PAYING FOR THE ARTS

The political economy of art in 1985

On Monday, March 11th, Sir William Rees-Mogg, chairman of the Arts Council, is to deliver a speech on "The political economy of art" at IBM's London headquarters before an invited audience. The lecture will be followed by a discussion. *The Economist* is happy to publish the text as a contribution to the debate on the future of the arts in Britain.

John Ruskin delivered his two lectures on "The political economy of art" in Manchester in 1856. Both place and time are significant. The year 1856 was near the high-water mark of the British economic superiority, which came from being the first nation to experience the industrial revolution. Manchester was the centre of cotton, one of the leading new industries, and the city of free trade, of the Manchester school of economics. Technology, economics and ideology went hand in hand, as they usually do.

Ruskin was trying to persuade the rich merchants of Manchester to spend money on art, to help to broaden access to art, to assume international, as well as purely national, responsibilities. Even though Ruskin was a socialist, his lectures nowhere mention a role for the state; he was addressing the real owners of wealth of his own period. It is the real owners of wealth who have been the financial supporters of the arts, in all times and all places. I now have to urge on the state the same sense of duty to art that Ruskin urged on the Manchester landowners. I do not know which is the more difficult.

The truth, then and now, is that the political economy of the arts is dependent on the political economy of the nation. Then there was the great struggle of the first stage of industrialism; the struggle which Engels, himself by adoption a Manchester man, was describing at the same time as Ruskin gave his lectures. Now there is a new struggle taking place in all advanced industrial countries, involving technology, economics, psychology, ideology, classes. It is a struggle that can best be understood in Hegelian terms, that is, in terms of thesis, antithesis and synthesis. It is a struggle on the outcome of which not only the financing, but the very character, of the arts will depend.

The great twentieth-century thesis, comparable in extent and force to the Reformation thesis of Protestantism, or the great Lockeian thesis of individual liberty, has been collectivism and mass forms of production and power. At its worst, this has produced the deadly excesses of Marxism and Nazism. In the west, it has now taken a different form—industrial production, state welfare and huge defence expenditure—but the apparatus of state has multiplied four or five times, and the state's share of national income has risen in western countries from around 10% to between 30% and 50%. In Britain, according to the celebrated collectivist professor, Lord Kaldor, the total outlays of government amounted to 47.7% of gdp in 1982.

The collectivist movement was always bound to work like a mine, from high grade to lower ore. The trade-off between gain and cost can be seen in a number of ways. When the state was spending 10% of the national income, there were welfare needs, pensions, health, unemployment insurance, which could be met by a

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modest movement towards 15%. Social evils could be tackled by relatively small increases in public expenditures. The trade-off was most favourable.

At 50%, the picture is quite different. The levels of taxation already bear heavily on all the population, including the poor. Taxation itself has become a cause of economic decline and social impoverishment. Everybody is conscious of the pressure of taxation and the existing overcommitment of expenditure.

In electoral terms, the balance inevitably changes. At the 10% point, you can please millions by taxing thousands; at 50%, you are in some danger of angering millions by subsidising thousands. In or around 1940, Harry Hopkins—a Roosevelt lieutenant—was overheard saying "We'll tax and we'll tax and we'll tax; we'll spend and we'll spend and we'll

Sir William makes his point

spend—and we'll elect and elect and elect." The Republicans professed to be shocked by this doctrine—but in the Roosevelt era, it was true. Any Democrat who uttered such a sentiment today would not only be indiscreet, he would be assumed to be out of his mind.

The arts have had a minor and belated share in this twentieth-century development. They had no part in stage one of the British development, the Lloyd George policies on health, pensions and unemployment pay.

Art did have a modest role in job creation schemes under Roosevelt's New Deal; art was made part of the next stage in Britain, when the Churchill wartime coalition and then the Attlee government, after the huge Labour victory of 1945, developed the second stage of the welfare state. The principle of state funding of the arts, and the creation of the Arts Council, belong to the period in the mid-1940s when the modern education service, health service and social welfare system were established. The Arts Council is a part, though a tiny part, of the structure of the welfare state, which adopted the principle that the arts, like education, health and social security, are universal goods that ought to be generally available regardless of ability to pay.

The establishment of the Arts Council in 1945, under Lord Keynes's chairmanship, started a process of expanding public subsidy; this subsidy was necessary. In the postwar period, after the first postwar decline in defence spending, the state took a higher and higher proportion of the national income; the arts would have been crowded out if the state had not handed back a small part of the money.

The Arts Council has been able to foster important developments in opera, dance, theatre, music and in regional provision, which would not otherwise have occurred. The subsidised arts in Britain represent a triumph of achievement with small resources. That does not mean that the priorities of the state have been favourable to the arts or that the state has spent a share on the arts reasonably related to the expenditure financed from the private half of the economy.

The current figures tell their own story. The Arts Council is the state's instrument for helping the living arts. The state's total expenditure on all purposes is now £130 billion. Of that, the Arts Council receives £100m. The priority the state affords to art is therefore one part in 1,300 of its expenditure. It is as though a private individual, say a large landowner, has an income after tax of £130,000. He is a good landowner and spends money looking after his tenants; he runs a good shoot and is always in and out of Purdeys buying himself a new pair of guns; he looks after his family, and then each year he gives a £100 subscription to the local arts festival. One might call that man many things. One might regard him as an ornament of the house of lords, but surely not a great patron of the arts.

The modern state's priorities are determined by many pressures, including the pressure of the electorate. They have never been priorities favourable to the arts. Perhaps another comparison will show where the priorities lie.

The Arts Council grant is equal to the interest on the interest on the capital cost of the Trident programme. That is the relative priority the state gives to the enhancement of the human spirit. I am a firm supporter of national defence policies, but just look at the state's priorities—the capital on defence, not even the interest, but only the interest on the interest on the arts.

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The imbalance between the arts and the exchequer can be seen in other ways. It shows up in the paradoxical relationship between public arts spending and the public sector borrowing requirement. In 1984-85, the year just ending, the Arts Council grant of £100m was used to finance some £250m of arts turnover. The £250m includes some vital local authority support, some private funding and over £100m from the box office.

Approximately £200m of the £250m was spent in salaries. That means that about 25,000 jobs were provided—the Arts Council gives the best value for money in job creation of any part of the state system—though, of course, many more than that were employed in the subsidised arts for part of the year. They paid some £60m in national insurance contributions and taxes. On the £100m of box office receipts, £15m of Vat was paid, making a return of £75m in direct revenue to the exchequer.

The 25,000 jobs must be regarded as an addition to the jobs that would otherwise have existed; unemployment in the arts is so high, and general unemployment is also so high, that it is probable that at least 20,000 would otherwise have been receiving unemployment and supplementary benefit, at a cost of some £50m. Thus, with no resort to concepts such as the Keynesian multiplier, the actual cost to the exchequer of not subsidising the arts by £100m would have been £75m of lost revenue and £50m of additional expenditure. The PSBR would have gone up by £25m if the Arts Council had not received a penny.

I believe in sound finance. I am in favour of keeping the PSBR as low as possible. I can never understand why the treasury wants to push it up by making cheese-paring cuts in arts spending.

The state also has important benefits in tourist revenue brought in by our theatres, art galleries and opera houses. The arts are to British tourism what the sun is to Spain. Of course we must not forget the heritage and the monarchy which, with the arts, support a tourist trade that brings in some £5,000m, based on 12m visitors. As British manufacturing declines, there must be investment in the expansion of invisible earnings; the arts are an essential part of any rational policy for such investment.

The spendthrift is always broke—over-expenditure in general always means under-expenditure in particular. Art is simply one of the things crowded out by state over-expenditure, along with education, research, productive investment and other desirable goods. The state takes the public's money and imposes its own priorities—collectivist priorities.

This leaves something of a dilemma for a chairman of the Arts Council. Should he protest against the crowding out—against a half of the resources being put under the monkey's paw? Or should he argue that so long as the monkey has half the nuts, he should give the arts more than one nut in thirteen hundred? I see no difficulty in arguing both cases. I favour a higher proportion of public expenditure being allocated to the arts. I am in favour of public expenditure being reduced to a lower proportion of the total and I know the arts would benefit.

The danger is that the arts will suffer both coming and going. When the great increase in state spending occurred, the arts were not seen as votes to be bought, or as guns with which to threaten the nation's enemies. So the arts came late to subsidy and received little. They could find themselves last in and first out—their little being cut while the well entrenched barons of public expenditure were still able to defend their territories.

To judge this danger one has to examine the form and character of the counter-reformation. It began in the 1960s. It was forecast, on psychological grounds, by Jung in his famous face-to-face interview with John Freeman on BBC television in 1959. Though the question attracted little attention at the time, John Freeman asked as his last question: "Do you think it possible that the highest development of man may be to submerge his own individuality in a kind of collective consciousness?"

Jung replied: "That's hardly possible. I think there will be a reaction. A reaction will set in against the communal dissociation."

The main political lines of this reaction are well known: Thatcherism in Britain, Reaganism in the United States. Both have won a quite unexpected degree of public support. I suspect both will prove to have been not a culmination but a starting point—President Reagan has never had a majority in congress and has not been able to balance the United States budget, while Mrs Thatcher's greatest problem is that the state's share of the national income has not been reduced. This is no accident: Mrs Thatcher has committed herself to the maintenance of the welfare state, including, of course, arts spending.

There is also a class base for this new politics, and one which has been created by the new technologies of production. The class structure of the late twentieth century is coming to be dominated by a large, affluent and technically qualified middle class, whose work is either involved in, or conditioned by, electronic communication systems. The development and strengthening of the power of

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this new class is apparent in all advanced countries, and is significant even in poorer and more backward ones, such as those of the socialist block. We must not make the mistake of thinking that the laws of economic and social change stop short at the Berlin wall. This modern middle class has no traditional upper class roots and few, if any, upper class aspirations. It sees the relics of an aristocratic past for what they are, handsome relics; it does not, like the upwardly mobile Victorian class, pretend to a pseudo-aristocratic life-style; it is not wedded to silver, mahogany and dinner jackets.

The history of the arts has been punctuated with periods of the rapid expansion of a new middle class; they have been most favourable to artistic development. Even as early as the eighteenth century, Robert Dodsley, the Pall Mall bookseller to the new class—one of the unsung cultural heroes of Britain—and David Garrick, the actor-manager to the new class, did far more to promote the arts than, say, Horace Walpole, the most distinguished of the aristocratic patrons. In the nineteenth century, it was the French middle class that bought the Impressionists—bankers and other tradesmen, not the old aristocracy. The arts are normally nurtured by new men—even the Medici were new men when they were at their best.

The electronic middle class, if one may so describe them, is already providing a similar expansion of the late twentieth-century audience for the arts. Their characteristic individualism and open curiosity, their economic reliance on education and advanced skills, make them an encouraging, as well as an important, new audience. Until now, the electronic generation has naturally learned most of its knowledge of the arts from television and no doubt television will remain the great arts teacher. But people who earn their living watching visual display units will and do increasingly want live, rather than electronic, art for recreation.

I do not pretend to know what relationship artists will establish with this new class, some aspects of which most artists distrust. Some artists (David Hockney is an obvious example) seem already in their work to share the new consciousness. All artists, indeed, are bound to be influenced by the general consciousness of their own period, and all performing artists are in turn influenced by their audiences.

The new class is sympathetic to modernism but recognises twentieth-century modernism as the art of its grandfathers' generation. The anti-fascism of such characteristic figures—all of whom are now dead—as Auden, Chaplin or Picasso, is thoroughly sympathetic to the new class; so is the alienation effect which Picasso, among many others, used to express it. But this is the heroic past, and Picasso relates to the new generation as the Impressionists did to mine. Neither in art nor architecture will pastiche modernism be a valid style for the twenty-first century.

At the Arts Council, I may occasionally be depressed by the way many artists seem to be trapped in a dated and provincial set of attitudes, the post-Fabian Guardian consciousness of genteel and academic English collectivism. If some artists feel at home in such an environment, that is their affair. What I fear for the English consciousness is that it will become increasingly isolated in an insularity of time and place; I hope our artists will lead us out of that, as, indeed, I hope they will lead in reasserting human and individual values against twentieth-century collectivism.

What effect will the struggle to replace collectivism have on public policy towards the arts in Britain? One view at least can be dismissed. Many, perhaps most, commentators seem to believe—Melvyn Bragg certainly does—that the natural future of the arts in Britain is an indefinite expansion of subsidy, with the Arts Council or some similar body steadily growing in size and in its responsibilities: the Jennie Lee policy extrapolated for ever. That is now extremely unlikely. The political and economic forces opposed to it are too strong. Perhaps, indeed, at some point there will be a last round of subsidy increases under a new administration of the left or centre. But equally there will be new pressures for a much more radical attack on government expenditure, on the whole system of subsidy and welfare.

When that phase of the struggle comes, Lord Bragg may be making speeches in the house of lords lamenting that the Conservative party is not the party of his youth—that the arts were safe in the hands of Margaret Thatcher in the good old days—but that now the government has fallen into the hands of beardless philistines, who had not even reached university when the now blessed Lord Gowrie was minister for the arts.

The probability is, whether we like it or not, that the next wave of neo-Conservatives, no doubt responding to real and perhaps overwhelming economic and social pressures, will set themselves a much lower target of state expenditure. If they do, they will be aiming for a great and painful change of policy; there will be no protected beneficiaries of state support, not admirals, not farmers, not doctors, not old age pensioners, not the unemployed, not the arts. What will the target be? Perhaps, one can have some indication from the present level of state expenditure in Japan—which is 34.5% of gdp. There are differences in Japan in funding of social expenditures which make the comparison inexact. But a reduction in present British government spending from 47.4% to 34.5% of gdp would be a reduction by a quarter. I cannot myself see how this can fail to be the next great issue of British politics—and I want to see the arts protected if it occurs.

The arts cannot be safe if they continue to assume that they can rely on certain and increasing subsidies. They may get stability of subsidy. They must not rely even on that. When Lord Keynes founded the Arts Council, he hoped that in many cases subsidy would build up the strength of artistic companies to the point at which it was no longer required. That has occasionally happened, but too seldom. The great drawback to subsidy is that it can weaken the sinews of self-help. Too often subsidy has created dependence, and dependence has led to the demand for higher subsidy.

I am shocked by the number of performing companies who congratulate themselves on having built their taxpayers' subsidy levels to more than half their total revenue. Any company so placed is dependent on the future of central government financial policy, over which it has no control—over which the Arts Council has no control—to a dangerous degree. Whenever I see Sir Peter Hall, I think of Cardinal Wolsey:

> I have ventur'd,
> Like little wanton boys that swim on bladders,
> This many summers in a sea of glory,
> But far beyond my depth . . .
> O how wretched
> Is that poor man that hangs on princes' favours!

Arts Council subsidies are princes' favours, and the prince is not myself, nor Lord Gowrie—though he might be well cast as a Shakespearean prince—nor even the prime minister, but the will of the electorate. I do not want our great arts institutions to presume on a security that cannot be guaranteed, as the great monasteries presumed on their security 450 years ago. I am myself on the side of the National Theatre, but no more strongly than I would have been on the side of Glastonbury Abbey.

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The Arts Council is bound to react in much the same way as other spending bodies. It was a Sheffield councillor who said to me the other day: "With limitations on the quantity of funds, you have to concentrate on the quality of expenditure." That is certainly in the forefront of our minds at the Arts Council.

First, we have had to make clear to all our clients that their survival depends on their decisions. If they cannot live within their box office and their grants, we have no more to give them. This year, we have planned our spending without an unallocated fund, without a reserve for those who are in trouble. We have persisted with development expenditure, particularly on regional orchestras, regional theatres, dance and regional arts associations, despite the shortage of funds. We want to use our money better, and in the arts it is fatal to enter into an unlimited commitment to the existing order. For this we have been much criticised.

I feel a certain anger here. A tiny shift, at most a 3% shift, from metropolitan to regional art, does much less than balance the account. It is inevitably a shift from the rich to the poor—from rich audiences to poor audiences, from institutions funded in millions to institutions funded in tens of thousands. I sympathise with the National Theatre, housed in that great concrete dreadnought on the South Bank, an expensive, but unfortunately not a watertight, ship. But I sympathise a lot more with the Everyman theatre in Liverpool, on the edge of the worst area of social suffering and deprivation in England. The National Theatre gets £6.7m from the Arts Council; the Everyman, even after development, will get less than £250,000.

The Arts Council believes that the current structure of the arts requires state support approximately 20% higher than we now have. We asked for £120m, against next year's £105m. Yet looking to the future, I am not sure that I would not prefer cutting out taxes on the arts to raising subsidy in real terms. Vat on theatre, dance, music, even paintings and sculpture sold in galleries, is an absurdity. Money goes to the treasury, on to the office of arts and libraries, on to the Arts Council and back to the theatre that paid it—after three sets of administrative overheads on the way. I do not think that the arts ought to be taxed, or knowledge, or education. I would prefer to reduce our clients' dependence on the Arts Council by cutting taxes on art rather than by increasing subsidy—and I would welcome tax cuts for the unsubsidised arts.

In America, the tax system gives more effective reliefs to those who support charity. Such reliefs should be introduced in Britain. They need to be reliefs to the individual, claimed by him, in a single year, not limited to covenants and to the complicated systems that already exist.

The government should look at these matters again. Tax relief and tax concessions to the arts would have the same economic effects as subsidy—they would generate revenue and save expenditure, they would be largely self-financing. A Conservative government which loved the arts need not go down the road of more subsidy in real terms. But it cannot fairly demand greater self-help from the arts without conceding zero rating for Vat and encouragement to giving.

The future of the arts lies, however, with the artists and with managers working in the arts. The age into which the world is moving is very different from the earlier twentieth century—it is characterised by the individual rather than the mass, the complex relationship of small units rather than the brutal logic of "whowhom". Humanity survives; both Stalin and Henry Ford are dead. It is an age of mobility and of choice. It is an age in which the mass state is being challenged and will be changed. The qualities required for survival in this age will be the qualities of the age itself. They include self reliance, imagination, a sense of opportunity, range of choice, and the entrepreneurial action of small professional groups. The state should continue to help the arts—but the arts should look first to themselves, and to their audiences, for their future and their growth.