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# *A Portrait of the Visual Arts*

## *Meeting the Challenges of a New Era*

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## Summary

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The last 50 years have brought dramatic changes to the arts in America as public involvement, the number of arts organizations, and funding for the arts have all soared. These changes have been particularly dramatic during the last 25 years, reflecting broader changes in American society. This complex series of changes has included shifting patterns in Americans' leisure time and tastes, increasing competition from entertainment and recreation industries, a more diverse population, and new patterns of funding from both the public and private sectors. The net result of these changes has been a marked shift in the organizational ecology of the arts, by which we mean the diverse array of artists, arts organizations, funders, and consumers and the interrelationships among them that determine how the arts are produced, distributed, marketed, and consumed in the United States. The combination of these changes has engendered daunting challenges for the arts—from targeting and attracting audiences, to earning a living as an artist, to managing organizational resources, to securing funding in an increasingly competitive environment.

The key to responding to these challenges is to understand how and why they are occurring. However, our current knowledge of the operation of the arts world and its underlying dynamics is limited. The absence of systematic analysis of the arts makes it difficult to determine which of the current challenges facing the arts are due to cyclical factors and will thus subside or which reflect more fundamental changes in society to which the arts world needs to adjust permanently. Without systematic analysis of the various art forms—performing arts, media arts, visual arts, literary arts—it is difficult to determine how changes in consumer markets, organizational structures, and financing or any number of challenges will affect the different artistic disciplines.

## Study Purpose and Approach

This book views the visual arts as a system, complimenting our earlier studies of the performing arts and the media arts.<sup>1</sup> Using a systematic and systemwide perspective, it describes the state of the visual arts today and identifies how this picture is changing, why those changes are taking place, what they imply for the future, and what policy issues are involved. Our approach is based on the observation that the visual arts system has historically reflected the broader culture and society from which it emerges. Correspondingly, we treat the visual arts as a system that responds to internal and external forces in the broader society and thus reflects such trends as growing pluralism in the artistic styles, the new technologies, and changing public expectations about the role of the visual arts in society.

We use a conceptual framework to facilitate our understanding of the different elements of the visual arts sector, identifying how those elements interact and drawing comparisons with the performing arts and media arts. This framework distinguishes among art forms (performing, media, visual, and literary); the market sectors in which the art is produced and distributed (nonprofit, commercial, and volunteer or informal); and key players and processes in the creation, distribution, and consumption of the visual arts (appreciators and collectors), artists, markets, and nonprofit organizations.

## Defining the Visual Arts

As in other arts disciplines, there is an array of artists, organizations, and art forms that can be included under the rubric of the visual arts. Our focus is primarily on the fine arts, that is, visual arts objects that are produced by professional visual artists; distributed in the fine arts market of galleries, art fairs, and auction houses; and displayed in fine arts institutions, especially museums. This focus includes but is not limited to a variety of art objects, such as paintings, sculpture, and photographs, as well as some types of media art and performance art. We recognize that this focus emphasizes one part of what can be considered a continuum of visual art—from “embedded art” (e.g., design work embedded in everyday products and settings), to collectibles and crafts, to photography, to painting and sculpture that is accessible and affordable to a wide range of consumers (e.g., the work displayed and marketed at community art fairs), to what we refer to as fine art. These different categories of objects differ in their quality, in who consumes and produces them, and in the nature of the markets (size, price levels, and organizations) in which they are sold and displayed. Although the distinctions along this continuum are often blurry and where

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<sup>1</sup> See McCarthy et al., 2001; and McCarthy and Ondaatje, 2002.

the lines should be drawn is debatable, they are still useful in improving our understanding of the current visual arts system and the importance of the fine arts to this system.

### **Three Distinct Institutions in the Visual Arts**

There are three distinct institutions that have historically shaped the visual arts system in America—all of which have their roots in 18th and 19th century Europe. These institutions are the public art museums (which have been the dominant venues for public arts appreciation); the world of visual arts discourse (which includes the system of ideas and theories that validate art objects and links them to one another over space and time); and the visual arts market (where art works are bought and sold).

During the last three decades, each of these institutions has changed significantly. Art museums, which first appeared in the United States about 150 years ago, have multiplied in number and grown dramatically in public popularity. They manage extraordinary sums in terms of assets and revenues and have historically served a variety of missions that have often been in conflict. The world of arts discourse, once relatively circumscribed both in terms of who was included and how works of arts were evaluated, has become increasingly pluralistic and splintered, and it exerts less control than in the past over the process of determining the artistic value of emerging work. These changes have paved the way for the emergence of unprecedented artistic diversity and for the extraordinarily rapid expansion and segmentation of the arts market. Finally, the arts market has been transformed from a small and close-knit community of relatively few members into a modern, specialized, multibillion dollar marketplace.

Building on an understanding of the historical foundations of the current visual arts system, this book examines its four key features: patterns of demand (in both appreciation and collecting), characteristics of artists, the operation of the arts market, and museums and other visual arts organizations.

#### **Demand**

Demand for the visual arts takes two principal forms: appreciation and collecting. The fact that the popularity of both of these forms of demand has increased significantly in recent years is often seen as a sign of great success in the field. However, a closer look at the statistics underlying these trends suggests a less rosy story. The growth in museum attendance, for example, appears to be largely due to population growth and rising education levels, not to higher levels of attendance by those at specific education levels. Indeed, the socioeconomic status of museum audiences does not appear to have changed significantly, despite the efforts of museums to attract

more diverse audiences. Moreover, underlying societal trends—driven by changing leisure patterns, increasing population diversity, and more intense competition from the entertainment and leisure industries—suggest that new growth in demand will not come easily.

While the number of people who collect fine art is miniscule compared with the number of people who visit museums, it too has jumped markedly and become more geographically dispersed in the last two and a half decades. However, this growth appears to have been largely driven by a surge in the numbers of and the rising incomes of the most affluent segments of the population as well as by an increase in the fraction of collectors who are drawn to collecting not just as connoisseurs but also as investors.

Key questions for the future are: Will demand continue to grow and, in particular, will it expand beyond the socioeconomic groups that already participate in the visual arts; what factors will affect demand (e.g., early arts exposure and education, leisure time patterns, affluence, or technology); and, of course, how will the rest of the visual arts system respond to such growth?

## Artists<sup>2</sup>

The number of artists in the visual arts has been increasing (as it has in the other arts disciplines), and their backgrounds have become more diverse. At the same time, however, the hierarchy among artists, always evident, appears to have become increasingly stratified, as has their earnings prospects. At the top are the few “superstar” artists whose work is sold internationally for hundreds of thousands and occasionally millions of dollars. In the next tier are the “bestsellers” whose work is represented and promoted by galleries, dealers, and auction houses and sold for substantial prices. In the third tier are the majority of visual artist who often struggle to make a living from the sale of their work. This increasing stratification is largely due to changes in the size and operation of the arts market.

At the same time, visual artists’ career patterns have also been changing, as academic training has taken on greater importance as a credential for emerging artists and as artists’ career progress has accelerated. Select artists, for example, may have a dealer and a solo exhibition at earlier stages in their careers than for artists in the past, possibly even while they are still in school.

Many visual artists are self-employed, but they also need to supplement their income from sales by earning a significant portion of their income from nonarts employment. Artists of all types have had to struggle to earn a living, but there are more

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<sup>2</sup> Most of the art displayed in museums (as well as the art sold in the secondary elite arts market) has been created by artists who are no longer living and under quite different conditions, when the role of art and artist in society differed greatly and when the visual arts market did not even remotely resemble today’s market. Our analysis focuses on the number, characteristics, and career paths of living artists and how the circumstances of visual artists have been changing over the last 50 years.

employment options for visual artists today in teaching (with the expansion of academic training for artists) and in the fields of design, advertising, and other commercial arts. Nevertheless, career patterns are volatile, in large part as a function of market forces. These market forces are more likely to influence career patterns than the uneven distribution of artists' earnings, which appears to be endemic to the arts.

Key issues for the future will be the availability of arts-related employment opportunities for artists who need to support themselves beyond the income they earn from the sale of their work. In addition, how might rising numbers of artists who obtain employment in related fields of design and advertising, for example, impact the organizational ecology of the visual arts? For those who rely solely on income from the sale of their work, key issues will be improving the circumstances of their self-employment with innovative programs for health or pension benefits, for regularizing their employment, or alternatively, for managing the instability of their career trajectories.

### **The Arts Market**

The elite fine arts market, which has no direct counterpart in the other arts, has also experienced dramatic change. The arts market not only plays the dominant role in shaping the prices paid for artwork, it also shapes public perceptions of the visual arts. At the same time that prices have reached headline-grabbing heights, the structure and operation of the market itself has been transformed. It has become more efficient, transparent, liquid, and global as both prices and volume of sales have exploded. In short, it increasingly resembles other asset markets.

Another significant change has taken place in the process by which prices and values are determined. The value of an artist's work is less determined by a slowly evolving consensus among experts, critics, and curators and more by market forces of supply and demand, particularly in the contemporary arts market.

The impact of market forces in the arts market is a function of increasing demand arising from a growing number of highly affluent individuals and changes in market practices. More information is readily available via new technologies; more investors are facilitated by art advisors; and more services are provided by intermediaries. The interaction of supply and demand forces has dramatically expanded both the size and diversity of the arts market and the players operating in it.

There are several key issues to consider for the future of the arts market. First, will demand increase and, if so, will future growth in demand diversify the population of collectors? Second, how will the increasing pluralization of the arts market alter the organizational ecology of the supply of art? And lastly, will the market become regulated? Currently, it is largely unregulated even though there have been convictions on charges of price fixing benefiting intermediaries at the expense of purchasers.

## Organizations

While there are many different nonprofit visual arts organizations—including nonprofit galleries, artist collectives, community studios, and a host of service organizations<sup>3</sup>—museums dominate this portion of the organizational ecology of the visual arts. Museums have traditionally been the centers of arts appreciation and the interpreters and protectors of art objects. Moreover, as perhaps the most visible institutions in the visual arts system, they are subject to a diverse set of public expectations in an increasingly pluralistic society.

Museums, of course, have historically been forced to confront difficult choices about allocating scarce resources among their multiple missions, such as protecting and exhibiting the collection, educating the public, conducting research, and contributing to scholarship. But the tensions among competing missions appear to have intensified in the current environment, which is characterized by increasing competition for visitors, a more complex operating environment, the financial squeeze of rising costs and stable or declining revenues, and rising art prices. Symptomatic of these cross-pressures has been controversy within the visual arts community between those who value art objects and stress the museum's art-oriented missions (preservation, presentation, and scholarship) and those who stress the marketing-oriented missions (those aspects that emphasize audiences, community involvement, and doing what is necessary to respond to financial pressures).

In addition, there is increased concentration among a relatively small group of institutions within the museum world in terms of collections, revenues, donations, and visitors. With few exceptions, these superstars of the American museum world were established before the end of World War II,<sup>4</sup> are located in major metropolitan areas, and house world-renowned artworks and collections. They enjoy tremendous advantages over newer, smaller, regional museums in terms of access to resources, prestige, and the ability to sponsor special exhibits (e.g., “blockbusters” intended to draw large crowds to the museum) that have become a major tool in attracting visitors. In addition, the advantages of these museums appear to be growing.

In light of these challenges, museums need to understand how changes in society affect their future ability to fulfill multiple and sometimes competing missions. To navigate successfully through the challenges of the current environment, museums need to address three strategic questions for the future: What are their primary goals and missions? How will they define and measure their success? Do they have the capabilities they need to thrive?

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<sup>3</sup> For example, service organizations such as the Association of Art Museum Directors and the National Association of Artists' Collectives provide information, contacts, conferences, and other support services to member organizations.

<sup>4</sup> It is notable that 75 percent of American art museums were founded *after* World War II.

## Potential Roles for Public Policy

The changes that have been occurring in each of the four components of the visual arts system analyzed in this study—appreciators/collectors, artists, the arts market, and organizations—reflect the actions of the many private individuals and institutions that create, consume, market, and display the visual arts. Although government at the federal, state, and local levels provide some direct funding to the visual arts system, its primary influence on the operation of the visual arts system has been largely indirect, through regulatory, tax, enforcement, and other policies.

The future role that government might play in dealing with the challenges facing the visual arts system is uncertain. Although much of the art world has focused on direct government support for artists and arts organizations, in fact, the indirect financial support that the government provides through the tax system is an order of magnitude larger than the government's direct support. Moreover, the supply-side focus of that direct support may actually be misplaced for reasons of both equity and efficiency. Since visual arts consumers tend to be better educated and wealthier than nonconsumers, supply-side funding in essence subsidizes the activity of those who least need subsidies, thus raising equity issues. From an efficiency standpoint, the best way to stimulate public involvement in the arts may well be through programs that promote early exposure to the arts in childhood and adolescence and through work to encourage arts organizations to build public knowledge about and competence in the arts.

As we have already indicated, indirect government support for the arts through tax policies provides considerably more funding for the arts than does direct funding. Indeed, tax policies can significantly affect donors' behavior and the ultimate level of contributions to nonprofit visual arts organizations. Maintaining these tax advantages is probably the single most important policy government can use to promote the arts in the future.

Government regulations and enforcement can influence the visual arts system as well. Currently, the art market and museum world are largely self-regulating and self-policing. Individual institutions and the sector as a whole enjoy a great deal of latitude to determine best practices and appropriate codes of conduct. But the experiences of other sectors of society reveal that this situation can change quickly and dramatically in the wake of scandal or abuse, which in the case of the visual arts might involve trade in illegal art, Nazi-looted art, conflicts of interest, or public outrage over artistic content. Against the backdrop of scandals in the nonprofit sector over executive compensation, financial irregularities, and political campaign financing, such incidents bring unwelcome scrutiny to the nonprofit sector, including museums. Whether such incidents prompt efforts at greater regulation is unclear. We suspect that as long as museums, in particular, continue to respond quickly and con-

certedly to each controversy with public reprimands and new policies and guidelines, new government regulations of museums are unlikely.

A more likely candidate for regulation is the arts market, where attention drawn to shady practices and price fixing could bring calls for greater regulation. The likelihood of such calls will probably depend on continued growth in the size and diversity of the arts market.

The direct and indirect levers of government over the visual arts system principally work their effects by influencing the actions of private individuals and institutions. The future of the visual arts system will largely be determined by the multitude of nonprofits, commercial intermediaries, artists, and individuals analyzed in this book. The decisions and behaviors of these assorted actors are as likely to be influenced by broader developments in American society—in particular the increasing pluralism of society and the pressures it exerts on the visual arts system. As we have indicated, these changes have already increased the demands on the system. The key challenge the system faces is to recognize and respond to these pressures without losing sight of the art itself and how it can enrich individuals' lives.