

# Incomplete Decommodification: Art, State Subsidy and Welfare Economics

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## THE DEVELOPMENT OF WELFARE ECONOMICS

between 1912<sup>1</sup> and 1959<sup>2</sup> not only propelled unrivalled social reforms that had been sporadically underway since the 1880s, and not only reimagined the state as an economic agent of the macroeconomic redistribution of wealth, it also, astonishingly, added art to the roster of those otherwise urgent social needs (health, old age, education, unemployment, housing) for which the state took responsibility to guarantee universal provision. Art does not seem a natural candidate for this list. That is to say, if the justification of the welfare state is *limited to providing the urgent needs of the poor*, then the rationale for the public subsidy of art will remain external to such a political rationale, and therefore, not only by comparison<sup>3</sup> but also on principle,<sup>4</sup> the public funding of art appears scandalous or unthinkable (except, perhaps, as an ideological ruse by which the majority came to fund minority culture).<sup>5</sup> However, Welfare Economics, albeit devised for nothing but minor operations, furnishes us with sharper tools for assessing the validity of public subsidy for art.

Prior to the advent of Welfare Economics, Otto von Bismarck's series of laws between 1884 and 1889, designed cynically to undercut the growing

socialist movement by guaranteeing national health insurance, a pension, a minimum wage, workplace regulation, vacation and unemployment insurance, together comprise the historical origin of the welfare state, although at the time it was given the name State Socialism despite Bismarck's preferred term "practical Christianity".<sup>6</sup> Since the "Nanny State" owes its existence to a militaristic chancellor of Prussia expressly engaged in a prolonged coercive and ideological campaign against socialism, the welfare state must be figured politically as a double-helix in which opposing political traditions are intertwined. Despite the clarity that can result from the comparative study of actually existing welfare states separated into distinct regimes (Esping-Andersen, for example, detects three: the corporatist, the social democratic and the liberal),<sup>7</sup> the welfare state is more accurately designated as *radically politically indeterminate* insofar as corporatist principles serve social democratic aims and liberal techniques pass themselves off as socialist measures.

Engels described the Bismarckian welfare state as "a kind of spurious Socialism" because State Socialism is not Socialist if the state in question is an authoritarian bourgeois capitalist state.<sup>8</sup> Karl Liebknecht said although "real benefits are offered",

1. Arthur Cecil Pigou's 'Wealth and Welfare', published in 1912, established Welfare Economics within the discipline of economics.

2. Richard Musgrave's book, 'The Theory of Public Finance' published in New York in 1959 by McGraw-Hill marks the high water mark of Welfare Economics.

3. David Edgar, in an article in *The Guardian* newspaper, writes: "In the zero-sum economy of austerity Britain, the arts are increasingly required to couch their case in terms appropriate to those basic services – social care, education, policing – with which they're in competition for dwindling public funds". David Edgar. Why Should We Fund the Arts? *The Guardian*. 2012-01-05.

4. The most complete statement of this position appears in William Grampp. *Pricing the Priceless*. 1989., in which the author contends that there is no economic rationale for public arts subsidies in any form and calls for their full and total abolition.

5. The same argument appears in neoliberal economics and Marxist cultural analysis. Alan Peacock, the pioneering opponent of state subsidy for the arts in the UK, suspected that subsidy to the arts was nothing more than the provision

of public money for the benefit of "certain high income people who like drama". (Gordon Tullock. Introduction to Alan Peacock's "Welfare Economics and Public Subsidies to the Arts". 1994. p. 149). Francis Mulhern, one of the editors of *New Left Review*, argues that the "evolution of [minority culture's] means of support furnishes material evidence of its loss of independence, passing from private patronage through state subsidy to commercial sponsorship". It is not clear, however, that art produced under conditions of private patronage is more independent than art produced from state subsidy or even commercial sponsorship. Mulhern leaves aside the issue of the sales of art through the art market and what mainstream economists call 'self-subsidy' (including artists taking on second jobs to fund their practice). Mulhern, Francis. Towards 2000, or the news from you-know-where. 1984. p. 10).

6. See Bismarck's "Speech Before the Reichstag: On the Law for Workers' Compensation" as published in Jan Golstein and John W Boyer (eds.). *University of Chicago Readings in Western Civilization. Vol. 8. Nineteenth Century Europe: Liberalism and Its Critics*. 1988. pp. 419-425

7. Gøsta Esping-Andersen. *The Three Worlds of Welfare Capitalism*. 1990

the “underlying motive” of “Prince Bismarck’s state socialism [was] to force the workers under the double yoke of economic and political servitude”.<sup>9</sup> Note that the political tensions here are not to be understood as a politics of appearance versus a politics of actuality, but of a troubled unity of two opposing political tendencies. This is a *troubled* unity because it exists precisely insofar as one political tendency dominates over the other. Indeed, we might say that, although the welfare state is founded on a kind of political “transvesticism” (in which tyrants dress themselves up as democrats and consult with utopian socialists so that the workers movement appears to succeed through gifts from the ruling class), the preservation of capitalism and the continued hegemony of the bourgeois state remain constant.

When art is blessed with public funding it is simultaneously cursed by the state’s imperium. Art, we will see, enjoys a new attachment to the public *via* state subsidy but it also suffers from its reinforced attachment to the exercise of structural domination. Although government subsidies are the means by which the state captures art in bureaucratic procedures and governmental priorities, it is also the culmination of art’s entry into the public sphere and the basis of art’s decommodification. Art’s

encounter with the welfare state, therefore, is neither completely benign nor utterly toxic but a fractured compound of instrumentalisation, compromise, privilege, incorporation, standardisation, gentrification, centralisation, co-optation, academicisation, recuperation, disciplining, protectionism, legitimisation, patronage, encouragement, democratisation, safeguarding, nationalisation, demarketisation, popularisation, universalisation, accountability and preservation.

Art was not among the protections stipulated in the inaugural settlement of the Prussian welfare state. This development required not only that the Bismarckean prototype of the welfare state be exported and spread across Europe but, more importantly, that in doing so it be transposed conceptually. Art was not bolted on to the early form of the welfare state as it drifted across Europe, adopted first in Denmark between 1891 and 1907, then in Sweden between 1891 and 1913 and eventually in Britain between 1908 and 1911. A number of artists received support in the 1930s, as part of the “New Deal”,<sup>10</sup> which introduced to American capitalism safeguards and welfare policies that had existed in Europe for some time. After WWII, however, Britain was the leader in developments of the welfare

8. Fredrick Engels. Anti-Duhring. In *Marx and Engels Collected Works*. Vol. 25., London: Lawrence and Wishart. 1987. p. 265

9. Karl Liebknecht quoted in Henry Tudor. *Marxism and Social Democracy: The Revisionist Debate 1896–1898*. 1988. p. 42

10. Artists were supported under the Works Progress Administration (WPA) which focused on relieving unemployment rather than supporting the arts directly. Artists were employed to make “Social Realist” murals and in other forms of creative labour (for instance, Willem de Kooning was hired to design window displays for a chain of New York shoe stores). Although the WPA also funded the production of paintings and amassed an enormous collection of them, it is evident in the way that these paintings were subsequently disposed of (sold by weight) that it did so as an indirect way of employing artists rather than developing a new form of state patronage for art.

state and it was at this historical conjuncture that art was integrated into an enlarged scheme of public subsidy. The post-war expansion of social security in Great Britain was rooted in the state's swelled powers during the war and the government's ambitious plans for reconstruction, leading to the 1942 publication of *The Beveridge Report*.<sup>11</sup> Alongside recommendations for dealing with poverty which Beveridge called "Want", the report called for the integration of social security within a comprehensive universal minimum state provision to combat idleness (that is to say, unemployment), disease, ignorance and squalor. Building on Beveridge's achievements, "Keynes devised forms of intervention that led to his being portrayed as the father of the welfare state".<sup>12</sup> Keynes was not only instrumental in extending and redirecting the welfare state in general, he was the leading figure in the establishment of a new system for the public subsidy of art.

Hubert Llewellyn Smith was the first to develop the case for a new relationship between art and the state in 1924 with his book *The Economic Laws of Art Production*, which argued that value in art eludes economics. In the first book length study of the economics of art, Llewellyn Smith proposed that the fate of art cannot be left to market mechanisms, which fall significantly short of the higher principles underlying artistic practice. Llewellyn Smith opposes exchange-value with "art-value" and does so by substituting the doctrine of consumer sovereignty with the sovereignty of the art expert. Although the

specific values that he assigns to art belong to an epoch of high cultural complacency, his contribution to thinking about art beyond the market is important insofar as it anticipated many of the themes that eventually took shape in the post-war establishment of state subsidy for the arts in Europe.

John Maynard Keynes became the first Chairman of the Arts Council in 1946, two years ahead of the founding of the National Health Service. Keynes did not primarily set out to secure funding for art but to establish an institutional framework for art subsidy that formally belonged neither to the state nor to the market. Funds for subsidy would be provided by the state, but in principle, the state would have no direct involvement in decisions about how the funds were to be disbursed. It would not be going too far, therefore, to say that there was no such thing as the *public* funding of the arts before Keynes, since he initiated a mode of subsidy that was neither state patronage nor private patronage, nor, it must be said, did it correspond to a market allocation of funds.

Although the state has always been a central agent within the funding of art, public subsidy is modern. Patronage, whether secured from the state, the church or private patrons may have been occasionally *in the name of the public*, but public subsidy strictly speaking is first achieved by protecting the choice over what to subsidise from the source of the funding. However, Keynes' new form of patronage is best understood as an amalgamation of the most

11. Sir William Beveridge. *Social Insurance and Allied Services (the Beveridge Report)*. 1942.

12. W.J. Backhouse and W.G. Bateman. *Capitalist Revolutionary: John Maynard Keynes*. 2011. p.131

conducive elements of all previous modes of artistic production. The Arts Council carried within it the most emancipatory institutions of art from the renaissance to the eighteenth century.

By convening panels of experts from the field to make judgements about funding, the Arts Council partly revived the guild system of the arts in which “the guilds were their own organisations in which they held office”.<sup>13</sup> Unlike the guilds, which regulated the activities of painters and sculptors as ordinary artisans, the Arts Council stressed the individual talent of the artist, derived from the Renaissance concept of genius that had generated more artist-centred forms of patronage. This type of patronage lasted until the seventeenth century when a new practice developed in which “painters did not always work directly to commission”<sup>14</sup> but kept a number of unfinished works in their studios, which they would show to visiting clients and complete on agreement of a fee. The Arts Council worked in a similar way, funding art production on the evidence of plans, proposals and incomplete works. The role of the patron was developed further in this direction in the eighteenth century. No longer the commissioner of bespoke works, the patron of the eighteenth century maintained artists primarily by purchasing works, ushering in a new period in which patrons were outshone by dealers, collectors and eventually corporate sponsors. The Arts Council does not initially purchase works but it is conceived as an instrument for the preservation and expansion

of a market in artworks.

But Keynes’ model for state subsidy of art is not built solely on economic precedents. It is also an economic structure that has non-economic goals. It is also shaped by the eighteenth century idea of the public. Habermas argues that a new sector of communications – news and mail – emerged at the end of the 1700s and established a new, broad literate public that regarded itself as *the* public.<sup>15</sup> For the first time, in the eighteenth century the public could be converted into a revenue source, occasionally, when artists exhibited their works independently and charged an entry fee. William Hogarth was prominent among another kind of artist who issued prints of their paintings to sell to art’s new public directly. At the same time, art criticism was developed<sup>16</sup> to knit together the experts, connoisseurs, artists, the public, society and “lay critic”. Art’s bourgeois public gives shape to the mission of Keynes’ Arts Council.

At the close of the eighteenth century, the art museum was invented as a public institution.<sup>17</sup> The most spectacular gesture of art’s new public was the invention of a national institution that literally transposed art from the sphere of aristocratic patronage to the bourgeois public sphere (and public ownership), the national, public museum of art. This occurred first in 1793, when the French revolutionary government nationalized the King’s art collection and declared the Louvre a public institution. “As a public space, the museum also made manifest the public it claimed to serve: it could produce it as a visible

13. Meyer Schapiro. *On the Relation of Patron and Artist: Comments on a Proposed Model for the Scientist*. 1964. p. 366

14. Francis Haskell. *Patrons and Painters: A Study in the Relations Between Italian Art and Society in the Age of Baroque*. 1963. p. 15

15. See Jurgen Habermas. *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society*. 1989.

16. Terry Eagleton accurately states that “the modern concept of literary criticism is closely tied to the rise of the liberal, bourgeois public sphere in the early eighteenth century” (Terry Eagleton. *The Function of Criticism*. 1984. p. 10). It must be pointed out, however, that the origin of literary criticism, in discussions within and around new publications such as *The Spectator*, was simultaneously the origin of art criticism in the modern sense.

17. At the end of the 18th century the French Revolution established the first national, free, public museum of art, the Louvre, in which an unprecedented kind of institutional framework relocated art within social relations. See Andrew McLellan. *Inventing the Louvre: Art, Politics, and the Origins of the Modern Museum in Eighteenth Century Paris*. 1994.

entity” Carol Duncan explained.<sup>18</sup> The Arts Council is not only a public institution in itself, it is also an organisation that inserts the public – both the art public (experts) and the general public (tax payers and voters) – at the heart of a new system of art funding.

While the advance of the art market liberated artists from aristocratic patronage in the eighteenth century, some level of artistic independence had already been installed by the non-market institution of the Academy, tied to the aristocracy and the monarchy rather than the church. The Salon, however, connected the art community to the general public in the form of great annual exhibitions selected by experts formed into a jury. The Arts Council’s panels of experts had their roots here. But Keynes’ vision of public patronage was equally based on discursive constructions of art and the artist such as the Romantic genius, another innovation of the late eighteenth century and early nineteenth century, which demanded that the independence of the artist be the centrepiece of a new conception of art.

The Arts Council model for public subsidy draws on the Humanist<sup>19</sup> tradition of patronage, the Guild system, the Academy, the Salon and Romantic ideology, but also the art market was a prerequisite for its apparent opposite: the public funding of art. The idea that artists produce works independently of patrons, working in a speculative and innovative way that risks finding no purchasers at any price due to its unfamiliar or shocking form (a modernist combination of Romantic ideology and the art market),

is the condition of art that the Arts Council was inaugurated to attenuate and sustain. The priorities of fifteenth century patronage, in which the interests of the church and the patron outweigh the interests of the artist, are inverted by public funding properly administered. Also, the tensions at the heart of the Salon in the eighteenth century, in which the values of art’s public are not identical with those of art’s clientele, were meant to be resolved in favour of art’s own values by the use panels of experts who are meant to judge works on their merit in the public funding of art.

Keynes said “if with state aid the material frame can be constructed, the public and the artists will do the rest between them”.<sup>20</sup> The Arts Council aimed to “provide facilities, infrastructure, and funding to fledgling and established groups”.<sup>21</sup> Keynes hoped, among other things, to support new artists before their works [were] accepted by the market.<sup>22</sup> By injecting public funds into the construction of theatres, galleries and concert halls, Keynes believed that the state could encourage the arts, artists and the public for art. The purpose of the Arts Council of Great Britain, he said in a BBC broadcast,

*is to create an environment to breed a spirit, to cultivate an opinion, to offer a stimulus to such purpose that the artist and the public can each sustain and live on the other in that union which has occasionally existed in the past at the great ages of a communal civilized life.*<sup>23</sup>

18. Carol Duncan. *Civilizing Rituals: Inside the Public Art Museums*. 1995. p. 24

19. The Humanist tradition of art patronage was formed during the Renaissance and afforded more freedom for the artists and put more emphasis on skill than the quality of materials used, a practice connected to the Humanist campaign to include painting and sculpture within the liberal arts rather than the mechanical arts.

20. John Maynard Keynes. *The Collected Writings of John Maynard Keynes*. 1982. p 361

21. Anna Upchurch. John Maynard Keynes, The Bloomsbury Group and the Origins of the Arts Council Movement. 2004. p. 215

22. *Ibid.*, p. 212

The Arts Council was, in principle, an adventure in state intervention in the economy of art that combined innovative economic arrangements with a commitment to the liberty of the artist and the quality of art within a context of the bourgeois public sphere. In practice, however, it was immediately constrained by its own *social* formation. Senior members of the Arts Council staff were *appointed*, which led to the organization being run primarily by the British upper class. Raymond Williams, appointed as an expert rather than a grandee, was a member of the Council between 1977 and 1979, and remained both supportive and critical. He provides a vivid image of the contradiction between the social purpose of the new welfare state and the social constitution of its management:

*The extension of the social services, including education, is an undoubted gain ... which must not be underestimated by those who have simply inherited it. But it remains true ... that in their actual operation they remain limited by assumptions and regulations belonging not to the new society but the old'.<sup>24</sup>*

Instead of the original conception of the organisation being a launching pad for increasingly radical conceptions, the Arts Council lost faith in its original vision and withdrew from the commitments that set it apart from the officialdom of the art academy and the instrumentalisation of the

patronage of art by state and church. The Arts Council started out in a compromise with the establishment and proceeded to become successively more established and more bureaucratic, with an ever increasing focus on institutions rather than artists, and directed more and more by governmental priorities.

The advent of the Welfare State spurred on developments in Welfare Economics. At the end of the 1950s, Richard Musgrave augmented economics with the theory of a good that is publicly funded because it has merit. Merit goods are cousins of public goods. Clean air is an example of a public good, since everybody benefits equally from its provision. The consumption of clean air is, in the technical terminology of mainstream economics, non-excludable and non-rival. Exclusion in economics refers to private property and scarcity: if others cannot be excluded from consuming a product that they have not paid for, then there is no incentive to purchase it. "Non-rivalry means that the enjoyment of a good by one person does not reduce what is there for others to enjoy".<sup>25</sup> Air, water and sunlight are non-excludable and non-rival, which is why classical economists said they could not fetch any sort of price.

Musgrave's examples of public goods are flood-control, sanitary campaign, judiciary, and the armed forces. Since the market cannot ensure that those who pay for flood-control are protected while those who refuse to pay or can't pay will not be protected,

23. Keynes quoted in Roy Harrod. *The Life of John Maynard Keynes*. 1972. p. 619

24. Raymond Williams. *The Long Revolution*. 1965. pp. 329-30

25. Ruth Towse. *A Textbook of Cultural Economics*. 2010. p. 28

then public goods, according to Musgrave, “cannot be satisfied through the mechanism of the market”.<sup>26</sup>

Since the same amount will be consumed by all, individuals know that they cannot be excluded from the resulting benefits. This being the case, they are not forced to reveal their preferences through bidding in the market. The “exclusion principle”, which is essential to exchange, cannot be applied; and the market mechanism does not work.<sup>27</sup>

Musgrave’s concept of merit goods is not limited to the technical features of public goods. It includes education, which is not a public good since it is both excludable and rivalrous<sup>28</sup>. However, if there is sufficient public commitment to the idea that education ought to be available for all children regardless of ability to pay and regardless of what pupils or their parents demand, then, Musgrave argues, there is an argument for providing such goods publicly. When goods are supplied publicly on this basis, the state provides merit goods.

Merit goods, which are publicly funded to ensure universal, equal and free consumption, contravene consumer sovereignty. It is a condition of merit goods that consumer sovereignty has no part to play in their allocation not only because the decision to produce them for universal consumption is taken by political leaders but because the principle of merit cancels out the principle of consumer choice. Another (non-economic) form of sovereignty takes precedence.<sup>29</sup> “Since the market mechanism fails to reveal consumer preferences in social wants, it may

be asked what mechanism there is”.<sup>30</sup> The answer is the mechanism of democratic collective decision-making, or, as Musgrave’s limited political conception has it, voting. Even if democratic and political techniques can be conceived that outstrip the vote in terms of participation and accountability, voting certainly reveals preferences that markets cannot.

Galbraith was the first major American economist to engage with the economics of art: initially in a lecture series at Harvard in 1963, then in the last of his BBC Reith lectures in 1966.<sup>31</sup> Like Musgrave before him, Galbraith paid close attention to the limits of economics and the limits of the market mechanism, in particular focusing on tensions between economic and non-economic priorities and values. He identifies three forms of conflict between industrial capitalism, on the one hand, and art the aesthetic life on the other. “The remedy, in each case”, Galbraith said,

is to subordinate economic to aesthetic goals — to sacrifice efficiency, including the efficiency of organization, to beauty. Nor must there be any apologetic nonsense about beauty paying in the long run. It need not pay.<sup>32</sup>

In the same year as Galbraith’s Reith lectures, William Baumol, an American economist who taught both economics and sculpture at Princeton, collaborated with William Bowen on a pioneering economic study, “Performing Arts: The Economic Dilemma”, which both provided encouragement to the campaign for public subsidy in the US, and

26. Richard Musgrave. *The Theory of Public Finance*. 1959. p. 9

27. Richard Musgrave. *A Multiple Theory of Budget Determination*. 1957.

28. Private education is not available to non-fee payers and, if there are limited places, then one fee-payer excludes a rival potential fee-payer.

29. This is why Musgrave warned, very early on, that “the satisfaction of collective wants should be limited because of the compulsion involved”, see Musgrave. 1941. p. 320

30. Richard Musgrave. *The Theory of Public Finance*. New York: McGraw-Hill. 1959. p. 10

31. This argument contained in the BBC Reith Lectures was expanded in his book of the following year. Galbraith, J.K. *The New Industrial State*. 2007. [1967]

32. J. K. Galbraith, Lecture 6: The Cultural Impact. Reith Lectures. Transmitted 1966-12-08.

transformed the relationship between art and the discipline of economics.<sup>33</sup>

Baumol and Bowen studied the costs of labour in the performing arts. The high prices of tickets for the performing arts, they argued, is due to the fact that the labour required to produce them cannot be automated or made more efficient. Whereas in industry the division of labour can multiply output per worker and machinery can reduce the number of workers required to produce a given quantity of goods, the performing arts, according to Baumol and Bowen, always require the same number of musicians to play a Beethoven string quartet today as were needed in the 19th century. In general, they conclude, unlike other sectors of the economy, the productivity of the performing arts has not increased for centuries. Since the productivity of labour within the performing arts “cannot hope to match the remarkable record of productivity growth achieved by the economy as a whole”,<sup>34</sup> the costs of labour in the performing arts rises relative to the cost of more productive labour elsewhere. The effect of the static productivity of labour in the performing arts, which is the cause of the high prices of the performing arts, was named the “cost disease”. There is a “productivity lag” between industry and the arts. To fill the gap, they argued, “increased support from other sources will have to be found if the performing arts are to continue their present role in the cultural life”.<sup>35</sup>

Baumol has developed the theory of the cost

disease over the last several decades, both extending the case for the cost disease to include health care, education and other labour intensive services and, simultaneously withdrawing his emphasis on the performing arts. Although the theoretical principles of the cost disease have remained the same, other than adding the supplementary argument that the cost disease is its own cure<sup>36</sup> and therefore “yes, we can afford it”,<sup>37</sup> there has been no deepening of the case for the cost disease of the performing arts and no extension of this argument into the production of the visual arts. In his latest book on the cost disease, published in 2012, Baumol illustrates the productivity lag by contrasting the cheapness of manufacturing watches with the high costs of repairing old watches, which requires the time of a skilled technician. There is a productivity lag because the “maintenance and repair of products inherently resist automation”.<sup>38</sup>

As average costs drop through automation, the costs of those activities that cannot be automated rise year on year in relation to the average. Baumol explains this disparity in terms that imply a link to art and the arts more generally.

The items in the rising-cost group generally have a handicraft element – that is, a human element not readily replaceable by machines – in their production process, which makes it difficult to reduce their labor content.<sup>39</sup>

Baumol does not develop the handicraft element of the cost disease into an economics of

33. William J. Baumol and William G. Bowen. *Performing Arts: the Economic Dilemma*. New York: Twentieth Century. 1966.

34. *Ibid.*, p. 165

35. *Ibid.*, p. 502

36. William Baumol recalls that he received a handwritten note from the British economist Joan Robinson commenting on Baumol’s theory of the “cost disease”. Since the relative rise in costs of the production of goods and services that require intensive labour (nursing, education and so on) are produced by the very

forces that reduce costs in the economy as a whole (division of labour, deskilling, mechanization and automation), “society can afford them”. William Baumol. *The Cost Disease*. 2012. p. xviii

37. *Ibid.*, pp. 43–68

38. *Ibid.*, p. 37

39. *Ibid.*, p. 19

artistic labour but he extends it to include research and scholarship. Research suffers from the cost disease insofar as there seems to be little reason to believe that we have become more proficient at this handicraft activity than Newton, Leibnitz, and Huygens”.<sup>40</sup> While the same could be said, presumably, for painters, sculptors and other artists who produce artworks in ways that cannot be automated<sup>41</sup> and so is comparable with the labour of researchers and scholars, art is also a field in which research is practised extensively. Long periods of time for preparation, research and production are needed not only for certain kinds of art as well as the social production of artists but for curating, art history, art criticism, art education. As such, it is not merely the artist working in the studio that cannot be made subject to capitalist processes of productivity, efficiency and the technical division of labour.

“If we speed up the work of surgeons, teachers, or musicians, we are likely to get shoddy heart surgery, poorly trained students, or a very strange musical performance”.<sup>42</sup> This is true also for police officers, librarians, hairdressers, artists, art historians and curators. However, while there is growing popular concern about increasing the workloads of surgeons, teachers and the police, this is not the case for artists, who unlike dancers, actors and musicians, not to mention the “key workers” of the welfare state, tend not to be wage-labourers, which means that the costs of the cost disease on visual art will be more hidden.

The debate on art’s relationship to the market

and the state is not exhausted by the theory of the “cost disease”. Art’s economic exceptionalism<sup>43</sup> has been noted, albeit only in fragments, since the seventeenth century. One of the modern pioneers of thinking about art’s dual location within the economic and non-economic spheres is Tibor Scitovsky. In the 1970s Scitovsky argued that we “need to reclassify satisfactions according to some principle which will separate the economic from non-economic”.<sup>44</sup> The consumption of goods and services provided by others, he says, “may or may not be economic satisfactions, depending on whether or not they go through the market and acquire a market value in the process”. Scitovsky adds that labour itself “which produces market goods may be an economic activity, but the satisfaction the worker gets out of his work is not an economic good”.<sup>45</sup> While theories of art’s commodification and the “real subsumption” of artistic labour as immaterial labour might suggest that art is therefore completely bound up within the economic sphere, Scitovsky suggests an alternative analysis.

Artists, he says, are typically cut off from demand, “often not producing what the consumer wants”.<sup>46</sup> This means that the market, driven as it is by “consumer sovereignty”, cannot operate adequately in art. Despite his romanticization of the heroic artist, he understands the economic consequences of a mode of production organised around independent owner-producers: “one of the producers to whom consumers relinquish initiative

40. *Ibid.*, p. 114

41. By 1925 Ford’s automated production could produce each day the equivalent quantity as the yearly output that his craftsmen produced in 1908 and at prices that consistently dropped. Picasso, working in the same period, worked no faster and his paintings became more expensive.

42. *Ibid.*, p. 23

43. For a comprehensive theory of art’s economic exceptionalism see Dave Beech. *Art and Value: Art’s Economic Exceptionalism in Classical, Neoclassical and Marxist Economics*. 2015.

44. Tibor Scitovsky. *The Joyless Economy: The Psychology of Human Satisfaction*. 1992. [1976]. p. 80

45. *Ibid.*, p. 90

is the artist”.<sup>47</sup> Scitovsky, who countered “consumer sovereignty” with “political sovereignty” adds, here, the possibility of conceiving of something akin to “aesthetic sovereignty”, which is to say, that it is necessary to value art, and therefore to organise it economically, in a way that is independent of the forces of supply and demand. Without indicating anything about the kinds of infrastructure needed to accomplish it, Scitovsky here calls for art’s “decommodification”.

State subsidy has come to be identified with processes of decommodification but we need to think broader than this, not only to extend the range of techniques of decommodification but also to develop a more critical theory of the state. Socialism, for Marx, is the result of a revolutionary process in which the state is converted “from an organ superimposed upon society into one completely subordinate to it”.<sup>48</sup> Raymond Williams endorsed this view in the final chapter of *The Long Revolution* when, in speaking of the prospect of publicly-owned theatres, publishing and broadcasting companies, he said, “when the producers cannot themselves own the means of their work, these must be owned by the community in trust for the producers, and an administration set up which is capable of maintaining this trust”.<sup>49</sup>

Arguments about the public funding for the arts have always suffered from aggressive comparisons with starving children, cancerous bodies and workless families. Neoliberal economics has eroded the

principles underpinning state subsidy of art, resulting in historically unprecedented cuts to the arts across Europe, precisely by smudging the differences between a variety of rationales for public provision in favour of a single technical rule, namely “market failure”.<sup>50</sup> Mainstream cultural economists such as Alan Peacock and Ruth Towse rearticulate the problem of the public funding of the arts into a set of technical questions about market failure, which is understood as the consequence of one or more of three economic anomalies, namely, monopoly markets, public good, and externalities (all of which, at one time or another, have been ascribed to art). Neoliberals and heterodox economists disagree on the extent of market failure, the former regarding it as rare, while the latter regard it as common. The opponents of subsidy subscribe to the most narrow and restrictive definition of market failure,<sup>51</sup> while the proponents of subsidy subscribe to the widest and least restrictive definition.<sup>52</sup> The tightest definition of market failure requires the loosest definition of market success, and *vice versa*.

Tyler Cowen’s “In Praise of Commercial Culture” is a manifesto for the complete eradication of public subsidy and the universal application of market forces to culture.<sup>53</sup> Joseph Stiglitz, the leading heterodox economist, says, “[a]mong the “commodities” for which markets are most imperfect are those associated with knowledge and information’ Since knowledge in many ways “is like a public good” – namely, is non-excludable and non-rival – then,

46. *Ibid.*, p. 275

47. *Ibid.*

48. Karl Marx. Critique of the Gotha Programme. *The First International and After: Political Writings Volume 3*. p. 354

49. Raymond Williams. *The Long Revolution*. 1965. p. 368

50. Richard Titmuss distinguishes two types of welfare state, one that is restricted (to correcting market failure and assisting deserving groups) and a second that is universalistic and comprehensive. Titmuss in C Pierson and F Castles. *The Welfare State Reader*. 2006. pp. 40–48

51. Ruth Towse, for instance, argues that every effect of market operations must be excluded from being categorised as an example of market failure. Ruth Towse. *A Textbook of Cultural Economics*. 2010. p. 221

52. Joseph Stiglitz says, “whenever markets are incomplete and information is imperfect – that is, essentially, always – . . . there are, in principle, government interventions . . . which can make some individuals better off without making anyone else worse off”. Joseph Stiglitz. *Another Century of Economic Science*. 1991. p. 138

53. Tyler Cowen. *In Praise of Commercial Culture*. 1998.

Stiglitz argues, “firms may have a difficult time appropriating their returns to knowledge”.<sup>54</sup>

In Esping-Andersen’s concept of “de-commodification”, the Welfare State identifies certain key goods that are not to be allocated according to supply and demand but universally and for free as social rights. “The outstanding criterion for social rights must be the degree to which they permit people to make their living standards independent of pure market forces”.<sup>55</sup> According to Esping-Andersen, de-commodification is not “all or nothing”: the “degree of market immunity” is directly proportional to “the strength, scope, and quality of social rights”.<sup>56</sup> While the “social right” to art never had the urgency, popular appeal or political implications of the universal public provision of “the core areas of human need”,<sup>57</sup> the principal of engineering a degree of market immunity for something prized over and above its economic value is the same. However, it might be necessary to supplement the theory of

art’s public subsidy not only with the progressive processes of de-commodification but also the conservative defence of “pre-commodification”.<sup>58</sup> If the production of art had never been fully commodified in the first place,<sup>59</sup> and if art remained economically exceptional even while it functioned anomalously within capitalism,<sup>60</sup> then strictly speaking it would be impossible for art to be de-commodified. Public subsidy for the arts could, at best, be described as art’s de-commodification without art’s de-commodification. The public subsidy of the arts after the Second World War, therefore, may be more accurately understood as an example of the preservation, conservation and expansion of a pre-commodified sphere of culture. It is no less promising for that.

54. Joseph Stiglitz. *Markets, Market Failures, and Development*. 1989. p. 198

55. Gøsta Esping-Andersen. *The Three Worlds of Welfare Capitalism*. 1990. p. 3

56. *Ibid.*, p. 37

57. *Ibid.*, p. 46

58. *Ibid.*, p. 38-41

59. In assessing whether and to what extent art has been commodified we need to consider two distinctions. First, there is the difference between the commodification of products (ie putting them for sale on the market) and the commodification of labour (ie the selling of labour-power as wage-labour). The latter, which is the basis of the capitalist mode of production has never occurred in art. The second of the two distinctions is that between “simple commodity pro-

duction” and “capitalist commodity production”, only the former corresponding to art’s mode of production. The general concept of commodification, including its application to art, fails to make this distinction. Ironically, the concept of commodification was coined by Western Marxists specifically to account for the fate of art within capitalism.

60. Meyer Schapiro says the artist “is an exception in modern society” insofar as “the artist is a producer who possesses his own tools of work and is personally responsible for his entire product, without any division of labour”. As a result, the painter “is not the dealer’s employee, nor is he a professional who renders the dealer a service: the relation is that of two entrepreneurs, one a merchant, the other a producer”. (Schapiro, Meyer. *On the Relation of Patron and Artist: Comments on a Proposed Model for the Scientist*. 1964.) Schapiro is correct here except for his categorisation of the artist producer as an “entrepreneur” given that the entrepreneur begins with capital or someone else’s capital rather than with their own labour.

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