

Arthur Levitt: How to Best Value Creative Art?



Arthur Levitt: “Most wealth created by art is never touched by artists.” Helen Klisser During for WestportNow.com

Editor’s note: Westporter Arthur Levitt, best known for his work in finance and markets, today told a gathering of Fairfield County artists that the arts economy faces a problem of “socialized gain and privatized pain,” which he called a “market failure.”

Here are edited excerpts from his keynote remarks to the Cultural Alliance of Fairfield County (CAFC) breakfast at the Shore and Country Club in Norwalk at which it presented its inaugural 2016 ACE (Arts & Culture Empowerment) awards.

I was so honored to be asked to join you, and to help honor the award winners. Each of you is being recognized for outstanding creative work, and for talents that we all envy. I wish I could express myself creatively as well as you can.

That’s how some people are drawn to the arts. They can see or hear or sense that there are some people in our society who are gifted in a way that they can scarcely imagine. It’s no different than watching Steph Curry hit a 40-foot jump shot. Athletes have the same capacity to marvel us.

But while we admire athletes for their gifts – both in fame and in fortune—artists enjoy appreciation in every way but in fame or fortune.

Some of our most talented artists play to limited audiences. Very few enjoy the kind of wealth that is fairly ordinary on Wall Street.

This is a challenge for someone like myself – I have spent my lifetime engaged with art, music and creative talent... but I am best known for doing work in finance, markets and regulatory policy.

Why is it that in a market-based economy, there is not a functioning market for artistic creativity?

Before anyone presents to me the figures of the latest art auctions, or the latest box office blockbuster results, or even the significant creative work done by commercial graphic artists, musicians and so on, let’s consider the following:

- For most working artists, art is often a second job.
- A career in the arts is often a career without meaningful economic reward.
- Arts education is at the lowest rung of the educational ladder – a ladder where appreciation is rare even at the top.
- Our symphonies are shutting down. Our museums are selling off their works.

- Even healthy arts schools and institutions – dedicated to the production of fresh creative work – rely primarily on private support and government grants.

In short: To be blessed with creative skill, in this market, is to receive a mixed blessing. And that is shameful.

But it also presents a curious challenge – something that someone like myself, with my background, would love to explore.

Classical economists would tell us to look at the market failure in the creative arts as an indication of something quite obvious: That the market doesn't actually value creative arts the way we'd like.

But I don't believe that's true.

Creative work is rewarded in many ways. You can make money creating art. But artists – perhaps by nature – do not enjoy any of the benefits of mass-market economic behavior.

They don't work on economies of scale. They don't subdivide their work to smaller, more specialized producers who enjoy the benefits of comparative advantage. They don't focus on productivity at the expense of quality.

All of the ways in which most economic actors achieve greater market wealth are available to creatives – but they are rarely used.

A classical economist might observe that one can't complain as a result. And perhaps that is a point worth considering.

But I believe there is a larger problem in our arts economy, and that is the problem of socialized gain and privatized pain.

An artist who creates a masterful work may be rewarded amply for her efforts. A singular genius – such as Hamilton creator Lin-Manuel Miranda – may discover wealth as a result.

But most of the wealth created by art is never touched by artists.

It is perhaps wealth that is not measured in dollars at the individual level, but it is still wealth.

Consider what the arts does for the health and happiness of citizens – something that has real financial benefits to society as a whole. Studies routinely show the psychological benefits of being exposed to art, music and creativity, from a young age to one's senior years. Art produces public health benefits that are measurable and meaningful – and prevent costs that our society would otherwise have to bear.

Consider what art does for our cities, beautifying public places and bringing people together in community and economic activity – the value of such activities can be measured, often in hundreds of billions of dollars.

Consider the value of great art to businesses and the recruitment of talent: A vital arts scene is considered a significant plus for many of the most talented, vivacious and productive citizens in our economy. Just as strong schools make a place more livable, strong arts make a place more interesting – and therefore more valuable.

Consider the difference between real estate values, property taxes and corporate income taxes paid in an area with a vibrant arts scene with those same metrics in a place where the arts fail to take root.

Consider what great arts institutions do to create a strong network of business and civic leaders – something that has enormous value to those who are active within it.

To put a finer point on it: Some of the greatest art institutions in New York are where multi-billion dollar deals are made. It's possible these deals might happen anyway, but if the arts networks in this nation did not exist, we would have to invent them.

So the gains of great art are socialized – even when we don't pay to see shows, or watch music, or buy art, we stand to benefit directly from them occurring where we live.

And yet: The artists themselves derive no direct benefits from this network, for the most part. Even if they enjoy employment, the gains of the economic value they create do not flow to them.

It is a market failure. And therefore we have to correct it.

And so it is up to us to address this issue.

First, by being here, and by supporting these great artists through celebration and awards.

Second, by supporting artists directly by supporting local arts with hard dollars. Go to the shows. Buy their art. Listen to their music. And then, tell your friends to do the same. Third, by getting active in supporting arts institutions with leadership and philanthropy. I've been involved in arts institutions all my life, at the Met, the Atlantic Orchestra, Westport Country Playhouse, Twyla Tharp Dance Company, Brooklyn Academy of Music and several other local, state and national organizations and boards devoted to the arts. All of us here can do the same, and I hope you take an opportunity to get active with at least one arts institution, in addition to this one!

But finally, we must recognize that when it comes to the arts, we are all freeloaders – enjoying the benefits of work we don't do.

In such a situation, the most obvious recourse is to create some kind of tax or fee so that there is some kind of way to capture the benefit for those who actually are responsible for the social gain.

That would be easy to do, and it is something we already do, though we don't have an arts tax.

We just have taxes, and we should use more of those tax dollars to support great art – arts education, public arts spaces, arts production, art history, performance and fine arts in as many media as we know exist. Where art creates a vibrant economy, the economy must feed the arts world in turn.

That is how it should be done. It is not how it is done. And as we know, there are those who regard the creation of art as a function unworthy of local, state or federal tax dollars. Those views could not be more incorrect – not just on moral terms, but on economic terms.

And so let us celebrate what the arts is – not just a means of beautifying the world. But a means to enrich it, in every sense.

And let us resolve to invest in its continued flourishing, here and everywhere we have the ability to do so.