

## The Economics of Art and Culture

### Third Edition

Spanning the economics of the fine arts, performing arts, and public policy, this update on a classic is the go-to resource for navigating today's creative industries. Building on real-world data, engaging case studies, and cutting-edge research, it prepares students for careers in the cultural, creative, and public sectors. By avoiding mathematical treatments and explaining theories with examples, this book develops theoretical concepts from scratch, making it accessible to readers with no background in economics. While most of the theory remains timeless, this new edition covers changes in the world's economic landscapes. Updates include new sections on gender representation, cultural districts and tourism, digital broadcasting and streaming, how technology impacts the arts, and a new chapter on arts management and strategy. The authors demonstrate data-driven decision-making using examples and cases from various databases. Students learn to assess academic results and apply the learned material working with the discussion questions and problem sets.

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**The late James Heilbrun** was Professor Emeritus of Economics at Fordham University. He was an editorial board member of the *Journal of Cultural Economics* and a consultant to the National Endowment for the Arts.

# The Economics of Art and Culture

THIRD EDITION

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Contents

Preface to the Third Edition	<i>page</i> vii
Acknowledgments	x
Jim Heilbrun Obituary	xi
 <b>Part I The Arts Sector in the Economy: Size, Growth, and Significance</b>	
1 An Overview of the Arts Sector	3
2 Growth of the Arts Sector	11
3 Audiences for the Arts	32
 <b>Part II The Microeconomics of Demand and Supply</b>	
4 Consumer Demand: An Introduction	45
5 Elasticities of Arts Demand and Their Policy Implications	64
6 Production and Cost in the Performing Arts	81
7 Firms and Markets in the Performing Arts	90
8 Productivity Lag and the Financial Problem of the Arts	105
9 Economics of Arts Management and Strategy	127
 <b>Part III The Fine Arts and Museums</b>	
10 The Market in Works of Art	137
11 The Economics of Art Museums	153

vi      Contents

**Part IV Public Policy and Support for the Arts**

<b>12 Theory and Practice of Government Support for the Arts</b>	<b>175</b>
<b>13 Private Support for the Arts</b>	<b>193</b>

**Part V Art, Economy, and Society**

<b>14 The Arts as a Profession: Education, Training, and Employment</b>	<b>209</b>
<b>15 The Role of the Arts in a Local Economy</b>	<b>228</b>
<b>16 The Mass Media, Digital Access, and the Cultivation of Taste</b>	<b>244</b>
<b>17 Innovation, Diversity, and the Future of Art and Culture</b>	<b>256</b>
Bibliography	271
Index	294

## Preface to the Third Edition

The *Economics of Art and Culture* explains how art and culture function within the larger economy. In particular, the book applies economic methods and theories to the study of the fine arts and performing arts, as well as public policy toward the arts. Why should this be studied?

- The arts economy is an important part of what has come to be known as our cultural capital, and is therefore vital to our self-image as a society.
- The arts industry may be small in size relative to the overall economy, but it is important for many related industries to function, such as the tourism or hospitality industries.
- Arts and culture are conducive toward the well-being of a society and can generate positive effects for the education, health, and social cohesion of citizens.
- The arts economy affects quality of life, which matters for local residents and business activity, and can stimulate creativity.

## Who Will Use This Book?

This volume, as a discipline-specific overview, will be useful in classrooms and boardrooms, and accessible by students, nonspecialist policy analysts, and arts administrators, among others. In particular, the textbook 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 those 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, and this feature may also be appreciated by lecturers struggling with their students' varying levels of economics background. The extensive use of real-world data makes the book an invaluable resource for practitioners and also develops the student's ability to analyze and critically assess data. In our world of data-driven decision-making – these abilities may be of benefit for the student's career prospects, perhaps particularly, but not only, in the cultural and creative industries or the public sector.

This textbook has widespread appeal not only among students of Cultural Economics but also students of Arts and Cultural Management and Cultural Policy since it conveys the essence of economic concepts while avoiding complicated methodological issues that would interest only students of economics. The book could be also used as a supplementary text in teaching more advanced classes in Arts Policy and Arts Management, and Arts in Sociology, especially Parts III–V, which cover a wide range of topics, including art markets and art museums, public

viii **Preface to the Third Edition**

policy and support for the arts, arts as a profession, culture and the local economy, and the role of new technologies for the cultivation of taste. The courageous educator in the field of Fine Arts may also consider covering topics on the role of demand and supply in estimating the market price of an artwork (Part II) or Chapter 14, which discloses some realities of arts as a profession, and unveils the concepts of the “starving artist” and the superstar, among others.

## The Old and the New

A great deal of time has passed since the second edition of this book appeared, and the time has been eventful. We acknowledge at the outset the most regrettable occurrence, namely the passing of coauthor James (Jim) Heilbrun. Although Jim has left us, his eloquence is present throughout this revision, and we retain his name as a coauthor. It became clear that a new and younger voice was needed to propel the project forward, and Karol J. Borowiecki of the University of Southern Denmark took on the task, bringing with him a European perspective.

On a more positive note: The fields of cultural economics, cultural policy, arts management, and the emerging economic history of the arts have leapt forward, with scholars regularly advancing the knowledge frontier with theoretical derivations, empirical verifications, and case applications. We have tried mightily to retain the insights of the “classics,” among others, concepts related to the demand for and supply of culture, including the notion of production and cost, firms and markets, arts management and strategy, and arts policy. We present these fundamental topics of cultural economics while blending in the more recent contributions, selecting from the firehose of new knowledge.

Timing is everything. We incorporate some implications of a global “Black Swan” event for the arts. The COVID-19 pandemic has had implications for arts markets, patrons, organizations, and policymakers all around the world. Our approach has been to illustrate selected effects with some of the tools we develop herein. For example, the application of digital technologies toward the arts and culture, such as live broadcasting of performing arts or virtual museums, has been accelerated by the pandemic. This has clearly created new opportunities, not only for the producers or consumers, but also for those engaged with the preservation of culture. However, the technological advancements also create potential threats to some of the existing cultural institutions, increase competition for production inputs, and raise inequality among institutions or creative workers. Likewise, it remains open how artificial intelligence will transform the art world.

The textbook approaches these and many other trends from a theoretical perspective, visualized with the help of various anecdotal examples and intuitive arguments, backed with systematically collected and critically assessed data, and complemented with an outlook into what the future may bring.

Being theory-based, and hence in a sense timeless, this book equips students with state-of-the-art models to analyze cultural markets and industries in a systematic way and in ever-changing conditions. However, we do not lose the proximity to the real-world context, as we showcase throughout the book how to put economic principles into practice and illustrate how to apply theory to real-world situations.

In this textbook, we have chosen not to attempt an encyclopedic approach. Instead, we have limited the scope in the name of academic rigor and to fit into a single semester course. Arts and culture compendia abound, and they serve as useful reference works.

## How to Use This Book

The book consists of five parts:

- Part I: The Arts Sector in the Economy: Size, Growth, and Significance
- Part II: The Microeconomics of Demand and Supply
- Part III: The Fine Arts and Museums
- Part IV: Public Policy and Support for the Arts
- Part V: Art, Economy, and Society

The advantage of the book structure is that instructors can largely teach the parts out of order. The chapters within Parts I and II should be taught in the order as they appear since the concepts developed here build on one another. The chapters in Parts III–V can also be taught out of order, which gives flexibility in how the teaching is organized.

Each chapter begins with “Learning Objectives,” which helps students to focus on key concepts and facilitates repetition. Students may also appreciate the applied nature of the book, as theoretical concepts are contextualized with recent examples and data. The chapters end with discussion questions, cases, and problem sets to enable students the opportunity to exercise and apply the learned material. Some of the open-ended discussion questions will enable educators to test the learning outcomes of students at different levels, while the real-world character of the problem sets and the involvement of the student into the learning process will hopefully be appreciated not only by the students but also by the lecturer.



## Acknowledgments

We have, as always, benefited from encounters with our professional colleagues, including readers and users of the earlier editions, and engagements with artists, arts administrators and advocates, and cultural policymakers. We wish to extend our gratitude to Tanja Krischer at Deutscher Bühnenverein; Krzysztof Bogusz, Production Deputy Director at the Grand Theater in Łódź; Nicole Chamberlain-Dupree, Executive Director of the Minnesota Marine Art Museum; Carl Shroeder, Minnesota Orchestra; Pierre Korzelius, formerly of the Musée D'Orsay; Kathleen Gallagher, an arts management faculty member at Southern Methodist University; Derek Miller, Professor of English at Harvard University; Ximena Varela and Andrew Taylor, the arts administration faculty members at American University; Neil Alper, Professor Emeritus at Northeastern University and past Secretary-Treasurer of the Association for Cultural Economics International (ACEI); John O'Hagan, Professor Emeritus at Trinity College Dublin and Past President of ACEI; Stephen Boyle, Diane Aldis, Tom Borrup, Ruth Rentschler, Marjorie Moody, Mary Edna Fraser, Mara Stenback Winke, Christina Baldwin, Dawn Bentley, Sari Karttunen, Paul Finkelstein and Mina Fisher of the Bakken Trio, Gyula Berger and Márta Ladjánszki, J. P. Singh, Camila Contreras, Carolina Barrios Laborda, Trilce Navarrete, Lucie Duggan, Marc Law; members of the ACEI; attendees at annual Social Theory, Politics and the Arts conferences; members of AIMAC (International Association for Arts and Cultural Management); and our students in courses and workshops at the University of St. Thomas, the University of Southern Denmark, University of Wisconsin's Bolz Center, and Eastman School of Music. Excellent research assistance was provided by Martin Hørlyk Kristensen. Abject apologies to any whose names have escaped our recall but to whom we are nonetheless indebted.

Borowiecki acknowledges the formative influence, generous support, and remarkable kindness provided throughout the years by Victoria Ateca-Amestoy and Víctor Fernández-Blanco. Their sudden and recent passing is a big loss for the community.

Gray is especially grateful for continued administrative support and workspace provided to emeritus faculty by the University of St. Thomas Opus College of Business, and particularly to the former department chair and fellow business economist Kathy Combs.

We dedicate this third edition to our significant others and the new children in our lives: Mel's wife, Robin, and grandchildren William, Samantha, and Nelly; and Karol's partner, Lucie, and children Casimir Gabriel and Valentin Laurence.

## Jim Heilbrun Obituary

Written by Charles M. Gray and reprinted with updates and with permission from  
the *Journal of Cultural Economics*, 32: 225–226

Prominent cultural economist James (Jim) Heilbrun passed away on April 8 (2008) at his home in New York City, where he was born eighty-three years ago and lived most of his life. Jim is a former member of the editorial board of this journal, but most readers would probably be more familiar with him as the coauthor of *The Economics of Art and Culture*, and he had just begun working on the third edition of that book at the time of his passing.

Jim received his undergraduate and master's degrees from Harvard University and his doctoral degree in economics from Columbia University. He was a retired professor of economics at Fordham University, where his colleagues described him as a genuine gentleman and scholar. His strong interest in urban economics shaped his early research agenda and resulted in a widely-adopted textbook, *Urban Economics and Public Policy*.

His appreciation for the New York City cultural scene, especially the New York City Ballet, naturally attracted Jim to cultural economics. I met Jim at the third international conference of the Association for Cultural Economics in Akron, Ohio, in 1984. While sitting in a hotel bar, we decided that the world needed a comprehensive overview of the economics of the arts, a book that could serve as a combination text, research monograph, and cultural policy guide. Thus began a twenty-four-year collaboration through two editions of the book and a chapter in Cherbo and Wyszomirski's *The Public Life of the Arts in America*. It was at the American Assembly that culminated in that volume that Jim most vocally objected to debasing the fine and high arts by defining them broadly and indiscriminately. As he said at that time, "Legal forms are not art!"

Jim unapologetically drew a sharp distinction between the higher arts and popular culture. He strongly favored arts education as the means of promoting investment in the consumption skills required for a deeper appreciation beyond mere entertainment. His research notably examined the decline in the high arts, especially in the United States. An examination of US opera companies revealed that while opera has been a growth industry, companies have been shifting their programming toward a more popular and less demanding repertory. Similarly, he found a significant decline in the coverage of high culture by the *New York Times*, including statistical evidence that advertising affected content. Needless to say, Jim was dismayed by these findings.

Jim continued to participate in ACEI after his retirement from Fordham, attending all biannual meetings and several interim conferences up through the 2000 gathering in Minneapolis. Even after extensive travel became too burdensome for him, he continued an active research stream.

xii      **Jim Heilbrun Obituary**

Jim was married to well-known feminist scholar and author, Carolyn Heilbrun, long-time professor of English at Columbia University, who predeceased him in 2003. Theirs was a mutually-supportive dual-career marriage long before that became the norm. Jim is survived by his daughters Emily and Margaret, his son, Robert, and two grandchildren.

Jim Heilbrun was a gifted writer, a perceptive policy critic, and a diligent, imaginative, and productive scholar. His contributions to cultural economics were seminal, and his influence will be felt for many years to come.