

Valuing Creativity: Economic Models for Fair Remuneration of Artists in Contemporary Cultural Economies

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ABSTRACT

Art in its various forms has been valued at different prices at different points in time. Whether these are fair remuneration or not can not easily be established. This paper delves into the economic factors responsible for pricing of various art forms. After looking at economic theories like the Baumol Cost Theorem, the Aesthetic Theory, and the Hedonic Price Theory, it was found that besides these factors, social, economic, and political factors played an equally important role. Preferences and tastes of the buyer as well as the places where these art forms were displayed tended to influence the pricing of various art. Many times the valuation of particular paintings, sculptures, plays, music, poetry, etc. increased after the death of the artist. This then puts into perspective that it is not only economic factors that can explain the pricing but various other noneconomic factors and aspects, which are not in a position to be valued, are important. The paper looks into all the above factors with examples of Broadway and the Louvre to explain different types of valuation.

Key words: Economic Value Concept, Cultural Value Concept, Psychic Income, Baumol Cost Theorem, Aesthetic Theory, Hedonic Price Model, Regression, Extensive Oeuvre

Research Question: This paper analyzes the economic theories and other factors that value artists across different cultural sectors. How effective are these tools in ensuring adequate enumeration to the artists? The intrinsic value of the artists is both tangible and intangible. How are the intangible factors valued? Is there a behavioral economic theory besides the basic scarcity and other theories in economics that can explain why some artists are valued differently from others? How important is the time period in which the art is displayed? These and other factors would be considered in the course of this paper.

1. Introduction

Economic and institutional factors have been the driving force in the evolution within the artistic field. However, art history has only slightly explained artistic innovations through time. In fact, it has practically neglected the broader reasons why artistic innovations happen [7]. To confirm this, we need to look into valuation. The valuation of anything can be derived from the value theory which is the philosophical study of value, exploring ideas such as: what is good, worthwhile, and why. This theory encompasses: moral philosophy, social philosophy, political philosophy, and the philosophy of aesthetics [6]. Music entered specifically in the philosophy of aesthetics – the aesthetic theory – during the 18th century due to the era of Romanticism. Romanticism occurred in Europe and was prompted by the rise in individual experience and expression. Because of this, music became much more difficult to value as it could not be valued commercially. Instead, the majority of music became valued through the reason it was made, whether it was political, social, economic, or personal.

Artists are more sensitive than others and it is their feeling and sensitivity which is depicted in their art; this art could be of any form. *The aesthetic theory states how an individual can relate to a piece of art and how they perceive the art as.* The development of music into this section of theory prompted artists to make their art the way they wanted. Granted, some artists continued to make their art solely for economic goals [1].

In order to study this, we need to notice that the valuation of anything can be traced back to two concepts: economic value and cultural value. **Economic value** is based on **how much an individual is willing to value something based on its: usefulness, benefits, or satisfaction they receive.** This concept has always been the driving idea in commercial goods [5]. However, after the 18th century, the majority of music did not only fall into this concept. Additionally, music falls into the **cultural value concept** which states that **for certain things there is a shared belief within society which determines something's value regardless if it's beneficial, useful, or even satisfactory** [2].

To dive deeper within the *cultural value concept* it is required to look into valuation through the lens of culture which includes: practices, beliefs, histories, and interactions. Artists fight to balance these very lenses in order to make music more desirable to those evaluating it [3]. Even when these ideals are met, artists often make a low and unstable income. However, an artist's motivation to actually produce something isn't limited to income; artists are motivated by many other factors as well. Many strive to become artists for a *psychic income – a non-monetary award for someone's work. This non-monetary award can be: satisfaction, enjoyment, emotional benefits, and prestige.* Oftentimes, artists are motivated purely from personal satisfaction and enjoyment [4].

2. Literature Review

Earlier research has indicated that there are various factors besides economic valuation that determine the “price” of art. The connotation of art includes the whole gamut from music to painting to drama to plays to theater to movies etc. Economic value is not the only factor involved. *The other factors are non-monetary which range from satisfaction, enjoyment, and emotion.* Very often the valuation of art is determined after the artist has died. In such cases there would be other factors that would need to be taken into account such as understanding the piece of art in the current time period. These pieces may make more sense in the current era compared to when they were made. Besides this, the growth of various types of auctioneers might be responsible for the pricing of various forms of aesthetics.

Current research indicates that there is a direct involvement of many different economic models that can help reflect the valuation of art. One of the base models is the *Hedonic Price Model*. *This model states that the price of something is determined by its redeeming characteristics.* However, when examining art, there seems to be different connotations using this method. Although all art is inherently different, the actual concept of art is often the same. Thus, the use of the hedonic model could be slightly incorrect when examining art.

Besides this, there exist other models that we can use, for example the *Baumol’s Cost Disease*. The concept of this theory was contrived by two economists: Baumol and Bowen [9]. *It explains the relationship between wages in the low-productivity sector, among which art is one of them, to increase in wages in the high-productivity sector – such as manufacturing.* For example, the case of a concert ticket in the 1900s. The cost would be the same as certain manufactured goods at that time. But, as the global economy expanded, that same ticket, which provided the same entertainment as in the 1900s, would cost more. Primarily due to the fact that, as the economy grew, wages grew, and to keep up with that, the valuation of art increased as well [8].

Another model to consider is the fact that art contains *imperfect monopolistic competition* or they might be even monopolists. *Anyone can try to become an artist as there are no meritable qualifications. Due to this, the amount of supply of art is endless.* Additionally, we need to consider that all people are different and value things differently. This indicated the behavioral mindset of buyers. Each perceive and feel various art forms in different ways. This is why all genres of music, art, plays, poetry, etc. exist in harmony and are lucrative at the same point in time. As a result of that, there is no single artist that controls the art market. With the scope of all this, there comes certain issues. For example: the consumerism of art is often based on reputation and the low qualifications and expected lifestyle of an artist leading to an oversupply of artists.

Due to this, artists often struggle within the market and earn little to none remuneration. However, the scope of imperfect monopolistic competition within is not perfect.

Although there are no meritable qualifications to become an artist, there are economic ones, making it non-socially free to become an artist. On top of this: Prices of most things adjust until the amount of supply runs out, however, in art, not all work is purchased and there is practically an endless supply of it; prices of art aren't based on any market, instead, they are usually based on an artist's own valuation; supply isn't dependent on valuation most of the time as artist, although making low income, continue to produce art for *psychic income*. Consumerism is always changing as taste within art changes rapidly for each individual in society [10].

3. Research Gap and Methodology

The paper would analyze the reasons behind valuation of art which is much more than just a question of supply equals demand. The factors that are responsible are both tangible and intangible. As art depends on personal tastes, an attempt would be made to structure these qualities into a price model. Art, unlike other manufactured goods, cannot be priced according to the input output equation. The reliance on intangible factors in its pricing requires research on other factors that influence price. The paper would research both the economic and non-economic factors in determining the price of art.

The methodology adopted would be of a mixed method type that would include both quantitative and qualitative analysis. For the quantitative analysis, data from authentic sources would be used to indicate the growth and pricing of various forms of art over the years. Qualitative analysis on the other hand would be used to explain that aspect of "pricing" that cannot be explained through economic costing and regression models.

4. Analyzing both Economic Models and Intangible Reasons Involved in the Pricing of Art

4.1 Baumol Cost theorem in the pricing of Louvre tickets in France

The *Baumol Cost Theorem* states that *there is a relationship between low productivity sectors and high productivity sectors*. As wages rise in high productivity sectors, the value of wages in the low productivity sector also rises[8]. An example of this is in education, which is considered a low productivity sector compared to technology, due to the fact that a teacher cannot speed up their imparting of education and enable the kids to learn faster. Despite this, wages of teachers have shown exponential growth throughout the last decade [11]. In art too, the same pattern prevails. Although art changes from generation to generation, the productivity of the art sector has not, artists can only make so much and do so much. Yet, once again, there is a rise in artists' salaries as well as their produce in the past few decades, following the *Baumol Cost theorem*

[12]. While examining Louvre data, it is evident that the total receipts throughout the years has seen an upcurve, with the exception of the Global Pandemic. Since 2018, the GDP of France has shown about a 1.7% increase [14]. This rise, fueled by high productivity sectors, most likely supplements the rise in the total receipts in the Louvre. Similarly, Broadway has shown an upcurve in total receipts since 2018 as the GDP in the United States has shown about a 4.4% increase [13].

The expenditure incurred in maintaining and running the Louvre and Broadway have also been increasing as can be seen in the table below. This could primarily be due to the increase in wages and salaries of those employed in the museum as well as the increase in various other costs that are important to maintain this collection. *The operation costs have increased not due to any increase in productivity of services rendered over the years, but due to the overall cost of living that the country has been witnessing.* This clearly indicates the *Baumol Cost theorem* at work.

Table 1 - Comparison of earnings and expenditure of the Louvre from 2018-2024

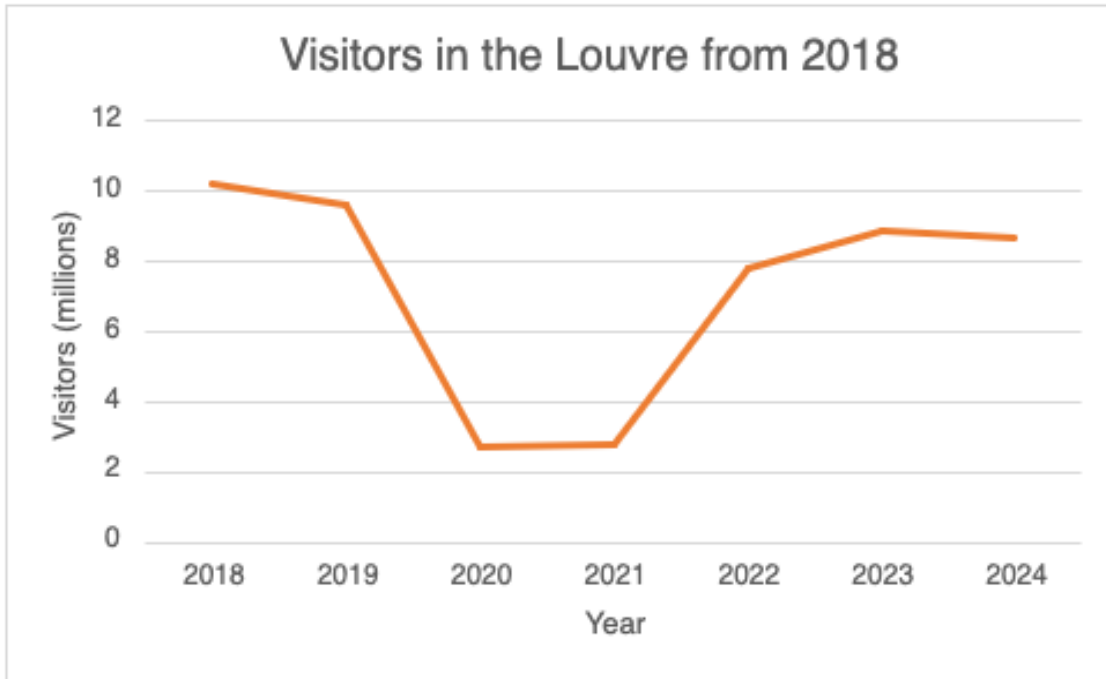
Year	Number of Visitors (Millions)	Total Receipts (€ millions)	Operation Costs **
2018	10.2	247	€221.6 million
2019	9.6	*	€215.1 million
2020	2.7	*	€215.1 million
2021	2.8	269.3	€216.2 million
2022	7.8	248	€294.0 million
2023	8.9	336.2	€323.5 million
2024	8.7	317.4***	€298.4 million***

Source -*L'établissement public - Missions et fonctionnement. (n.d). Le Louvre. <https://www.louvre.fr/l-etablissement-public?>*

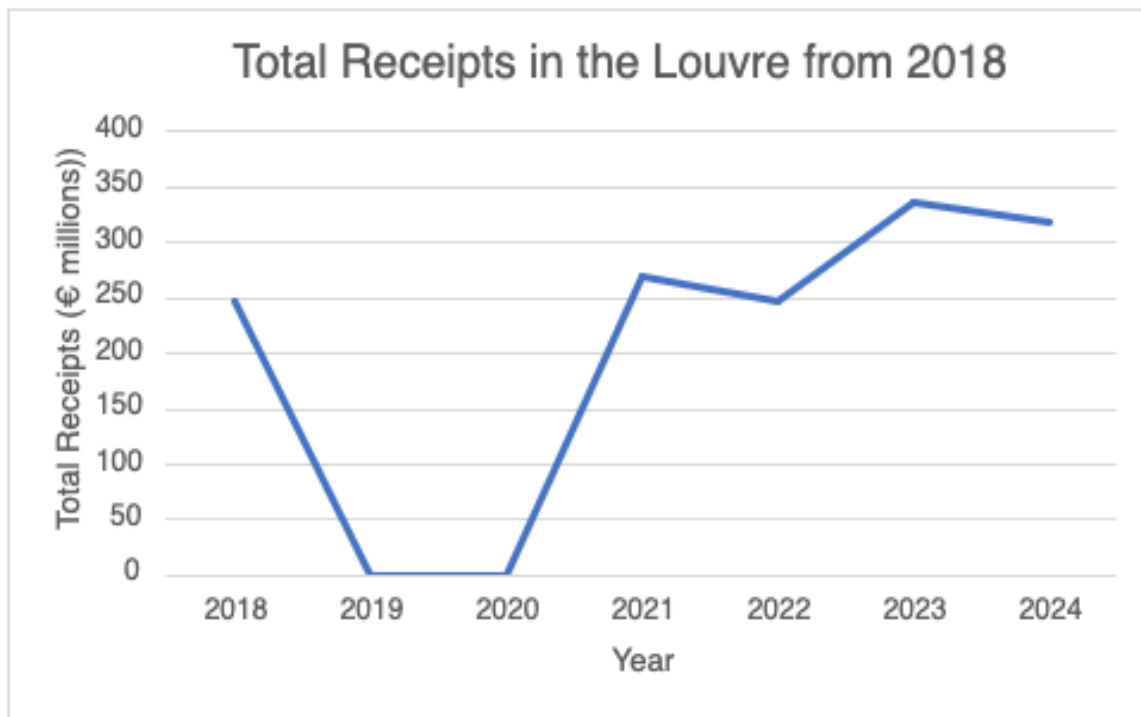
***Musée du Louvre. (2024). Trajectoires 2023 : Bilan d'activité 2023. https://mini-site.louvre.fr/trimestriel/2024/Trajectoires_2023/files/assets/common/downloads/publication.pdf*

*** *LE LOUVRE. (2024). Bilan d'activité - 2024. In Bilan D'activité. <https://api-www.louvre.fr/sites/default/files/2025-06/RA2024-annexes.pdf>*

Graph 1 - Visitors in the Louvre from 2018 to 2024



Graph 2 - Total Receipts in the Louvre from 2018-2024



Graph 3 - Operation Costs from 2018 to 2024



4.2 Theatre Tickets in Broadway

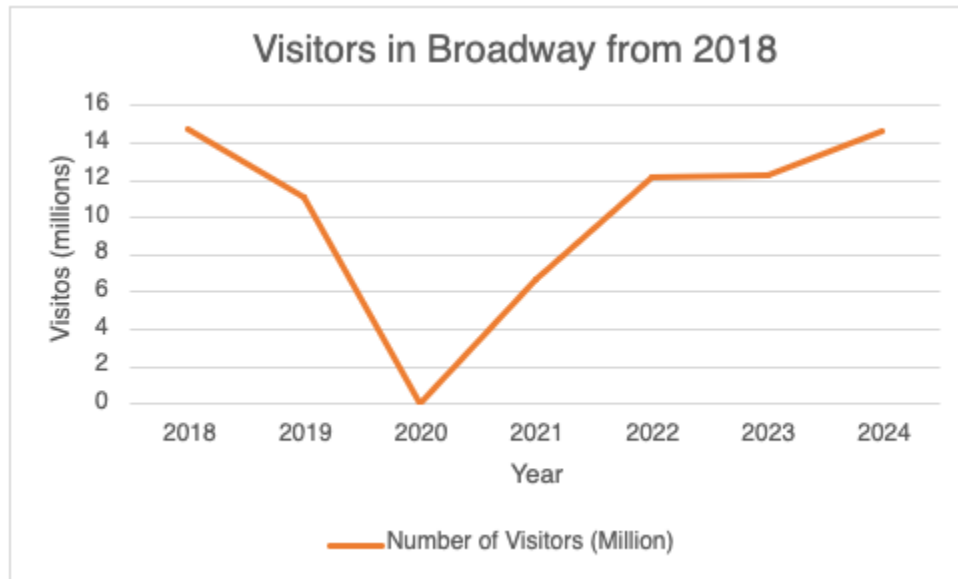
The earnings and visitors in “Broadway” are indicated below. It also shows the impact of the Covid-19 Pandemic with nil earning in 2020.

Table 2 - Comparison of earnings and expenditure in Broadway from 2018-2024

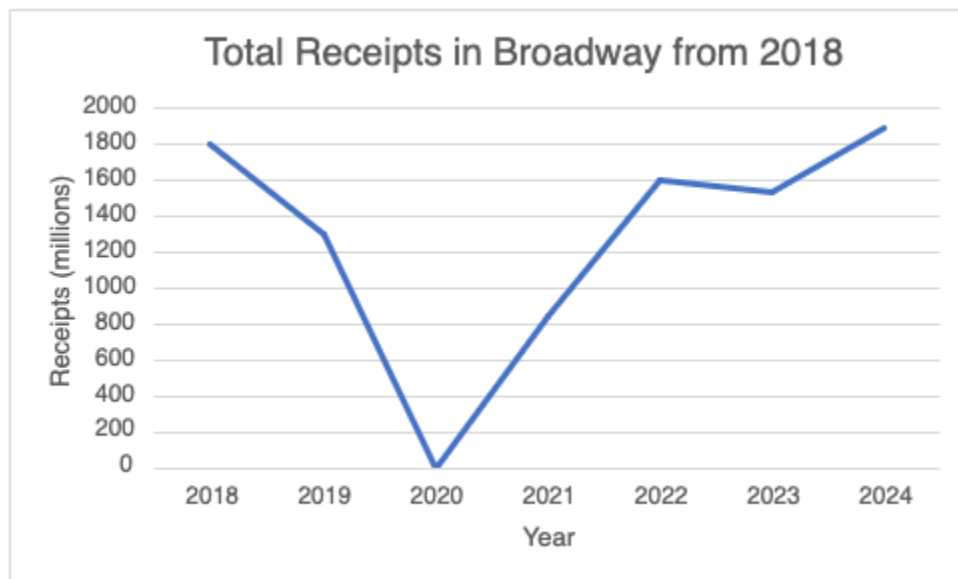
Year	Number of Visitors (Million)	Total Receipts (\$)
2018	14.8	1.8 Billion
2019	11.14	1.3 Billion
2020	*	*
2021	6.7	845 Million
2022	12.2	1.6 Billion
2023	12.3	1.54 Billion
2024	14.7	1.89 Billion

Source-2018 – 2019 Broadway End-of-Season Statistics. (n.d.). The Broadway League. <https://www.broadwayleague.com/press/press-releases/2018-2019-broadway-end-of-season-statistics/?utm>

Graph 4 - Visitors in Broadway from 2018 - 2024



Graph 5 - Total Receipts in Broadway from 2018 to 2024



* In all the above diagrams and graphs, there has been a drastic dip in the year 2020 indicating the influence of the Covid 19 Pandemic. This was felt in this sector more than others as countries imposed lockdown conditions and prohibited traveling whether from one country to another or even within a city. Sitting and watching plays, operas, and even entry to museums was completely banned in the initial period of the Covid 19 Pandemic.

4.2 The Aesthetic Theory

Art is subjective and in order to examine its subjectivity, the use of the Aesthetic Theory is essential. The **Aesthetic Theory** is a **branch of philosophy which evaluates art's historical significance, beauty, representation, and expression**. When institutions decide that a specific piece of art has a strong aesthetic value, the recognition and market demand skyrockets. Not only this, due to art's subjectivity, personal taste and institutional judgment can often diverge. Some people may feel a connection to art that reminds them of memories and relates to them, while institutions may not value that same piece of art. One example of this are private collectors. Private collectors often purchase art purely based on its history, significance, emotions, and appearance, regardless of institutional judgment. Consequently, the use of the Aesthetic Theory must be used while holding multiple diverse perspectives, as while one may dislike a piece of art, others might cherish it. In using this theory, major insights of how art is perceived, evaluated, and priced are revealed.

As the newer generation accumulates wealth they tend to shift their demand on art to newer and newer artists whether in the form of paintings or music. This then leads to the growth of new and young painters as well as provides a platform for different genres of music. The movement away from traditional forms provides a market for young newer artists, sculptures, and musicians. The demand for them is based on the younger generations' idea and perception of art forms. They tend to move away from the "masters" to experimenting and buying art which conforms to their idea of a "story". This may be an abstract or scenery or figures etc. It essentially boils down to a question of demand and supply even in the art world as far as valuation of art forms are concerned. When the GDP of the economy is rising and there is money in the hands of people, it is then that they tend to spend it on luxuries (art being one of them).

4.3 The Hedonic Price Theory and Regression

The Hedonic Theory states that *human motivation is solely based on the desire to maximize pleasure and minimize pain*. Accordingly, across time, art has been the source of expression and pleasure. Therefore, by using the Hedonic Theory, we can examine art.

Art can be priced on *reputation, meaning, subject, and size*. In art, the *Hedonic Price Theory* can help with remuneration with the network of all these factors. In order to price art, the usage of the *Hedonic Price Theory* and *regression equations* are essential.

For art specifically, the market has specific indices which use regression of similar works of art. This means that based on old sales and experience, auctioneers can price art.

The compounding of art is eternal. This is valid for all kinds of art. For example, the works of Picasso. His art only started to really gain value after he died. To examine this increase, we can use the *Hedonic Price Theory*. As indicated above art is priced on many factors. One of the most notable factors is reputation. Included in reputation is a work's history and previous ownership. If a piece of art is rare, like Picasso's, the greater the value. Not only this, if a piece of art was previously owned by well-known collectors or museums, its price often increases.

Along with the theory, there is a Hedonic Price Regression equation. This equation can calculate the above factors' role in the pricing of art.

The *Hedonic Price Regression Equation* can be used to determine the price of art for Picasso:

$$\ln(P_{pt}) = b + \sum_{l=1}^L S_j X_{jit} + \sum_{t=1}^T m_t D_{it} + e_{it}$$

$\ln(P_{pt})$ is the natural log of the price (P) for a painting (p) at a time (t). The prices of Picasso paintings can vary: some may sell for thousands while others millions. By using the natural log of P_{it} we can pull in these extreme outliers.

b is the base value of a painting. This represents the "entry level" for a Picasso painting.

S_j is the shadow price of the characteristics of the painting. This can represent things such as the oil used for the painting.

X_{jit} is the painting's history. It could represent things such as the previous owners and how big it is. However, most importantly, it measures the period it was made in and that effect on the price. Picasso had numerous periods of style such as Cubism, Surrealism, Expressionism, Modernism, etc.

m_t is the market temperature. The market temperature evaluates the significance of what market and time the painting is sold in.

D_{it} is the time stamp/dummy variable. This represents if it was sold in a specific year or not.

e_{it} is what the equation can not predict. This mainly captures emotional factors such as: a bidding war or an attachment a buyer has to a certain painting.

Picasso was chosen because of his periods of art, diversity, and history. Due to these various factors, he makes a great example of how the Hedonic Price Equation can be altered and effectively used [15].

5. Factors other than economics which are important in valuation of art

The valuation of art is determined by many factors other than just economics. The identification of these factors in physical pieces of art such as portraits and paintings is easy.

One such example of a noneconomic factor in physical art is the art's condition. Typically, the more pristine a piece of art is, the more it costs, and if it's in poor condition, then the price plummets.

Another example in physical art is the technique it was painted in. If the art was painted on a canvas with oil the price of such art is often higher than with normal paint. This is mainly due to the fact that oil painting not only appears better but it also is harder for an artist to master and therefore taking longer to make [16].

The physical costs of the production of physical art also play a major role. The costs of the paint used, the canvas, and the time it took for the artist to make it increases the price it is initially valued at.

An additional notable factor is what is known as the "Extensive Oeuvre" of an artist. An "Extensive Oeuvre" is a collection of art made by an artist over time with certain motifs and ideas. This "Extensive Oeuvre" can, in many instances, attract private investors or buyers interested in their art which consequently bumps up the price of the art [17].

Finally, one of the most important noneconomic factors which could apply to nonphysical art such as music and physical art such as paintings is the artist's reputation. Their reputation deeply affects the price of their art. For example, a work of an unknown artist may sell for a couple hundred while the works of Picasso or Banksy can sell for upwards to hundreds of thousands or even millions. The reputation of an artist is also determined by mainly noneconomic factors which may range from the appreciation of the art by a well known individual whose perception is valued by the art world. This would lead to an appreciation of the art and increase the reputation of the artist. This could come at any point in time ranging from during the artist's lifetime or after their death.

The field of art which includes music, sculpture, plays, poetry, and similar such genres has an interesting twist for the artist, as many times the value of their artworks increase exponentially after their death. One of the reasons could be that their pieces are well before their time and appreciation and evaluation occurs in subsequent years. Supply and demand of the art may lead to appreciation of prices as once the artist dies the number of pieces coming into the market will stop. If the artist dies at a young age, then there will be a limited quantity of pieces that would enter into the system. At times even during the artist's lifetime, there are experts who reevaluate

the artist's work which would lead to enhancement of their value. It is also possible that influential critics and collectors promote artists which lead to an automatic increase in the value of their work.

6. Limitations

One of the main reasons the valuation of art may not be measured correctly in terms of economic concepts are due to other emotional, sentimental, and reasons that can not be given an economic value. There might be aspects which emerge after the demise of the artist or art or sculpture which might be due social or economic factors of that time which can not be given a price. These factors make it difficult to understand why certain art has one particular value and others have another. In recent times, it is the form of advertisement and also the promotion through well known valuers like Sotheby's and others which knowingly increase the value of art. It is difficult to predict a reason as to why some art is picked up by known auctioneers and valuers while others are not. The moment an art is picked up by such eminent auctioneers, the value automatically increases.

In the case of music, plays, and drama, it is the promotion by corporations as well as the places where they are held that increases their valuation.

Social media in recent years have played a huge role in promotion of unknown art and artists with respect to their various art forms. The possibility of putting up "reels" has increased the reach of various art forms.

Economic valuation or theories behind these are difficult to pinpoint as some of the new art forms may not be sustainable and may be just a one off incident.

7. Conclusion

Though art is dependent on personal choice there are many factors both economic and noneconomic which impact the pricing and valuation of an artist's vision whether in terms of paintings, sculpture, poetry, stories, music, plays, or even movies.

The manner in which economic factors play an important role are indicated by various theories. One of the most notable theories is the *Baumol Cost Theorem*, which states that there is a relationship between low productivity sectors and high productivity sectors.

Noneconomic theories are just as important. The use of things such as the *Hedonic Price Theory*, which states that human motivation is solely based on the desire to maximize pleasure and minimize pain, and the *Aesthetic Theory*, which is branch of philosophy which evaluates art's historical significance, beauty, representation, and expression, give fairly accurate estimations

about art can be valued. Moreover, by looking through the perspective of all of an artist's accumulated choices and the history and context of their art, the pricing and valuation of such art can be altered.

In the sale of an item, as money is exchanged, economic factors play a major role in determining the value and price of art. However, due to the fact that there is a lot of subjectivity in art, in terms of its variety and its diversity, the value and pricing becomes dependent on various noneconomic factors which are restricted to their time in history and social eco-political factors of that time. At times, if the noneconomic factors result in increasing popularity of the art, then it can be depicted in terms of increasing valuation of the piece.

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