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EXTERNALITIES IN THE ARTS REVISITED II.

EXPLANATION AND LEGITIMISATION OF GOVERNMENT  
INVOLVEMENT WITH  
ART IN THE LONG TERM.

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## EXTERNALITIES IN THE ARTS REVISITED II. EXPLANATION AND LEGITIMISATION OF GOVERNMENT INVOLVEMENT WITH ART IN THE LONG TERM.<sup>1</sup>

This article lists and analyses the arguments put forward to legitimise government involvement with art. It adds a legitimisation argument which I have proposed previously but which is not yet usually put forward and which is connected with innovation in the arts in the absence of patent protection. Subsequently an explanation is given from a historical perspective of the long-term involvement of governments with art. In doing so use is made of the economic theory of collective action as the theory has been developed further by the sociologist De Swaan. The usual explanation of government involvement, in which the emphasis is placed on the operation of pressure groups ('rent-seeking') such as the so-called art lobby, is rejected. The emphasis in the explanation is on the need, including that of governments themselves, for display.

### **External effects**

First a word about the concept of 'external effect'. This concept refers to the phenomenon that the (productive or consumer) behaviour of one person outside the operation of the price mechanism has consequences for other people, consequences which they evaluate positively or negatively. An attractive house frontage forms part of the consumer package of the owner or tenant of the building concerned and is also a feast for the eyes of others. If there are consequences for others but those others remain unmoved by them, then one has an effect in an objective sense, but not an external effect. True, the façade is perceived, but the observer is not warmed or chilled by it. Also, if the effect comes about within the operation of the price mechanism, it is not an external effect but a price effect. The frontage of the stately home cannot be observed from the public road, but once a price has been paid for admission to the surrounding park one can enjoy it to one's heart's content.

The concept of external effect is in principle a wide one. It is easy to see that a façade that forms part of the public space can give pleasure, and that it can be useful to take it into account in positive and normative economic analyses. But one is already going further if one says that it can also 'compel' respect, as we shall see in due course, and that in turn this respect can give pleasure and can have an economic scarcity aspect for the owner and the social group to which he belongs. If, finally, the same were to apply to someone's private visit to the opera, one will perhaps wonder whether the external effects concept is not being taken too far, and whether it is still useful in an economic discussion. If it is a question of an economic explanation, however, I see no theoretical or practical reason whatsoever why it would be useful to draw a line somewhere between these different external effects. I hope to demonstrate that I am right by means of the content of the text which here follows.

In this article, besides the usual distinction between positive and negative external effects - the attractive façade next to air pollution - we will further distinguish the positive external effects of art in four ways.

Firstly we distinguish what I call intrinsic external effects from extrinsic external effects. The latter meet needs which can also be fulfilled in other ways, that is, by other than artistic means. The attractive architecture of the new town hall contributes to civic prestige - the external effect -, which could also have been boosted by non-artistic means. In the case of

intrinsic external effects needs are met which cannot be fulfilled in other ways. These effects are inseparably connected with the production of art. The attractive architecture referred to is a feast for the eyes and as such provides a need. Because in the last resort needs can never be split, the distinction is a gradual one.

We then make a distinction between positive external effects which yield a benefit and those which prevent a deficit. For example, the government may give the owner of a building a grant to restore the façade, because as such it provides a need or attracts tourists (benefit), or because the government hopes by means of this and other restoration work to stop the neighbourhood degenerating (preventing a deficit). Again an extremely gradual distinction.

Then we distinguish reciprocal effects. In the case of a reciprocal effect there is a chain reaction which, as it were, comes back to the initiator of the initial effect. The owner who has the façade of his house restored causes amongst some observers a change of behaviour, which may or may not be minimal and which is expressed in increased respect for that owner and sometimes also for his neighbours or the group he belongs to. Usually the reciprocal effect will be linked to consumption by the owner, as when he lives in his own building in the foregoing example. But sometimes it will be connected with someone else's consumption. For example, the owner/ manager of a family business may pay for the staff outing to the Rijksmuseum in Amsterdam in the expectation that it will result in changes in behaviour amongst his staff which are attractive to him (and perhaps also to others). Clearly, different degrees of reciprocity can exist.

The same applies to the irreversibility of external effects. In theory one can imagine that if the initiator of the effect stops his action the pre-existing situation will revert. In practice this seldom or never happens, but the extent of irreversibility can vary. An owner has the façade of his house restored, at first maintains it properly but then allows the maintenance to slide. The fact that people in the neighbourhood are now used to the presence of the restored façade may, for example, result in some form of collective action which leads to the preservation of the façade and which without the initial restoration would not have got off the ground. The situation prior to restoration does not recur.

As we shall see, the three last distinctions are particularly useful in the context of explaining government involvement. Prior to that, we pose the question of legitimisation.

## **The legitimisation of government involvement**

### *The welfare economic approach*

If the question of the legitimisation of government involvement with art is posed, then one is always asking about the economic legitimisation of government involvement and the answer is formulated using an economic framework. That this legitimisation cannot at the present time be other than an economic one is a consequence of the universal social requirement for rationality in relationships between aims and means (certainly as concerns the government, which is more and more seen as an extension of oneself and which via taxes has access to 'our' purses). But this economic legitimisation may include more than just contributions to the 'economy' in the sense of, for example, the size of the national product.<sup>23</sup>

In the context of legitimising government involvement with the arts economists do not distinguish between the long and the short term, and nor, therefore, will we do so here.<sup>4</sup> Economists do not differ in their views of the framework from which the legitimacy of this

involvement should be studied. They use so-called welfare economics, which is part of the neoclassical approach.<sup>5</sup> But their opinions do differ on (1) the admissibility of deviating from the objective of welfare economics, i.e. consumer sovereignty, (2) the nature and size of collective goods and external effects in the arts on which any government involvement could be based, and (3) the conditions which must be met in the case of government involvement in connection with collective goods and external effects.

It is striking and perhaps symptomatic of the social success of economic science - a positive science - that its practitioners make pronouncements with such ease about the inadmissibility of deviating from a particular objective, i.e. consumer sovereignty. Consumer sovereignty implies the value judgement that individuals themselves are the best judges of their own welfare and that individual preferences for traded goods and non-traded goods (the collective goods and external effects) therefore ought to 'count'.<sup>6</sup> The rare economist who does consider it admissible to deviate from the objective has to argue for it<sup>7</sup>; the others do not justify their academically reprehensible behaviour or rely on evidence. This behaviour is so general that in fact there is a taboo on merit action and merit goods amongst the practitioners of economic science. Merit goods arise if government corrects individuals' judgement about their own welfare (as in a ban on alcohol) and so contradicts consumer sovereignty. One is dealing with a taboo which, in interaction with the behaviour of economists, has embedded itself more generally in the political debate.

In principle economic science does not make statements about the admissibility of objectives. As a participant in the political discussion the economics practitioner can make statements just like anyone else, but it is still a useful scientific habit to indicate what colours one is flying.

Contrary to what you had perhaps expected, an extensive and critical discussion of the concept of consumer sovereignty does not follow here. A single remark suffices. One can point to quite a few circumstances in which political preference probably would not plump for consumer sovereignty and quite a few in which it probably would. Partly owing to changing circumstances it seems that political preference in practice opts much more often to letting individual preferences 'count'. This is evidenced by the fact that more and more goods (including services) in the industrialised capitalist countries (and increasingly rapidly in the East European ones) are being privatised or are being made marketable by government, so that individual preferences automatically start to 'count'. For this reason I concentrate in this article on the legitimisation of government involvement within a welfare economics context and am less concerned with the crossing of boundaries (i.e. the existence or creation of merit goods).

This does not detract from the fact that even at this time there can be all manner of circumstances which especially in the case of specific government involvement can lead to a different political preference.<sup>8</sup>

As I have argued in another context, an important advantage of the welfare economics approach is that it provides a useful framework for structuring political discussion. In theory one can see when boundaries are crossed and it therefore becomes possible to discuss such crossings. (See Abbing 1990.)

Finally I want to point out that government involvement in the production of specific goods can never be legitimised solely by reference to an income distribution that is considered skewed and unjustified. If one does this, however, it means that the existence of the skewed income distribution is considered additionally unjust precisely in relation to the good concerned, either because, more than other goods, it has 'merits' that are insufficiently

recognised, or because the good has certain external effects.<sup>9</sup>

### *External effects of art*<sup>10</sup>

Economists and others mention all manner of positive external effects of art. We can classify them more or less by reference to the purposes that they serve. The individuals are deemed to have a preference for that purpose. One is therefore dealing with a need which in this case they cannot express via the market as there is no market for these effects.

1. The purpose is 'economic'. Even outside the working of the price mechanism, the artistic product contributes to the 'economy'. It contributes to 'economic' growth or prevents 'economic' decline. Sometimes the location where this growth is said to occur is specified in detail. In principle this can range from very local (an individual town or even suburb) to worldwide. The contribution can be postulated in general, but usually the way in which the contribution comes into being is indicated in some detail. For example it is pointed out that the 'economy' benefits from the arts because of (a) a positive effect by the arts on production, e.g. by the level of design in industry being affected leading to an improvement in industry's competitive position, (b) the promotion of tourism, (c) greater international prestige and hence more effective diplomacy, (d) people who function better in the labour process because they are more flexible or more creative, (e) less crime or vandalism, (f) people who as a result of their consumption of art develop a less wasteful pattern of consumption, and so on.<sup>11</sup> In the case of the last two it is clearly a question of avoiding a deficit, in the case of the others of realising a benefit.

2. The purpose is not primarily 'economic', nor is it artistic. One does not exclude the possibility of there being an indirect effect on the economy, but this is not of primary importance. The effect itself meets a (non-aesthetic) need. A good example is the indirect contribution to local or national prestige as such. In turn this can have positive in, for example, the size of the national product, but that is secondary. Also, irrespective of any repercussions, people can enjoy it and preferences for it can exist. The same can apply to most of the other quantities just mentioned in the area of 'welfare', which are therefore sometimes presented in that capacity. Less crime and people who are more creative in one's community can in themselves give pleasure.

3. The purpose is primarily artistic, though one does not exclude the possibility of there being repercussions on the economy or on other, non-artistic purposes. This is the case with a large group of external effects of art - including art which is of the nature of a collective good - which have to do with art in public space.<sup>12</sup> One thinks of sculpture, the architecture of buildings, free open-air concerts (for example, carillon recitals in Dutch towns or the activities of street musicians), the design of public notices (including billboards) and so on. Aesthetic needs are satisfied outside the operation of the market.

Broadly, although the comparison is not exact, this also applies to external effects of artistic renewal which, owing to the impossibility of securing patent rights, withdraws from the workings of the market. For a considerable time I have tried to draw attention to effects of this kind, but at present - with one exception - they are still not included - in the lists of external effects that are given.<sup>13</sup> I discuss these external effects in greater detail in a subsequent subsection.

The distinction between the third and the other two classifications approximately corresponds to that between intrinsic and extrinsic external effects. The distinction can have a certain emotional significance for those involved. In the case of any legitimisation of government

involvement on the grounds of external effects as referred to in the first two classifications, one could say figuratively that the arts are prostituting themselves, are subordinating themselves to improper purposes, whilst this would not be the case in relation to the external effects in the third classification. In a forthcoming article I argue that every participant in an economic transaction is to a greater or lesser extent 'prostituting' himself, is adapting himself to the wishes of others, is letting himself be directed, that the arts are no exception in this regard, and that in general this need by no means be 'wrong' for those arts. That the arts produce non-artistic by-products, ranging from coffee during the intervals to advertising space for sponsors, is now recognised by all concerned and where possible exploited. The same applies to the above-mentioned presumed non-artistic by-products which have the form of external effects of art. The present rhetoric of artists, business leaders, government ministers and others only confirms this.

Nevertheless people are in a 'market' that they do not know and which is fairly unpredictable. (This also applies to the sponsors' market, but not to the coffee during intervals.) People are trading virtually in matters of faith, and although that also applies to a certain extent to their own production too, i.e. art itself,<sup>14</sup> people are usually afraid that the size of the market for non-artistic ancillary products is more subject to fluctuation than the actual art market itself. History will show whether that will turn out to be the case. For the time being it does not seem so. But in itself it is logical that a diversifying company will not want to become too dependent on products which have to be sold in a risky market.

In this context the legitimisation question must be posed afresh: does the existence of an external effect within welfare economics always imply the need for government involvement? This question is dealt with in the next, again rather more technical, subparagraph. The most important conclusions recur more implicitly in the rest of the text.

#### *Conditions for government involvement*

In the literature of welfare economics a large number of conditions circulate which have to be fulfilled if government intervention is to be legitimised on the basis of external effects. For readers not schooled in welfare economics this can be well summarised as follows: one must be able to make out a plausible case for the benefits of the proposed government action outweighing the costs, i.e. the government action being 'better' than no action, and for the net benefits being greater than those of related government action.<sup>15</sup> Some economists would definitely here cross out the words 'make a plausible case for' and replace them with 'one needs to prove that', which then also implies that any occurrence of the external effect must be able to be evaluated objectively. As far as these economists are concerned, the case of the sceptics, who do not want to be dependent on an unclear market for ancillary products in the form of non-artistic external effects which in many respects are a question of faith, is supported: these economists reject the stated external effects as grounds for government action, because they can be demonstrated and evaluated only poorly. But economic reality is evidently different. It does not listen to the opinions of these economists and perhaps is even in disagreement with them.

In any case, although the costs involved can be very high, at best only a plausible case can be made out for the net benefits of very many government decisions and nor can they be objectively measured retrospectively. One then surmises that the costs of inaction are higher still. This poor ability to demonstrate and evaluate benefits applies also to all kinds of decisions in foreign policy. But it applies to many decisions by companies too, and yet they

can be regarded as being extremely interested in cost-benefit analyses that are as accurate as possible. In this context one thinks not only of business decisions such as sponsoring art, or introducing a new logo, but also especially of strategic decisions such as mergers, demergers etc. Here too one is concerned with making out a plausible case, here too it is a question of belief, here too there is seldom much that can be evaluated retrospectively, and yet survival may be at stake.<sup>16</sup> In the final analysis matters need not be any different in the arts.

But even if there is generally (though not always) little or nothing that can be really demonstrated, let alone quantified, that does not mean that we are released from the duty of putting costs and benefits into words in the political debate. And this applies not just to the choice between, for example, art and education, but also to the selection of specific items of expenditure. It is necessary to make out a plausible case that the project selected brings with it more benefits than the related, unselected projects.<sup>17</sup>

In this context one can pose the question whether thinking in terms of extrinsic external effects provides an unambiguous selection criterion. Suppose one is in pursuit of civic prestige. Will it then be more attractive to the civic government to invest in large-scale, high-profile artistic events, and not so much in small-scale ones? If it is a question of increased prestige in the short term, that can be defended, but if one is paying greater attention to the long term then there is perhaps more to be said for a cultural infrastructure and a corresponding cultural climate, in which it is precisely the small scale nature of the events that is decisive. This example demonstrates that in every regard it is a question of making something plausible, and that in practice there can be no question of a selection criterion that generates automatic choices.

What benefits are involved in welfare economics? First they need to be benefits in a subjective sense. The arts can in theory still have such splendid, and possibly even demonstrable, ancillary effects: if they are not valued they are irrelevant in the (welfare) economic approach; they are then not benefits. In the case of any contributions to the 'economy' or to our prestige in an international context this is not such a problem; contributions of that kind are valued almost by definition, even if describing the extent of such valuation is still a matter for political discussion. It can be more problematical in the case of, for example, the external effects of artistic renewal which I have postulated. A case can certainly be made out for benefits in an objective and even in a subjective welfare economics sense, but the question is whether they are translated into a public subjective preference as such. The question is whether the effects are also valued in political practice and whether they are in fact external effects in that sense.

Secondly, the question of whether the effects are or are not external must also be posed in another regard. Quite a few effects that are postulated are not external effects but price effects. The benefits come into being within the operation of the price mechanism. In the case of local contributions to the 'economy' via the promotion of tourism, for example, this can very easily be the case. The hotel and catering industry profits from an active artistic life, but this profit comes about at least in part via the operation of the price mechanism. In this way the art firms also profit from hotels and catering.<sup>18</sup>

Thirdly it must be pointed out that many external effects come about to a greater or lesser extent even without government intervention. Even where 'market creation' is not possible, our society nevertheless has mechanisms whereby external effects and collective goods which meet a clear need will also come into being without intervention by the government, albeit on what in a welfare economics sense is a sub-optimal scale. As a result of the reciprocity of many external effects this is in fact the case, as we shall see.<sup>19</sup> Government

action can then still bring benefits, i.e. an increase in the external effect, but the question is whether these benefits outweigh the costs of the government involvement.

Government action, whether it concerns grants or regulation, brings with it all kinds of costs, and not only the actual costs of any grant. At present we are rather worried about the costs of bureaucracy and the fact that government action sometimes does more harm than good: what is achieved is not the same as what is wanted, or is even the opposite. This results in techniques being devised to make government involvement cheaper and more effective. At the same time the question is whether government, seeing matters from a broader perspective, really does so badly after all. The fact remains that government action is by no means without cost, and that the option of inaction ought to be taken seriously from case to case.

*External effects of innovation. The renewal of symbol systems cannot be patented.*

Symbol systems are renewed in art and in science. In the arts these are aesthetic symbol systems; in science scientific symbol systems.<sup>20</sup> Renewal does not take place only in science and art. Aesthetic symbol systems in particular are also renewed outside the arts in a more or less automatic and continuous process.<sup>21</sup> Nevertheless our society has a distribution of labour in which certain groups in society, the artists and scientific practitioners, within a historical process which is not covered here, have come to occupy themselves particularly with this renewal. Their labour is paid for, otherwise it would not be undertaken. Increasingly, both groups derive an income from the market and at the same time both groups are also enabled to supply their services by financial involvement on the part of government. Financing their labour solely from the market can be problematical owing to two mutually connected factors.

The first relates to the area of tension between resistance and attraction which is unique to each relevant innovation. Inventions in industry, science and the arts will either be ignored by those to whom they are of possible importance (other producers, inter alia scientific practitioners and artists, and/or their consumers) - in that case they were not relevant<sup>22</sup> - , or they will initially be resisted and only after the passage of time to an increasing extent summon approval of them. It is precisely socially important innovations that will initially result in a kind of taboo - the evidence of their importance - and this taboo is possibly even stronger in the case of artistic products than in the case of industrial and scientific ones. But if that is so, the distinction between science and art is nevertheless a gradual one.

Also gradual but much less so is the distinction inherent in the second factor: the impossibility of patenting. In general, technical innovations can be patented, scientific innovations can usually not be patented and artistic innovations can hardly ever be patented.

This means that as soon as an innovation is successful and the taboo is gradually conquered and the innovation starts to diffuse, to a large extent the profits accrue to people other than the innovator. The moment acceptance begins, others, operating both inside and outside science and the arts, market applications as a result of which the innovation is propagated further and the innovator is in fact proved right. This already indicates that even if patenting were technically achievable it would not be socially desirable: scientific and artistic innovations are diffused in society in an almost casual process, unhindered by property rights. At the same time the lack of ability to render saleable the property rights inherent in the intellectual property of the innovation can, if the innovation has to be financed solely from sales, result in its not being realised or taking place at a lower level than is socially desirable.<sup>23</sup>

One can also visualise it differently. In the case of technical innovations where the property right to the innovation can be turned into money it is of interest to an investor,

sometimes the inventor or discoverer himself but usually someone else, to put money into creating the innovation. It is true that many (apparent) innovations fail, but the odd one can from its applications bring in a great deal of money in time. Either because of the patent there is no competition, or the patent can be sold and bring in money in that way. The investment, even in possible failures, is recouped with a profit. There is a market for the inventor's labour. In the case of science and art it does not exist or exists to a much smaller extent.<sup>24</sup>

The artist and the scientist can sell the specific application into which they have poured their invention; the application is protected by copyright, but the invention or discovery itself is free. It is a collective good; in other words the product of the artist and scientist brings with it important positive external effects. And sometimes only government action can ensure that the production concerned gets off the ground to a sufficient extent. In practice we see that science is financed to a large extent by the government and art to a smaller extent. In the next paragraph we will examine whether this can be seen as the results of collective action and whether a link can exist with the phenomenon discussed here, the impossibility of taking out patents.

At this point we ask ourselves whether the impossibility of taking out patents can represent grounds for legitimising government involvement. As we have already established, two questions need to be posed in that context. Are we concerned with an 'external' effect, i.e. is the effect valued? And does government involvement result in an increase in the external effect such that the increase outweighs the cost of the involvement? The combination of the two factors mentioned - the initial taboo and the impossibility of taking out patents - can result in innovators' labour not being financed (to any significant extent) from the market, as a consequence of which it cannot sufficiently get off the ground in a welfare economics sense, but that is not necessarily the case. The answers to these two questions are again a matter of conviction and debate. There are therefore things that one can say about them.

To start with the latter question. It could be that notwithstanding the impossibility of taking out patents, a considerable degree of innovation nevertheless comes about by other causes and any government involvement hardly increases the external effect any further. Especially in the arts, as we will see in the next paragraph, a number of factors are at work that enable artistic production, including innovation, to reach a certain level within the workings of the market. One's opinion about this level relative to a possible desired level will depend inter alia on the artistic area and will in any case be a matter of political debate.

The other question relates to valuation. Do people mind the external effects of innovation in the arts? They must, otherwise there would be no effects. There are sequences of styles, we can trace innovations in the arts outside the arts in industrial design, in new ways of seeing, in new ways of listening, in short in a series of new 'outlooks'. The arts bring about behaviour which would not have come about or would have taken different forms. In this regard there exists what economists call a 'revealed preference'. In theory there is a subjective 'valuation', but at the same time the question is whether this also means that any government involvement will be approved on these grounds. The external effect is very opaque and occurs in an extremely fragmented way in society. It is true that people behave in accordance with it, but the question is whether in practice it lives for them in such a way that to enable it to exist and expand they are willing to fight for it via group pressure on the government or at elections. Only with difficulty is the revealed individual preference translated into a public preference. Here the welfare economics legitimisation on the one hand, and on the other hand the explanation of the actual behaviour, any collective action which is undertaken, and hence the explanation of the actual legitimisation, diverge from each other.

Nevertheless one may wonder whether there is not a presumption of the importance of these external effects of innovation. The recurring theme, with in fact sometimes metaphysical dimensions, of a 'higher' purpose that involvement with the arts brings with it could have its origin in these - in themselves concrete - repercussions. In this context it is important to understand that, irrespective of the possible higher purpose that it may also serve, a value is in practice put on the effects itself; there exists a revealed preference. Subsequently people consider that the effects also involves a higher purpose. This purpose can be extrinsic but also intrinsic. The latter is the case if, for example, the external effect amounts to an irreplaceable contribution to the 'progress of civilisation'.

Goodman considers that a result of the renewal of aesthetic and scientific symbol systems is cognition. A new, and relevant, insight is born. In my view this is an important ancillary product of art and science. In a dynamic society characterised by rapid technological developments we cannot do without it.<sup>25</sup> If art and science stood still or showed insufficient progress there would soon be a 'deficit'. In this regard there is certainly a connection with the 'economy', be it very indirect. At the same time it is quite possible that the contributions that art and science make are so unique, so irreplaceable, that even if we do not conceive of the 'economy' all that broadly, we nevertheless ought to speak of an intrinsic, rather than an extrinsic, effect.

Finally the question of whether the external effects of art inherent in the impossibility of patenting innovations provide a selection criterion (which may or may not be qualitative). Again, great caution should be exercised. Nevertheless, because important innovations are generally (though not always) 'hatched' in a small-scale environment, it would seem obvious that government involvement would tend to be biased towards the small-scale.

## **Explanation of government involvement**

### *Dynamics of the economic approach*

As a result of its generally accepted origins in neo-classical theory, economic science lends itself only with difficulty to the study of dynamic situations and still less to the study of historical processes. For micro-economics this applies down to the present day. Nevertheless the external effects concept offers new and partially different ways towards a fruitful dynamic and perhaps even towards the badly needed reintroduction of a historical context into economic analysis.

Activating a dynamic using the external effects concept has so far been done on two lines. The first line has stressed that the external effects in a dynamic social process can lead to establishing or redefining property rights as a result of which (new or different) markets are created and the external effects become tradable and cease to exist as such. Copyright, allied rights, lending rights and suchlike are good examples, which are also relevant in the field of the arts. Government, with its monopoly of power and hence the ability to legislate and force compliance with laws, will generally - though not always - play a part in the dynamic process. One can talk of privatisation according to the letter of the word.<sup>26</sup>

This brings us to the second line of approach in which collectivisation is central. Starting with the existence of usually negative external effects and using the theory of the small group, this approach identifies how in a dynamic process a deficit-avoiding positive external effect (or collective good) is realised. An example is a group of shopkeepers installing

attractive street furniture in a square to counteract a process of degeneration. In the background the problem of collective action and the 'free rider' is played out: there are advantages in staying outside the organising group, for one can still profit, at no charge, from the positive external effect. The shopkeeper who has not contributed benefits just as much as the others. Usually that applies to a greater or lesser extent to all those concerned, and consequently the action sometimes does not happen. The potential threat from the 'free rider' makes cooperation difficult. The action involves considerable so-called transaction costs and in many cases will therefore not get off the ground. Nevertheless, there can be circumstances in which the problem of the free rider in a dynamic process can be temporarily or lastingly overcome. In many cases the process will end with one or other form of compulsion, usually as a result of government intervention: the government with its monopoly of power compels cooperation by means of legislation or regulation or more indirect forms of pressure, or the government with its right to raise taxes gives grants or takes over the organisation and pays for the external effect or collective good. If a sculpture is being placed in a square, that can be done by a shopkeepers' association (with voluntary membership), a chamber of trade (with compulsory membership) or a local authority.<sup>27</sup>

The sociologist De Swaan recently significantly advanced the second line of thinking. He pointed out that there can really only be a dynamic with explanatory value if the development of the public body necessary for the collective action to come about, from the very first beginnings of very local centres of power to a modern government, is also taken into regard. Subsequently he has presented the beginnings of the creation of theory in this context.<sup>28</sup> As a result, for the first time this economic theory becomes usable in a historical context, and in particular for the study of irreversible, long-term historical processes, particularly the process of collectivisation studied by De Swaan. One could say that using his theory De Swaan has described the irreversibility of many external effects in greater detail.

De Swaan and his predecessors in economic science take a point of departure which is related to the negative external effect. A deficiency exists or threatens - floods, disease, begging, crime - which can only be effectively prevented by collective action. Individual action by individual citizens, for example to bring begging under control, is too much to the advantage of other citizens too - the free riders - or in the course of time rebounds on the initiative-taker himself, who because of his largesse gets all the beggars on his doorstep. Individual actions come to grief or are taken over in a dynamic process by coalitions of citizens who undertake collective action on mendicity. This transfers the problem of the individual citizen to the level of individual villages, subsequently to regions, and so on. Owing to the control and avoidance of the deficit, public entities come into being at higher and higher levels and with more and more potential for compulsion: from local boards, to the formation of states which can partially be explained from that phenomenon. The history of the development of poor relief, health care and even education is inseparably linked to this. It confirms the connection between collective action and avoiding a deficit.<sup>29</sup>

The explanation of the historical involvement of various levels of public entities with art and science could also be sought in negative external effects. Part of the present rhetoric surrounding the legitimisation of government involvement with art (from economists and others) also pointed in the direction of avoiding a deficit, as we have seen. By means of government involvement one tries to achieve a deficit-avoiding positive external effect: citizens who are less criminal or unruly. Nevertheless there are important differences between the historical development of government involvement in, firstly, poor relief, health care and education and, secondly, the arts. I will therefore try to argue that in the case of the arts a

much more versatile mode of explanation is desired.

There is probably a certain asymmetry between negative and positive external effects as regards the explanation of collective action and of the gradual development of public bodies that is associated with them. De Swaan does not work out the possible asymmetry, nor do his predecessors in economic science. A difference is that a deficit in the form of a nuisance caused by man or animals or for example by floods can always be observed properly and in the immediate environment, and consequently the result of the collective action can also more readily be conceived of as a positive counterpart. Also, achieving collective action can be a matter of life and death. Positive external effects and in particular collective goods such as those usually connected with art and science are generally not characterised by a prior negative external effect. As a result, at any rate apparently, they lie rather in the sphere of luxury goods, are often more difficult to conceive of and so are a less powerful engine for action. Sometimes they have come into being elsewhere as a result of individual actions and are therefore perfectly visible - a university or a flourishing artistic life in another town -, but there is still no immediate proximity. Nevertheless the difference between a point of departure based on deficit-avoiding positive external effects with negative effects prior to them and a point of departure based on benefit-yielding positive external effects is gradual in nature rather than fundamental. The absence of a collective good or positive external effect (such as local prestige) can also always be seen as a deficit and even as the start of disaster (a town which is worsted in interurban competition and falls into decay). But where one is not dealing with an obscurely beckoning prospect inherent in a positive external effect, but instead the deficit is nearby and the negative external effect is being experienced as it were personally, the engine for collective action will be a powerful one. (In economic jargon: the transaction costs will less readily form a hindrance to collective action.)

In the remainder of this article we examine whether the economic explanation of government involvement with the arts can be sought in collective actions aimed at achieving positive external effects from art by using an existing public centre of power which has come into being previously in another context. We will also examine whether part of the explanation may lie in the fact that this centre of power, or rather this collection of centres, for that is what modern government is, in part has a dynamic of its own and hence in part has its own needs which have gradually led to substantial consumption of and support for the arts by these centres. The two points of view are mutually inseparable and can be further fleshed out in the context of the theory of 'rent-seeking'. In the background there is also always the threat of a deficit, but in this explanation we ascribe relatively greater explanatory strength to the more immediate effects of consumption by government itself and of conspicuous consumption. Both present consumption by governments and any present-day collective action must be seen as an extension of historical involvement in the arts by private rather than public entities.

In this context it may be useful briefly to sketch the history of patronage and maecenat.

#### *Patronage and maecenat in the arts in former times and the transition to the modern market*

What is to be understood by patronage and maecenat? By patronage I understand a master-servant relationship, partly falling under the heading of 'support for the arts', with on the one hand more or less feudal traits - the artist forming part of the patron's household -, but at the same time the artist is also being placed on a pedestal, generally to the greater glory of

the patron himself. In the case of *maecenat* one has a commissioning situation with generally a link between client and artist which goes beyond the commercial, in which whether it is in the foreground or the background the need to support art may play a part. I would rather not use the term 'contemporary *maecenat*ism', preferring instead to speak of 'contemporary patronage'. In contemporary patronage, use of the term is conditional on an acknowledged desire to support the arts. One is therefore dealing with a different concept from the *maecenat* and patronage of former times.<sup>30</sup>

If desired, both patronage and *maecenat* can be seen from the perspective of an exchange situation. In the broad economic and academic meaning of the word, *maecenat* generally resulted in the creation of a market of commissions, whilst patronage up to a certain level coincided with a labour market. But it is also possible to apply a narrow market concept, as is often done in sociology. One then identifies a situation in which at the moment of production the producer (the artist) is not yet sure that he will be able to dispose of the work of art, whilst in a commissioning situation he does have that assurance. He produces for the 'market'. There is a market of goods produced for stock. I will call this market the 'market in the narrow sense' or the 'modern market'.<sup>31</sup> Clearly, the patronage and *maecenat* of former times bear no relationship to the modern market. The patron and the '*Maecenas*' employed artists and gave them assignments. They did not go to the artist's studio or composer's study to choose from a range of finished products and they certainly did not go to a shop, which is what our galleries are, where one can choose from the work of various artists.

Nevertheless the beginnings of patronage and *maecenat* can in fact be seen as a form of 'consumption' on the part of rich private entities (i.e. the courts, the aristocracy and the citizenry as individual citizens or families). They consumed art and learning. Having regard to the distribution of wealth they could afford that 'luxury'. Art and learning were evidently attractive as consumer expenditure. This power of attraction must be sought *inter alia* in the possibilities of 'display'. By means of his conspicuous consumption of artistic products in particular, the consumer of the time produced reciprocal effects. If, for example, in his consumption of art he displayed magnificence and splendour, this was possibly valued by others (an external effect), but at the same time it almost always to a greater or lesser extent resulted in a change of behaviour on the part of these others, for example in the form of increasing awe (an effect in an objective sense), a change in behaviour which in turn was valued by the consumer himself (a subjective reciprocal effect).

Here I leave aside the question of whether the value put on the product itself can meaningfully be distinguished from the value put on the reciprocal effect. Certainly, however, in the case of the arts the potential for conspicuous consumption has exerted great attraction.<sup>32</sup>

It is fairly obvious that this power of attraction will not have been based solely on the pleasure that it gives the consumer when he is looked up to (a benefit-yielding effect). Marking one's own status as a position on the social ladder by means of, *inter alia* artistic, symbols which are 'read' and correctly interpreted by others cannot have been other than an important instrument in the continuing struggle to preserve or improve one's own position.<sup>33</sup> This applies just as much today as to the time in which patronage and *maecenat* had their beginnings. In this regard it is also a question of combating disaster: the ever-present possibility of a descent on the social ladder. (An effect which will avoid a deficit is therefore also being aimed at.) True, one does not readily lose a noble title, but in the competitive struggle amongst courts and the aristocracy in general, declassification was a real threat, many examples of which they could see around them. But precisely because, contrary to poor relief, health care and education, the arts with their symbolic values played a very direct role in and

were an expression of the competitive struggle, a joining of hands (collective action) to combat the deficit would in general not have achieved the desired result, namely the preservation and improvement of one's own (and not the other person's) position. Individual action, on the other hand, was effective. By means of it, individual disaster (and not so much collective disaster) could be avoided.

Nevertheless exemplary instances are known of early collective action in the area of the arts. These do not concern courts working together or members of an aristocracy cooperating with each other; they concern the occasional city council. An example is the action by the city council of Sienna at the end of the 13th century and the start of the 14th.<sup>34</sup> The fact that these are exceptions can be interpreted as evidence that the arts were (and are?) less suitable for the avoidance of collective disaster or at any rate that their options to that end are less clear and hence less 'visible'. But it is also possible, at any rate in the formation of images, that the use of the arts by the churches, courts, aristocracy and later individual citizens became monopolised, so that the arts seemed to have fewer options and in fact in the interchange with the producers of art would also have had fewer options for avoiding collective disaster. Perhaps the Siennese adventure should therefore be seen rather as an early example of consumption by a public entity than as an example of avoiding negative external effects by means of collective action.

The question of the extent to which in the competitive struggle between churches, courts, aristocrats and well-off citizens the arts also had a more direct instrumental significance within and between these groups and the extent to which they were valued as such by those concerned is difficult to answer. It is undeniable that they did play a role in that sense. Not only were symbols brought to bear but also more direct 'means of struggle'. The change of behaviour that was aimed for and was inherent in the reciprocal effect not only concerns arousing awe and respect in the context of positioning on the social ladder but goes further: often a change of behaviour is aimed for which amounts to actually engaging their subordinates in their struggle for their place on the social ladder. There is much that points to the fact that particularly in the early period of patronage and maecenat the potential of the arts to propagate more concrete messages played a significant role in the mutual competitive struggle, i.e. in the politics of the time.<sup>35</sup> Certainly at the start patrons and 'Maecenas' were well aware of that, but that awareness gradually declined and disappeared. An, at any rate apparently, less directly instrumental character in relation to the arts benefited both the artist and the patron and 'Maecenas'. But in reality the arts also gradually lost an important part of their directly instrumental character for the patron and the 'Maecenas'. This does not mean that in general they lost all their instrumental nature under the motto of 'l'art pour l'art' - presumably learning and art cannot be other than partly instrumental -; they became less serviceable to their former masters who subsequently in turn became less important within the social order.

The decline of patronage and maecenat in the first half of the twentieth century can therefore be understood partly from the perspective of serviceability in both an indirectly symbolic and a more directly instrumental sense and of the changing social importance of the former patron and 'Maecenas'.

Although in Italy in the fourteenth and fifteenth centuries there was already a (modern) market and in the Netherlands in the seventeenth century there was even a flourishing and large market for the plastic arts, the advent of a substantial art market in the narrow sense, comprising various types of art, is nevertheless a relatively recent phenomenon. Art buyers, including the buyers of admission tickets, are private entities and public entities. An art-buying

public has come into being which is larger than the élite which formerly practised maecenas and patronage. Increasingly, companies are also buying art. Finally governments have become an important customer in the modern art market.

With the decline in the importance of patronage and maecenas and the increase in that of the modern market, the prestige connected with purchasing in the market has changed. Whereas purchases, for example in the seventeenth century, were cheaper and less prestigious than in the case of commissioned art<sup>36</sup>, at the present time purchases such as those by the Amsterdam Stedelijk Museum of the work of the American Jeff Koons or the purchase at auction by a Japanese of sunflower paintings by Van Gogh are, it is true, controversial, but (in connection with that) they are also extremely prestigious. Commissioned art, on the other hand, has lost status.

If one sees maecenas only as a commissioning relationship, then it has not ceased to exist and there is recent evidence of a certain revival. The clients have changed, however. Government and government funds (public entities) and companies and private funds (private entities) have taken the places of church, aristocracy and well-off citizens.

This renewed maecenasism and the purchases by governments, companies and funds in the modern art market together with so-called sponsorship can partly, together with the more direct support of the arts by this group, be classed as contemporary patronage. One could investigate the extent to which this contemporary patronage, with a possible short-term decline in the first half of this century, is related in size to the patronage and maecenas of former times. In doing so one needs to distinguish between the type of art and its direction (modern, classical etc.). It would not surprise me if in an absolute and general sense there had been an increase rather than a decrease. Would this mean that the arts have again become more serviceable to relatively powerful entities such as governments and companies? Probably it is not so much the arts which have sought government and business, but government and business which have sought the arts<sup>37</sup>. In other words: government needed art and not the other way round. Notwithstanding all the ideals of autonomy, and possibly also not in conflict with those ideals, the arts have given up part of their objection to their by now very indirect use by others. The question which is connected with this and which is dealt with in the next subsection is whether the serviceability of art to governments is a serviceability for those governments themselves or a derived serviceability for groups which in turn make use of governments.

Relatively speaking, contemporary patronage has almost certainly lost importance as a successor to patronage and maecenas. Depending on where one draws the borders of art, the modern art market has grown strongly or very strongly, regardless of purchases by governments and companies.

### *Collective action in the arts and rent-seeking*

Contrary to the situation in the past, in the twentieth century collective action has come to play an important role in the arts. But it is not so easy to determine exactly what that role is. Nevertheless some economists consider that they can state with certainty that government involvement with the arts is explained by these collective actions. In their view, but put in different words, the action is directed towards inducing the government to support the arts using its monopoly of power and monopoly of taxation. And this action is evidently successful. Here it is first and foremost the producers of art who are seen as the activists, but

the consumers of art are active too. They bend government to their will.<sup>38</sup>

In fact the theory of rent-seeking is being applied.<sup>39</sup> In rent-seeking the government is used to improve one's own economic position. In that context economists think primarily of the use of the government so as to be able to sell at a higher price or to buy at a lower price than would be possible in the (free) market. But one can also imagine securing other forms of reward through the mediation of the government, such as status, group prestige or reduced criminality: reciprocal external effects which are (partly) to the advantage of the group concerned. The result of the action is a redistribution of wealth, income or status (partly) to the advantage of those undertaking the action. In relation to sale at a higher price one thinks mainly of the selling price of labour. In the practice of the arts with their low job protection and their great power of attraction, a higher price of labour can hardly persist, but it does translate into more extensive job opportunities, which can also be seen as a 'rent' for the group concerned. The consumer action results precisely in lower prices, an income benefit for the consumer, and usually also bigger sales, which again comes down to an employment benefit for the producer. Producers therefore benefit from consumer action and the option of joint action is an obvious one. Who are the activists? Inter alia, trade unions of artists, art critics, committee members and staff of intermediating bodies, resellers, government personnel who are responsible for designing and implementing arrangements in the area of the arts. All are more or less concerned with production and almost all are at the same time also consumers.

The collective action that one is dealing with here differs in two essential ways from the collective action that was connected with the development of poor relief, health care and education and which has been described by De Swaan. Because use is being made of an existing public entity, i.e. the government, both the transaction costs and the actual costs are lower. The actual costs are lower because the external effect does not have to be internalised. By definition people receive the price subsidy as a free gift, but nor do the costs of producing the external effect - enhanced status or reduced vandalism, the more flexible worker or any other boon - need to be raised by one's own group; the government finances them from general resources. In the situation which De Swaan describes this is different: mutual competitors finance joint action from their own resources to avoid collective disaster. (Nor incidentally at the present time does much collective action start so differently from that. The initial costs are still often financed from people's own resources and only later is government help called for.)

The help given by modern governments usually goes further, and that is the second essential difference. In many cases, in the course of time the government also takes over a share of the costs connected with organising the collective action, i.e. the transaction costs, or reduces them by means of regulation. The latter occurs strikingly little in the arts, but does so elsewhere, for example in the form of obligatory memberships and qualifications. But in the arts governments do give financial and other support towards organising the group. For example, grants are given to all kinds of charities and associations that provide services. These are themselves public entities (though the boundary between private entities such as companies is not always sharp) and also they often organise a group which consequently in turn takes on the nature of a public entity.

Because of these two differences, public entities oriented towards collective action can more easily take off and continue to exist. They are less unstable. Undoubtedly, like the entities which De Swaan describes, they have their own life cycles, but these are less compelling than formerly. There is more room to exist between falling apart again on the one hand and forming a public entity with means of power on the other. In the present situation the

latter would amount to absorption, wholly or partly, into the government bureaucracy. That phenomenon with all its intermediate forms can indeed be observed, but we also see the opposite, whilst some organisations can also continue to exist more or less independently over long periods.

The potential for collective action in the area of the arts is clearly greater than it used to be. We are also seeing more collective action around us. The question, however, is whether this action is the cause of the government involvement with art or whether government involvement with art has caused the collective action. And in the latter case one must also ask oneself whether continuing government involvement can in fact by now be explained on the grounds of collective action or whether such action is still mainly of a following kind.

In practice an interaction will of necessity be involved. The question is therefore: where is the engine which keeps the process going in the long term?

Economists have always strongly tended to see the government as a kind of residual item; and their (welfare economics) recommendations still rest on this idea, as we ascertained earlier. Government ought not to have any preferences of its own. It should be the blind executor of the preferences of individuals where they cannot exercise them in the market. Naturally it was acknowledged that a parliamentary democracy operates differently from the democracy of the market, but that was not really 'allowed'. Quite a lot of attention has therefore been devoted to analysing existing forms of democracy so that on the basis of the analysis one can develop alternatives which are said to approach the operation of an imaginary market more closely. There was little sense of reality in this. For a while it seemed that incrementalism<sup>40</sup> would offer solace; parliamentary democracy would function better as a result of the existence of pressure groups which are also represented within the bureaucracy; the workings of parliamentary democracy would thereby approach more closely those of the market. Particularly under the influence of the enormous growth in government expenditure, that idea was soon abandoned and the theory of 'rent-seeking' arose. Enabled to do so because of governments' lowering of transaction costs, more and more groups would shift their costs onto the community via the government. The great growth in government expenditure was also explained in this way. At the same time the view gained ground that governments could have their own expensive desires. Nevertheless this whole approach is so pervaded by the norm which said that this was not allowed and that everything ought to be done to make the government once more a residual item that in general it has not led to unprejudiced and fruitful research into the dynamic that governments themselves have.

A residual item approach must be rejected merely from the history of the development of governments. Although every public entity exists only by the grace of the behaviour of separate individuals, the whole is in fact always more than the sum of its parts. That is precisely the core of collective action. For that reason too the behaviour of a public entity can never be regarded as the sum of the results of the aims (preferences) of the constituent parts, whether these are individual citizens or pressure groups. There is a link, but the link is extremely complicated. In practice one can therefore speak of a certain 'autonomy' and a dynamic that is mainly that of the entity itself. Governments have their own aims which cannot be directly boiled down to those of citizens, pressure groups and even (groups of) civil servants. This relative independence of governments will not be equally large in every field, but the possibility that it is relatively large in the area of the arts must not be excluded at the start; moreover it is better if this independence is not studied from a one-sided normative standpoint.

For a number of reasons it can be argued that collective action in the arts is the consequence of government involvement with art rather than its cause. We can compare the situation of the arts with firstly agriculture and house ownership, secondly sport, thirdly poor relief, health care and education and fourthly science.

Superficially, the correspondence with agriculture and house ownership is the greatest. Governments led the way in giving support to agriculture in particular, but it is now collective action which maintains that support or is causing it to decline less rapidly than most of them would wish. In the case of both agriculture and providing support for house ownership (which particularly in the United States is very extensive) one gets the impression that the phenomenon is indeed a stubborn one but nevertheless temporary. The phenomenon of support for agriculture has occurred from time to time and depending on location for many centuries, but - differently from the arts - there is no link with a centuries-old, more or less continuous practice of providing support. In any case the government's acknowledged preference at present is that it wants to be rid of it, and as time passes it is succeeding more and more in that aim.

The involvement with sport is relatively recent and by no means sizeable. It can be seen partly as an element in health care and public welfare (as a successor to poor relief) and will no doubt continue to exist as such. But generally the government is engaged in withdrawing from it, and no effective lobby has developed.

The major difference between the arts on the one hand and poor relief (social care), health care and education on the other lies in the nature of the lobby. In connection with and as part of increasing government involvement with the latter areas, a process of professionalisation occurred at a very early stage, creating relatively powerful groups of producers and intermediaries: in the present situation these range from medical specialists to directors of social services. In this context De Swaan speaks of professional regimes.<sup>41</sup> In the arts this process has only occurred after long delay and in a much less sharply formulated way. The delay in particular gives one food for thought. The collective action seems to be a consequence rather than a cause of government involvement. And the extent of professionalisation in the artistic occupations, i.e. amongst the artists themselves, is still low.<sup>42</sup> In the para-artistic occupations, and particularly the intermediaries who find work with governments and public bodies, there is evidence for the beginnings of perhaps rather more far-reaching professionalisation. This is expressed by a reasonable minimum income and the beginnings of their own vocational training courses at university level, but here too one will not quickly see any vocational protection. And once again: the development is starting off in such a delayed way that it seems mainly to be 'following'. It is very striking that notwithstanding attempts in that direction the arts have not conquered any important positions in secondary education, the pre-eminent base for a sortie to achieve extensive professionalisation. True, the caring professions are not directly represented there either, but a number of subjects can unequivocally be regarded as 'preparatory', which is not so with the arts.

Also, government involvement with the arts, the profession of artist and the para-artistic professions has acquired but little, if at all, the relatively more radical form of regulation; governments mainly encourage. It is precisely in the case of poor relief, health care and education that regulation is very extensive.<sup>43</sup>

Finally one can point out that in the case of education, poor relief and health care, in response to and in connection with the professional régimes concerned, a right experienced by

large groups, which one could call a social constitutional right, to education, social security and health care has come into being. A corresponding right to art has, it is true, been powerfully propagated - art should be accessible to all - and it forms part of the idea of the dissemination of culture, but without much success. No right to art has arisen which has taken on a life of its own amongst large groups in the same way as the rights mentioned above.<sup>4445</sup>

This is not to say that the arts or parts of them do not show a certain professionalisation and that no professional régimes exist in the arts, but their economic power is limited and the influence they have had on governments has so far been of a 'following' kind.<sup>46</sup>

As regards content and substance the comparison with the sciences is an obvious one, but in practice there are major differences. The sciences are housed in established and large institutes connected directly with education. They have a tried and tested system of ranks and status. Access to the profession is regulated and controlled. Minimum incomes are relatively high. They are so effectively embedded in government that collective action is relatively modest - which is not the case with poor relief and health care in particular.

All in all, government involvement with the arts in the long term seems to be able to be explained little if at all by collective action, the art lobby notwithstanding. In this respect my views differ from those of the economists who have expressed themselves on this subject. (I do not wish thereby to exclude the possibility that collective action in the short term and in the case of a particular branch of the arts may in fact be an explanatory factor. In the Netherlands, for example, the arduous process of rationalising the orchestra system gives one food for thought in this context.)

#### *Unorganised influences and symbolic benefits*

The foregoing is in fact a discussion of more or less organised collective action from a formal or informal circuit. Action presupposes organisation. In this regard there are always one or more formal or informal public entities which thus actually exist and can be identified. One may wonder whether unorganised 'influences' may also exist which cannot therefore be placed under the heading of collective action but have corresponding effects. This collective 'influence' is then a by-product of all kinds of actions which need not primarily concern the arts. De facto there are collaborative arrangements which turn out to be at work, but there is no identifiable public entity organising the collaboration. Just as there is not literally any collective action, nor is there any 'rent-seeking' which after all presupposes a goal-oriented search for a benefit. Nevertheless one can if one wishes talk ex post of an imaginary strategy by certain social groups.

If one follows this line of thinking, the benefits (rents) being pursued must be sought in the symbolic sphere rather than the directly financial one. One thinks of group prestige or group status, not just for a certain professional group but for a social group in general. Partly as a result of intervention by government in relation to one's own or other people's artistic consumption, a change of behaviour amongst others is sought which results in enhanced status for one's own group (a form of the reciprocal external effect discussed earlier). In particular, granting a kind of hallmark - 'approved by the government' -, to one's own artistic consumption, possibly linked to attempts to disseminate that art, could bring with it a significant positive external effect (benefit, 'rent') for the social group concerned.

In the past it was the churches, courts, members of the aristocracy and well-off citizens who tried to collect 'rents' of this kind by means of individual action. Is it possible to suppose

that as well as companies, social groups are now after these 'rents' inherent in art, the last also 'invoking the help' of government? For a number of reasons this is now plausible whereas in the past it was not.

1. The prosperity and disposable income of large parts of the population have increased greatly, particularly in this century.<sup>47</sup>
2. The phenomenon of conspicuous consumption no longer extends just to the well-off (the leisure class).<sup>48</sup> Everyone participates to a greater or lesser extent.
3. Seen over the longer term, the personal distributions of wealth and income and the imaginary distribution of status have almost certainly become less skewed.<sup>49</sup>
4. The distributions of wealth, income and status are mutually connected but do not coincide. In particular the imaginary distribution of status, influenced by the rise of so-called cultural 'capital' and with a partial dynamic of its own, may this century have become further removed from the other two distributions.<sup>50</sup>

It is important if the distributions have become less skewed, because then the rich, those who earn who lot, and those who have high status, have rather fewer mutual differences in wealth, income and status respectively. There are still the rich, the very rich and the super-rich, but the differences are less great, and that is probably even more the case with regard to income and in particular status. Moreover because of the relative flattening of the distribution one is dealing with relatively larger groups. In the mutual competitive struggle it is therefore perhaps less often a matter of one against all, as in the past, and an implicit coalition strategy would perhaps be more meaningful.

A possible stronger divergence of wealth and income on the one hand and status on the other is important. It may mean that relatively large groups have the potential for a considerable improvement in status without the need for this to coincide in any respect with a significant improvement in their own 'economic' position. And precisely because the group is relatively large, there is a greater chance that 'influence' on governments will arise, certainly if the civil servants are partly recruited from the same group. This could especially be the case amongst the more highly educated (De Swaan talks of a new cultural élite<sup>51</sup>), who as a result of government recognition of their art carry off an attractive reciprocal external effect in the form of a further enhancement of their status.

The effect which can come from the general increase in prosperity and the potential for luxury consumption and conspicuous consumption by large groups of the population can be a two-edged sword. In the first place a greater need arises for the new cultural élite to give its symbols, which can be taken over by other groups whose purchasing power is hardly inferior, extra cachet and to protect them better by means of government recognition. But subsequently there also arises the possibility that the 'less well-off' but nevertheless prosperous groups will start to make successful attempts to employ the government to their purposes too. As separate individuals they are not influential. But they do have influence as a group of customers in the modern market for artistic products (in a broad sense), in which consumption is mainly of technically (re-)produced art, by means of their joint purchasing power and the power of the companies which to a certain level represent them.

The further we explore that world of symbolic goods, which is such an important one, the more difficult it becomes to separate any objectives of governments from those of influential social groups in society. In any case there are also personal overlaps. Nevertheless one must rule out being able to explain, for example, the mania of governments to form museum collections solely by a combination of a neutral and direct embracing of the interests of the

electorate, rent-seeking by pressure groups and the more diffuse influences just discussed. The same applies to much government architecture. In part governments have their own objectives, just like the courts of former times. They pursue their own advantages. The reciprocal external effect always plays a part in the background. Even the avoidance of disaster cannot be wholly excluded as a partial explanation. Also specific governments do not live for ever. States can disintegrate, as at the present time in the Eastern Bloc. Centres of power can partially move to a higher level as at the present time in western Europe, a perhaps more obvious development from a historical point of view. Specific governments may also therefore even need the arts to maintain or enlarge a cultural identity as a binding factor and as a condition for their own continued existence.

Our governments, however, manage enormous collective riches. As the distribution of wealth has to some extent become more even, large public riches have come into existence. As far as wealth is concerned our governments have become the successors of the courts of former times. And this cannot but be translated into considerable display, partly in the form of consumption of and support for art, and not primarily to avoid disaster but mainly to symbolise wealth and power.

### **Conclusion. From explanation to legitimisation.**

If we look at governments as public entities, the long-term government involvement with art cannot to any extent, if at all, be seen as the result of collective action carried out by governments: lobbies and rent-seeking do not represent significant explanatory factors. Government involvement will no doubt be partly a consequence of the indirect and diffuse influence of important social groups. Moreover, the involvement will play a part in governments' options for carrying out collective action in other areas: just like science, art can and will function partly as a lubricant for the mechanics of government, including in its relationship with its environment. Above all, and not wholly to be separated from the foregoing two factors, governments' own need of artistic symbols of wealth and power is an explanatory factor of significance.

A general electoral influence in relation to the ongoing political debate about the general interest and specific interests cannot be separated from the above factors, but equally, it does not necessarily wholly coincide with them. Government involvement with art in the long and the short term is never free of interests, but can nevertheless be based partly on the electorate's preferences for collective goods and external effects which cannot be given form in the market and also cannot acquire validity by means of short-term collective action or by means of indirect influence by particular social groups or on the basis of the interests of governments themselves. For example in relation to involvement with art in public spaces, architecture, and with art in its supposed capacity to contribute to local or national prestige, electoral influence can very easily play a significant role of its own. And where our governments are perceived by each of us to a greater or lesser extent also as extensions of ourselves, a need for government display can sometimes be partly traced back to electoral influence.

Is it possible that in the case of these and the other influences mentioned there is in the background a more or less general presumption of a contribution by the arts to a 'higher' purpose in the form of the contribution which in the final analysis an innovative art makes to the progress of our culture? The high status of the arts, which has prevailed universally for a

long time notwithstanding a low degree of professionalisation and low average income, gives one food for thought in this context.<sup>52</sup> It cannot solely be reduced to the link between art and high-minded social groups. This high status of the 'arts in general', and hence not of specific branches of art at specific times, is too constant for that. As well as other factors, the presumption of a higher purpose of that kind may very well be a cause of art's high status.<sup>53</sup>

At the same time the arts, just like social groups and partly in connection with them, are in continuous motion. This results in a situation in which in spite of continuing general high status specific forms of art can fall in and out of favour amongst specific social groups. From time to time a 'legitimation problem' can even arise concerning the forms of art selected by governments. The legitimisation crisis of the present time is connected with the 'revolution' of modernism in art, as a result of which aesthetic standards have become very flexible, and with the advent of a worldwide mass culture - which cannot be controlled by any government - with artistic claims.<sup>54</sup> But that does not necessarily make the resulting 'uncertainty of taste' of governments with regard to art and with regard to the legitimisation problem a lasting phenomenon.<sup>55</sup>

This does not detract from the fact that a legitimisation problem has existed for quite some time now. And it is striking that legitimisation under these circumstances has initially been sought mainly in avoiding a 'deficit'. The arts needed to be supported in order to elevate the people by means of the dissemination of culture and so avoid evil. The successful legitimisation of poor relief, health care and education evidently served as examples. But the difference was that in the case of the arts there was a double morality amongst the propagators<sup>56</sup> and a legitimisation paradox arose: the arts propagated by governments were not accepted and made into a social achievement as social care, education and health care were; rather they were rejected.<sup>57</sup> As already stated, nor was there any significant basis for a legitimisation of government involvement with art to avoid a short-term and universally perceived deficit.

If continuously innovative arts do in fact - just like the sciences - play an indispensable role in the progress of our culture and if in this context artistic production without government was insufficient, then this would indicate a legitimisation of an involvement which in the background has everything to do with avoiding a deficit, but not a deficit that is universally clearly perceivable. In practice legitimisation will therefore have to be sought much more in rather generally desired and supported display by our governments, in a modern and mobile 'government art'.<sup>58</sup> But although the taboo on this is declining, the packaging of a need of this kind will for the time being still have the form of a contribution to the 'economy'. At the same time art also has an aspect of display as a 'visiting card' vis-à-vis overseas countries.

Another question is whether the advocates of government involvement in fact need to worry very much about this legitimisation. For notwithstanding the mutterings of economists and others, there is a great degree of constancy in support for the arts, which with barely a ripple takes us from historical patronage and maecenas to contemporary patronage. One is almost inclined to come up with a *reductio ad absurdum* proof. From that constancy the indispensability of the arts follows. Explanation leads to legitimisation.

Meanwhile the importance of the modern market, which is carried along by private purchases, increases more and more. It is a market which also accounts for an increasing amount of innovation in the arts.<sup>59</sup> Mainly because of the reciprocity of many external effects, the prospects for the arts in the market place are not poor. But having regard to the significant external effects of art in general, the production of art without the involvement of governments could well still be (in a welfare economics sense) sub-optimal. My advice would

be not to take any chances; to err on the safe side. (Not that anyone is waiting for my advice; moreover it is superfluous as it will happen anyway.) And although I myself am not very keen on a great deal of present 'government art' and am more interested in new unsubsidised art forms, I am a great advocate of a mobile government art which must not be an exact copy of what takes off in the market place or what companies take under their protection. Only then is there the greatest chance that the artists who are actually innovating will find accommodation, in the market, amongst the companies or with governments.

Within the democratisation process of the arts I see only a modest place for governments. Cultural care is not comparable with social care. The engine of this process lies in the modern market.

1. The preparatory work on this article has been made possible partly by a commission from the Boekmanstichting, Amsterdam, and a part-time appointment to the Art and Culture Department of the Erasmus University, Rotterdam.

2. For simplification we will use the words economics and economic in three distinct ways in this article. Firstly they can refer to economic science. Economics and economic then refer to economics as a science. Where this is not absolutely clear from the context I will speak of economic-scientific and economic science.

In general, economic and economics without quotation marks will refer to the economic aspect of human action and of culture - more or less rational and calculating choice behaviour in end-means relationships - and to the 'world' in which this aspect is highly prominent - the world of production, exchange and money, thus more and more the whole world. (It is questionable whether an aspect approach, such as that which is normal in economic science, is justifiable. Cf. Sahlins, 1976, p.166 et seq. In any case as regards the option of the more or less rationally acting individual we are dealing with a historical category whose importance is increasing with time - Abbing, 1990. This increase is connected with a culture in which the economic aspect is playing an increasingly large role.)

Finally we will put 'economics' and 'economic' in quotation marks to refer to a number of categories and indicators such as national product and the state of the economic cycle which are connected with our prosperity in the narrow sense. (The distinction between the last two definitions of economic is not sharp. It would be going too far to treat this in greater detail in the context of this article.)

3. The question of the legitimisation of government involvement with art is not the same as the question of the legitimisation of art. This requires no argument. Nevertheless it is striking how often the first question is confused with the second. If, for example, I assert that 'quality' is not in itself grounds for government involvement, I am not making any statement about quality as a reason for the existence of art in general. It is an interesting phenomenon with far-reaching implications, incidentally, that art in general is increasingly becoming a matter of economics and is being made possible in an economic sense, and in this limited sense is being 'legitimised'; and this phenomenon is dealt with in Abbing 1992.

4. As regards the explanation of government involvement we will in fact draw a distinction between the long and the short term. Because of the supposed universality of the welfare economics approach economists do not do that in the case of legitimisation. Long-term legitimisation follows as it were automatically from short-term legitimisation.

5. For a short and readable exposition of both the neoclassical approach and welfare economics by reference to examples from the arts Abbing, 1989, pp.1-28 should be consulted.

6. In this approach the concept of consumer sovereignty also relates to collective goods and external effects. In connection with this the government can regulate them, subsidise them or pay for them in order that consumer sovereignty and the supposed preferences - for they are not evident in the market - for collective goods and external effects can be given their due. This is an approach which has become increasingly common in welfare economics but it is not yet undisputed.

7. An example is Pen, 1982 etc.

8. In this respect Blokland's (1992) analysis of the concept of freedom will set the reader thinking.

9. Emphasising the financial inaccessibility of the arts has to do with an attempt, discussed below, to link the arts to the social care sector, a social right to the products of that sector having come into being.

10. For convenience, in the remainder of this article unless otherwise stated I regard collective goods as forming part of external effects. The distinction between external effects and collective goods is not fundamental. The title of collective elements or externalities for both collective goods and external effects would have been more attractive but is less usual.

The welfare economics legitimisation of government involvement with the arts is linked in this article solely to the existence of external effects. Some economists also mention or discuss in this context arguments which they do not connect with external effects (including the collective goods). In my view all the arguments mentioned which are relevant, in a welfare economics sense can be traced back to supposed external effects.

11. Options b to e have been mentioned by a number of economists, see Abbing 1978 and 1989. Option a was put forward by Galbraith, 1983, and option f by Scitovsky, 1983. In this context no distinction is made in general between external effects which work through into the 'economy' and those which are valued for themselves, as under the next point here.

12. Art in public spaces can encompass a very great deal. I give a detailed exposition of this in Abbing, 1978, pp.87-102.

13. I presented these ideas for the first time in Abbing, 1978, pp.130-150 and Abbing, 1980. At that time I did not make a very clear distinction between copyright, which certainly since then can be turned into money increasingly readily, and patent rights which in general in the arts cannot be turned into money, but incidentally the sequence of ideas, which I set out again and now more briefly and perhaps more clearly in Abbing, 1989, inter alia pp.201-204, was already completely present. Nor is it the case that I was then primarily interested in distribution problems - does the artist receive that to which he is entitled - and less in the problems connected with the allocation of goods. This last is suggested by Grampp, 1989, p.250, in his comments on my 1980 article. Grampp is thus an exception; he takes the external effects mentioned by me into his list (subsequently to reject them on the basis of arguments to be discussed at note 29 - rejecting them not as an external effect but as grounds for the legitimisation of government involvement with art.) De Swaan, 1990, develops similar ideas in the postscript to his article, building on earlier research by him.

14. Cf. for example Bourdieu, 1977.

15. The various conditions are treated extensively in Abbing, 1978, pp.218-222.

16. Previous (Abbing, 1978, pp.106-114 and pp.172-177) I dealt more extensively and more fundamentally with the recurring call for hard figures.

17. The word 'related' is in fact always lacking in the economic literature concerned. In fact what is often said in so many words is that the benefits of the proposed action should be higher than those from any other action in whatever direction. This approach has to do with that way of practising welfare economics in which everything is related to a theoretical - for in reality it is incapable of existing - Pareto optimal allocation. This is a fairly unfertile method. A partial and comparative welfare economics approach in which related arrangements are compared is far preferable. Cf. Coase, 1960, p.42. The usual requirement for general superiority either puts paid to any further discussion and is redundant, or it is unjustifiable and its aim is to intimidate the applicant for a grant. One is putting paid to further discussion if one says that in practice political decisions are continually being taken about budgets ranging from art to defence based on general pros and cons which therefore need to be as well-founded as possible. However, the requirement is intimidating if in fact it means that the superiority of action must be justified by hard data, a requirement which as we have already established has nothing to do with the practice of policy preparation and decision-making. Only a more or less structured and to some extent detailed costbenefit analysis in the case of related action has any meaning in practice. It is then a matter of selection, which in the case of the arts will always be a matter of debate and conviction.

18. A great deal more can be said about this, and I have done so in a different context (Abbing, 1978, pp.218-222 and Abbing, 1989, pp.218-219). It is sufficient here to point out that both the hotel and catering industry and the arts sector can be characterised by indivisibilities, in reality but also in the formation of images by, for example, potential foreign visitors, and that presumably applies to a greater extent to the arts than to the catering industry. In a situation of this kind we are dealing not only with price effects but also with external effects.

19. Reasons and examples which are partly different are given in Abbing, 1989, pp.13-18.

20. Goodman, 1969. In Abbing, 1989, pp.47-62, what is here stated in a single sentence is explained more extensively partly on the basis of Goodman, and a number of examples are given.

21. Abbing, 1989, pp.189-193.

22. In the case of art and science there is a renewal in a direction which no one is waiting for, or, more probably, a kind of wild striking out (as sometimes in the 'art' of psychiatrically disturbed people) and not a renewal of a symbol system which would after all imply linkage with an existing system of rules (a kind of grammar) which is being modified on a single aspect.

23. For examples and a more detailed exposition of how artistic innovations work through into society Abbing, 1978, pp.130-150 should be consulted. Sometimes within a circle of artists and practitioners of the sciences there is no single identifiable innovator. Nevertheless there is nearly always a distribution of labour between those who innovate relatively more and those who propagate relatively more. (An example is Herman Broch, a literary figure who in a commercial sense enjoyed relatively little success, but who has nevertheless been greatly

imitated and of whose influence writers are conscious down to the present day.) Nor is it the case that arts and sciences would never - without paying for ownership - borrow from other branches of production. The difference is only that in general the latter are better able to finance their innovative work. It must emphatically be pointed out that my approach is not concerned with considerations of justness - 'it is unfair if the artist receives no payment' - but solely with considerations regarding allocations which are socially more or less desirable. After the (incidentally dubious) suggestion that because of Delft pottery Vermeer was inspired to create the high degree of finish in his paintings, Grampp, 1989, pp.250-251, who wrongly considers that I am concerned with the former, poses the rhetorical question: "Would Mr Abbing say Vermeer should have compensated the pottery workers?" The answer is clear: no.

24. In the arts the investor is usually the artist himself. Abbing, 1989, pp.204-206.

25. Abbing, 1989, pp.72-76.

26. The names primarily connected with this line of thinking are those of Coase, 1960 etc., and Demsetz, 1967 etc.

27. The name of Olson, 1965, in particular is connected with this line of thinking.

28. De Swaan, 1987, pp.103-121, and De Swaan, 1988, mainly section 1. De Swaan uses the term collective entity. I have replaced the word collective in combination with entity with public. I thereby fill out the concept's content with inter alia an additional meaning which is a legal one. In this way the opposite of the public entity comes to be the private entity and not the individual entity; 'individual entity' has in any case the additional disadvantage that the word individual is already used in so many different meanings. Moreover companies can now be counted as private entities, and that would be rather strange if one were to use the term individual entities. De Swaan does not explicitly define his concept of collective entity nor will I make any attempt to do so here.

29. Cf. De Swaan, 1988.

30. Because maecenas and patronage no longer exist in their historical meanings, it would perhaps be better for the present situation to introduce a new term for the term 'maecenas' which has now become established in continental Europe, or for the term 'patronage' more usual in the Anglo-Saxon countries, to designate not necessarily unselfish but nevertheless fiduciary support for art or science. (I use the word fiduciary here in a rather broader sense than in the term fiduciary grant as in Abbing, 1978, pp.191-194 and Abbing, 1989, p.6.) It would be evidence of an inflated ego if I were to start now to introduce a new term, something like 'fiduciarism', but having regard to a possible benefit that might arise from Anglo-Saxon usage I do venture to adhere for the time being to my use of the term (contemporary) patronage instead of maecenas (cf. Abbing, 1989, p.206). Commissioning situations with a relatively large amount of personal contact still exist, but in general they cannot be classed as fiduciary support. In this regard the use of the term contemporary maecenas is confusing. However, the feudal aspect in master-servant relationships in both the arts and learning has gone for good. So far as that is concerned no confusion can arise. Moreover one can defend the thesis that in so far as the present fiduciary support is connected

with the maecenatism and patronage of former times it has its roots more in the latter than in the former. In this context one thinks, for example, of the German state and civic 'theatres' where the original patronage gradually changed with virtually no break into forms of fiduciary support by government.

31. In Abbing, 1992, I deal in greater detail with the economic definition of market and I will also discuss another broader definition of market.

32. Kempers, 1987 etc.

33. Bourdieu, 1979, gives a demonstration of this thesis for the recent past, taking in many areas of life.

34. Kempers, 1987, pp.149-153 etc. One wonders whether in this context one ought not also to mention the approximately contemporaneous maecenatism practised in Italy by the mendicant orders, also discussed by Kempers (1987, p.39 et seq.). The term collective action is, however, less appropriate in the case of mendicant orders. They were not public entities. But, for example, the trade unions in relation to support for the arts early this century were in fact public entities. True, the people concerned had not 'come together' because of the presumed external effects of art, but for other objectives; nevertheless collective action was subsequently undertaken in that area.

35. Brulez, 1986 and Kempers, 1987.

36. Kempers, 1988, p.59.

37. Cf. Bevers, 1992.

38. Among others Grampp, 1989, pp.205-231, De Grauwe, 1990, pp.121-143 and, in a more differentiated way, also Abbing, 1989, pp.223-227.

39. The names of Buchanan and Tullock (1962 and a large number of later publications by each of them separately) in particular are associated with the theory of 'rent-seeking'.

40. As put forward by Lindblom, 1959.

41. De Swaan, 1989, p.231 et seq.

42. There are also more direct economic reasons for this. Cf. Abbing 1989, pp.130-131.

43. As regards the stage arts and museums and galleries there is in fact (still) a great deal of regulation in Europe, because the government acts here as the employer, an employer relationship which has its origins partly in the feudal aspect of patronage of former times. However, this regulation is partly of a different kind. It is inherent in the enterprise of government and comparable with the regulation of, for example, the railways. It is relatively less connected with the product itself, as is the case with poor relief, health care and education.

44. It is striking that for a long time attempts have been made, by linking government involvement with art to a concept such as social relevance, to establish a connection with the social care sector, a sector which has in fact succeeded in elevating its own product to a social right.

45. Another 'proof' of the low measure of professionalisation in the arts is the enormous energy which the 'art worlds' continually put into designing ever new classification systems with regard to artists, directions of art and styles, classifications which simply refuse to be institutionalised. The evident need for these - even without institutions, attempts are made to get to grips with an all too mobile field - is a demonstration of my thesis.

That the field is so mobile is connected with the nature of competition within cultural production, which is fundamentally different from that within, for example, education and health care. I examine this in greater detail in Abbing 1992. This competition produces informal networks of intermediaries on a large scale, but not professional regimes.

46. It is an obvious course to link the concepts of professionalisation and professional regime to a certain economic power, as I do rather strongly here. But the extent to which one does that will depend partly on the definition of the problem.

47. Braudel, 1979, and Pen, 1971.

48. The term 'conspicuous consumption' was introduced by the economist Veblen, 1934, who was thinking especially of the well-off, the leisure class.

49. This perhaps does not apply to the last decade. Cf. for the distribution of wealth Wilterdink, 1984, for the distribution of income, Pen, 1971. Status can be determined in many ways other than by income and wealth. Different interpretations are perhaps desirable for different periods. Even apart from that measurement is problematical. I know of no comparisons over time. Nevertheless it seems to me plausible and in accord with various sociological theories that it is precisely the distribution of status which has become flatter in the most spectacular way, however one interprets the concept.

50. Greatly simplified and stylised, this is the thesis of Bourdieu, 1979. For a concise and readable summary one should consult De Swaan, 1986.

51. De Swaan, 1986.

52. The low average income is demonstrated inter alia in Abbing, 1989, p.124 and Frey & Pommerehne, 1989.

53. In Abbing, 1989, pp.77-79 and 131-132 I explain this strange high status on the grounds of a cultural ideal in which increasing individualisation brings with it a strong need for examples of authenticity. The presumption referred to in this text is connected with this.

54. Cf. De Swaan, 1991.

55. The term uncertainty of taste is used by Oosterbaan Martinius, 1990, p.21 etc.

56. De Swaan, 1986.

57. Oosterbaan Martinius, 1990, describes this legitimisation paradox, an expression that he introduced earlier.

58. Although, because of the state art of former times, the term 'government art' has an unpleasant ring to it, it is nevertheless a useful concept. Cf. Abbing 1992.

59. It will be clear that I am here using a definition of art which embraces more than just the forms of art recognised by governments. A broader conception of art is presented, following Goodman, in Abbing, 1989, pp. 47-62.

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37.Cf. Bevers 1992.

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