

# Public Expenditure on the Arts and Direct Democracy: The Use of Referenda in Switzerland

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The Economics of the Arts has become a well-established field within the 'economic approach to social problems' championed by Gary Becker (1976) and others (e.g. George Stigler, 1984; Jack Hirshleifer, 1985; Bruno S. Frey, 1992). Since the publication of William Baumol and William Bowen's (1966) pioneering book on the *Performing Arts—The Economic Dilemma*<sup>1</sup> many fascinating insights have been gained by applying economic methodology to the arts. The theoretical and empirical results have been published as papers in leading economics journals (and elsewhere) as well as in the form of books and collections of articles.<sup>2</sup> There is an *Association of Cultural Economics, International* (reorganized in 1993) which holds meetings every other year as well as various art economics research centres (in particular in Venice), and there are many conferences dedicated to various aspects of art economics.

Outsiders know little or nothing about this development. This also holds for many economists who often are naïve when it comes to art. They tend to discard the tools of their trade and prefer to follow the clichés prevalent in the 'art world', that, for example, commercialization is bad for art, that great artists are poor (the 'Gauguin-van Gogh-effect'), and that large profits can be reaped in the market of paintings and antiquities—provided one 'chooses well'. Lay people (and even some economists) generally abhor the application of economic analysis to art; they can spend hours arguing that artists are a completely different breed of people, and that they certainly do not act according to economic principles. A genius is, on the contrary, considered to be a person acting beyond the confines of (bourgeois) rationality.

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<sup>1</sup>While this book has set off modern research (for a collection of early articles in this vein, see Mark Blaug, 1976), there is much earlier work on this topic, in particular in German, e.g. Carl Kindermann, 1903, Joseph Lux 1906, or Paul Drey 1910.

<sup>2</sup>The present state of research is surveyed in David Throsby (1994), Frey and Werner W. Pommerehne (1989) and Heilbrun and Gray (1993). See also Ruth Towse and Abdul Khakee (1992) and Martin Feldstein (1991).

One of the most controversial areas is the relationship between art and democracy. Most people are fully convinced that artistic choices cannot be left to the citizens, and a popular referendum on an art issue is taken to be a stupidity, if not a sacrilege. The general view certainly is that such issues must be decided by a cultural élite. This judgement is shared by most economists, even by those who in other areas of life unquestionably accept consumer sovereignty as the guiding norm for resource allocation (for a typical example see Tibor Scitovsky, 1972). It is argued that if art issues were subject to (direct) democratic decisions, public support for the arts would drop to an abominably low level, and what is still supported, would be of terrible quality.

We argue in this paper that this view is largely mistaken, at least in a well structured democracy. We empirically analyze an extreme case of democratic interference with art, namely by *popular referenda*. Two questions are studied: (1) Do voters in direct democracies discriminate against art as such by accepting a lower share of referenda with respect to public spending on the arts than on other public expenditures? (2) Are popular referenda on art inconsistent with a high quality of art? The empirical analysis uses Swiss data since Switzerland is the country with the most established system of direct democracy in the world (Thomas Cronin, 1989).

Section I examines referenda on art expenditures in a large number of Swiss municipalities and seeks to answer the first question. Section II focuses on a particular referendum concerning paintings by Pablo Picasso, the embodiment of modern, abstract and high quality art, seeking to answer the second question. The following section provides a tentative explanation for our observations, and section IV offers concluding remarks.

## I PUBLIC SUPPORT FOR THE ARTS AND DIRECT DEMOCRACY

In Switzerland, public spending on cultural issues has been submitted to referenda in a large number of municipalities. Table 1 presents the outcomes of such referenda on cultural expenditures compared to the outcomes of referenda on all other public spending.

The city of Basle has the lowest rate of successful cultural propositions brought before the electorate, but even so, clearly more than half were accepted. In other cities, such as Zurich and Berne, roughly nine out of ten propositions by the respective municipal governments were favoured by a majority of votes. In total, out of 108 cultural expenditure referenda, 89 (i.e. 82 per cent) were approved by the electorate. Of the more than 1700 expenditure referenda on other issues, a somewhat higher share (90 per cent) found a majority. However, the proportion of accepted referenda between cultural and non-cultural issues does not differ significantly for the various municipalities (with the exception of Lucerne and Biel). In view of these results, the often stated claim that culture would suffer once the population were accorded a direct say is contradicted. Although this may be due, in part, to some specific conditions in Switzerland, it is difficult to see why this country should be that much of an exception. (If anything, most people

Table 1 Voting outcome of popular referenda on public expenditure for culture and for all other purposes. Major Swiss municipalities, 1950-1983a

municipality	Referenda on public expenditure for culture				Referenda on public expenditure for all others			
	no.	voting participation %	% yes votes	% of referenda accepted by a majority of voters	no.	voting participation %	% yes votes	% of referenda accepted by a majority of voters
Basle	9	37.2	55.2	55.6	54	32.9	53.0	57.4
Biel	3	36.2	58.9	60.0	132	31.5	75.1	90.2
Lucerne	6	35.3	63.3	66.7	143	40.0	70.7	88.8
Chur	7	53.0	54.9	71.4	74	52.2	64.9	79.7
Zurich	24	46.6	62.9	83.3	415	47.9	76.4	91.6
St. Gall	17	46.7	63.8	88.2	145	46.4	71.7	86.9
Winterthur	20	65.2	56.5	90.0	311	66.7	86.7	84.6
Berne	15	35.0	74.4	93.3	280	38.7	78.8	96.8
Thun	5	46.6	58.6	100	147	36.8	77.3	95.2
Total	108	47.2	61.2	82.4	1701	46.5	76.5	89.5

a. Those municipalities were selected which had at least five expenditure referenda on culture in the period indicated.

Source. Computed from official electoral statistics, collected by the authors from the unpublished data made available by the statistical offices of the various municipalities.

would think that the Swiss are a rather materialistic and egoistic breed who do not specially favour spending money for the arts).

The development over time is also revealing; between 1950 and 1983, the electorate became increasingly less inclined to accept the public spending propositions brought forward by their governments: the proportion of non-cultural referenda passed fell from 94 per cent (1950-64) to 90 per cent (1965-73) and to 75 per cent (1977-83). The situation is quite different in the case of expenditure propositions on the arts: while the percentage of accepted referenda amounted to 80 per cent between 1950-64, this rate was up to 83 per cent between 1965-73 and then fell slightly to 79 per cent between 1974-83. This was not achieved by reducing the relative number of cultural to non-cultural issues; rather, the reverse is true.

This favourable attitude of the electorate towards cultural proposals is mirrored in the development of municipal expenditures, as shown in table 3. Compared with the earlier period (1965-73), the share of public expenditure spent on culture rose from 3.3 to 4.9 per cent in 1974-83, considering only the municipalities' own financial efforts. When the grants from other public authorities (mostly cantons) are included, we note some substitution effect, with the proportions in both periods being lower, but again, increasing over time.

## II HIGH QUALITY OF ART AND DIRECT DEMOCRACY

Basle's Art Gallery is famous not only for its collection of old masters such as Hans Holbein the Younger but also for its collections of Post-Impressionists and especially of Expressionists (Cézanne, van Gogh and Gauguin). Some of the most important paintings are not owned by the museum, however, but are on loan from a collection in possession of a patrician family of this town. Owing to the pressing financial needs of one of the members of this family, four of the 27 pictures on loan to the museum were to be sold in 1967. The family offered two Picasso paintings, *Les Deux Frères*, created in his 'Rose Period' (1905/6), and *Arlequin Assis* (1920) to Basle's Art Gallery for purchase, at a price of SFr. 8.4 million. The government and the parliament of the canton Basle-City decided to donate SFr. 6 million in order to buy these paintings, provided the remaining SFr. 2.4 million was raised by individuals and private firms. This decision was subject to the obligatory popular referendum. The vote was taken in October 1967 after a lively discussion about the value of art for the community and, in particular, the role of modern art in the form of Picasso paintings.

In popular referenda such as this one on the Picasso paintings, citizens may be assumed to vote according to what they consider to suit their preferences best. The larger his or her net benefit from the two paintings exhibited in the Basle's Art Gallery, the more likely a citizen will cast a favourable vote. The following factors may be hypothesized to play a major role in this decision:

- the higher a voter's income, which tends to be strongly correlated with an interest in the arts, the more likely does he or she support the proposal;

Table 2 Voting outcome of popular referenda on public expenditure for culture and for all other purposes. Major Swiss municipalities, 1950-1983a

Subperiods	Referenda on public expenditure for culture				Referenda on public expenditure for all other purposes			
	no.	voting participation %	% yes votes	% of referenda accepted by a majority of voters	no.	voting participation %	% yes votes	% of referenda accepted by a majority of voters
1950-1964	50	49.4	55.9	80.0	881	47.5	73.0	93.6
1965-1973	30	36.2	50.8	83.3	541	40.6	70.3	80.5
1974-1983	29	44.3	57.4	79.3	279	37.1	63.5	75.3

a Same municipalities as in Table 1.

Source: See Table 1.

- the lower the physical cost of access to the museum (the lower the cost of transport due to geographical vicinity), the more positive the attitude towards the proposal;
- on the other hand, the larger the expected increase in a person's tax burden resulting from the spending proposal, the less likely he or she will vote in its favour.

These hypotheses have been empirically analysed by us, using data for each of the 21 voting districts in the canton Basle-City.<sup>5</sup>

The outcome to be explained is the percentage of 'yes' votes cast. This variable being constrained between 0 and 100 per cent, expressing the dependent variable in terms of logits is the appropriate specification in order to carry out least squares estimation. Consequently, the variable to be explained is the natural logarithm of the fraction of 'yes' votes over the percentage of 'no' votes. The estimated voting equation is as follows:

$$\ln \left[ \frac{\% \text{ 'yes' votes}}{\% \text{ 'no' votes}} \right] = \begin{array}{ll} 0.17 & \text{Constant term} \\ 0.01^{**} & \text{Average per capita income} \\ (2.92) & \\ -0.10^{**} & \text{Expected increase in tax burden} \\ (-2.78) & \\ -0.01^* & \text{Physical cost of access (transport cost)} \\ (-2.19) & \end{array}$$

$$\bar{R}^2=0.47; F\text{-ratio}=11.4; \text{d.f.}=17$$

The figures in parentheses below the parameter estimates indicate the *t*-values, and thus shows whether the corresponding estimated parameter differs in a statistically significant way from zero. Two asterisks indicate statistical significance at the 99%, and one asterisk indicates significance at the 95% confidence level, using a two-tailed test. Thus, all three variables contribute to explain statistically

Table 3 Proportion of cultural expenditure in total municipal expenditure,<sup>a</sup> major Swiss municipalities, 1965-1983b

Subperiods	Proportion of cultural expenditure, excl. grants from other public authorities (%)	Proportion of cultural expenditure, incl. grants from other public authorities (%)
1965-73	3.3	2.6
1974-83	4.9	3.6

<sup>a</sup>Municipal cultural expenditure includes outlays on libraries, museums, theatres and concerts, monuments, historic preservation, mass media and other cultural activities.

<sup>b</sup>Same municipalities as in tables 1 and 2.

Source: computed from unpublished official data collected by the authors from the statistical offices of the various municipalities; for the period 1950-64, no data were available.

<sup>5</sup>These partly unpublished data were collected by the authors from the statistical office of the City of Basle.

the vote outcome in a significant way.  $\bar{R}^2$  is the coefficient of determination, corrected for the degrees of freedom (d.f.). It shows that the estimated equation accounts for 47 percent of the difference in voting outcomes between the 21 election districts. The calculated value of the  $F$ -ratio in this case indicates that the independent variables as a whole have a statistically significant influence on the dependent variable.

The results are in line with the proposed influences: those districts with higher average per capita incomes and those with a lower cost of access to the Art Gallery were more in support of the purchase of the Picasso paintings; a higher expected tax burden tended, on the other hand, to depress the proportion of 'yes' votes. As indicated, the empirical analysis was, however, able to account for only less than half of the differences in the proportion of 'yes' to 'no' votes in the 21 districts.

The restricted explanatory power of our simple estimate is not too surprising. Our model was assumed that voters look at the two Picasso paintings purely in terms of their direct private benefits, without considering broader issues.<sup>4</sup> Art may, however, have considerable *bequest*, *prestige* and *option* value which should be taken into account. These values cannot be directly observed nor can they be easily measured by surveys as the persons interviewed tend to respond in a superficial way. In order to capture the influence of these evaluations on vote decisions, auxiliary variables are used. They serve to indirectly capture these influences but the authors are well aware that they are only approximations. The influence of the bequest value is indirectly captured by calculating the number of children (age 0-15) per citizen; we thus posit that the more children there are in a family, the more the parents take the interests of subsequent generations into account. The prestige value is important for voters born in Basle and therefore having a special attachment to the city's history and culture; we therefore take the share of voters born in the city of Basle as a determinant of the vote decision. Finally, the importance attributed to the option value is captured by the proportion of citizens who are holders of season-tickets in the two public Basle theatres; by this purchase they reveal having an interest in maintaining the option of visiting art institutions. All three factors should contribute to a stronger support of the proposal to buy the two Picasso paintings. Moreover, the non-monetary cost of visiting the museum may be explicitly included by taking peoples' educational level into account. This level is measured as the proportion of those individuals with a secondary school or university degree in the electorate. Finally, the intensity of involvement for, and interest in the quality of the Art Gallery may be expressed by including the proportion of voters belonging to the 'Friends of the Art Gallery' among the explanatory factors. The results of this extended empirical analysis are:

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<sup>4</sup>Becker (1992) recently went beyond the restrictive assumption set out in Stügler/Becker (1977). Indeed, he even argued in favour of 'waxing about' preferences'. But Becker emphasizes that the respective analysis should not take preferences as a mere residual. Rather, a serious effort should be made to causally explain preferences and their change.

$\ln \left[ \frac{\% \text{ 'yes' votes}}{\% \text{ 'no' votes}} \right] =$	- 1.09	Constant term
	0.02*	Average per capita income
	(2.37)	
	- 0.10**	Expected increase in tax burden
	(- 2.69)	
	- 0.01	Physical cost of access (transport cost)
	(- 1.52)	
	0.03*	Bequest value
	(2.02)	
	0.13*	Prestige value
	(2.52)	
0.05*	Option value	
(2.34)		
0.02*	Psychological cost of access (level of education)	
(2.02)		
0.01*	Intensity of involvement	
(2.14)		

$$\bar{R}^2 = 0.85; F\text{-ratio} = 12.2; \text{d.f.} = 12$$

Inclusion of the aforementioned indicators for bequest, prestige and option values, as well as those for the level of education and preference intensity, drastically improves the performance of the empirical analysis. As may be noted, all five additionally introduced variables exert a statistically significant influence on the vote decision. The higher the bequest, prestige and option values are, the more the citizens are prepared to support buying the two Picasso paintings. Support also increases with the psychological accessibility of cultural institutions (measured by the level of education) and with the intensity of involvement with Basle's Art Gallery. The differences in support levels between the various districts in Basle are now accounted for to a much higher degree by the model; the share of explained variance rises from 47 to 85 per cent. The results can be used to demonstrate the importance of those factors going beyond the narrowly conceived private interests of the voters.

### III A TENTATIVE EXPLANATION

The generally expected 'bad' results, namely the low support of public expenditures for the arts and a rejection of high quality art when average citizens are allowed to decide on art in a referendum do not materialize for the case of Switzerland. This is surprising in view of the popular prejudice that the average citizen is not as fond of the arts as the decision makers in a representative democracy where the decisions are in the hands of the cultural élite and the politicians, who clearly have an above average education and income. Our estimate of the support for acquiring the Picasso paintings shows, that people with above average

education and income are indeed more favourably inclined towards the arts (see also Paul DiMaggio and Michael Useem 1978). The average voter certainly has a less developed 'taste' (defined according to the prevailing standards of the art world) than the cultural élite (see the many sociological studies e.g. in Arnold Foster and Judith Blau 1989). Hence, the expectation of 'bad' results seems to be well grounded.

What may be the reasons for the empirical finding that those 'bad' results do not materialize, at least not for the post-war experience in Switzerland? We argue that there are two countervailing effects which, under favourable circumstances, may outweigh the generally expected effects.

The first reason why the voters may favour art more strongly than expected is that a popular referendum is preceded by a *pre-referendum discussion* (see Frey 1994). This discourse changes the voters' perceived possibility set (they get to know new aspects and alternatives) and affects their stated preferences. Sociological research as well as common sense suggest that new forms of art can only be evaluated and appreciated by being accustomed to it (see e.g. many articles in Foster and Blau 1989). Hence, particularly in the case of art, lively discussions at the pre-referendum stage are of crucial importance. Indeed, in the case of the Picasso referendum in Basle the preceding discussion has been extraordinarily intensive, and the same is true (though in general to a lesser extent) for other referenda on cultural matters. Under these conditions the much debated 'paradox of voting' (Anthony Downs 1957) which holds that citizens, due to the public good effect, have little incentive to become informed and to participate in elections and referenda, is overcome. The public good nature of political discussion is transformed into a *private* decision because a large number of citizens become personally engaged in the discussion. Their family members, friends, acquaintances and job colleagues expect them to take a position on the issues presented in a referendum, or as Hirschman (1989) rightly puts it 'Having opinions is an element of well-being'. (The argument is more fully developed in Bohnet and Frey 1993). The intensive discussion preceding the Picasso referendum as well as other cultural referenda performs an educational function. Many citizens confronted for the first time with a cultural referendum, and sometimes a specific work of art, have never been concerned with it as private consumers, both for lack of interest and also lack of money. As a result of the discussion induced by impending referenda on culture, many voters improve their appreciation of art and are prepared to support the corresponding public expenditures.

The second reason why the generally expected 'bad' outcomes of using referenda on culture does not materialize is related to the *low cost situation* (see Hartmut Kliemt 1986, Gebhard Kirchgässner and Pommerehne 1993), in which those citizens who are not strongly engaged in the discussion process find themselves in the end. As their voting decision (if they participate at all) is of little or no importance to them, they cast their vote according to their ideological predisposition, thus being liable to the information and propaganda to which they are subjected to. Typically, the information and propaganda provided is *asymmetric* in favour of the arts. The persons dominating the public discussion, being in general of above average education and income, tend to rally for the arts. Those few out-

siders who are against art, find it advantageous to conceal their point of view because they would be negatively censored by their colleagues, the art lovers. Opponents are likely to oppose the referendum proposal in public primarily on financial grounds. In the case of the Picasso-referendum in Basle the money argument was weakened because the public expenditure would only take place provided the private sector also carried a significant share of the cost. Sharing the burden may be of considerable importance in the case of public expenditures for particular art objects. As shown by our estimates, a higher tax burden significantly reduces the willingness to vote in favour of such referenda. As many examples from Swiss referenda demonstrate, the support by the political and cultural establishment is, in general, not sufficient to override this effect. The country's élite strongly campaigned for Switzerland's entry into the United Nations, and later to the European Economic Area, and the discussion as well as the propaganda in that case were accordingly one-sided. Nevertheless, the Swiss voters overwhelmingly rejected the propositions in the two respective referenda (March 16, 1986 and Dec. 6, 1992).

#### IV CONCLUDING REMARKS

The common objection to submit art to the judgement of the voters in referenda has been shown to be unwarranted in a mature democracy. While the body of voters has a lower preference for the arts than the political, social and cultural élite, the induced discussion which favours the appreciation of art, as well as the information and propaganda offered by the discussion leaders in support of art, dominates. As a result, in a direct democracy such as Switzerland, one may observe that referenda on cultural expenditures get a higher level of support than other kinds of public expenditures. Also, referenda on public outlays for a specific object of modern art (paintings by Picasso) have been accepted by the voters who (on average) as private consumers previously had little appreciation for this kind of art.

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