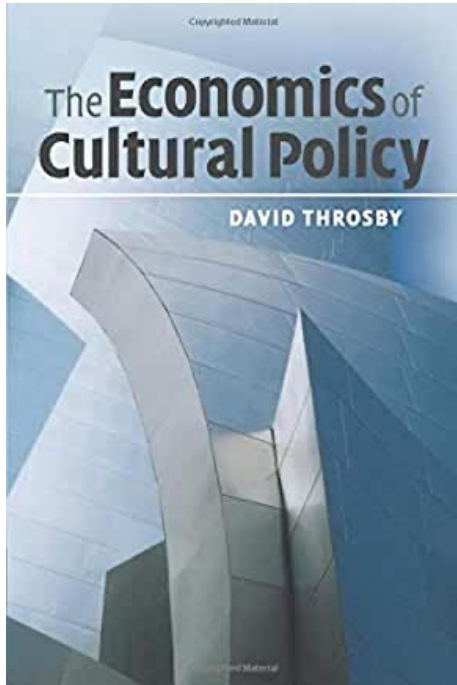
Throsby 2010

Example of increasing scope of field

“Economic analysis” now includes for-profit industries which have creative content, not just “fine-art”

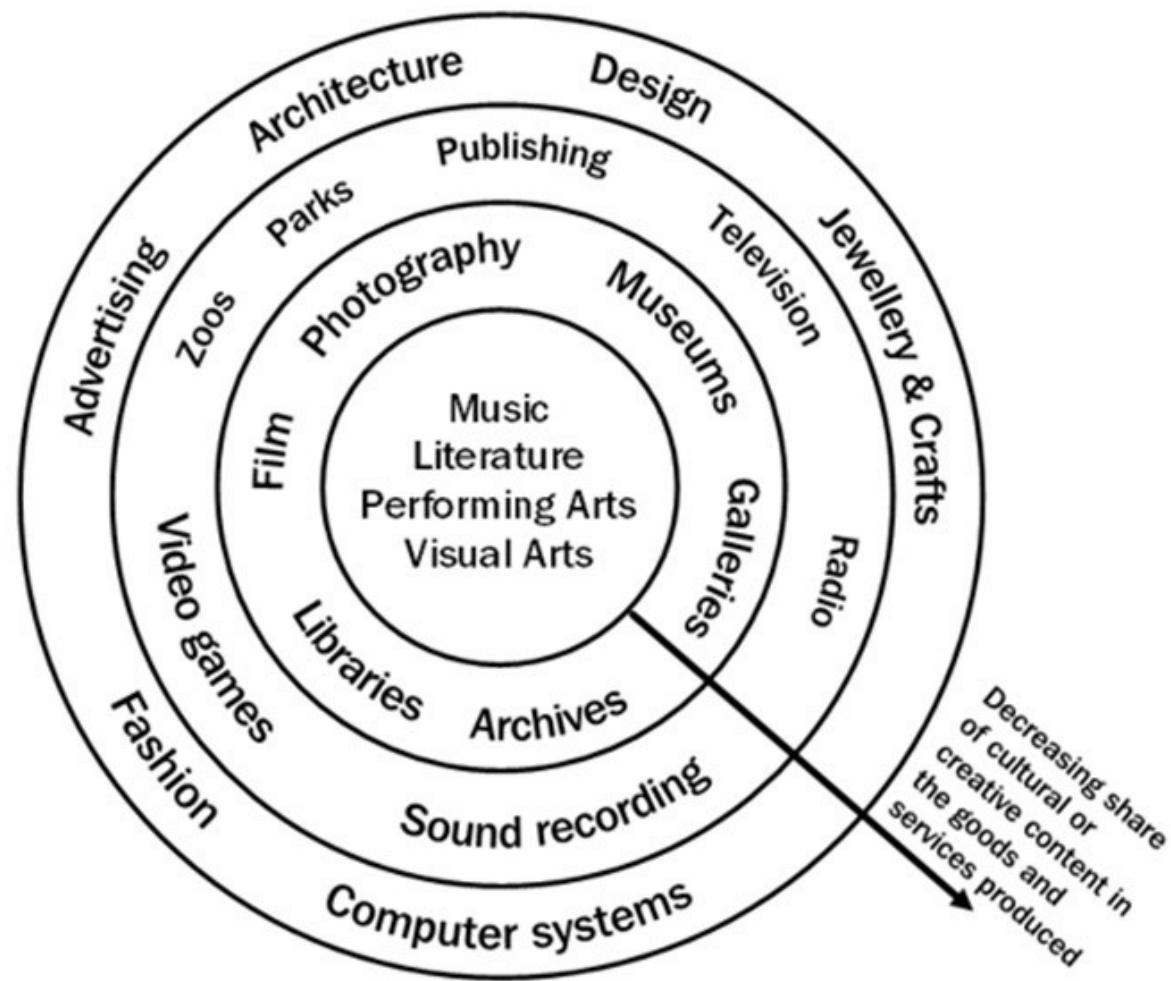
Part of expert-led state policy of “job-creation” towards full-employment

## *How cultural economics describes the value of art in society*



Copyright is seen as a main source of value in the value-chain of creative industries

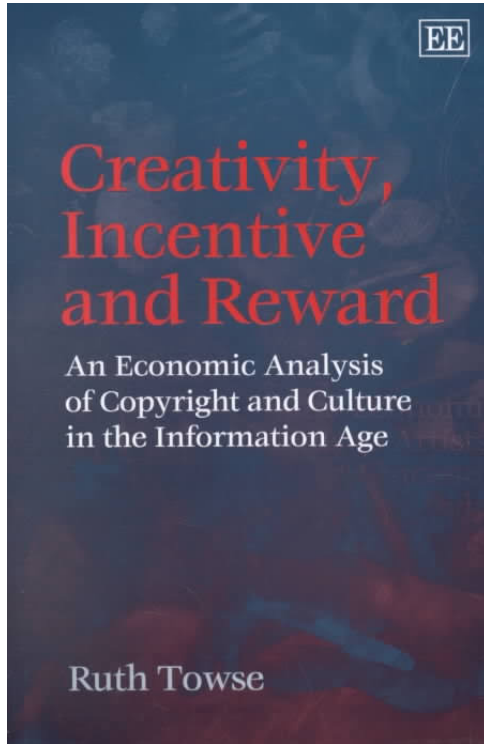
Music, literature, performing arts and visual arts are seen as source of value in the Cultural and Creative Industries (CCI)



**Figure 1: Cultural and creative domains**

Source: ABS Information Paper: Cultural and Creative Activity  
 Satellite Accounts, Australia, 2013 (Cat 5271.0.55.002)

## *How cultural economics describes the value of art in society*

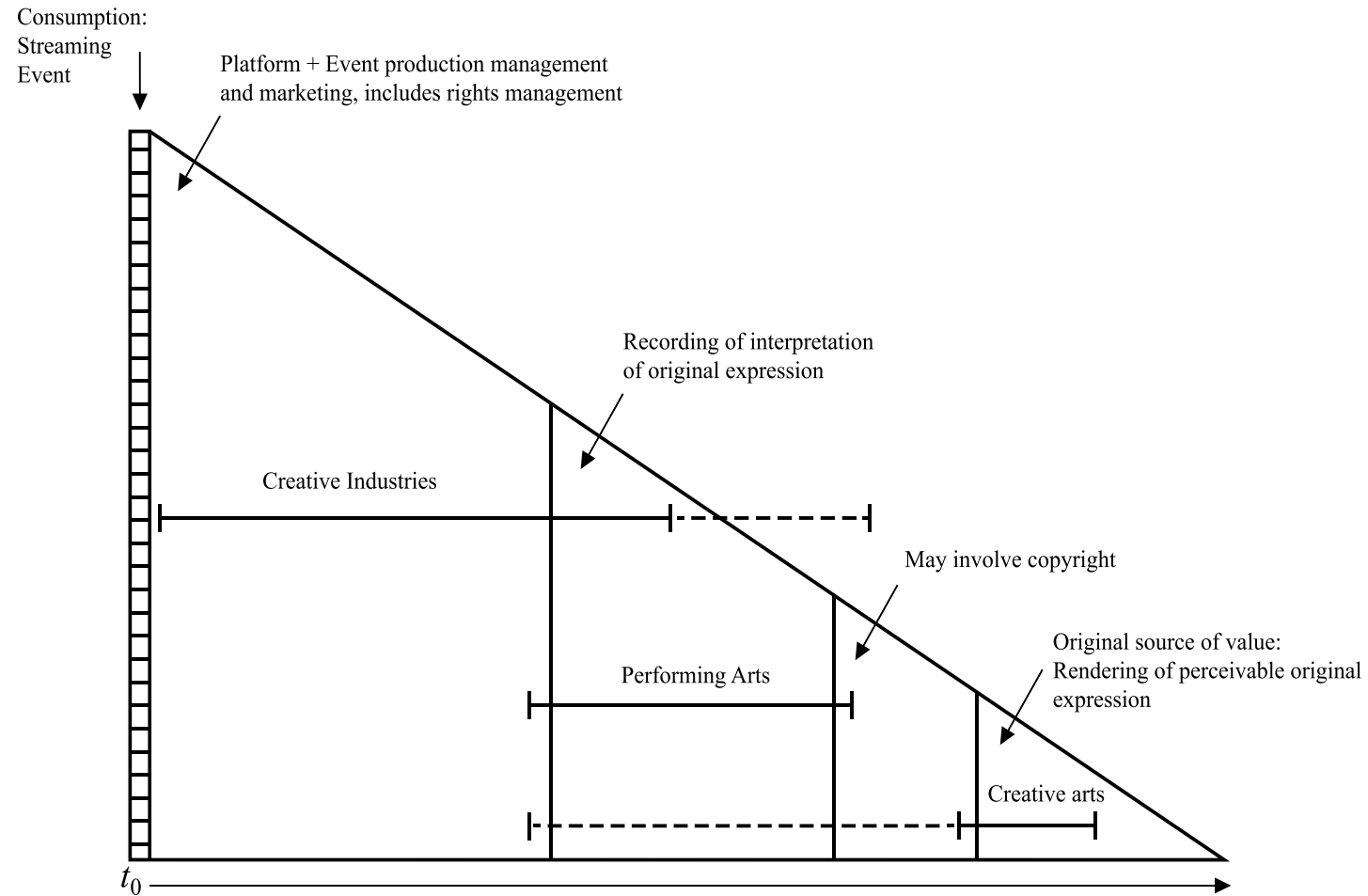


Towse 2001

Copyright is seen as original source of value in the value-chain of cultural and creative industries

Stages of Production for Livestreaming as Example

# How cultural economics describes the value of art in society



***How cultural economics describes the value of art in society***

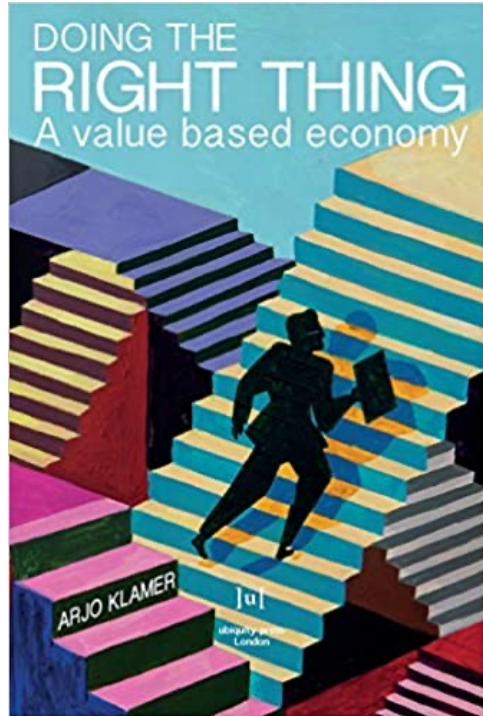
Artists are intrinsically (as opposed to financially) motivated and produce art because it is a type of calling or purpose for one's life

Many artists consider themselves self-employed (in their art practice) and only work for others to the point where they make enough money to afford their art practice





# “Are Subsidies in the Arts Necessary?”



*How cultural economics describes the value of art in society*

Intrinsic value created by the practice of art is known as “psychic income”

This is not measurable and cannot be planned by experts

# “Are Subsidies in the Arts Necessary?”



*How cultural economics describes the value of art in society*

“Psychic income” means that there is an  
“oversupply” of artists\*

We can juxtapose this psychological and  
sociological view with the “economic” view

\* So, no, subsidy is not necessary

## ***Arguments for and against government intervention into the arts***



U.S. Bureau for  
Labor Statistics

The “economic” view starts with social aggregates using data and econometrics as determined in the elite economic science of experts

Artists are defined by their occupation category as determined by Bureau for Labor Statistics and US Census Bureau

Only those whose main occupation is in the “arts” are considered artists

## ***Arguments for and against government intervention into the arts***

Economics uses wealth, income, and spending as instrumental values to maximize, ignoring other human motivations

Findings show that artists work more and earn less than others with the same level of education

In other words, education makes little difference in the income of artists

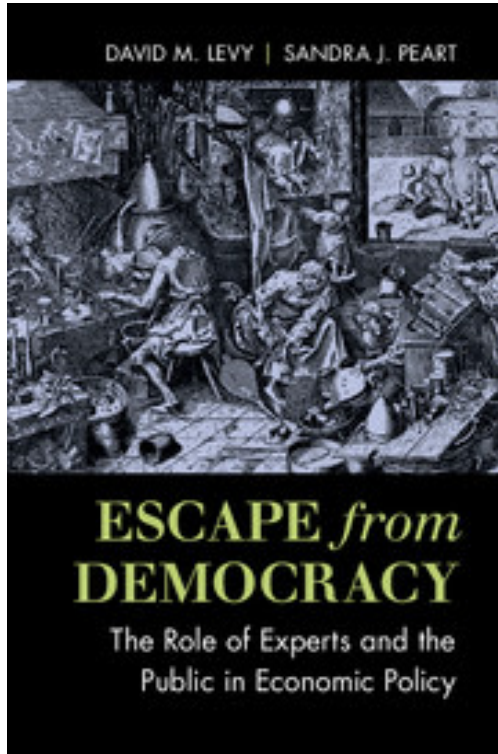


# “Are Subsidies in the Arts Necessary?”

Some cultural economists argue that because artists earn less than others with the same education artist “wages” should be subsidized

This despite the facts that 1) artists are often self-employed and thus don't earn “wages” and 2) there is an over-supply of art and artists who create for intrinsic value - “psychic income” - not economic value

Why would you want to subsidize the supply of art when there already is an over-supply ?!



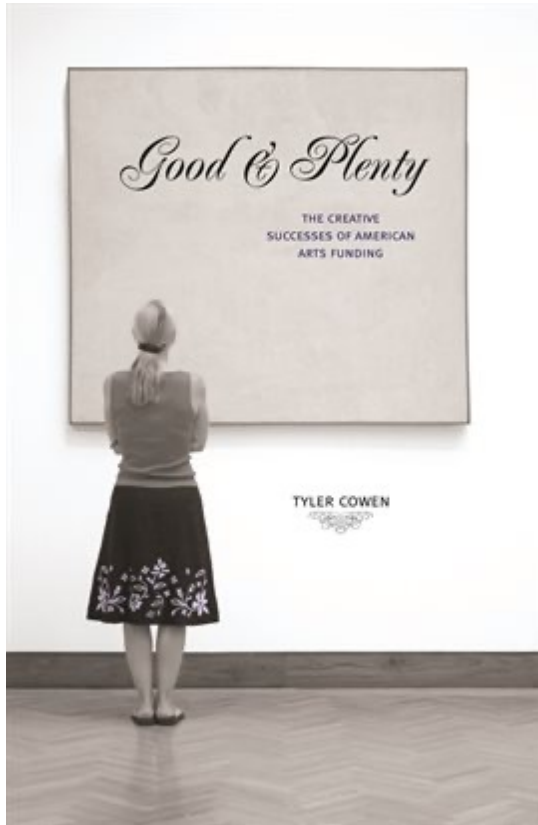
## *Arguments for and against government intervention into the arts*

Let's assume that we do want to “equalize” economic income between artists and other “occupations”

Under a world of scarcity (state budgetary limits) how is it determined which particular artists get subsidized?

It is determined by “experts” of course

## ***Arguments for and against government intervention into the arts***



Cowen 2006

Describes grant-making (subsidy) process of the US National Endowment for the Arts

Funding decisions are made by a committee of art experts after grant-proposals are first reviewed by NEA staff (themselves experts)

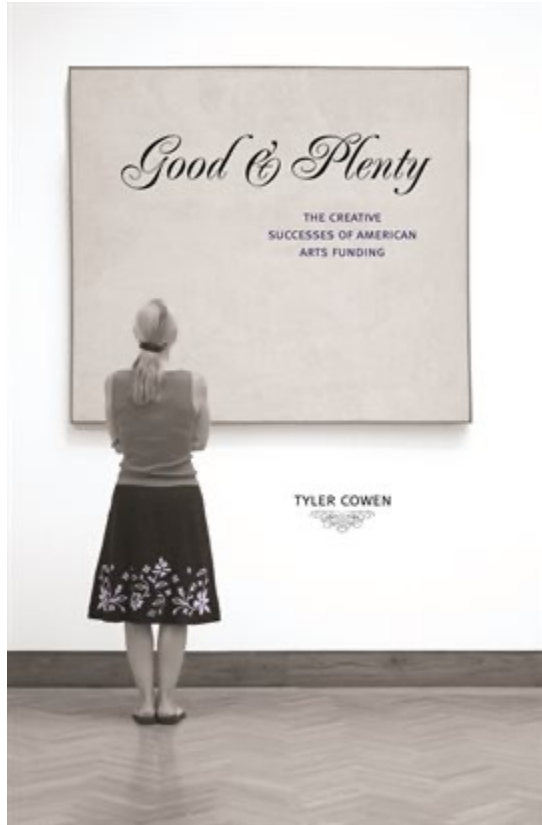
## *Arguments for and against government intervention into the arts*

Each of these experts have their own pre-analytical visions and biases (Coate and Hoffman 2022 *JCE*)





# “Are Subsidies in the Arts Necessary?”

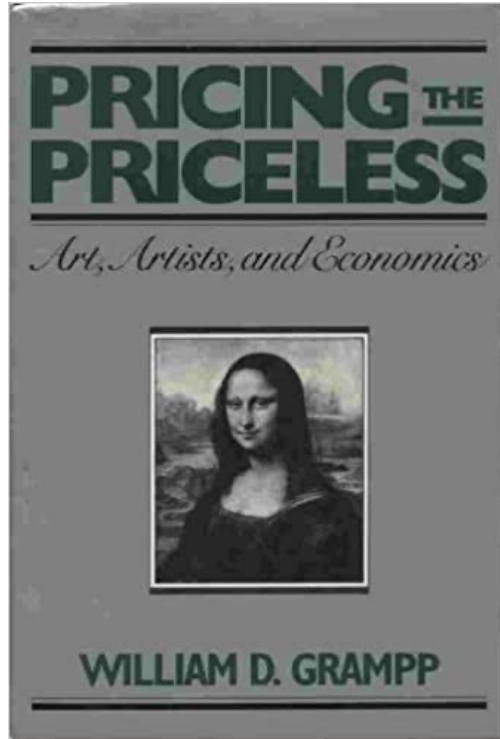


Cowen 2006

State committee peer reviews are conservative in nature and this suppresses creativity and experimentation in the arts

Experts want to maintain the status quo because it continues their distinctive elite status (Bourdieu 1984, 2010)

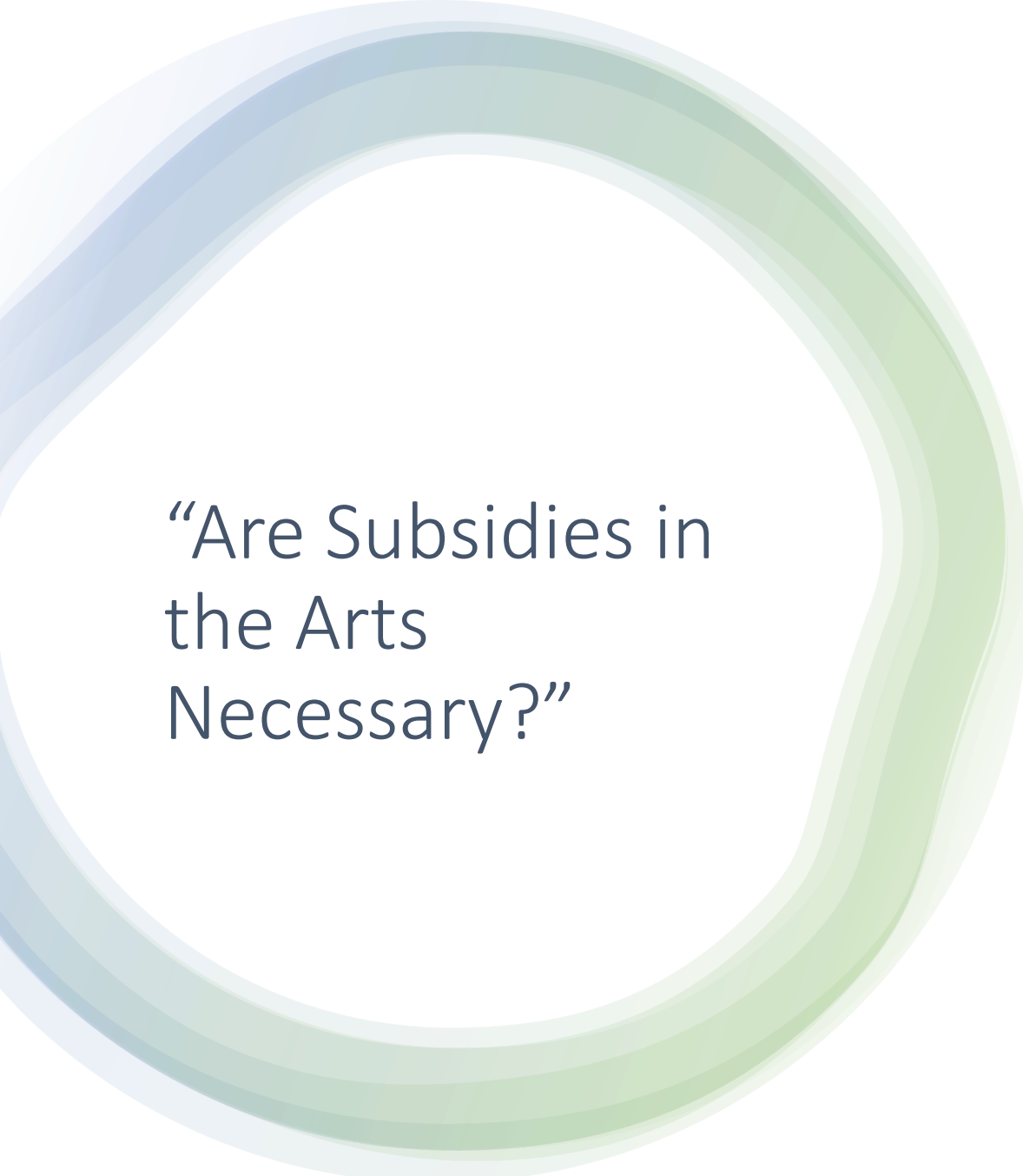
# “Are Subsidies in the Arts Necessary?”



***Conclusion: Political economy objections to arts subsidies***

State subsidies to arts organizations and artists suppress creativity and perpetuate expert elitism

Why are these subsidies then considered necessary by some people?



“Are Subsidies in  
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***Conclusion: Political economy objections to arts subsidies***

State subsidies by definition *take* from “the unorganized many”

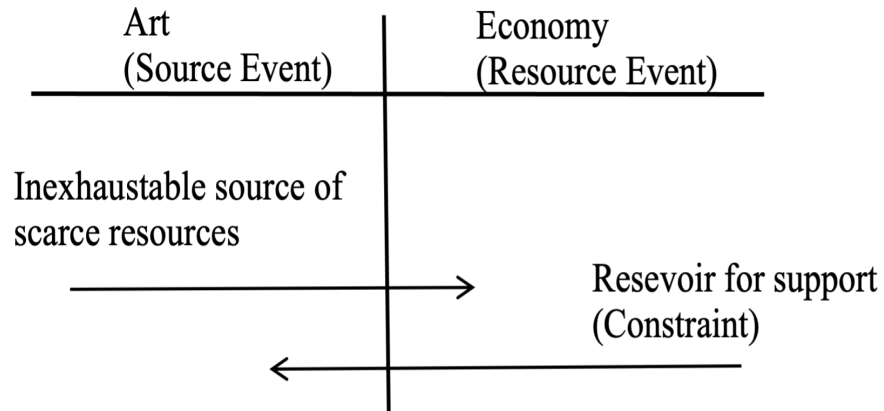
(the taxpayer and future generations when there is deficit-financing)

And *give* to “the well-organized few”

(those that know how to manipulate the process to gain subsidies and those state-experts who determine the subsidy process)

# “Are Subsidies in the Arts Necessary?”

## Exchange of Value Between Art and the Economy



## ***Conclusion: Political economy objections to arts subsidies***

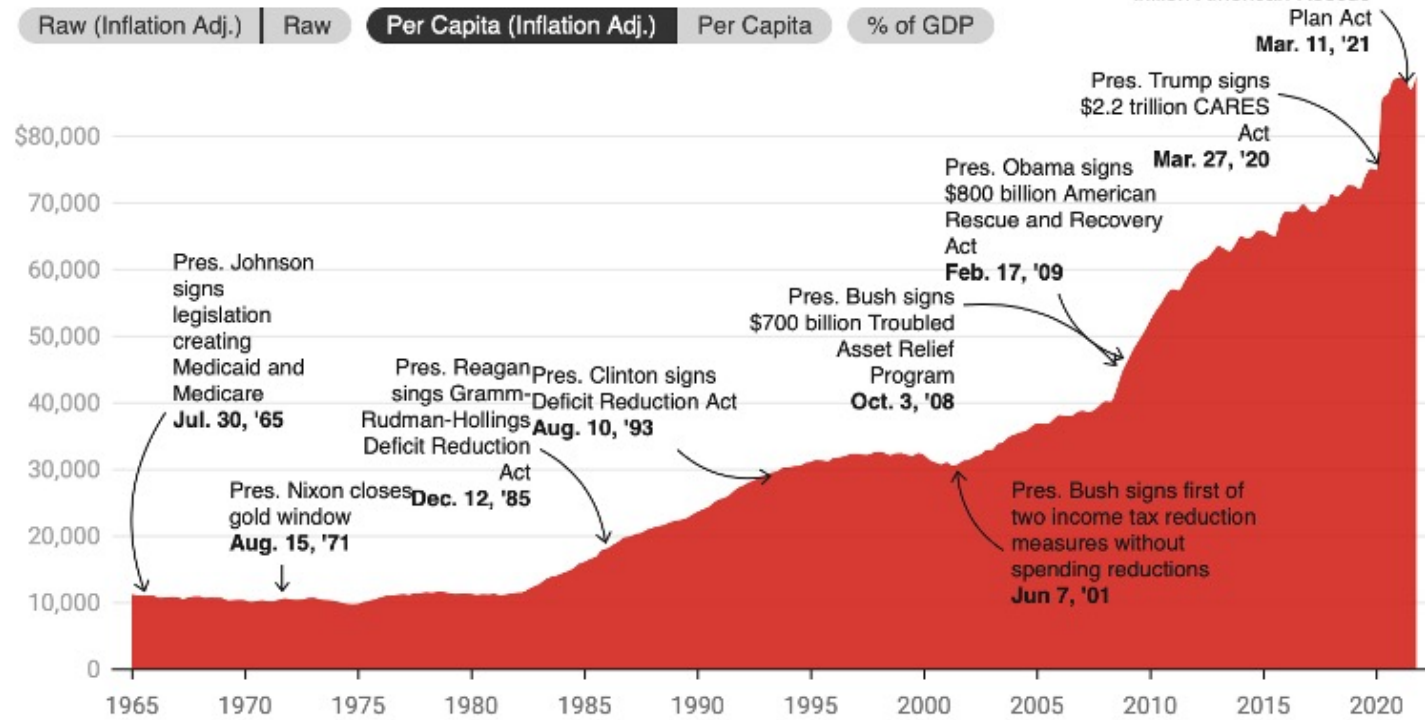
Special interest spending *today* leads to increasing government debt, inflation and lower economic growth to be paid by future generations *tomorrow*

Today's expert-determined spending deprives future generations of economic resources to make their own independent decisions as to what is valuable in society, including in the arts

# “Are Subsidies in the Arts Necessary?”

**Conclusion: Political economy objections to arts subsidies**

## National Debt (Per Capita, Inflation Adjusted)



Source: [Reason Foundation](#) • [Embed](#)

# “Are Subsidies in the Arts Necessary?”

Thank You !

Cameron M. Weber, PhD

[cameroneconomics.com](http://cameroneconomics.com)

Let's Have a Discussion