



## Economists' Interest in Art and Culture. An International Perspective

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**Abstract:** Art and culture contribute to the economic development of our society. The paper analysis how economists perceived art and culture over time. When it was the moment when the economic literature started writing the importance of the art and culture. The research started with reviewing the specialist literature and updating with the recent interests manifested by the global organizations. The conclusion is that the arts and culture play an important role in society and they became one of the priorities of the international organizations.

**Keywords:** history of art economics; cultural economics; art and economics

**JEL Classification:** Z11

### 1. Introduction

Art and economic studies have a long history since the first sale of the artwork was done, back in ancient times. However, the documented interest and analysis of interdependencies of this market with the other sectors of industries started later. Art and culture had a dedicated chapter in the economics literature, later in the XIX century. We noted the opinions of economists, historians, or even philosophers: C Goodwin regarding Bodin, Mandeville's contributions, David Hume and his historical and political studies, Turgot and Adam Smith in their literature, and

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continue with John Rae, Matthew Arnold, John Ruskin, William Morris, Lionel Robbins, John Maynard Keynes. We reviewed the literature of the XX and XXI century and highlighted when the economic effects of art and culture started to be on the international agenda.

## **2. Research Questions/Aims of the Research**

The purpose of this qualitative study is to understand how the art and cultural economics evolved to creative culture. The paper focused on studying how art was perceived during the centuries, gaining a special place in the economy.

## **3. Research Methods**

The research is a qualitative study to gain a deep understanding of the art and economics through multiple sources and building up an explanation based on that assembled information. Sources include economic, art and humanities literature, subject-specialist books as well as online articles and financial information. We started with the Handbook of the Economics of Art and Culture, by Victor A. Ginsburg, David Throsby, and continued with the review of XX literature through online research. Furthermore, the research focused on the literature and reports of UNESCO, World Bank and European Union.

## **4. Findings**

### **4.1. Art as a Luxury Good**

We noted interest in the analysis of the artworks since Renaissance or even earlier. Although not documented as such, interests in the factors determining the prices of artwork were documented since the XIV century. According to C. Goodwin (Goodwin, 2000), Bodin, Mandeville, and Galiani were among the first ones who speculated about the determinants of the prices of artwork. Their thinking was that “all simple goods were simply frivolous, and their value was socially determined on the demand side”. The artwork was perceived as a luxury good. Bodin (1578) observed that luxury goods increased in prices because the king favored them, not due to their value. He also noted that if the luxury goods became abundant, they were disregarded. Mandeville (1732) concluded at that time that there were four factors influencing the art work’s price, factors which are considered influential also in our

days: the name of the master and the period in which the work was made, (the age of the master), the scarcity of the master's work, the quality of the persons in which the possession they were and the length of time in which the art works were in possession of great families.

The artwork was considered an imitation of nature, but the nice and beautiful nature, the ugly was avoided and considered valuable to men with the true taste. Galiani (1751) analyzed the artwork from the beautiful perspective and identified two classes: one based on education "certain ideas that are engraved from the beginning" and others which is the "habituation of the senses which makes the things appear beautiful. Galini's also noted that the artwork prices are determinants of the needs and desires of the buyer and the esteem of the seller combined, forming a compound ratio.

#### **4.2. Art Contributes to Wellbeing of People and Society (XVII - XVIII)**

David Hume contributed to the literature in the XVIII century, although not in the form the economist will expect, the material was valuable because it has placed the art in a different space than wasteful and vicious, as it tempted to be perceived in the previous centuries. "Luxury is a word of an uncertain significance and may be taken in a good or bad sense. In general, means great refinement in the gratification of the senses; and any degree of it may be innocent or blamable, according to age, or country, or condition of the person. The bounds between virtue and the vice cannot here be exactly fixed, more than in other moral subject" (Hume, 1752/1965, p. 48). Hume's ideas were influencing the humanities and the arts of the following centuries. He also noted from his historical studies that extreme luxury leaving was both wasteful and socially pernicious. Furthermore the "the ages of refinement are both the happiest and most virtuous". Hume concluded that luxury and arts in general contribute to the wellbeing of people which has an effect not only on the personal side, but also on the public life; the increase in consumption of the artworks increase gratitude in people, who become storehouse of labor, which may be turned to public service.

Going further, Turgot (1750) was of the same philosophy of Hume. He also built his observation from history. He was intrigued by the different rates of progress in different nations and he had a hypothesis according to which the reasons for the differences are due to the growth of the arts and sciences, the cultural evolution of

mankind contributing to the progress, including in the economics. Turgot was of the belief that conspicuous consumption was destructive for artistic quality, during this time being fashionable and virtuous in appearance, but not valued for genuine creativity. Turgot highlighted the point according to which the art is educated and needs to be transmitted from generation to generation in order to keep it at its real value.

Adam Smith did not treat the art separately in his Theory of Nations, however in The Theory of Moral Sentiments (Smith, 1759) he touched upon demand and supply of the art. The demand for art, in his view, was determined by the custom and fashion; the goods can be purchased only to show off opulence and the statute to the others. That time was the period of debate around the productive and unproductive labor concept. Adam Smith and Physiocrats split the goods in goods from productive activities, such as agriculture, and the ones from urban non-productive sectors. These concepts had their roots in the conception of the arts being luxury goods, goods which were vicious to society. It is no surprise that theory that emphasized cost of production as a determinant of the value, has highlighted the fact that work of art should be considered based on the labor that produced the artworks rather than the artworks themselves.

Bentham (1845) who considered that the utility of art and science were in direct proportion with the pleasure they generated. He was not supportive of the idea of public expenditure for art, considering they have a regressive effect on the distribution of income and wealth. Yet he considered that art has some moral indirect utility, a positive externality as we use to say in our days. He considered that both art and curiosity's value are in direct proportion with the pleasure they yield, having a utility given to those engaged in such activities, utility which is considered in relation to the utility that might have been received from other alternative activities.

#### **4.3. Art in the XIX a XX Centuries: Art is Fundamental in Education and Become Key Pillar in Economic Development**

John Rae, asked in the Statement of New Principles of Political Economy (Rae, 1834) why people demanded art. He highlighted the gratification people get from admiring the sculptures, paintings, flowers, mentioning that the degree of pleasure was different in everyone. John Stuart Mill, another representative of classical politics, has exposed his considerations in respect of art in his social studies. He was

concerned about how artists can survive in difficult times. He wondered in his writings if the sales of the artwork of famous artists can be utilized to support the other artists, not so fortunate. (Mill 1909). He advocated for public education in arts at all levels, being of the belief that the quality of life will improve and asserting the fact that education in art will lead to a more moral and tolerant citizenry.

From humanists, there were three notable humanist critics of political economy who contributed to the relationship of the arts and economy: Matthew Arnold, John Ruskin, William Morris (Ginsburgh et. al., 2006)). Matthew Arnold started to ask questions which were not easy to answer. In the industrialization era, he asked whether the economic progress will not lead to a conflict between the owners on the one side and labor on the other. He furthermore asked, how society can be held together in the environmental degradation and sufferings of the working class; what was stopping the democratization to become anarchy. Challenging this equilibrium, and having the recent history of French revolution, and being a witness of his times, he concluded that civilizing the population, more exactly expanding the culture was key to keep the anarchy away (Arnold, 1869). His view was that economic efficiency cannot be simply reached, and that the arts and culture are truly exceptional, both in how they operate and their effects on society overall.

John Ruskin (1862) had another notable contribution in art, economy, and humanity. He proposed to make the individual happier not by giving him more goods and services, but by training him to make a better selection among alternatives and to appreciate the goods he affords. In his view the cost of production cannot determine the value; he was a visionary, anticipating the marginal utility revolution in 1870, the wealth is relevant in the ways the goods were used. The art and the art critic had an essential role in the education of people. He was a supporter of the public subsidies of the art and culture, the omnipresence of the bad taste in his time was the core argument for public intervention in the art on a grand scale.

William Morris was a successful business, an artist himself and a good designer, who was immersed in the arts. He was gloomier than the other two, due to his statute. He advocated for education in arts, but not for the intervention of the state in the arts, but rather a collective ownership, promoting communist ideas, which were a novelty in this domain at that time, in the XIX century.

In the 1870s, during the neoclassical marginal revolution, the economists focused on postulating a simple and universal principle of human behavior; art with its particularities was not in line with this belief, yet they used reference to arts more

than their predecessors. They concluded that prices for consumption goods were driven by demand, and not by cost. Furthermore, they advocate more the positive externalities of the art. Alfred Marshall (Marshall, 1920) claimed that all art goods can be placed in a few categories. Conventional artwork is material, personal and internal, enjoying the music is internal, but not material. He argued that the demand for the artwork was driven by a fundamental set of preferences which would prevail over the pressure from fashion. Furthermore, he considered education important, but education in science being of primary interest. The visual art was placed in a special place, being considered important in the work productivity, while the other arts were foolish of life.

The marginalist had the belief that a competitive market when certain conditions are met will yield prosperity, however the goods will be consumed in order and some of them, like art, were dedicated only to those that already have a steady income or 'of higher character' and they have the budget and willingness to spend on art. The order mentioned by marginalists started with the food, clothing, housing and this was assumed to be the appropriate way to consume the natural sequence of goods for consumption, a different good (art, wine) before one of the basic needs would have appeared unacceptable. Jevons (1871) was an advocate of this idea. Further, he considered all the fine arts being able to enrich the life of ordinary people beyond their expectations and therefore yielding positive experience.

Lionel Robbins (1963) was one of the biggest supporters of the arts in the XX century in Great Britain; his efforts on behalf of cultural institutions such as the National Gallery of Art, the Tate Gallery, Covent Garden being well known at the time. He advocated for the public support and subsidizing the art sector. He argued there were some goods in art which bring external benefit to the society, and if left only to the private sector, these goods will remain underproduced. He was convinced that with public education and exposure to arts, the taste of the public could be formed, bringing satisfaction and a level of appreciation which cannot be obtained otherwise. However, he recognized that economics cannot explain the exceptional value perceived by senses, or at least the economy of that century.

The Americans institutionalists were against the marginal revolutionaries in 1870 and against the utilitarianism of Bentham. They argued that human behavior was more complex and not easy to understand. The Americans were very interested in different topics and personas to study, but not into art. Thorstein Veblen in the Theory of the Leisure Class (Veblen, 1899) said that art was a way of showing the

wealth of the patrons, aesthetic consideration being subsidiary or absent. He did not show many regards to the art, mentioning that it is more for the idle rich than for the humans in general, and it was consequently wasteful with no social value.

John Galbraith had a lifelong interest in art, but although he analyzed the arts and the economics, his contribution consisted mainly in observations and speculations, and not in a thorough research of the subject (Ginsburgh et. al., 2006)

John Maynard Keynes has spent much time surrounded by artists in the Bloomsbury Group. He didn't have a direct, tangible contribution in the group, but he was aware of all the topics and the group had a relevant contribution to the analysis of art: the group dismissed the belief according to which the arts were produced only to satisfy needs for rich people, and the belief that they were superior goods consumed only when income has exceeded a certain level of wealth. On the contrary, they believed the art was critical for the achievement of human civilization.

they differentiated the aesthetic experience and its impact on people, from the satisfaction gained from consumer goods and services. They concluded that the Benthamite utilitarian model was valid only for goods and services, but it is not applicable to arts. They promoted the idea that art helped to interpret society, history, mythology over time. The group has also analyzed the place occupied by art in economics and they were not very pleased with what they discovered, considering that the models were unsatisfactory. On the supply side, the price was the dominant determinant. They also found that the artist wanted a decent living, but their motivation to produce art was not monetary, and had mostly internal, psychological reasons. Furthermore, to have the appropriate sources and tools to sustain the artists, the first concern should be developing the demand of the right kind. Roger Fry studied the demand, identifying different categories of buyers (e.g. snobbisms). The Veblenian instinct of emulation played an important role in the demand of art, and there were also the church, monarchy, the aristocracy, big businesses and the middle-class aesthetically sensitive to art. Analyzing the demand and the market, they advocate the idea of public support for the arts or at macroeconomic level, when private alternatives are exhausted (Goodwin, 1998). They had a strong sense of social responsibilities, and they advocated for the promotion of art and literature around Britain. Keynes and the others had set up The Hogarth Press and Nation magazine, two outlets with the main purpose to separate the artists and writers from the business and editorial pressures. Fry and Bell set up the Contemporary Art Society, with the main purpose to educate the public, by validating the artists with

the help of the art critics. Members of the Society paid subscriptions and certain designated art experts purchased artworks from the artists they favored or made gifts by them; these artworks were then exhibited, publicized, or given loan to museums. British Art Council, established after World War II, was established at the initiative of the Group. The Council was a public finance mechanism with Keynes and Kenneth Clark as chairmen (Goodwin, 1998) with the purpose to strengthen public support of the arts by decreasing government bureaucracy.

they believed strongly in the positive externalities of the art, and advocated that the education of art enables humans to experience a better life through gaining access to the best in arts and literature.

#### **4.4. Art and Culture in XX Economic Literature. Art and Culture Priority of International Organizations**

After Bloomsbury's Group contribution, the next notable one, considered by many the starting point in the analysis of the art market and art economics was 'Performing Arts - The Economic Dilemma' by Baumol and Bowen, published in 1968 (Baumol, 1968). In their book, the authors analyzed the state of the performative art, the costs and revenues, the factors that influence the demand and earnings, and the financial support the organizations might need. The central contribution of Baumol and Bowen analysis translated into 'the cost disease' and 'productive gap', new concepts and theories in the world of economics.

In 1976, Mark Blaug explored the developments of art economics in a book named *The Economic of the Arts*. In 1977, William Hendon and his colleagues found *The Journal for Cultural Economics* at the University of Akron, transformed into an international biennale conference (Edinburgh).

In '90, in the *Journal of Economic Literature*, David Thorsby and Glen Withers published *The Economics of the Performing Arts*. In 2006, Victor A. Ginsburgh, David Thorsby published *Handbook of the economics of the arts and culture*, one of the most extensive materials, collecting articles centered around the art economics. In 2011, Ruth Towse published *A Handbook of Cultural Economics*, gathering papers from some of the main contributors into the domain. Iain Robertson and Derrick Chong published *Understanding International Art Markets and Management* in 2005. In the last two decades, the literature around art and cultural economics increased with the market, showing the raised interests in this area. There are



valuable articles published by the auction houses, such as Christie's, Sotheby's, there are detailed analysis performed by dr. Clare McAndrew, founder of the Arts Economics, who issues a yearly analysis of the art market in the Art Basel & UBS Report. Art Tactic performs analysis of the auction results, publishing regular reports regarding the art market.

Deloitte, one of the Big4s, is issuing yearly the report Deloitte Art & Finance, containing analysis related to the state of the art, the general trends, art as an investment and other matters like risks and regulations. The extended literature developed in XX and XXI highlights the economic aspects of art and culture and their significant impact on the economy and society overall.

In economic-political discourse, discussions about culture and development came to the fore in 1996 with UNESCO's publication of the Report of the World Commission on Culture and Development, *Our Creative Diversity*. It established the culture and development agenda and identified culture as a development priority. In the economic-political discourse, the preoccupations oriented towards the analysis of the connection between culture and development appeared in the '90s. UNESCO established the World Commission on Culture and Development in 1996, at the suggestion of several organizations, including the United Nations Development Program. The Commission's role, as part of a wider initiative, the World Decade for Culture and Development, was to focus on a concept focused on the well-being of society and not just on economic progress. *Our Creative Diversity*, the report published by the Commission established the link between culture and well-being and identified culture as a priority for the development of society. In the years that followed, the new development agenda was supported by several policy papers and reports, such as *From the Margin: A Contribution to the Debate on Culture and Development in Europe* by Council of Europe in 1997, *Culture, Creativity and Markets* by UNESCO in 1998); *Cultural diversity, conflicts and pluralism* by UNESCO in 2000, *International flows of selected goods and services, 1994-2003* by UNESCO in 2005; *Urban development needs creativity: creative industries affect urban areas* by World Bank in 2003, and *Creative Industries Development* by UNCTAD in 2004). In 2005, the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expression was adopted; its provision recognizes the contribution of cultural industries to economic and cultural development (Mikić, 2009). If the beginning was timid, in 2019 all governments included the creative agenda in their program. At the European Union level, there are studies dedicated to the impact of culture on the economy and, in addition, studies

on how to measure the economic dimension of culture, creativity, and vibe in a city. This interest is high because that art and culture have on the economy and society.

## 5. Conclusions

Perceived in the XV century as a luxury good, dedicated only to those educated or wealthy people, art became the key in: educating the masses to stop anarchy and to increase the wellbeing level of people; art became the catalyzer for a good life and economic development in our society. Economists over the centuries showed the interdependencies of the culture and economics, politics and philosophy, art being at the crossroads of these highways. Nowadays, art and culture have a direct impact on the economy, contributing to the economic development and wellbeing of society.

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