ISSN 1753-2396 (Print)
ISSN 2753-328X (Online)

Journal of
Irish and Scottish Studies

Articles

The Arts And The Wealth Of Nations: The Role Of The State

Author: John O'Hagan

Volume 2, Issue 2
Pp: 41-51
2009
Published on: 1st Jan 2009

1495
ABERDEEN
UNIVERSITY PRESS

The Arts And The Wealth Of Nations: The Role Of The State[1]

John O'Hagan

1 Introduction

This paper examines the contributions the arts can make to the wealth of a nation / region, where wealth is defined much more broadly than is usual in Economics. The paper opens with a discussion of the concept of national / regional identity (Section 2) looking particularly at why it is related so closely to the issue of state funding. Its links to social cohesion and national prestige are explored in the following section (Section 3). These sections highlight the non-material contribution, in terms of national / regional identity, social cohesion and prestige, to national wealth. The later sections explore the more usual interpretations in Economics of contributions to national wealth. Section 4 considers the research or experimental role of state-funded arts and compares this to the rationale for the funding of research in general and Section 5 considers other types of spin-off, in terms of employment and tourism creation.

2 Wealth Benefit I: National / Regional Identity

One of the arguments economists hear used most frequently in relation to subsidies to the arts relates to national identity and the extent to which the arts can define 'those elements of national life which characterise a country and distinguish its attitudes, institutions behaviour, way of life from those of other countries'.[2] Like the physical well-being of its people and lands, the cultural identity of a nation must be cherished and protected, according to this argument. The appropriate analogy of public funding to support ('protect') the sector is then with national defence. The protection of both the physical

[1] This paper is an amended version of parts of Chapter 2, in J. O'Hagan, *The State and the Arts: An Analysis of Key Economic Policy Issues in Europe and the United States* (Cheltenham, 1998).

[2] D. Throsby, and G. Withers, *The Economics of the Performing Arts* (New York, 1979), 177.

and artistic well-being of a country, region or city, is what economists call a 'public good'. Once provided, it creates benefits for all: once paid for it is impossible to exclude anyone and therefore there is no incentive for any one individual to pay his or her share of the cost of providing the output. State funding in this case is inevitable.

This may be a compelling argument for state support of the arts but it is an argument which has been subjected to rather searching analysis. Writing in relation to Canada, a country with a particularly strong pro cultural-protection lobby, Globerman questions the notion of national identity, and more importantly how the arts contribute to this.[3] As he states, 'in the absence of a specification of how culture produces national identity and a more defensible nation, it is quite plausible to argue that there may be much less costly ways to accomplish the objective … Indeed, it is possible to argue that virtually no effective relationship exists between indigenous culture and national identity. For example, some critics suggest that art, by its very nature, is international in character, or that art should be judged for its own sake and not for the sake of cultural, social or economic purposes'.[4]

Zolberg takes a different line of attack and argues that in the context of the early twenty-first century the very notion of national identity is suspect. 'In the context of large, heterogeneous nation-states should we speak of multiple identities or a single one? Is it valid to speak of "national" identity as if all nations were the same? Is national identity a fixed entity or a changing one? These questions recall debates about the concept of "national character", long discredited, in part because of its ingrained stereotypical assumptions'.[5]

In the past, national identity has usually been ascribed to a population co-extensive with the geographic boundaries of a nation, and most European countries would consider themselves to have a distinct national identity, with the arts making a significant contribution to this. Ireland and Scotland are no exceptions to this.[6] Many European countries are not mono-cultural, though,

[3] See S. Globerman, *Cultural Regulation in Canada* (Montreal, 1983).

[4] Ibid., 41–2.

[5] See V. Zolberg, 'Museum Culture and the Threat to National Identity in the Age of the GATT', in A. van Hemel, H. Mommaas and C. Smithuijsen (eds), *Trading Culture: GATT, European Cultural Policies and the Transatlantic Market* (Amsterdam, 1996), 166–7.

[6] For more recent discussions see Arts Council of England, 'Arts Debate: Identity, Diversity and 'Englishness' in the Arts, http://www.artscouncil.org.uk/artsdebate/2006/12/_what_does_it_mean.php and C. Moser, 'Culture, National Identity, and Public Policy: What Role Should Governments and Business Play in the Arts?(Twentieth Century Trust Conference, Lake Como, 6–14 September

but, as a consequence of immigration, multicultural–both France and Britain, and more recently Ireland, being good examples. The real danger of an emphasis on national identity and a common cultural heritage could be the exclusion of these 'foreigners' from the national cultural debate, as well as a resistance to change over time.

Even if such a thing as national identity were attainable, say in a small nation state in Europe (e.g. Ireland) or in a region of Europe (e.g. Scotland), is the concept important? It is argued by some that national / regional identity is as important a concept as personal identity: it is a consistent set of attitudes, or shared values and convictions that define a nation. Even if, for the purposes of this discussion, it is accepted that national or regional identity is desired by the body politic, there still remains the question of the link between the arts and national identity and, more importantly perhaps, how the intervention of the state strengthens this link.

It could be argued that the benefit of national identity is synonymous with social cohesion and harmony (which benefits everyone), that this cohesion in turn depends on the intensity of social communications within and among groups, and that members of the same nation communicate more effectively with each other and over a wider range of subjects than with outsiders.[7] Thus it is argued that national cohesion depends on the degree of communication intensity, and the latter in turns depends in part on the extent of government intervention to the arts. If the arts help us to understand who we are and to understand the ways of living and the problems of our fellow citizens then the benefits are public in nature and should be supported, at least in part, by the state. The problem remains that many other communication media, such as newspapers and magazines, do this and yet are not subsidised by the state.

3 Wealth Benefit II: Social Cohesion / National Prestige

That national identity and social cohesion are linked is also argued by Weil, who asserts that it is one of the primary functions of the arts to act as an agent of social cohesion and continuity:

> Like language, the arts are one of the principal means by which a society binds itself together and transmits its beliefs and standards from

2002, http: / / www.21stcenturytrust.org / culture.htm

[7] Similar arguments are used in relation to the preservation of a national language.

> one generation to another. The arts perform this function when they embody, reinforce, and celebrate the values of their society, when they confirm and exemplify the lessons simultaneously taught by the family, by the formal structures of education, and by the various mass media in all their variety. In this function, the arts play a critically important role. Not only do they provide a kind of social "glue", but they also furnish a means by which society can identify and distinguish itself from others.[8]

Weil claims, however, that this function of the arts is not as important as it once was, since this is a role now increasingly assumed by the mass media. In addition, he argues that the arts that perform this primarily social cohesion / national identity function are largely able to support themselves through market demand and hence need little if any state funding.

International recognition and prestige are often posited as a benefit of the arts that is related to social cohesion and national identity, and like these is public in nature. Few people, it is argued by Baumol and Bowen, would be happy if their country 'became known abroad as a cultural wasteland, a nation in which Mammon had put beauty and art to rout'.[9] They go on to cite the billions of dollars that the United States government had spent on getting first to the moon, much of which expenditure was justified solely in terms of a national feeling of achievement. Thus nations are like individuals; they can derive huge standing and prestige from owning large collections of art or from supporting major artistic activities like orchestras and theatre.

National prestige though is a very dubious grounds on which to base a public subsidy argument. First of all, many more people, especially in Ireland and Scotland, might be concerned about the international standing of their football team or their tennis or golf players or drinks industry than that of their arts sector. It could be, though, that professional football or golf will exist perfectly well without any subsidy, and therefore generate a positive benefit anyway, whereas the arts sector may not be able to sustain itself (at levels that generate national prestige) commercially without subsidy, and hence, in the absence of subsidy, no positive wealth benefit for society will be forthcoming. Second, it implies that the wealth benefit arises only if the arts sector is doing well compared to that in other countries: if standards

[8] See S. Weil, 'Tax Policy and Private Giving', in S. Weil (ed.), *A Cabinet of Curiosities: Inquiries into Museums and Their Prospects* (Washington DC, 1996), 156.

[9] W. Baumol, and W. Bowen, *Performing Arts – The Economic Dilemma: A Study of Problems Common to Theater, Opera, Music and Dance* (Cambridge, Mass., 1966), 383.

improve in all of them simultaneously, there is no observable increase in this collective benefit, or if standards increase in one country but not as quickly as in others, then the benefit will effectively decline. Third, there may be no link at all between national prestige and national identity. For example, it is possible to gain international prestige in something which has little if anything to do with distinctiveness, in terms of defining what it is to be 'Irish' or 'Scottish'. International prestige though could be strongly linked to social cohesion and have this in common with national identity. Besides, it is often the national / regional distinctiveness of a contribution that leads to international prestige, Ireland and Scotland providing many examples of this.

4 Wealth Benefit III: Experimental and Innovative Work

There is also though a social criticism role of the arts which is almost the polar opposite of the national identity and social cohesion role. Weil sees the former role, that is, the arts acting as an agent of social disruption and change, as an equally important function of the arts:

> Just as the arts, in some instances, may be used to embody, reinforce, and celebrate the values of their society, in other instances they may come to function as the vehicle by which those values are confronted and questioned. It is in this second and more 'romantic' function that the creative individual is sometimes seen as the rebel, outsider, or *artiste provocateur* who employs his or her art to wage guerrilla warfare against established forms, authorities, values, institutions, and truths.
>
> Functioning as agents of social disruption and change, the arts in this use may intrude rudely upon our everyday sensibility, force us to consider the most extreme possibilities of the human condition, and prod us to think more profoundly than is comfortable about ultimate matters of life, death, and our own contingency.[10]

The social criticism arguments are really though a part of the more general argument for public support for work that is experimental and innovative and has public-good dimensions. An analogy can be drawn between subsidies

[10] Ibid., 158.

for experimental work in the arts and subsidies for academic research and development. It is argued that the social returns for major innovations far exceed their private returns and that it may be that a similar condition exists for major new arts innovations. The argument is that in the arts, as in industry, there are major development costs, but that unlike industry it is virtually impossible in the arts to ensure that these costs are met by consumers or other producers who use the output of the arts sector. Herein lies the argument for copyright protection, and for the role of the state in granting an exclusive copying right for artists. But copyright protection is not enough it is argued. There are aspects of the output of artists that are used to benefit others but which cannot be protected under copyright. Films and TV may draw their inspiration and lifeblood from ideas created in the arts, by adapting and popularising a concept developed there and yet in no way be in breach of copyright. Commercial and industrial design may be influenced by and adapted from breakthroughs in the arts, again without being in breach of copyright. Thus artworks are not strictly speaking being 'consumed': the consumer does not see the creative work in question, but only a diffusion of the work, through for example the medium of cinema or television, or through particular styles of industrial design.[11]

This argument applies in particular to creative artists, but it also applies to performing artists in the following ways. Composers and dramatists need performing artists to test and experiment with their works:[12] just as the experimental scientist needs a laboratory and engineers and technicians, the experimental dramatist needs actors, actresses and a theatre. Likewise, the experimental artist needs exhibition space and an audience upon which to test and diffuse his / her ideas. Thus, creative and performing artists involved in experimental work could, justifiably, be funded 100 per cent from public money. And as with all such experimental work, a high level of 'natural wastage' can be expected in the search for innovation and novelty.

---

[11] Netzer also draws attention to the spinoffs for the commercial arts sector: 'the consumer of one form of music is likely to derive some benefit from the flourishing of another form even if he does not patronize it and may actively dislike it. If that form cannot flourish on its own, it may have a legitimate claim to public subsidy financed by tax payments from consumers of the other forms'. See D. Netzer, *The Subsidized Muse: Public Support for the Arts in the United States* (Cambridge, 1978), 23.

[12] It has been argued that one of the reasons why the work of females as composers did not 'blossom' in the past may have been that they could not get their compositions performed by the 'old boy's network of orchestras and opera houses'. See, 'Women Composers: Her, Her', *Economist*, 4 October 1997.

5 Wealth Benefit IV: Option Demand for Future Generations

The argument in relation to option demand for future generations is that actions taken in the present may mean that some aspects of the arts will not be available in the future. In the case of the performing arts, it is argued by some that the art of performing will be forgotten unless it is continuously practised: in relation to an artifact or historic monument, clearly if it is destroyed, or is removed from public access (by for example a sale to a private buyer, especially from abroad), it will not be available for consumption by future generations.

Let me take the more difficult case to argue here, namely in relation to the performing arts. The essence of this argument is that there is a benefit for present generations involved in the consumption of the arts by future generations: present generations may derive benefits from knowing that the performing arts can be enjoyed by future generations. However, provision for the future may require public support in the present, if current demand for the performing arts is not sufficient to ensure their preservation for posterity. This argument is put forcefully by Baumol and Bowen as follows.

> We have all met people who admit they have never themselves learned to enjoy a particular art form, but felt it important that such an opportunity be available to other members of their families. The same phenomenon has a significant extension to the posterity of the community as a whole …
>
> … A program to preserve the arts for the nation's posterity is a case of indiscriminate benefits *par excellence*. No one can say whose descendants will profit one hundred years hence from resources now devoted to that purpose. Neither can these benefits be priced and their cost covered by an admission charge.[13]

This argument is certainly relevant to the built heritage and museums. The argument also applies to live performance if the idea is accepted 'that present creation and performance serves to establish, preserve and enhance traditions in music and theatre which can only be passed on to future generations by a continuation of live activity'.[14]

This argument suggests an analogy with the preservation of areas of natural beauty and other natural amenities. It is true that if we destroy areas of

[13] Baumol and Bown, *Performing Arts*, 384–5.

[14] Throsby and Withers, *Handbook of the Economics of Art and Culture*, 199.

natural beauty today, there is no resource-using activity which can bring about their future restoration. The analogy certainly applies to the built heritage and museums, but it could be argued that the performing arts are not like a painting or sculpture: tradition is an organic and not a static concept and, as such, the notion of 'preservation' for future generations is not even applicable. This point is made also by Globerman when he states 'that the art of performing is as old as recorded history, notwithstanding the fact that broad-based (government) intervention in the culture industries is a relatively recent phenomenon'.[15] He also makes the valid point that while live artistic performance is clearly a perishable service, the advent of videodiscs and other audiovisual devices makes it possible to fix live performance and store it for future generations.

A key assumption underlying this debate, though, is that future generations will derive a benefit from having collections and national monuments preserved and that present generations derive a benefit from knowing this and are prepared to pay for this through taxation. The primary potential benefit in this case relates to national / regional identity and hence the above is in many ways just a subset of the earlier, and crucial, national identity argument. In other words if there is not a strong national / regional identity argument then the impact of the preservation for future generations argument is significantly diminished.

6 Wealth Benefit V: Economic Spillover

In many countries, including Ireland and Scotland, the promotion of employment and regional balance through state employment and tourism agencies is accepted government policy, involving large public expenditures. Given this, is there a role for the arts in the government's policy of promoting employment, economic growth and balanced regional development?

There are three main ways in which the arts could contribute to increasing employment.[16] First, they provide direct employment for artists, administrators and other staff. Second, they may be a factor in influencing tourists to visit an area, city or country, thereby enhancing employment prospects in hotels, restaurants, and so on. They could also be an important factor in shaping

[15] Globerman, *Cultural Regulation in Canada.*, 48.

[16] See T. Bille, and G. Schulze, 'Culture in Urban and Regional Development', in V. Ginsburgh and D. Throsby, *Handbook of the Economics of Art and Culture* (Amsterdam, 2006), for a review of this literature.

decisions on whether or not to locate a commercial operation in a certain city, region or country.

It must be recognised, of course, that many other enterprises – such as good golf or football clubs, good pubs or amusement parks – may have similar employment effects. It could for example be claimed, especially in the cases of Ireland and Scotland, that good golfing facilities are a key factor in attracting entrepreneurs to an area, with consequential benefits for the arts. As such, you could argue that the public subsidy should go to the golf clubs rather than to the arts. This example illustrates the inherent difficulty with the economic-spillover argument. For example, the existence of good-quality transport facilities, theatres, restaurants and accommodation may be key factors in attracting tourists to an area: thus the presence of one means more business for the other and vice versa, all of which will be reflected in market transactions.

The basic point, then, is that it has to be shown that the arts are more suited than other unassisted economic activities to promoting employment; in other words, it must be demonstrated that the arts constitute a special case. This would not be easy to establish for *any* activity. A less demanding task, perhaps, is to demonstrate that the arts are at least as much of a special case as some currently subsidised activity.

First, it is interesting to note, especially in today's economic context, that in the 1930s the United States introduced its celebrated Arts Project as part of the New Deal's Work Progress Administration, the purpose of which was to reduce the unemployment caused by the Depression. This scheme was considered reasonably successful in terms of achieving its objective and was only phased out with the advent of the Second World War. In the current economic slowdown similar schemes are being considered again. In Europe of the 1980s and 1990s, many similar state employment schemes were introduced with those working in the arts availing themselves substantially of these schemes in some countries.

Second, there is some evidence to suggest that the existence of adequate cultural institutions has been an important factor in attracting business and tourists to a region.[17] In this case, the arts may form part of the social infrastructure that some see as a necessary condition for locating / working in an area. Other studies have found similar results, findings which at the very minimum have been significant in influencing some politicians in Europe and the United States to foreground the financial importance of the arts at a local

[17] See Bille and Schulze, 'Culture in Urban and Regional Development', *Handbook of the Economics of Art and Culture.*

level. Much of the cultural attraction of an area or city to tourists, though, may arise in the commercial arts sector (e.g. Broadway in New York, the West End in London, Rock concerts in Ireland). Where the real benefit might arise relates to the heritage sector (for example, history museums, buildings of architectural interest, and so on).

Is it plausible, then, to argue that there is a two-way economic link between, for example, the Edinburgh Festival and good restaurants, accommodation and transport facilities in Edinburgh? Many believe that it would be much more convincing to argue that the direction of causation is primarily in one direction, from the Festival to the other facilities and that as such economic spillover effects *do* exist.

There are though other spillover effects on the production side resulting from arts activity. The possible beneficial effects on industrial and commercial design, and on the output of the more commercial aspects of the cultural sector have been discussed above. There are also potential benefits in terms of the training of artists in the non-commercial sector. The extent of this cross-benefit is, however, debatable. If the commercial cultural industries (particularly TV programme making and films) benefit from training provided in the arts sector, can this not be 'captured' by the artists themselves in terms of higher incomes and / or increased employment opportunities? This is true of the successful artists, but not so for the thousands of artists that the system has supported free of charge. The problem then is that either the successful artists or the hiring companies should have to repay part of the cost to the state of training or else that the state-funded companies should not be in the business of providing such training. This is a difficult principle to apply, as advocates of full-cost university fees for students have found. Not surprisingly one finds that many in the commercial sector appear to support state funding of the arts, presumably on the basis that the subsidised arts sector provides a relatively free (in terms of training costs) pool of labour and ideas from which they can benefit.

7 Concluding Comments

This paper has covered a wide range of issues and it is not the intention here to summarise what has been said. The intention rather is to highlight what I consider to be the key general points and to add some further caveats at this stage to this discussion.

First, the distinction between private and non-private or public wealth benefit is crucial to the debate on state funding for the arts. The important question then becomes: what is the nature of the non-private wealth benefit generated by the arts and how extensive is it likely to be, particularly in relation to the private benefit? The relevance of the last point is that while other activities may also generate non-private benefit, if it is small, compared to the private benefit, the activity may be perfectly capable of sustaining itself commercially without any state funding.

Second, the nature of the non-private wealth benefit can be grouped into five categories: the development of national identity; contribution to social cohesion and national prestige; the development of socially critical and other innovative or experimental work; the creation of an option demand for future generations; and, last, the creation of economic spillover effects.

Third, the existence, and certainly extent, of the non-private wealth benefit is a matter for conjecture and extensive debate. It is one thing to assert that it exists, quite another matter to put a value on it, at least in terms of required state funding.

Fourth, the whole argument of this paper is that the non-private wealth benefit, especially that relating to national identity, must be established if public funding is to be justified. For some countries this might seem a pointless exercise. Large parts of their arts sectors *are* in the public or nonprofit sectors, and the relevant question here might be why change from this type of provision? It could also be argued that the starting point does not matter, as it is historically given and is unlikely to change for a long time. The emphasis then, it could be argued, should be on value for money, attention to user interests (educational and other) and efficiency in the provision by the state agencies involved with the arts, not on whether they should exist or not.

Fifth, despite the last point, it will probably be always the case that some sectors of the arts will be under pressure in terms of public assistance and others will be seeking to increase public assistance. As such, the case in principle for public assistance to the arts needs to be continuously refined and updated particularly in the context of small countries / regions whose institutions and traditions may be threatened by the power of metropolitan organizations and by a globalised cultural marketplace in which they can only ever have an occasional presence.

Trinity College Dublin