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The Arts in the United States: Can the Arts become a Public Good?

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The Arts in the United States
Can the Arts become a Public Good?

Senior Project Submitted to
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by

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Introduction

When Donald Trump proposed his budget plan for 2019, he included a plan to entirely phase out funding for the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH) (Greenberger, 2018). Beginning in 2019, Trump's proposed plan would cut the organizations' budgets from \$150 million each to \$29 million and \$42 million for the NEA and NEH, respectively (Greenberger, 2018). This is despite the fact that the current funding of the NEA and NEH account for merely a fraction of a percentage of the overall budget (NEA, 2007). Ironically, when Congress rebuffed Trump's plan, they actually decided to increase the budget of both agencies by \$3 million each (Deb, 2018). This difference of opinions towards public funding for the arts is representative of the polarized mentalities that currently plague the United States. It is because of this dichotomous public atmosphere that, now more than ever, literature and arguments which evidence the importance of public support for the arts are paramount.

President John F. Kennedy believed in the importance and value of the arts: "To further the appreciation of culture among all the people. To increase respect for the creative individual, to widen participation by all the processes and fulfillments of art — this is one of the fascinating challenges of these days" (The Kennedy Center, 2018). His advocacy even helped spur the dialogue that led to the foundation of the NEA and NEH by his successor, Lyndon B. Johnson. In the context of today's dichotomous mentalities, this country needs more people who believe in the arts to advocate for them in the way that President Kennedy once did. As it was in his time, improving the national environment for the arts is one of the crucial challenges of today. The arts

are brimming with untapped potential for societal benefit, thus exploring the possibilities for increasing their implementation in the United States is of vital importance.

In their current standing, the arts are treated primarily as a commodity to be consumed only by those who can afford them. This classification is destructive not only for the arts industries themselves, but even more importantly for the general public. The arts industry is plagued by the Western obsession with the attainment of wealth as the ultimate end of economics and society. Non-profit organizations' primary purpose of serving the betterment of their community is eroded by the need to seek funding from sources whose willingness to support the arts fluctuates with the market. This state of affairs brings to mind some critical questions. How can the condition of the arts industry be improved? How can the environment surrounding the arts be improved? Can the arts be made more accessible? Could public funding improve the arts industry? Would public funding provide benefit to the general public? How can we improve funding structures to facilitate the best environment for the arts?

In order to answer these questions, it is important to examine the essential, general qualities of a public good, the arts industry in its current standing, theoretical justifications for the arts as a public good, whether the arts have untapped potential to benefit the public, their potential for application in development practices, and the implications of treating the arts as a public good. If there is sufficient rationale to justify public support for the arts, they should cease to be treated as an exclusive commodity, favoring the wealthy and privileged, and instead be increasingly supported and nurtured by the government as a public good for the benefit of all its citizens.

The first chapter explores the general role of public goods in theoretical terms, outlines technical criteria which define them, and pursues a sense of their ideal purpose. The second chapter assesses the arts under the criteria that define public goods theoretically, explores methods of valuation in reference to the arts, examines the essential value of the arts against the ideal purpose of public goods, and evaluates whether treating the arts as a public good would work towards the betterment of society. The third chapter discusses the essential benefits the arts can provide to the public beyond their intrinsic value. These benefits are primarily cultivated through exposure to arts in education, as well as the methods of education implemented in arts education. Benefits include educational achievement, civic engagement, public health, critical thinking, creativity, and even innovation. The fourth chapter examines the possible range of funding structures through a comparative and historical lens, focuses in on the structure of non-profit organizations and current policy as well as its effect on funding structures, and outlines recommendations for improvements to policy and their implications for funding structures as well as the overall industry. Careful, thorough examination of the arts industry at a national level will give insight as to whether expanding the arts industry could be beneficial to society, and what role the government could play in facilitating the expansion and reform necessary to achieve such a goal.

Chapter 1

Public Goods

The need for public goods, which are goods or services provided or funded by the government, arose with the agricultural revolution and the birth of civilization. As people began to congregate in larger numbers, the need for public security began to grow. Great empires, such as Rome or China, flourished by capitalizing on the benefits of economies of scale in regards to public security. The decentralized, feudalist aftermath of Rome's demise saw the costs of security increase drastically. Through the industrial revolution, the needs of the public grew more complex: education, infrastructure, and public health. These are all things the market can't provide without assistance. In today's knowledge-based economy, these public needs only continue to grow both in magnitude and complexity. For example, the threshold for level of education required to participate, and especially to thrive, in the economy today is vastly higher than ever before. With increasing globalization, needs such as security, economic stability, and pollution control no longer fall under the purview of one government, but rather all of them. Less strictly, the same could be said for education, health, and even knowledge. The United States of America is the most complex nation in the most complex global context that has ever existed, and thus has the greatest responsibility to the greatest number of people to assist in the provision of public goods.

In his seminal work, *An inquiry into the Nature and Causes of the Wealth of Nations* (*Wealth of Nations*), Adam Smith (1776) described three necessary categories of public goods: first, the need for national defense; second, the need for a justice system; and third:

The third and last duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small number of individuals, and which it, therefore, cannot be expected that any individual or small number of individuals should erect or maintain. (Smith, 1776)

The distribution between local and federal in both the funding and deployment of such goods should be dependent on the nature of the benefit provided by the goods (Smith, 1776). While this is quite a strong demand, it is also nonspecific one which allows for interpretation and flexibility. This could have been Smith's way of broadening his claims to remain applicable for unforeseen needs in future societies, leaving the determination of what is advantageous to society up to its current members. In essence, he is adamant that public needs that are under-provided by market forces must be accounted for through government intervention. This is rooted in his philosophical belief that the economy is a means to an end, a tool to help achieve a better society and 'the good life' based on moral character, not that the acquisition of wealth was an end in and of itself (Smith, 1759). Economists tend to forget that Smith's *Wealth of Nations* should be considered within the context of his moral philosophy of virtue ethics which he outlined in *The Theory of Moral Sentiments*. As such, the self-interest of wealth accumulation he describes must be subservient to moral unfolding, "the stretching of ones emotional sensibilities... such that one is led to act in a more virtuous manner," and to voluntary self-restraint (Wight, 2006). Ironically, the work that followed Smith towards a free-market system of economics pushed the field away from ethically grounded thinking towards purely technical analysis.

While Smith's writings dealt with economics separately from the moral system in which he grounded them, subsequent works which build on his *Wealth of Nations* fully isolated the free-market system from the morality that grounded it. The primary influence in moving free-market economics' focus towards technical, instrumental analysis came from David Ricardo. Ricardo's method was based in logic, transforming economic thought from the holistic philosophy presented by Smith into the political science we know today (Hollander, 1911). His evidence, deductive method, and conclusions may have been faulty, but the application of logical, scientific thought has pervaded economics ever since.

Along with the emergence of marginal analysis, discussions of public finance withdrew from discussion of the appropriate role of government and focused solely on methods of collecting funds, leaving the role of government to welfare economics. Steven Medema (2009) attributes the transition to the idea of market failure we know from Pigovian welfare theory primarily to the work of John Stuart Mill and Henry Sidgwick. Mill illustrates numerous divergences between private and social interests, but cautions against rampant government intervention, particularly against government monopolization or authoritarianism. Due to his belief that governments are limited to mediocrity, Mill thought the government was more likely to worsen than improve the situation, and thus ill-equipped to intervene in cases of market failures. Despite his pessimism, Mill's innovative thought lies in his identification of market failures in a variety of situations, typically involving externality spillovers, to which he advocated non-authoritative interference, partial government intervention.

In a similar vein, and building on Mill's work, Medema (2009) describes Sidgwick's work on market failure:

While Sidgwick believed that self-interest has tremendous utility in the economic sphere, he did not go so far as to suggest that the system of natural liberty functions optimally at all times and in all places. Even if one grants that individuals *are* the best judges of their own interests, he said, it does not follow that a group of people, each engaged in the intelligent pursuit of his self-interest, will, if only minimally restrained, realize the greatest possible happiness for the group. (Medema, 2009)

Sidgwick identified two categories of divergence between private and social interests: when free markets are not wealth-maximizing because there is more to life than wealth, and when they are not even wealth-maximizing. The former refer to situations where people cannot judge their own self-interest, for example, the mentally ill and children; issues of physical or moral well-being, for example sanitation and restrictions on intoxicants; and issues of unequal income distribution. The latter refers to situations where the wealth-maximizing magic of free markets do not actually pertain to the reality of economic circumstances. For example, monopolies reduce output and increase prices in comparison to competitive markets while also disincentivizing progress towards more efficient production.

While he acknowledged many drawbacks to government intervention (having many in common with Smith) including corruption, special interests, wasteful expenditure due to public influence, and others, Sidgwick advocated for “socialistic” interference when the benefits outweighed the costs under utilitarian calculations. In these situations, he felt intervention “should be as mild and as narrowly drawn as possible while still accomplishing the desired goal” (Medema, 2009). Contrary to Mill’s pessimism, Sidgwick believed “that in the long run ‘moral and political progress [in society] may be expected to *diminish*’ the extent and severity of the

shortcomings associated with government intervention,” eventually resulting in the government effectiveness surpassing the effectiveness of free markets (Medema, 2009).

Next, it is important to examine the modern, technical definition of public goods. The modern definition of a public good which can be found in any economics textbook describes its primary features as nonexcludability and nonrivalry; a good that anyone can consume without reducing the availability of the the good to anyone else and that it is costly and difficult to exclude others from consuming the good (CORE Team, 2017). This concept of public goods arose out of welfare economics and the tools of marginal analysis, which allowed economists to identify areas of market failure within the abstract free-market system championed by David Ricardo (Medema, 2009).

Among the first theorists to formalize the definition of a public good were Paul Samuelson and Mancur Olson in the 1960s, collectively describing three properties: indivisibility, that a good cannot be easily divided up and distributed according to individual demand; nonexcludability, that people cannot be easily excluded; and nonsubtractibility, that one person’s consumption or use of the good does not reduce the amount of the good available for the use of others (Goetze, 2007). Olson formally described the importance of group size in collective action. As groups increase in size, the importance of public good distribution grows with it (Goetze, 2007). This is of particular importance now as large communities become more prominent than ever before. Although many people, including David Hume, Alexander Hamilton and John Stuart Mill, presented narrow versions before him (Dougherty, 2003), Olson presented the most thorough and broad hypothesis of the free-rider problem, where individuals are

incentivized not to cooperate when presented with nonexcludable goods as they will benefit regardless of their contribution (Goetze, 2007).

Peter Asch and Gary Gigliotti (1991) present two fundamental problems with Olson's logic: first, that empirically, based on "both everyday experience and recent experimental evidence," "many individuals do contribute voluntarily to the provision of public goods, and second, that this assumes a lack of ethical and moral values. The former evidence gives further weight to the latter. "So long as we assert that narrow self-interest is the sole motivator of rational behavior in free-rider situations, we argue in the face of substantial evidence to the contrary" (Asch & Gigliotti, 1991). This brings to light a fundamental quality of economics, a strong tendency to view the world exclusively in instrumental terms while ignoring other methods of valuation (Klamer, 2003).

Most contemporary economic theory is blinded by economism, which is "the idea that people are fundamentally economic actors, motivated at bottom to maximize their wealth" (Kirshner, 2009). This obsession has not always been the end goal of economics, as some of its greatest scholars, such as Adam Smith and John Maynard Keynes, had more holistic ideals in mind. While Smith was the father of the logic of the invisible hand which justifies all free-market economics, he was also acutely aware that there are situations where this method fails to provide the best result for society. Keynes recognized that not all aspects of society should be concerned with attaining wealth, but rather with seeking fulfillment and value in the depth and variety of life (Skidelsky, 2010).

Keynes grounded his economic theory within the philosophically and ethically based ideal of a 'good society,' a society that was rich in culture and breadth of possibilities, not one

obsessed with wealth (Kirshner, 2009; Skidelsky, 2010). This meant that “the economic problem is one to be resolved, so that people can pursue more consequential ambitions” (Kirshner, 2009). Keynes even thought of economists “as mechanics whose job was to solve people’s pedestrian problems like economic security, so they can focus on the good things in life” (Kirshner, 2009). As a society, we must reevaluate our economic priorities and adopt a more holistic and multi-faceted view of the world in order to accurately capture and understand reality in order to provide the greatest benefit to the greatest number of people.

Public goods represent an avenue in which governments should correct for market failures, particularly when doing so may promote the pursuit of a ‘good society’. This seems to be what Smith means when he refers to public works that are advantageous to society, not simply in a technical, utilitarian sense, but rather in a broad sense which provides value beyond the narrow economic definition. Variations in both content and methods of ascribing value will be explored more in depth in the next chapter. It seems obvious that wealth on its own cannot be sufficient in the pursuit of a ‘good society.’ Thus, it must be necessary to achieve production of goods and services which provide value besides their economic utility. This on its own should be sufficient evidence for public support of a good or service. The argument for public support is strengthened if the good or service represents a case of market failure, and further strengthened if the non-economic benefits of the good or service also provide indirect economic benefits.

Chapter 2

The Arts, from Private Commodity to Public Good

In current practice, the arts are treated as a commodity rather than as a public good, limiting their potential contributions to the betterment of society both economically and culturally. The classification of the arts as a private good allows artificial exclusion to take place in an industry which should be accessible to everyone. In the case of the performing arts, exclusion commonly manifests in that most presentations take place in venues which are costly to operate and maintain. “When performances are given in closed venues of fixed capacity, output of the performing arts can be seen as an excludable local good, nonrival in consumption up to the point where a capacity constraint is met” (Throsby, 1994). These venues limit the available space and drive up the price of admission, excluding people that can’t afford to attend even if they may otherwise be interested.

Commodification of the arts also contributes to the public view of some art forms as elitist and inaccessible. The elitist culture of some venues and art forms may deter some consumers who consider these performing arts “luxury items, associated with social status and the desires of the wealthy for conspicuous consumption” (Throsby, 1994). This could be fueled high pricing due to the effects of Baumol’s cost disease as well as rising costs of production and even public perception. This effect is particularly prominent in the practice of western classical music, an art form which still carries connotations of superiority drawn from its history as the entertainment of the upper classes in Western Europe. While there has been improvement in the culture surrounding the more elitist art forms in recent decades, the culture must continue to

grow more flexible in order to expand accessibility to these art forms. Relaxing of the stringent culture surrounding some art forms could raise interest and benefit society through increased exposure to the arts. Government funding could allow for affordable pricing options and alternative venues in order to broaden accessibility and interest.

The commodification of the arts fails to provide a conducive environment for the arts to reach their potential as a positive force on society. Considering the benefits of exposure and participation in the arts, these exclusionary practices seem counterproductive both for the arts industries and for society as a whole. If the arts were sufficiently funded, fiscal exclusion could be vastly mitigated and make attendance affordable to a larger portion of the population. Moving forward, it is important to classify the arts as a public good in order to improve the overall health of the arts industry and thus maximize the benefit to society.

Theoretically, the arts should be treated as a public good since they fill the necessary prerequisites based on a composite of the definitions of public goods. This composite definition includes nonrivalry, nonexcludability, instances of market failure, and the provision of public benefit (Medema, 2009; Smith, 1776) They are nonrival in that consumption does not diminish the supply, nonexcludable in that it is costly to exclude others from consumption, almost always unprofitable for individuals to undertake, and provide benefit to the public. A live performance or work of art can be consumed equally by as many people as can lay eyes on it, only limited by the venue in which it is presented and, usually, the cost of admission. The arts can only be explicitly excluded by means of exorbitant pricing or refusing admission to a performance or exhibit.

Demonstrating lack of profitability is simple. The revenue grossed in the arts, which typically consists solely of ticket sales or sales of individual works, is vastly insufficient to cover

the growing costs of producing new products, intuitively demonstrated by the extensive need for private donations to fund most arts organizations. In a rare, ideal situation, ticket sales gross enough revenue to turn a profit, but under most circumstances, the arts are extremely difficult to operate in such a manner that achieves positive net profit. Moreover, the nature of the arts is such that when there is excess revenue, it is used to improve the quality of the arts provided, which is a goal in itself rather than a means to bolster profits as in most industries (Baumol & Bowen, 1965). Thus, the fundamental goals of arts organizations render them incapable of business success from a perspective which values wealth-maximization, ever unlikely to have surplus funds. While more difficult to demonstrate, the public benefit of the arts presents in a variety of forms, both economic and non-economic, which will be dealt with in depth later in the chapter. Now, we turn our attention to how we value the arts.

In line with a more holistic approach to economics, Arjo Klamer (2003), in his article *Social, cultural and economic values of cultural goods*, presents a synthesis of economic and “culturalist” positions on the treatment of cultural goods. Klamer (2003) uses the “various values that constitute cultural goods” to complement the limits of technical economic analysis which would otherwise reduce them solely to economic value. For Klamer (2003), “cultural goods are ‘discursive constructs’” in that they “become ‘cultural’ when people treat them as such,” placing the weight of the argument on how we value cultural goods. “The economic perspective favours an instrumental way of looking at anything cultural, the arts, but also culture in its more general, anthropological sense” (Klamer, 2003). As such, investments in culture are typically valued simply as instigators of growth and development. “Even though they may be bought and sold as investments and sources of revenue, they are more than commodities, at least if the adjective

“cultural” applies” (Klamer, 2003). Klamer (2003) highlights the breadth of how we can value cultural goods.

The economic value captured in the exchange of cultural goods as commodities is only one phase in the good’s life. Before the good becomes a commodity, there is value in the technique of creating the good, in art in general, and in the world of artists. Once the good has been exchanged, there is value in its influence and what it inspires. Klamer even describes a spillover effect in which an economic valuation of a good may change its future valuation, a crowding in or out effect which he calls (de-) valorisation. These are all values that cannot be captured in the simple commodity exchange which blinds standard economic assessment of cultural goods to the plurality of values which these goods have, and by extension, their effects. “Cultural goods represent, or serve to realize, cultural values.... They all share the property that they can inspire awe, wonderment or convey a sense of the sublime. Their value is that they mean something over and beyond whatever economic and social values they have” (Klamer, 2003). Klamer’s comprehensive approach recognizes the multi-faceted value of cultural goods, including the arts, and appreciates their ability to provide ample benefit to society through their plethora of values: intrinsic, personal, economic, and cultural; as well as the interrelated effects these values provide.

David Throsby’s approach contrasts Klamer’s in that his analysis is almost purely technical, following the neoclassical tradition. With regards to developing taste, which Klamer (2003) refers to as “valorization, that is, the enhancement and affirmation of a value”, Throsby (1994) labels this behavior towards the arts as an addiction, describing the cumulative nature of the utility gained by consuming cultural goods and emphasizing that the “first step is to make

taste for the arts dependent on past consumption, providing thereby a plausible explanation for the rightward shifting of the long-run demand curve.” For Throsby (1994), “Cultural consumption can be interpreted as a process leading both to present satisfaction and to the accumulation of knowledge and experience affecting future consumption.” This view is far more technical and strict in its definition of value than the holistic views presented by Klammer.

Throsby’s framework delves into the markets for art works and the performing arts separately. Art works represent the extreme case of a heterogeneous commodity; since works can be copied but not reproduced, every unit of output is different from every other unit of output. Art works serve many functions: as decoration they “[provide] immediate consumption services through [their] aesthetic qualities,” as financial assets “through [their] potential for price appreciation”, and “form part of the cultural capital of a nation or of the world (some more so than others), and thus have, to to a greater or lesser degree, public-good characteristics, especially when they are acquired by galleries or collections for public showing” (Throsby, 1994). As a decoration, their utility is determined by “artistic” characteristics. As a financial asset, their demand is determined by riskiness and expected rate of return, the latter of which is correlated with the reputation of the artist. In comparison with other safe assets, works of art have subpar returns on average. This difference could be in part due to individual valuation of non-pecuniary benefits of the works.

In dealing with the performing arts, including theater, opera, dance and music, Throsby presents a technical analysis of the demand for the performing arts. He posits that the quality and characteristics of events are likely to be more important than price in the demand for performing arts because of the diversity of choices. Since attendance of live events is time-intensive, “the

price of leisure time is likely to be more influential in determining demand than the ticket price itself” (Throsby, 1994). He draws a distinction between events which are immediately accessible and those which require previously acquired tastes, claiming that the former are more responsive to price changes while the latter are less price elastic, meaning consumers prioritize qualitative characteristics of performances over their price. Further, preliminary empirical results suggest that quality becomes more important to firms as we move closer to the “serious” arts end of the spectrum (Throsby, 1994). In line with this view, income is positively correlated with attendance of performing arts and “several early studies identified performing arts audiences as being of significantly higher educational, occupational, and income status than the community at large” (Throsby, 1994). With regard to immediately accessible events or popular entertainment, these comprise the portion of the performing arts organizations that are for profit since there is sufficient demand to possibly make a profit, even though this conclusion lacks security due to fundamental uncertainty. On the other side, average cost is greater than demand, so additional revenue is necessary.

Cynically ignoring the possibility of altruistic intentions, Throsby (1994) attributes the need for nonprofit status as a prerequisite for donations “because neither private nor public donors are likely to contribute to a firm where there is a possibility that funds provided may simply add directly or indirectly to profits taken by the firm’s owners.” Ever more cynical, he seems baffled that consumers and governments voluntarily contribute to unprofitable organizations, explicitly specifying perception when he attributes this to their social worth. As nonprofits rely on contributions in order to achieve sufficient operating revenue, they “would set prices to maximize the sum of ticket revenue and voluntary donations, rather than just ticket

revenue alone” (Throsby, 1994). Although he specifies that firms will maximize revenue if they have already achieved their prioritized objectives of quality, it is important to consider that they may only seek sufficient revenue, and in the case that they truly maximize, will do so to further the quality of their services as suppliers of virtue (Baumol & Bowen, 1995).

In his exploration of labor markets, Throsby (1994) outlines the technical components of the artistic work force within his neoclassical framework. He describes artists as similar to other professions, such as academics and researchers, “where non-pecuniary motives of work satisfaction exert a significant influence on time allocation,” but different in that their creative work alone is unlikely to yield a living wage for most, “either because the hourly earnings are too low and/or because remunerative work opportunities are not available” (Throsby, 1994). For artists, income is more variable than average both for an individual across time, and across individuals at a given point in time. Only 20-25 percent of artists work full time in the arts, while the rest forgo their preferred area of employment in order to earn a livable wage. This is partly due to the fact that small differences in talent or ability are magnified into large earning differentials. Through the combination of the effects of scale economies, enable by technology, and imperfect substitution, since several mediocre performances cannot compare to one good one, very few talented people can control large markets and the highest returns.

In regard to the justification of public policy, Throsby seems skeptical, but much of this stems from technical imperfections within the setting of neoclassical theory. Presently, funding for the arts in the U.S. consists entirely of admission revenue and private donations. In tandem with rising production costs, this creates an exclusionary environment which is only accessible for those who can afford it, not for everyone to whom they could benefit. This tragic state of

affairs abandons the people who could most benefit from exposure to the arts, leaving them incapable of accessing a means by which they could improve their lives.

Figures show relatively low expenditure in the U.S. both as percentage of total public expenditure and GDP in comparison to Europe and Canada. This is explained partly due to lesser direct provision of arts facilities and further in “that the U.S. places by far the greatest reliance on voluntary support to the arts through charitable giving” (Throsby, 1994). While “ad hoc evidence from opinion polls in several countries lends some support to the proposition that a majority of voters approve of government involvement in the providing support for the arts,” this approval, which provides preliminary justification for the arts as a merit good, has yet to manifest into public support in the U.S. at levels comparable to other leading countries in terms of cultural output. Throsby (1994) acknowledges that much of the market failure argument “can be applied to the arts, including possibilities that the arts give rise to external benefits in production and consumption, that there are non-market demands for the arts for option, existence, and bequest values, and that the arts exhibit public-good characteristics alongside the private benefits conferred by individual consumption.” On the other hand, similar to the utilitarian cost-benefit analysis of Mill and Sidgwick, he argues that “before [public support] would be warranted in normative terms, it would need to be shown that at the margin the social benefits gained from intervention would outweigh the direct costs involved in comparison to alternative means of achieving the same ends” (Throsby, 1994).

A strong justification for public support of the arts on the basis of market failure stems from William Baumol’s (1995) cost disease, which applies to “services that are difficult to automate, to mechanize, to transform into high-tech services rather than handicraft services.” For

industries in which productivity is stable, as opposed to rising as it is in most industries, “there is no offsetting improvement in output per man-hour, and so every increase in money wages is translated automatically into an equivalent increase in unit labor costs” (Baumol & Bowen, 1965). The extent of the increase varies directly with the economy-wide rate of increase in output per man-hour, so faster rates of technological change which increase the overall wage level result in costs rising faster for industries which do not reap the benefits of increased productivity. Since there is no productivity offset of the rising costs of wage increases, the costs and prices of these services increase much faster than the average good or service in industrialized countries, usually about two percentage point per year higher than the inflation rate. The only way to fully counteract the cost disease would be for these industries to learn how to continually increase output per man hour at a rate on par with the rising productivity in other industries. Due to the relatively fixed nature of output per man-hour in the arts industries, this is inherently impossible. Thus, the arts will inevitably experience cost increases “which stem not from their own decisions but from the inexorable march of technological change in other parts of the economy” (Baumol & Bowen, 1965). If allowed to reach extreme circumstances, the arts would return to the amateur activities they once were.

While there are some other options to counteract this market failure, most of them are contrary to the inherent goals of most arts organizations, particularly nonprofits. One option available to organizations in precarious financial situations is to sacrifice the quality of their product. This is contrary to the goals of most organizations, for which quality is an end in itself, and could further result in loss of support from their audience and community, but “not an uncommon ‘temporary’ expedient, imposed by the realization that the cutting of corners may be

the only alternative to abandonment of enterprise” (Baumol & Bowen, 1965). For example, the range of Broadway shows offered commercially has already been affected with a rise in blockbuster musicals and fall in straight plays (Baumol, 1995).

Another option to counteract the cost disease is only available due to the special nature of the labor market in the arts, “a market in which great native ability and extensive training limits the supply, but in which the psychic returns to those who meet these tests often offers a very substantial inducement to remain in the field” (Baumol & Bowen, 1965). Capitalizing on the psychic returns, organizations in financial burden often manage to shift part of the burden on to the performers and management. On the other hand, rising incomes in other sectors provide disincentive to enter the market, which will likely reduce the supply of talent in the long run, despite psychic returns. This would not be at all surprising considering the level of income in the arts, which “must be considered remarkably low by any standards, and particularly so in light of the heavy investment that has often been made by the artists in their education, training, and equipment” (Baumol & Bowen, 1965).

While there is a widespread impression that ticket prices are soaring, as should be expected in light of this effect, Baumol and Bowen (1965) attribute this to money illusion, claiming that preliminary evidence shows the rate of increase in ticket prices has barely kept up with the price level, and actually lagged behind cost increases. They explain this lag through the objectives of arts organizations, and nonprofits in general, as suppliers of virtue intent on spreading their goods or services as widely and equitably as possible. As such they adopt an altruistic “just price,” allowing access to the needy and deserving. Regardless, this imbalance places a larger burden of the costs on private contributors. Unless their support is limitless, other

sources of support must be found if the performing arts are to continue, and particularly if their role in this country's culture is ever to expand and flourish.

Throsby (1994) presents a number of issues with Baumol and Bowen's analysis, asserting that while the logic of their argument holds up, the casual chain linking characteristics of production to the widening income gap is not so strong. First, he asserts that technical change is possible in the form of "new venue design, improved sound systems, better lighting, and so on," which can increase the size of immediate audiences at live performances (Throsby, 1994). Another factor of technology, broadcasting and recording, can extend consumption of one performance almost infinitely, despite sacrificing some of the quality of live performances. Next, he proposes the possibility of improving technical efficiency, despite the implications of implementing these changes for the quality of output. He cites examples such as choosing plays with smaller sets or smaller casts, choosing fewer contemporary works in order to reduce copyright fees, increasing merchandising, and improving marketing. While he acknowledges the real effects of the cost disease, he suggests that the problem as "unlikely to be terminal" (Throsby, 1994). His diagnosis seems to excuse the need for intervention for which Baumol so strongly advocates, ignoring the fact that even if the problem will not be terminal, the effects will continue to push the arts industry towards suboptimal levels of output and quality. Without subsidization or other forms of public support, the arts will become so expensive that their relative quantity, quality and variety will suffer (Baumol, 1995).

Funding in the arts and creative industries must be fundamentally restructured in order to fully capture the demand for the arts. As a public good, the government should provide adequate funding for the arts in order to enable access for the benefit of everyone. The existing, minimal

levels of government funding are vastly insufficient to achieve this goal. Direct funding should occur both at the federal and local level in order to allocate resources efficiently. Local funding should be the primary focus since most arts organizations will only affect people within a reasonable range (Smith, 1776). Federal funding can be used to fill in the gaps, particularly in areas where local funding for the arts may not be a priority, or would be insufficient to support a local arts scene. This could further serve to help balance the skewness, variability, and uncertainty noted by Throsby (1994) in the labor markets for the arts, allowing artists to devote their time to their chosen art. In a similar fashion, federal or state funding would also be particularly useful in support of arts education to spread the benefits as widely as possible. In this way, utility based on concrete benefits can be derived from this public funding, providing concrete benefits in addition to justifications of public interest and inherent worth.

As a public good, public funding would improve the efficiency of the arts sector by reducing, and eventually eliminating the costly practice of exclusivity, account for the inherent cost disease faced by all service industries with relatively stable productivity, and allow the arts industry to become more economically accessible to a broader base of the population. By improving the economic accessibility of the arts, a considerably larger portion of the population would receive access to the public benefits of the arts which will be explored in detail in the upcoming chapter.

Chapter 3

Seeking Public Benefit Through the Arts

As Smith (1776) described, one of the most important aspects of a public good is the benefit it provides to the public. He emphasizes the cultural value of the frequency and gaiety of public diversions, including painting, poetry, music, and dancing, which “would easily dissipate, in the greater part of them, the melancholy and gloomy humour which is almost always the nurse of popular superstition and enthusiasm” (Smith, 1776). The arts possess value as agents of expression with the ability to convey powerful emotions as well as social commentary. While the arts are intrinsically valuable “merit goods” which have great value in themselves and can even be considered a higher virtue, their benefit to society goes far beyond intrinsic worth (Baumol, 1995). Attendance can also yield benefits beyond those who attend, as much of the public agrees that cultured individuals make better citizens (Baumol, 1995). In addition to their intrinsic value, the arts benefit society through numerous mechanisms: education, creativity, public health, and development.

Currently, the arts are not consistently utilized or valued in their educational role, often relegated to near obscurity in favor of more conventionally valued subjects. The quality of arts education and exposure to the arts also tends to vary greatly (Zakaras and Lowell, 2008). Kiester (1985) stresses the importance of total, balanced education in children, which includes development of creative skills, in order to develop “people who are comfortable with change, who are able to improvise, who can face new situations with confidence and creativity.” Accessibility to the arts in education, and methods of teaching the arts both need significant

improvement since the arts provide valuable benefits in academic achievement as well as potential for changing the way people think about and approach problems.

Exposure to arts in education engenders creative and critical thinking, improves achievement in students of low socioeconomic status, and improves civic engagement in all students (Catterall, Dumais, & Hampden-Thompson, 2012; Getzels & Csikszentmihalyi, 1976; Lampert, 2006; Perkins, 1994). Arts education and exposure to the arts in students of low socioeconomic status (low-SES) improves scientific aptitude as well as broader academic achievement, as measured by mean GPA (Catterall, Dumais, & Hampden-Thompson, 2012). The importance of improvement in scientific aptitude is eloquently emphasized by Smith (1776), who ascribes science as “the great antidote to the poison of enthusiasm and superstition.”

Improvements were also noted in low-SES student’s math GPA, writing GPA, likelihood to both enroll in and earn a bachelor’s degree, likelihood to choose a “professionally oriented” major in college, and the percentage who anticipated serving in professional careers by age 30 (Catterall, Dumais, & Hampden-Thompson, 2012). All of these markers serve to show that the arts and arts education have a notable positive effect on broader education in low-SES students, and thus help reduce education inequality. This is crucial in attempting to close the achievement gap in education. Closing this gap could result in future reductions of inequality in both human capital and income.

Arts education and exposure to the arts also improves civic engagement in all students regardless of socioeconomic status. Students with high arts engagement were more likely to read a newspaper, participate in student government (only low-SES) and school service clubs (Catterall, Dumais, & Hampden-Thompson, 2012). As adults they were more likely to volunteer,

vote, and participate in a political campaign (Catterall, Dumais, & Hampden-Thompson, 2012).

Civic engagement is a concrete demonstration of the arts positive effect on citizenship, providing clear evidence that more cultured citizens are better citizens.

Arts education even has the potential to improve critical thinking dispositions. Nancy Lampert (2006) found evidence that arts students scored significantly higher than non-arts students on several subscales within a critical thinking disposition survey, including truth-seeking, critical thinking maturity, and open-mindedness. These findings are based on data from the California Critical Thinking Disposition Inventory (Lampert, 2006). A body of research literature indicates two important bases: first, that inquiry-based curriculum, which derives from the Socratic method (Paul, Elder, & Bartell, 1997), improves critical thinking; and second, that arts learning is conducive to inquiry-based learning because works of art require reflection, critique, and interpretation of multiple perspectives (Burton, Horowitz, & Abeles, 2000; Geahigan, 1997; Perkins, 1994; Perkins, Jay, & Tishman, 1993). The skills required for the critique and “discussion of the strengths, weaknesses, successes, and failures of their own work, as well as the work of fellow students and that of artists outside the classroom” are the same skills which are required for critical thinking (Lampert, 2006). The synthesis of these bases with the results of Lampert’s (2006) study provide ample evidence that arts education and exposure lead to critical thinking through inquiry-based learning, particularly the skills of truth-seeking, critical thinking maturity, and open-mindedness.

Fostering the ability to think creatively is the next level of educational development after critical thinking skills, but finding a specific definition for creativity can be difficult. Lucas

(2001) is critical of a strict definition of creativity which confines its traits to imagination and originality, preferring a broader definition of his own:

Creativity is a state of mind in which all of our intelligences are working together. It involves seeing, thinking and innovating. Although it is often found in the creative arts, creativity can be demonstrated in any subject at school or in any aspect of life.

Creativity as a state of mind allows creativity the freedom not only to be a trait or type of intelligence which some people are naturally better at, but rather a set of skills which can be learned and applied in all aspects of thinking.

While “arts education at its best includes open-ended inquiry, creative problem finding, and creative problem solving,” the connection to creativity “is part of our folklore” (Moga, Burger, Hetland, & Winner, 2000). Referring to creativity as folklore highlights the fact that a link between creativity and the arts, while intuitively understood, remains mostly unproven using empirical evidence. In one correlative study, Hamann, Bourassa, and Aderman (1991) conducted a data analysis of creativity scores among 144 high school students, and found significant differences in creativity scores based on musical and theatre experience once they controlled for GPA. This study suggests that exposure to arts learning increases the disposition to think creatively, but lacks the conclusive structure of a controlled experimental design.

While most empirical studies in this area have primarily found correlational, but not causal, relationships between the arts and creativity, one experimental study has attributed an open-ended, problem-finding attitude to exposure to the arts (Moga, Burger, Hetland, & Winner, 2000). This study, conducted by Getzels and Csikszentmihalyi (1976), encountered this open-ended, problem-finding attitude asked art students to draw a still life. “Some students were not

content to accept the problem as given, but challenged themselves to make the problem more interesting and difficult. These same students produced works judged higher in originality than did students low in problem finding” (Moga, Burger, Hetland, & Winner, 2000). This suggests that the arts foster a problem-finding attitude, but not whether they apply this attitude more broadly. Since evidence is inconclusive as to whether or not the arts are effective in fostering creativity, more experimental studies are necessary to determine whether there is a causal relationship between the arts and creativity.

These creative skills, or thinking dispositions, gained through studying and interacting with the arts and other subjects in a creative and critical manner, and as such, depend much more on the method of teaching, the applicability of the content to this kind of thinking, and the encouraging of students to focus on connections among content as much as on the content itself (Perkins, 1994). The arts lend themselves to teaching creativity for the same reasons they lend themselves to teaching critical thinking: works of art require reflection, critique, and evaluation of multiple perspectives as well as the development of a unique, personal interpretation and approach (Lambert, 2006; Zakaras & Lowell, 2008). Teaching creativity is inherently about using strategies which promote and spur the types of thinking and reflection which ultimately develop into creativity.

Lucas (2001) outlines four conditions which can help teachers foster creativity in students: 1) the need to be challenged within the context of a supporting and demanding atmosphere, 2) the elimination of negative stress which shut down higher operating functions and spur primitive survival instincts, 3) constructive feedback which helps distinguish between excellence and mediocrity as well as the approaches used until external feedback can develop

into internal feedback, and 4) the capacity to live with uncertainty, “teachers who are seeking to encourage creativity cannot expect to have all the answers, but they can offer robust and workable alternative structures and processes to their pupil, which can be developed and personalized” (Lucas, 2001). While improving teacher’s ability to foster critical thinking and creativity in students is paramount in teaching any curriculum, arts learning can be a particularly useful expedient towards this goal. The use of these four teaching strategies in conjunction with the applicability of the arts to developing a problem-finding attitude would create an ideal environment to stimulate creativity in students.

Using the arts to promote creativity is essential because creativity can spur innovation and thus improve productivity. Creativity can help maintain a competitive advantage in today’s knowledge-based economy. Interestingly, there is a correlation between arts participation among STEM innovators and innovation (as measured by scientific breakthroughs, patents, and founding of technology companies) (Root-Bernstein et al., 2013). This finding seems to give further evidence towards the relationship between arts and creativity. Not only is there a relevant relationship between arts involvement and innovation, but further, “STEM innovators may be attracted to and help to build arts-rich communities because of their personal proclivities, values, and experiences” and because STEM innovators are more engaged in the arts than the average citizen from childhood through maturity (Root-Bernstein et al., 2013). There is a growing body of literature connecting arts-rich communities, or creative cities, with innovation and progress (Cherbo, Vogel, & Wyszomirski, 2008; Florida, 2003; Skippington, 2016).

The idea of creative cities stresses the importance of a few relevant factors: creative capital as a driver of regional development; the essential conditions of technology, talent, and

tolerance; and the importance of diversity (Florida, 2003). He defines a “creative class” which is comprised of people in a wide variety of professions, from scientists to artists, whose work entails creating new forms, and people who work in knowledge-based occupations and “engage in creative problem-solving, drawing on complex bodies of knowledge to solve specific problems” (Florida, 2003). In specifying creative capital as the driver of regional development, Florida (2003) builds on the idea that human capital drives regional development, specifying that location decisions are based on lifestyle considerations as well as economic decisions.

The creative class tend to live in “creative centers,” which have “high concentrations of creative economic outcomes” like innovation and tech, and thrive not due to traditional reason such as natural resources, but rather because of the creative people that want to live there (Florida, 2003). These creative centers are less focused on traditional physical attractions and abundant in “high-quality experiences, an openness to diversity of all kinds, and, above all else, the opportunity to validate their identities as creative people” (Florida, 2003). Further, these creative centers with a high concentration of the creative class have a significant and strong positive correlation with rates of patenting and high-tech industries (Florida, 2003), which confirm the findings presented by Root-Bernstein et al. (2013) on a much larger scale. This evidence gives credence to creative capital as a driver of development; wherever the creative class goes, innovation follows.

Florida (2003) presents three essential factors, technology, talent, and tolerance; all of which are required to attract the creative class. The factors of technology and talent make intuitive sense as attractions for creative and innovative people. Tolerance is interesting, because it highlights the importance of openness, inclusiveness and diversity as attractive traits of a

society for creative people (Florida, 2003). The concept of social diversity as a driver of innovation underlines the idea that a culture of openness and inclusiveness allows for low barriers of entry so people from a wide range of backgrounds are welcome to contribute their energy and ideas and turn them into innovations (Florida, 2003). This tolerance and diversity refers not only to ethnicities, but also to gender and sexuality. All of these factors are essential in attracting creative people to creative centers which stress the value of creativity, cultural diversity, and cultural wealth, all of which are essential components of the arts. Through exposure to arts in education, cities which are currently less attractive to the creative class can begin to develop themselves in these areas and become more attractive to the creative class and the innovation and growth they bring with them.

In order to unlock the arts' untapped potential for public benefit, arts education must be renovated and expanded upon. This would result in higher rates of arts literacy, which in turn would improve accessibility to the arts and their benefits. Arts literacy relates to Klamer's (2003) concept of valorization, that an individual must develop a taste for the arts through repeated exposure in order to develop and enrich the art's value to them personally. In order for valorization to occur, education and exposure are necessary. Arts education must involve the development of an individual's capacity to understand, appreciate and aesthetically engage with the arts (Zakaras & Lowell, 2008). Zakaras and Lowell (2008) skills that improve arts engagement "into four categories—aesthetic perception, artistic creation, historical and cultural context, and interpretation and judgment—all of which can be learned separately but... are the most effective when learned in combination." Aesthetic perception involves developing the

ability to actively observe and decipher a work of art, increasing their awareness of details through repeated experience and critical consideration (Zakaras & Lowell, 2008).

The most effective way to teach students how to respond to works of art may be through hands-on creative participation. In combination with the other skills Zakaras and Lowell (2008) describe, hands-on experience deepens the understanding and respect for the complex combination of knowledge, technique and creativity inherent in the realization of every form of art. Historical and cultural context are vital to appreciate the atmosphere within which a work of art was created or the lineage and tradition to which it pertains or differs from. Analysis, critique, interpretation, judgement, and drawing meaning are all developed through reflection, critical thinking, and conversation about art. Discussion incites learners to test their perceptions against those of others, opening their eyes to their limitations, overlooked details, and differing opinions, all of which serve to enhance their ability to reflect and think critically in response to art (Zakaras & Lowell, 2008). Further, when learners discuss their personal interpretations there are no wrong answers, but exposure to the interpretations of others allows learners to recognize the full spectrum of possible interpretations and can even spur learners to internalize the ideas of others into their personal interpretation. These crucial skills for arts literacy, ideally internalized at a young age, are imperative in order to improve accessibility to the arts and allow public benefits to reach as many people as possible.

The provision of well-rounded arts education which develops arts literacy skills must include infrastructure for both youth and adult learning. Infrastructure for adult learning is more challenging than for youth learning for two reasons: first, education for adults is voluntary rather than compulsory and thus far less regulated, and second, generally requires adults to pay for said

education. Contrary to youth education infrastructure, this format can't induce participation from adults who are decidedly not interested or those who haven't even considered the option (Zakaras and Lowell, 2008). According to Zakaras and Lowell:

Of all the institutions delivering arts instruction to learners of any age, colleges and universities are by far the most important source of comprehensive arts education—despite the fact that their resources are predominantly devoted to educating performing and visual artists and teachers. In contrast to most high schools, institutions of higher education offer a wide variety of arts courses designed to provide historical and cultural context for artworks as well as develop skills of aesthetic perception and interpretation of exemplary works of art. (Zakaras and Lowell, 2008)

In order to correct for the growing deemphasis on the arts and humanities as core courses (Zakaras and Lowell, 2008), colleges should expand upon the portion of their curriculum dedicated to non-performing art education and increase the threshold of requirements for arts education. National and state policy regarding these priorities could further improve the state of arts education for adults. While many performing arts organizations and museums do offer opportunities for education related to the relevant works of art, these one-time educational experiences cannot hope to “fill the need for ongoing skill development, and they cannot reach those who do not choose to come to their performances” (Zakaras and Lowell, 2008). Avenues with untapped potential for arts education among adults include university and college extension programs and online resources. Art education for adults is generally far too case specific and neglects the need for broad, comprehensive art education.

Infrastructure for youth arts education is much simpler to deploy since arts education can be internalized and expanded upon within the pre-existing education structure. However, the current infrastructure and policy supporting arts education for youth is vastly insufficient and requires significant reform in both policy and implementation (Zakaras and Lowell, 2008). The two most critical aspects for improving arts education in the United States concern the quality and quantity of both arts education in K-12 public schools and the training of teachers in higher education. Training teachers to provide well-rounded arts education will drive up the quality of all arts education including K-12 public school systems, publicly supported after-school programs, and community arts learning (Zakaras and Lowell, 2008).

Contrary to the optional courses currently offered beyond elementary school in most school systems, public school systems should require a basis of arts education at all levels of schooling. This should require students to participate in a broad range of arts education which exposes students to all four categories of arts learning in a curriculum that evolves in a continuous progression from elementary school through high school (Zakaras and Lowell, 2008). Increasing funding for public arts education is necessary to improve the infrastructure and resources available in K-12 public schools. This must stem from the recognition that arts literacy is an integral part of a well-rounded education. The improvements in achievement in other areas of education as a result of exposure to the arts should provide additional rationale to increase the presence of the arts in public schools. Infrastructure for arts learning in both youth and adults needs extensive overhaul in order to affect significant change in the demographic of arts literate people in the United States and affect broader societal development through the ample benefits of arts learning.

These necessary infrastructure improvements will be fantastic once the government is able and willing to pay for them, but while students from families above the poverty line can afford to send their kids to private after-school programs, what can “at-risk” students from impoverished families hope to achieve? Most of these kid’s families aren’t even able to afford technologies such as computers, internet access, and printers which are now commonly required to complete school work (Gorski, 2013) For these families, the expansion and improvement of arts education in both public schools and publicly funded after-school programs is critical. An example of a vastly successful implementation of a publicly funded arts education comes from Venezuela.

In Venezuela, José Antonio Abreu founded a national system of youth orchestras (El Sistema) with the intent of using music education to give impoverished youth an alternative to crime and drug use. As a publicly funded organization, Abreu’s vision for El Sistema has been to use music education as a social program to improve the lives of the low-income, at-risk kids which the program targets. Under the baton of their golden boy and now world-renowned conductor Gustavo Dudamel, El Sistema became famous for the quality of the Simón Bolívar Symphony Orchestra which began as El Sistema’s premier youth orchestra. Due to this acclaim, El Sistema has inspired similar programs internationally (Tunstall, 2012). El Sistema represents two fundamental avenues of public benefit: first, music education which can both improve overall educational achievement and potentially provide employment for students down the road, and second, as a social works program providing sanctuary for poor, at-risk youth. While the second benefit depends entirely on application of program design, the first requires more substantial evidence.

A study of El Sistema-inspired education programs was conducted in order to evaluate “students’ musical growth as the most immediate outcome of participation, on the grounds that effects in other aspects of learning depend on students experiencing themselves as competent learners and contributors in music” (Holochwost, Wolf, & Bose, 2017). More specifically, they asked whether participation in these El Sistema-inspired programs affected student’s growth as musicians, their socioemotional skills, the speed with which their skills grew, and their growth mindset. Growth mindset “refers to the belief that one’s capacities – such as intelligence or musical ability – are due in large part to one’s actions and efforts rather than to a fixed trait or talent” (Holochwost, Wolf, & Bose, 2017). Their study found many promising results.

First, students who participated for any number of years exhibited significant musical growth. In subsequent years, musical growth began at higher levels of accomplishment but also slowed in rate (Holochwost, Wolf, & Bose, 2017). It is important to recognize that growth rates varied across programs because this variability “suggests that having a positive impact is not automatic, but requires careful program design and implementation, as well as thoughtful faculty hiring and ongoing faculty development to achieve those outcomes” (Holochwost, Wolf, & Bose, 2017). Second, students who participated for any number of years showed gains in their musical growth mindset. This improvement in growth mindset also applies to their standard education when students participate in an El Sistema-inspired program for three years. Further, participation for two or more years yields significantly larger gains in their growth mindset. Finally, improvements in other socioemotional skills were significant among boys, though not among girls. These skills include cooperation and perseverance, both of which showed improvement after two years in the programs.

This study transparently evidences the significant benefits to student's participation in music education programs, including improvements in musical growth and growth mindset in all participating students, as well as cooperation and perseverance among boys. Further, "In earlier WolfBrown research on an El Sistema-inspired program, girls showed measurable gains in areas like leadership" (Holochwost, Wolf, & Bose, 2017). This study gives further evidence that music education programs can be highly beneficial when well designed and implemented, and thus have vast potential for improving general education in the United States.

The arts also have potential for application in public health. Engagement with the arts is effective in improving public health through music and visual art therapy, movement-based expression, and expressive writing. The World Health Organization (2018) defines health as "a state of complete physical, mental, and social well-being and not merely the absence or infirmity". Clearly, engagement with the arts can not have any direct physical effects on health, but recent practices have begun to suggest what one may intuitively expect, that the arts, especially arts therapy, can have a positive effect on both mental and social health. While the field of art therapy has been around since the 1930's, attention to the field has grown increasingly in recent years as art teachers turn to art therapy for help with mentally handicapped children (Anderson, 1980; Hamilton et al., 2003). Essentially, the American Art Association describes art therapy as using the "creative process [as] a means both of reconciling conflicts and of fostering self-awareness and personal growth. When art is used as a vehicle for psychotherapy, both the product and the associative references may be used in an effort to help the individual find a compatible relationship between his inner and outer world" (Anderson, 1980). The emphasis of art in therapy is not on the development of technique, but rather on art as a means of

non-verbal expression for the benefit of communication as verbal psychotherapy (Anderson, 1980). While the arts are increasingly being used as a vehicle for improving mental health and social inclusion, concrete “evidence that art promotes public health and enhances social inclusion remains elusive” (Hamilton et al., 2003). This is largely due to difficulties in finding appropriate methods for evaluating the relationship between arts and health.

While conclusive evidence has not yet been found, some preliminary evidence towards the potential health and social benefits of the arts has emerged in recent decades. One study found preliminary evidence towards mood improvement, general relaxation, and reduced anxiety in post-operation patients when exposed to music (Barnason et al., 1995). Another suggests that art in hospitals can assist in the delivery of care in mental health, based on anecdotal evidence as perceived by hospital staff (Miles, 1994). A third study involved artist Jane Duncan installing a colorful abstract kite design in a dull hydrotherapy, resulting in immediate positive feedback from patients, while positive feedback from the staff lagged behind by three months. Duncan reflected on the importance of color and design in working environments:

Although this study clearly raises important questions, it has provided compelling evidence of the fundamental benefits of the use of appropriate colour and design in the health care environment. These benefits are more than just an improvement in aesthetic appeal. The application of appropriate colour and design in a clinical setting can not only enhance the experience of patients during treatment, but can also help create a positive sense of well-being for staff, providing a stimulating and supportive working environment. (Kirklin & Richardson, 2003)

The positive results of this improvement in environment by no means have to be limited to health care organizations. Widespread application of these results would benefit workplaces everywhere. According to Hamilton et al. (2003), wider application of the arts has the potential to help achieve public health and social objectives, “such as developing social capital, promoting social inclusion among disadvantaged groups, and ultimately promoting public health.” However, these larger scale impacts are much more difficult to measure and record than the impacts in controlled clinical settings. If future evaluation of the arts on health and society are able to find definitive evidence of widespread impacts, such evidence would provide irrefutable justification for increase government support for the arts.

The direct economic effects of the arts as well as the additional public benefits are largely untapped as a tool for development in low and middle income countries. Many countries have large numbers of artists creating work and performing as part of their culture, but little or no structure to capture and expand this industry. One controversial barrier for this is the implementation of intellectual property laws, which tend to be more relaxed or nonexistent in developing countries (Kabanda, 2014). Intellectual property laws could help artists reap the benefits of their creations which are typically forgone without intellectual property protection. In rural areas in which musical traditions have always been passed down, through generations, entirely by ear, teaching notation could allow for these musicians to sell copies of their music, collaborate more easily, and for their music to be taught more easily (Kabanda, 2014). The arts could bolster tourism in some places, particularly those in need of diversification in their tourism sectors, such as Africa, but this can dilute local arts in some cases by incentivizing them to adhere to the demands of tourists (Kabanda, 2014). In societies in which there is sufficient

wealth and demand to make it possible to earn a livable wage as an artist, the arts become a viable employment option.

Nearly every society in the world values arts and culture as a source of both social and self identity. The arts help build domestic and international social capital, create “social ties (imagined or real) across borders,” help strengthen group ties, and overcome groupings that divide cultures (Kabanda, 2014). The benefit of the performing arts towards social inclusion are widespread and intuitively well-known, but are difficult to quantify (Kabanda, 2014). Various social programs have attempted to capitalize on this, namely the famous music program El Sistema in Venezuela, and AfroReggae in Brazil. Both of these seek to use their programs as sanctuaries, giving impoverished, at-risk youth an alternative to drugs, violence and crime by teaching them valuable, widely applicable skills through music education. Kabanda (2014) highlights the potential for skill development in these programs, arguing that arts education isn’t primarily about making artists to get jobs in the arts world, but rather about giving them skills and training towards social behavior, innovation, risk-taking. While some consider education in the arts a waste of resources for developing countries that should be focusing on ‘useful’ subjects like math and science, Kabanda (2014) emphasizes the intrinsic value of the arts, which engender “traits that include curiosity, creative thinking or imagination, discipline, empathy, dealing with ambiguity, learning by doing, learning from mistakes, and social engagement — traits that are harder to quantify, but nonetheless essential to innovation, overall wellbeing, and even success.” The use of arts education to engender more broadly applicable skills has significant evidence to back up Kabanda’s claims (Anderson, 1980; Baumol, 1995; Catterall, Dumais, & Hampden-Thompson, 2012; Geahigan, 1997; Holochwost, Wolf, & Bose, 2017; Hamilton et al., 2003;

Kirklin & Richardson, 2003; Lampert, 2006; Moga, Burger, Hetland, & Winner, 2000; Perkins, 1994).

Fostering innovation, spurred by creativity as described earlier, is crucial for developing countries, particularly those trying to make the jump from an imitative economy to an innovative one. This relationship is captured most efficiently when clustering occurs, typically in urban environments, but requires a symbiotic relationship of support to sustain the positive effects on innovation, which typically comes from the state (Kabanda, 2014). In combination with the direct effects on both social and economic growth, the arts, and all cultural activities, are notable drivers of development with potential for use in addressing social issues, promoting intellectual property training, improving creative and critical thinking skills, broader educational attainment, and possibly even public health.

In addition to their incalculable intrinsic value, the arts have a wealth of untapped potential for application in education, public health, creativity, and development. Many of these positive effects on society occur through the expansion and improvement of arts education, including improvements in broader educational achievement, public health, critical thinking dispositions, creativity, and innovation, all of which become more widely accessible as arts literacy improves. Considering this multitude of positive effects, the application of arts education as a tool to further the development of low and middle income countries seems like an intuitive and logical step to make.

Chapter 4

Examining Funding for the Arts: Private, Public, and Policy Implications

Based on the evidence explored in chapters 2 and 3, the arts fill the criteria for a public good as outlined in chapter 1. Once we have established the arts as a public good, the next crucial question is how to approach funding for the arts, particularly with regard to policy. In the United States, the government deals with funding for the arts in two ways: private donation and patronage is incentivized through tax deductions, and state funding is provided via arm's length arts councils. While I am in favor of the use of these two forms of government support for the arts, I question whether the current balance between the two is ideal to fulfill the arts' full potential for public benefit. In 2015, the arts and culture represented nearly \$763.6 billion in value added to the United States economy, accounting for 4.2% of GDP. In comparison, the NEA had a budget of \$152.8 million or 45 cents per capita in 2017. Even including state and local expenditure on the arts, total government spending on the arts is a meager \$4.15 per capita, or 0.2% of the \$2,378.8 per capita the arts generate in this country. This low level of funding leaves the majority of the responsibility for fundraising on the organizations themselves. Clearly, the arts industry as a whole is able to survive and even thrive without much direct government support, but the question remains whether this system fosters the best possible environment in which the arts are accessible to everyone, represent this country's diverse culture, and provide the greatest possible benefit to society.

When it comes to public funding of the arts, the state can play four different roles: facilitator, patron, architect, or engineer. As a facilitator, the state funds the arts through forgone taxes, or tax deductions, and “supports the process of creativity, rather than specific types or styles of art” (Chartrand & McCaughey, 1989). This role leaves the determination of quality up to the tastes of private donors. Chartrand and McCaughey (1989) present a classic free-market argument, assuming that competition will spur organizations to produce higher quality works of art. In practice, this logic can be proven untrue through simple observation of the numerous excellent arts organizations that are publicly funded. Some examples of these excellent organizations include: the Berlin Philharmonic, one of the premier orchestras in the world which is also publicly funded by the city of Berlin; the Bolshoi and Mariinsky Ballet companies, both of which flourished under Soviet Russia; and more recently, the Simón Bolívar Symphony Orchestra, which represents the apex of Venezuela’s system of publicly funded youth orchestras. While privatization of the arts does not necessarily stimulate higher quality works of art, private funding does allow for much greater flexibility than public funding with regards to freedom of content and funding structures. Further, privatization prevents arts funding from being beholden to political fluctuations.

On the other hand, there are a variety of drawbacks to the facilitator role. First, private support tends to further established, Eurocentric art forms such as opera or major symphony orchestras, while neglecting controversial or innovative ones such as modern dance, theatre as well as art forms which represent non-European cultures (Chartrand & McCaughey, 1989; Lewis and McKay, 2008). Second, private sponsorship is inherently cyclical, only supporting the arts when the economy is in an upswing. Further, private donors to be subject to money illusion in

that inflation causes nominal increases while real support declines or remains stable (Baumol and Baumol, 1980).

Despite these drawbacks, private support for the arts has been more successful in the United States than any other method of funding, possibly due to a national culture of promoting charitable giving. Many countries have begun to consider the facilitator model practiced in the United States, where private donations comprise a large portion of support for the arts (Chartrand and McChaughey, 1989; NEA, 2007). However, these countries have seen meager results in their attempts to incentivize private funding using tax exemptions. This could in part be due to an issue of path dependency since they have been accustomed to publicly funded arts for a prolonged period of time.

As a patron, the state funds the arts through arm's length arts councils. The government decides how much support to give, but leaves the granting decisions to a board of trustees with professional artists acting as advisors. As grants are awarded based on merit and quality of work, councils inherently promote higher standards of excellence. Stimulating artistic excellence is both a strength and weakness. Critics view this as "promoting elitism, with respect to both type of art produced and audience served" (Chartrand & McCaughey, 1989). However, this criticism is not a product of the source of funding, as private funding tends to primarily fund established art forms, but rather a criticism of funding decisions. It is criticism of people who choose to further the established Eurocentric art forms while disregarding cultural diversity and accessibility to all art forms. In order to correct for this criticism, arts councils must foster a wider variety of art, broader access to art, more culturally diverse art, and arts education for people of all ages. The Canada Council for the Arts, and Arts Council of Great Britain are strong

examples of the state as a patron (Chartrand & McCaughey, 1989). Expanding and diversifying the use of arm's length arts councils is the most promising avenue for improvement of the arts industry in the United States.

As an architect, the state funds the arts through a Ministry of Culture, putting both funding levels and grant decision in the hands of bureaucrats. By relieving dependence on box office success, artists are granted income security which is far more scarce in the prior two models. Unfortunately, this guarantee of economic security can also result in creative stagnation (Chartrand & McCaughey, 1989). This argument is in line with Chartrand and McCaughey's free-market argument that privatization will spur continued growth in the arts. As with before, the argument ignores real-world examples of the contrary.

While Ministries or Departments of Culture directly fund arts institutions and organizations, artistic choices are made by artists and thus outside the influence of the state. This separation allows artists to enjoy both stability of funding and creative freedom. Placing the majority of the responsibility of fundraising on arts organizations themselves results in a situation where they have to burden themselves with fundraising instead of focusing solely on the production of art. In contrast, the architect role alleviates this strain and allows organizations the freedom of not worrying about their funding. Contrary to the creative stagnation hypothesized by Chartrand and McCaughey, relief from the burden of fundraising could stimulate creative growth and freedom, thereby increasing quality and quantity production.

Due to relatively increasing costs for arts organizations and the declining budgets of arts councils, governments in Canada, Britain and Australia are under pressure to increase their role of architect in order to relieve some of this growing financial pressure (Baumol, 1995; Chartrand

& McCaughey, 1989). While this role can be effective, a ministry of culture beholden to political fluctuations and pressures is not the most ideal situation for the United States, particularly in today's political climate, because funding decisions could easily become motivated by politics rather than social benefit. Public support for the arts is essential, but expanding arm's length councils which distance funding decisions from politics should prove far more effective in the United States.

As an engineer, the state owns all means of artistic production and only supports art that meets political standards of excellence. Only through membership in a party-approved union can an individual be an artist. While some of the world's greatest works of arts and most prolific arts organizations have flourished under this role, this role is almost exclusively useful for totalitarian regimes, such as the Soviet Union, because it focuses art towards political objectives while restricting art in its freedom of expression. This role has no place in any society that values freedom.

The four fundamental roles of facilitator, patron, architect, and engineer comprise a spectrum of approaches to state involvement in arts funding. None of these roles are sufficient on their own, and most provide ample benefits to the industry. In practice, most governments employ a combination of some of these roles (Chartrand & McCaughey, 1989). A balanced synthesis of roles is essential to the governments ability to foster an environment in which funding goes towards the essential goals of a productive, diverse, and accesible arts industry.

The United States supplements its primary role as a facilitator with patronage through the National Endowment for the Arts (NEA) as well as other state and local arts councils. While this model seems sound from a theoretical perspective, problems occur when we begin to explore the

distribution, structure, and regulation of funding among these options. Private donations to the arts have never been lacking in the United States, even before the government began facilitating and incentivizing donations using tax-exemptions (read somewhere, will find source). Abundant levels of private funding provide a strong backbone of exceptional institutions upon which the industry must be based. However, this funding model alone is insufficient to foster an environment where the arts are accessible to everyone. That is not to say that everyone must access the arts, but rather that everyone must be able to gain access to the arts, both monetarily and educationally. Moreover, the government is inherently responsible for creating a situation in which this is possible for the betterment of society. This will require expanding its role as a patron, providing public funding in substantial quantities as well as adapting cultural policy to create a better environment for the arts in the United States. The United States could also benefit from the implementation of an architectural role by creating a Ministry of Culture whose primary responsibility is to manage the arts industry. As this role comes with the potential drawback of creative stagnation, the industry should continue to rely on private funding to continue to spur creative innovation. Unfortunately, the United States is very unlikely to create a Ministry of Culture anytime soon without massive overhaul of the way the government treats the arts. Policy should be adapted to foster a situation in which the government balances the scales between its roles as a both a facilitator, incentivizing private funding, and a patron, supplying public funding through arm's length arts councils.

Private funding, even when incentivized through tax exemptions, is insufficient to provide universal access to the arts. This is evidenced by taking a look at non-profit organizations which are unable to operate without adapting for-profit management models by

diversifying their revenue sources in order to increase their “chance of stability against market forces” (Lewis and McKay, 2008). These revenue sources consist of membership, individual giving, foundation giving, and corporate giving. First, membership and individual contributions have been described “as a ‘club good’: one from which patrons derive mutual benefits from shared personal characteristics or the actual exclusion of nonmembers” (Brooks, 2004). The use of membership as a source of revenue for non-profit organizations inherently excludes the arts from everyone in their community that cannot afford the membership fee. From a management perspective, the decision comes down to “private financial aid leading to long-term stability versus serving a wider audience with community-determined content and an uncertain financial future” (Lewis and McKay, 2008). When non-profit organizations prioritize financial stability, they also erode their essential purpose of serving the public as a whole.

Second, private foundations became popular in the early 20th century, partly as a method of receiving tax benefits. These types of foundations have an extremely flexible definition. They include a range of leadership, including individuals, families and corporations, in the quantity of fields they support, and of operations, from local to international. Among the three subgroups private foundations — corporate, independent, and operating — independent foundations account for 90% of U.S. foundations as well as “[being] the primary granting foundation subgroup for funding nonprofit arts” (Lewis and McKay, 2008). On the surface this seems like a very logical way to organize charitable giving, but Lewis and McKay (2008) aptly describe the problematic structure which actually takes place:

While billions of dollars have been given to charities and nonprofit organizations annually, actual independent foundation giving has hovered just above the legal

minimum, at 5.5%, which is only a fraction of the tax benefit the foundation enjoys. To add perspective to this statistic: When companies have given \$100 directly to a charity, the nation has lost \$40 in taxes. The charity has received the full benefit of the donated amount, with an immediate social benefit of 250% of the lost tax revenue. When contributors have given \$100 to a foundation, the nation has lost the same \$40 in taxes, but the social benefit is \$5.50 per year that the foundation gives away which is less than 14% of the lost tax revenue.

For the same amount of forgone taxes, the social benefit when the donation is sent directly to a charity is 18 times higher than the social benefit if the donation is first sent to a foundation. This flawed system results in a situation where foundations become tax havens that also sit upon vast amounts of untapped wealth which they are not required to disburse. In fact, when Congress proposed a change that would require foundations to disburse only 5% of their assets before deducting operating costs, the philanthropic community was so vehemently opposed that the bill never even made it out of committee (Graves, 2005).

The third source of private funding of the arts comes from corporations, which typically employ the arts as a marketing strategy with the hope of improving a company's image. "The so-called sin industries, such as tobacco, alcohol, and the oil industry, have been among the high-profile givers to arts charities" (Graves, 2005). In this way, corporations promote the arts not because they appreciate the arts for their intrinsic value or for their public benefit, but rather as a calculated investment as part of their marketing strategy to promote their company. "Sponsorship reflects the correspondence between a corporate target market and the arts audience" (Chartrand and McCaughey, 1989). These methods of funding corrupt the purpose of non-profit

organizations and allow the arts to become tools for wealthy corporations and individuals to continue to expand their wealth.

While diversification among these forms of private funding improves a non-profit organization's ability to withstand market instability, it also directly conflicts with "the key mission of nonprofit organizations to serve the public as a civil institution" (Lewis and McKay, 2008). As a civil institution, non-profit organizations inherently must be centralized upon public benefit, going about all of their endeavors while keeping this essential focus in mind. The erosion of non-profit management with the increasing frequency of for-profit models, fostered by the integration of private funding, has the potential to entirely undermine organization's ability to serve communities as a whole. By operating similar to for-profit businesses, non-profit organizations exclude any and all segments of a community which aren't financially capable of contributing, thereby inhibiting or even prohibiting their ability to interact the arts and, by extension, severely limiting the public benefit to the community.

Lewis and McKay (2008) "argue that U.S. commitment to cultural democracy should not waiver with the market,... but rather that funding policies should be reviewed and changed in order to ensure U.S. commitment to cultural democracy." In order for this to become reality, steps must be taken towards improving both private and public funding. For instance, private foundations must have stronger incentive to contribute a larger portion of their donated assets, at the very least to a level at which the social benefit of a donation to a private foundation meets, or preferably exceeds the tax benefit to the foundation. Another improvement could be made with regards to memberships and individual giving. Organizations could create private sponsorship programs in which members and donors contribute to a fund which provides membership to

individuals in their community who are financially incapable of becoming members on their own. Programs like these would ideally be supported by public funding as well, but the key to this must be the synthesis of private and public funding. This illustrates the need for arts funding to exist somewhere between exclusively private and exclusively public. On the other side, public funding has historically been vastly insufficient to affect the state of the industry in any significant way.

Although private support of the arts has been around since before the Civil War, the United States still has a substantial history of public support for the arts (Lewis and McKay, 2008). Public funding of the arts began with Federal Project Number One (Federal One) as part of President Franklin D. Roosevelt's progressive New Deal, and later when President Lyndon B. Johnson created the NEA as part of his Great Society programs. In the 1930's, President Franklin D. Roosevelt presented the country with his progressive New Deal, which put into place federal funding allocated specifically for the purpose of providing access to employment for those who were either inadequately employed or involuntarily unemployed.

Roosevelt's New Deal promised a new direction for public funding in the United States, to better and more equitably distribute resources, wealth and products across the country. The New Deal was based on the core idea that the government should provide a safety net for individuals to correct for the uncertainties of a free market economy. Among the agencies created in the New Deal, the Works Progress Administration (WPA) was created to put jobless Americans back to work on projects ranging from new bridges to art. One of these projects, Federal Project Number One, provided federal funding for the arts, employing up to 40,000

artists in its prime. Federal One included five divisions: Federal Art Project, Federal Music Project, Federal Theatre Project, Federal Writers' Project, and Historical Records Survey.

Federal One was founded on two main principles: "(1) that in time of need the artist, no less than the manual worker, is entitled to employment as an artist at the public expense; and (2) that the arts, no less than business, agriculture, and labor, are and should be the immediate concern of the ideal commonwealth" (Edmonds, 2008). While the first principle specifies the requirement of "time of need," this claim is insufficient. This principle should apply not only during times of need, but also under normal economic conditions on the basis of both Baumol's cost disease and the exogenous public benefits spurred by the arts. These principals are in line with Smith's ideas regarding the role of the state in providing institutions and services which are beneficial to society, but unable to maintain themselves on profit alone.

While Federal One ended with the restructuring of the WPA in 1939, it also served as inspiration for renewed public arts funding. Later in the century, President Kennedy was quite vocal about the importance of the arts for American culture, arguing that "This country cannot afford to be materially rich and spiritually poor" (The Kennedy Center, 2018). Lobbying for federal arts and humanities funding began under his administration, and continued on with his successor, Lyndon B. Johnson. In 1965, Johnson signed the National Foundation on the Arts and Humanities Act into law, creating both the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH). The NEA's (2006) mission statement encompasses more than was strived for with Federal One, proclaimed as "dedicated to supporting excellence in the arts, both new and established; bringing the arts to all Americans; and providing leadership in arts education." While the NEA's budget has ranged between \$140

million and \$180 million since the 1980's, this is still a meager portion of government spending and less than a dollar per capita.

In order for the NEA to have the capacity to affect any consequential change the arts industry and foster accessibility of the arts to a larger portion of the population, federal spending must rise substantially. This stands in contrast to our current president's troubling view that the agency's funding should be cut entirely, starkly contrasting President Kennedy's hopes for the future of America's treatment of the arts. President Kennedy once said:

I look forward to an America which will reward achievement in the arts as we reward achievement in business or statecraft. I look forward to an America which will steadily raise the standards of artistic accomplishment and which will steadily enlarge cultural opportunities for all of our citizens. And I look forward to an America which commands respect throughout the world not only for its strength but for its civilization as well. (The Kennedy Center, 2018)

While I sincerely appreciate the sentiment of this statement by one of our most prolific and inspirational presidents, achievement in the arts inherently can not be rewarded in the same way which we reward achievement in business. This returns to the essential problem of the erosion of organizations which should operate under non-profit models into for-profit organizations. The arts simply must be approached from the perspective that the priorities are universal accessibility and maximizing public benefit. These essential goals cannot be achieved without sufficient government support in the form of both direct funding as well as cultural policy.

In contrast to the NEA's meager level of funding, collective state funding levels have vastly exceeded those of the federal government. However, "the states all have their own agendas

with regard to community art nonprofit funding and heritage preservation efforts, which do not necessarily align nationally” (Lewis and McKay, 2008). This discord has resulted in a severely suboptimal outcome at the national level due to vastly differing results across states, some of which are thriving and some of which have stagnated. This can be fixed through increased communication across states in order to find some consensus regarding arts funding. Finding a middle ground for arts policy across states would help balance the arts industry by improving access to the arts in states in which their provision is currently lacking. The federal government should play an important facilitatory role in this goal.

In addition to the consideration of funding levels, it is vital to explore the issue of funding decisions in public agencies. Most of the NEA’s meager budget has been used “to fund primarily traditional, high-art, Eurocentric endeavors and individual artists” (Lewis and McKay, 2008). While these art forms play an important role in the composition of the arts industry, this Eurocentric focus has neglected art forms that mirror the cultural diversity of the United States. This neglect has manifested in both a lack of funding as well as a lack of recognition, particularly at the local level. Due to the lack of either private or public support to provide “the resources offered by their heritage, our artists and our communities will be substantially limited in their creative options” (Graves, 2005). Despite limited federal support symbolically initiated by President Bill Clinton’s appointment of two folklorists as the heads of the NEA and NEH in 1998, “national disbursement of monetary resources has continued to perpetuate the cultural status quo, at the expense of marginalized groups” (Lewis and McKay, 2008).

One excellent example of an initiative to support cultural diversity in the arts comes from the Canada Council for the Arts. In a recent strategic report, they describe how they propose to

“renew the relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future” (Canada Council for the Arts, 2016). This admirable new direction for the council seeks to foster a culturally diverse environment for the Arts in Canada. Their strategy to create this environment involves three distinct aspects: 1) to increase direct “[investment] in Indigenous creation in all forms,” including art initiatives for Indigenous youth 2) “[contributions] to reconciliation and conciliation between Indigenous and non-Indigenous peoples through the arts,” and 3) to “leverage the power of collaboration and knowledge exchange by working with other funders and agencies to exchange and build support for and knowledge of Indigenous arts across the country, particularly under-served areas” (Canada Council for the Arts, 2016). In their strategy, public support will not only go directly towards Indigenous art, but will also seek to form a more inclusive society for all peoples through art.

Support for indigenous art forms is an essential part of creating a culturally diverse environment for the arts in the United States which serves and represents all of its people, not simply those in the favor of the currently established order. Since private funding methods have failed to recognize this need, public funding must be responsible for correcting this. This is in line with general role which public funding must begin to fulfill in the United States: the provision of funds to correct for market insufficiencies.

Historically, Federal One and the NEA have suffered from political attacks regarding issues of state-funded content and censorship. Opposition to Federal One was based on fears of censorship which would constitute a violation of First Amendment rights. Under Roosevelt, the social stigma of state-funded arts was partially relieved by providing relief checks as compensation for artists. Despited public opposition, Roosevelt felt that arts and culture were

vital to the public wellbeing and thus deserving of public funding. On the other side of the issue, dissent towards the NEA has historically centered around whether the state should be allowed to fund controversial art.

The most notable case involved a group of performance artists labeled the NEA Four. The group eventually won their case in court in 1993, which awarded the amount of their grant, but also resulted in the NEA no longer funding individual artists. This policy is preferable since it allows the government to avoid playing a direct role in the funding of any art and having to play a part in judging the substance of said art, therefore removing any accountability for artistic choices made by artists who benefit from public funding. The government has a responsibility to foster an environment in which cultural and artistic expression can thrive, regardless of what artists choose to create in said environment. Instead of funding individuals, public funding should focus on arts education and outreach programs, the provision and maintenance of infrastructure, and venues and programs which are currently underfunded. In this way, public funding can create a stimulating environment for the arts to flourish without directly funding controversial content.

The United States must expand its role as a patron of the arts and provide increased public expenditure to arm's length councils such as the NEA and its state counterparts based on the government's responsibility to provide the arts as a public good and correct for the inequality and exclusivity which limit the arts' potential for public benefit. While private funding has been adequate to support the established arts industry, it must be restructured and more appropriately and strictly regulated in order to correct the perversion of charitable giving to non-profit organizations as tax havens and marketing strategies. Moving forward, prioritizing education and

outreach is critically important since these programs improve and diversify appreciation for the arts and culture. Further, public funding must foster an environment of equal, affordable access by funding infrastructure and organizations in areas which are artistically neglected. Private support for the arts has thus far been insufficient to achieve these essential goals. Thus, public support must be increased and restructured in order to supplement private support.

Conclusion

Prime Minister William Churchill once said, “The arts are essential to any complete national life. The State owes it to itself to sustain and encourage them. . . . Ill fares the race which fails to salute the arts with the reverence and delight which are their due” (Langworth, 2009). Churchill so eloquently conveys the sentiment that the inherent value of the arts in and of themselves should be the only justification required of anyone to ensure the provision of the arts to the people of any nation. Unfortunately, for many people the inherent value of the arts isn’t a sufficient argument to justify public support for the arts. In order to convince a skeptical audience, a much more comprehensive justification is necessary.

The arts meet the theoretical criteria of public goods under many definitions, including nonexcludability and nonrivalry, market failure, and the government’s responsibility to maintain works which are advantageous to society but not profitable for individuals. Due to privatization, a significant portion of the population is artificially excluded from the arts due to high prices that are not financially feasible. The arts represent an instance of market failure in that the market is not wealth-maximizing because their value is not solely dependent on wealth, but rather on intrinsic value and educational benefits in addition to their economic value. For Smith’s concept of public goods, the essential criteria is that of public benefit. Besides their intrinsic and economic value, the arts provide a myriad of benefits through education, as well as through promoting creativity which leads to innovation.

Beyond these criteria based on a system blinded by economism, Smith and Keynes both placed emphasis on the essential condition of the pursuit of a good society. Wealth attainment

and economic development were only a stepping stone towards a society which values the depth and variety of life. The desired outcome is a society that is rich in culture and possibilities rather than obsessed with the accumulation of wealth as an end of its own. The economy is only a means to an end, whereas the arts and other cultural goods are valuable above and beyond their economic value. They are valuable as a means of seeking a fulfilling life and a thriving society. This basis should be enough justification for the government to consistently provide sufficient support for the arts, but current practice has eroded the arts from a purely cultural good by making them dependent on private support that fluctuates with the market. Public support for the arts is necessary to correct this condition and allow the arts to flourish, become truly nonexcludable, and impart their ample benefits on the public.

Treating the arts as a public good would provide ample social and economic benefit to the public, an essential qualification of every good or service which is to be considered a public good. In addition to their intrinsic worth and direct economic effects, exposure to the arts has a positive effect on academic achievement, civic engagement, public health, and both creative and critical thinking, particularly when exposure occurs in combination with methodically crafted and implemented arts education. Further, as both a method of promoting creativity and a prominent source of high-quality cultural experiences, the arts attract the creative class and the innovations and technology they bring with them. These benefits along with their direct economic effects also give the arts strong potential for application in development strategies for low and middle income countries. The arts, particularly through arts education, have extremely strong potential to cultivate a positive impact in the United States, enriching the lives of many through its abundant public benefits.

Funding policy for the arts requires vast fundamental restructuring and improvement. While the ideal situation would be the pure treatment of the arts as a public good, transition to this state from the current one is not practically feasible. Further, private support for the arts has typically only been successful in supporting the established, Eurocentric forms of art. Policy regarding private donations needs to be much more strictly structured in order to regulate and prevent the use of charitable giving as a tax haven, as well as undisclosed giving for the use of the arts as a marketing strategy. If private donations can be appropriately regulated, private funding for the arts can continue to play a significant role in supporting the arts. In conjunction with this regulation, public funding must be increased in order to foster accessibility (both regarding finances and arts literacy), represent the United States' cultural diversity in the arts, and provide arts education to stimulate the myriad of public benefits the arts provide. Implementation of these policy renovations is paramount to improve the state of the overall arts industry in the United States, incur the public benefits of exposure to the arts, and foster an environment conducive to the freedom of cultural expression.

The most ideal situation for the treatment of the arts in the United States would be as a purely public good. This would require the government to provide adequate public funding to foster access to and education in the arts. For those who consider intrinsic value and capacity for fulfillment in the pursuit of a 'good society' insufficient rationale for public support, the arts also fulfill more technical criteria for public goods. Under various definitions of public goods, the arts qualify for this classification and treatment based on their nonexcludability and nonrivalry, a market failure in that the market for the arts is not wealth-maximizing, and the ample benefits which they can provide for the public. In addition to their intrinsic worth and direct economic

value, the arts stimulate a variety of public benefits through exposure and education. These benefits include improving broader educational attainment and civic engagement, applications towards improving mental health, fostering critical thinking dispositions and creativity across all disciplines, and application in attracting the creative class and the innovation they bring with them; all of which also have potential for use in the development strategies of middle and low income countries.

The ideal condition for the provision of the arts is purely as a public good, but the transition costs of replacing the current structure of funding in the United States make this ideal situation entirely impractical. As such, the current structure must be revised and improved upon to achieve a national environment which improves financial accessibility and arts literacy, and represents the cultural diversity in the United States. Together, financial accessibility, arts literacy, and cultural diversity are the key instruments to unlocking the public benefits of the arts. One of the essential duties of any government is to improve the society it serves. Renovation of policy regarding both private and public funding of the arts, expanding the use and improving the method of arts education, and developing the infrastructure for the arts are essential to improving society and furthering the pursuit of a 'good society' in the United States.

While these changes are imperative to the development of society, more research is necessary to more comprehensively assess the effects the arts. Most importantly, there is insufficient empirical research on the specific benefits of the arts on health, education, development, critical thinking and creativity. Research must also be conducted on the effectiveness of teaching techniques in fostering these traits through arts education. Further

research into these areas will better inform policy makers and help improve the efficiency of resource allocation in the arts, especially with regards to arts education.

With the advent of the industrial revolution in Britain, technological progress, or innovation, has been a driving factor in increasing productivity and efficiency (Horn, Rosenband & Smith, 2010). In most industries, increasing wages are offset by rising productivity, keeping costs low and maximizing profits (Baumol & Bowen, 1965). Meanwhile, technology is rapidly approaching a point where technological advancements are going to eliminate many jobs. Many companies are close to releasing autonomous driving cars which could entirely eliminate the need for employees such as taxis drivers, uber drivers, and truck drivers (Todorova, 2016). With companies predicting that market release will occur between 2020 and 2025 (Torodova, 2016), this future is not far away. When technology eventually eliminates the need for unskilled labor, well-rounded education which produces skilled labor and fosters the abilities of critical thinking and creativity will be even more crucial than they are today. As technology continues to progress, the need to expand and improve cultural industries and other high-skilled service industries will continue to grow.

How we fund the arts reflects how we treat them. Privatization reflects the ideals that the arts are a commodity that are valuable primarily for their economic worth, as a measure of wealth, or even a marketing strategy, and allows for them to become an exclusive good for the benefit of the privileged few. Public funding reflects the ideals that the arts have value beyond their economic worth, that they are beneficial to the good of society, that they contribute to the pursuit of a 'good society,' and that they should be accessible to anyone and everyone. The value of the arts goes far beyond their economic value, and the way we fund them should reflect their

myriad value to society. Beyond this, how we fund and treat the arts can have compound effects on how we think about goods in general. As arbiters of social change, the arts have the power to influence the future of our society as a whole. If we fund the arts publicly in order to foster greater access to the public, the arts can become a symbol for the benefits of well-implemented public funding and help further the political struggle towards the public provision of crucial elements of society. President Kennedy once said, “There is a connection, hard to explain logically but easy to feel, between achievement in public life and progress in the arts” (The Kennedy Center, 2018).

The arts are critically important to society, and need to undergo significant structural change to become the instrument of public benefit and societal growth which is so desperately needed in the United States. For the treatment of the arts in the United States to undergo real change and development, a national dialogue must take place. The keys to spurring progress are education, which allows people to become informed, and dialogue, which allows the issue to evolve and grow and take form. In the words of President Kennedy, “I am certain that after the dust of centuries has passed over our cities, we, too, will be remembered not for victories or defeats in battle or in politics, but for our contribution to the human spirit” (The Kennedy Center, 2018). If the arts are so important as to overcome and outlast war and conflict in the chronicles of history, we should treat them as such and reprioritize our time and resources towards developing a balanced infrastructure of institutions nation-wide, including museums, performance halls, community outreach centers, and schools which could benefit our society for centuries to come.

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