

REFORMING PUBLIC FUNDING OF THE PERFORMING ARTS

Anthony Adair

In 1989-90 the supply of cultural goods and services in Australia was estimated at \$13 billion. This put it on a par with electricity, road transport and banking at that time, and meant it was twice the size of sheep and wool, clothing and footwear. Household expenditure on cultural goods and services at the turn of the decade was \$5.5 billion (Department of Communications, Information Technology and the Arts 1999).

Total government funding for culture in 1996-97 was \$3.5 billion, of which 37 per cent came from Federal, 40 per cent from State and Territory and 23 per cent from local government. If you remove \$900 million in recreational facilities, zoos, botanic gardens, national parks and wildlife services from these figures, you are left with:

- \$1.5 billion for cultural facilities and services, and
- \$900 million for radio & TV, film, video and multimedia

This paper will not be looking at public funding of the ABC, SBS and the various film support bodies, which is a separate subject of its own. Instead, I will look at the \$1.5 billion for cultural facilities and services. I also want to exclude from consideration the approximately \$1 billion that is spent by governments at all levels on libraries, archives, museums and art galleries, and the \$140 million spent on administration, community cultural activities and a range of other items not readily identified.

There is an important distinction to be made between institutions such as libraries, archives, museums and art galleries on the one hand, and performing arts companies and individual artists on the other. There is a good case to be made that the former are in a real sense 'public goods', held in trust for the nation and its people, part of the intellectual capital and heritage of the nation and which

are readily accessible to all. This curatorial and educational role is one that is not easily undertaken by the private sector.

Private individuals can and do collect books, works of art and some important historical papers. Lending libraries could just as easily be run by the private sector as by the public sector, as they often were in previous generations. However, the critical mass of national archives, national libraries, museums and galleries would not exist on the same scale and with the same accessibility if they were all in private hands.

That is why so many private collectors bequeath their collections to a public institution, to ensure that they are maintained in good condition and with access to scholars and to the public as appropriate.

Opera, theatre, ballet companies and symphony orchestras, however, essentially perform to a minority of the population and are not readily accessible to all citizens, despite valiant efforts by many companies to reach wider audiences. Of course reproduction technologies such as sound recordings, video and film enable a larger number of people to experience an approximation of live performance.

Public funding of such companies results in predominantly – but not exclusively – 'private benefits'. This has sometimes been described as 'middle class welfare', the point where the interests of political and cultural elites coincide and overlap. For performing arts



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companies it involves effective subsidies of at least 20 per cent, and sometimes more, on the seat prices paid by patrons, many of whom can afford to pay the full price.

Individual writers and artists who receive public funding effectively become public servants, and risk compromising their artistic vision. This was the fate of many painters in sixteenth century Italy when it was in the grip of the Counter-Reformation, led by the main patrons and commissioners of art. They laid down in considerable detail what painters could and could not paint, and often how they were to do it. It was only the growth of a market in art funded by wealthy individuals and families that enabled artists such as Caravaggio to break the shackles of the popes, churchmen and their families, and to express freely in their paintings their individual creative instincts. The lack of personal and creative freedom for state-funded artists under the Nazi and Soviet regimes resulted in much stultifyingly mediocre and banal art, theatre, literature and music.

This brings me back to the nub of the argument. After deducting those items excluded earlier we are now left with about \$500 million of public spending, including \$190 million spent on performing arts venues and arts centres. Just over \$300 million of public money is spent on the performing arts, literature and publishing, music and cultural heritage. Of that sum about \$120 million comes from the Federal Government, including \$72 million spent by the Australia Council.

Five Key Propositions

There are five key propositions that I believe should underpin discussion of public funding of the performing arts in Australia today. These are that:

(1) over the past five hundred years or so the arts and culture generally in western societies have prospered and grown as a result of their exposure to the marketplace and to the introduction of new technology. The best exposition of this is contained in Tyler Cowen's *In Praise of Commercial Culture*, although it only deals with the written word, art and music.

It is instructive to note that between 1965 and 1990 the number of symphony orchestras in the United States grew from 58 to almost 300. The comparable figures for opera companies are from 27 to more than 150, and non-

profit regional theatre companies from 22 to 500. The success of the Ensemble Theatre in Sydney and the Glyndebourne Festival Opera in England shows that subsidy is not a precondition for sustaining quality drama and opera companies.

(2) in an ideal world there might be no need for public funding of the arts but we do not live in an ideal world.

The governments most likely to be elected at either State or Federal level in Australia will not abolish public funding of the arts. There are various reasons for this: lack of political will; the understandable comparison with other heavily subsidised activities such as sport or medical insurance; and of course the joys of patronage with other people's money. The task therefore is to make such funding more logical, more efficient and more accountable.

(3) the concept of peer group assessment is seriously flawed,

especially in a small, isolated country such as Australia which does not have access to a sufficiently large pool of qualified and disinterested people to perform this function.

(4) control over funding for the arts should rest with elected politicians and not with so-called arm's length agencies such as the Australia Council. This is the principle that applies to most appropriations of public money.

(5) the Federal government should restrict itself to funding only national institutions, leaving metropolitan orchestras, museums, galleries, State theatre and dance companies to be funded by State and local governments and/or the private sector.

Problems with Public Funding

Public funding of the arts throws up a range of economic, social and political problems.

The economic problem is a simple one – **producer subsidies inevitably lead to overproduction**. Evidence for this is widespread; simply look at almost any agricultural commodity produced in Europe.

Of more immediate concern is the performance of the companies belonging to the Major Organisations Fund, now the subject of a government-sponsored inquiry. This follows an earlier report commissioned by the government which found that, despite improvement in the financial management of the companies, the combined financial losses of these companies exceeded \$12 million in the last five years.

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Opera Australia has already announced that it will be cutting back the number of performances in Sydney in coming years. The Melbourne Theatre Company has been having a good run in recent years but even after attracting 190,000 patrons in 1998 and coming in about \$90,000 ahead of budget, it is expecting a deficit of \$100,000! (*The Australian*, 8 January 1999). Playbox Theatre Company in Melbourne has suffered for years under the tyranny of an eight-play subscription season consisting almost exclusively of new Australian work which often reaches the stage under-prepared and which has difficulty attracting the audiences necessary to sustain this level of output.

One of the arguments used in favour of continued public funding of the arts is the economic multiplier, a common enough tool when looking at the benefits of large industrial or commercial investments, but increasingly being used by arts companies. For example Opera Australia commissioned an economic impact study which argues that 'there is a one to four value ratio in the economic return on government investment in (the) company....' A similar study has been undertaken for the South Australian Government in light of its underwriting of \$1.5 million for the recent Ring Cycle in Adelaide.

Leaving aside the debate among economists about the validity of the multiplier, there are many points worth noting. The first is that this is the same argument being advanced by the Victorian Government to justify its continued subsidy of the Formula 1 Grand Prix. It suggests that the comparison with sport should be investigated further, since that sector is the beneficiary of much larger amounts of public largesse than the performing arts.

A separate study done by an Adelaide University economist claimed that each gold medal in recent Olympic Games cost the Australian taxpayer \$50 million (sic). It is understandable, therefore, that people in the performing arts feel that \$72 million a year for the Australia Council represents far better value for the nation.

The second point is that the principal beneficiaries of such investments, whether in sport or the arts, are usually not the people providing the capital. These people, the taxpayers, are left with the psychological rewards of nationalistic pride or the reflected glory of the performers.

A separate problem is the mismatch that has built up between professional arts education and the size of the market, although this may well be ameliorated by the

financial pressures that universities now face. However, we still have major tertiary institutions producing talented actors, singers, musicians, designers, directors and other technical staff who have little prospect of making a reasonable living in the profession of their choice. An often-quoted statistic (usually by actors) is that 90 per cent of actors are out of work at any given time. No wonder Noel Coward advised Mrs. Worthington not to put her daughter on the stage, and this was well before the advent of public subsidies for the performing arts!

One result of the public funding explosion over the past 25 years is that there is now a group of people who are predominantly under-employed, unemployed and in some cases perhaps unemployable. They believe that they have the right to be subsidised by the working people of Australia and they have the necessary

communication skills to complain long and loud if they don't get their way. They have found a sympathetic ear among the political, bureaucratic and cultural elites, including the media, and this has given them disproportionate political influence.

A bigger problem is that **subsidy encourages poor management practices**. This is despite the fact that some of the administrators and managers in the arts in Australia are outstanding and would be so in any field of employment. Unfortunately there is a mentality endemic in the arts community that if a company gets itself into financial difficulties then it must be because it is underfunded. The easiest thing in the world is to ask for an increased subsidy and to blame the government if an increase is not given. Yet one of the major problems in arts organisations both here and elsewhere is an inability to contain costs. The most glaring examples have come in opera, not only the Australian Opera in the 1980s and the Victoria State Opera in the 1990s, but also the Royal Opera House at Covent Garden which is temporarily closed for a massive rebuilding program.

This is a company receiving £15 million in annual subsidy, with premium ticket prices well over £100, with a private and corporate support base well ahead of any comparable organisation in the UK, and yet was effectively bankrupt when it was closed for rebuilding. The Eyre Report, commissioned by the British Government early in 1998, simply recommended that the subsidy be doubled so that the company could live in the manner to which it has become accustomed! Even Melvyn Bragg, the British

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novelist, arts commentator and recently ennobled Labour peer, has called for the privatisation of the Royal Opera House.

Compare this with the privately owned and operated Glyndebourne Festival Opera, whose 1998 season was completely sold out, with ticket prices matching those for Covent Garden. In 1999 the most expensive seat will cost £124. All its finances come from private sources – ticket sales, sponsorship, catering and merchandise. Quite clearly this is a company which has its costs under control.

Aside from opera, the art form which today is feeling the most strain is drama, with theatre companies in the Major Organisations Fund often producing deficits and constantly complaining about being under-funded. Yet Sydney has one theatre, the Ensemble at Kirribilli, which exists without public subsidy and has a subscription base of 8000 that most publicly-funded theatre companies envy. The Marian Street theatre in Sydney, which used to receive a token \$30,000 in annual subsidy (out of a budget of \$22.5 million), has also prospered in the marketplace, with 90 per cent of its revenue last year coming from ticket sales. This in a city of four million and which has at least two other publicly funded theatre companies. (Melbourne, by contrast, does not have one drama company, as distinct from a theatre owner, which survives without public subsidy.)

The argument is often put that without direct subsidy the theatre would die. There is no evidence to support this sweeping statement. In fact the evidence is the other way, and has been for generations. Even Graham Greene, the great British novelist and hardly an advocate of commerce said in the 1940s that:

one may well speculate whether without the commercial theatre the dramatists would ever have risen higher than the learned imitations of Seneca or Terence, or the elaborate and poetic conceits of Lyly.

It is also argued that Australian drama would be driven out by cheap imports, the same argument used by those who wish to exclude New Zealand television programs from our screens on the grounds that they will keep local programs off the air. Again the evidence points strongly in the other direction. This argument simply masks the fear that Australian audiences may not want to see some local productions and moreover shouldn't be able to decide for themselves.

The major political problem with public funding of the performing arts is **that the present system divorces the right to spend large amounts of public money from the level of political accountability which should attach itself to such spending.** This is illustrated by the system of 'peer group assessment and review' under which a group of arts practitioners recommends to the funding bodies how public money should be allocated to their friends or enemies involved in that same art form.

The problem is further compounded by **the unnecessary duplication of Federal and State government funding** for many arts companies e.g. Playbox receives about the same amount of money from the Victorian government as it does from the Federal government. Each body has to receive a separate application, sometimes requiring different information, and the reporting processes and compliance are frequent, onerous and not necessarily the same. Obviously it is important that governments make sure that money it distributes is spent for proper purposes and that the recipient has appropriate financial controls and corporate governance processes. But it is ridiculous that a small arts company turning over about \$2 million per annum is subjected to such onerous compliance costs.

If the Federal government restricts itself to funding national cultural institutions only, and if it comes to a sensible division of tasks with State and Territory governments, then responsibility for this public expenditure could return to where it rightfully belongs – to the elected politicians. We could then do away with the Australia Council at some savings to the public purse.

The Council is currently advertising for grant applications, with over 50 categories of grant identified across eight broad sectors, including Aboriginal & Torres Strait Islander Arts, Community Cultural Development, Dance, Literature, Music, New Media Arts, Theatre and Visual Arts & Craft. Each of these sectors is supported by its own special board and management team, and is assisted by people on the Register of Peers who provide 'expert advice...on the assessment of grant applications and the development of artform policy.'

All these people are no doubt diligent in their tasks, and it is important to state that there are guidelines covering conflict of interest. However it is noteworthy that the composition of the Register of Peers has to 'reflect Australia's demography in terms of geographical location,

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age, gender and ethnic background.’ Thus, every Panel or Board has to have at least six or seven members just to ensure that all States and Territories are represented. This is a burden of administration that would seem excessive even in the defence forces and simply adds more weight to the argument for the abolition of the Australia Council.

Some Ideas for Reform

If, as seems likely, governments of all persuasions want to subsidise the arts they should consider shifting subsidies away from producers and more towards consumers. There are various simple ways in which they might begin to do this.

- Instead of giving arts organisations lump sum grants, why not link at least part of their subsidy to the number of people who buy tickets?
- To encourage young people to attend the arts, give them a subsidy, say \$200 a year to be spent on at least two different art forms of their choice. This could be done easily with smart card technology. If they choose to spend some of it at a rock concert, that’s fine. Better for young people to make their own choice than have the government setting up a fund for aging or retired politicians or anyone else to subsidise his or her political favourites, or using import restrictions to subsidise record companies and a small number of musicians and singers.
- Encourage wider consumption of the arts by extending the concept of loyalty cards to people who consume the arts. Why not give them a tax deduction of a proportion of the price for a ticket to a concert, play, opera or ballet once they have passed a defined threshold of expenditure with selected organisations?
- If tax deductibility of 125 per cent is good enough for the Australian film industry, why couldn’t it be applied to investment in drama, literature, dance, music and other art forms?

There is much misguided talk about increasing corporate sponsorship to take the place of state funding. This simply won’t happen on anything like the scale required because companies have more pressing needs for capital and because they have to balance a range of interests, especially those of shareholders.

What we have to encourage is individual and family support for the arts. Encouraging private philanthropy or patronage through the tax system is far more liberal, democratic and diverse than allowing taxpayers’ money to be used to subsidise state-owned monopolies in opera or drama.

Conclusion

Public funding of the performing arts in Australia is flawed because it:

- is biased in favour of producers rather than consumers, and thus tends to overproduction;
- depends too heavily upon the discredited practice of peer group assessment;
- involves too much duplication and overlapping between Federal and State governments.

Given that no government in the foreseeable future is likely to withdraw from funding the arts, some reforms are necessary. A worthwhile start would include:

- making public funding more responsive to the market for cultural goods and services
- rationalising funding responsibilities between Federal, State and municipal governments, with Canberra funding only genuinely national companies
- abolishing the Australia Council
- using information technology, tax returns and smart cards to establish a closer relationship between audience demand and public funding.

Policy

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