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978-1-108-70497-7 — Economics of Visual Art
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Excerpt
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Introduction

> It will not do to read only from economics to art. We must be able to read from art to economics as well.
>
> Leigh Claire La Berge[1]

In the 1984 film *The Karate Kid*, Ralph Macchio's character, Daniel, becomes the target of bullies and is determined to fight back.[2] His neighbor, Mr. Miyagi, offers to teach Daniel to fight. When an eager Daniel arrives for his first lesson, he is given the seemingly menial task of polishing vintage cars. Mr. Miyagi's car-washing instructions are highly specific. Daniel must apply wax to the cars in one circular stroke and then take it off in another: "Wax on. Wax off." Exhausted from hours of repetitive motion, Daniel loses his temper. Only then does Mr. Miyagi reveal that the car-polishing moves mimic the fundamentals of karate.

Economics has an analogous relationship to art. The concepts can seem dry and abstract at first, requiring the same kind of repetitive faith in tedium as there is in time spent waxing on and waxing off. Once learned, those fundamentals can inform anything from the sustainable livelihood of artists to a top-of-the-market auction result. Yet those fundamentals of economics rarely apply in the arts without adaptation. The purpose of this book is to introduce these principles so that you can apply or reinvent them on your own terms and within your own beliefs about how art and markets do and do not – or should and should not – intersect.

Economics shares with art a starting point of *making* things, of dealing with materials and process, and of having to invest resources early, at the risk of failure and before value is known.

This idea of investing resources before value is known – of inventing point B, not just going from point A to point B – presents a unique challenge to economics itself, expanding the discipline from description of efficient manufacture to support of open-ended discovery.[3] This book aims to honor the dignity of artistic labor and find ways to support it.

This book focuses on microeconomics – the study of individuals and firms – rather than macroeconomics – the study of whole economies. Where macroeconomics takes the view, as if from an airplane window, of an entire country's productivity or employment or currency relative to other nations, microeconomics takes the viewpoint of the manager as decision-maker and the firm – in this case the gallery, museum, or studio – as the core economic entity.[4]

The artist is most like the maker, the manager, the decision-maker, or the strategist around whom traditional microeconomics is built. This perspective of the maker invites the reader to be the main character in the story – to learn the concepts in this book and how to apply them (and occasionally whether to ignore them). When visual art defies the economic rules it also depends on, the economics of art becomes a potential area of artistic practice unto itself.

I do not believe, as some pure economists do, that everything tracks back to the mechanical logic taught in traditional microeconomics classes. I do not believe that economic systems are explained by a motivation toward maximum profit, nor that individuals' choices are explained by maximum utility. People are generally far more complex and interesting. The black-box idea of "demand" – the economist's tool for describing audiences or purchasers – seems inadequate to express the honest, poetic, human decisions people make, especially in relation to something as subjective and with as many layers of value as art. However, I do believe that economics offers an important algebra underneath markets. It gives us tools to understand and to build the ways in which anything gets made and championed.

THE ARTISTIC FOUNDATIONS OF ECONOMIC THOUGHT

The sleek mechanics of economic theory belie the creative roots of the discipline. Some of the founding scholars had a direct relationship to painting, drawing, or collecting art, while others worked through ideas from scratch, in the manner of an art project. In 1776, Adam Smith published *The Wealth of Nations,* describing the "invisible hand" of markets and the benefits of the division of labor. Smith was not perceived as an economist out of modern central casting. In an essay called "Adam Smith as a Person," Walter Bagehot, the longtime editor of *The Economist,* described Smith as "one of the most unbusinesslike of mankind."[5] Smith's earlier work, the 1759 book *The Theory of Moral Sentiments,* had not been about economics at all but about the importance of sympathy – fellow feeling for others – as part of the fabric of society.[6]

Several of the nineteenth- and twentieth-century developers of economic thought also drew and painted or otherwise had connections to the arts. Alfred Marshall, who authored the 1890 book *Principles of Economics,* and Stanley Jevons, who was among the pioneers of the concept of marginal utility, were teachers at Cambridge University. They both worked out ideas by drawing. Marshall drew near-calligraphic diagrams of markets (Figure B) as intersections of buyers ("demand") and sellers ("supply"). Marshall also taught with gigantic diagrams of world commodity prices (Figure C), a crafting project so elaborate that it calls forth a deep need for a tome on the early history of magic markers. Jevons made delicate watercolors charting the change in price of beef or cotton over time and mapping histories of innovation (Figure D). Presumably these drawings or watercolors were not made under the economic assumptions of efficiency or marginal utility that these authors themselves championed. The drawings are a reminder that even economics as a discipline was once created from scratch – the same way that artworks are.

Another Cambridge economist, the macroeconomist John Maynard Keynes, also had strong connections to the arts. Keynes

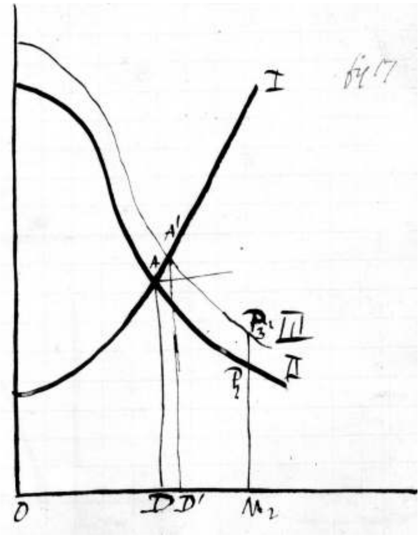

FIGURE B Alfred Marshall, drawing of supply and demand. Marshall Library, Cambridge University. Reproduced with the kind permission of the Marshall Librarian.

was a member of the Bloomsbury Group. He collected art both for himself and on behalf of the British Treasury.[7] Keynes's early work shares the artistic, trial-and-error character of Jevons or Marshall, which is a polite way of saying that when Keynes submitted what would go on to become the backbone of many existing geopolitical systems as a dissertation at King's College Cambridge, his professors initially failed him.[8] Like many now-famous artists, Keynes was underestimated at the outset.[9]

THE TENSION BETWEEN ART AND ECONOMICS

Both economics and art have grown as insular fields, making their intersections complicated and occasionally tense.[10] If art and economics were siblings, they would have a complex power dynamic in which economics felt that everything was neutral and art felt constantly encroached upon and misunderstood. This dynamic is not abstract but at the heart of the fundamental question of this book: Can economics fully describe the value of art, and if not, can economics still be used to build important structures of sustainability for the arts?

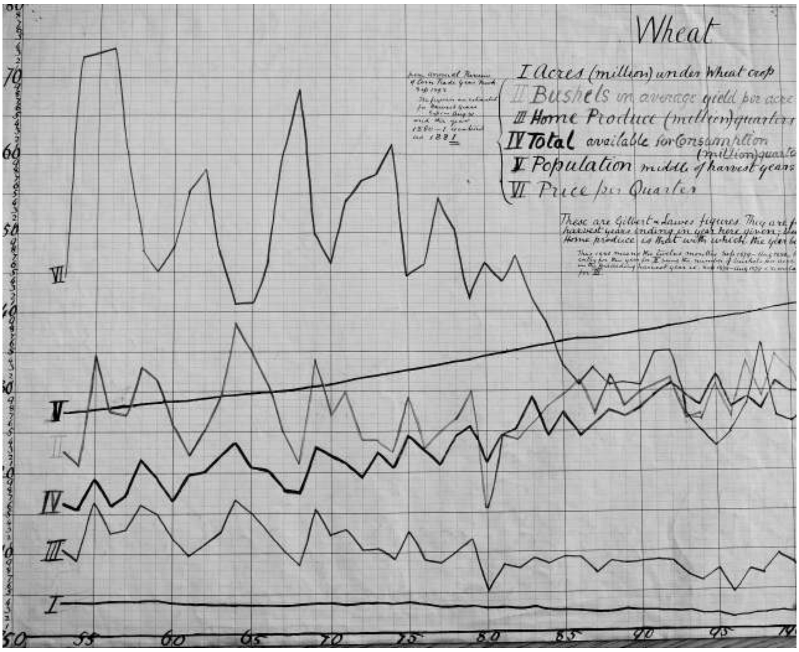

FIGURE C Alfred Marshall, teaching aids. Marshall Library, Cambridge University. Reproduced with the kind permission of the Marshall Librarian.

The artist and writer Andrea Fraser explores this tension in her 2018 essay "Toward a Reflexive Resistance." In the wake of the 2016 US presidential election, Fraser found herself agreeing with some, but not all, of the sentiments within a political petition she was asked to sign. She agreed with the calls to make resistance a priority but found herself unable to promise categorically that she would "reject calls to compromise, to understand, or to collaborate."[11] In reflecting on why that was, Fraser invokes theories formed by the French sociologist Pierre Bourdieu. Bourdieu analyzed the class politics and cultural consumption of the French public, a topic to which he turned after spending his early academic career studying Algerian peasant communities as a self-described "blissful structuralist."[12]

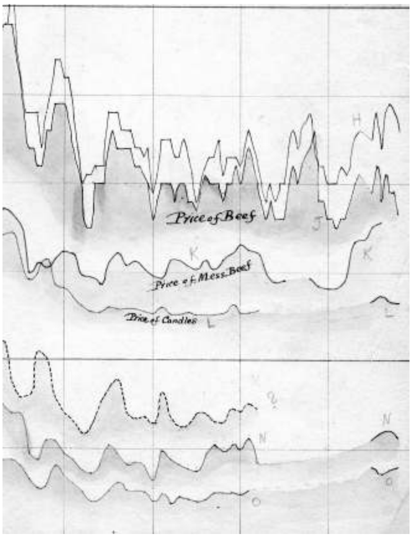

FIGURE D Stanley Jevons, detail of untitled watercolor showing world commodity prices. Marshall Library, Cambridge University. Reproduced with the kind permission of the Marshall Librarian.

In her reading of Bourdieu, Fraser argues that cultural elites are part of a dominant class in the broader society. But within that dominant class, economic elites have *more* power that cultural elites. Thus, cultural elites – art critics, artists, university professors – are a *dominated* class within a *dominant* class. They have power in determining what is aesthetically and philosophically significant, but economic elites – the 1 percent, the hedge-fund class – have power more absolutely. Bourdieu described this energy among cultural elites as "the logic of resentment."[13]

Theories of the intersection of art and economics take root in the sociologist Viviana Zelizer's studies of how money intersects with family and children. Zelizer characterizes two competing views: Hostile Worlds or Nothing But. In the Hostile Worlds view, intimate family life must be firewalled from commercial life because otherwise commercial life will grow like kudzu and engulf what is personal and meaningful. In the Nothing But view, the commercial sphere is in fact capable of putting a price on anything and thus representing any form of value. In fact, Zelizer describes a third alternative, "circuits of commerce," in which the intimate and commercial interact.[14]

The cultural sociologist Olav Velthuis adapted Zelizer's work to the arts in his 2005 book *Talking Prices*.[15] Here, the commercial and intimate spheres can be replaced by economic and artistic ones. In the Hostile Worlds view, economic value must be kept separate from artistic value because otherwise economics will engulf and flatten all that is good and important in art. In the Nothing But view, economics is fully capable of reflecting artistic value. And without its "cultural camouflage," the art market is simply another ordinary market.[16] Here, the third alternative is the interaction and mutual dependency between institutional and commercial value, meaning the value conferred by museums, galleries, scholars, and critics, as compared by the value recognized by financial markets.

Probably the most extraordinary proponent of the Nothing But view is William Grampp, whose 1989 book *Pricing the Priceless* argues seamlessly for the capacity of economics to represent the value of art. It is a maddeningly eloquent read for anyone who disagrees with his ideas. Grampp writes not only that any form of artistic value – aesthetic, cultural, social – can be transmuted into price but also that artistic actors are motivated by money. Grampp writes,

> Pictures have a price, so do violins and violinists; painters want an income; theaters and museums must be heated and lighted; guards, ticket sellers, and curators must be paid.[17]

While most would agree that within the current organizational structures of society these activities require economic support, the idea that artists are *motivated* by money is less than palatable or relatable for most. Needing money to make work is not the same as being motivated by money to make art. Most artists create work before its market value is known, investing time and resources without any assumption about price or the certainty of sale. In this sense, artists are risk-takers and investors in their own practice. As the sociologist

Alison Gerber writes in *The Work of Art*, artists take on many forms of investment, only some of which are "pecuniary."[18]

The Hostile Worlds view essentially hangs on the belief that artistic value can never be fully represented by markets. One of the most eloquent scribes of this idea of art is Lewis Hyde, who writes in *The Gift* that all art originates in the idea of gift so that "when we are touched by a work of art something comes to us which has nothing to do with the price." Hyde's view allows for market participation but not complete market control. He writes,

> A work of art … can be sold in the market and still emerge a work of art. But if it is true that in the essential commerce of art a gift is carried by the work from the artist to his audience, if I am right to say that where there is no gift there is no art, then it may be possible to destroy a work of art by converting it into a pure commodity.[19]

If a work of art is truly original, the outcome of the work is not known to the artist at the outset. Thus, the artist operates with risk, generosity even, putting things into the world before their value is known.

The observer of Grampp's work who may deserve the last word, for now, is the economist William J. Baumol, who was asked to write a dustjacket endorsement for the 1989 hardcover of *Pricing the Priceless.* Baumol trained as a sculptor and taught woodworking classes during his time on the economics faculty at Princeton University. He contributed highly influential studies of both arts administration and art markets, coining the term "cost disease" to describe the performing arts and calling the art market a "floating crap game" in a landmark 1986 paper that we discuss in Chapter 9.[20] Baumol's blurb describes Grampp's bracingly neoliberal writing as "An unpopular view on art prices, aesthetic value, and the justifiability of government support well presented and logically argued." Baumol then encouraged the reader, "Even those who disagree with Professor Grampp most strongly can benefit from a dispassionate reading of the book."[21]

THE MATERIALS OF ARTISTIC PRODUCTION

Luckily for us, the starting point of economics is not so theoretical. Our starting point is the time and resources that go into making art and managing organizations in service to art. We only have to ask the question: This person or organization wants to do something they believe is of value. How do they pay for it? How do they pay to invest in research? How do they build sustainable structures that support their work with ease and within their values? These questions become interestingly hard to answer, especially given how many experiments, research cul-de-sacs, hours devoted to preparation, and even failures can be involved in artistic process.

Artists' early work reflects the larger tension in market economies between exploration and learning, and efficiency and production. For example, the British artist Bridget Riley is probably best known for large abstract compositions and op-art (optical illusion) paintings. Before she developed those bodies of work, she drew and painted from the figure (see Figure E). Those paintings began with studies – with drawings that were gridded and transferred by the artist to canvas. Before that, in order to learn to paint, Riley copied older masterpieces. All of this time, labor, and material became an investment in her future work. It would be hard to define the economic value of those earlier studies tidily, and harder still to have done so at the time she was making them.

The economics of making a work of art can also be central to the artwork conceptually. For the Chinese artist Ai Weiwei's 2010 commission at Tate Modern, he blanketed much of the floor of the Turbine Hall with 100 million painted, life-sized sunflower seeds. To make the work, Ai hired 1,600 porcelain artisans in the city of Jingdezhen in southern China. The artisans painted the seeds by hand in a twenty-to-thirty step process that included two kiln firings. Altogether, they produced 100 cubic meters of seeds, weighing roughly 150 metric tons.[22] The visual effect of the installation was, in the words of *New York Times* art critic Roberta Smith, "oceanic," – a vast "indoor pebble beach."[23]

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FIGURE E Bridget Riley, *Seated Nude*, in two studies and one painting. Left to right: *Tonal Study (Painting of a Seated Nude)*, 1949–52, black and white Conté and oil on paper; *Color Study (Painting of a Seated Nude)*, 1949–52, oil on paper; *Painting of Seated Nude*, 1952, oil on canvas board. Courtesy of the artist.

