

Luis César Herrero Prieto
y Juan Prieto Rodríguez

La gran suerte de poder (eds.) combinar mi faceta

laboral como economista con mi fascinación por el cine,

al lado de maravillosos compañeros de viaje, me han

hecho un placer durante toda mi profesión.

LA ECONOMÍA DE LA CULTURA:

Frases como "Cuando bebo agua, bebo agua y cuando bebo
wiskey, bebo whiskey" (El hombre del año (1952),

UNA DISCIPLINA JOVEN

"Pasar a vuestro lado por la vida ha sido un gran

ESTUDIOS EN HOMENAJE

AL PROFESOR

placer" (Mueren con las botas puestas, Raoul Walsh, 1941),

VÍCTOR FERNÁNDEZ BLANCO

"Calabaza yo te llevo en el corazón" (Amance que no es jaco)

J. L. Guenda, 1989), o la inolvidable "Siempre nos quedará

~~Paris~~ Avilés (Casablanca, Michael Curtiz, 1945),

me han acompañado durante toda mi vida



Universidad de Oviedo

2021

UNIVERSIDAD DE OVIEDO

HOMENAJES

Luis César Herrero Prieto
y Juan Prieto Rodríguez
(eds.)

*La economía de la cultura:
una disciplina joven*

ESTUDIOS EN HOMENAJE
AL PROFESOR
VÍCTOR FERNÁNDEZ BLANCO



Universidad de Oviedo



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Servicio de Publicaciones de la Universidad de Oviedo

Edificio de Servicios - Campus de Humanidades

ISNI: 0000 0004 8513 7929

33011 Oviedo - Asturias

985 10 95 03 / 985 10 59 56

servipub@uniovi.es

www.publicaciones.uniovi.es

ISBN: 978-84-18482-19-9

DL AS 1183-2021



Víctor Fernández Blanco

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Cultural policy in a historical context: Museums and the live performing arts in Western Europe and the United States

John O'Hagan

1. Introduction¹

The relationship between the state and the arts has often been an uneasy one, particularly in the United States. This has manifested itself over time in various ways, not least in the on and off moves to have the National Endowment for the Arts (NEA) disbanded altogether. The debate concerning the state and the arts in Europe has not been nearly as contentious as in the United States, but none the less there have been moves in Europe over the years to lessen the state's involvement in the arts (see van Hemel and van der Wielen, 1997). In the early 2020s, though, despite the changes, the differences apparent between Europe and the United States in relation to the level and nature of state involvement in the arts are probably as marked as they were 60 years ago. The reason for this perhaps is that the pattern of state support for the arts in each continent evolved over a long time and is slow to change. Debates that rage from time to time in each continent over the role of the state in the arts are little different in some respects from those that took place a century or more ago. In other words, the philosophies and patterns of state support for the arts in each continent are deep-seated and of long standing.

The purpose of this chapter is to look, from a historical political-economy perspective, at this relationship between the state and the arts. The arts for the purposes of the chapter refer to the so-called high arts: the visual arts, chiefly paintings, and the classical performing arts, i.e. dance, drama and music (including opera). Concentration on the 'high arts', via live performance/exhibition, is commonly used to delineate the subject matter of a work on the arts, although many books go further than this and concentrate on just one subsector of the high arts. There is a good academic as well as

¹ This chapter is a modified version of Chapter 1, 'Introduction', in O'Hagan (1998).

pragmatic reason for concentrating on the high arts: it is in relation to this sector of the arts that most public funding by far and other forms of state assistance are directed, both in western Europe and the United States.² The state in other words is primarily involved in the high arts. Thus, from now, if only for convenience, read high arts for arts.

This chapter is primarily concerned with the economic policy issues that state involvement in the arts has given rise to in many countries.³ In this regard, the countries of western Europe, despite their differences, form a reasonably coherent whole, especially with so many of them now members of the European Union (EU). It was here that state involvement in the arts on a grand scale began and where such involvement is to this day most prominent. What happened in Europe (which will unless otherwise stated mean western Europe in the rest of this chapter) had a major impact on what happened in the United States, but in the United States a rather different system of state support and private giving to that in Europe evolved. Thus, one can talk of the American and European models of government support for the arts, a comparison of the issues associated with which, from an economics perspective, makes for an interesting discussion.

There has always been a strained relationship between Europe and the United States when it came to the arts: apart from having very different models and levels of public support, many in the United States have complained of the excessive Eurocentric orientation of the high arts there, while many in Europe have complained of the excessive dominance of America in the popular arts and audio-visual cultural industries. The focus of this chapter then is an examination of the European and American models of government support for the arts.⁴ There are lessons to be learned, hopefully, from this, not just for policymakers in Europe and the United States, but also for policymakers in the rest of the world where many countries are still only in the process of developing governmental support mechanisms for the arts.

The contrasts and similarities between the American and European systems of support and policy orientation will be highlighted at the end of this chapter, after the evolution of the relationship between the state and the arts in both places is first outlined. The discussion on the latter will start with Europe, given its much longer history of state involvement. The purpose of this discussion is not historical detail or commentary as such, but merely to establish the long-standing nature, of the attitudes to state support and of the different state support systems in place in each continent. Only in this context I feel can one understand the intensity with which people in both

² Considerable state assistance, though, is directed to the cultural industries, such as for example the film industry, in several countries.

³ It is not therefore concerned with the detail of state involvement and/or the arts sector in any individual country.

⁴ As will be seen later in the chapter, the European model applies mainly in continental Europe, but not in Britain, whose system of funding lies somewhere between that of the American and European models, but probably closer to the American model.

places support their respective systems, an intensity of view that has coloured to some extent even academic assessments of each system.

2. Evolution of state involvement in the arts in western Europe

The evolution of public support for the arts was not even across Europe, as Europe consisted of many independent states or regions. Nonetheless, Montias (1983) and Cummings and Katz (1987) have identified reasonably clear patterns in this evolution.

The beginnings of state patronage in Europe go back a long way. For example, in addition to commissioning artists' work for the decoration of public buildings, the democracy of ancient Athens was an active patron of drama, largely as part of the state religion. It was considered so essential that everybody attend the dramatic festivals that: 'Business was abandoned; the law courts were closed; ... prisoners were released from jail; ... and even women and girls were allowed to attend' (Baumol, 1971, p 369). Besides, the state provided a special fund that paid the admission fee for those who felt they could not afford it. It also contributed, it appears, to the actors' wages, the honoraria of the poets and the prizes. Moreover, it is estimated that the festival expenses constituted over five per cent of the entire annual costs of the government. The remaining expenses and production deficits were paid by the *Choregi* (wealthy individuals). The *Choregi*, motivated by competition, rivalry and a desire for status, displayed high levels of patronage.

The beginnings of state patronage as we know it today in Europe though can be traced to the fifteenth century, when state patronage was emerging in France, mainly through the allocation of town funds for the staging of mystery plays. From the late sixteenth century, as European kings and princes began to assume absolute power, in Austria, France, Spain and elsewhere and therefore control of a country's wealth, they took over the role of subsidising and policing the stage.⁵ This applied in particular in Austria, France, the Germanic states, Spain and Sweden (which accounted for the major part of western Europe then). In France and Sweden, monopolies and privileges were granted to royal companies that catered to élite tastes, and thereby enhanced the prestige of the royal house. One of the greatest legacies of the reign of Louis XIV was the *Comédie Française* and during the reigns of his two successors, the *Opéra* and the *Opéra Comique* were established as beneficiaries of royal largesse (see Cummings and Katz, 1987). The arts

⁵ While this patronage was paid for out of public money, it could be argued that the payment of such money was not democratically determined, in the sense that taxes are today, and that the art so purchased was not for public consumption but was largely for the private consumption of the royals and their friends. As such, this state patronage was very different from that which applies today, and really was more akin to the private patronage that prevailed in the United States at the end of the nineteenth century. None the less, there was increasingly a public element to the consumption of the arts so created, and it is true that they were paid for out of public money. Besides, the latter largely explains why the art institutions created by the royals eventually passed to the states that replaced the absolute monarchies.

flourished. German, Austrian, Italian and Spanish princes from the late seventeenth century onwards also set about creating theatres and opera houses, frequently providing a permanent home and financial support for the companies involved.⁶ The rationale for this, and the intellectual foundation upon which it happened, are very important to this day, especially in mainland Europe, as noted below.

During the Enlightenment, the notion gained currency among German-speaking intellectuals that the theatre was capable of providing an essential part of a good citizen's education and that public funds deserved to be given out to advance this end, just as they were given for the purpose of educating the young. A Kulturtheater was needed to uphold higher moral aesthetic, and even patriotic standards. In the absence of political centralization, the emperors of Austria, the kings of Prussia, the princes, margraves, and electors of the German-speaking world created their own court theatres. Emperor Joseph II of Austria founded a national theatre in 1776 "for the development of good taste and the improvement of morals". From 1791 on, Goethe directed the court theatre of Weimar which became a showplace for German Enlightenment. Some municipalities, in emulation of the high nobility, also began to fund and support their own theatres and operas about this time. (Montias, 1983: 289)

Theatre (which included opera) then was viewed as an educational establishment (*Bildungsanstalt*) and *Bildung*, a word with no precise equivalent in English, suggesting education and civilisation, formed the intellectual basis upon which later support for state subsidisation of the arts was founded. The *Bildungstheater* was to be protected by the state and made independent of 'naked gain', just, as it was felt, art, schools and the church should be. The city of Mannheim in the early 1800s assumed some financial responsibility for the National Theatre created in 1774 by the Duke of Gotha and in 1839 the city placed the theatre under direct management and undertook to guarantee all its losses. Many other cities followed suit, and this situation exists to the present day.

The princes also provided support for the composition and performance of symphonic music, largely on the same grounds as for theatre.⁷ The Hapsburgs were heirs to an established musical tradition in Austria that had been sponsored mainly by the church,⁸ but they were talented in the musical

⁶ The Spanish 'Golden Age of Theatre' occurred between 1590 and 1681, when it seems that the volume and variety of plays was unprecedented up to that time anywhere in the world.

⁷ Zimmer and Toepler (1996) argue that a motivation for the princes getting so involved in the arts was that as their fiefdoms were very small and politically powerless they 'turned to the arts and culture as the premier means of representation in the eighteenth century, engaging in fierce competition in the establishment of pompous and nationally or regionally recognized high-cultural institutions' (p. 183). The legacy they left was maintained by the rich bourgeoisie, which in turn fostered the notion of Germany being a country of 'poets and philosophers', with the result that large-scale public support ensued. See also Toepler and Zimmer (1997).

⁸ Indeed, in earlier times the church was a very important patron of the arts, as can be witnessed in many of the major museums of Europe today.

field themselves, with many creditable compositions of their own' (Cummings and Katz, 1987: 6).

In the seventeenth century, the state in France declared itself to be the 'protector of the arts' and began encouraging artists and writers by offering them commissions and pensions. Apart from the establishment of the major performing arts institutions mentioned earlier, the Académie Royale de Peinture et de Sculpture was founded in 1648 and government-sponsored Salons began not long after this. 'The history of later French art is largely a story of this government-sponsored Salon, of its inclusions, exclusions, successes and failures' (Mainardi, 1990: 155). The Salons were used for temporary exhibitions of art and preceded the establishment of art museums proper, although clearly, they were the forerunner of the blockbuster exhibitions of today.⁹ The Revolution of 1789 did not witness the end of large state patronage of the arts, simply a change in operation. In relation to the Salon, all artists were permitted to exhibit, not just members of the Académie,¹⁰ and in 1793 the state opened a public art museum in the Louvre Palace, thus becoming a curator as well as a patron of the arts. The same happened in the German-speaking states and Spain and Portugal, with the kings and princes commissioning works of art, thereby amassing large art collections, housed in magnificent buildings, to which initially access for the public was not provided.¹¹ In France, as in the German states, culture was, and is, seen as 'an essential part of what constitutes the *sens civique*, that is, a sense of civic solidarity that has traditionally been regarded by the French as a distinguishing characteristic of their society especially when compared to the "Anglo-Saxon" alternative' (Mulcahy, 1997: 31).

Whatever the motivation for the patronage of the kings and princes, this patronage established in Austria, France, Germany, Spain and Sweden in the eighteenth century 'an atmosphere in which support of the arts became widespread, both among those at the apex of society and among those who aspired to be'. Besides, 'the attitude that support of the arts was a virtue was particularly important because it survived the overthrow of the monarchies. Moreover, the regimes that succeeded the monarchies, far from destroying the former objects of royal largesse, continued to support institutions established by the dynasties they replaced' (Cummings and Katz, 1987: 6). Napoleon for example was a committed patron of the arts, with a remarkable story surrounding the signing of the Moscow Decree in 1812. 'Bogged down in the Russian snow and numbed by the cold, defeated with a loss of four-fifths of

⁹ Up to 500,000 people would visit the Salon (Mainardi, 1990).

¹⁰ The approval of a panel of judges, drawn from the Académie, had to be gained first though.

¹¹ 'Emulating the pompous court of absolutist France, the numerous German potentates competed regarding cultural representation. Even the smallest and least influential rulers commissioned art works, established art collections, theatre and opera houses, and maintained orchestras at their court. These courtial institutions, however, were closed to the public' (Toepler and Zimmer, 1997: 299). See also Hapsburg Spain (2020).

his army, Napoleon affixed his signature to a decree covering the organization of the *Comédie Française*, setting a pattern of operation which guides the French theatre down to the present day' (Harris, 1970: 8-9).

Interestingly, in England, and to a lesser extent the Netherlands, the experience was quite different. In neither of these countries were there absolute monarchs with the desire or means to support the arts on the scale that the Bourbons and Hapsburgs had. Both countries were Protestant (in contrast to Catholic Austria, France and Spain) and Protestant churches tended to regard the arts, as well as other forms of entertainment, as frivolous if not positively sinful: theatres came to be regarded as dens of iniquity and temptation (Cummings and Katz, 1987). A further factor is that the industrial revolution in England had generated a merchant class which was suspicious of government intervention at all levels, including in the arts. 'A government is best which governs least' was a viewpoint that took hold, a viewpoint that distinguishes policy between England and mainland Europe to this day. There was in England and the Netherlands, though, large-scale patronage of painters, normally in the form of commissions, and in the case of England there were several major private donors, especially to the fine arts institutions. Besides, in the Netherlands there was support for the performing arts at a town/city level and in England private patronage of the performing arts on a large scale emerged in the late nineteenth century.¹² It was also common in the Netherlands for artists to sell paintings 'off the peg' in this period, although how much of their income derived from this source is not clear.

In Austria, France, Germany, Italy and Spain, then, there was an extensive legacy of cultural institutions, dating from the days of absolute royal power, and this continued into the nineteenth century through municipal and private support. In Germany, this support was maintained by the authoritarian governments that ruled from the last decade of the nineteenth century to the end of the Second World War, governments that used the arts and culture for the purposes of national glorification (see Zimmer and Toepler, 1996). This was taken to an extreme during the Third Reich, which heavily exploited art for propaganda purposes, and centralised its control in the *Reichskulturkammer*, the Ministry of the Arts and Culture of the Nazi regime. One result of this is that freedom of the arts, regardless of who the funder is, has been paramount in Germany in the last 70 years, and indeed in most other western European countries. Legislation to ensure this freedom and the moral and financial rights of artists was also enacted, legislation that had no real parallel in the United States. Furthermore, in Germany the responsibility for culture was totally decentralised and became the prerogative of the *Länder*, i.e. the states making

¹² It is interesting to note that both in the royalist and mercantilist states, patronage rarely consisted of unconditional support for the artist to create output: patronage usually meant employment for a period or on a product that the patron wanted. There were many potential patrons though and this, at least in theory, gave artists some control over their destiny and incomes.

up the Federal Republic. Accordingly, there is no central Federal agency in Germany in charge of arts funding or cultural policy.

Because of the turbulent and hugely disruptive political environment in Europe in the first half of the twentieth century, it is difficult to detect any long-term trends or to generalise about cultural policy in Europe in this period: the most important lesson to learn from this time perhaps is that the protection of the freedom of the artist in a democratic society is of paramount importance to public policy towards the arts. The period after the Second World War saw a huge growth in state funding of the arts in almost all mainland western European countries, including those with no history of extensive state patronage (e.g. Denmark and the Netherlands). This reflected in part the huge expansion of the state at all levels in these countries in this period. A further factor was that radio and later television were run by governmental state monopolies in Europe,¹³ and 'with many hours of airtime to fill, European state broadcasters became major consumers and patrons of the arts' (Cummings and Katz, 1987: 8). The case for state monopolies in broadcasting was greatly enhanced by the experience of the chaos that emerged in the early days of unregulated American commercial broadcasting. In many European countries, significant tax legislation was also introduced with a view to aiding the arts, but as will be seen later tax policy has not been nearly as important for the arts in Europe as it has been in the United States. In the last 70 years what has emerged in western Europe is a system of public support that is very similar in all the major countries, both in terms of level of expenditure, tax concessions, both in principle and application, and regulatory framework. Perhaps the major differences that apply relate to the allocation of this support by art form, with for example the Southern European countries devoting more attention to the built heritage and the countries of Northern Europe emphasising the performing arts in terms of levels of public support. This applies to the former Eastern Bloc countries also, something that has become very evident since the fall of the Berlin Wall in 1990.

The major exception to this story, at least among the large European countries, has been Britain. It like the other large European countries had a state monopoly for broadcasting and the British Broadcasting Company became, and still is, a major consumer and patron of the arts in Britain. The level of direct state expenditure on the arts however is way below that pertaining in other European countries and British governments have in recent years much more enthusiastically attempted to embrace the American model of state patronage of the arts than is the case for governments in mainland Europe.¹⁴ Besides, in terms of key legislation that affects the arts

¹³ Postal and telegraphic communication was always run by state monopolies and initially radio was perceived simply as an advance on the telegraph as a medium of personal communication.

¹⁴ In relation to the *Comédie Française*, for example, the oldest national theatre company in the world, it was stated:

(e.g. resale royalties, moral rights) Britain has differed, or still does differ, significantly from other large western European countries. Britain in other words appears to be a 'halfway house' between the European model, as epitomised by France, Germany and Spain, and the American model, as epitomised by the United States. A reflection of this was the establishment of the first arts-council-style organisation there: this is a quasi-public foundation, one step removed from government, using the so-called 'arm's length' principle of allocating state funding of the arts.¹⁵ This model was partly adopted in the formation of the NEA and State Arts Councils in the United States and later in some of the smaller European countries, such as in Ireland.

3. Evolution of state support in the United States

The lack of a tradition of royal patronage combined with a strong Puritan tradition helps to explain the almost total absence of government support for the performing arts in eighteenth- and early nineteenth-century America' (Montias, 1983: 293). This, as seen, was in direct contrast to the situation in Austria, France, Germany and Spain. Clearly there was no tradition of royal patronage, and the presence of Calvinists and Quakers who, as in the Netherlands in Europe, frowned upon the arts, meant that state support for the performing arts was almost unthinkable. It was also the case that most of these people were immigrants from Europe, many of whom associated the arts with the autocratic regimes from which they 'escaped'.¹⁶ They had succeeded in the New World not through state subsidies but through hard work and selling their output in the market place. So, it should be with the arts. The forging of a new nation on the edge of a vast wilderness was preoccupation enough for most Americans then. 'As John Adams put it, in a famous ordering of national priorities: he had to study politics and war, so that his sons could study mathematics and philosophy, in order to give their children a right to study painting, poetry, music and architecture' (Cummings, 1991: 32).

It was during this time that the American emphasis on the popular arts emerged. Early in the nineteenth century native performing companies,

The French keep a jealous eye on her. Created by Louis XIV, she sailed through the monarchy, the Revolution, the Empire and the Republics without any infringement of her privileged status as a public institution. She imperturbably holds out against History. The most market-oriented economist would not dare to turn her into a private enterprise. ('Grand Old Lady of Paris Comes to the London Stage', London Independent, 24 September 1997.)

¹⁵ It had been suggested that because of the bypassing of the Arts Council, by both the Ministry and the arts clients, this principle has been seriously eroded in England in the 1990s. See A. Everitt, 'A Fiasco Waiting to Happen', *Financial Times*, 8 November 1997. This ambivalence towards public support for the arts in England continues to this day.

¹⁶ As Toepler and Zimmer (1997) state: 'In the American case, the arts were less deeply involved in the power struggle of different social classes. On the contrary, from colonial times to the beginning of the republic, the young nation - consisting mostly of European immigrants - shared the resentment of both a strong government and the arts as "inmates of corrupt and despotic courts" in Europe' (300).

including the popular minstrel shows, appealed to an uneducated public, which also patronised circus, the exhibition of freaks, and other outlandish curiosities (Montias, 1983). The widespread view was that art was merchantable, just like any form of activity. This was in direct contrast to the view held in mainland Europe, as seen earlier, and it was a difference of ideology that was to persist in some form to the present day.

The only state involvement with the arts in the eighteenth and nineteenth centuries was in relation to the plastic arts, chiefly the decoration of public buildings and the design and construction of national monuments. In relation to this another feature of state arts support in the United States emerged: the belief by many that restriction on artistic freedom is justified when the state is acting as paymaster. Paintings commissioned in 1817 to commemorate the Revolutionary War were sharply criticised by Congress, first on the grounds of cost, but later and more seriously on grounds of content (see Cummings, 1991). The commissioning in 1832 of a monumental statue of Washington led to a much greater controversy. The 'naked statue' was heatedly denounced in Congress, in terms very similar to those used in recent controversies.¹⁷ Some scholars and art critics may have hailed it as a fine work of art, but 'it was unsparingly denounced by the less refined multitude'.

From the beginning, the involvements of the American national government with the arts was often fraught with controversy; and from the beginning that controversy tended to center around two basic questions:

1. *Should the government be spending any public money to aid the arts?*
2. *If and when the government did spend money on art, did the people - both government decision makers and the general public - like the art they got? (Cummings, 1991: 37-38)*

In contrast to the situation in Europe in the eighteenth and nineteenth centuries, the cultural and political élites were not one and the same group in the United States, and the gulf between the two widened in the following decades, with consequential implications for state support of the arts sector (Montias, 1983).

The late nineteenth century witnessed a major development in funding for the arts in the United States: the advent of private patronage on a grand scale by wealthy individuals. James Smithson, an Englishman, earlier in 1835 had left a huge sum to the United States 'for the increase and diffusion of knowledge among men'. The Smithsonian Institution in Washington DC was

¹⁷ In seventeenth- and eighteenth-century Europe, the kings and princes were the sole arbiters of what was acceptable, even though the paintings were paid for with public money (see the discussion in Endnote 4).

When Boucher produced deliciously erotic pictures for the court of Louis XV, no one worried overmuch that public money would pay for them. Philip IV had Velázquez paint a political propaganda picture, The Surrender of Breda, to immortalize the Spanish victory over the Dutch, and Pope Julius II hired Michelangelo to paint religious propaganda on the Sistine Chapel ceiling. An artist, even an artist of genius, was a hired brush, and if he wanted to work for rulers, he did their bidding. (Mainardi, 1990: 154)

thereby later created, with an emphasis first on science but later including also an emphasis on the arts. By the end of the century some American families had also amassed fortunes, which in turn led to the development of major private art collections and to the establishment of art museums, to which eventually the great collectors began to leave those collections (Cummings, 1991). The Metropolitan Museum of Art was founded in New York in 1870 and soon after major art museums were established in other cities, such as Boston and Chicago. An American tradition had begun. Wealthy patrons did not confine their patronage to art museums, but also banded together to launch new orchestras and build opera houses. The Metropolitan Opera in New York and the Boston Symphony Orchestra were founded in this period. Theatre though was a notable exception to this development: its earlier association in the minds of many with low moral standards and bawdiness was to persist.

The early part of the 20th century saw the passage of the Federal Income Tax Law (1916) and the advent of the Federal Inheritance Tax (1918). These in turn led to the most significant state policy in relation to the arts ever undertaken in the United States: the adoption of the principle that contributions to arts organisations would be tax deductible like contributions to churches, hospitals, educational establishments and welfare agencies. The long-term impact was to provide a stimulus to the private giving which had already brought about such a change in the fortunes of the arts in the United States: the illusion, which appears to persist to this day, is that such a concession involved no public expenditure. Huge 'hidden' tax expenditures were to be involved, as donors could set off contributions against tax, and it is these expenditures that form the cornerstone of current state policy in relation to the arts.

In response to the depression of the 1930s, the United States government directly employed more than 40,000 artists as part of its arts programme of Roosevelt's New Deal. This led to a huge controversy, with some works, supported by the Federal Arts Project, by communist artists supposedly attacking capitalism, and others considered indecent or obscene arousing fierce public criticism. Again, the conflict between artistic freedom and public funding reared its head. Some historians have argued that this programme may have had long-term negative consequences for the public image of the arts (see McKinzie, 1973). Apart from the controversy over the alleged subversive and indecent art produced, it may have left the arts with the stigma of work relief projects and the taint of Rooseveltian New Deal politics. The association of the arts in many people's minds with subversives continued in the late 1940s and early 1950s, with another series of widely publicised congressional investigations into certain individuals in the arts world. However, the major tax concessions associated with giving to the arts continued without any real challenge.

After years of hectic behind-the-scenes activity, a breakthrough in direct funding for the arts occurred in 1965, when the legislation to create a

National Foundation for the Arts and Humanities was submitted.¹⁸ Thus was born the National Endowment for the Arts. Not only this, of the Endowment's total budget, 20 per cent of the funds were to 'pass through' directly to the states if they chose to establish their own state arts council. 'Within two years, every state in the nation had an arts council; and state legislatures began to vote state funds for their state's arts council, to be added to the funds from the national government' (Cummings, 1991: 52).¹⁹ In many senses, this latter development had the more long-lasting impact on state arts funding in the United States. A period of unprecedented growth in direct federal funding followed, with a corresponding growth in state funding and local funding.

The early 1980s witnessed the first of many attacks on the NEA. The anti-arts lobbyists, as in the nineteenth century, the 1930s, and the 1950s, were back in the ascendancy. In the late 1980s they had a crucial break for their campaign, with the appearance of work, that was indirectly financed through NEA funding, that was considered by a large section of the population as obscene and anti-religion. As Cummings (1991) states it was 'Mom and apple pie against perversity', 'the people against smug PhD types deciding what art is' (p. 67).

This controversy almost ended direct Federal funding for the arts in the United States. Such funding was never at anything like the levels pertaining in Europe. Besides, it is important to note that direct funding by the states and local arts agencies continued to increase and today are multiplies of NEA funding (see National Endowment for the Arts, 2017). Besides, Federal funding of such places as the Smithsonian Institution also continued to increase. Most important of all, the cornerstone of government funding towards the arts in the United States, namely the tax deductibility of charitable contributions to the arts, remained unaffected: if anything, its importance increased, as the very low marginal tax rates of the 1980s, which had reduced its practical significance, had begun to creep back up again, although this has since been reversed somewhat. As one commentator put it:

While federal support for the arts in the United States has declined dramatically in the past decade, state and local arts councils have demonstrated their institutional and political resilience as supporters of the nation's "cultural infrastructure". The economically mixed and organizationally pluralistic character of arts support in the United States belies the more dire predictions about the decline and fall of public culture. (Mulcahy, 1997: 1)

4. Contrasts and similarities

The above shows that the state support structures for the arts in Europe are significantly different to those in the United States and that these differences are rooted in historical attitudes and experiences.²⁰

¹⁸ The arguments for such funding are set out in O'Hagan (2016)

¹⁹ See Netzer (1978) for a discussion of this issue.

²⁰ See Osborne (2004) for a rather impassioned argument in favour of European over American arts policy, plus some interesting comparative statistics.

The major difference between Europe and the United States in relation to funding of the arts is the huge role of private giving in the United States (aided by tax expenditures by the state) and the relatively small role there of direct state expenditures on the arts. This difference which has persisted for over a century can be satisfactorily explained only in a historical context, and not in terms of differences in current tax or spending policies. Other differences that one might highlight, and which can be linked to historical patterns are the following.

First, there have been the different emphases in Europe and the United States between the high and popular arts, at least on the production side and in the public perception. While Europeans and Americans appear to prefer similar arts output (see O'Hagan, 2014), Europe is still looked on as the place where the high arts flourish and America the land from which popular arts and entertainment emanate. Nowhere was this more evident than in the row between France and the United States over the place of cultural products in the 1994 GATT agreement. Part of this row though may be explained in terms of the historically different attitudes of mainland Europe and the United States to the role of free trade and unregulated markets, differences that may be lessening in the last few years, but which still persist and as seen earlier have had a significant bearing on the role of the state in the arts in each continent.

Second, there has been a much greater emphasis in the European countries than in the United States on the role of the arts in creating and maintaining national identity, and thereby in justifying state expenditure on the arts. The United States is a melting pot of different national identities and traditions, certainly to a greater extent than any individual European country, and as such the issue of national identity has not only been problematic but also potentially divisive. This too partly explains the preference in the United States for tax-induced private giving as the main support mechanism for the arts. A related factor though is that there is a much smaller national patrimony, in the form of the visual arts, built heritage and musical/theatrical composition, in the United States than in Europe and thus less to 'protect'. Policy differences between European countries can also sometimes be traced to such a factor: for example, the southern European countries, with huge national patrimonies, such as Italy and Spain, are often much keener on stiff penalties for illegal trade in artefacts than their northern neighbours.

Last, while the United States is the country that has championed economic and personal freedom, policymakers there appear to be more inclined to question the freedom of the artist where public funding is provided. This appears to have been the case in the United States for almost two centuries: the reluctance of European countries to question the freedom of artists to produce whatever art they wish, even where public funding is involved, is probably hugely influenced by experiences there, especially in the 1930s and 1940s. Indeed, some countries, such as Germany, Italy and Spain, experienced much greater restrictions on artistic freedom this century, even when no

public funding was involved, than anything ever experienced in the United States.²¹

The differences though can be exaggerated. First, tax policies in relation to private giving and sponsorship of the arts in Europe and the United States are quite similar and are likely to converge even further.²² Second, tastes and preferences for the arts appear now to be very similar in both continents and related to similar socioeconomic characteristics.²³ Third, while there is a huge difference in the level of direct state support for the arts between the two, there is a difference in the opposite direction in terms of private giving to the arts, thereby lessening considerably the difference in *total* giving between the two. In Europe the funding is primarily public, at a high level and financed out of compulsory taxation, whereas in the United States the bulk of the funding (albeit at a lower level) is private, financed by voluntary donations but 'matched' to varying degrees by state tax expenditures. Finally, in the last 50 years there has been an increasing emphasis in both continents on the issue of access to the arts for all, not just an élite, and this is a development that may yet lead to a significant narrowing between the American and European models. As Montias (1983) argues, it should not be forgotten that the evolution of state support for the arts in the United States has been more democratic and did not give art-loving élites as much opportunity to impose their tastes on the public as in Europe.²⁴ That the high arts should be part of a good citizen's *Bildung* never took root in America, and maybe this is because values evolved more democratically and reflect more accurately popularly held views, as evidenced perhaps by the greater emphasis there on the popular arts.²⁵

²¹ A similar situation applied in eastern Europe and the former Soviet Union up to the early 1990s.

²² It is argued that it was not long ago that the United States looked across the Atlantic to Europe and dreamed of European style models of arts support, but that now in Europe there is a search for American answers (Schuster, 1985).

²³ In fact, at times the similarities appear to outweigh by far the contrasts, and to consumers of the arts these contrasts may make little difference: a visit to an art museum in Chicago is the same as a visit to an art museum in Paris, a night at the opera in New York is the same as that in Milan, and an evening at the concert hall in Boston the same as that in Berlin. However, in the longer term they could make a huge difference. There may be no museum at all in one of the cities in years to come, or the repertoire in the concert hall of one may differ greatly from city to city depending on the level and pattern of state support.

²⁴ Zolberg (1984) argues that 'European museums, as under *anciens régimes*, took the course of serving as national monuments, providing scholarly and artistic patronage and edification of high status group members, and used both direct and indirect means, such as restricted hours, to discourage working people from attending. They were the reverse of purely commercial enterprises, where anyone was welcome for a fee' (p. 187).

²⁵ Montias (1983) claims that 'class cleavages, which are more profound than they are in this country, make Europe's common citizens more ready to accept the cultural leadership of its elites. Any policy that would use tax monies to subsidize high culture to the point of virtually giving it away free for the benefit mainly of better-off citizens (as in the case of Swedish opera) would be considered profligate and inequitable by the wide U.S. public' (p. 315).

5. Broad policy issues

While the history of state intervention is of interest, there are many other policy issues to address in relation to the arts, which will be simply mentioned but not addressed here. First there is the rationale for, as opposed to the reality of, the role of the state in the market for the arts (see O'Hagan, 2016). This is the standard starting point in economics for any discussion dealing with state involvement in a sector. In some sense, the question may appear academic to many, especially given that, as seen, over time this role changes so little or does so very slowly. Much better, it might be suggested, to take the state's role as given and analyse in a more positive politico-economic sense how and why it changes over time, how its role can be made more effective, and whether and to what extent the system of state support is achieving its objectives. There is a role I feel for both types of analysis. The first type of analysis, i.e. the argument in principle, is far from being properly understood, even by those working in the area, and/or conclusive (see O'Hagan, 2016). Besides, there is confusion concerning the public and private benefits, with some recommending state funding even in the case of only private benefits. There is also confusion between what is industrial policy, cultural policy and arts policy. Industrial policy covers much of the tax breaks and funding of the so-call creative industries, films, videos, popular concerts, tourism and so on. Cultural policy covers a much wider area such as libraries (with very large state expenditure), the built heritage and language promotion (ditto) and so on, the first being part of educational policy and the last two with both educational and national identity dimensions. This chapter as was stated earlier, is concerned only with arts policy, defined here as the live performing arts and museums (including art museums).

There is also the issue of policy implementation, in other words the 'how' of such involvement. There are three broad devices by which states implement policy: through regulatory measures, direct expenditures and taxation measures (the last two involve government subsidies, the first direct subsidy and the second indirect subsidy).²⁶ Some of the key regulatory measures used specifically in relation to the arts are the legal and/or constitutional protection of artistic freedom and the moral and financial rights of artists, and restrictions on trade in the output of the arts sector. The main tax breaks provided to the arts in the United States and Europe are tax

²⁶ For an alternative taxonomy of government assistance, see Schuster, *et al* (1997). They talk of five tools of government action in relation to the *built heritage*: ownership and operation, regulation, incentives, property rights and information. The last mentioned is not of major importance though in relation the arts. While the distinction between regulation and establishment of property rights is not sufficiently clear in relation to the arts to warrant two separate headings. Besides, the distinction they make between ownership and incentives (grants/tax breaks) is not nearly as clear-cut in the arts. As such, while their taxonomy is very appropriate in relation to government assistance to the built heritage, it does not apply equally well to the arts.

exemptions for giving to the arts, VAT concessions for the certain arts activities being the main tax concession in Europe (see National Endowment for the Arts, 2017). Finally, the issue of direct expenditures gives rise to many questions: the level of such expenditures in different countries, their allocation by art form, the reliance of arts institutions on them for their survival, etc.

As mentioned earlier, this chapter is not concerned with the detail of policy in any country, or indeed with providing an overview of the institutional setting for the arts in Europe. This is not the purpose. Besides, there are too many countries in Europe, with too much variation, to do this. What I have tended to do in relation to institutional reference for Europe is to refer mostly to the German case, although there is reference to other countries, particularly Britain, France and Spain. Germany is the most populated country in Europe; its art-policy model is fairly representative of policy in most continental European countries, and differs very markedly from that applying in the United States; last and most practically, Germany is the country for which most information and analysis exists, at least in the English-language economics literature. As the United States is a single political entity, the problem above did not arise in this case. It is true though that in some places the institutional information for the United States may be out of date, as I had in some cases to rely on quite dated reports or studies.

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