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0521631505 - The Economics of Art and Culture, Second Edition  
James Heilbrun and Charles M. Gray  
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## The Economics of Art and Culture

This is the first book to cover not only the economics of the fine arts and performing arts, but also public policy toward the arts at federal, state, and local levels in the United States. The second edition offers greater coverage of the international arts sector. The work will interest academic readers seeking a core text on the economics of the arts and arts management or a supplementary text on the sociology of the arts, as well as general readers seeking a systematic analysis of the arts. Theoretical concepts are developed from scratch so that readers with no background in economics can follow the argument.

The authors look at the arts' historical growth and then examine consumption and production of the live performing arts and the fine arts, the functioning of arts markets, the financial problems of performing arts companies and museums, and the key role of public policy. A final chapter speculates about the future of art and culture in the United States.

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Second Edition

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UNIVERSITY PRESS

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[More information](#)

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE  
 The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS  
 The Edinburgh Building, Cambridge CB2 2RU, UK  
 40 West 20th Street, New York, NY 10011-4211, USA  
 10 Stamford Road, Oakleigh, VIC 3166, Australia  
 Ruiz de Alarcón 13, 28014 Madrid, Spain  
 Dock House, The Waterfront, Cape Town 8001, South Africa  
<http://www.cambridge.org>

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First published 2001

Printed in the United States of America

*Typeface* Times Roman 10.5/13 pt.    *System* QuarkXPress [BTS]

*A catalog record for this book is available from the British Library.*

*Library of Congress Cataloging in Publication Data*

Heilbrun, James.

The economics of art and culture / James Heilbrun, Charles M. Gray.  
 – 2nd ed.

p. cm.

Includes index.

ISBN 0-521-63150-5 (hb) – ISBN 0-521-63712-0 (pbk.)

1. Arts – Economic aspects – United States. 2. United States –  
 Cultural policy. I. Gray, Charles M. II. Title.

NX705.5.U6 H45 2001

338.4'77'00973 – dc21      00-059875

ISBN 0 521 63150 5 hardback

ISBN 0 521 63712 0 paperback

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## Preface

In this second edition of *The Economics of Art and Culture* the authors have retained the structure of the first edition while broadening its scope to cover arts activity in Western Europe, Canada, and Australia as well as in the United States. They have also incorporated the latest available information into the text, tables, and footnotes. Thus the book's contents are thoroughly up-to-date.

Although U.S. economists have been writing about the economics of art and culture since the mid-1960s, this is the first work to cover not only key segments of the fine arts and the performing arts, but also public policy toward the arts at the federal, state, and local levels. It is thus the first attempt at a comprehensive survey of the subject.

The authors have planned the level and scope of the book to meet the requirements of two groups of readers: first, an academic audience for whom the book can serve as the principal text in a course on the economics of the arts or on arts management, or as a supplementary text in a course dealing with the sociology or politics of the arts; second, those general readers who are ready for a systematic analysis of the economics and the political economy of the arts in the United States.

The book is divided into five parts. Part I, consisting of Chapters 1, 2, and 3, serves as a general introduction, suitable for both the academic and the general reader. Chapter 1 defines the area we propose to study, explains the logic of our definition, and ends with an estimate of the economic size of the arts sector, as so defined, in the United States. Chapter 2 provides an important historical dimension.

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It describes the growth of the arts in the United States, Canada, and Australia, assesses the claim that the United States enjoyed an “arts boom” in the 1970s and 1980s, and examines the subsequent slowdown in the growth of arts activity. Chapter 3 looks at the size and character of audiences for the arts in the United States, discusses the socioeconomic factors affecting attendance, and compares arts participation rates in the United States with those in other industrialized nations.

Chapters 4 through 8 make up Part II, which deals with the microeconomics of demand and supply and their interaction in markets, and applies those analytic tools to the performing arts industry. In this part all theoretical concepts are developed from scratch, so that students or other readers without previous training in economics will have little difficulty gaining an elementary knowledge of them. However, the general reader who does not want to grapple with the technical apparatus of economic theory can skip Chapters 4 through 7 and pick up the argument of the book at Chapter 8, which looks at the financial problems of firms in the performing arts sector.

Chapters 9 and 10, which analyze the market for paintings and other works of art, and the economics of art museums, make up Part III. Chapter 9 does return to microeconomic analysis to explain how the art market operates and how painters and sculptors earn their living by producing works for the market. The general reader may wish to omit those passages, but will certainly want to read the last section of the chapter, which treats the question of art as an investment.

Public policy toward the arts is taken up in Chapters 11 through 13, which constitute Part IV. Chapter 11 systematically examines a subject that has troubled many observers, namely, the economic justifications of public subsidy for the arts. While the argument favoring subsidy rests on several propositions from microeconomic theory, the bulk of the chapter deals not with the theory but with the question of whether the arts have the characteristics that the theory tells us are necessary to justify public support. The chapter as a whole will therefore be easily intelligible to the general reader.

In Chapters 12 and 13 we put economic theory aside and deal with the political economy of the arts. Chapter 12 introduces the theme of private donational support for the arts, examines the advantages and disadvantages of private versus public support, and compares the

level of aid given in the United States and in other industrialized nations when both private and public support are taken into account. The chapter closes with a review of the controversy between Congress and the National Endowment for the Arts over support given for works of art alleged to have been blasphemous or pornographic. Chapter 13 focuses on the history, scale, and mode of public subsidies to the arts in the United States. The chapter analyzes state and local support as well as federal support through the NEA and other agencies and discusses political as well as economic considerations.

Chapters 14 through 16, covering a miscellany of topics, constitute Part V. Chapter 14 looks at the arts as a profession, invoking micro-economic analysis to explain how the earnings of artists (as workers) are determined in the marketplace. The roles of education, training, and labor unions in the performing arts are examined, and data are presented on artists' incomes by level of education and gender, in order to assess the truth or otherwise of the "starving artist" hypothesis.

The last three chapters of the book will pose no problem for the general reader. Chapter 15 examines the geographic distribution of arts activity, explains why it is highly concentrated in large cities, and analyzes the role of the arts in an urban economy. The substantial economic importance of the arts industry in the New York metropolitan area is compared with its much weaker impact in six typical medium-size metropolitan areas.

In Chapter 16 we analyze the relationship between the mass media, popular culture, and the forms of so-called high art that are the subject matter of this book. The hypothesis is advanced that the mass media have biased public taste away from the high arts, and that public broadcasting is justified as one way of countering the bias. The chapter closes with a discussion of alternative proposals for financing public broadcasting.

Chapter 17 concludes the book with some speculations about the future of art and culture in the United States. We discuss the possible role of an expanded program of arts education in cultivating the taste for high art, thus helping to ensure future growth in the rate at which Americans participate in the arts, but acknowledge that given current attitudes toward public spending, it is unlikely that the necessary funds will be made available.

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xiv *Preface*

This book was conceived during a coffee shop conversation at the Third International Conference on Cultural Economics, held in Akron, Ohio, in 1984. Since that date both authors have successfully taught courses on the economics of the arts to undergraduates in their respective liberal arts colleges, using the materials in this book as the principal text. The book, we are certain, covers more than enough topics for a one-semester course, although individual instructors may want to supplement it with other readings at selected points.

Both of our courses have been taught within economics departments, but were specifically open to students who were not economics majors and had taken no previous economics courses. Based on that experience, we are confident that the book can also be used as a text for an economics course in arts management programs at the master's level, where students in all likelihood will have no preparation in economics, or for supplementary reading in courses in the sociology or politics of the arts. Finally, we are confident, as well, that the book will be intelligible to the ordinary general reader, just as our courses were to ordinary noneconomists among undergraduates.

Throughout the book we have provided what we hope are ample citations to sources we have found useful. These indicate our intellectual debts to others who have worked on the economics, politics, or sociology of the arts. We hope they will also be helpful to casual readers, students, and scholars who want to pursue at greater length topics we can only touch briefly in a general survey.

In writing this book we have received indispensable help from academic colleagues, artists, arts consultants, and arts administrators in both the private and public spheres. They gave their time and attention generously in providing us with data, information, insights, expertise, and critical commentary. The list is a long one.

In the first edition we extended thanks to: Diane Aldis, The Breck School; Linda Andrews and Christine Maginnis, Zenon Dance Company; Judy Balfe, City University of New York; Dianne Brace, Dance/USA; Tom Bradshaw and Margaret Jane Wyszomirski, National Endowment for the Arts; Jim Capo, Everett Parker, and Jim Kurtz, Fordham University; Randy Cohen, National Assembly of Local Arts Agencies; Sarah Foote Cohen and Doug Rose, American Council for the Arts; Robert Conrad, Station WCLV; Rebecca

Danvers, Institute of Museum Services; Barbara Davis, Arts Resources and Counseling; Paul DiMaggio, Princeton University; Heather Dinwiddie and Mary Brooks, American Symphony Orchestra League; Bill Hendon, *Journal of Cultural Economics* and Association for Cultural Economics; Barbara Janowitz and John Federico, Theatre Communications Group; Ralph Jennings, Station WFUV; David Kamminga and Marcia Peck, Minnesota Orchestra; Young Lee, Corporation for Public Broadcasting; Jeff Love, National Association of State Arts Agencies; Michael Miner, formerly of Actors Theater of St. Paul; Sally Montgomery, Mount Holyoke College; Karen Nelson; Dick Netzer, New York University; Richard J. Orend, arts consultant; Guy Pace, Actors' Equity Association; David Pankratz, arts consultant; Monnie Peters, arts consultant; Pete Peterson, Vanderbilt University; Nancy Roberts, Opera America; Kevin Sauter, University of Saint Thomas; Mark Schuster, Massachusetts Institute of Technology; Charles Shapiro, Austrian Roth Partners; Linda Shapiro, New Dance Ensemble; Cynthia Starkweather-Nelson, artist; Dean Stein, Chamber Music America; Leila Sussmann, Tufts University; Sandra Taylor, artist; George Wachtel, League of American Theaters and Producers; and Joyce Yamamoto, artist. We also thank our students, who read sequential manuscript permutations from the earliest stages and served as proofreaders and commentators extraordinaire.

For the second edition we gratefully acknowledge the help of Françoise Benhamou, Université de Paris I; Beth Burns, Guthrie Theater; John Church and Mark Scorca, Opera America; Kim Ferreira, Art and Development Initiatives; Dolly Fiterman, Dolly Fiterman Fine Arts; Rene Goudriaan, Economic Research for the Public Sector, The Netherlands; Sam Grabarski, former executive director of the Minnesota State Arts Board; Linda Hoeschler, American Composers Forum; Paula Karhunen, Arts Council of Finland; Volker Kirchberg, University of Luneberg; Pierre Korzilius, Musée d'Orsay, Paris; Wes Kramer, Kramer Gallery; Stan Mansson and Lotta Janson, Statens Kulturarad, Sweden; Jacqueline Reis, Minnesota Council on Foundations; Teresa Rothausen, University of Saint Thomas; Pamela Samuelson, University of California at Berkeley; Jon Severson, Minneapolis Institute of Art; Lisa Shipley, Statistics Canada; and Naiping Yu, financial analyst.

Many of the illustrations were drawn by Phil Swanson and Barbara Birr.

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Both authors are grateful for generous research assistance: Gray's work was supported in part by grants from the National Endowment for the Arts, the Faculty Development Program of the University of Saint Thomas, the Minnesota Private College Research Foundation, and the Blandin Foundation; Heilbrun's by two one-year Faculty Fellowships at Fordham University.

We wish to thank Scott Parris, our editor at Cambridge University Press, for his wise counsel, help, and enthusiasm on behalf of this book. We are grateful as well to Stephanie Sakson, who supervised the book's production and did a most attentive job of copyediting.

And finally, we dedicate this second edition of our book to our children, Emily, Margaret, Robert, and Brian.