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The Impact of the Global Economic Meltdown on Visual Arts in Nigeria

By

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Abstract

The world is currently battling with economic decline triggered by subprime mortgage crisis. What began as a crisis in a particular sector in the U.S. has grown into full blown global financial crisis, the crisis has hit the world in the face uninvited, and it requires the concerted efforts of all in order to curtail its impingement on the quality of life of the world populace. The Visual Art sub-sector in Nigeria has not been spared by this ravaging economic "tsunami". This paper documents the effects of the global economic recession on Visual Arts, as most art organizations and galleries cut budget and reduced staff. Exhibitions are being cancelled or postponed, and the cutbacks fall directly or indirectly on the Visual Artist. It recommends that the Visual Artist should evolve alternative ways of doing things and that governments at all levels should ensure the proper funding of the Visual Art sub-sector.

As international financial markets continue to tremble and most national economies slip into recession, the fears of the global economic meltdown had began to hunt many nations and its people. According to Okekeke (2009:2) the crisis erupted like a volcano, with the larva and ashes spreading with such a great veracity, scorching most economies across the world in varying degrees. The financial crisis presently rocking the world has virtually paralyzed most economies of the world to a painful halt and Nigeria is no exception from the United States to the United Kingdom, from the Middle East to Asia, from Africa, and to Australia no economy is totally free from the fangs of this phenomenon. This phenomenon has been variously referred to thus: as financial "tsunami", economic downturn, economic slump, economic "go-slow", credit crunch, global economic recession, financial crisis etc. Economists agree that this phenomenon has its roots in the subprime episode in the U.S. The American housing policy is widely blamed as a major contributing factor to the crisis. The combination of consumers who wanted cheap loans and rising house prices, banks who wanted a safe profitable business model, building industries, all these and many more directly or indirectly contributed to the crisis and the intensification of the crisis thereby exposing the vulnerability of international financial system.

Ebereonwu (2010) define economic meltdown in its simplest term, as “economic go-slow” and likened it to traffic jams which grind vehicular movements to a halt with attendant man-hour losses, physical and emotional stress. Economic meltdown literally brings an economy to a stop. Similarly, Samson (2008:68) observed that a recession is commonly explained as a state of negative economic growth for up to two consecutive quarters.

The Visual Art sector of the economy without doubt, remains a vibrant and important part of the Nigerian economy. Like every other sector of the Nigerian economy, it has not been immune to the effect of the global economic crisis. Visual Arts encompasses a diverse range of human activities. They are forms of art that focuses on the creation of works, in such areas as painting, sculpture, graphics, printmaking, photographic art, ceramics, textile art, etc. This paper investigated and made necessary recommendations to the effects of the current economic recession on Visual Arts. It is common knowledge that Visual Artist and art galleries are recording poor sales and financial loses as demands for their products and patronage has hit all-time low. Visual Artists are hesitant to hold exhibitions, and all these and many more have led to loss of values in many of Visual Artists and art collectors’ financial base.

Visual Arts

Visual arts have always been with man since civilization, from prehistoric cave art to contemporary art. Visual art has been described severally as Fine Art, Creative Art, Art and Craft, Art etc. The term Visual Art used to be restricted to works of Fine Arts such as Painting, Sculptures and Printmaking, but the world has come to embrace a broader dimension to include Applied Arts, Decorative Art and Craft. Visual Arts can be referred to as forms of art that focuses on the creation of works that are primarily visual in nature. It essentially involves such areas as Graphic Design, Drawing, Painting, Ceramics, Printmaking, Sculpture, Textile Art, Photography, Crafts and arts that involve the use of technology. (Wikipedia 2010).

Artworks can be classified or defined by the purpose, creative intention or concepts. The purpose may be to communicate an idea, such as in politics, religion, and prestige, decorative or ornamental. For the purpose of this paper, it will be proper to look at Visual Art from a broader perspective. According to Wikipedia (2010), art is the process of deliberately arranging elements in a way to affect the sense or motion; it encompasses a diverse range of human activities, creation and modes of expression. While Britannica online (2010), define Art as the use of aesthetic objects, environments or experience that can be shared with others. Art is a means to express thoughts and observations; it explores, arouses, and often intends to appeal, connect with human emotions and can be understood in several ways. It is concerned primarily with the creation of beautiful objects.

Down Memory Lane

Economists the world over are unanimous about the fact that the economic downturn or melt down was triggered off largely from the mortgage crisis in the U.S. housing bubble in 2006. High default rates, increased loan incentives like easy initial terms and long term trends of rising housing prices are some of the reasons adduced by experts. Various types of loans were obtained, ranging from mortgage to auto and consumers assumed unprecedented debt load. This caused values of stocks to crash and affected financial institutions globally, leading to declines in credit availability and damaged investors confidence, trade declined and because of the high default rate on mortgage, interest began to rise and housing prices started to drop, financing became more difficult as banks and other financial institutions assumed significant debt burdens while providing such loans and did not have enough financial cushion to absorb the large loan defaults. Ebereonwu (2010) expressed that the crisis was fuelled by "subprime" lending. This refers to lending practice in the form of mortgages for the purchase of residences to borrowers who do not meet the usual criteria of borrowing at the lowest prevailing market interest rate. As bad debt become rampart, many banks and lending institutions panicked as they had borrowed out beyond their limit, stockbrokers too panicked on discovering what was happening in the banking sector and pulled out their money from these institutions and the market nose-dived. This however, spread swiftly and contagiously to various corners of the world, leaving wide spread havoc and unprecedented damage across the globe. Some of the largest financial institutions, (banks, insurance, investment houses) etc. have either declared bankruptcy or received lifelines, (bail out) from government to stay afloat. In his view Adisa (2010:1) observed that this led inevitably to the shutting down of plants, job cuts and job loss, lack of homes, he further expressed that by mid 2008 the George Bush administration accepted a grudging reference to the crisis as an economic slowdown and later stagnation. The U.S. sank into debt, investment banks which had accumulated more of the "toxic dept" began to move towards liquidation. Lehman brothers, Bear Stearns and Merrill Lynch, Goldman Sacks and Morgan Stanley had to convert to a commercial bank.

In the U.K. it did not take long before the financial cracks began to appear because of its close link with the U.S. financial market, the government spent more of its income on bailout than did governments of other European Zones. The story was not different in Iceland, as its government had declared bankruptcy. In one month, three of its largest banks collapsed and taking the entire economy with them. France was next in line, Sweden, Estonia, Finland, Netherlands, the list is endless. These countries were either in recession or at the brink of experiencing it (Sampson 2008:69). In Asia, towards the end of 2008, Japan, China, India and several others were close to recession: In 2009 early signs of the crisis reared up its ugly head with the bursting of the Dubai property and hospitality bubble when Dubai world, the state investment company declared that it was facing financial difficulties and in Nigeria the story was not different.

The Nigeria Experience

The Nigeria people have been misled by various government agencies and some individuals into believing that the financial crisis was a creation of the western world. Collaborating this, Toye (2010:19) expressed that many Nigerians including the Director General of Nigerian Stock Exchange and the former CBN Governor, Charles Soludo had argued that the global economic downturn was a blessing for Africa and wondered why the hue and cry, even when experts from China and India took a more careful approach in assessing the situation. However, it soon become clear that the entire credit market might be dragged down, though the Nigeria situation was not as bad as most European countries, as the country had not been in full recession like most of the industrialized nations. Though it has been experiencing some of the direct and indirect impacts of the global economic meltdown, the country has had her fair share of the painful stings of the crisis. The reform in the banking sector which led to the consolidation of over 80 banks into 25 was seen as a welcome development as this sector serves as the major key driver in the economy, and until recently, Nigerians believed that there was a lot of liquidity in this sector. It took a new C.B.N Governor to uncover the sharp practices by some of the financial institutions. There were questionable credits made to purchase mostly bank loans and marginal loans made by banks Chief Executives sometimes to themselves and their cronies.

Confronting the Problem

In 2009, Prime Minister Gordon Brown of the U.K. advocated the need for concerted monetary and fiscal measures to drag the world out of looming depression. Several countries afflicted by the financial crisis have been forced to take their own measures to protect their economy. It has led many countries to take a long hard look at what needs to be done to strengthen and improve their banking sector. Several governments have engaged in interim fiscal stimulus and institutional bailouts. In the U.S. for example, the Federal Reserve lowered federal funds rate from 65% to1.0%. This was done to cushion the effect of the collapse and by December 2009, the government had spent about 30% on bailout. In the U.K., about 75% of the national income while the European zone spent 30% of their national income on banking bailouts.

In Nigeria, government engaged in some measures for the bailout for the textile industry and the reforms in the banking sector with the appointment of new Central Bank Governor, Government has taken deliberate policies to address some of the issues raised by the financial crisis. Ujah and Onwuemenyi, (2010:21) reported that the federal government has identified three fundamentals necessary for the accomplishment of a full economic recovery. They went further to say that the Minister of State for Finance, Remi Babalola listed the fundamentals as increased lending by the banks, restoration of confidence with financial sector and the creations of more jobs.

Impact of the Global Economic Meltdown

It was the belief of some financial experts at the beginning of the crisis that the impact on Africa would be minimal due to the low integration of the continent into global economy. Some even thought that the continent was immune to the fangs of the financial crisis. This has however proved otherwise. Enebeli-Uzor (2009:17) remarked that the socio-economic impact of the September 11, 2001 terrorist attack on the U.S. is nothing compared to the unfolding scenario of credit crunch, except that the present scenario does not directly involve loss of human lives. Similarly Sampson (2008:72) remarked that the trends in the major economies of the world show that when the U.S. sneezes the rest of the world catches cold. In Europe and Asia, the spillover effect of the near economic recession in the U.S. is beginning to be felt especially in their capital market, investors are wary about the global economic slump that could result from a full blown recession in the U.S. and engage in massive stock sell off that had sent most market indices crashing down. Many economies of the world are getting bankrupt, banks are failing to perform their traditional roles of financial intermediaries, taking from those with excess and lending to those in deficits. This development limited their willingness and ability to lend. Stocks are crashing, jobs are being cut etc. Despite the credit crunch, virtually all countries of the world are experiencing record level inflation especially in the emerging economics.

In the third world or emerging economies, it is expected that the capital markets could escape significant fallout of the U.S. recession, owing especially to their relatively low exposure to foreign investors. It is however expected to lead to failure of key businesses, declines in consumer wealth and decline in economic activities. Most hit would according to Sampson (2009:18) be oil dependent economies like Saudi Arabia, Indonesia, Libya, Nigeria, Angola etc. In the heat of the crisis, Enebeli-Uzor (2009:17) rightly observed that volumes of stock and domestic currencies plunged to record low levels, export and commodity prices also plunged to compound the woes and further push economies worldwide either into recession or slowed economic growth and commodity prices plunged due to weak demand.

For instance crude oil prices crashed from all time high of between $147 and $150 per barrel in July 2008 to less than $40 per barrel in December 2008. The rate of unemployment soared across the world as many small businesses closed and large organizations trimmed their workforce. The obvious impact of the global economic downturn on Nigeria was the continued depletion of her external resources, weak global demand, and falling crude oil production. Adisa (2010:1) reported that in other to escape the volatility of slump in price of oil in the international market, the National assembly had decided to cut the 2010 budget by as much as 45%.

Impact on the Visual Arts

Nigeria with more than 90% of her revenue coming from oil is in a very precarious situation. For example, the 2009 budget was predicated on $45 per barrel, and the Naira suffered dramatic loss in value against major currencies of the world. The

Nigerian Stock Exchange which at one time was one of the world's best performing stocks was not left out as it crashed with more than 70%. No wonder Toye, (2010:19) observed that J.P. Morgan warned that most bank stocks in Nigeria were overvalued by as much as 57% and the Nigeria stock exchange did not heed their warning, and before long the cracks had began to show in every facet of the economy. The recession is affecting the various sectors of the Nigeria economy in similar ways as it is affecting the Visual Arts. People are reducing their budget in other to adjust to the economic realities, major art organizations, galleries and craft shops are counting loses because of the global economic slump. The meltdown has also affected the purchasing power of art lovers and patrons, galleries and craft shops have recorded poor sales and financial loses; the demand for visual art products and service has witnessed unprecedented downturn. According to Idubor (2010), curator and owner of the Idubor art gallery, sales and patronage has dropped significantly This assertion in collaborated by Ekhator (2010), a bronze caster and a craft shop owner in Igun Street (Benin City), stated that the usual influx of tourist and clients to Igun Street (traditional Bini guild bronze casters) has witnessed persistent low patronage. He further asserted that he and some of his colleagues are already thinking of alternative form of livelihood because of the harsh effects of the economic meltdown.

Government all over the world are cutting budgets and reducing spending. This has had a rippled effect on the Visual Arts, as major government organizations responsible for the promotion of the Visual Arts in Nigeria like the National Gallery of Arts (NGA), the Ministry of Arts and culture have been seriously hit by reduction and contraction of government spending. The Art institutions and other government agencies responsible for the promotion of Arts have also suffered significantly from reduction in government spending. The global recession has resulted in reduction in endowment revenues. This may have the largest impact in the Visual Arts, as major organizations sponsoring arts such as the British Council, the U.S., French and Garman Embassies who have supported Visual Arts through thick and thin have had to cut their budget and sponsorship drastically.

The high cost of art materials despite the economic downturn is another significant impact. The Visual Artist has had to grapple with astronomical cost of various art materials even in the mist of weak economy and steep decline in the demand for goods and services. Njoku (2010) decried this trend where Artists spend so much in the production of art works and are compelled to sell such works because of the economic hardship at a "give away" price in other to keep body and soul together. He further asserted that, this has been a difficult time for Artist generally as many practicing Artist have sought alternative form of livelihood.

Another reason adduced, is the reform by the Central Bank Governor, Sanusi Lamido Sanusi in the banking sector. It has been argued that the reform came at a period of the year that most Artist and galleries usually look forward to the patronage of the corporate sector particularly banks and other financial institutions that always collect works for corporate gifts for their branches and customers. Experts say the lower performance of the Visual Arts sector was a reflection of the development in the mainstream financial sector. Sowole (2010:51) recorded that the curator of Quintessence Art Gallery, Ohiomokhare confirmed this, nothing that the meltdown has no doubt affected the arts. Uwaezuoke (2010:72) also decried the lull in the flurry of activities in the local Visual Art scene; he observed that the fortunes of Visual Art works over the past two years have dwindled significantly.

The dramatic fall in the value of the Naira against other major currencies of the world and the falling demand for crude oil has translated to falling demands for Visual Art works in Nigeria a country which runs a mono-commodity economy and is heavily dependent on oil. This by extension has put the country and the Visual Arts at a disadvantage during recession. This is evident at the 2010 International Art-Expo in Lagos organized by the National Gallery of Art (NGA)/Art Galleries Association of Nigeria (AGAN). Attendance and patronage just like most exhibitions across the country was discouraging. It was indeed a perfect opportunity to test the Art market and the reality of the recession.

Galleries and exhibition outlets that used to share risks with artists during exhibitions suddenly developed "cold feet" due to the economic meltdown. Such Galleries and Exhibition outlets are now demanding up-front payment as fees for exhibition space as fees for most galleries also went up astronomically; Showole (2010:51) observed that Terra Kulture, an art gallery in Lagos for instance, charged between ₦300,000 (three hundred thousand naira) and ₦ 500,000 (five hundred thousand naira) as fees for an exhibition space, and in Benin city, the range is between ₦150,000 (one hundred and fifty thousand naira) and ₦500,000 (five hundred thousand naira) against ₦100,000 to ₦ 200,000 that was the case before the recession. Artists are no longer forthcoming with exhibitions as very few artists could afford this high cost.

Conclusion

Financial crisis in the world are not likely to stop and experts say each financial crises that comes will always take most people by surprise. Nigerians over the years have experienced and confronted recessions; call it austerity measures Structural Adjustment Programme (SAP), or inflation. Nigerians will always find a way to survive and the Visual Artist is no exception. In view of the prevailing circumstances, the Visual Arts sub-sector which has constantly been constrained to the lower ebb of the food chain, because of the erroneous belief that Visual Arts is for the rich and relatively comfortable. It is suggested among other things that the Visual Artist should evolve new ways of doing things and create alternatives; he should establish clear, long, medium and short term plans, stick to them and stay focused on the "big picture".

The Visual Art sector has made important contributions to the Nigerian economy, it has provided unequalled succor to both visitors and the nation. A vibrant and active Visual Art sector is key to attracting tourism and retaining investment. Governments at all levels should ensure the proper funding of the Visual Arts and agencies responsible for the promotion of the Visual Arts.

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