

ARTISTIC LABOR MARKETS: CONTINGENT WORK, EXCESS SUPPLY AND OCCUPATIONAL RISK MANAGEMENT*

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* I am grateful to Guido Friebel and David Throsby for helpful comments and suggestions on an earlier version of this chapter.

Abstract

This chapter studies how and why artistic labor markets have expanded along a path of unbalanced growth. Long-term employment which nurtures the Baumolian cost disease persists only in large, heavily subsidized and sponsored organizations. The now dominant project-based system of production, with its functional needs for flexibility, relies on short-term assignments. Large parts of the business risk are transferred down onto the workforce in vertically disintegrated organizational settings. Artists and technical workers act mainly as contingent workers, freelancers and independent contractors; labor supply is patterned by repeated and discontinuous alternations between work and unemployment, and workers cycle between multiple jobs inside and outside the arts. Thus artistic labor markets display the main characteristics of a textbook model of imperfect monopolistic competition: excess supply of labor, unbounded differentiation of production, reputational rents, a population of small firms that has been growing as fast as the number of artists. On the supply side, the attractiveness of artistic occupations has to be balanced against the risk of failure that turns ideally non-routine jobs into ordinary or ephemeral undertakings. Learning by doing plays such a decisive role that in many artforms initial training is an imperfect filtering device. Individuals learn to manage the risks of their trade through multiple jobholding, occupational role versatility, portfolio diversification of employment ties, and income transfers from public support, social insurance and social security programs. Ironically, the study of the artists' risk management shows how rationally they behave, although artistic work may be highly idiosyncratic. Thus artists may be seen less like rational fools than like Bayesian actors.

How do vertically disintegrated systems of production shape individual careers and organizational behavior? Loose employment relationships do not preclude contractual stability. Employers use reputations as screening devices and signals of employability. Artists learn how to compose balanced sets of recurrent and non-recurrent hiring ties in order to secure a living as well as to increase their human capital. Considerable inequalities in amounts of work and earnings are observed, caused by the skewed distribution of talent and by joint consumption technologies that turn small differences in talent into huge earnings differentials. Inequalities may also trace back to the way a disintegrated labor market operates, since both the allocation of piecemeal work based on reputational rankings and team formation based on selective matchings magnify the power of differences in talent and work opportunity to increase inequality. These factors should not cause the kind of permanent excess supply of labor in the arts that has been noted for decades if the occupational commitment of artists were not combined with the management of business uncertainty through overproduction of infinitely differentiated goods and services.

Keywords

labor markets, excess supply, monopolistic competition, uncertainty, occupational choice, occupational risk management, career, creativity

JEL classification: J41, J44, Z11

1. Introduction

1.1. A steady growth in numbers of artists

Evidence of sustained growth in artistic employment over recent decades is amply documented by several surveys and Census sources, and trends are quite similar in most advanced countries. For instance, in France, over the period 1982–1999 the number of artists grew at a rate of 98 percent; in the USA, from 1980 to 2000, the rate of increase was 78 percent. In both cases, the growth in numbers of artists was much higher than for the civilian labor force. All artistic occupations with the exception of musicians have seen a steady shift towards a higher proportion of women; by contrast, ethnic composition of the artistic workforce remains unbalanced, the non-classical music sphere being one of the relatively few exceptions.

One may speculate as to why artistic employment growth has been so rapid. On the demand side, increases in real disposable per capita income have shifted demand curves for the arts and resulted in an increasing fraction of national income and employment being devoted to the arts. In Europe much of the employment gain, especially in the 1970s and the 1980s, has been attributable to the steady growth of federal and local government subsidies leading to a large expansion of the non-profit sector providing services for artistic training and for conservation and display of cultural heritage. Public spending under non-arts headings (e.g., local economic development, urban regeneration) as well as support for the cultural industries has also stimulated opportunities for cultural employment. Furthermore several industrial sectors which draw heavily on the skills of artists and other creative occupations underwent rapid expansion during the 1980s. The most striking change within the cultural industries was the rapid growth of the audiovisual and broadcasting sector, along with growth in the advertising industry, the new media industries (video, corporate video) and the computer game industry. No less striking is that employment in these growing sectors was mainly on a short-term contract or freelance basis, which magnifies the shift towards numerical flexibility observed elsewhere in the economy [Smith (1997)]. One should also mention the expansion of the crafts and of the design sector, which increasingly contribute to the rise in the numbers of artists in Census data [Feist (1998)].

The economics of artistic labor markets has long paid attention on one hand to the unbalanced growth of stable organizations employing workers on long-term contract and subject to the well-known Baumol disease, and on the other hand to how individuals acting as self-employed workers have to be compensated for highly uncertain prospects in artistic occupations. Artistic labor markets have now evolved to approximate the spot-market model of textbook economics; employment relationships on an unfixed-term basis have largely vanished, and short-term hirings and self-employment strongly dominate. In that respect, arts have often been mentioned as forerunners in experiencing the trend toward increasingly flexible high-skilled labor markets where workers may be hired for only two or three hours, without any costly dismissal proce-

dures. In fact, some parts of the skilled labor force have long been experiencing high flexibility in employment relationships. As stated by Okun (1981, pp. 82–83),

... these weak employer–worker attachments also seem to apply to certain types of blue collar craftsmen who have relatively high skills and earn high pay – construction and dock workers, workers in the printing industry, and so on. These characteristics seem to arise most prominently when 1) an industry has many firms within a locality; 2) a firm has extremely variable demands for labour; 3) the worker’s skill is “general” in Gary Becker’s sense, that is, readily transferable across firms within an industry; and 4) the individual worker’s degree of skill categorized by conventions that develop among employers or unions or through government-sponsored occupational licensing. Carpenters thus may be classed as apprentices, journeymen, or masters; and references from one employer to the next carry weight. In such cases, workers develop an attachment to a local industry rather than to an individual employer.

Okun might have mentioned artists and technical cultural workers as well. Thus the labor market in the arts is a rather paradoxical competitive one. On one side employment is more and more contingent, as in secondary labor markets; on the other side individuals are highly skilled and non-substitutability is a core value, as in the so-called primary labor market. Therefore, though the segmentation of the workforce is fairly strong, the distinction between primary and secondary markets could hardly apply to the arts.

How do short-term assignments translate into worker flows and careers? From a *labor supply* standpoint, one artist equals one long-term occupational prospect, especially when employment relationships are long-term and careers are well patterned. But the gap is widening between the vocational commitment and the way it transforms into a career: self-employment, freelancing and contingent work bring in discontinuity, repeated alternation between work, compensated and non-compensated unemployment, searching and networking activities, and cycling between multiple jobs inside or outside the arts. From a *labor demand* standpoint, the spot-market profile of the arts makes things simpler: the focus is on contracts, on hirings and on works sold on the market. Thus the labor market here can be investigated at its most disaggregated level, that of the series of hirings, of work opportunities and of bargaining relationships. These represent an individual artist’s working life in a given period; when considered longitudinally, they display a career trajectory.

What is the impact of the fact that labor demand is expressed mainly in terms of contingent work? Numerous studies have shown that an increase in the number of artists may be far from corresponding to a similar increase in the level of activity. If there is more work but an ever more rapidly growing number of individuals, a fiercer competition takes place that implies higher inequalities in access to employment, more variability in the level and schedule of activity and on the whole work rationing for those who share the labor pie and cycle more often from work to unemployment or from arts work to arts-related or non-arts work.

The resulting overall picture of artistic labor markets and of their growth is however quite a paradoxical one: employment, underemployment and unemployment have all been increasing steadily and simultaneously. The pattern of change may vary across the different artistic occupations, but the trend is almost everywhere the same. Obviously, fluctuations in supply and demand of artistic labor do not provide a satisfying explanation of what appears to be a highly unbalanced growth. Several historical studies on artistic professions have repeatedly insisted on an “oversupply of artists” phenomenon, which they have associated with changes in the organizational apparatus of the art worlds or with technological innovations or, more radically, with the emergence and expansion of a free market organization for the arts. But in each case, ad hoc arguments may overshadow structural disequilibria; the present development of labor markets for the arts, by highlighting an apparently irresistible trend towards flexibility, helps to understand the underlying processes of such a course of development, namely the pervasive uncertainty of artistic careers, and the ways for individuals and organizations to handle uncertain prospects and to manage individual and business risks.

From a large sample of studies on artistic labor markets, the following picture emerges. Artists as an occupational group are on average younger than the general work force, are better educated, tend to be more concentrated in a few metropolitan areas, show higher rates of self-employment, higher rates of unemployment and of several forms of constrained underemployment (non-voluntary part-time work, intermittent work, fewer hours of work), and are more often multiple jobholders. Not surprisingly, artists earn less than workers in their reference occupational category (professional, technical and kindred workers), whose members have comparable human capital characteristics (education, training and age). And they experience larger income variability, and greater wage dispersion.¹ Taken together, these features portray oversupply disequilibrium [Stigler (1962)]. Moreover, they have been documented for so long that excess supply of artistic labor appears to be permanent and may act as a true structural condition of the arts’ unbalanced growth.

A closer examination of descriptive statistics would provide us with considerable detail about each of these traits and would allow for the kind of fine-tuned differentiation between the several categories of artists that we find in the comprehensive NEA report on *Artists in the Work Force* [Alper et al. (1996)], in the Australian report by Throsby and Hollister (2003), in the British one by O’Brien and Feist (1995) or in French official annual reports based on Census and Labor Survey data [Observatoire de l’emploi culturel (2004a, 2004b)]. However, our main aim here is rather to review explanatory models of work organization and labor supply in the arts and to focus on four main issues: the status of employment and career patterns, the rationales of occupational choice, the oversupply of artists, and occupational risk diversification. Our approach will deliberately be a multidisciplinary one, bringing together a number of studies in sociology, economics and history.

¹ See also Chapter 23 by Alper and Wassall in this volume.

1.2. *Definitional issues and methodological caveats*

The definition of art and culture has obviously been broadened as cultural policies have developed. The anthropological definition of culture has become more and more legitimate as public support has taken into consideration the local community level and its whole apparatus (amateur activities, associations, so called socio-cultural activities) by setting up links between art, culture, leisure, schooling and social work. At the same time, one may note an opposing trend in cultural policies; the development of a discourse about culture as a real economic sector. A new form of “cultural accountancy” has in fact emerged that seeks to quantify the economic output of public spending on culture; of course, the wider the definition of culture, the more culture can claim to play an economic role, and the stronger the economic rationale of public support may appear to be, at least at first sight.

These changes also raise definitional issues concerning what the artistic occupations are and where the boundaries of the artistic sector lie. Research on British Census data [O’Brien and Feist (1995)] builds on an occupational as well as on a sectoral breakdown; the redefined categorizations cross both classifications. As a result, cultural work appears to spread across a number of professional occupations and industrial activities; among individuals involved in the cultural sector, 25 percent work in the cultural industries in cultural occupations, 40 percent have cultural occupations outside the cultural industries, and 35 percent work in the cultural industries in non-cultural occupations.

Almost every research report on artistic occupations opens with a list of the limitations and discrepancies of Census and non-Census data including: problems of defining who are professional artists and how their occupation is determined; the delimitation of artistic fields, and the inclusion or exclusion of peripheral specialties within a field; the variations in job classifications and the periodic addition of new occupations to the artists’ subset in the Census classification; and the lack of any serious treatment of multiple jobholding. Regarding the tricky issue of the comparative merits of survey versus Census data, one need only mention the primary source of most variations, as noted above: the definition of the artist. The Census uses a parsimonious classification rule, which narrowly interprets the “chief job activity or business last week”. Two serious problems confront researchers using the Census source [Wassall and Alper (1990)]. First, since many persons who identify themselves as artists are multiple jobholders, their labor market behavior (earnings, working time) cannot be attributed solely to their artistic involvement. Second, those who earn a living mainly in non-artistic jobs, and yet identify themselves as artists, are reported as members of non-artistic occupations.² Surveys, by contrast, generally use one or several criteria [Frey and Pommerehne (1989)] and may categorize various activities as art in accordance with the particular interests of

² One should add that measurement of the unemployment level in the arts is consequently disputable, since artists switch temporarily to work in different occupations when unable to make a living in their primary vocational field, without stopping producing art works; they would therefore not be classified as unemployed in their artistic occupation if they are primarily engaged in non-artistic work during the Census week.

the researcher. The most controversial of these criteria is, of course, that of subjective self-definition as an artist; this criterion encapsulates a temporal dimension of occupational commitment, since artists may cycle between several jobs and yet continue to think of themselves as artists.

As stated by Adler³ “a study of artists in a society in which occupational membership is (fortunately) not defined or restricted by a guild, an academy or a state system of licensing can neither comfortably ignore problems of occupational definition nor resolve them”. Indeed, although some of the most remarkable studies by sociologists, economists or art historians on art labor markets and careers have been historical ones,⁴ the definition of the artist as well as the orderly course of an artistic career appear today to be dependent variables in the operation and evolution of highly competitive and contestable labor and product markets, interacting or not with state intervention.

Such theoretical and methodological issues are by no means new in social science; labels, taxonomies and classification systems are core issues in interactionist and constructivist sociological theories. Sociologists deal with these matters more cautiously than do economists; while the former run the risk of questioning endlessly the significance of any quantitative measurement, the latter run that of taking for granted that Census data (almost the only source they use) will lead to strong results by virtue of sophisticated econometrics, once the obvious limitations from which the data suffer have been acknowledged.

Despite all these discrepancies, a review of a number of recent studies will allow us to highlight the key issues for a comprehensive approach to artistic labor markets.

2. Employment status and careers

The steady increase in the number of artists across all art sectors during the last three decades appears to be driven by the rapid increase of independent, self-managed work, with increasing numbers of artists now to be found in the sectors where self-employed practitioners work such as creative writing, the visual arts and the crafts, and by the rise of contingent work wherever salaried employment relationships prevail. Unfixed-term employment represents a rapidly declining share of the cultural work force today. Only long-lasting organizations such as symphony orchestras, opera houses, and visual art and music schools may hire a large part of their artistic personnel on long-term contracts [Towse (1993, 1996)].

Among the salaried artists who work on a long-term basis, musicians and their careers meet a rather well-patterned job system that has been carefully studied.⁵ Bureaucratic careers can be found in permanent orchestras with positions ranging on a well-defined

³ Quoted in Alper et al. (1996).

⁴ For example, White and White (1965), Montias (1982), Ehrlich (1985), Warnke (1985).

⁵ See, for example, Westby (1960), Faulkner (1973), Allmendinger, Hackman and Lehman (1994), Allmendinger and Hackman (1996).

scale of status; a majority of the orchestral players become anchored in their organization, experience little or no mobility and become committed to their role in a stable work setting. Advancement on the job ladder is limited since top ranks are filled mainly through external recruiting, so that the mechanics of vacancy chains operate rather poorly. Individual career opportunities develop through mobility within a stratified set of organizations ranked on a hierarchy of prestige, musical excellence, caliber of musicianship, working conditions and operating budgets, either towards similar or higher positions in higher ranking orchestras or towards higher status positions in lower ranked orchestras. Such moves are few in a professional lifetime; as described by Westby (1960), each musician behaves like his or her own employment agency, compiles an inventory of probable and possible jobs, gets information about the approximate ages, professional histories and abilities of the current holders of the most desirable jobs, so as to be prepared for an opportunity that may appear only once in a lifetime. The curvilinear profile of such career mobility means that the artist has to move early to reach the peak of this organizational set, and that chances of mobility diminish rather quickly after an age of 30 or 35, at least with respect to the top-level tier of prestigious organizations. Publishing houses [Powell (1985)] and architecture firms [Blau (1984); Champy (1998)] are additional examples of permanent organizations that combine constraining hierarchies of jobs and career development through lateral mobility. However an increasing proportion of salaried cultural workers now work on a short-term contractual basis. Proportions may vary with national contexts and occupations, but trends are similar and exhibit the search for increasing flexibility and the minimization of fixed costs in the arts.

The search for flexibility is a core feature of artistic work, due to the “high rate of change over time of the content of activities”, according to Stinchcombe’s (1968) phrasing. This occurs for at least three reasons:

- artistic products are often designed as prototypes and their market value depends on their originality and on a more or less pronounced differentiation;
- the combination of activities needed to produce a movie, play or opera involves a large number of different artistic occupations and crafts, and each participant shifts to a new project just hours, days or weeks after the initial one, with new requirements and challenges; and
- consumer versatility and taste for novelty give social and economic value to newness and originality to the extent that these are more or less radically unpredictable. Uncertainty is the true condition of the breakthrough innovation that opens up to its author a new (temporary) monopoly; it is also the threat contained in the destructive aspect of every true innovation. Tastes are subject to unpredictable shifts, especially in the most speculative art markets such as popular music, hyped contemporary painting, blockbuster novels, mass audience designed movies and serials.

Flexibility can be attained through several avenues: a system of performance contracts, a system for transmitting information about the performance capacities of people, and a minimization of overhead costs [Stinchcombe (1968)]. For each project – film,

opera or theater performance, musical show, gallery exhibition – new teams are formed and then dispersed, or parts of the production process are subcontracted afresh. Networks help to build stable relationships that are needed to lower transaction costs; hiring procedures very often operate through patronage and trustworthy ties among peers that rapidly convey reliable information about skills and talents; increasingly hiring also operates through the development of a brokerage system that enhances the role of talent agencies in mediating the labor market for contingent employment [Bielby and Bielby (1999)]. As a result, vertical disintegration in the production and distribution of performances and products has increased. Firms minimize their risks by using contractual relationships which transmit the market uncertainty down the hierarchy of control to subcontractors and ultimately to individual workers.

Consequently, expansion of artistic worlds leads to a rapid increase of the population of employers and small organizations. In the record and motion picture industries, for instance, although oligopolistic market control by major companies remains a striking feature mainly through the control of distribution and finance [Aksoy and Robins (1992) and Storper's reply (1993)], a vertical disintegration scheme at the production level has occurred resulting in an increasing number of independent film producers [Christopherson and Storper (1989); Storper (1989)], record companies [Burke (1997)], and publishing houses [Boin and Bouvaist (1989)]. In the performing arts, the expansion of the non-profit sector and the increase in public support have favored the multiplication of dance companies [Sussmann (1984)], theater groups [Menger (1997)] and music ensembles. Even if demographic trends concerning the rise and fall of organizations differ across the various arts scenes,⁶ on the whole the expansion of the “craft-administered” and “flexibly specialized” production sector, with its growing product differentiation, has brought temporary organizations or small organizations to hire performing artists and craft workers almost only on a short-term basis.

Thus performing artists act like independent contractors and cycle between employers and between work and unemployment spells. Although asymmetrical, the relationship between the employer and the freelancer is that of a matching process where both sides build a career interdependently, as carefully demonstrated by Faulkner in his study of the Hollywood job system.⁷ Artists as well as entrepreneurs accumulate a history of results and their performance ratings translate into reputations and into distinct industry identities. Careers are two-sided affairs, with entrepreneurs making distinctions among qualified artists, and artists (directors, screenwriters, composers, etc.) making distinctions among film productions. Careers advance incrementally through recurrent and non-recurrent matches; artists learn how to spread their occupational risks by forming career portfolios, i.e. by mixing one-shot ties which are the normal feature of a loosely coupled hiring system and recurrent “bread and butter” accounts with a few producers. Faulkner shows that such a spreading of accounts allows the artist to hedge his or her

⁶ For an extreme example, see the case of dance music [Hesmondhalgh (1998)].

⁷ See Faulkner (1983) and Faulkner and Anderson (1987).

bets, to get information about a wider environment and to accumulate credits in a human capital investment program through a variety of work, stylistic diversification and adaptation to changing teams. As cumulative productivity profiles greatly differ, distinct matching proclivities segment the labor market; team matchings are neatly stratified in equivalent classes of market agents. Yet given the high variance in activities and the volatility of the cultural industries, career advancement and attainment are never secured.

In the creative arts, self-employment has been for long the prevailing work status. Self-employed artists' careers display most of the attributes of the entrepreneurial career form: the capacity to create valued output through the production of works for sale; the motivation for deep commitment and high productivity associated with their occupational independence (deriving from the capacity to control their own work, a strong sense of personal achievement through the production of tangible outputs and the ability to set their own pace); and a high degree of risk-taking, as shown by the highly skewed distribution and high variability of earnings [Alper et al. (1996)]. Thus, as stressed by Freidson (1986a), self-employment may bring with it only an illusory independence and autonomy; the freelancers who fail to move into the inner circles of successful colleagues get locked in a precarious situation. Being neither a stage process nor a simple bargaining process [Abbott (1990)], career trajectories under a self-employed or a contingent work status combine traits from professional as well as from entrepreneurial careers as defined by Kanter (1989). Artists rely on skills as well as opportunities to take on evermore challenging assignments that bring them greater knowledge and more rewards; they have an external market value based on reputation; they exhibit less loyalty to particular organizations than to the professional community; and they may manage their working life much as property owners do when spreading their risks. Indeed flexibility requirements and career concerns lead individuals and organizations to combine different contractual forms and use many opportunities within a whole range of contractual arrangements; for example, musicians in orchestras can also be hired as freelancers for some studio recording jobs and hold a teaching position in a conservatory, so that the employment-status distinction is somewhat blurred at the individual level.

Thus artists, even if operating as single input firms, may behave like entrepreneurs managing small businesses and work portfolios, and their labor market may be compared to a network of small ad hoc firms trading along matching processes from one project to the other. The analogy with small firms may be taken one step further when multiple jobholding behavior and role versatility are brought into the picture, as shown below. The large number of small artistic organizations and their high rate of turnover may be explained that way, since composers [Burke (1997)], choreographers [Sussmann (1984)] and stage directors [Menger (1997)] can easily set up companies or fringe firms by relying on a portfolio of resources and multiple roles. Although brokerage has emerged as a major device for mediating labor allocation and matching processes in a highly fragmented labor market [DiMaggio (1977); Bielby and Bielby (1999)], artists may be induced to exercise supervisory or managerial skills and in so doing to blur the line between management and labor [Christopherson (1996)]. In that respect, the

artist's earnings, like those of any self-employed worker, depend not only on her skill, talent and effort, but also on how well she performs the managerial and entrepreneurial functions [Aronson (1991)].

According to Weick's notion of self-designing organizations [Weick (1979); Weick and Berlinger (1989)], careers in such a labor system are subjectively patterned since they are committed to impermanence, to cumulative learning and exploration rather than tied to external career markers. Regarding the dynamics of personal growth and achievement, one striking feature of careers in the arts is their temporal aspect: to take only each end of a working life in the arts, precocity often plays a significant role, not only as a mythical feature of the "self-generating genius" topic described by Kris and Kurz (1987), but also a symptom of the ambiguity of the transition from training to work, since many creative artists and performers produce serious work and get credits before their formal training is complete [Menger (1997)]. Conversely, late starters are particularly prevalent among writers [Throsby and Hollister (2003)] and the increasing occupational flexibility of careers also leads to late entry for a second career, whether this be corresponding to a deferred vocational choice or to reconversion following redundancy, as is the case in the crafts sector surveyed by Knott (1994). Of course, self-employment status typically allows for such switches.

The span of a career varies greatly with the type of art (e.g., dance vs. creative writing), with the subsector of each art world (classical dance vs. contemporary dance), with the occupation in it (performing vs. creative work), and with the organizational and market features of each world.⁸ Only sharply contrasting examples may be cited here: a conductor's career may extend until near the end of his life with almost no time for retirement, but classical dancers have career schedules constrained by severe physical requirements [Baumol, Jeffri and Throsby (2004); Rannou and Roharik (2006)]. In the high arts sphere, reputation may be a factor explaining exceptional longevity, enhancing the sense of achievement well beyond the average working-life terms [Anzieu (1981)]; furthermore the reputation capital may be converted into an artistic and economic rent, since the famous artist faces an inelastic demand for his praised work [Moulin (1987)]. By contrast, skyrocketing success in the mass-market arts and entertainment industries is subject to sudden shifts in market demand towards new competitors, and is characterized by highly volatile reputations.

3. The rationales of occupational choice and risky careers

In most advanced countries, census data provide quite similar pictures about artists' earnings: mean annual earnings appear to be less than those in occupational groups which require similar levels of professional training and qualification. Filer (1986), in a

⁸ For empirical research results on careers, persistence in occupations, quit determinants, and transition profiles, see Chapter 23 by Alper and Wassall in this volume.

provocative paper, claimed to have refuted the “myth of the starving artist”, estimating the income penalty in artistic occupations to be less than 10 percent. But his study did not distinguish between arts and non-arts sources of income nor between income from creative activity and that from arts-related work. Moreover, the income gap estimated by Filer varied greatly among the different artistic groups (–69 percent for dancers, +58 percent for actors and directors).

In short, as summarized by [Throsby \(1994b\)](#) and by [Alper and Wassall \(2006, Chapter 23 in this volume\)](#) in their review of numerous studies, artists actually appear to suffer from significant income penalties, to have more variable income both across time for an individual artist and across artists at a given point in time, and to get lower returns from their educational investments than is the case in other comparable occupations. Although data based on similar sources and similar methodological design may be difficult to obtain for a careful comparison of each category of artists’ incomes over time, the distributional evidence remains the same: the skewed distribution of artists’ income is strongly biased towards the lower end of the range and artists as a group experience huge income inequalities. Nevertheless artists are not deterred from entering such an occupation in growing numbers, nor is there as much withdrawal from artistic careers as would be expected.

Are artists irresistibly committed to a labor of love, or are they true risk-lovers, or perhaps “rational fools”, to use Sen’s phrase [[Sen \(1976\)](#)]? The “labor of love” argument [[Freidson \(1990\)](#)] insists that occupational commitment and achievement in the arts cannot be matched to the monetary considerations of a market economy of exchange; they should better be conceived as skilled and sustained activities that entail a transfer value and that artists carry out by making a living in host occupations such as teaching. Artists’ notion of their “calling”, analyzed by [Kris and Kurz \(1987\)](#) as an historically recurring feature of artistic biographical narrative, calls to mind the “inner drive” reported by [Jeffri \(1991\)](#) and by [Throsby \(1994a\)](#) as the foremost criterion of professionalism according to US visual artists. The ideology inherited from the “art for art’s sake” era may even reverse the meaning of success and failure, so that only recognition by the peer group matters, at least in high art worlds [[Bourdieu \(1992\)](#)]. One way to deal with this ideological dimension is to turn it into an inherent cultural trait – a kind of occupational characteristic that goes along with artistic life or, to be more precise, that blurs the boundaries between occupation and private life. However, once this trait is regarded as belonging to the initial socialization process of the artist via a very early manifestation of ability and taste for the arts, such an explanation turns out to be highly deterministic and ultimately tautological; artists are committed to their art and linked to their community of fellow artists whatever degree of success in the market they may meet. Inescapable commitment results in a highly inelastic labor supply function.

The second argument is that of occupational choice under uncertainty: artists may be risk-lovers (whatever origin one may assign to this preference), or they may be induced to take risks by a probabilistic miscalculation. Occupations where enormous rewards are concentrated in the hands of a small number of practitioners while the majority of entrants may do poorly entail a high degree of uncertainty; entry into these fields

is like a lottery where players overestimate their chances, as has been emphasized by Alfred Marshall (1947). The analogy with a lottery is not entirely appropriate; while it is helpful to think of the skewed distribution of incomes as a matrix of payoffs, it would be misleading to suggest that success is purely random and has nothing to do with individual abilities.

A third, less deterministic view may be offered that substantiates an occupational choice dimension without overshadowing the characteristics either of work or of workers. Rewards in artistic jobs are of two sorts: monetary and non-monetary, the latter being “psychic income” flows which have in fact been regarded for a long time as an essential dimension of work. Analytically speaking, every job can be regarded as a bundle of characteristics; wage differentials compensate for more or less attractive work and equalize among workers the total monetary and non-monetary advantages or disadvantages. This theory of equalizing differences [Rosen (1986)], which goes back to Adam Smith, seeks to explain the diversity of characteristics of work and workers by giving central consideration to individual preferences and choice, provided that there is perfect information on both sides of the market. Artistic work can be considered as highly attractive along a set of measurable dimensions of job satisfaction that include the variety of the work, a high level of personal autonomy in using one’s own initiative, the opportunities to use a wide range of abilities and to feel self-actualized at work, an idiosyncratic way of life, a strong sense of community, a low level of routine, and a high degree of social recognition for successful artists. All these benefits have a shadow price, which may be compensated for by a lower income than would be expected from less amenable jobs.⁹

The benefits derived from non-monetary income are, however, not of a uniform magnitude; an analysis in terms of equalizing differences requires that we adjust the total amount of these benefits according to the job, the level of professional achievement, and the conditions which prevail for those in the profession who, still waiting for success, are forced to take on secondary jobs. Comparisons between artists salaried and independent artists [Fohrbeck and Wiesand (1975); Taylor (1987)] reveal, for example, that the latter obtain higher levels of non-monetary satisfaction, but have lower average incomes, higher levels of job insecurity, higher rates of unemployment and greater variance in individual incomes around the mean. On the other hand some studies reject to a great extent the presence of any compensating “psychic income”: the emblematic case of orchestral musicians illustrates the counter-mythology of the artist subjected to the constraints of an organization, resigned to a humdrum and narrowly-specialized job that is very distant from what long years of apprenticeship oriented towards individual accomplishment in a soloist career had led him to expect [Arian (1971)].

Conversely, in contingent work the risk of unemployment is pervasive and insurance devices through long-term contractual relationships are by definition missing. The typical worker will view the risk of unemployment as something that must be compensated

⁹ It should be noted that in strong contrast to the ideological argument, especially to its deterministic aspect, people discover what a non-routine job really is only by experiencing it.

for by a higher hourly wage. Such compensation for uncertain labor prospects is in fact observed in the performing arts since intermittent artists and workers earn higher hourly wages than those employed on a long-term basis [Debeauvais et al. (1997)]. The wage premium is paid by employers in order to draw on a reserve army of underemployed individuals whose availability has to be secured; a loss of flexibility in employment decisions would be more costly for firms. Yet this compensating differential scheme operates only imperfectly, since hourly wages are no higher for seriously underemployed workers than for their more successful colleagues.

Compensating wage differentials therefore play their role mainly at the industry level. Individual differences in hiring probabilities are, by contrast, not subject to compensation, leading to another kind of risk. The mechanics of freelance and contingent employment are such that accumulation of hiring acts as a reputation signal in a self-reinforcing process: hiring calls for more hiring. Thus as the intermittent working system expands, at any given time the number of job candidates increasingly exceeds the supply of full-time jobs. In their extensive study on the vertical disintegration and flexible specialization trend in the Hollywood film industry and on its effects on the labor market, Christopherson and Storper (1989) showed that through subcontracting, financing and distribution of independent producers, utilization of less costly production methods and expansion of auxiliary markets, the demand for short-term contract workers increased. They went on to demonstrate that the aggregate quantity of work available increases far less rapidly than the pool of individuals employed intermittently, generating a growing competition and resulting in a decreasing average participation in production. Thus, when production undergoes a process of increasing vertical disintegration, employment instability and labor market segmentation develop; since job allocation takes place on an individual basis and involves on-the-job accumulation of skills and reputation, experienced and network-building artists and workers are frequently hired and face less discontinuous employment than beginners and individuals only loosely connected with the most active entrepreneurs. Thus differences in annual earnings of workers may reflect differences in hours worked more than in wage rates.

Research on the French performing arts labor market highlights these mechanics of work contingency [Menger (2003)]. The French labor market for the performing arts has constantly expanded over the period 1986–2002. However, the supply of work (the number of artists working) has evolved at rates of increase much higher than the demand-side trend (the number of hirings, the number of worked days declared and the total amount of earnings). As a result, the median amount of working time and earnings per artist decreased over the period, although the number of hirings increased; individual intermittent work was increasingly fragmented in shorter hirings, and competition turned out to become fiercer among the growing numbers of artists sharing the less rapidly growing “work pie”. People have been partly compensated for the increasing risk that goes along with the shortening of individual hirings, since hourly wages have been increasing faster than in other sectors. On the whole, however, the decrease of median earnings over the period indicates that employers do not insure the artists they choose to hire under such a working scheme against the consequences of the unbalanced

growth of that labor market. Employers and consumers may benefit from the increasing variety of talents supplying their work, but at the expense of increasing variability in individual working arrangements, both across the workforce and during the career of each artist.

It should be also stressed that the non-monetary dimensions of work contingency might vary with a freelancer's age [Spilerman (1977)]. Artists offer many examples of a "career-line vulnerability to aging"; as they get older, freelancers such as actors appear to be increasingly sensitive to job insecurity and to the steady strain of searching for jobs, of gathering information about new projects and of maneuvering repeatedly to remain visible in a highly competitive labor market [Laplante (1990); Menger (1997)]. Orchestral musicians and dancers also experience well-patterned sequences of job change over their life cycle; the upward mobility chances of the former decrease quite abruptly after about age 35, inducing them to adjust their occupational commitment [Faulkner (1973); Allmendinger, Hackman and Lehman (1994)], while the latter have to plan their transition to a new career at about the same age [Federico (1983); Baumol, Jeffri and Throsby (2004)].

4. Talent, tournaments and the manufacturing of inequalities

The "equalizing differences" argument is attractive for its elegant parsimony. Artists who remain in artistic occupations despite low and uncertain earnings gain something else that has to be taken into account in order to preserve the rational occupational choice frame; the additional income flow that one would expect to draw from another occupation has been exchanged for psychic goods. However such an argument formulates its notion of the compensating wage premium with respect only to the differences in average income levels across occupations standardized for a number of individual income-related characteristics (mainly education, experience, age, sex and ethnicity, location of residence and of work). From a distributional perspective, artistic occupations show a strikingly high variance in income. Factors behind this skewedness include talent, the formation of teams and the existence of tournaments in the arts.

4.1. Talent

Stinchcombe (1963) distinguishes between talent as a complementary factor of production and talent as a nearly additive factor. The former is found in firms, activities and positions (e.g., scientific research, soloist performances in classical music concerts and lyric productions) where output value may benefit more than proportionately from inter-individual differences in levels of ability; accordingly, earnings inequalities are high. By contrast, the distribution of rewards is less skewed and seniority a more important factor where individual performance has a less dramatic impact on the value of the total pro-

duction, as in a symphony orchestra.¹⁰ Moreover, in the first case small differences in talent can become magnified into wide earnings differences, as shown by Rosen (1981) in his superstar model;¹¹ on the demand side lesser quality is a poor substitute for greater quality, so that preferences are strongly biased towards the latter, while on the supply side, due to joint consumption technology (that of mass production and the distribution of art and entertainment through records, books, TV, radio, etc.), the marginal costs of production do not rise in proportion to the size of a seller's market, but profits do. This is all the more so as media technologies and the internationalization of markets expand the scope of talent valorization. Such a model is consistent with the distribution of incomes observed in the industries relying on scale economies of joint consumption.¹² However, it has been objected that the basic assumption that small differences in talent may lead to huge return differentials requires a measurement of talent and quality other than income [Hamlen (1991, 1994)]. As that measurement is impossible to standardize in those artistic fields in which creativity runs against widely accepted canons (as opposed to the calibration of performances of a standard repertoire of works by unequally skilled performers), the explanatory power of the Rosen model underscores why the process of valuation of art and artists is indeed subject to considerable inflexibilities, asymmetries and imperfections.

Creative artists and their works are usually ranked according to notions of talent rather than skill. Artistic creation is built on a distinctive property, that of fine-grained differentiation of its products due to highly individualized strivings for originality and novelty. But how can talent be measured if its embodiments come to life under the rule of infinite differentiation? And should we accept in the name of creative talent all aesthetic infringements, especially those that break repeatedly with conventions, traditions and norms? The multidimensional nature of differentiation encourages recognizing many different embodiments of originality as true manifestations of creative talent. Yet critics, experts and consumers never cease making comparisons by ranking filmmakers, visual artists, writers, composers or actors. Both the market sellers, experts, critics, and eventually the end consumers sort and organize in a hierarchy those products of individual creativity which the criterion of originality by itself would tend at first sight merely to juxtapose. This occurs through multiple comparisons, disputes, controversies, strategic maneuvers, affiliated evaluations and marketing policies that turn horizontal differentiation into a vertical and inegalitarian one, based on more or less overtly publicized market scores and reputation ratings.

¹⁰ On the additively separable vs. multiplicative production function, see also Caves' (2000) and Seaman's (2003) comparative study of cultural and sport economics.

¹¹ See further in Chapter 25 by Adler in this volume.

¹² See, for example, Menger (1997) for differences in actors' earnings distribution in theater vs. audiovisual and cinema industry.

4.2. Teams

Another main dimension of this manufacturing of spectacular inequalities is the matching of individual skills and abilities within a world seeking to mine increasing productivity benefits from new designs of teamwork. The flexible organizational architectures most prevalent in this world (networks, project-based organization and vertically-disintegrated systems of production) favor structuring teams by co-opting professionals of similar reputation or quality – in other words by selective matching. A successful career means upward mobility within a stratified world of network collaborations by optimally mixing recurrent and unique ones [Faulkner (1983); Baker and Faulkner (1991)]. Theoretically speaking, the selective matching process between similarly high-skilled agents or talented creative professionals within team projects combines Rosen's analysis of multiplicative quality effects with Gary Becker's analysis of matching in marriage markets, as proposed by Kremer (1993) in his O-Ring theory of economic development. To the Stinchcombe distinction between the complementary vs. additive dimension of talent as a production factor, this model adds the notion of increasing returns to skill according to a non-standard production function, once the workforce of a firm or of a team project is considered as a whole.

4.3. Tournaments

In the art world, as in the sport world, highly unequal distributions of both monetary and non-monetary rewards are not only tolerated but demanded and even celebrated through all sorts of devices: celebrity tournaments, prizes, Oscars, awards, competitions of all sorts, publicity for highly priced artworks, lists of best selling novels and records, media coverage of super incomes, etc. Even though individual dedication to creative work is supposed to belong to the realm of intrinsic motivation, the business of fame turns inequality and hierarchy into subjects for fascination and admiration. These labor markets are built on the most astounding defense of inter-individual competition. Indeed artists' talents and their outputs' quality may be hardly judged by standardized, cardinal measurement devices; as stated by Lazear and Rosen (1981), competitive lotteries are here superior to more familiar compensation schemes.

Yet critical expertise is fallible, a matter that is less harmful for the critic than for the misranked artist [Ginsburgh (2003)]; moreover there are countless cases of collusive maneuvers, critical herd behavior, or even illegal practices such as payola [Coase (1979); Caves (2000)]. Actually the valuation process that produces quality ratings and translates them into rank positions is a noisy process, and the sorting procedure of the best has its long-lived pathologies. Artistic markets also generate a causally reversed rating process due to a cumulative signaling advantage, fairly similar to the Mathew effect observed by Merton in science. Since the market for artistic products and performances is an imperfectly competitive one, problems arise as to how consumers can know and appraise many characteristics of so many widely differentiated goods. Employers have search and information costs, as do consumers. Both may minimize their search costs by

using price or the artist's reputation as an index of quality. An artist's established reputation is less elastic to perceived and appraised quality than the competitive structure with its tournaments and sorting rankings would suggest. The vocabulary of reputation also brings to light the fact that the appraisal of art and artists varies with the organizational traits of each art world, since it reflects the cooperative and competitive activities of the various members of each world. Several dimensions of appraisal exist, of which the spot market value of the outcome is only one. Deferred financial success occurs especially in art markets where the appraisal is initially undertaken by a narrow community of experts and learned consumers, and where a capital of recognition may be accumulated that is eventually converted into an increasing share of demand, which may provide the most famous artists with a slowly increasing flow of earnings [Bourdieu (1992)].

5. The excess supply of artists

5.1. Causes of excess supply

Sociologists, economists or historians dealing with artistic labor markets have almost always referred to the oversupply of artists. For example, in their analysis of the economics of musical composition in Mozart's Vienna, Baumol and Baumol (1994) explain the "profusion of composers" by the merging of two forces, that of the still powerful imperial patronage and that of the rise of the free market, a process entailing an additive effect on employment opportunities and on the attraction into the musical profession of many "who would otherwise have sought to earn a living elsewhere" (p. 73). In the first half of the nineteenth century the glut of novelists and poets in Paris led to Parisian bohemianism and accounted for the success of the "art for art's sake" ideology, which acted as a compensating device for the subordination of the artist to impersonal market forces [Graña (1964)]. In several other European countries, literary proletariats were similarly spawned by the mid-century publishing boom.

The Impressionists' revolution took place in a Parisian art world whose institutional apparatus – the Academic system – was collapsing under pressure from the greatly expanded number of professional painters. White and White (1965) show how control was lost over the flow of recruits through art schools, the flow of paintings produced, and the careers of the painters; a free market took over to launch innovative artists and movements on a more flexible and also much riskier basis of open competition involving dealers, critics, painters and buyers. Supply was no more to be regulated, hence oversupply became a permanent feature of that market. Furthermore, in Berlin and Munich at the turn of the century the art market was similarly overcrowded with painters competing for recognition and success; periodic panics about the glut and the high rate of unemployment didn't deter students from entering art schools in growing numbers [Lenman (1989)]. A further example comes from the minute study of the music profession in Britain carried out by Cyril Ehrlich (1985) who reported substantial evidence of a glut at the turn of the nineteenth century, at the end of a 60-year period during which

musicians had become one of the fastest growing professional groups; he showed how musicians, aside from lamenting over the damnable flood, tried to react to the pressures of relentless competition and its consequences (very low fees and depressed incomes, underdealing practices, etc.) by establishing professional associations and trade unions, despite increasing segmentation among the workforce.

Summarizing the evidence at hand, [Lenman \(1989\)](#) states that

... the problem of surplus artists was part of a much broader, international cultural phenomenon. Between the 1860s and 1914, for example, steeply rising enrollment in German higher education led to periodic panics about overcrowding and unemployment. In several European countries, literary proletariats were spawned by the mid-century publishing boom. Music and theatre were overflowing with excess labour; in Britain in 1891 there were nearly twice as many musicians as bank clerks, and extreme variations in status and pay. Though the market free-for-all enhanced the importance of dealers, agents, professional organizations and other stabilizing elements, it also created a reserve army of starving music-teachers, hack authors and painters forced into all kinds of low-grade and shady occupations (p. 131).

In each of the cases mentioned above, a similar array of factors is invoked: a rising level of demand (enhanced by factors such as urbanization, increasing educational level, growing incomes, more leisure time, public support), changes in the commercialization of art that bring market principles of organization and bargaining into harmony with the stream of artistic innovations, and technological innovations affecting the transmission and distribution of art. Unlike short-term fluctuations that may be provoked by fads and fashions, long-run shifts causing an increase in private and/or public demand trigger an expansion in training facilities, and more artists appear. But, as Ehrlich shows in the case of musicians, inflexibilities may dramatically hinder the equilibration process if demand turns down, as in the case of the briefly flourishing demand for musicians in cinemas which collapsed with the coming of talkies. Existing practitioners are trapped in a disintegrating market while new aspirants continue to flood in; the training system may play an unintended role in the self-congesting spiral of oversupply, since teaching positions and kindred activities in non-profit art organizations shelter artists from occupational risks.

Innovations in artistic production resulting from the interaction between new techniques, aesthetic shifts and market transformations have often been studied in respect to their impact on labor supply. Some of these innovations tend to lower or to modify the usual skill requirements, and/or the quantity of input factors in the production process, resulting in an increase in artistic productivity, a growing competition among artists and a declining control over entry and professional practice through the traditional devices of the professionalization system.¹³ Also technical innovations such as

¹³ Among numerous possible examples we may cite the new methods of production of paintings in seventeenth-century Holland [[Montias \(1996\)](#)]; the deskilling process at stake in many avant-garde innova-

motion pictures, radio, television, records and other recent changes increase the extent of scale economies in artistic and entertainment activities [Rosen (1981)]; as the market supply of works and services grows, the scope of each performer's audience gets larger, and more numerous artists are induced to enter the labor market, though some occupational trades and niches of specialization may disappear. Even if this results in a greater concentration of rewards among the most talented who can operate on an international scale, the lure of enormous rewards and the associated social recognition may favor gambling behavior, as success seems like a lottery game in a more speculative market of talents.

Organizational flexibility in the arts plays a major causal role in nurturing steady over-supply. For record companies or book publishers,¹⁴ overproduction of new items, along with the allocation of numerous personnel to boundary-spanning roles and co-option of mass-media gatekeepers, is a rational organizational response to an environment of low capital investments and demand uncertainty, especially in the most speculative and entrepreneurial segments of the market; because of a strategy of differential promotion of the numerous items released, the firm's attention eventually focuses itself on a small proportion of them. Since "nobody knows", too many contestants are induced to enter the success race [Caves (2000)]. The same holds true for employment relationships in the performing arts. Employers in project-based performing arts organizations seek to draw from a large pool of artists and personnel in order to reduce overheads and build efficient and well-matched teams, gaining from the variety of talents and skills at hand.

5.2. Agglomeration and congestion

Excess supply of artists is still more than ever evident today. Its spectacular manifestations occur exclusively in the main cities where artists and cultural producers and employers agglomerate [Menger (1993); Scott (2000)]. An effective way to overcome the complexities of a vertically disintegrated and highly flexible production process is indeed to rely on spatial concentration. Especially dense transactional relationships between production units have geographically-sensitive cost structures. The greater the costs per transaction, the greater the probability that firms will agglomerate in order to benefit from external economies of scale [Hall (1970); Storper and Walker (1989); Glaeser (1998); Quingley (1998)]. This leads to an original scheme of competition between the firms. The distinction between short contractual arrangements (at firm level) and employment processes (at industry level) is blurred by the multi-sided activities of each worker as well as by the dense formal or informal relations between employers. Indeed, artistic production is based on three components:

tions in visual arts [Moulin (1992)]; the pop music revolution [Peacock and Weir (1975)]; and the success of dance music [Hesmondhalgh (1996)], which can be partly explained as the result of the widespread availability of production technology, the transformation of the record industry, shifts in authorship and the segmentation of market demand.

¹⁴ As highlighted in Hirsch's pioneering paper [Hirsch (1972)] and by Coser, Kadushin and Powell (1982).

- a nexus of ties between firms involved in the different parts of the production process and between the many employers who draw from the artistic labor pool;
- an original way of processing information through this network in order to minimize the costs and length of sorting and hiring operations; and
- conventional industry-wide negotiations and arrangements regarding wage and reward schemes as well as the mitigation of risky employment prospects.

Employers compete for contracting with the most profitable talents, but they all need to have access to a reserve army of artists; they are of course better off if the major part of the costs of securing pools of employable artists fall on these mechanisms.

For these reasons artistic activities show a very high level of spatial concentration in a few locations or even in one dominant city in each country. A threshold or critical-mass effect exists both on the supply and the demand side, as suggested by Blau's study of the cultural organizations in the largest US cities [Blau (1989)]. The relation between increase in the city population and increase in cultural supply (artists, organizations) is linear in the case of popular culture, but multiplicative for elite arts institutions. In other words, popular culture depends directly on market forces and consumer sovereignty, when the less popular high culture needs a larger pool of potential consumers to develop. It is also remarkable that even in the presence of an actively decentralizing cultural policy, as in France over the last two decades, the concentration of artists and art professionals did not significantly decline. The Parisian case is striking: during the 1980s, the population of artists and professionals involved in cultural production expanded rather rapidly in France (+55 percent between 1982 and 1991) but the share of artists living and working in Paris and the Parisian region also increased (from 45.8 to 54.1 percent).¹⁵

Artistic supply also has its seasonal congestion peaks. The dramatic example of the 19th Century annual Salon exhibition in Paris has been for a long time a prime symbol of a congestion phenomenon in the arts, with exhibition halls full of paintings from the bottom to the ceiling.¹⁶ Today we see bookstores overwhelmed by crowds of debutant writers' novels, especially at the start of the literary calendar – how often do critics lament over the crazy publishing policy that releases hundreds of such novels over a very short span of time during the literary prizes peak period in Paris. Or take the example of the simultaneous release of many big-budget movies on the same weekends, discussed by Camerer and Lovallo (1999) in their study on overconfidence and excess entry. One may also mention the ever more numerous classical musical contests with queues of contestants trying to win a prize and to attract critical and public attention, although in this case filtering procedures¹⁷ are quite strict, unlike the situations mentioned by Camerer and Lovallo where the criterion for success is more vague and ambiguity permits excess optimism, letting people or firms overcompete.

¹⁵ See further in Menger (1993).

¹⁶ As satirically drawn and painted by Daumier.

¹⁷ Note, however, that these procedures are subject to significant evaluations biases such as the order of appearance at the competition, as studied by Ginsburgh and van Ours (2003).

Excess supply of artists, insofar as it is causally related to the lottery-like structure of occupational prospects in the arts, has been subject to interpretative controversies among economists. Frank and Cook (1995) call into question the way the winner-take-all markets operate, with their damaging features; the payoff structure generates a spiral of individual and social occupational waste, since it leads both to increasing inequalities in monetary and non-monetary rewards, overcrowding in markets, and occupations prone to an overestimation of one's chance of success. As a result when excess numbers of contestants are induced to invest in performance enhancement in order to raise their individual odds of winning, these investments will be mutually offsetting and socially inefficient; end consumers may get more valuable products but the social costs are excessive. By contrast, Cowen (2000) argues that the superstar effect is welfare-improving (consumers get better performances) even if it leads to increased income inequality, but that it should not be overstressed. Indeed, fame is a positive-sum game, not a negative nor a zero-sum one. Instead of an unambiguously increasing concentration of rewards, Cowen states that countervailing forces operate such as a convergence of quality that limits the ability of the very best stars to dominate the market for long, or more radically the elastic supply of fame, so that when demand for fame increases, the number of prizes, rewards etc. rises too.

5.3. *Monopolistic competition*

Common traits of monopolistic competition include high product differentiation (works and performances), a large variation in consumer preferences and excess capacity of production [Lancaster (1979)]. The application of a monopolistic competition model to the market for art works is well known. In regard to artists, a temporary monopolistic position in the market may be provided by an artist's reputation, as long as her skills and talents are in demand. As cultural industries develop, several markets get related and monopolistic return to reputation may be increased according to different pricing schemes. A striking example is provided by Krueger's (2005) study of the market for rock concerts. Uniqueness of sound and style of a rock band, when successfully meeting the consumer demand, provides it with a monopoly power. Until the late 1990s, famous rock bands were able to exploit the two complementary markets of concerts and records. Krueger assumes that when greater concert attendance correlates with greater artists' record sales, artists may be induced to price their tickets below the profit-maximizing price for concerts alone. When new technology allowed many potential customers to download music, the link between the two markets weakened. Krueger's data and statistical study show a sharp increase in the average concert ticket prices and in price dispersion from 1996 to 2003; star bands were able to compensate for their income loss from declining record sales by maximizing their monopoly profit from concert attendance.

In theory, the supply of artistic talent is infinitely differentiated; every artist claims to be endowed with unique skills and to supply original achievements. One may therefore speculate about generalizing the monopolistic competition model to the entire work-

force of creative and performing artists. The level of reputation, the amount of work, and the degree of occupational success vary considerably among artists; shall we consider as monopolistic suppliers of their own work not only those artists who face a rather inelastic demand curve due to their temporary or established fame, but also those in the lower segments of each artistic occupation who are induced to act as monopolistic suppliers (i.e. to trade their human capital and work as freelancers) although their market value and market power are very poor? In the latter case, young aspiring artists, or moderately or poorly successful ones, may claim to be endowed with a unique set of skills, talents and abilities, yet do not benefit from the rent attached to its seemingly monopolistic supply.

Consider also creative artists whose compositions, paintings, manuscripts and screenplays are put up for sale by gallerists, publishers, talent agencies and so on. Because most of them are self-employed, it would seem meaningless simply to equate fewer working hours with unemployment spells or underemployment levels. Their income does not derive from a quantity of working time at a given wage rate [Frey and Pommerhne (1989)]. Creative artists decide whether or not to continue to work in their chosen field according to their income and to the stream of their expected earnings. If their income is low, because of low demand for their work, a simple increase in production through more work may have no effect and an increasing supply of the works for sale at lower prices may not trigger an equilibration process, since the price acts as a signal of quality and a decrease in the pricing of a contemporary artist will promptly be interpreted negatively. Since these artists can make their own work opportunities, over-supply of the works they produce cannot be defined at any given price; this explains why so many creative artists, though working hard and being fully committed, may suffer from low or very low income levels, and develop a sense of null or even negative correlation between effort and earnings in their vocational trade.¹⁸

Caves (2000) views creative products as a mixture of vertical and horizontal differentiation. This may help solving the intriguing issue of the competitive nature of artistic labor markets. Horizontal differentiation stems from the fact that artists and their work differ from one another in many ways; vertical differentiation refers to the rankings of artists according to their skills and level of talent, and to the quality and originality of their products and performances. The mixture of both types of differentiation may blur the ranking process and generate evaluations that are disputable and volatile. Would excess supply be less pathological in the arts if artists worked more uniformly like scientists? In the sciences, the winner-take-all structure of competition takes an extreme form wherever the priority race in discovery prevails. There is only one winner in each race, and inequality with regard to scientific productivity and to the awarding of priority is considerable and increases over the careers of a cohort of scientists, due

¹⁸ As reported by Moulin (1992) in her extensive study on visual artists.

at least to some state dependency and cumulative advantage process.¹⁹ The priority system obviously creates an excessive attraction to scientists in certain extremely well-rewarded contests. Note however that this portrayal of scientific competition mirrors the vertical differentiation process of creative destruction of knowledge when innovation proceeds along predictable paths of accumulation. Yet the creative game in science also has a serendipity dimension and benefits from hybridization of different specialized knowledge. Since every scientific field grows by splitting itself into increasingly fine-grained subspecialties where the intensity of competition varies according to the prominence and reward-generating power of each field, room is left for more horizontal differentiation and its subsequent monopolistic competition aspects as well as for cross-disciplinary innovations.

Vertical differentiation in the arts goes closer to that found in the sciences whenever a dialectic process of discovery, obsolescence, destructive creation of styles and languages takes place, especially in the fine arts and within periods of time strongly committed to the *avant-garde*. Under such conditions, priority becomes a key value and generates a strong opposition between an elite group of innovators, groups of followers, and crowds of more or less instantly displaced artists producing old-fashioned art whose market shrinks and eventually vanishes. However it is well known that such a priority-driven competition scheme fits only parts of the artistic production landscape. Caves' analysis very aptly captures the complexities of the valuation process within a context of mixed production:

The process of distinguishing significant innovation from everyday creativity varies among creative activities due to the filtering porosity of their filters. In a creative activity with tight and clearly articulated standards of performance, critical presumption is loaded against the acceptance of novelty as a valid and desirable innovation. An innovation must either carry the credential of manifest face value, or eke out slow victory in localized skirmishes between novel and traditionally accepted creative goods. On the other hand, an art realm that welcomes any novelty as a noteworthy innovation necessarily lacks consensus on any critical paradigm. Critical rankings lose their value for consumers to calibrate and rationally order their selections among creative wares. A list/B list rankings are impaired for contributing to the efficient organization of complex creative activities. It is the old issue of liberty versus license. A creative activity that yields the most value for its participants as a group will need a suitable compromise between tight critical standards that resist those innovations that will ultimately overrun the "establishment", and loose standards that yield no stable valuations or points of reference to guide either artists' training or consumers' investments in cultural consumption capital [Caves (2000, pp. 202–203)].

¹⁹ See Stephan (1996) for a review of the literature.

6. Remedies to excess supply? Creative prospects and chances of self-actualization

Things would be simple if artists could form correct expectations about their chances of success or at least about their odds of decent living within the occupational sphere they choose to enter. Competition would seem to be less wasteful, failures and occupation switching less frequent if not marginal, misallocation of talents due to excessive lure of stardom or of self-achievement promises wouldn't hamper the development of other occupational worlds that might be short of such diverted abilities, training systems wouldn't favor wasted investments, risky occupational prospects with their possible generous unemployment insurance wouldn't claim increasing public support at the expense of other economic sectors, and competition might gain in fairness, since artists would have enough time to prove themselves.

Such an argument has a strong and a weak version. The *strong* version is that of an optimal allocation of talents according to an "optimal division of labor" scheme. Such a world can be found in functionalist models of society originating in early Durkheimian sociology, and also in some economic models of welfare analysis of work such as Lancaster's model of optimal division of labor which matches people to the occupation where their abilities and skills are optimally employed. Required are: a set of well-defined standards of performance and creative content on which critical evaluation and competition may be based; the optimization of the educational and training system that detects abilities and provides individuals with the best-fitting skills; and the use of optimal reward schemes that deter people from choosing what happens to their first-best occupational fate.²⁰ This view could hardly apply to art. In its sheer essence, art has been celebrated and valued as the symbol of creative, innovative and non-routine work. Creative and non-routine work provides psychic and social gratification proportional to the degree of uncertainty of success. The more the work is non-routine, the less one can be certain about the immediate or long-term chances of individual achievement. To be sure, artistic work also entails routine aspects both in relative and absolute terms.²¹ Yet as the non-routine dimension points to the challenging and intrinsically rewarding side of work, it gives artistic creative work its differential value. Performance in non-routine activities does not depend on skills that could be easily objectified, transmitted and certified in the training system. Indeed, the impact of schooling on earnings is typically

²⁰ The two Lancastrian propositions in his welfare economics of work are, first, the optimal match proposition: "Among all the allocations of persons to jobs which satisfy the requirement that every person holding a job has the skills needed to perform it, there is an optimal allocation", and second, the optimal division of labor proposition: "If the number and specification of jobs can be varied, there is an output-maximizing division of labor which gives the greatest output from the skills available in the population and an optimal division of labor which gives the greatest overall welfare from work and consumption. The output-maximizing and optimal divisions of labor need not be the same" [Lancaster (1979, pp. 326–327)].

²¹ Various artistic occupations and individual achievements may be ranked according to how routine or non-routine the work is, and no artist could every time reconstruct afresh his own frame of activity and no collective work could be achieved if conventions didn't exist as stabilizing forces [Becker (1982)].

smaller for artists than it is either for all workers or for managers, professionals and technical workers [Filer (1986, 1990)]. Insofar as non-routine activity refers to a wide range of changing and challenging work situations, it therefore implies that abilities may be revealed and skills acquired only progressively through a process of learning-by-doing which is highly informative and which cannot be perfectly anticipated *ab initio*. Even if one were to assume that innate abilities command success much more than formal training, talent could express itself only by coping with work situations that reveal the multiple characteristics of what artistic achievement really is.

A *weak* form of the optimal division of labor argument is the optimal trial-and-error process. If talent can be detected more rapidly, then quit rates in artistic professions will be much higher and turnover rates will help to form more realistic expectations about one's chances. And if artists behave rationally, expected risky occupational outcomes should be experienced in a way quite similar to that predicted by the theory of option pricing in finance. An optimal sequential decision scheme orders occupational alternatives with respect to risk; it is rational to choose the job with the greater risk first and to switch to a less risky alternative if the outcome turns out to be unfavorable. In the spirit of Johnson (1978) and Jovanovic (1979), MacDonald (1988) applies his theory of job assignment and sequential accumulation of information [MacDonald (1982)] to artistic careers; he conceives of the stochastic dynamic superstars model as a model of occupational choice where performers accumulate information on the likely outcome of a subsequent performance and learn to rate their job match.

Indeed, in a realistic dynamic occupational choice model, informational considerations are brought in, as in the job-matching approach of occupational choice [Miller (1984)] that seems to fit rather well with the results of surveys on the careers of freelancers. Job applicants learn only gradually how well they are suited for a particular artistic occupation and to what extent they can expect to meet success in it. It is a costly and rewarding "trial and error" process; one becomes more and more informed about the various facets of the occupation and about one's own abilities through doing the job. Workers accumulate skills through experience and learning-by-doing. As non-routine work implies a steady human capital investment, it takes place in a matching process where jobs are "tied packages of work and learning" [Rosen (1986)] and are ranked along their varying learning potentials, as shown in Faulkner's (1983) research on freelance composers in Hollywood. The attractiveness of artistic jobs can therefore partly derive from their high learning potential, at least as long as the work is non-routine enough. In fact, many artistic occupations provide this kind of information only through a learning-by-doing process, either because formal training is not strictly required to enter the professional community and to succeed (in some artistic occupations like that of writer, formal training seldom exists), or because formal training doesn't act as an efficient means for selecting talents and for screening abilities. This is probably why so many artists think of themselves as self-taught, even in occupations where formal training plays a genuine role. For example, most actors, while satisfied with the technical aspects of their training, are nonetheless critical of the lack of preparation; information about one's abilities and chances of successful professionalization is mainly

acquired in the course of practicing [Jackson et al. (1994); Menger (1997)]. Yet the learning and information acquisition process is costly; jobs where one can benefit more from learning-by-doing are on average less well-paid initially than jobs where applicants can be selected on the basis of university degrees or through other immediate skill certifications.

However, application of this job-matching model to artistic occupations raises two issues. First, it may be asked how much information one needs before being able to assess the quality of one's job match, considering that occupational practice acquires so many different forms, and takes place in so many environments and in relation with many diverse employers and patrons. In addition, this high variability in practice probably influences the artist's behavior regarding risk-taking. In some respects, each work experience in the performing arts such as theater or movie production is unique, and each team of artists and technicians is different; there seems to be no end to the learning process and to the assessment of one's talent and no situation seems really crucial when one has to decide how far to go in such a career. This could explain why many artists maintain for so long the hope that they will eventually become famous, even after death. Romantic writers and poets invented a psychological and ideological device for fighting against short-term disenchantment: the "loser is eventually the winner" game [Sartre (1971); Bénichou (1985)], which designs the consolatory counterpart – the "loser-take-all" society – of the world depicted by Frank and Cook (1995). More generally, under a highly flexible working scheme the explanation of oversupply by the "risking-and-learning" model is especially appealing. Where information about the quality of the individual occupational match is delivered only through on-the-job experiences which are subject to contingency and discontinuity, aspirants are not screened at entry; experiencing the more or less unbounded autonomy of creative work may raise the non-monetary valuation of work and lower the opportunity costs of the choice to stay in the trade, even if facing low success. This helps explaining why barriers at the exit may rise although dropping at the entry.

Second, once multiple jobholding is taken into account, risk diversification considerations may suggest an enlarged definition of occupational choice, where several related jobs provide switching opportunities that may result in a cycling pattern between various kindred activities instead of building irreversible sequences of choices. In this case, an interesting way to test the assumption that, against the standard economic view, workers may derive satisfaction from the process of work itself and not just from the income it earns, is to study whether artists turn down better-paid jobs in order to pursue their vocational work. In estimating labor supply functions for Australian artists with arts and non-arts wage rates as explanatory variables, Throsby (1992) showed that artists supply the non-arts labor market only up to the point where an adequate return is received to support their primary artistic work. Similar results have been obtained by Alper and Galligan (1999). It follows that the notion of oversupply due to labor rationing turns out to be questionable [Killingsworth (1983)] when the standard model of conventional income and substitution effects on leisure has little relevance and when the causal link between oversupply and rationing refers to a disequilibrium in only one of the labor mar-

kets the artists supply, that of their principal vocational work. When multiple jobholders cycle between rationed and less- or unconstrained job markets, underemployment or oversupply may be hard to specify, provided that under such a steady “management of risk” scheme, work remains more attractive than occupational alternatives outside the arts sphere.

Another view of the “excess supply” disease, quite the opposite of the functionalist one, assumes that competitive markets not only magnify and exploit unequal individual endowments of artistic ability and talent, but that the market organization of the arts neglects to recognize the sheer potential of creativity of everyone. In that respect it fails to implement the optimal level of innovation and creativity, both from an individual and from a social standpoint. This is the Marxian view of the self-achievement ideal which could be implemented in a society that overcame the alienating division of labor organization of work. Such a conception has its roots in a powerful tradition, the expressivity model of praxis that can be traced back at least to Hegelian philosophy [Habermas (1988)], if not to the Aristotelian conception of action. In this model, self-actualization through creative work entails a basic distinction between labor as a routine and alienating activity, and work as a non-routine pursuit. This distinction plays a major role in Arendt’s (1959) theory of work as a non-utilitarian kind of lasting human achievement, as well as in Freidson’s (1986a, 1986b, 1990) view that artistic professions present a challenge to conventional conceptions about vocation and labor. Hirschman’s (1986) classification of different kinds of work in terms of the varying predictability of their intended outcome brings to light the non-instrumental nature of the artist’s effort; in the uncertain course of creative action, the strenuous overcoming of obstacles takes place through alternations of tension and the anticipated savoring of the future result. Therefore self-actualization through work, which makes artistic activity so attractive, occurs only if the outcome is unpredictable enough; the possibilities of personal invention are wide open, and at the same time the artist is never sure that she will express herself in her work as she expected to.

Clearly the expressivity model catches the link between creativity and unpredictability of work, but it suffers from an internal contradiction when it precludes the possibility of failure, as in the Marxian conception of self-actualization. In Marx’s view, everyone is endowed with the same abilities; the considerable variation in artists’ reputations and incomes is mainly ascribed to strongly biased consumer preferences shaped by market forces rather than to talent differences. In fact, artists quite commonly conceive of softer market competition as a means of favoring self-actualization of everyone’s creative endowments. A non-rationed labor market would require either sufficient homogeneity on the supply side or a quality inelasticity of demand high enough so that the substitutability of artists and of works would allow for market equilibrium. Yet both supply and demand of creativity are based on inter-individual comparison and competition.

The risk of failure is a built-in characteristic of artistic undertakings. Moreover, failure or success does not merely depend on the creators’ own appraisal of their work, unless their art world forms a community of producers who have no interest in others’ production or in anyone’s consumption [Elster (1985)]. Individuation through creative

work, which greatly accounts for the admiration of artists, requires that others have an interest in one's work [Cohen (2000)] and consequently that some competitive comparison occurs. True, artistic individualism has been recognized as a sign of a trend towards autonomization of the artistic sphere and towards professionalization of its members, according to Max Weber's theory. However, artistic individualism could hardly be equated with an intrinsic, competition-free striving towards self-expression and self-actualization. Thus individualism, apart from characterizing a lifestyle and referring to a loosely structured occupational community, may signal the tension between a strong sense of personal achievement experienced in absolute terms, and the way one's creative work unavoidably involves relative comparison with others. As experimentally shown by Camerer and Lovallo, overconfidence and optimistic excess entry in a business may be due to the fact that people neglect the reference group of competitors, each one estimating they are skilled enough to succeed; "neglecting the increased level of competition is like the neglect of adverse selection which leads to the 'winner's curse' in bidding" [Camerer and Lovallo (1999, p. 307)]. Relative skill perception may entail miscalculation of one's chances especially when the skill requirements are underspecified, when the performance feedback needed to adjust one's level of aspiration is fairly noisy, and when the employment system magnifies heterogeneity among the workforce.

This highlights the complexities of uncertainty as a double-sided incentive. One side is the non-routine and non-instrumental aspect of work that makes it attractive; since work experiences have to be constantly renewed in order to be attractive, a strong sense of challenge, and of competition against oneself, nurtures the artist's quest for individual achievement. On the other side, given that the production of creative work has been increasingly market-driven since the nineteenth century, the quest for systematic originality and innovation brings to light the strategic dimension of uncertainty, that of inter-individual competition. Ironically enough, the non-monetary value of expressive self-actualization through creative work is the genuine fuel of market competition.

Uncertainty management techniques and learning processes related to the core of artistic invention on one hand, and to the market structure of competition among widely differentiated talents and products on the other, provide economic research with insights into the behavioral type of the artist. The artist may be portrayed neither as a conventional rational actor well-equipped to survive in an ever more competitive market, nor as a myopic one induced to take occupational risks only because she forms probabilistic miscalculations of her chances of success or because she was programmed by her initial socialization to enter an artistic occupation. Rather, she may be portrayed as an imperfect Bayesian actor gathering information; learning by doing; revising her skills, expectations and conception of herself; building networks in order to widen her range of experiences; and acting without knowing her initial endowment of ability and talent or what she may be able to express over the course of her loosely patterned career. Insofar as she acts as a monopolistic supplier, the artist tries to expand the control over her own work and over the market of the goods or services she provides. However this outward-oriented goal, driven by the competitive pressure in the market for the arts and entertainment services, would be meaningless were it not matching the inward-oriented

goal of self-discovery and self-actualization, a goal that may be pursued only as long as the variety of work experiences and challenges is optimal and if the balance between invention, security at work and temporary routine exploitation of innovation is secured.

7. Managing the risks of the trade

Studies of artistic occupations show how artists can be induced to face the constraints of a rationed labor market and how they learn to manage risky careers. Pioneering empirical research by [Baumol and Bowen \(1966\)](#) found that artists may improve their economic situation in three main ways which are not incompatible and may be combined: artists can be supported by private sources (working spouse, family or friends) or by public sources (subsidies, grants and commissions from the state, sponsorship from foundations or corporations, and other transfer income from social and unemployment insurance); they can work in cooperative-like associations by pooling and sharing their income and by designing a sort of mutual insurance scheme; and finally they can hold multiple jobs. Most studies, both in sociology and in economics, have focused on this last means, since apart from being widespread and becoming more so, it brings into light a puzzling feature of the artistic labor market: that of the diversification of risk through one's own human capital and labor, which seems a much more unusual phenomenon than risk management in the financial sphere. In fact, it makes artists resemble entrepreneurs since, just as property owners spread their risk by putting bits of their property into a large number of concerns, multiple jobholders put bits of their efforts into different jobs [[Drèze \(1979\)](#)].

Multiple jobholding shows a general upward trend, and artistic workers in many countries rank among the highest in the percentage of all workers who have secondary jobs; in addition, artistic occupations rank at the top in the percentage of all jobs held as secondary jobs. In the US, for example, almost every artistic occupation appears among the 25 occupations employing the largest proportions of their workers through a secondary job [[Amirault \(1997\)](#)]. In their survey of 3000 New England artists, [Wassall, Alper and Davison \(1983\)](#) found that only 24 percent of artists did not hold a non-artistic job. In their 2000 study on moonlighting in the arts, [Alper and Wassall \(2000\)](#) provide an extensive review of the multiple-jobholding behavior of American artists from 1970 to 1998 based on the monthly Current Population Survey date files. As their calculations show, rates of moonlighting by artists have increased over the years much faster than in the overall labor force or than in the category of professional workers whose personal characteristics are closer to those of artists; performing artists experience the highest rates of moonlighting; educational level is the only personal factor strongly positively related to multiple-jobholding behavior.

As shown by [Throsby \(1992, 1994a, 1996\)](#) in his studies on artists' income and labor supply, not only must economic studies recognize the arts/non-arts earnings distinction as providing a more complete picture of artists' income sources, but that simple

dichotomy in itself does not go far enough. In order to capture the full range of relationships between labor supply and earnings experienced by artists, a three-way division of working time and earnings is essential²² between:

- the creative activity itself, which corresponds to the primary creative labor and the tasks associated to the preparation of the artistic product (thinking, dreaming, searching for materials, rehearsing, practicing);
- arts-related work, which includes the various activities within the particular art-world that do not contribute directly to producing the artistic product, but still rely on the skills and qualifications possessed by the professional artist – common examples of such work are teaching activities and management tasks in artistic organizations; and
- non-arts work, which may differ considerably among individuals, among artforms and over the individual life-cycle in an artistic career; for example, recent US Census and survey data report that while a majority of authors (as primary occupation) hold secondary jobs in other professional occupations and especially in educational fields, actors' and singers' secondary jobs are mainly in sales, clerical or service jobs, i.e. jobs with a history of low pay and poor benefits [Alper et al. (1996)].

The range of various jobs may be compared to a portfolio of financial assets.²³ This way of handling uncertainty has already been evoked above in the case of freelancers, who may insure themselves against downswings on the employer side as well as strengthen their position by building a career portfolio that is mixed with tightly and loosely coupled work associations. With sectoral diversification of hirings, artists may also be financially better off and have greater career continuity in a disintegrated labor market. Holding other jobs outside one's vocational field of activity corresponds to a better known scheme of occupational risk diversification. Instead of thinking statically in the terms of the old dilemma – freedom or alienation – the portfolio model of occupational risk management offers insights for the dynamic study of how artists cope with uncertainty throughout their careers and allows us to maintain the centrality of choice of career path.

Sources of income are much more dispersed at the beginning of an artist's professional life, coming under greater control when the artist's reputation grows and when his ability to select among different opportunities allows him to reach a more careful balance between constraints and fulfilling commitments. However, in focusing on the combination of insecure and secure sources of income, the "diversification of risk" approach fails to deal with the characteristics of different kinds of work, assuming that a secondary job doesn't provide the artist with anything else except income. As a result another complementary dimension of multiple job-holding is overshadowed, concerning the relationship between creative work and related artistic work, as described in

²² See Throsby (1996), Menger (1997), Paradeise (1998).

²³ Faulkner (1983) and Menger (1989); for a more committed, prophesying view on the rise and desirable future of portfolio work in our society, see Handy (1989).

the “role versatility” scheme [Nash (1955)]. In certain art worlds such as that of “serious” music, high technical skill requirements act as a selective barrier to entry as well as an integrating device among the professionals employed in the various occupational roles (composer, performer, conductor, publisher and so forth) whose differentiation has increased with the professionalization process. Through role versatility, the composer may reduce the financial risk in his creative activity but also extend his control over the distribution process of his music, facilitate his interaction and communication with the other roles, and increase his prestige among his peers. Roles simultaneously or successively played are thought of in terms of positions in various spheres, as in Abbott and Hrycak’s (1990) study on eighteenth century German composers, or as in Baker and Faulkner’s (1991) study which examines the shifting combinatorial patterns in Hollywood filmmaking and sees roles (e.g., producer/director/screenwriter) as resources to enact positions in evolving organizational settings. More generally, organizational or aesthetic innovations induce role combinations and hybridizations and transform both the content of cooperative activities and the extent of control over new market resources.²⁴

Wherever practice needs a specific training, the center of the artistic role constellation is traditionally the teaching role, the most frequent “pool” profession [Abbott (1988)] or “host occupation” [Freidson (1986b)] for creative artists. This teaching position in the arts has been compared by Baumol and by Freidson to the role of teaching in academic life, which hosts and supports research activities; this might explain why creative artists so often consider themselves researchers. The paradox of artists whose educational profile as a group is close to that of managerial and professional occupational categories but has far less impact on their earnings can also be solved. Throsby (1996) shows that relationships between arts income and art training may be strong for arts-related activities such as teaching whereas income from primary creative practice is more influenced by on-the-job experience. Human capital and role versatility considerations militate for arts-related rather than non-arts jobs, and portfolio choice considerations tend to favor supplementary jobs that are stable and salaried, such as teaching. White (1993) suggests that the artist as teacher combines two opposing forms of career, one (teacher) that represents the image of the traditional career since it entails seniority and some order and sense of cumulation from training, and another (the artist as genius) that is built on originality and conveys a sense of destructive creation. That paradoxical role combination is especially striking in avant-garde music [Menger (1983)] and in the visual arts [Moulin (1992)].

²⁴ See Moulin (1992) on the case of the entrepreneurial artists who work as performers and producers of services in the contemporary visual art market; Christopherson (1996) on the emergence of entrepreneurial filmmakers whose managerial skills blur the lines between management and labor; Kealy (1979) on the emergence of the hybrid ‘artist mixer’ in rock music; and Hesmondhalgh (1996) on the entrepreneurial strategies of sound mixers and DJs in the dance music record sector.

8. Collective action and public support in occupational risk management

Risky employment prospects in the arts may also be mitigated via co-operative and collective action [Peacock and Weir (1975)]. Artists may share the occupational risk by pooling their resources, as in the case of groups of visual artists [Simpson (1981)] who provide each of their members with mutual support, or the main symphony orchestras in London which operate on a self-managed organizational basis, with musicians being shareholders of their own company and augmenting that position with freelance hirings elsewhere [Peacock (1970)]. Most small organizations in the live performing arts (dance companies, chamber orchestras, baroque and contemporary music ensemble, etc.) work on this co-operative basis.

Studies on the collective action of unions in the arts are far fewer than those devoted to state and public support for the arts.²⁵ One common feature of unions' action concerns income transfers and redistributions that may allow workers to adapt to more flexible and more unbalanced artistic labor markets. Apart from traditional direct and indirect forms of public support to artists that are prevalent in European countries [Mitchell (1992)] and mainly intended for self-employed creative artists, collective action regarding artistic labor markets relates to the funding of non-profit organizations such as performing companies employing artists, as well as dealing with the impact of increasing flexibility. Paul and Kleingartner (1994) show that in the US Film and TV industries, the actors', writers' and directors' unions, unlike craft unions, have expanded in spite of the introduction of highly flexible production. A three-tier compensation allows artists both to be covered on an egalitarian basis (through minimum pay rates), to allow those whose market value exceeds union scale to negotiate additional compensation, and to get additional payments (residuals) for the re-use of the films and TV programs to which they have contributed. This last device can hardly be underestimated, although the importance of residuals to total compensation varies greatly among labor market segments. In 1988, according to the American Screen Actors Guild statistics (quoted in Paul and Kleingartner), the total residual compensation from all markets was almost equal to total initial compensation. Not only a compensation mechanism, the residual's role is also that of softening the impact of work contingency and frequent periods of unemployment by generating a passive income stream. As film and audiovisual markets expand and flexibility increases, residuals have become the focus of individual contract negotiations and collective labor relation bargainings in that sector.

In many countries access to unemployment insurance compensation is beyond the reach of freelancers who are numerous in artistic professions. In some countries however, freelancing can be equated with a wage-earning position and is eligible to unemployment compensation. Where benefits are paid by the state, they may be used as a deliberate means of public policy in support of the arts. When unemployment insurance expenses come under a self-administered fund aimed at compensating every worker in

²⁵ See Gray and Seeber (1996).

the economy for her unemployment spells, a cross-subsidization between sectors may play the supporting role. For those freelancing artists and cultural workers who are eligible for unemployment benefits, the resulting combination of security and of autonomy at work may perform two different functions:

- that of providing earnings replacements which reduce the compensating pay differential associated with the risk of unemployment and the uncertainty about lifetime earnings – in fact the position on the contingent labor market may be optimized so that each individual permanently combines fees and unemployment benefits; and
- that of subsidizing non-working time which can be used as leisure time, or as training time for a future demanding job, or as a searching spell for new jobs.

In the former function, unemployment is seen as a constraint on individual behavior via a labor-demand explanation, whereas in a labor-supply explanation unemployment can be interpreted as the outcome of a worker's choice with regard to job search. Ambiguity also arises from the way uncertainty itself is interpreted; as observed by Drèze (1979, p. 349) "in the case of the self-employed, the distinction between endogenous and exogenous economic uncertainties is not always clear-cut". Consequently, insurance against career failures does raise questions.

The French unemployment insurance system put in place for artists and craft workers in the performing arts provides a striking illustration of these interwoven functions [Menger and Gurgand (1996)]. A generous compensation scheme had been designed to fit the requirements of contractual flexibility but it ran into financial problems because compensated unemployment grew more rapidly than paid work. Work has indeed been allocated quite exclusively in the form of contingent jobs and short-term hirings which typically spread the available work among a growing number of agents. Employers have been able to hire personnel at lower cost, to sort out the most talented, to build well-matched teams and to draw at will from a considerable reserve army of underemployed workers. Thus the performing arts sector did expand by having an increasing part of the income required to attract workers paid through unemployment insurance allowances. In aggregate, the amount of unemployment insurance benefits paid to those workers today in France represents more than two-thirds of their total amount of wages and fees [Menger (2005)].

Actually substantial moral hazard is pervasive, induced by the insurer's inability to distinguish unpredictable exogenous constraints on the hours intermittent workers are able to sell in the market from the worker's choice with regard to job search or allocation of non-market time. In their survey on unemployment insurance issues, Topel and Welch (1980) noted that "to the extent that workers take future unemployment benefits into account when evaluating a job offer, this effect must be ambiguous. While workers will certainly be more selective with respect to job offers if benefits are increased, the value of any particular job must be comprised of both income from working and benefit income from contingent unemployment. The increase in benefits will allow firms to offer the same value of an employment contract with a lower wage" (p. 354).²⁶ Much

²⁶ See also Atkinson and Micklewright (1991).

less ambiguous are the effects on employers, who are able to exploit asymmetrical information about their work and job allocation agenda in order to include entitlement to unemployment insurance benefits in their wage bargaining with their contingent employees. Firms may also collude with their employees by hiring them repeatedly for short periods in order to secure a kind of internal labor market without bearing the full cost of long-term relationships. It seems quite obvious that the implementation of an experience rating formula under which an employer's unemployment insurance tax rate depends upon the stability of employment he provides is the only way to make employers responsible for the impact of their hiring decisions on the fund's finances.²⁷ Yet, in so doing, the state and the local authorities would be asked to provide the non-profit performing arts sector with an extra amount of subsidies heretofore passed on to the insurance fund, and to acknowledge the actual supporting role that it plays [Menger (2005)].

Public support for the arts has increasingly supplied additional means of income diversification and career enhancement opportunities to artists by funding artistic and art-related jobs, by financing or securing compensation systems like those described above, by enforcing property rights and by adapting them to new technological and market conditions. However, cultural policies are at odds with the way firms and entrepreneurs take advantage of the attractiveness of artistic occupations and of mistaken expectations. Increasing flexibility can be associated with higher rates of artistic innovation or at least with increasing differentiation in production. Yet it transfers more and more of the business risk down onto the artists. Cultural policies cannot disentangle the individual risks (those of discontinuous employment prospects and uncertain course of a freelance career) and the social risks (those of having innovations underrated or overlooked and of experiencing a suboptimal cultural development). Moreover, cultural policies and non-profit organizations have mostly developed while the contemporary artistic scene has become more contestable. The valuation process is subject to more volatility, leaving more room for speculative bets and for joint action by several categories of actors (curators, critics, dealers, experts and boundary spanners of different sorts) to promote artistic movements, innovations and fashions. Therefore public support needs to be driven by the same uncertainty principle that underlies the market competition for successful innovation.

Let us consider the ever-increasing number of pieces of art and culture that are consecrated and offered for public admiration in museums, concert programs, books, and audiovisual or computerized archives. These pieces act as permanent reminders; they have emerged from a large stock of works whose significance needed time to be correctly appraised and sorted out, after several rounds of celebrity tournaments and valuation proofs. This process legitimates a transfer of the title and merit of celebrated

²⁷ As it is well known, without an experience rating scheme, the structure of the unemployment insurance financing subsidizes the benefit payments of some industries at the expense of others, provided that the aggregate unemployment insurance system does balance.

artists of the past onto their contemporary heirs, whether the latter are known or unknown at this time. The definition of art as a public “merit-good” [Musgrave (1959); Netzer (1978)] may catch that mix of elitism and democratization of genius, i.e. the contrast between the dramatic super selection of a few hundreds of world famous masters in each art world and the crowds of candidates to fame which feel entitled to ask for accountable decisions of public support [Menger (2003)].

Uncertainty again plays a double-sided role here. According to DiMaggio (1986), the uncertainty principle which is at the core of the evaluation of any work bears on public and collective choices, both from an intra- and intergenerational point of view. In the long term, uncertainty regarding an artist’s or an artwork’s value, as it vanishes over time, turns into an extremely skewed distribution of fame and success. Yet in the short term, any public support to the arts has to balance efficiency against equity considerations, both by giving the best-rated artists the largest opportunities to develop their talent according to a market competition structure, and by mitigating the market proclivities by sheltering potential but uncertain talents from the “winner-take-all” market structure effects. Thus the uncertainty principle provides a true rationale for the public support of a large number and variety of artists. It can be claimed that it is in the interests of society at large to nurture an oversupply of artists so as to have the best possible choice of talented artists. Indeed, as pointed out by Nisbett and Ross (1980), people sometimes may require overly optimistic subjective probabilities to goad them into effective action. The social benefits of probabilistic mistakes are supposed to be great enough even when the individual cost for an unsuccessful career is high. However, the claim for such positive externalities, though belonging to the rationales of public support to the arts, may trigger an endogenously unbalanced growth.

What kind of uncertainty is it that in the short term has to be managed through insurance devices? Is it exogenous or endogenous? Should a lack of jobs and an unsuccessful career be attributed to insufficient ability? Or are they due to insufficient demand for the kind of ability with which the artist is endowed? The answer lies in the fact that ability and talent themselves should be considered not only as an exogenous factor of market success but also as an endogenous factor shaped by competition through innovation. The more competition raises the rate of innovation or at least of differentiation between prototype-like works by exploiting and stimulating consumer demand for novelty, the more the sorting mechanism will be based on shifting specifications of marketable talent.

9. Art as a model for creativity-enhanced work in advanced societies?

Both capitalism and anti-capitalism celebrate innovation, knowledge, learning and intrinsic motivation as the most powerful leverage to ensure growth and to overcome the alienating dimensions of labor division and routine careers. Marx saw the artist as possibly the highest embodiment of his disalienated worker. Today creativity is one of the key managerial requests to raise productivity levels through changes in work organization.

The economic theory of endogenous growth assigns a central role to idea generation, creativity and knowledge [Romer (1990); Aghion and Howitt (1998); Baumol (2002)]; firms and markets have to know how to draw from what is supposed to be the ultimate inexhaustible source of growth, human creativity, both in its specialized form (that of professional work in the creative activities of workers such as scientists, researchers, engineers, artists) and in its more mundane manifestations, that of everybody's intelligent behavior at work. The creative knowledge principle applies to work organization and management as well; according to these premises, art as a most celebrated realm of creative work should provide managers and workers with some insights as to what creative behavior and intrinsically motivated commitment to one's work can be, once the rhetoric of radical idiosyncrasy, irreducible originality and the undecipherable secret of creation in art has been set aside. Indeed, artists voluntarily supply the golden legend of creation, that of a subversive, anti-conformist, inspired behavior, rebelling against social conventions and commercial utilitarianism; in fact, however, they evolve daily within the economic settings most compliant to the demands of modern capitalism – extreme flexibility, autonomy, tolerance of inequality, innovative forms of teamwork. So the artist and the post-taylorist worker may be able to merge into the same figure, that of a creative professional. How far does that assertion fit the actual transformations of work organization?

The usual picture of organizational design and human resource management (HRM) fits the labor market segmentation theory by distinguishing between:

- secondary labor markets where flexibility, worker substitutability, skill transferability and fixed cost minimization through low-wage policy for low-skilled jobs are at their highest;
- internal labor markets developed by firms that emphasize low turnover and high productivity, bear costs of screening, trying out and training, and use optimal reward schemes based on long-term contracts and tenured jobs; and
- professional labor markets for highly skilled workers who enjoy weak attachment to a firm, even if incorporated, and considerable bargaining power due to high market value of their expertise and high transferability of their competencies [Baron and Kreps (1999)].

Artistic labor markets mix elements from the secondary spot market and from the professional market model. On one side, employment is more and more contingent, as for secondary labor markets, but on the other side individuals are skilled or highly skilled, and non-substitutability is a core value, as in the so-called professional market. This is especially true of the performing arts which appear to have been quite avant-garde in designing and experiencing the process of increasingly flexible labor markets.²⁸ Contractual work arrangements and organizational forms in the whole economy have been

²⁸ On Hollywood, see Storper (1989); on the diffusion of the Hollywoodian flexibility model, see Kanter (1995); and on the trend towards flexibility and its strongly contrasted effects see Smith (1997), Cappelli (1999), Kalleberg (2000).

repeatedly portrayed as evolving along a similar path. Contingency is increasing, although at first glance it may have completely different meanings at both ends of the labor market, low-quality and low-skilled work being contingent at the bottom and highly-skilled work being more often independent contracting and free-lancing at the higher end. At the same time, firms increasingly try to build internal professional markets or to secure networks of recurrent collaborations with independent highly-skilled contractors and service firms once having outsourced part of their previous operations. So contingency, networking and individualization of working ties take on contrasting meanings depending on one's labor market value.

How significant are these changes and how far could a comparison with the arts be drawn? Prophecy on the changes in employment, management and society has grown over the last decade, mainly under the headlines of flexible specialization, flatter hierarchies, networks of organizations, the learning firm, self-designing teamwork, creativity enhancement and the knowledge society [DiMaggio (2001)]. Taken together, are these changes cumulative and do they result in a coherent new architecture of work and organization? Or do they belong to the toolkit of management textbooks and gurus? Has unfixed long-term employment inside big companies been dramatically eroded? Or, as some scholars in Europe claim, is it still and well alive? And should the alternative between traditional employment and all sorts of contingent employment not be better conceived as a matter of cyclical management, depending on the condition of business?

Dimensions of change are of course far too numerous at individual, organizational and societal levels to be caught in a unique new formula designing a new working age with its new rising class. Yet repeatedly the future of work organization is prophesied with reference to the core values that artistic professions share with other "knowledge workers" – autonomy, responsibility, self-control in teamwork, extended range of competencies enhancing the sense of initiative, creativity-driven commitment to work, individualized reputation based on track records and team project organization of work. In order to get a better understanding of what is at stake, the following distinction may be useful.

First, creativity- and knowledge-oriented change in work can be discussed with reference to economic sectors where it occurs most extensively. For example, network forms of organization have been for long studied as a special trait of craft industries and cultural industries (publishing, film and record industries), and research now concentrates more and more on organizational models supplied by all sorts of knowledge-intensive activities such as scientific research, cultural production in general, design work, computer programming, software development and professional services. A sectoral distinction leads to a specification of the kind of worker concerned; as stated by Powell (1995), these are highly-skilled and talented people possessing fungible knowledge that is not limited to a specific task but applicable to a wide range of activities, relying also on know-how and tacit knowledge that is difficult to codify, and being less creative and less productive under hierarchical governance. In this perspective, work systems of artists and "knowledge workers" share enough common characteristics to allow for illuminating comparisons. They also allow for meaningful contrasts; after all, R&D in

science and technology are intended to be cumulative, while art is contradictorily oriented towards the preservation of masterpieces and past achievements as well towards frenetic search for originality and novelty, be these a source for long-lasting innovation or for ephemeral fads and fashions.

A second way to make a strong claim to creativity is to envision a new architecture of society involving the emergence and rise of a new class, as authors like Florida (2002) have proposed. In this case, the various changes mentioned earlier are said to have converged up to a critical point where a significant part of the labor force shares values, life style, work ethos and leisure habits. A creative class is made up of people sharing a number of similar characteristics (high skills, knowledge intensive activities, learning potential and several other traits of the creative worker), but above all sharing paradoxically the feature of idiosyncratic individualism. In so saying, Florida reverses the usual social map; the bohemian fringe becomes the social core. This view leads to expansion of the boundaries of creative people by including many occupations and professions without any sense of sorting them out according to the hierarchical structure of each occupation. And not surprisingly, the new social map is mainly a locational one; the places where bundles of creative workers live are made out of dense, relaxed, flexible, inter-individual relationships.

It is worth remembering how the founding fathers of social science at the turn of the nineteenth century contrasted two types of society and social organization: the *Gemeinschaft* versus *Gesellschaft à la* Tönnies, or the mechanic structure versus organic structure of society *à la* Durkheim, a distinction on which Burns and Stalker (1961) have built later to characterize innovation-friendly organizational designs. Durkheim's organic structure of society refers to a society where people, being more and more differentiated due to more sophisticated division of labor and increasingly specialized skill requirements, are at the same time induced to get in closer contact and in more dense relationships with each other, since they need to exchange more and more knowledge and information. Yet Durkheim saw the risk of conflicting interests, of growing individualistic hedonism that would undermine social order and economic efficiency – in a word, of growing anomy (social disorder) necessitating regulation and social governance. Quite the opposite view is taken when the celebration of everyone's creativity causes the highly unequal chances of self-actualization to disappear; the homogenization of infinitely differentiated creative workers or of individualistic loosely-tied workers operates horizontally only. The specific characteristics of each trade's organization, its internal and external competition structure and its vertical differentiations vanish inside the large pot of a communitarian creative life style.

Lastly, emphasis on creativity at work may be more general and may concern organizational changes with no exclusive reference to particular sectors or to specific occupational groups. In that case, a bundle of closely related factors increases the need for organizational change toward more efficient, more rewarding and more stimulating work settings; such factors include computerized systems of production and information, just-in-time practices and computerized inventory control systems, increasing variety of products, shortening of product life cycle, new standards of competition in

industries, etc. These factors have all a strong impact on the challenges workers have to face, challenges that include increasing variability, quality problem solving, flexible coordination, management of formal and informal communication networks, rising information needs and evolving skills. These new challenges are core elements of the high-performance work systems implemented by managers in the post-taylorist era of HRM innovations [Baron and Kreps (1999); Appelbaum et al. (2000)]. Of course, such systems claim to be in line with a long tradition of work design improvement intended to overcome the disincentive dimensions of alienating work fragmentation and mechanistic specialization, and intended to promote motivation and self-actualization at work. Central aspects of such work systems are autonomy, participation in decision, coordination and communication among employees, selective staffing and extensive on-the-job and formal training opportunities, self-directed work teams, more sophisticated compensation policies taking into account the bundle of the financial incentives, intrinsic motivation incentives and long-term relationships that secure mutual trust and promote stakeholder behavior. Furthermore a sense of ownership, so decisive in creative activity, should be also acknowledged, insofar as each skilled worker's personal contribution to the output can be tracked and brought to his or her personal credit.

Each of the three approaches to creativity in labor markets and organizations reviewed above – sectoral-occupational, class-remodelling, and organizational – is built on a similar ground; that of one common good, be it that of knowledge and creative learning-by-doing produced and shared through networks of firms, or that of positive identification with work inside the firm, or that of creativity as a shared ethos of work and life. In a sense, the performance of artistic work systems, as reviewed previously, falls into each of these rubrics. Yet, one crucial issue is missing in the broadened picture of creativity at work: that of the several dimensions of inequality magnified by the work system in the arts, which builds on networks, reputation, short term contracts, and highly individualized performance ratings. Ironically enough, although most of the artists and professionals in the cultural sector are ideologically left-oriented and prone to advocate egalitarianism in society, art worlds have developed an insuperable engine to rank artists by quality level and market value, to select and signal the best works out of an ocean of products through winner-take-all tournaments and endless competitive comparisons, to let the whirl of fads and fashions promote or eliminate aspiring superstars, to celebrate skyrocketing and ephemeral celebrity as well as to provide civilization with Pantheons of eternal values. This corresponds mainly to the distributive justice principle of equity, which prevails especially where performance varies significantly across individuals, and “according to which individuals ought to be rewarded commensurate with the outcomes they generate, factoring in the inputs – efforts, ability, and so on – they brought to bear in performing the task” [Baron and Kreps (1999, p. 107)].

Thus inequalities in earnings may be occupationally legitimate if several requirements are met. A first condition is that each individual contribution to the team work or to the end result be identified specifically, which presumes there is an economic and legal value associated with the “traceability” of each individual work performance. Credits, signatures and individualized reputations mean each worker can be distinctively

identified with the complete history of his jobs, assignments and realizations. This has to do with the sense of identification with the end product of one's work as distinct from an anonymous contribution to an output whose production is heavily fragmented and standardized. A further condition of legitimization is that a professional's performance can be judged in comparison to and in direct competition with other works and professionals, and that inter-individual comparisons must occur frequently enough to submit rankings and valuations to periodic re-assessment, so that a long-lasting monopolistic rent of talent remains the rarest exception. Lastly, unforeseeable streams of successes and failures should signal to new candidates that creative innovation remains a highly uncertain game; in that respect, uncertainty in its several dimensions acts as a veil of ignorance thrown over the ultimate causes of achievement and success, as these stem from an undecipherable mix of chance, talent and work.

10. Summary and conclusion

Artists supply the innovation engine in the arts with work mainly under contingent arrangements. Long-term artistic employment has been vanishing except in heavily subsidized and sponsored organizations like orchestras and opera houses. The population of small artistic and cultural organizations has been growing as fast as the number of artists. Firms compete increasingly under flexible production schemes that bring them close to the nexus of spot transactions. Do vertically disintegrated systems of production favor only loose employment relationships? Studies show how filtering mechanisms and selective matching processes generate transactional stability as well as labor force segmentation. Employers use reputations as screening devices and signals of employability; artists learn how to compose well-balanced sets of recurrent and non-recurrent hiring ties, in order to secure a living as well as to increase their human capital. Talent agencies mediate the contingent labor market and do increasingly broker artistic projects.

Considerable inequalities in amounts of work and earnings among artists are observed, caused by the skewed distribution of talent and by joint consumption technologies that turn small differences in talent into huge earnings differentials. It has been shown that they may also trace back to the way a disintegrated labor market operates, since both the allocation of piecemeal work based on reputational rankings and team formation based on selective matchings magnify the power of differences in talent and work opportunity to increase inequality. Allocation of work under a contingent employment scheme should not cause the kind of permanent excess supply of labor in the arts that has been noted for decades if the occupational commitment of artists were not combined with the management of business uncertainty through overproduction of infinitely differentiated goods and services. On the whole, artistic labor markets provide a textbook model of imperfect monopolistic competition.

Large parts of the business risk are transferred down onto the artistic and technical workforce in a highly flexible and disintegrated organizational setting. The study of

artistic careers illuminates how individuals learn to manage the risks of their trade: through multiple jobholding, occupational role versatility, portfolio diversification of employment ties, and transfer incomes from public support, social insurance and social security programs. Institutional arrangements regarding the legal status and financial support of artists may differ greatly between the countries and states, yet occupational risk management is a common and basic condition of economic survival and personal success; ironically enough, this shows how rationally artists behave, although artistic work may be highly idiosyncratic. Thus artists may be seen less like rational fools than like Bayesian actors.

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