

## **LIVING ON THE EDGE**

### **About Subsidies, Incomes and Numbers of Artists**

#### ***Introduction***<sup>1</sup>

Contrary to what people usually think, subsidies for the arts sooner lead to more artists than to higher incomes in the arts. Incomes in the arts are structurally low. These are two outcomes of this article, in which I present a model that is primarily an extension of Throsby's 'a work-preference model of artist behavior'.<sup>2</sup> By analogy the model is 'a non-monetary-income-preference model of artist behavior'. Whereas Throsby analyses the preference of artists for working hours over consumption goods, I substitute hours by non-monetary income and consumption goods by monetary income. When more money comes in, dedicated artists can not only spend the extra money on working more hours in the arts, but also on investments in their profession, for instance buying equipment. This brings the model closer to reality. Moreover, unlike Throsby's model, the model does not become indeterminate when artists work fulltime.<sup>3</sup> The disadvantage of this model is that it is harder to test than Throsby's model. Although testable hypotheses can be derived from the model, in practice it hard to test them. This applies for instance to the hypothesis that subsidies sooner lead to more artists than higher incomes. Nevertheless, I shall present evidence that broadly supports the theory, its hypotheses and its assumptions. Part of the evidence comes from the analysis of two important subsidy schemes in the Netherlands.

In a totally different setting I presented this article's model before in Abbing (2002). The most important difference is that in that publication the model was almost intuitive and not at all formalized. Moreover in this article I present additional empirical proof.

The first section specifies and formalizes the hypotheses by introducing a number of relevant economic variables. The next section discusses the two basic assumptions of the model. This leads to the prediction that incomes in the arts are lower than in comparable non-art professions. The third section analyzes the consequences of a survival constraint: artists needing a minimum of income to survive. Next, the fourth section combines the different theoretical tracks. It predicts that subsidies for the arts increase the number of artists rather than raise their incomes.

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<sup>1</sup> I specially thank my colleague Almut Krauss for her contribution. Among other things, she helped me improve and conventionalize the formulations of the model. I also thank Paul Stephan, Ruth Towse, PW Zuidhof and the participants in the Arjo Klamer seminar for their useful comments on earlier versions of this article.

<sup>2</sup> Throsby (1994a)

<sup>3</sup> Rengers and Madden (2000)

The second part of the article focuses on two large-scale Dutch subsidy schemes. The first, the BKR or the 'Beeldend Kunstenaars Regeling' [Scheme for Dutch Visual Artists], which existed from 1949 to 1987, is internationally known, either as a positive or a negative example. The second, the WIK or the Wet Inkomensvoorziening Kunstenaars [The Law for the Financial Support of Artists] is more recent — it was established in 1999 — and less well known, but it is at least as important, because it applies to all artists. Both schemes primarily intend to increase the incomes of artists. The schemes certainly did not intend to increase the number of artists. However, the opposite is more likely. The analysis of the two schemes broadly supports the hypothesis that subsidies sooner lead to more artists than to higher incomes.

### ***The Relevant Economic Variables***

In order to construe a theory and to examine variables that may undermine the theory or otherwise change its outcomes, I find it helpful to commence by formulating a number of relevant economic variables. Capital letters refer to aggregates; small letters to averages. Incomes are net incomes; costs and taxes have been deducted.

By definition total income in the arts or a subsection of the arts ( $I$ ) is average income from art ( $i_a$ ) times the number of artists ( $N$ ).

$$(1) \quad I = i_a * N$$

Although numbers of artists, i.e. professional artists, are often measured, the measurement is problematic. Who is a professional artist and who is not? For the moment there is no need to answer the question, as long as measurements are consistent. However, in practice they are not. I return to this issue.

Income of artists ( $I$ ) can either be market-income from art ( $I_m$ ) or non-market-income from art. Non-market income from art I call subsidization ( $S$ ). Subsidization has different sources. For the moment I ignore artists using other income to subsidize themselves, i.e. internal subsidization. Therefore subsidization comes from the state in form of subsidies, tax-redemption or financial advantages of regulation ( $S_{state}$ ), from donations of corporations and unrelated private donors ( $S_{private}$ ) and from relatives including partners ( $S_{relatives}$ ).<sup>4</sup>

$$(2) \quad I = I_m + S = I_m + S = S_{state} + S_{private} + S_{relatives}$$

Not all state expenses on art fall under the heading subsidization. Considerable amounts of money from the state flowing into the arts fall under the heading market income and not subsidization. The state buys and commissions art, even though this is sometimes registered as subsidization. In 1998 57% of state expenditure on visual art in the Netherlands was commissions and purchases by the state and 43% were subsidies.<sup>5</sup>

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4 What total income ( $I$ ) plus costs and taxes is for the arts or a subsection of the arts, is total expenditure ( $E$ ) on art for a specific society; and what market income plus costs and taxes is for the arts, is demand for art ( $D$ ) for this society. Total expenditure then is demand increased by internal and external subsidization:  $E = D + S$ .

5 Meulenbeek, Brouwer et al. 2000.

Equation (1) implies that if total income increases either average income or numbers increase or both. Combining (1) and (2) shows that numbers of artists and total numbers of hours worked in the arts depend, among other variables, on state subsidies. When state subsidies increase, ceteris paribus, either average income or numbers of artists increase or both. These equations express the topic of this article well. Do increases in income and more specifically in state subsidization raise the number of artists?<sup>6</sup>

Next I introduce some variables that serve to formalize the relationship between income and different forms of subsidization; a subject that will be analyzed in more detail further down in the article. Subsidies for artists do not only come from external subsidization ( $S_e$ ), i.e. private subsidies, subsidies from the state and from relatives of the artist ( $S_{relatives}$ ), but also from internal subsidization ( $S_i$ ), i.e. subsidization by artists ( $S_{artists}$ ). Artists subsidize their work in the arts with money coming from an allowance, another job or possessions.

$$(3) \quad S = S_e + S_i = S_{state} + S_{private} + S_{relatives} + S_{artists}$$

Overall income of artists ( $I_{overall}$ ) usually exceeds total income from art ( $I$ ) and from subsidies ( $S$ ). Most artists have other income ( $I_o$ ) that must be added. Other income comes from second jobs (art-related and non-art jobs), social security, allowances, pensions and such.<sup>7</sup>

$$(4) \quad I_{overall} = I_m + S_e + I_o$$

Many artists spend part of their other income on their art job ( $\alpha$ ). This portion I call internal subsidization ( $S_i$ ). Artists have a marginal propensity to internally subsidize their art job. They use money from second jobs, allowances or possessions to buy equipment for their art job or to work more hours in the arts.<sup>8</sup>

$$(5) \quad S_i = \alpha I_o \quad (0 \leq \alpha \leq 1)$$

$$(6) \quad I_{overall} = I_m + S_e + I_o = I_m + S_e + S_i + (1 - \alpha) I_o$$

In practice, it is almost impossible to measure internal subsidization and subsidization by relatives. In statistics on artists' incomes both are omitted. It follows that in order to test the hypothesis on income and numbers internal subsidization and subsidization by relatives has to be omitted from equation (2). This does not imply that internal subsidization and subsidization by relatives is irrelevant for the analysis. On the contrary; among other variables internal subsidization affects the average number of hours ( $H_a$ ) worked in the arts, and so influences income and numbers.<sup>9</sup>

$$(7) \quad h_a = F ( S_i, \dots )$$

<sup>6</sup> To incorporate the effects in changes in the population size or to enable comparisons with other countries, equation (1) and the equation in note 4 can be expressed per thousand inhabitants:  $I_{per\ 1000} = i_a * N_{per\ 1000} = I_m\ per\ 1000 + S_{per\ 1000}$ ; and  $E_{per\ 1000} = D_{per\ 1000} + S_{per\ 1000}$ . ( $I_{per\ 1000}$ ,  $N_{per\ 1000}$ ,  $I_m\ per\ 1000$ ,  $S_{per\ 1000}$ ,  $E_{per\ 1000}$ ,  $D_{per\ 1000}$ ,  $S_{per\ 1000} = I, N, I_m, S, E, D * 1000/population$ )

<sup>7</sup> Depending on the problem it can be preferable to also differentiate between art-related and non-art second jobs, as Rengers and Madden (2000) did.

<sup>8</sup> When internal subsidization comes from second jobs it can also be called cross-financing. However, because in most cases the rate of return is negative, the largest part of cross-financing cannot be counted as investment.

<sup>9</sup> The total number of hours ( $H$ ) artists work in the arts equals the average number of hours artists work in the arts ( $H_a$ ) times the number of artists:  $H = h_a * N$ , while according to equation (1) the number depends on total income and average income.

In turn internal subsidization depends on the marginal propensity to internally subsidize the art job ( $\alpha$ ), while the latter, among other variables, depends on the amount of other income the artist receives.

$$(8) \quad S_i = \alpha I_o \quad (5) \quad \alpha = F \left( I_o, \alpha, \dots \right)$$

Finally total art-output (O) depends, among other variables, on the number of artists (N), other income ( $I_o$ ) and the marginal propensity to internally subsidize the art job

$$(9) \quad O = F \left( N, I_o, \alpha, \dots \right)$$

Presently it is possible to formulate some limitations to the scope of the conclusion that with an increase in state subsidization either average income or numbers of artists will increase or both — equation (1) and (2). This conclusion applies if, among other things, market income and private subsidization as well as the average number of hours artists work in the arts remain the same. The latter usually implies that internal subsidization and other income are constant as well. Hence, in dealing with this article's topic, the influence of state subsidization on the number of artists, the question, what happens if other variables change as well, needs to be treated as well.

### ***Non-monetary Income and Low Monetary income***

After formulating the relevant variables I make two basic assumptions in order to present a model that predicts that average monetary income in the arts is relatively low and that an increase in monetary income including state subsidization sooner increases numbers than income.<sup>10</sup>

Monetary income (MI) consists of income that comes in the form of money or that can easily be exchanged for money. What money can buy, including free time, adds to utility. Non-monetary income (NMI), also called psychic income, consists of items that generally cannot be bought with money, like work-satisfaction, prestige, recognition, status etc.<sup>11</sup> These as well add to someone's utility.

The first assumption is that artists have a stronger preference for NMI over MI than comparable non-art professionals. I call this the assumption of 'the preference for non-monetary income'. Imagine a painter who stops making portraits in commission that sell well and starts making so-called autonomous work that sells badly, or the other way round. This painter is prepared to sacrifice a lot of money for some additional work-satisfaction. Or, the other way, only when he receives a lot of money in return, he is willing to give up a little bit of work-satisfaction. On the other hand a business executive, who constantly suffers from strain and insomnia, is willing to take a less demanding position within his company, but only if he has to give up hardly any money. Or the other way: for a little bit extra money the executive is prepared to take a very unhealthy job. The executive is evidently more attached to MI and less to NMI than the painter.

The second basic assumption is that work in the arts offers more NMI in relation to MI than work in comparable non-art professions. I call this the assumption of 'the abundance of non-monetary

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<sup>10</sup> In the previous section the term 'income' stood for monetary income. In this section the term 'income' refers to both monetary income and non-monetary income. In this and later sections it should be clear from the context which meaning is intended.

<sup>11</sup> Economists have been reluctant to use the concept of psychic income because they think it has too often served as an easy way out for the explanation of phenomena, which are otherwise difficult to explain. Cf. Towse (1996b)310 and Rengers and Madden (2000)

income'. For instance, writing offers little money to a writer, but considerable esteem, because he takes part in the sacred world of art. Construction work, on the other hand, offers quite a bit of money to a construction engineer, but esteem is limited.

The two assumptions are related. Take the statement: "Many youngsters are attracted to the magic of the arts." This statement suggests — assumption 1 — that these youngsters are more interested in sharing in the magic of art than in other benefits like money. And it also suggests that there is relatively much magic in the arts — assumption 2.

Comparable non-art professions are the professions that artists could have chosen after leaving secondary school instead of going into the arts. For instance, given their secondary school education they could have become teachers. These alternative professions will largely correspond with so-called occupations 'with similar educational and professional standings', a category that is easier to determine and that is used to find out how much less artists earn than other professionals.<sup>12</sup>

It should be noted that assumption 1 does not imply that non-art professionals are immune to non-monetary reward. Nobody works 'just for the money' as Frey (1997) has emphasized. Therefore the difference between artists and other professionals is a relative difference. The two assumptions refer to an average artist and an average non-art professional. However, it should be noted that preferences for NMI and availabilities of NMI differ among artists as well as among non-art professionals. It is clear that not all artists are as passionately devoted to art and that some non-art professionals are far more devoted to their profession than average artists are. Also the availability of both forms of income differs among artists. It is a combination of professional possibilities and personal abilities that determine the opportunities of a specific artist and therefore the availability of NMI and MI. Obviously, a young and extremely able pianist has better opportunities than a pianist with less outspoken abilities. For that matter, such abilities can also be social, like knowing how to relate to the right people.

The assumption of the preference for NMI can be illustrated graphically by drawing two figures. Figure 1 depicts the indifference curves ( $U_1, U_2$  etc.) of an average artist for combinations of NMI on the x-axis and MI on the y-axis. Using symbols:  $U = U(NMI, MI)$ . NMI refers to overall income and not just income from art. MI is equal to  $I_{overall}$  in equation 6. Figure 2 depicts the same for an average non-art professional. Assumption 1 then implies that the relevant parts of the indifference curves of the artist run steeper than those of the non-art professional.

In these figures I have added a line that represents the maximum combinations of MI and NMI that the artist can realize given his possibilities and abilities. Showing the maximum opportunities it functions as a budget constraint. Average non-art professions correspond with positions around NAP on the upper left side of the line and average art profession with positions around AP on the lower right side. Intermediate points refer to combinations of art and non-art professions or to mixed professions like, for instance, advertisement design.<sup>13</sup> The point where the opportunity constraint is tangent to the highest utility curve determines the optimal choice: does an individual chooses a profession in the arts or outside the arts or a combination or mix of art and non-art professions.

Assumption 2 implies that the relevant part of the opportunity line of the artist runs more horizontal than the line of the non-art professional.

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<sup>12</sup> Towse (2001)485. Cf. Wassall and Alper (1992)

<sup>13</sup> It should be noted that the opportunity line does not have to be linear. It can also be a convex or a concave curve.

[Figures still to be redrawn]

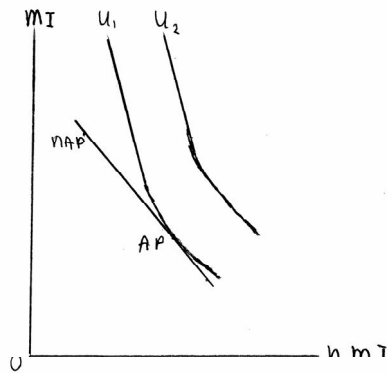


Figure 1 Artist

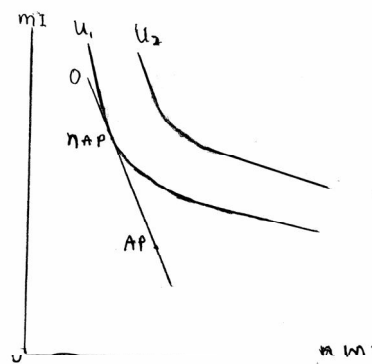


Figure 2 Non-art professional

Within the neo-classical economic approach it is unusual to compare the preferences of two individuals, let alone the preferences of average individuals. Moreover, the choice of NMI or psychic income as an object of choice may be rejected because it is hard to measure. However, because the assumptions are not tested straightforwardly, but only serve to generate testable predictions, I see no harm in assuming that an average artist can be compared with an average non-art professional with respect to his preferences for NMI and MI. Such approach is not new. For instance Frey (1997) does not hesitate to base his theory on the notion that people differ in their internal motivation, a category that largely coincides with the preference for NMI.

In his work-preference model Throsby (1994a) avoids making a comparison. He does not state that artists have a stronger work-preference. He only uses the assumption that artists have a work-preference. However, his model would be pointless, if everybody could be shown to have a work-preference. Therefore he implicitly assumes that this is not the case and so, indirectly, he as well compares the work-preference of artists with the work-preference of non-artists.

The two assumptions are not unrealistic. First, biographies of artists and the everyday perception of artists' behavior suggest that many artists tend to be more sacrificing towards their work than most other professionals are. In addition, sociologists argue that a habitus or a body of conventions and internalized rules exists that makes the artist develop and maintain his 'deviant' preferences.<sup>14</sup> Moreover, Jeffri (1991), in a survey of thousand painters in the US, discovered that the pursuit of art at the expense of MI was widespread.<sup>15</sup> Throsby (1994a) as well found that artists have an unusual preference for work. Contrary to the expectation, artists who start to earn more, sooner increase the number of hours they work than start to work fewer hours. Finally, the average low incomes in the arts probably represent the best indication of the plausibility of the assumption of the preference for NMI.

Second, the abundance of NMI, that the second assumption refers to, need not exist in an objective sense. What matters is whether prospective artists *expect* much NMI in the arts to be available for them. Again this is a plausible assumption. In our society, which puts the arts on a pedestal, it is hard

<sup>14</sup> Abbing 2002 p.88-93

<sup>15</sup> Also cited by Throsby 1994a

not to expect such income in the arts. In the romantic notion that has governed our view of the arts during the last hundred and fifty years the arts are sacred. And for sacredness to exist, it must be visible; it shines on the priests of sacred art, the artists. Therefore it is natural that aspiring artists expect relatively much NMI.

To return to the argument: it follows from assumption (1), the assumption of the preference for NMI, in combination with assumption (2), the assumption of the abundance of NMI, that MI in the arts is lower than in comparable non-art professions, while NMI is higher.

Suppose average MI would be the same in the arts and in non-art professions. In that case, given the assumptions, MI in the arts must be higher than in other professions. Therefore the arts are more attractive than other professions. They not only offer the same amount of money, they also offer more NMI. Those non-artists who have a relatively strong preference for NMI and who, given their opportunities, expect to receive relatively much NMI in the arts leave their non-art professions and enter the arts, because they will be better off in the arts. This process continues till the monetary incomes in the arts are so far below the incomes in other professions, that new entrants and exits offset one another again. It follows that, given the assumptions, monetary incomes in the arts must be lower than in comparable non-art professions.<sup>16</sup>

Monetary incomes in the arts are not just lower than in non-art professions. A more specific conclusion is possible: the higher the relative preference for NMI and/or the larger the relative availability of NMI in the arts, the lower is the MI in the arts in comparison with non-art professions. To continue the earlier crude example: the more sacred the arts appear to be, and/or the more eager people are to participate in their sacredness, the lower will be monetary incomes in the arts. The opposite also applies.

Ample evidence exists of relatively low incomes in the arts.<sup>17</sup> Sometimes income figures refer to the overall income of artists; sometimes they refer only to income from art including subsidies and after deduction of costs. Internal subsidization and subsidization by relatives is never included. In earlier studies, overall income of artists turned out to be 7 to 15% lower than in the workforce generally. Therefore the so-called income penalty for going into the arts was 7 to 15%.<sup>18</sup>

In later more elaborate surveys artists were compared with professional and qualified workers and so larger penalties were measured. For instance in 1990, the average overall income of a full-time artist in the US was 30% lower than that of all other full-time managerial and professional employees, 'a group broadly comparable with artists in term of educational attainment'.<sup>19</sup> Therefore it is not amazing

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<sup>16</sup> Although it is unlikely that one assumption applies while the other does not apply, it can be noted that if only one of the assumptions applies, the conclusion that average income is relatively low in the arts still holds. If in Figure 1 and 2 two opportunity lines were drawn that are exactly the same, artists incomes will still be lower due to the difference in preferences. Or, drawing in Figure 1 and 2 indifference curves that are exactly the same, artists' incomes will also be lower due to the difference in opportunities.

<sup>17</sup> Not only evidence exists of low incomes in the arts, but also of extremely high incomes (Abbing (2002)). In spite of these high incomes average incomes are low. Therefore the income distribution is extremely skewed.

<sup>18</sup> Frey and Pommerehne (1989)152-55.

<sup>19</sup> Throsby (1994a) 18.

that US poverty rates for artists are higher than for any other group in professional or technical occupations.<sup>20</sup>

It is likely that one would find even larger penalties if hourly income from art instead of overall income would be compared to hourly income in other professions. At present such figures are not known. However, it is telling that in 1992 in Australia the income of creative artists from their art job was 50% lower than from their second jobs. In case of performing artists the difference was also large, but not as large: 25%.<sup>21</sup>

In Europe, creative artists, like visual artists, composers and writers, earn less than performing artists. In the Netherlands there is relatively much information on the incomes of visual artists. According to a detailed survey, in 1998 the income from art, including subsidies, of 40% of Dutch visual artists was less than zero, while 80% could not make a living from their work in the arts. Therefore 80 % paid to work as an artist.<sup>22</sup> It follows, that the income penalty for the average visual artist in the Netherlands is almost 100%.

Finally, there is evidence that real incomes in the arts have gone down considerably over the last decades. Throsby estimates that in Australia between 1982 and 1993, the real creative incomes of artists have decreased by approximately 30%.<sup>23</sup> According to Pierre-Michel Menger, a similar trend exists in Europe.<sup>24</sup>

### ***Devoted artists need money***

Average income in the arts is low, but individual incomes from art can be much lower. At first sight it appears that individual incomes from art can never become very low, because artists must live. If the income from art is the only income, income cannot be lower than the level of subsistence or the social minimum, which is often supposed to be equal to the level of social security benefits. However, many artists have other income. Hence, their income from art, including external subsidies, can be lower or even negative, as long as their total income, including income from second jobs, partners, property, social security, allowances, pensions and such, is sufficient to survive, i.e. more than the social minimum (sm). Therefore the sum of the variables in the earlier equation (6) must exceed the level of the social minimum.

$$(10) \quad i_{\text{overall}} = i_m + s_e + i_o = (i_m + s_{\text{state}} + s_{\text{private}} + s_i) + (i_o - s_i) \geq \text{sm}$$

An individual survival constraint (sc) for income from art exists that is different for each artist.

$$(11) \quad \text{SC} = i_m + s_e - i_o$$

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<sup>20</sup> Alper, Wassal et al. (1996)

<sup>21</sup> Throsby (1994)

<sup>22</sup> Meulenbeek, Brouwer et al. (2000) 36. Fifty percent earned less than 100 Euros a month. And more than 75% could not make a living, in the sense that they earned less than the equivalent of social security benefits in the Netherlands. Unlike in some other surveys, the respondents had no incentive to hide their illegal earnings.

<sup>23</sup> Throsby (1996).

<sup>24</sup> Menger (1999) 545. Earlier Peacock, Shoesmith et al. (1982) 39 noted that between 1970 and 1980 in Britain the real value of performers' incomes working in established companies decreased. It should be noted again that these figures relate to income from art including subsidies. Because many artists do not work full time and because they have other income, overall income is generally higher than income from art.

For artists who only have income from art the constraint is at the level of subsistence. For others the constraint is as much lower as the amount they receive from other income. Artists who operate on the level of this constraint 'live on an edge'. If they start to earn less, they are forced to leave the arts.

The amount of money needed for survival must be interpreted in a broad sense. First, the individual survival constraint depends on a social minimum rather than a biological minimum. How much money is needed depends on time, location and the age of the artist. Second, the survival constraint not only comprises a minimum for living but also a minimum needed to survive in one's profession. To survive as a professional artist artists need a minimum of equipment and they need a minimum of time spend on making art. A violist without a violin and a painter working day and night in a 'second' job evidently do not survive as professionals. Moreover the judgment on what is needed for survival can change over time.<sup>25</sup>

Choices people make with respect to NMI and MI are limited by the necessity to make a living. An altogether passionate artist, who is not at all interested in money, still needs a minimum of MI to live and to cover his professional costs in order to be able to work as an artist. Therefore, close to the individual survival constraint the genuine preference of artists for NMI is by necessity overruled by an extreme preference for money. Put differently, the passionate artist is after money, not to buy consumption goods or leisure time but to enable him to make art. Money is a means to make art and consequently to receive NMI in the future.

Given the individual survival constraint, the first provisional assumption of the preference for non-monetary income needs modification. In its complete version artists have a stronger preference for NMI over MI than comparable non-art professionals, as long as their overall income is more than sufficient to survive, but they have a stronger preference for money over NMI than comparable non-art professionals, when their overall income is not sufficient or hardly sufficient to survive. In the latter case money is a means for future NMI.

Figure 3 is the same as Figure 1, except that it takes into account the presence of a survival constraint. The indifference curves (U1, U2, etc) for combinations of non-monetary income (NMI) on the x-axis and monetary income (MI) on the y-axis are kinked at the level of the social minimum (SM). NMI and MI refer to overall income and not just income from art. As long as the artist has no problem surviving the curves run down steeply because of the strong preference for NMI. However, getting near the social minimum they bend and start to run horizontally, because then the only concern of the artists is to earn sufficient money to be able to continue to work as an artist. I assume that when artists earn more their preference for NMI becomes slightly less strong. Therefore to the right the indifference curves run less vertical. Moreover, when artists earn a little more than they need, given their survival constraint, the preferences over money and NMI will not change overnight. Therefore, I have drawn sharply bend indifference curves instead of kinked curves.<sup>26</sup>

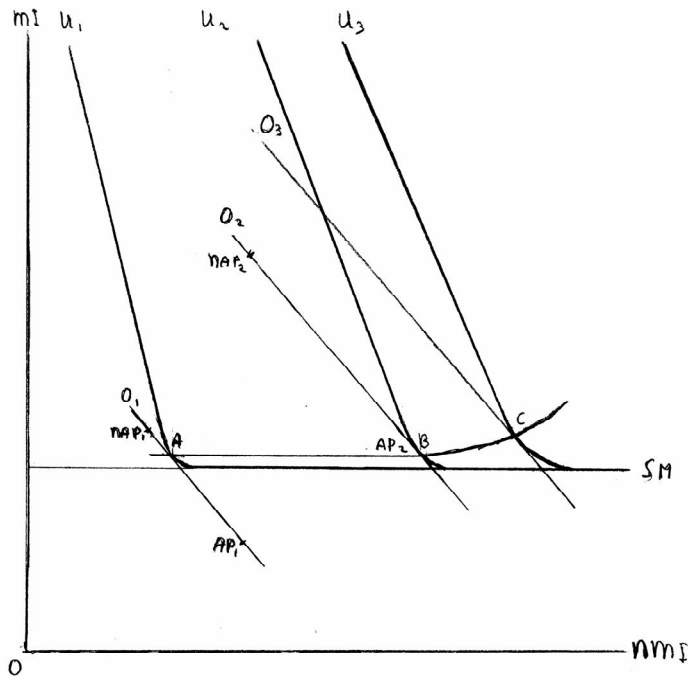
[Figures still to be redrawn]

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<sup>25</sup> For instance somebody contemplating to enter the arts may take into account a higher survival level than somebody who has already entered the arts. The latter having invested much in his career and having internalized the values of the artworld that stress art for art's sake, finds that he can survive on less than he expected before. Therefore, even though I speak of a survival level and an edge, thinking in terms of a survival zone can be more appropriate.

<sup>26</sup> Replacing hours with non-monetary income and consumption goods with monetary income this figure is the same as the one Throsby (1994a) presents in his work-preference model of artist behavior.

Figure 3



It must be stressed that artists do not have split personalities, being at one moment devoted to art and the other only interested in money. On the contrary, seen from outside artists' behavior is rational and consistent. Their pursuit to serve art and to receive NMI governs their behavior. And exactly because of that they need money as a means to attain their goals, when they earn insufficient money from their art.

Most existing artists operating close to the social minimum expect that their situation will improve. And newcomers who decide to enter the arts expect that in time they will surpass their survival constraint in order to reach ever more attractive positions in the arts offering them above all more NMI. For both starters and existing artists who have difficulties in surviving as artists, the money they desperately seek is clearly a means to get to these better positions.

In Figure 3 through the points NAP and AP I have drawn successive opportunity curves for a specific artist representing expected or realized stages in an artist's career. Positions on the curves below AP refer to full time autonomous art jobs. Above NAP they refer to non-art jobs. And in between NAP and AP they refer to more commercial art jobs or autonomous art jobs combined with non-art second jobs. Because the prospective artist expects opportunities that increase over time, both in terms of money and NMI, an expected time-path ABC can be drawn, that connects the points where the successive opportunity curves touch the indifference curves. In due time the artist expects this time-path to take him out of the danger

zone and away from his survival constraint. The straight line running from A to B shows that the artist spends time on the social minimum.<sup>27</sup>

Although NMI motivates youngsters to go in the arts and to stay in the arts, they cannot enter unless they meet their survival constraint. So they only enter when it is financially feasible. In other words, the motivation to become an artist lies primarily in expected future NMI, while the decision to enter depends on the possibility to meet one's survival constraint.

It should be noted that the level of the survival constraint does not just represent a signpost on a route artists take, while they move towards positions with more money than is needed to survive. Above all it is a position on this route where many artists remain for a considerable time, if not a lifetime. Artists 'live' on the edge. Artists on the edge necessarily seek money not to fall from the edge or otherwise to be able to increase their NMI, but often this does not take them over the edge. Imagine an artist operating on a social minimum who starts to receive more money. It does not matter where the extra money comes from. It can be from making art, from subsidies, from a second job or a heritage, from an allowance or from support from a partner. Given his preference for NMI the artist can be expected to either spend more money on his activities in the arts, for instance by buying equipment, or to reduce the number of hours he works outside the arts in order to work more hours in the arts. In both cases the artist receives more NMI and therefore is better off, but financially he continues to live on the edge, because his overall MI did not increase. Only when dedicated artists work full time and start spend some of the extra money on consumption, they leave the edge.<sup>28</sup>

In practice many artists who live close to the social minimum and who try to survive as artists continuously move forwards and backwards. Sometimes they receive more subsidy, sometimes less; they perform more often or sell a little more and than again less; they receive a heritage, but it lasts only a few years; or their income from second jobs varies. When their other income increases, this allows them to replace hours worked in second jobs by hours worked in the arts or to increase spending on equipment. At other times they have to cut back on their hours in the arts or on their expenses in the arts. Moving forwards and backwards NMI varies, but financially these artists stay on the edge; they live on the edge.

Artists who live on the edge seek money. For them subsidies represent a possibility to survive and to increase their NMI by serving (their) art as much as possible. Therefore in order to study the effects of subsidization it is useful to know which proportion of artists live on the edge. In this respect evidence on the amount of multiple jobholding in the arts can help. Such evidence reveals that the extent of multiple jobholding in the arts is large and increasing.<sup>29</sup> A survey of American artists in New England shows that in 1981 76% of all artists had a non-arts second job.<sup>30</sup> In 1993, among Australian

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<sup>27</sup> When artists are altogether dedicated to art, their indifference curves run vertical till they reach the social minimum. It follows from Figure 3 that such artists always stay on the edge independent of their success. More relevant, the same applies to not altogether dedicated artists, who keep the same preference for NMI and MI when they start to earn more. Because in Figure 3 their indifference curves run parallel, they as well never leave the social minimum.

<sup>28</sup> A complicating circumstance is that spending on equipment and such can be a sound investment that may generate future monetary income. Nevertheless this behavior can still keep the artist on a social minimum. See also note [3].

<sup>29</sup> Throsby (1996) 232-5, Menger (1999) 602.

<sup>30</sup> Wassall and Alper (1992).

performing artists, almost 90% had an arts-related or non-arts second job.<sup>31</sup> Probably because subsidies can replace income from second jobs, these percentages are lower in a country like the Netherlands. Nevertheless, in 1998 around 33% of Dutch visual artists had an arts-related second job and spent 10 hours a week doing arts-related work. Moreover 29% of Dutch visual artists worked at a non-arts job on which they spent an average of 17 hours a week.<sup>32</sup> According to another poll, 60% of Dutch visual artists who were still employed in the arts a year and a half after graduation had a non-arts second job.<sup>33</sup>

However, such proportions may not be an adequate indication of the number of artists living on the edge. On the one hand not all artists with a second job live on a social minimum. Some artists have pleasant second jobs, both art-related and non-art jobs, and are not altogether dedicated to their artwork. So they do not minimize the hours they work in their second jobs and they spend more money on consumption than they would, if they would live on a social minimum.<sup>34</sup> On the other hand not all artists, who do not have a second job, live above the social minimum. They may have other sources of internal subsidization, above all social benefits, but also property or a partner. Or they receive subsidies from the state. Often this income is just enough to keep them going.

Being an artist I noticed that among the artists I know there is a large number of artists who have no second job, but who only just make a living thanks to partners, subsidies and social benefits. I only know a few colleagues, who are multiple jobholders with incomes well above their survival constraint. However, because at present there are no trustworthy data that enable one to tell which group is more important or whether they neutralize each other, the before mentioned relatively large proportions of multiple jobholding can only suggest that the proportion of artists living on or near the edge is large.

Data on the proportion of artists that receive social benefits are more helpful. They represent the lower limit of the proportion of artists that live close to the edge. For instance in the Netherlands in 1998 31% of the visual artists received social benefits.<sup>35</sup> Therefore *at least* 31% lived on the edge.

The earlier mentioned data on low incomes supply further information, if they are supplemented by data on the incomes from second jobs and other forms of income — see equation (10). In 1998 50% of Dutch visual artists had an overall yearly income of less than € 8000,—.<sup>36</sup> Moreover, the overall income of 73% was less than € 11350,—. The level of the maximum social security allowance in the Netherlands in 1998 was not much lower. It varied from € 6850,— for single individuals to € 12550,— for couples.<sup>37</sup> Therefore, it can be argued that circa 75 % of Dutch visual artists and their families lived close to the edge. (In comparison in 1998 10% of Dutch households lived close to the social minimum

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<sup>31</sup> Throsby (1996) 235.

<sup>32</sup> These figures are derived from Meulenbeek, Brouwer et al. (2000) 25-6.

<sup>33</sup> Linden and Rengers (1999)

<sup>34</sup> Menger (1999) 602-606 emphasizes that some artists increasingly diversify their risks by multiple jobholding .

<sup>35</sup> Meulenbeek, Brouwer et al. (2000)15.

<sup>36</sup> Meulenbeek, Brouwer et al. (2000) 35.

<sup>37</sup> www.szw.nl. In the standard amounts of benefits an average so-called 'toeslag' [extra allowance] is included. [Mention the percentages of single artists and single household?]

— among them many long-term unemployed people.<sup>38</sup> For comparable employed non-art professionals this percentage is close to zero.

**Comment [A1]:** [Also mention median incomes of comparable other professionals?]

In other art forms or other countries average income from art including subsidies can be higher, and this may imply that overall income is higher as well and fewer artists live close to the edge. But this is not necessarily true because other income can be lower, like the income from social security allowances or from second jobs, and therefore it is possible that as many artists live at the edge.

### ***Subsidization and Numbers of Artists***

When other variables do not change, an increase in total income from art or, more specifically, an increase in state subsidization either raises the number of artists or the average income of artists or both — equations 1 and 5. The more the number of artists increases the less will average income increase and vice versa.

For the moment I assume that all other things remain equal. In that case one extreme outcome of an increase in income or, more specifically, in state-subsidization is that the whole increase goes into an increase in average income, while the number of artists remains the same. In the other extreme only numbers increase and the long term rise in average income is negligible. However, in the latter case expected short term average income must increase at least a little. Due to the increase new entrants, who before thought that they could not meet their survival constraint, start to believe they can and so have an incentive to enter.

The analysis so far predicts that in the arts only the latter extreme, extra money going into numbers, counts. More than in comparable professions extra income, including subsidization, raises numbers rather than income. The prediction rests on a combination of the following circumstances:

- (1) Artists and prospective artists need monetary income (MI) as a means to meet the survival constraint in order to stay in the arts or to enter the arts.
- (2) A large proportion of artists has low incomes and live close to the social minimum.
- (3) Artists and prospective artists have a strong preference for non-monetary rewards, which motivates them to try to enter and stay in the arts.
- (4) There is relatively much NMI available in the arts.
- (5) Entrance barriers are relatively unimportant in the arts.

Factors 1 and 2 are responsible for the money-sensitivity of artists with low money incomes and of newcomers in the arts. Factors 3 and 4 are responsible for the general extreme attractiveness of the arts. Artists expect that in the future they will free themselves from their survival constraint and start earning more non-monetary rewards. Factor 5, the absence of important barriers of entrance — other than meeting the survival constraint — strengthens the impact of the other four factors.

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<sup>38</sup> Particuliere Huishoudens met Inkomens rond het Minimum [Private Households with Incomes around the Minimum] Centraal Bureau voor de Statistiek: [www.cbs.nl](http://www.cbs.nl)

With respect to the last factor, the absence of entrance barriers, it should be noted that many other professions, also professions that are comparable to the arts, manage to effectively control the entrance to their profession — often with state assistance. When no new entrants or only a limited number of new entrants are admitted, and therefore the total number of professionals (in relation to the population size) does not increase extra money only raises income. Therefore, subsidies or tax-redemptions end up in the pockets of the existing group of professionals.

Contrary to most other professions the arts have hardly any barriers of entry. Barriers go against the magic of the arts. (The very thought of barring the way of another Van Gogh appears to be abhorrent.) Because of the lack of barriers it is impossible that a rise in total income or subsidization only leads to higher average incomes in the arts.<sup>39</sup>

Due to factors 3 and 4 many people want to become artists and want to stay in the arts. And due to factors 1 and 2, these artists are extremely sensitive to money as long as they operate close to the social minimum. Therefore a little increase in the available MI enables many people to enter who want to become artists and who are waiting at the gate. People enter who before did not enter, because they expected that their opportunities in the arts were marginally less promising than those of the existing artists. The extra money enables them to cross the entrance barrier. Therefore the income-elasticity of supply is high in the case of a rise in income. Moreover, the larger the proportion of artists that operate in or near the survival zone, the more sensitive the average artist is to changes in income and the more increases in income lead to increases in numbers rather than in the average income from art.

With an increase in MI or more specifically in subsidization the opportunity lines in Figure 3 shift upwards from O1 to O2 to O3 in correspondence with the amount of extra income. Assuming that the extra MI brings along a proportional increase in NMI the successive opportunity lines run parallel. At point A the prospective artist enters the arts. Working many hours in a second job the artist just manages in the arts. With increasing subsidization his net MI does not rise and he stays on the edge, which runs from A to B. On the way the artist gradually drops second jobs and becomes an increasingly autonomous artist. With further increases in subsidization or other income he leaves the edge and moves from B to C. Only now his net money-income rises a little and the artist increases consumption. This is the case when the artist becomes less devoted as he receives more NMI. Therefore in Figure 3, his indifference curves run less vertical as NMI increases. When artists are however, more consistently dedicated to art, indifference curves run parallel and artists stay for ever on the edge. Finally, if increases in subsidization are not accompanied by increases in NMI, the successive opportunity lines run increasingly vertical and the edge (distance AB) is shorter.

### ***Other Variables Influencing the Number of Artists***

So far the model predicts that more subsidization or more money for the arts leads to more artists rather than higher incomes. However, to judge the value of the model in real life it is necessary to

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<sup>39</sup> In Abbing (2002) I argue that inner circles in the arts exists with veiled barriers, but that the latter hardly influence general entrance. Often state-subsidies play a vital role in the creation and maintenance of these inner barriers. This way the state assists in structuring a sector with an overflow of participants, that without the intervention is almost completely unstructured. If it is true that subsidies increase numbers, this implies that the more the state subsidizes the arts in general ways, the larger the necessity to install specific subsidies to structure the arts by creating inner circles. A vicious circle of subsidization exists.

relieve the ceteris paribus assumption. Changes in income from subsidization or other sources can affect other variables in the model than just average income and numbers of artists. Such variables may then influence the outcome of the model. Moreover independent changes in external variables will also influence the outcome. The existence of both groups of variables may partly or altogether overrule the theory's outcome. The effects of both types of variables either mitigate the predicted outcome or strengthen it. In either case testing the prediction and the theory becomes more difficult if not impossible.

In the following discussion of various relevant variables I primarily treat internal variables, although I pay some attention to external variables. Moreover, I mostly limit the discussion to a rise in income due to subsidization by the state. Finally, relevant variables are bound to exist, which I do not discuss, because presently I am not aware of them.

First, the personal social minimum can change due to subsidization (or 'independently' due to external variables). For instance, an artist who is no longer subsidized may decide that after all he does not need to spend so much money on materials in order to survive as an artist. Or the artist adopts a standard of living that before he would have found unacceptable. Once living on the edge survival strategies are developed the artist had never thought of before he entered. In the arts more than elsewhere it is hard to admit defeat. Therefore when monetary incomes go down the short term income-elasticity of supply may well be less high than in the case income rises. However, this conclusion sooner underlines the prediction than damages it.

Next, it is possible that an increase in the average number of hours artists work in the arts changes due to changes in subsidization (or in external variables). Because of the extra subsidies the same number of artists work more hours in the arts. The extra subsidy enables the artists on the edge to cut down on second jobs to increase the number of hours worked in the arts, while remaining on a social minimum (3). This is what Throsby's work-preference model predicts.<sup>40</sup> It is also possible that artists increase their costs hoping to make better art. Either way they absorb the extra money and there is no increase in numbers. The flexible behavior of artists in the subsistence zone mitigates the short run sensitivity to extra money in the form of subsidies.

However, if higher subsidies increase the average number of hours worked in the hours rather than professional expenditure, the increase will not last for a long time, because of new entrants.<sup>41</sup> This is because newcomers do not respond to actual and largely imperceptible shifts in the behavior of existing artists, but to clearly visible increases in the flow of money into the arts. Therefore, after the increase in subsidization they expect that their chances in the arts have increased and so they join the artists in the survival zone. Competition becomes stronger and the average number of hours worked in the arts goes down again. Some leave the arts, others move out of the survival zone and start to earn more, but due to the many entrants the overall long term income distribution does not change and therefore average income does not change either. This prediction corresponds with the data. While in the last fifty years in most countries there was a major rise in subsidization, as noted,

**Comment [A2]:** I expect that changes in the following variables can affect the outcome. 1. The height of the personal social minimum — equation (\*\*12). 2. The average number of hours worked in the arts — equation (\*\*3). 3. Other income — equation (\*\*9). 4. Internal subsidization, i.e. income from second jobs and money from partners and from property — equation (\*\*9). 5. Private subsidization — equation (\*\*6). 6. Market income or demand — equations (\*\*5) and (\*\*7). Next changes in certain 'non-economic' variables influence the outcome. 7. The signaling effect of subsidies is such a variable. 8. The visibility of subsidies is another. 9. And so is the prestige of subsidies. Also long term variations in the variables in the two basic assumption matter. 10. The preference for non-monetary income (NMI). 11. The availability of NMI. Finally the overall status of the arts should be added to this list. 12. The long term status of the arts. I shall discuss these variables. Other relevant variables are bound to exist, but presently I am not aware of them.

<sup>40</sup> Throsby (1994a)

<sup>41</sup> Throsby (1994a) in his treatment of a work-preference model does not take into account the possibility of new entrants. The same applies to Rengers and Madden (2000).

the average number of hours artists worked in the arts has only gone down. Although other causes are bound to have contributed to this effect as well, it is not true that in the long run the prediction that more subsidization primarily leads to larger numbers is falsified by higher expenditure or more hours worked in the arts.

Next, extra subsidies can replace internal subsidization (4). The subsidies are then in whole or in part used for consumption or for a decrease in family support, while the number of hours worked in the arts does not change. When artists work full time as artists, make a living from art and start to leave the edge, this will happen. However, even then usually not all extra money will serve non-art purposes. Even somewhat successful artists tend to continue spending more money on their art job. At the same time expectations of higher minimum incomes draws more people in the arts. Therefore the main question is, whether due to the extra subsidies the long term income distribution changes and becomes more skewed. Only then long term income may rise a little and numbers would increase somewhat less. In this respect it differs if subsidies are aimed at poor and unsuccessful artists or at successful artists. In the latter case average income will sooner increase a little. Nevertheless, given the relative small number of artists who can make a living from art, certainly in the creative arts, and because of the expectations of youngster, I do not expect this mechanism to be important.

An increase in subsidization can also replace private subsidization and income from the market. When one compares the mainland European countries with the US with its lower level of state-subsidization and higher level of private subsidization, the first could be true, at least in the long run. However, the developments in donations certainly depend on other factors as well. The same applies to the demand for art-products (market-income). For instance demand is bound to depend on developments in personal income. Nevertheless, it is not unthinkable that the relative small size of the private market for visual art in the Netherlands is partly due to the relative high level of subsidization.<sup>42</sup> Therefore as far as subsidization influences these variables, they mitigate the prediction. (Matching funds however — the amount of subsidies being linked to the amount of donations or demand — work in the opposite direction — at least in the short term.)

The impact of changes in certain 'non-economic' external variables on income and numbers can certainly not be ignored. First there is the signaling effect of subsidies: changes in subsidization give signals to artists that add to the economic effects predicted by the model. When subsidies are raised artists and prospective artists are likely to overestimate the long term income effects. It looks like the state is going to look after them for ever. If they run into trouble, there will always be state-money to revert to. This variable primarily strengthens the prediction of the model that numbers will increase.

The visibility of subsidies represents the second variable. Artists easily notice general subsidy schemes whose main purpose is to raise artists' income. In a lesser degree the same applies to all sorts of subsidies for artists that in some way or another are related to the quality of the artist's work. Visibility however, is less high in the case of subsidies for consumers of art, for instance in the case of tax-redemption. These subsidies are less likely to influence the expectations of artists and prospective artists. It follows that in the case of subsidies that are not very visible, the model applies less well.

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<sup>42</sup> Abbing 1998.

Next the prestige of subsidies matters (9). If receiving subsidies add to the prestige of artists, it strengthens the prediction of the model. If not, the opposite applies. This is also a matter of time. In the Netherlands in the seventies being subsidized by the state almost always added to the prestige of the artist and therefore to the expectation of NMI. Presently the situation is more complicated. Subsidies that almost any poor artist can receive have lost prestige, but subsidies related to quality still hold much prestige.<sup>43</sup>

This raises the question of possible long term independent changes in the main parameters of the model: the preferences for and the availability of NMI in the arts. In this respect an opposite causal relationship may exist to the one predicted by the model: increasing numbers of artists cause the government to increase the subsidization of the arts. Looking at the behavior of governments this is a rather likely hypothesis. Politicians notice that due to growing numbers more and more artists are poor and they want to support them. After the Second World War many subsidies for artists were partly or altogether motivated by the wish to relieve the bad financial situation of a growing number of artists.<sup>44</sup>

Nevertheless, it is also possible that in the long run a common factor underlies both the behavior of politicians and the attraction of the arts. Such a common cause can rest in the status of the arts. For a century and a half now the romantic attitude towards the arts has become stronger and so has the status of the arts and since the Second World War this romantic attitude has only increased.<sup>45</sup> This induced politicians to support the poor servants of the sacred arts and to increase subsidization. At the same time it led to stronger preferences for NMI and to a larger availability of NMI in the arts; therefore numbers have risen.

One wonders whether the status of art is still rising. Could not postmodern forces gradually start to mitigate romantic forces? In the faraway future I think it likely that romantic influences will become less important. In that case the model would still apply, but it would predict a less outspoken effect or even an opposite effect. For the time being the status of the arts is high, probably higher than ever before.

Again due to the influence of these basic variables, it becomes harder to test the model, but it does not imply that the model is wrong. In the hypothetical situation that the status of the arts had remained the same over time, subsidization could still have caused an increase in numbers.

After the discussion of the variables that possibly influence numbers and incomes I return to the possible testing of the hypothesis that subsidies for the arts increase the number of artists rather than raise their incomes. Although this is a testable hypothesis, at present given the available data it is doubtful, whether it can be tested. Data on numbers and incomes are lacking altogether or the data do not make it possible to distinguish between changes in numbers and incomes due to changes in subsidization and due to changes in other variables. Some general figures from the Netherlands can illustrate the point.

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<sup>43</sup> In Figure 3 I assumed that with an increase in subsidy NMI also rises. In that respect the model already takes account of prestige.

<sup>44</sup> Abbing 2002.

<sup>45</sup> Abbing 2002.

The government-estimate of the number of visual artists in 1950 was 2,1 artists per 10.000 inhabitant, while in 1998 the estimate was 7,3 artists per 10.000 inhabitants; an increase of 350 % percent.<sup>46</sup> In the same period there was only a minor increase in the demand for visual art per inhabitant.<sup>47</sup> Although no trustworthy figures on the development of incomes of visual artists exist over this period, there is no doubt that their real income did not rise in comparison to the real income in comparable non-art professionals. The contrary is more likely: the income penalty increased.

However, these figures do not necessarily imply that the increase in subsidies caused the increase numbers. Because of shifting definitions of who is an artist and who is not and even more because of the actual possibilities to measure numbers of artists, most measurements are inadequate or inconsistent. For these reasons the data on the number of Dutch visual artists are not trustworthy. Given the recent more elaborate measuring techniques it is likely that the early numbers are too low. Nevertheless, because of the large growth some underestimation of the early numbers does not very much change the case. Next, as noted the two relationships can have a common cause. In that case it is important to ask what would have happened, if subsidies would have risen far less. If in that case numbers would have risen just as much, the theory is refuted. Therefore one could compare the Dutch situation with that of a more or less comparable country, like England, where subsidies increased far less. However, existing data do not permit such a comparison. Data are lacking, definitions of who is an artist or not changed over time in both countries and are anyway too different. In short, for the time being straightforward diachronic as well as synchronic comparisons are not very helpful in testing the hypothesis. Therefore, figures like those presented above are merely suggestive of the possibility that subsidies sooner increase numbers than incomes. Nevertheless, in the following two sections I intend to show that indirect ways exist that at least add to the plausibility of the hypothesis.

#### ***The BKR, a Former Generous Subsidy Program for Poor Dutch Visual Artists***

After the Second World War the governments in the mainland European countries were concerned about the low incomes in the arts, which did not comply with the notion of a modern welfare state. In different countries programs were established to support artists. In the Netherlands the BKR was such a program. It existed from 1949 to 1987.<sup>48</sup> Professional visual artists earning less than a certain minimum income were allowed to sell art to local governments in order to supplement their income. If their work met certain, rather low criteria, local governments were obliged to buy it up to a certain maximum yearly amount of money that was considerably higher than the level of social security. The relatively high level of income offered made the program extremely attractive to artists. Moreover, participation had more prestige than living on welfare and this added to the attraction.

In the Netherlands these subsidies were usually called benefits because they replaced social security benefits and were paid for by the Ministry of Social Welfare and not Culture. However in the present

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<sup>46</sup> The 1950 figure is derived from Vinken, Dun et al. (1994) and the 1998 figure from Meulenbeek, Brouwer et al. (2000)

<sup>47</sup> Abbing (1998)

<sup>48</sup> Dun, Muskens et al. (1997) 9.

context they are just as much subsidies as tax-redemptions are subsidies. This article's model should apply to these benefits.

The number of artists participating in the program increased from 200 in 1960 to 3800 in 1983. This extreme growth makes it plausible that during its existence the program contributed to the growth in the total number of visual artists in the Netherlands, but it is not certain. As noted, no consistent figures of total numbers exist, nor do we know how large the increase would have been, if the program had not existed. However, enrollment figures exist for the fine or 'autonomous' departments at the Dutch art academies and for technical and vocational training during this period.<sup>49</sup> From 1960 onwards the growth rate for the enrollment of fine artists gradually increased to a level that from 1975 till 1985 was on average 4 times as high as the growth rate of the enrollment in other higher technical and vocational training during that same period. Painters and graphic fine artists used the BKR-plan more than other visual artists. Taking apart the enrolment into the painting and graphic departments the relative increase in enrollment figures is even higher: it is 5 times as high as in other technical and vocational training. Moreover the enrolment was almost 4 times as high as in higher music, dance and theatre training in that period. It follows that the fine arts became relatively more attractive and that due to increased enrollment the total number of fine artists increased. *The timing strongly suggests that the BKR-program contributed to the increase in numbers.*

Between 1983 and 1987 the BKR plan was gradually terminated. Due to the ever increasing number of participants it had become too expensive. Less expensive subsidies replaced the program. Overall government spending on the visual arts went down approximately 20%.

The strong growth in enrollment figures to fine arts departments at art schools stopped in the years around the conclusion of the program. In between 1985 and 1998 the enrollment figures were the same as in other technical and vocational training schools. Moreover, more artists who had participated in the BKR plan left the arts within ten years after the program's termination than would have left if the plan had been continued.<sup>50</sup> Therefore, the number of visual artists not only increased less rapidly because fewer people were enrolling in the visual arts, but also because more people departed. Although we do not know what would have happened if the program had been continued, the timing indicates that the reduction in subsidization has led to a slower growth in the number of visual artists.

Comment [A3]: Check again.

Did the average income of visual artists fluctuate between 1960 and 1990? Because systematic income surveys only started after 1992, we do not know. However, no expert in the field ever suggested that there was a temporary rise in average income between 1960 and 1983. On the contrary, the tenor in official reports was that the incomes of visual artists compared with other incomes were low and gradually decreasing. Moreover, the earlier mentioned very low incomes of visual artists registered in yearly scientific surveys since 1993 could not have been that low, had they

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<sup>49</sup> For visual art-education in the period 1965 - 1985: Haanstra (1987) 22-8; for enrollment figures in higher technical and vocational training from 1975 till 1989: Ministerie van Onderwijs en Wetenschap (1989) 86.

<sup>50</sup> Dun, Muskens et al. (1997).

not been preceded by low and decreasing incomes for a considerable time.<sup>51</sup> Therefore it is likely that the BKR-plan did not raise income, but only increased the number of artists.

### ***The WIK, a New Subsidy Program for Poor Dutch Artists***

Ever since the Second World War in the prosperous Western countries many artists, if not the majority of artists, have used social benefits to enable themselves to work as artists. Their income from making art was insufficient to make a living. Benefits were the perfect solution for them to meet their survival constraint. They preferred benefits to income from second jobs, because benefits left them more time and money for making art.

Depending on time and place social benefits had also disadvantages. Usually one regularly had to apply for jobs, often jobs that are not art-related. Fake letters and interviews helped out but were unpleasant. However, in the Netherlands for a long time an exception was made for artists on social welfare. Unlike other people receiving benefits artists often did not have to apply for jobs. This practice was against the rules, but it was tolerated. Most of all this indulgence was caused by worries about the ever growing number of artists on welfare. Therefore, a new large subsidy program started in January 1999, the 'Wet inkomensvoorziening kunstenaars' or WIK [the Law for Income Support for Artists]. Because of the injustice of treating people differently, it applied to all artists and not only to visual artists. Since then the rules for artists receiving social welfare have been applied more strictly.

Writers, composers, performers, visual artists and other artists in the WIK plan receive social benefit legally for a limited number of years without having to apply for other jobs. However, WIK-artists receive only 70% of the level of social benefits. It follows that they need a supplementary income of approximately 30% of the social security level. As long as they do not earn more than 25% of the level of social benefits, the extra income is not subtracted from their benefit. So actual incomes vary from 70 to 125% of the social security level. Moreover, the maximum duration of the full WIK-benefit is 4 years to be received in a maximum of 10 years.<sup>52</sup>

In this manner, the WIK-plan tries to prevent that some artists lose their orientation on the market while it encourages others to begin to acclimate themselves to the realities of the market. Artists can use the benefits to create a breathing space, as the Dutch minister called it in the explanatory memorandum he sent to parliament. The idea is that the breathing space is used to develop new products enabling the artist to make a living from art after the conclusion of the WIK-benefit. However, the model predicts that artists with a high preference for NMI will use the breathing space to increase their costs or to work fewer hours in second jobs; they do so to serve art and not to increase their future chances in the market.

As is common practice in the Netherlands I use the term WIK-benefit, but as argued in the case of the BKR-benefit, these benefits are subsidies in the context of this article. Therefore this article's model should apply to these benefits.

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<sup>51</sup> Meulenbeek, Brouwer et al. (2000)

After the first three years of the WIK the government commissioned a scientific research group to evaluate these first years.<sup>53</sup> In these years 6300 Dutch artists made use of the program. (Not unexpectedly given their low incomes visual artists were overrepresented with 4100 participants. Approximately one third of the Dutch visual artists use the program.) It turned out that 58% of all participants had previously received social benefits, 19% were recent graduates of art schools, and 23% did not fit into either of these categories. Before the WIK started, estimates had been made of the number of these three different types of artists that would have a right to the WIK-benefit and that could be expected to apply successfully. The research group compared these estimates with the actual numbers of artists receiving a WIK-benefit.

First, the number of artists who before had received social benefits and who applied and were admitted to the WIK was 50% lower than had been expected. The researchers suggest that the necessity for artists to have a supplementary own income from art and non-art activities of 30% of the level of a social security benefit in order to survive may have been too high for these artists. On the basis of the earlier presented data most of these artists would not have been able to earn an income from art of 30 % of the level of social security. They would have needed a second job to receive sufficient additional income. Therefore, it is likely that many artists in this group did not take a second job in order to meet the conditions of the WIK; they rather continued receiving social benefits in order to maximize the number of hours worked in the arts.

Second, the number of students, who graduated from art-education and who directly after leaving school were admitted to the WIK, was 30% lower than expected. The researchers have no explanation for this outcome. However, it can be explained from the fact that at present the prestige of the WIK-money is relatively low, much lower than the prestige of the BKR-money. Therefore, young artists leaving school first try to make it without the WIK. They want to prevent that they immediately will start to look like losers, even in their own eyes — which can easily turn into a self fulfilling prophesy. (It is possible that many ex-students apply for the WIK one or two years later, but this cannot be proven because no data exist.)

Thirdly and most importantly, before the WIK started a self-supporting artist would have applied for social benefits, when his income fell below the level of social security. Since the WIK he can turn to this scheme. The size of this so-called inflow from the side ['zij-instromers'] was 3,5 times higher than expected. There is only one explanation for this unexpected outcome: artists with a high preference for NMI deliberately lowered their own income. Most of all they cut on second jobs so that with the help of the WIK-benefit they can now work more hours in the arts. It is exactly the kind of behavior the model predicts.

Again these figures do not prove that a subsidy program like the WIK leads to more artists, but the overrepresentation of earlier self-supporting artists makes this outcome plausible. Looking at the combination of the three groups so far the WIK did not attract unexpectedly large numbers of artists compared with the preceding situation. However, with the BKR it took many years before large

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<sup>52</sup> Jdens and Vet (2001) 31.

<sup>53</sup> Jdens and Vet (2001).

numbers of artists started to apply. Therefore gradually the WIK as well may start to attract more and more artists, even though the financial advantage the WIK offers to artists is smaller than the BKR offered and its prestige is at present lower. Moreover, if there had been no WIK and if the social security rules had been applied strictly since January 1999, this would have implied a major reduction in a hidden form of state-subsidization of artists and many artists would have been forced to leave the arts. We do not know how many. But the relative contribution of the WIK to the number of artists is certainly larger than it appears to be.

### **Conclusion**

The article's theory led to two testable hypotheses. First, monetary incomes in the arts are lower than in comparable professions. Second, more income, including more subsidies, lead to more artists rather than higher incomes. Plenty of evidence exists of the first hypothesis, but with existing data and in the presence of interfering other variables, the second is hard to test. Nevertheless, the evidence presented broadly confirms the second hypothesis.

Are low monetary incomes good or bad? Are subsidies that primarily lead to more artists good or bad? These are obvious moral questions that cannot be ignored in the conclusion of the article.

With respect to the first question, it matters how many artists are poor. The latter depends on who is a professional artist and who is not. If one uses a narrow definition of artists, there fewer professionals artists are poor, while more artists are amateurs who spend money on their hobby or who even earn a little with their hobby. However, presently it would serve no purpose to limit the group of professional artists to those who make a living from art. A sociological instead of economic criterion sooner corresponds to the way we look at artists in our culture.<sup>54</sup> Unlike amateurs professional artists try to relate to the history of their field and to their peers.

Next, on the basis of this article one may argue that although many artists are poor, this is no problem. Low monetary incomes are neither bad nor good, because they are compensated by non-monetary incomes. I do not agree with that. Expectations make youngster enter the arts, but in order to tell if they are rich or poor, realized money and non-monetary income count. *I strongly believe that due to the mystique of art that our society continuously reproduces, and also due to the ample presence of subsidies many youngsters are lured into the arts.* Although it is only natural that later on in their career they not easily admit that they have been fooled, their poverty is not less severe. In this sense I completely agree with the many governments that thought and think that the poverty of artists is real and that something should be done about it.

The problem is however, that according to this article's findings government subsidies do not help to relieve the poverty of artists. Due to subsidization absolute numbers of poor artists only increase. Therefore, if the sole aim of subsidization is to raise the incomes of artists, it is contra productive and therefore it is bad. *If governments are really serious about reducing poverty, they should reduce subsidies, because only a reduction leads to fewer poor artists.* Moreover, they should offer more adequate information about the chances in the arts to youngsters wanting to enter the arts. And they

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<sup>54</sup> Abbing (2002)

should stop enhancing the mystique of the arts as they presently do by using magic art to display their power.<sup>55</sup>

However, it should be remembered that not only subsidies, but all forms of income, including income from the market, lead to more artists. Therefore, if the sole aim of subsidization (or demand) is to eliminate poverty, the only solution would be to eliminate the arts. Demand however, also leads to output and the same applies to many subsidies. Many subsidies not only intend to raise artists' incomes but they also intend to increase the output of the arts, or certain output of the arts, while others only intend to raise output. In those cases, in an imaginary cost-benefit analysis costs in the form of more poor artists can be weighted against increases in output.

In the present context output is not a variable that can be measured objectively, but politicians can make estimates. It contains not only performances, books or paintings, but also such intangibles as a cultural climate and the presence of a large pond from which relatively many very talented artists may emerge.<sup>56</sup> Even artists' activities that reach very few people or only a small circle of family, friends and colleagues may contribute to output. However, it is my personal view that the importance of the latter should not be overestimated. For the major part the artistic activity of the large army of artists living on the edge is almost meaningless.

I expect that in most of the Western countries the contribution of another artist to output diminishes as the number of artists increases — equation (9). After a certain number of artists per thousand inhabitants are present diminishing returns characterize output. The contribution to output can even become negative.<sup>57</sup> But in this respect differences will exist between countries. For instance, I find it likely that in Australia with relatively few artist per thousand inhabitants an extra artist will contribute more to output than in the Netherlands. Personally I find that in the Netherlands there are many artists who live on the edge and who just manage to survive as artists, while contributing little to output. In my view they contribute little to the reproduction of human life and it is understandable that they feel miserable.

With respect to an increase in state subsidies as well as in state demand politicians should weight the expected contribution to output against the increase in poverty. Vice versa the same applies to a decrease in subsidization and demand. On the basis of my personal, and probably very subjective analysis of the situation in the Netherlands I may well plead for more demand of art by the state, and I would certainly advise to reduce subsidization.

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<sup>55</sup> Abbing (2002).

<sup>56</sup> The latter are public goods and externalities. Personally I attach no value to the assumed public good of a large pond — Abbing (2002) [.

<sup>57</sup> For instance, this is possible if the presence of a very large number of marginal artists demoralizes other artists.

**Comment [A4]:** LEFTOVERS, maybe to be used in the future:

Even if there are many youngsters who have a relatively strong preference for NMI, this is no guarantee that they will become artist. Suppose that expected monetary income is lower in the arts than in non-art professions and that expected NMI is zero. Nobody would go into the arts. Apparently the attraction of the arts not only follows from the preferences of people but also from the opportunities to realize these preferences.

Evidently when monetary incomes are low relatively much NMI must be available to compensate the lack of money. But then as well not everybody with a relative preference for NMI will enter the arts. Of two people with the same interest in money and NMI, one may enter the arts, because he sees himself as an extremely able pianist, while the other stays out because he thinks he has no artistic talent at all. What is at stake are opportunities, both in the possibilities the profession offers in terms of money and NMI and in the abilities of people. The choice to become an artist therefore depends on the expected possibilities of the profession, the perceived abilities and the preference for NMI.

Later on in a professional career individual abilities and possibilities also influence decisions. For instance in the pursuit of a career one artist may choose to make so-called autonomous art, in which the prospects of earning money are low, but the prospect of prestige are higher, while another may choose to make art in consignment, and so will earn more money. Again such choices also depend on the preference for money and other income of the artist. It follows that choices depend on preferences as well as on opportunities, i.e. abilities and possibilities.

Here paragraph about opportunity curve map? Or later? Or not at all? Given assumption 2 an individual opportunity curve runs steeper round various (or average?) positions in the arts than round various (or average?) non-art positions.

Alternatively: Given assumption 2 at the part where an individual opportunity curve runs relatively steep the opportunities will more often lie in the arts; where it runs less steep the opportunities will sooner lie in non art occupations. (FORMULATE ALSO WITHOUT CURVE)