Rent-seeking in arts policy

WILLIAM D. GRAMPP
Department of Economics, University of Illinois, Chicago, IL 60680

‘Not art for art’s sake, but not art for the people’s sake either. Art for my sake.’
D.H. Lawrence

The argument of my paper is that rent-seeking is an important reason why governments assist the arts. While I cannot offer it as a settled conclusion, I do put it forward as more than a hypothesis.

In making my argument, I shall try to establish its necessary conditions: (1) that the economic structure of the arts lends itself to rent-seeking, (2) that the arts not only receive assistance but solicit it, and (3) that the assistance clearly benefits those who solicit it while others benefit less or not at all even though they are said to. What I shall not try to do is to make the argument conclusive, simply because by its nature it cannot be, not even if people in the arts came forward and declared, ‘Nostro culpa, we are rent-seekers.’ I would believe it, but not because they said it.

(1) The economic structure of the arts is more favorable than not to rent-seeking. The demand for the performing arts is income-elastic. By one estimate it is unitary in the U.S. (Moore, 1968: 90). For the visual arts, it appears to be one or more also as indicated by the continual increase in museum attendance, by the increase in the real price of admission, and by the increase in expenditure for art objects. The demand for the performing arts is not so income-elastic as to offset entirely the increase in their cost that comes from their being labor intensive.

Since the arts are a superior good, any decrease in supply will raise their price more, hence the income of the suppliers more, than the decrease would do if the demand were stationary or decreasing. Actually, governments today more often assist the arts by increasing the demand for them than by decreasing the supply (which the French Academy once did by limiting entry to the market for painting). Even so, the income elasticity of demand operates in favor of the arts because in order to obtain a given increase in demand they need to make less effort. That reduces the cost of rent-seeking which (one would expect) increases the amount of it.
The cross elasticities are not as favorable as income elasticity. For some of the arts it is positive; for others it is uncertain. There are substitutes for art in the form of things that are not art to anyone but are income-elastic (travel, good food); there are substitutes which the world of art does not call art but other worlds do (popular entertainment); and there are substitutes that resemble art without being the real thing (records, reproductions, and films). The last group could be complementary as well as competing goods, hence could increase the demand for the original. They are indispensable to anyone whose demand for art includes the desire to understand it. On the other hand, they can compete with the original because they cost less in money and time. You need not go to Rome to study the details of the ceiling of the Sistine Chapel; the photographs are informative, actually more informative than viewing it.

On the supply side there is inelasticity in some kinds of art activity and not in others, hence conditions are favorable to rent-seeking for some and not for others. The world is willing to pay a high price to hear Pavarotti and must do so because there are few like him. A subsidy that increases the demand for tenors increases his rent also, though not from zero because even in a world of unsubsidized tenors he would receive more from singing than from doing something else. At the other end of the supply-elasticity scale, a subsidy that increases demand will increase employment rather than income. The city of Chicago offers free art lessons, hence may increase the employment of art teachers. Their aggregate income is also increased if they prefer that kind of teaching to doing something else as they obviously must since they do it; but that is less than the effect on employment.

The arts are favored by the high opinion which the public says it holds of them. It has said this repeatedly in polls that ask such questions as, Are museums important for America, or are symphony orchestras good for Australia? Irrespective of whether people believe what they profess (and there is evidence they do not), it signifies at the very least that the public is not inclined to disparage the arts and is even respectful of them. It would not express the same opinion of, say, sugar beets, and if asked if they contribute to the American-ness of American culture would think the question odd. On the other hand, art subsidies are said to give people a sense of national identity. People in the arts then have this edge over sugar-beet growers.

A noticeable feature of people in the arts is the high value they place on what they do when they put it before the public. Among themselves, they can war to the knife but to the world at large they present themselves as essential to its civilized existence. In that outer world, those who question their claim on other people's resources are put down as Philistines or Vandals. Moreover, the arts, acting on the principle of artistic freedom, resist any control of the way those resources are used.

Sugar-beet growers are not given to claiming that what they contribute to American civilization requires the domestic price of sugar to be as much as four