

POVERTY IN THE ARTS IS STRUCTURAL

Subsidies increase numbers rather than raise incomes

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Abstract. Being unusually dedicated to art the average behaviour of modern creative artists differs from that of other professionals. More than others artists use income, often from non-art sources, to cross finance their art activities and to work more hours in the arts. If they are rewarded it is sooner in terms of non-monetary income than money income. This relative anomaly has far reaching consequences for the economy of the arts. It implies that the low average incomes in the arts are largely structural and that subsidies intended to raise income tend to be futile. They lead to more poor artists. At the same time it raises questions about the interpretation of low incomes and the professional status of artists: are artists as bad off as they appear to be? Or should a majority of artists be regarded as happy consumers instead of as miserable producers?

Keywords: Work preference, income, supply of artists, support, subsidies

Artists are dedicated, but they are no saints

The economy of the arts is exceptional, or rather: it is relatively exceptional.² One important characteristic that makes the economy of the arts differ from economies in other sectors is, what Throsby has called, 'the work-preference of artists'.³ When modern creative artists (to be called 'artists' in this article) receive more money, they do not use it to work fewer hours in the arts in order to have more leisure time, but instead they use it to work more hours. Evidently the advantages of working more hours in the arts offset the advantages of more leisure time.⁴

It should be noted that not all types of artists are as dedicated. The work preference is most important among modern creative artists. The work preference among performing artists and applied artists is less strong.⁵ The findings of this article also hardly apply to the large groups of traditional artists who are present not only in Korea and Japan, but also in Europe and the US.

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² This article is a further development of parts of chapters 4, 5 and 6 of Abbing (2002). A different and shorter version of this article has been published in Towse (2003)

³ Throsby (1994a)

⁴ As noted, the economy of the arts is *relatively* exceptional. Other professional groups, like academics, exhibit similar exceptional behavior, but most of the time in a lesser degree.

⁵ Both Throsby (1994a) and Rengers and Madden (2000) find that performers have a weaker work preference than creative artists.

The work-preference of (modern creative) artists suggests that artists have saint like qualities. In making 'sacred' art they forget about themselves and only care about art. If the only way to make art is to accept a lousy second job in order to make a living and to have just enough money to buy paint or rent a studio to dance, they do not hesitate to wait in restaurants, work as night porter or clean houses. As soon as a bit more money comes in however, whether from waiting, from subsidies, from a partner or from art, they cut down on their second jobs in order to spend more hours making art. Therefore money is a constraint and not a means to obtain consumer goods, including more leisure time. In this sense an imaginary *survival constraint* exists.⁶ Out of necessity and up to a certain point artists are after money in order to be able to make art; beyond that point they loose interest in money and only want to spend more hours making art.⁷

This view does not necessarily imply that artists are selfless, because by making art artists can still seek private satisfaction. Nevertheless, it tends to reinforce the mythology of sacred art and of passionate and selfless artists, who are indifferent to external rewards. As an artist and knowing artists, I prefer a less exceptional view of the artist. The way I see it, making art is not a mystic self-rewarding activity, but, as in other professions, it is a means to obtain rewards, not only in the form of money and private satisfaction, but also in the form of recognition, status and other non-monetary rewards that come from other people. The same applies to any other worker. The difference between average artists and average other professionals is therefore a matter of degree. It appears that artists have a stronger *inclination to go for non-monetary income*, like recognition by peers and private satisfaction, than average professionals have.⁸ They sooner *forsake money*, or, more precise, they have a stronger *inclination to exchange money income for non-monetary income*.⁹

A strong inclination to forsake money may still be interpreted as a virtuous quality of artists, a quality that is rare in modern society. Therefore it is important to note that artists do not choose this quality. From parental care till arts colleges the relative importance of recognition by peers and the unimportance of money have been implanted in artists. This quality has become part of the habitus of the artist.¹⁰

Persistent low hourly incomes prove that artists are oriented towards non-monetary rewards

Among my colleagues and in my own practice as an artist I certainly recognize an inclination to exchange money for non-monetary rewards once a certain, rather low, level of money income has been reached. Nevertheless, as I see it, the difference with non-artists is relative. It is true that most artists I know have a relatively strong inclination to go for private satisfaction and recognition rather than money. The extreme case however, of the artist who loses all

⁶Throsby (1994a) 74.

⁷In Abbing (2002) section 4.3. I show that this point or survival level differs in time and place. Moreover it is sooner a zone than a point.

⁸I use the term 'inclination' instead of the in economics more often used term 'preference'. Inclination refers to a tendency to act and so bypasses the question whether choices are made deliberately.

⁹By acknowledging the possibility that non-monetary rewards play a role this approach remains closer to the neo-classical tradition than if artists are supposed to be immune to external rewards. Moreover, as shown in the next paragraph, internal rewards, like private satisfaction, can be traced back to (internalized) past external rewards.

¹⁰Abbing (2002) ch. 4.

interest in money (other than to serve as investment in the own art-business) as soon as there is enough money coming in to survive, is rare.¹¹ Some young artists I know get close to this extreme position, as they go through a phase in which every bit of money is used for their career, but such attitude almost always passes, when they get older.¹² Therefore, when more money comes in, most artists will spend at least part of it on a higher standard of living. (If they have a second job they continue to work more hours in this job than they would, if their work-preference or inclination to prefer non-monetary rewards would have been maximal.¹³ I am no exception to this rule.)

Throsby (1994a) as well as Rengers and Madden (2000) use systematic surveys and therefore come with less anecdotal proof. They cannot tell how extreme the preferences of artists are, but their data prove, that artists differ from average professionals: they sooner sacrifice money income in order to be able to work more hours in their profession.¹⁴

The strongest proof of an exceptional inclination to exchange money for non-monetary rewards is an indirect proof. On average artists earn little by working in the arts. Yearly and, more significantly, hourly incomes are exceptionally low given the level of professional training of artists. Researchers have found an income penalty for artists, due to their work in the arts instead of in a comparable profession, of around 30%.¹⁵ In specific cases however, an income penalty of 100% and more can be found. (For instance, 40% of Dutch visual artists receive insufficient income, including subsidies, to cover their costs. Therefore, their income penalty is more than 100%.¹⁶) What is amazing is that new artists continue to enter the arts. In spite of low money-incomes the arts are evidently attractive.

The phenomenon of persistent low incomes in the arts can only be explained from (1) a relatively strong inclination of artists to exchange money for non-monetary rewards, while (2) artists think that such non-monetary rewards, like private satisfaction, recognition by peers and status are ample available in the arts.¹⁷ It is the combination of these two factors that make the arts so attractive and incomes low.

In this respect it does not matter if the arts really offer that many non-monetary rewards, as long as artists-to-be believe they do and make their decisions accordingly. If due to the mythology of the arts artists-to-be systematically

¹¹ In a graphical presentation with monetary income on the y-axis and non-monetary income on the x-axis the indifference curves of an artist with a maximal preference for non-monetary rewards run down vertically with a kink at the survival level and then continue horizontally, while they coincide. In the case of an artist with an above average but not maximal preference the curves do not coincide; they are not altogether vertical and not altogether horizontal and the kink is more gradual. The slope of the vertical part is, however, greater than in the case of an average professional. (This figure together with other figures is presented on www.hansabbing.nl as an appendix to the book.)

¹² Moreover, in theory such attitude can also follow from a strong orientation on future income, inducing the youngster to invest as much as possible.

¹³ This is confirmed in the analysis of Rengers and Madden (2000) of Australian data on multiple jobholding and incomes.

¹⁴ Throsby (1994a) and Rengers and Madden (2000). The latter show that different groups of artists vary in their work-preference. What they call 'regular' artists hardly differ from other professionals in their work-preference. It is likely that this group primarily consists of applied artists instead of fine artists. As stated, the present analysis only treats fine artists.

¹⁵ Throsby (1994) 18. In older reports, like that of Frey and Pommerehne (1989) 152-55, the income penalty found is less high. In those reports many poor artists were not counted, because of insufficient counting techniques. Moreover, artists were compared with average workers instead of professionals. Incomes are not only low; real hourly incomes in the arts also appear to have gone down during the last decades, as Throsby (1996) 228 shows for Australia. According to Menger (1999) 545 incomes have also gone down in Europe. (Filer (1989) mentions a much lower income penalty for artists, but has been criticized by his use of census data.)

¹⁶ Meulenbeek, Brouwer et al. (2000) 36.

¹⁷ In Abbing (2002) sections 5.5. till 5.8. I treat four other explanations for low incomes. It is unlikely that the other explanations can explain a large part of the income penalty, but they add to the explanation presented here.

overestimate their chances of receiving non-monetary rewards, the presence of persistent ill information only adds to the effects of the inclination to forsake money and therefore to the low incomes in the arts. When part of the non-monetary rewards is make-belief, a strong orientation on these rewards leads to even lower money incomes.

The fact that money incomes in the arts are often extremely low implies that many artists are forced to internally subsidize or cross-finance their activities in the arts. Very low or negative money incomes can only exist, if internal subsidization is substantial. The extreme example of Dutch visual artists demonstrates the case. With subsidies included in their income from art, 40% of them have negative incomes and cannot cover their professional costs.¹⁸ Moreover, more than 75% of Dutch visual artists earns insufficient money to make a living as an artist.¹⁹ Therefore 75% literally pays to work in the arts. It follows that money from other sources must be coming in. Such sources can be money from a heritage, from a partner who supports the artist, from benefits, from an earlier job or from a second job. The latter can be an arts-related job like teaching art or a non-arts job like cleaning or doing economics.

Several surveys show that multiple jobholding in the arts is extensive and increasing.²⁰ Moreover in different countries and in varying degrees social benefits have also been used and are being used for internal subsidization. Little is known about the importance of private money and support from partners, but in my surroundings I notice that these sources of internal subsidization are often decisive. They should not be overlooked.

The fact that average money incomes in the arts are lower than in comparable professions and that artists have second jobs far more often than other professionals, makes it plausible that average artists have a relatively strong inclination to exchange money for non-monetary rewards and therefore have a low standard of living, which is close to a survival constraint.

This probably applies to a majority of artists, but not necessarily to all artists. For instance, when 'luxury' artists who possess ample money from an inheritance or who have a well-paid second job, start to earn more, they may use only a small part of the extra money for their job in the arts. Therefore their inclination to exchange money for non-monetary rewards in the arts does not need to be much stronger than the inclination of average professionals. So far however, such 'luxury' artists still form a minority.

Poverty in the arts is structural; subsidies increase poverty

Due to a more than average inclination to go for non-monetary rewards in combination with the belief that the arts can offer plenty of these rewards, the art's sector is extremely attractive. The implications of this phenomenon are far-reaching. If the inclination and the belief are strong, this implies that poverty in the arts is largely structural. More money flowing into the arts, whether from sales, donations, subsidies or benefits, primarily leads to more artists and does not raise income.²¹

¹⁸ Meulenbeek, Brouwer et al. (2000) 34.

¹⁹ Meulenbeek, Brouwer et al. (2000) 34. The net income of 75 % 'not being able to make a living' was less than the level of social security benefits in the Netherlands.

²⁰ Throsby (1996) 232-4 and Menger (1999) 602.

²¹ This is in line with the conclusion of Throsby (1994a) 78, who states that subsidies increase output rather than income.

The mechanism is broadly the same for different sources of income. Here I treat subsidies, because governments can influence them and because governments have used them and still use them to try and raise the income of artists.

Before proceeding I make three preliminary remarks. First, I use the word poverty in a formal sense. It implies that average hourly incomes from working in the arts are so low that artists cannot make a living *as artists*. (Given other sources of income some artists may not be generally poor.) Second, contrary to popular belief artists have not always been poor. Large-scale poverty in the arts commenced in the twentieth century with the emphasis on the second half of the century.²² It appears that the mythology of the arts and the corresponding inclinations of artists changed in the beginning of the twentieth century, and they may change again. Structural as poverty presently may be, poverty in the arts is bound to pass sooner or later. Third, the motive to improve the deplorable economic conditions of artists has been paramount in the quickly increasing post-war subsidization of the arts in the mainland European countries. Although this motive is presently not emphasized as much as before, in the background it is still important. Given their general social policies these welfare states cannot allow one group of professionals to have, on average, a much lower standard of living than comparable professionals have.²³

In order to illustrate the mechanism that more money leads to more artists I give an example from my own practice as an artist.²⁴ Ten years ago I received a substantial grant from the Dutch government for so-called innovative artists. At that moment my work-preference, to use Throsby's phrase, immediately started to do its work. I decided to stop 'wasting time' by making commissioned portraits, which for me had been an inferior arts-related job. Therefore, in spite of the relatively large subsidy my income did not rise. Moreover, I left a (small) space in the portrait market, which directly or indirectly has been taken over by a newcomer. In the end the subsidy only led to more artists. This is what one can expect in a sector that is so attractive - attractive not because of money but because of the promise of private satisfaction, recognition, status and other non-monetary rewards.

Because subsidies lead to more artists per hundred thousand inhabitants, including more poor artists, poverty increases due to subsidization.²⁵ This mechanism only brakes down, when money goes to really successful artists who have no leftovers for other artists that can indirectly lead to more newcomers. Therefore, at least in the short run, subsidies and purchases by governments (and others) that directly or indirectly go primarily to successful artists could raise average income a little. (Nevertheless, median income would remain as low as before and therefore poverty itself is not reduced.) It follows that not all subsidies have the same effect on numbers and incomes. For instance, a tax reduction for art-buyers may have a less strong effect on numbers than a special social benefit-scheme for poor artists.²⁶ However, given the extreme attraction of the arts it is questionable, if there is much difference in the long run. One way or another more money trickles down and increases numbers rather than raise average income.

²² Among others Frey and Pommerehne (1989), Montias (1987), Hoogenboom (1993) Stolwijk (1998) and Abbing (2002) section 6.1. make plausible that incomes in the arts were not that low before the twentieth century.

²³ Cf. Abbing (2002) section 6.2.

²⁴ More systematic proof can be found in Abbing (2002) ch.6.

²⁵ Even when the percentage of poor artists among artists remains the same, the absolute number of poor artists increases.

²⁶ In Abbing (2002) I analyze different types of subsidies in more detail, also from the perspective of 'signaling'. Certain schemes give stronger signals to artists than others do. For instance they may signal that 'government will always be there to help the artist out'.

The latter could be tested by means of a rough comparison of countries that differ in subsidization levels after differences in donations and consumption have been taken into account. Where subsidies for the arts are relatively generous, the number of artists per hundred thousand inhabitants should be higher than in countries where there is less subsidization. However, no existing data allow such a comparison.²⁷ In this respect private observations, unreliable as they are, are more meaningful than inferences from inadequate statistics. For instance, I suppose that few observers would disagree with me, when I state that there are more creative artists per hundred thousand inhabitants in the Netherlands with its relatively high level of subsidization than in the USA with its lower level of subsidization.²⁸

At first sight it could be expected that a diachronic comparison within one country can lead to a more precise conclusion on the relation between subsidies and numbers. If subsidy levels change abruptly and drastically, numbers of artists should also change. However, both the decision of who is to be counted as artist and the decision to adopt this definition to data that are, often accidentally, present or otherwise not too costly to gather, change continuously. Therefore, even within one country counts are not consistent enough. However, sometimes there are indirect ways to come to cautious conclusions.

There have been two major changes in the subsidization of visual artists in the Netherlands that almost certainly were accompanied by an abnormal change in the number of visual artists.²⁹ First, in 1949 the well-known BKR-scheme had been established. Professional visual artists, who earned 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, quality criteria, local governments were obliged to buy the artworks offered to them. In between 1949 and 1983 increasingly large numbers of artists used the scheme and, more significantly, in this period the yearly increase in the number of students in the so-called 'autonomous' visual arts departments at art-schools increased much faster than in other art-directions and in other vocational training for 18+.

The gradual abolishment in between 1983 and 1987 of the scheme, which had become too expensive, represents a second example. The yearly increase in the number of autonomous visual art students dropped below average levels. And the next ten years many more artists who had earlier participated in the scheme left the arts than could have been expected otherwise.

Recently in the Netherlands a new scheme for all poor artists, who would otherwise need social benefits, has been established. Given the data from the first three years of operation of this so-called WIK-scheme the scheme turns out to be attractive to far more artists than had been the intention. Artists not only use it as a replacement for benefits but also for second jobs in order to work more hours in the arts.³⁰ Therefore, this scheme as well is bound to boost the numbers of artists.

Romantic notions of art lead to real poverty

²⁷ For reasons given in the next paragraph the way artists are counted differs too much between countries. Cf. Ernst (1999).

²⁸ Higher donations and lower cultural consumption per head do not compensate for lower direct subsidization in the USA. O'Hagan (1998) 133-39 and 157.

²⁹ For details see Abbing (2002) section 6.5.

³⁰ Kuiper, Aalst et al. (2002)

Governments evidently believe that financial poverty among artists is a bad thing that must be mended. And artists naturally welcome and often demand government support. But are artists really bad off?

In this respect I make a distinction between *compensated* and *uncompensated poverty*. If well informed artists exchange money for other rewards, like private satisfaction, recognition and status, financial poverty is compensated in the form of other rewards. Taking into account other forms of income, there is no overall income penalty. (Nevertheless, governments may not agree with the choice artists make and so want to protect them against themselves. The intervention rests on a demerit good comparable with other 'unhealthy' habits, like smoking.) If however, artists and artists-to-be are more than other professionals ill-informed about their chances to gain non-monetary rewards, the income penalty is not compensated or only partly compensated and poverty is real.

Many arguments can be presented for and against either position. Because of the strong mythology of the arts, which is a main topic in my book, I would argue that poverty is certainly not altogether compensated. Due to ill information part of poverty must be real, but it is hard to tell how large this part is. In this context it is telling that economists increasingly speak of an *oversupply* of art and artists. Had poverty been fully compensated the term oversupply would have been strange, if not unjustified, irrespective of the large number of artists and the large quantities of art that are being produced.³¹ Therefore implicitly these economists seem to side up with the notion of, at least partly, uncompensated poverty.

Nevertheless, there are small, but growing areas in the arts in which poverty may well be fully compensated. For instance, there is a growing group of artists who hold attractive multiple jobs. Their arts-related and non-arts jobs are pleasant and well paid. Even if they could afford to do art full time, they would not do it.³² Evidently their inclination to exchange money for non-monetary rewards is lower than in the case of average artists. Therefore it is unlikely that they are ill informed. They choose a restricted number of hours in the arts that earns them little money. However, they can afford to do so and evidently they think it is worth it. Poverty must be compensated.

In the case of multiple jobholders the line between amateur artists and professional artists is not always clear. This takes me to a final remark that puts poverty in the arts in another perspective again. In economics producers *earn* money, while consumers *spend* money. Applying this distinction to the arts, all artists, who cannot make a living from making art and therefore spend money on their activities in the arts, must be counted as consumers, who spend money on their 'hobby', and not as producers. A huge army of artists would have to be removed from the professional arts and suddenly income figures would rise considerably. Former poor and 'miserable' artists would turn into 'happy' amateurs. If they also earn a little bit with their hobby, this is like a present: poverty is non-existent.

However, the financial problems of the arts cannot be solved that easily. The difference between professionals and amateurs is not a matter of a textbook definition. The distinction is socially constructed. It depends on a large number of variables that slowly change over time, and presently economic variables are relatively unimportant in the arts. Therefore the above accounting trick does not work. Nevertheless, as an exercise it is interesting, because it reminds us of the fact that poverty and luxury are not that remote in the arts. Hourly incomes in the arts went down in the last

³¹ Cf. Menger (1999) and Towse (2001). (Blaug (2001) uses the more cautious term 'excess supply'). Even if economists would only have a welfare economical notion of waste and consequent oversupply in mind, as [Frank, 1995 #298] 102-3 and 107-110 have, ill information increases oversupply.

³² According to Menger (1999) 602-6 these artists diversify risks through their occupational choices.

decades and this process may continue. Paradoxically, whether one likes it or not, this may well lead to a growing number of 'luxury' artists, who due to their multiple jobs can afford to make art. History repeating?

Modern governments care about the financial well being of their artists. In the modern welfare state no group must stay behind, least of all artists, the producers of 'sacred' art. Nevertheless, subsidies are basically contra-productive; they increase poverty, because numbers of artists become larger and therefore more artists per hundred thousand inhabitants are poor. The only way to reduce poverty is to discourage youngsters from going into the arts, both by giving information, which contradicts the mythology of the arts, and by reducing subsidies.³³

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³³ For the time being governments in the mainland European countries are not likely to adopt either strategy. Governments have an interest in the mythology of the arts and they have an interest in being involved in the arts. Cf. Abbing (2002) ch. 9 and 10.

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