

The Role of Economics in Arts.

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Abstract: *The inter-relations between arts and economics have become evident over the years. The creative arts and crafts industry has evolved to a full scale economic industry. Art collectors, curators, galleries, design and packaging firms, among others, have set high values on these works and designs, attracting economists to this new line of demand and supply and its dynamisms.*

"Art has the power to generate sensuous experiences, provoke and inspire through artistic means," according to Stockholm's School of Economics. This demonstrates that, given the industry's importance and growth, both socially and economically, there is a need to better understand it so that it can be controlled and expanded to realize its full potential.

Secondary research data analyses will be done on the topic in order to have diverse opinions from scholars. After, data sampled through surveys will be analyzed to establish findings. The significance of this research is to examine the role of economics in the arts. The data supports the idea that applying economic theories and principles to the study of art aids in better understanding, managing, and developing the creation, distribution, and consumption behaviors, concepts, and principles of creative art goods.

Key Words: *Economics, Art, Prices, Cultural Products, Consumer Behavior, Demand, Supply.*

1. INTRODUCTION:

In recent times, economics has shown to play a major role in arts management and development. Economics in Arts is based on a clear behavioral model, which helps to capture the demand and supply of art. Most of the predictions conform to "common sense", but others are unexpected and surprising. An example is **Baumol and Bowen's (1966)** analysis of the performing arts: the richer societies become, the more difficult it is for them to maintain live performing arts.

While the basic economic laws of supply and demand still apply to the art market, the elements that influence an artist's "supply," or the availability of their work for sale, and an artist's "demand," or the number of collectors ready to buy their work and at what rates, are highly complex. There is a lot of market dynamics, consumer behavioral changes, societal changes among others that affect demand and supply. With this economics of arts comes into play to help understand these factors using economic concepts and principles.

The economics of the arts broadens the financial horizons. It considers not just financial principles and concepts, but also other fields of study such as psychology, history, and social studies, among others, to better understand human behavior and how it influences financial concepts such as demand and supply. Human motivation is another key contribution of psychology to art economics. There is no doubt that some artists respond systematically to monetary (i.e. extrinsic) incentives. "All that interests me is money," stated Salvador Dali, a well-known artist; similar sentiments have been made by a number of other artists.

Nonetheless, there is substantial evidence that (successful) artists have a well-developed intrinsic desire that is, they pursue art for the sake of art. This is especially true in the early years of an artist's career. This is usually the most creative and productive time of an artist's life. Artists are evaluated on their innovation and creativity. It is creativity that brings that distinctiveness and originality.

The majority of cultural economists believed that focusing on extrinsic incentives (reward-driven behavior) was sufficient. People in the arts are assumed to optimize their income and wealth in this way. Art historians, on the other hand, feel that artists are organically motivated. That is, individuals engage in the arts because they enjoy it and not because of the benefits and pleasures they may receive from doing so. This has an impact on the demand and supply economic principle, which influences pricing. These viewpoints aid in comprehending consumer behavior as it relates to financial issues.

An article according to **Art space Editors 2017**, on the topic **Beyond Supply and Demand: How Artworks are Priced** states that, It should go without saying that the more people that want an artwork, the more the dealer can sell it for. This shows how the principle of demand and supply influences pricing. "If there are two people that want the same object, then each person increases the threshold," collector and dealer Stefan Simchowicz tells Art space.

This is really basic economics, therefore the more interesting question is: What makes some artworks highly sought after while others aren't? We posed this subject to Jonas Lund, a well-known artist who creates work on the art industry. "The more people who want it, the more people believe it's a smart investment, the more people believe the artist will become huge, the more rivalry there is, and the higher the price," Lund adds. Several elements influence whether or not an artist will "become huge" in this game of guesswork, the most crucial of which is the artist's exhibiting history. This demonstrates how the economic theory of supply and demand has an impact.

2. OBJECTIVES:

The goal of this research is to

- Establish if there is a role of economics in arts.
- Its relevance in the development of the arts industry.
- Socio-economic impact on individuals, society and nation.

3. LITERATURE REVIEW:

The component of the study in which literary research is done on the topic and related issues are known as a literature review. It's a type of secondary research study that involves summarizing, collating, and/or synthesizing previous findings. Researchers frequently conduct secondary research before conducting primary research to determine what information is not already available.

Professor Dr. Bruno S. Frey's book Arts & Economics (2003) 2nd ed. addressed how the two disciplines are intertwined and how they work and impact one another in many ways. He talked about how Arts and Economics are inter-disciplinary. He provided an overview of The Economic Approach to Art. The rational choice approach to financial analysis has evolved into a general social science paradigm that encompasses all aspects of human behavior. In terms of human behavior, the economic approach is defined by four characteristics: 1. People are the acting units (methodological individualism); but, this does not imply that individuals act in isolation; rather, they continually interact with one another; 2. Behavior is influenced by an individual's preferences as well as the limits imposed by resources (money), time, or social standards; 3. Individuals, on average, are primarily concerned with their own interests; their actions are influenced by incentives. 4. Changes in behavior are attributed to changes in constraints rather than changes in preferences, because the latter is more easily observed. We can derive experimentally tested assertions using this technique. Another tenet of the economic approach is the value placed on institutions, which determine the environment in which humans operate.

Moreover, he discussed how museums and the performing arts organizations function, as well as how economic concepts impact their operations and how they thrive. He recognizes the importance of private entities in the art industry. Private groups help artists by providing an external and international market for their work, resulting in a large demand for a limited supply, driving up prices. He also noted that public support and investment in art can be provided by both the government and individuals.

Two points of view are offered by psychologists who are regarded specialists in the field of creativity. "Intrinsic incentive is beneficial to the idea-generation stage of creativity, but extrinsic motivation is harmful," says the first (**Amabile 1988, p. 154**). This indicates that artists who are highly paid produce masterpieces, work harder, better, and always aim for the best quality, whereas artists who are underpaid work harder, better, and always aim for the best quality. The second claim is that systematic rewards are used to boost creative output. Unlike the economist's price effect, the reward induces a general propensity to improve performance even when the incentive is small.

Stockholm School of Economics 2018 published on an article, **There's a link between art and economics that often goes unnoticed...** talks about how art and economics are inter-related. "Art has the capacity to generate sensuous experiences, provoke and inspire through artistic tools," the institute explains. "In combination with the humanities it enhances our ability of critical thinking, and conveys a further understanding of ourselves and societal context," it adds. "The Art Initiative recognizes art as a valid source of knowledge in and of itself. We want to make SSE and society more knowledge demanding by actively integrating art and humanities in the economic context of SSE and in public discourse." Straight-A students are no longer the first in line for the best professions. Instead, today's businesses deliberately seek applicants who exhibit confidence and 'soft-skills,' which are attributes more often

associated with graduates of the arts and humanities, and which make for a potent combination when combined with business acumen. The best hope for regional, national, and even international success is a seamless integration of the arts with essential economic ideas.

Beyond Supply and Demand: How Artworks are Priced, an analytical research study item published in the **Art space online Journal in 2017** adds, "Before we go into how an artwork is priced, it's crucial to understand where it's sold." The primary and secondary marketplaces are where artworks are traded. Initial sales are referred to as the primary market. An artist will create a piece, consign it to a gallery, and the gallery will sell it to a collector, with the profit split between the gallery and the artist. The secondary market, on the other hand, deals with artwork that has previously sold on the primary market. If a collector wishes to sell a work in their collection, they will do so on the secondary market, which is normally done through auction houses like as Sotheby's, Christie's, or Phillips, or through the gallery where the work was originally purchased. In some circumstances, the artist is not compensated for his or her work.

The article discusses how the principles of demand and supply influence the prices of art pieces. "We posed this subject to Jonas Lund, a well-known artist. "The more people who want it, the more people believe it's a smart investment, the more people believe the artist will become huge, the more rivalry there is, and the higher the price," Lund adds. The factor of pricing is also influenced by supply. In the sense that works that are believed to be unique and offer something that no one else does or are extremely scarce cause supply to be limited, increasing demand and raising prices.

Why Art? Why Economics? is a study report written by **James Allen Smith**, senior advisor to the president of The J. Paul Getty Trust. This piece is excerpted and adapted from an address given to the Museum Trustees Association, October 12, 2002 in San Diego, California. His speech discusses how economics affects the creation and trade of arts and cultural products through gaining a better grasp of the human behaviors that influence both artists and customers. "We are adopting an economic metaphor when we approach arts and culture as a source of human, social, or creative capital, though not one with the limiting vocabulary of a market place transaction." This metaphor has the potential to help close the gap between economics and culture. It starts to see culture for what it is: a resource to tap into, an asset to protect, and a store of lasting worth and value. Others are increasingly making the case for the importance of creative capital. They say that in the post-industrial world, creativity has become an asset, a resource, much as coal, iron, and oil were in the industrial age. With creative capital in mind, we might argue that in the post-industrial period, nurturing creativity, as well as protecting and conserving creative assets, is a matter of fundamental public interest. This is a broader economic explanation as well as a possible solution.

Knowing and being able to explain and persuade in economists' utilitarian language is useful. We can provide some estimates of the cultural sector's contribution to GDP, international trade balance, and economic development in a city or region. We can also begin to argue that the arts contribute to human capital by improving educational performance and test scores, as well as enhancing workplace skills, creativity, and technological innovation (however obfuscated the underlying causal relationships), even if these things continue to focus on individual benefits. Some academics have begun to assert that the arts are a source of civic strength, cooperation, trust, participation, identity, and other communal values.

Professor Jen Snowball an economics professor at the Rhodes University wrote a research paper titled, **Why art and culture contribute more to an economy than growth and jobs**, 2016. She talked about how the arts and culture sectors contribute to the economics and social-culture factors as well. She stated that, "There is growing international interest in the potential of the cultural and creative industries to drive sustainable development and create inclusive job opportunities. An indication of this is a recent set of UNESCO guidelines on how to measure and compile statistics about the economic contribution of the cultural industries." The contribution of cultural and creative sectors on economic growth is evaluated by Cultural Times. It estimates that they generate US\$250 billion in revenue a year, creating 29.5 million jobs worldwide. The report contributes to the understanding of the importance of arts and culture. It presents a compelling case for government funding of the arts and culture, particularly in developing nations where the public purse is stretched thin.

Through the development of intercultural discussion, understanding, and collaboration, the industries have the potential to contribute significantly to social cohesion and nation-building. While acknowledging and supporting the critical role that the cultural and creative sectors play in the economy, I believe we should not overlook the distinct inherent qualities that they generate. This comprises national and individual identities, as well as their reflection and molding. This article shows the immense economic contribution that the arts and creative industry bring to economic

growth. But also appreciates its impact in social cohesion and creating a good publicity of cultural values and social standards.

The **Handbook of the Economics of Arts and Culture, V1** by **Victor A. Ginsburgh and David Throsby (2006)** has expositions on a variety of themes related to the multidisciplinary nature of economics and arts. These sub-topics were used in the study's main purpose, which was to provide an overview of art economics, art and culture in the history of economic thought, and economic analysis of art laws. The overview of the economics of arts is a branch of study that employs the principles and laws of economics to study and explain the creation, distribution and the consumption of works of arts, literature and similar creative and cultural products.

The fundamental economic law of demand and supply plays a vital role in the value and pricing system of art works. The economic analysis of art laws asserts how economic knowledge can help understand art laws. The value of an art work is much more dependent on potential buyers' and experts' perception of it. The first is the social perception valued by gallery owners or a museum director which is the social prestige the buyer will have in his social circles by buying the art. The second is the artistic value found in experts like art historians and art professors; this is the artistic techniques and principles used to express something. The third is the price history of the item, this is what the buyer considers if there will be a future price at which the art work can be sold again. This is valued by art investors who deal in arts. This influences price determination.

4. METHODOLOGY:

According to **Denscombe, 2003**, research methodology is the specific procedures or techniques used to identify select, process and analyze information about the study. This method seeks to show how data was collected and how analysis was made to support or contradict assumptions made.

a. Research Method.

The research method adopted to help collect and analyze data most suitable for this study was a qualitative research. This is because qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviors, and social contexts of particular populations.

b. Research Design.

An online survey is the research design used for data collection. A questionnaire was developed entailing questions covering the main question and objectives of the study. The survey includes multiple choice, degree rating and open-ended questions. This will give room for respondents to express their opinion.

c. Sources of Data

For the purpose of the study both primary and secondary sources of data will be used. Primary sources will be data collected from respondents through the survey and interactions. Secondary sources retrieved from existing literature such as books, journals, articles and newspapers among others.

d. Target population

The target respondents were professional and students in the economics and art industry. This included professors, art curators, students, artists, and art gallery owners, professional from the arts and crafts industry. The target respondents were accessed from Fine Arts College in universities through LinkedIn profiles, arts organizations, art workshops and seminars.

e. Sampling Technique and Size.

The sampling technique will be the non-probability sampling method with specific reference to the use of the convenience or accidental sampling technique. This technique will make use of people who are present and available as at the time the study will be conducted.

Sample size was about 55 respondents.

f. Data collection tool.

The questionnaire designed by the researcher was used to collect the data.

g. Method of Data Collection.

Online surveys were distributed on social media and educational platforms for respondents to complete after which the researcher can view responses.

h. Data Management and Analysis.

Data retrieved from online site was sorted out, edited and analyzed using simple arithmetic calculations which included averages and percentages for statistical analysis.

i. Ethical Considerations

The purpose of the study will be stated to the respondents in the surveys. Information gathered will be used for research purposes only. Finally, existing materials used in the research were referenced to avoid plagiarism.

5. DATA ANALYSIS:

5.a. Introduction.

This aspect of the study systematically applies statistical and logical techniques of reasoning to describe, illustrate and evaluate data obtained to make observations and establish patterns. The overall sample size was 50. All respondents completed the survey efficiently and analysis was done for satisfying the purpose of the study.

Demographics

i. Gender

Data collected recorded the total number of males being 29, that's 58% and that of females being 21, representing 42%. Gender distribution analysis shows a high ratio of men to women in this professional space. This can be dated back to the 17th and 18th century where major professional in the arts was mainly males in the aristocratic societies. It is in the recent 20th and 21st century that saw the establishment of the arts as a professional course of study and ensuring inclusivity and accessibility to everyone.

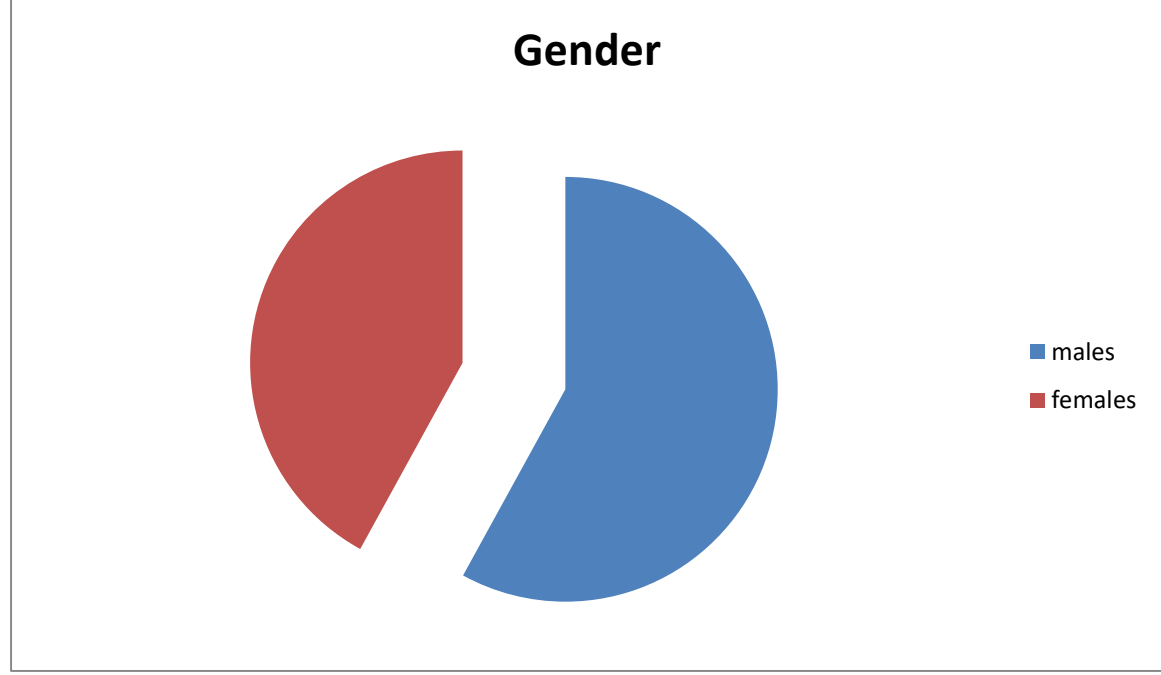


Fig. 1 Sex of Respondents.

ii. Age Distribution

Table 1; Age Range

Age Band	Number	%
17-25	19	38%
26-35	16	32%
36-45	10	20%
Above 46	5	10%

Mean Age of Respondents – 25 years

Employed- 35 (70%)

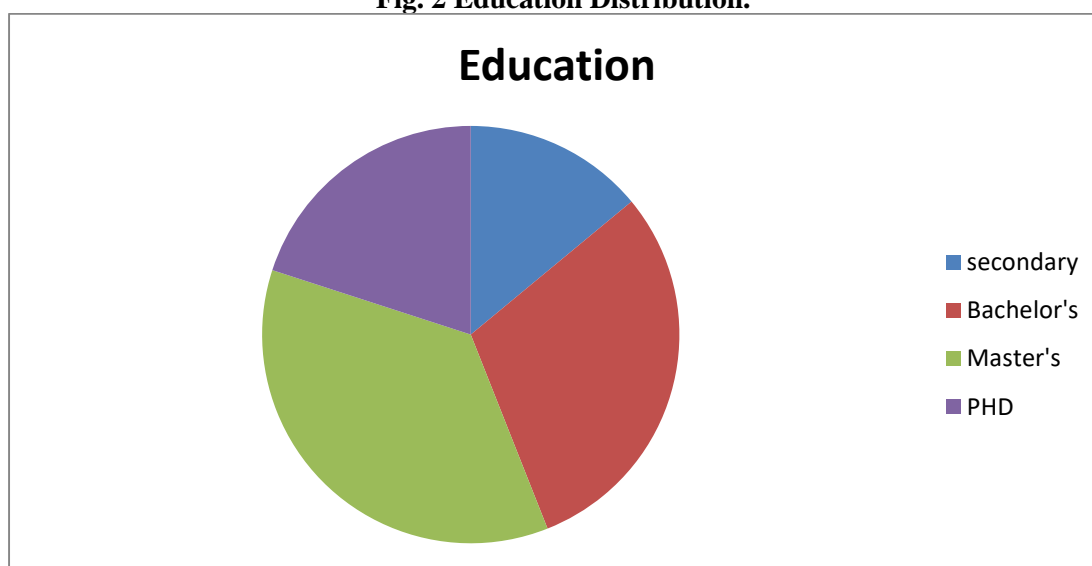
Dependent/ unemployed- 15 (30%)

Age distribution figures show youthful demographics within the active workforce age range.

iii. Highest Level of Education.

Almost all respondents have a tertiary or postgraduate level of education. The remaining are students pursuing. A total of 7 (14%) out of the total sample size had attained secondary education. Bachelor’s degree had figures of 15 (30%) respondents. Master’s degree had figures of 18 (36%) respondents. With P.H.D being 10(20%) out of 50 sample size. In recent time post graduate studies have become appealing to professionals to attain higher levels of mastery.

Fig. 2 Education Distribution.



iv. Profession

Data sampled and target population focused on professional and students in the economics and art fields. This included professors, art curators, students, artists, and art gallery owners, professional from the arts and crafts industry. The target respondents were accessed from Fine Arts College in universities through LinkedIn profiles, arts organizations, art workshops and seminars.

Table 2. Occupation of Respondents.

profession	numbers	%
Students	13	26%
professors	11	22%
Art gallery owners and curators	8	16%
Artists: painters, sculptures etc.	11	22%
Graphic designer, animators	7	14%

6. FINDINGS AND DISCUSSIONS:

a. The Relevance of Economics in Arts.

Respondents were asked to share their perceptions and scholarly knowledge using a serious of questions in the online survey to understand the relevance of economic in arts. Respondents were asked if the study of economics is relevant in the study of Arts, its management and distribution. 39 respondents out of 50 stated yes its relevant,

representing 78%. The remaining 22% stated no. Tallying the response stated for why, the response that was common was that economic principles help understand consumer behavior, makes the industry more competitive, and gives the industry an outlook making it more appealing to investors. With the no responses reasons given they appreciate the use of economics to better grow it marketwise but they believe it will influence the internal motivation which will affect the true value of the art. They stated the artists will now be solely motivated by monetary reasons which will undermine the true art.

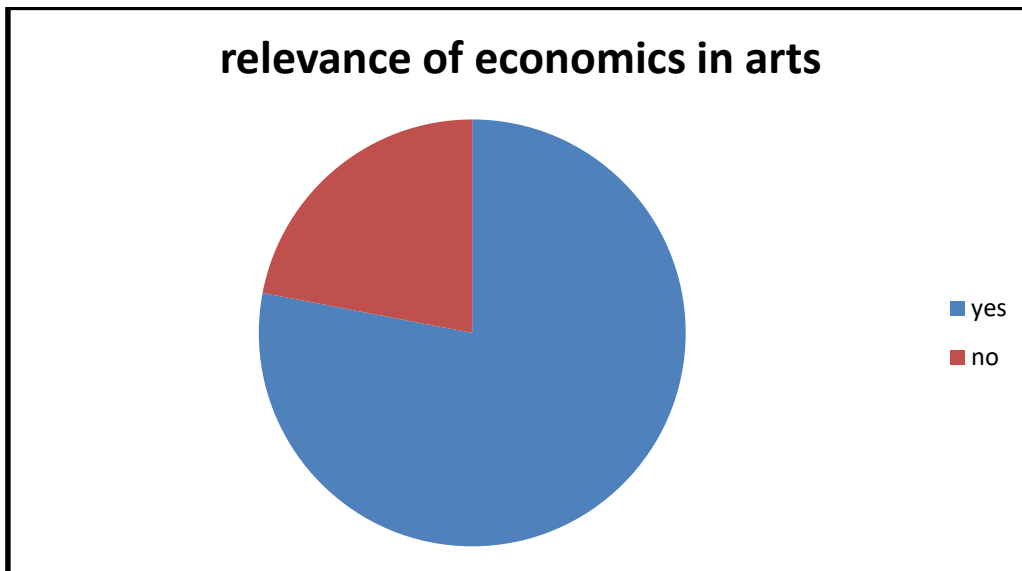


Fig.3 Relevance Diagram.

Table 3. Economics relevance in Arts.

Is Economics relevant in Arts?	Yes- reasons 39 respondents	No- reasons 11 respondents
	i. help understand consumer behavior in the arts- 15	i. Stifles creativity- 4
	ii. makes the industry more competitive- 9	ii. Focus on market value than the essence of the art. - 7
	iii. gives the industry an outlook making it more appealing to investors.-17	
	iv. Provide the critical ingredients for innovative places.- 4	
	v. Catalyze community revitalization.- 5	

Further analysis shows that about 85% of respondents representing 42 respondents agreed that introducing economics in art programs foster better growth and management. Professors, art gallery owners, curators and artists were mostly in agreement with this. It was stated that at least the knowledge in the fundamental economic principles help professionals in the arts and crafts industry come out of schools, seminars and workshops holistically ready and develop their craft into strategic business models into fit various market spaces. Understanding consumer behavior, the theory of demand and supply which are key elements of economic principles help professionals both direct and indirect improve the distribution and management of their products and services. The curators and gallery owners were mainly of the assertion that, price determination and valuation in the art industry is influenced by understanding and increasing the demand and narrowing the supply. The price history of the item, this is what the buyer considers if there will be a future price at which the art work can be sold again. This is valued by art investors who deal in arts. This influences price determination.

b. Roles for Arts, Culture and Design in Socio-Economic Development.

Most countries strive for socioeconomic development, yet existing methods and products do not appear to fully utilize human resources. Most countries want to diversify their economies and build better strategies and policies to tap

into many sectors of society that may harness talents, creativity, and innovation for development as part of their economic recovery programs. The arts and crafts business has received attention from the government, which has outlined how arts, design, and culture may demand economic solutions through national policies and state and municipal councils. The table summarizes the respondents' asserted socioeconomic benefits on an individual, community, and national level.

Table 4. Socio-economic impact.

Socio- Economic benefits of arts, culture and design.		No of respondents-50
individuals	i. Creates employment	26 (52%)
	ii. Diversify and develop talents	11 (22%)
	iii. Promotes innovation	8 (16%)
	iv. The unique nature of culture gives an added value to compete globally.	5(10%)
Community	i. Promotes social identity.	21(42%)
	ii. Enables social cohesion by building shared values and social integration.	11(22%)
	iii. Promotes social awareness projecting a positive image of the society that attracts foreign investors.	18(36%)
Nation	i. It's used as leverage and marketing strategy to create a positive image to attract both local and foreign investments.	16 (32%)
	ii. It creates an enabling environment to support socio-economic development.	12 (24%)
	iii. It can be used as a catalyst for community revitalization.	9 (18%)
	iv. Delivers a better-prepared workforce by creating a dynamic industry cluster	13 (26%)

According to **Mary Jo Waits** study in community development investment review stated, **The 2012 National Governors Association (NGA) report, "New Engines of Growth: Five Roles for Arts, Culture and Design,"** outlines how arts, culture, and design can compel economic solutions. Policy makers focused on strengthening industry clusters. Cluster is the geographic concentration of related and similar firms, their suppliers and supporting institutions. This ensures accessibility to resources required, sharing of ideas and a net of professionals to assist in solving problems. This improves productivity, promote innovation and increase value-added to compete globally and gain higher wages. Tourism industry has gained recognition in its economic gains in the world. The arts& crafts, design and culture is used to design and implement strategies for attract and market the unique lifestyle, culture and cuisine in a region to boost tourism value and growth. The benefit of this diversity is that it allows the arts, design, and cultural sector to enhance the economy in response to economic challenges and opportunities. They have an impact on the economy at critical junctures, such as innovation, entrepreneurship, employment, and revitalization.

7. Recommendation:

To preserve the industry's long-term viability, economics in art should be taught in art programs.

8. CONCLUSION:

In conclusion, without financial means, it would be impossible to turn an idea into a tangible product for society or the art market. The application of economics and its concepts to the art sector aids in the development of regulations that assure the production, development, and distribution of art goods and their producers contribute to social and economic growth.

The art sector has evolved into a valuable asset that benefits society by providing jobs, beautiful aesthetic art works, promoting a positive image of the artists and their country, traditional and modern arts, and social cohesiveness, among other things.

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