

The economic de-legitimization and legitimization of arts policies

1970-1985

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Abstract

This chapter demonstrates the way in which an economic rationality of state support for the arts was developed in the 1970's and 80's by analyzing three crucial debates between economists of the arts and others. It is argued that the economists of the arts sought to provide a more solid foundation for specific state policies directed at the arts. But in the process of doing so they narrowed the grounds on which such support could be justified, and they had to sidestep the most crucial issues: what is excellence in the arts, and what is the moral status of consumer preferences in the case of the arts? Those critical of this economic rationality, and the economic approach to the arts more generally, argued for the fundamental difference between politics and the market, and individual preferences and social values. Overall the debates were characterized by mutual misunderstanding. The exception was the debate over the 'merit good', but it ultimately was an unsatisfactory argument for both sides. The economists were not convinced that it was really an economic argument, and the critics felt that the merit good did not capture the special role of the arts in a liberal society.

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1. Introduction

In 1953 Lionel Robbins addressed an audience of art lovers at a meeting in Birmingham. He spoke enthusiastically about the role of the arts in a liberal society. Robbins argued that in a world of diminished differences in wealth the government should take up the role of patron and support the arts, just like the governments of the Renaissance Italian city-states and that of ancient Athens had done. The state can encourage the arts and create a milieu in which the arts can flourish in harmony with ‘the principles of a free society’: “The market mechanism is a splendid thing for ministering to wants and satisfactions which can be discretely formulated. But we oversimplify and run the risk of discrediting a fundamental institution, if we claim that it can formulate demands for all the necessary ingredients of the good society” (Robbins 1958/1963: 58-9). Robbins was not alone in that view. The Arts Council in Britain had been set up with the help of John Maynard Keynes who argued that: “The purpose of the Arts Council of Great Britain is to create an environment, to breed a spirit, to cultivate an opinion, to offer a stimulus to such purpose that the artist and the public can each sustain and live on the other in that union which has occasionally existed in the past at the great ages of communal civilised life” (quoted in Blake 1997, 59). In the United States John Kenneth Galbraith in his ‘Economics and the Quality of Life’ argued that social goods, such as the arts, were of increasing importance in a world in which private consumption was losing economic priority (Galbraith 1963/2001). They argued that it was one of the functions of the welfare state to promote the arts.

During the 1970’s a community of economists of the arts, located in the United States and United Kingdom, emerges which turns the debate over public support to the arts into a question of justifications for specific subsidies. They were unsatisfied with a generic case for support to the arts, and more interested in rigorous justifications for specific policies (Hendon

et al. 1980). During this decade these economists of the arts met regularly and their discussion quickly centered on the justification for arts subsidies². The tone of their contributions was often tough, as one of the prominent contributors David Cwi confidently argued: “People will want some hard answers as to how they benefit when their tax dollars are used to support activities they do not believe are meritorious” (Cwi, 1980: 66). Subsidies had to be cost-effective, a sentiment that was echoed in the 1977 report of the British Arts Council ‘Value for Money’.

This shift from a generic case for support to the arts as an essential part of a modern welfare state, to the justification of specific subsidies did not go unnoticed. Advocates of the cultural sector and social philosophers objected vehemently to this strong but narrow logic. They tried to oppose the imperialism of the economists into the arts (Blaug 1976). These economists of the arts, among them Mark Blaug, Alan Peacock, Bill Hendon and William Baumol, to the contrary felt that they were providing a sounder basis for the justification of subsidies to the arts (Hendon et al. 1980:xii).

This paper will analyze that shift in the discourse and the justification of support for the arts between 1970 and 1985 in the Anglo-Saxon world. It will do this by analyzing three skirmishes between economists and those working in the arts field or in neighboring social sciences. This paper will show that these debates revolved around the position of art in society and the relation of democratic decision making, to market institutions and consumer sovereignty. The first debate we will discuss is between economist of the arts Mark Blaug and prominent member of the Arts Council Richard Findlater, following a controversial piece published in the British left-leaning literary magazine ‘Encounter’. The debate is about the (perceived) need for the Arts Council in Britain to specify its aims so that economists can evaluate their efforts. The second debate takes place between political scientist F.F. Ridley

² Two publications stand out: the special issue of the *Journal of Economic Behavior*, summer 1977 and the edited volume by Hendon, Shanahan and MacDonald ‘*Economic Policy for the Arts*’ (1980).

who takes the cultural economists to task for failing to understand the nature of politics. The third debate involves the notion of merit goods and is ultimately about the importance of the arts. By examining these debates this chapter sheds light on how purely economic arguments came to dominate justifications for support to the arts, and how this economic rationality was challenged when it was first put forward. By economic rationality I mean here the justification of state policies that relies on purely economic arguments.

2. Evaluating the Arts Council

In what Mark Blaug and his co-author Karen King called an ‘iconoclastic essay’ they take the Arts Council in Britain, the main distributive agency for government funds directed to the arts, to task for not making clear what its aims and objectives are, thereby making it impossible to evaluate their policies (King & Blaug, 1973/6a,b). In line with what Blaug has elsewhere called the ‘technocratic perspective’ they argue that the primary task of the economist is to evaluate the efficiency with which means have been employed to achieve the policy objectives set out by politicians or policy makers (Blaug 1992: 128-9). In the absence of such objectives there is no way to find out what whether the money has been spent in a ‘cost-effective’ manner. It is important to observe that this technocratic perspective is neutral with regards to the goal of these policies, or as King and Blaug put it: “in the final analysis artistic judgments are subjective, and so are the objectives that underlie all expenditures on the Arts. What is *not* subjective, however is the degree to which spending on one activity rather than another achieves a particular objective” (King and Blaug, 1973/6a: 120).

King and Blaug have sifted through the policy proposals and other documents published by the Arts Council in search of consistent objectives, but in vain they argue. If they could find a goal of policy it was vaguely formulated and frequently contradicted within the same document. Trade-offs between goals such as promoting new artists and attracting

new audiences were not made explicit. From the essay it becomes clear that the language of the reports makes King and Blaug especially impatient, they look for ‘objective selection criteria’ and ‘rational judgments’ but instead they find a ‘lack of criteria’ and ‘glaring inconsistencies’. They are puzzled by generic statements that the ‘preservation of the fine arts is a collective responsibility’ which, they argue, provides no guide for policy at all (King & Blaug 1973/6a).

The response, also published in ‘Encounter’, by Richard Findlater, member of the Arts Council and one of England’s premier theatre critics at the time, is a defense of the expert-based policy making procedures of the Arts Council. First Findlater argues that the decisions and judgments of the Arts Council have always been formed pragmatically rather than on strict principles. The refusal to apply strict principles or to put those in print, Findlater argues: “[should not] be regarded, a la King and Blaug, as a sign of moral cowardice and intellectual confusion (...) English committees are bound to compromise, intellectually; they don’t dictate and they can’t prescribe (...) For me, that’s a saving grace, if the relative – if diminishing – freedoms of the arts are not to suffer further interference from the state” (Findlater 1973/6:129). He argues that the decisions of the Council are bound to differ when the leadership changes, or indeed when the government does. Findlater furthermore argues that the Arts Council has contributed to a positive change in attitude towards the arts and their patronage both in society as well as in government in line with the goal of creating a milieu in which the arts could flourish as suggested by Keynes and Robbins.

The debate is telling for the perceived differences in what policy making looks like. Findlater appreciates and praises the political art of muddling through while Blaug and King demand transparency and consistency. It is a clash between the expertise and standing of the members of the Arts Council – Findlater invokes various Sir’s – who regard themselves as patrons of the arts and the demand for rational policy making based on firm justifications and

clear trade-offs by Blaug and King. What distinguishes this debate from the other debates, however, is that King and Blaug never actually challenge the legitimacy of support for the arts or that of the Arts Council as a political body; they merely criticize its behavior, especially its unwillingness to make the relevant trade-offs explicit.

3. Preferences and Political Values

The legitimacy of support for the arts is at stake for political scientist F.F. Ridley in his indictment of the economists of the arts in their own 'Journal of Cultural Economics'. Ridley claims:

Though its [economics of the arts'] central concern seems to be the issue of subsidies - the circumstances in which state patronage of the arts is justified - the case made is so limited that those who believe culture to be an essential element of a civilized nation may be well advised to avoid an alliance with economics altogether. (Ridley, 1983: 1)

Ridley is not alone in his concerns. In the preface to a collection of papers that was the outcome of the first conference that brought economists of the arts together with practitioners and policy makers in Edinburgh in 1978, it is argued that: "To practitioners and scholars in the humanities, economists must surely look like rigorous and precise thinkers who nonetheless believe firmly in their premises without fully examining them and without admitting other premises (...) economists argue from a narrow but strong logic" (Hendon, Shanahan & MacDonald, 1980a: xii). But the main bone of contention for Ridley is not this narrow logic, to which we will return in the next section, but rather the philosophical assumption that "individual choices are the touchstone of what is desirable and that the goals of public policy should therefore be to maximize their satisfaction" (Ridley, 1983: 3). He argues for a distinction between individual choices and values, but instead he finds in the

work of economists the arts the denial of any difference between the two. Values, for the economists, are mere expressions of personal preference. As another contributor to the Edinburgh conference, David Austen-Smith argues: “The problem of justifying subsidies in the arts is an important one in supposedly liberal-democratic societies where any redistribution of resources solely on grounds of taste is generally considered illegitimate” (Austen-Smith, 1980: 24).

If political and cultural values are mere expressions of personal preference, any attempt to correct or alter those reeks of paternalism³. Baumol and Bowen, who wrote the book that arguably started the economics of the arts ‘Performing Arts: The Economic Dilemma’ (1966), arrive at this conclusion via an interesting kind of populism:

To the man in the street, however, this [an appeal to the inherent value of beauty and the ineffable contribution of aesthetic activity] may not be an acceptable answer. Indeed, it is likely to smack of things he rightly considers dangerous: paternalism, dictatorship of tastes and violation of consumer sovereignty. (Baumol & Bowen, 1966: 48)

That is not to say that Baumol and Bowen or Austen-Smith completely oppose state support of the arts, it is rather that they attempt to find different, more firm, ground for it.

Ridley, instead, argues that decision making in liberal democracies can be justified without relying directly on personal preferences. A political consensus, he argues, consists of more than a counting of hands or a popular vote, liberal democracies frequently recognize principles (Justice, Freedom) that do not depend on popular opinion (alone) for their validity, and he argues that the arts are of a similar kind. Politicians, moreover, are entrusted with certain responsibilities which allow them to implement policies which (at least in isolation)

³ The emphasis on personal preferences can also be found in Blaug’s introduction (1976) to the economics of the arts and in the work of prominent economist of the art Alan Peacock, see below.

are not always supported by a popular majority. Or in the words of Edmund Burke, which Ridley quotes approvingly: "Your representative owes you his judgement; and he betrays you, instead of serving you if he sacrifices it to public opinion (...) Government and legislation are matters of reason, judgement, and not of inclination" (Burke, quoted in Ridley, 1983: 7).

Ridley develops this point into a more general criticism of economics. The failure to recognize values that extend beyond the individual and political goals such as 'the promotion of the good, the true and the beautiful' leads them astray he argues. Ridley instead argues that any substantive notion of the 'good' or the 'right' can never rely purely on what people want, it also consists of what individuals believe to be good or right, on a concept of justice⁴. This contrast comes out most clearly in the debate surrounding 'the merit good', on which he touches in his article and which emerges as the crucial difference between economists of the arts and its critics.

4. Consumer Sovereignty and Merit Goods

Much of the debate during the 1970's came to be centered on the 'merit good' argument first put forward by, the founding father of modern public finance, Richard Musgrave in 1957.

Merit goods are goods that are for some reason intrinsically valued. The merit good argument was and is still used as an argument to justify government support of the arts. Both sides of the debate, however, were unhappy with the argument. Ridley and others thought of it as bad economic interpretation of their argument that the arts were essential to society, while (most) of the economists of the arts felt it was, well, bad economics and a violation of consumer sovereignty.

For those sympathetic to the arts the value of art hardly needed further demonstration. One might inquire into what beauty is, just like scientists inquire what truth is, and political

⁴ In recent years economists of the arts have become more appreciative of such values, they now recognize non-use values such as option, existence and bequest values (Frey, 2003).

philosophers inquire into the nature of the good, but the importance of beauty itself was never questioned. The importance of such ‘goods’ and their distinguished place in (liberal) society was taken for granted. It was a line of reasoning that we also encountered in Robbins, Keynes and Galbraith in the introduction.

This argument was interpreted and reformulated as the ‘merit good’ argument by the economists of the art. Some goods were special and they should not just be available for those willing or able to pay, but they should be available to all members of the community. Economists of the arts, however, immediately were very critical of this argument. In the conference proceedings of the first conference on the arts and economics the editors are clear:

The merit good argument is a political argument, not an economic one, a point that has needed to be made for some time. For public monies to be used for arts subsidies, we must be able to show either that the public interest will be served directly or at least that the special interests served are widely accepted as desirable social objectives.

(Hendon et al., 1980b: 21)

In her recent ‘Handbook of Cultural Economics’ (2003) Ruth Towse is a little more subtle, but the fundamental mistrust of the merit good argument remains (notice also the quotation marks around merit): “ ‘merit’ goods [is] the term used by economists for goods that are held, usually by experts, to have inherent value for society” (Towse, 2003: 3)⁵.

The economic criticism of the merit good argument is telling for at least two reasons. Firstly it emphasizes the neutrality of economists who in contrast to other ‘experts’ can give neutral advice on the means to achieve policy objectives, and who remain far from ‘political arguments’. Secondly as Ridley emphasized they adopt a populist stance in line with ‘the man

⁵ For an early exception Scitovsky (1972)

in the street' which Baumol and Bowen invoked or in line with the public interest as opposed to special interests. By then they have not only downgraded support of the arts to a special interest, but also claimed that those 'experts' seeking to promote the arts give political advice, rather than neutral 'scientific' advice that economists can provide. This rhetorical strategy is also adopted by, art enthusiast and one of the most prominent public economists of the arts in Britain, Alan Peacock:

“Subsidizing the Arts involves the same kind of issues as subsidizing particular industries or services in the economy (...) Cultural paternalism which might be justified on the grounds that the community does not know what is good for it, is ruled out. Apart from any predisposition of the author to oppose paternalism, the assertion of imposed value judgements is too easy a way of deriving support for public intervention designed to give the public not what it wants but what it ought to have!” (Peacock 1969/1994: 151)

The most striking part of this quotation is undoubtedly 'too easy'. It shows what the economists felt they were doing: trying to derive an objective (economic) justification for support to the arts. What they met however, was primarily misunderstanding and bafflement as exemplified by the responses of Ridley, Findlater and that of the British establishment to the report written about the cost-effectiveness of British orchestras (Towse 2005). Enthusiasts of the arts felt that the relative importance of the arts was the core of the issue. What the economists instead did was to sidestep that importance and to attempt to derive justifications for public support via the way of market failures and positive externalities. Peacock's starting point is the primacy of markets and the sacredness of consumer sovereignty. It is this assumption which is fundamentally challenged by the critics of the economists of the arts. And it is an assumption that has frequently created some unease among economists of the arts themselves. A variety of them have claimed that the formation of tastes should become an

important object of study (see Blaug, 2001). It has nonetheless been largely neglected as the overview of the subject by Blaug shows. This provokes Ridley to argue that: “the old tag ‘de gustibus non est disputandum’ is clearly illogical. The fact that so many economists have made it their credo is a coward’s escape from the question that must lie at the start of any exercise” (Ridley, 1983: 17). The critics find taste and the cultivation of the appreciation for art too important an issue to leave to others, while economists of the arts have found it too ‘political’ or ‘difficult’ an issue to study.

5. Conclusion

What we have analyzed above is the clash of a micro-economic rationality that was part of the economics imperialism movement of the postwar period with the established discourse of arts as an essential part of a civilized society. In the confrontation between Findlater on the one hand and Blaug on the other the issue of transparency of decision-making and the accountability of the government is at stake. King and Blaug claim that the Arts Council is unaccountable because it is unwilling to state its goals, Findlater attempts to defend the pragmatism and the expertise of the Arts Council. In that sense Ridley’s contribution can be seen as a counter-attack, which attempts to establish the primacy of politics. He attempts to establish autonomy for legislators in their policies, but his case for support for the arts remains generic. Whereas the micro-economic reasoning excels in the domain of specific policies and the extent that these policies should have, the established discourse relies more on a general defense of state patronage to the arts.

In the discussion of the merit good the contrast between the rationalities is stark. The older rationality is that of the good civilized society of which the arts are a natural part. That in itself is not an argument for support to the arts, but is interpreted as such during a period in which the welfare-state is taken for granted. The economists are unwilling to accept this

argument, they feel it is completely backwards: it assumes the need for support rather than providing proof and evidence for it. The natural starting point for them is the self-governing market with sovereign consumers and a deviation from this starting point needs to be justified. The economists of the arts believe that this will make the case for support of the arts stronger, but the critics are afraid it will hollow out the rationale for such support in the first place. For if we do not support the arts to achieve excellence, but to correct some market failure are we still doing it for the right reason?

That question is of particular relevance in the following decades in which the primary reason for support to the creative and cultural industries becomes that they help the economy grow or help generate social cohesion (Belfiore 2004). That demonstrates that there is no easy choice between the older discourse and the new ‘economics of the arts’ rationality, they are frequently are cross-purposes. The economic rationality succeeded in challenging the legitimacy and the extent to which the arts deserved support, but it did so by side-stepping some of the most difficult issues: what is excellence in the arts (by measuring secondary social and economic effects) and what importance should be attached to consumer preferences (by assuming consumer sovereignty). This caused frustration with their critics who believed that these were the issues that were most important in the first place.

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