

A take-home Haggadah for:

Performing Arts, The Economic Dilemma (A Seder)

by William Baumol and William Bowen (1966)

compiled and curated by Nic Benacerraf, for the Brooklyn Commune

Preface: Seder means “order.” A Seder consists of a number of ceremonies of extreme antiquity, usually associated with Jewish festival of Passover. Through these ceremonies and symbols, we are put in sympathy with the generation of the Exodus; we are led to feel the trials of their embittered life of bondage and the joy of their subsequent triumph of freedom. There is always a guest or two at the Seder, for this Festival of Freedom is a time of hospitality.

This Seder: Today’s event celebrates and studies the resilience of performing artists in modern history, especially against the backdrop of a market economy. We summon a book from decades past to remind ourselves that our struggle is timeless. These lessons have all but been lost to history. *Performing Arts, The Economic Dilemma* is now out of print. But we share its revelations with one another, teaching each other about survival, and generating ideas for the future.

The Event: The text should be read in turns by all those assembled—seated at a table or in a circle. The order can be determined in any manner, but it is recommended that a single facilitator call upon individuals to read. It is important that everyone reads, and feels free to ask questions. In a traditional Passover Seder, it is customary for all attendees to consume four glasses of wine over the course of the evening. This is not such a bad idea. The conversations should feel free to wander and detour when ideas arise, and it is the job of the facilitator to get back on track, when needed.

And so we begin.

Objects of the study: Broadway, Off-Broadway, Regional Theater, Opera, Dance, and Live Classical Music

Traditional Economic Theory: Every year, technological developments help us make regular “products” faster, with less labor required to produce each item. (This means productivity is increasing! So cool!) As the economy becomes more productive, workers’ wages increase. So, if the economy expands by 2.5% - 5% every year, because we’re getting more productive for the same effort expended, workers’ wages will similarly increase by 2.5% - 5%.
[In the US, this function got screwed up during the 1980s, but we’ll get to that later.]

"The characteristic of live performance which precludes substantial change in its mode of operation is that **the work of the performer is an end in itself**, not a means for the production of some good. When a customer purchases a typewriter, he usually neither knows nor cares how many man-hours of what kind of labor went into its manufacture. Any innovation which reduces the number of man-hours embodied in such machine makes absolutely no difference to its buyer--except, of course, insofar as this affects its price. But in live performance matters are quite different. The performers' labor themselves constitute the end product which the audience purchases. Any change in the

training and skill of the performer or the amount of time he spends before the audience affects the nature of the service he supplies. For, unlike workers in manufacturing, performers are not intermediaries between raw material and the completed commodity -- their activities are themselves the consumers' good.

"The immediate result of this technological difference between live performance and the typical manufacturing industry is that while productivity is very much subject to change in the latter, it is relatively immutable in the former. Whereas the amount of labor that is necessary to produce a typical manufactured product has constantly declined since the beginning of the industrial revolution, it requires about as many minutes for Richard II to tell his 'sad stories of the death of kings' as it did on the stage of the Globe Theatre. Human ingenuity has devised ways to reduce the labor necessary to produce an automobile, but no one has yet succeeded in decreasing the human labor expended at a live performance of a 45 minute Schubert quartet much below a total of three man-hours." (B&B, Page 164)

The **"income gap"** for arts organizations

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Total expenditures (everything... artist fees, scenery, publicity, admin, etc.)

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Earned income (ticket sales, merchandise, etc.)

What's left to make up the difference? Donations, Foundation support, Government assistance

Baumol & Bowen anticipated the income gap would increase over the coming years. [It is no wonder, therefore, that the independent arts community often focuses on the bare essentials: the rehearsal space for the performers. All other expenditures are relatively non-essential for the live transaction of performative labor.]

Every year, things get more expensive for arts organizations.

"Rising costs could be avoided if the arts were to exist in isolation. But, in fact, they must operate within a complex economy. And the interrelationships of the various sectors of the economy, together with the inability of the arts to achieve a sustained increase in productivity, make ever-higher costs an inevitable characteristic of live performance."

Performing Arts organizations can cut costs by "permitting the quality of their product to deteriorate, through fewer rehearsals, the use of less well trained performers, shoddy costumes and scenery, and so on." (175) This option is decidedly bad in the long-term, but is considered a decent short-term alternative to shutting down the organization entirely. Sadly, the effects compound over time. [Just look at the shit-shape that Regional Theaters are in today.]

A thought experiment:

Imagine a very simple economy where only two things are created: cars and musical trios that perform Hadyn's compositions. Every year, output per human-hour increases in car manufacturing pretty rapidly compared to the music, because the car manufacturers are making

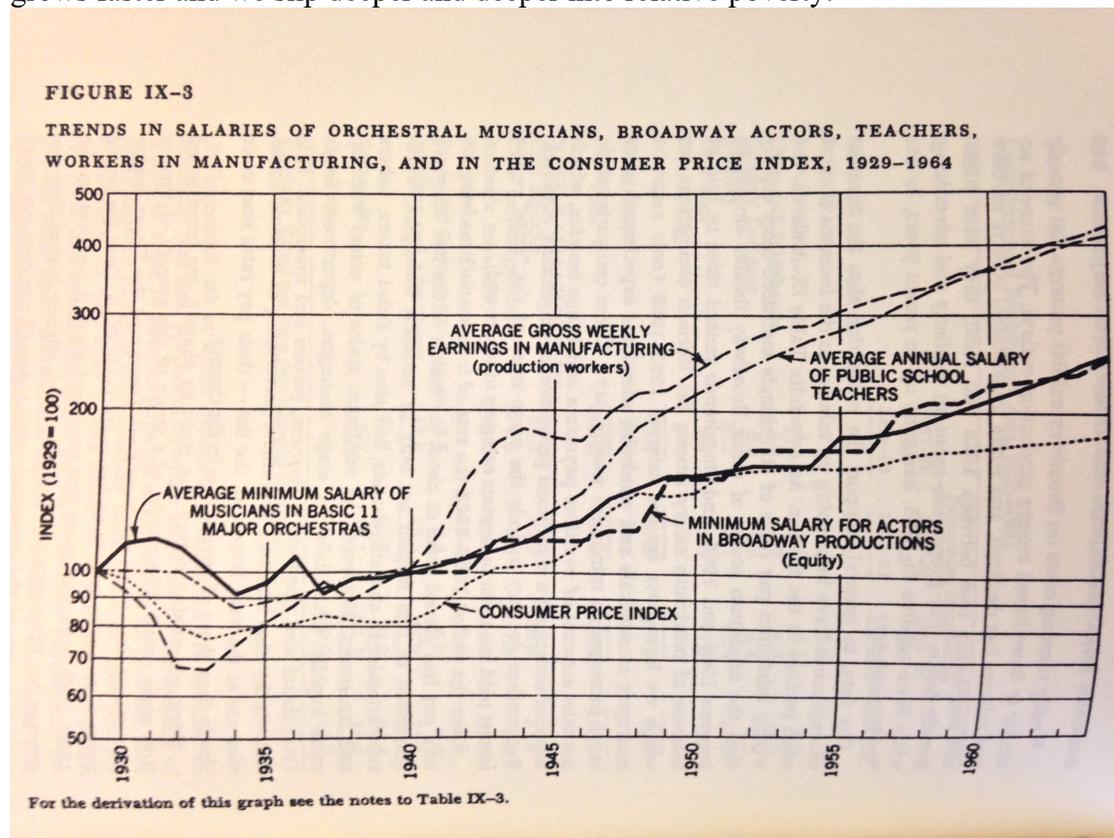
technological innovations. The auto workers convince their managers to wage increases, 4% per year. The labor output of the worker goes up 4% per year (thanks to machine-help!), matching his wage, and the price of a car remains the same for consumers each year.

ON THE MUSIC SIDE: Let's consider several options.

1) *The musician's wage remains constant*, but her buying power decreases every year compared to the rest of the workers, whose salaries are growing constantly. Musicians will quickly become relatively poor. This discourages participation in the arts, diverting workers to the auto industry.

2) *The musician's wage goes up every year*, as does her standard of living, matching the increases of the autoworker's wages. If the performers are playing the same number of shows per week, then the cost of admission must have gone up 4% every year to pay their fees.

3) *Wages of performers do rise, but they don't keep up with the wages in the rest of the economy.* So even though things are technically getting better every year, the rest of the economy still grows faster and we slip deeper and deeper into relative poverty.



Hint: It's probably option 3.

Why? For starters, we don't live in a simple, bifurcated economy; we live in a complex one that has tons of recorded music, film and TV available to consumers. In order to stay competitive with those outlets, ticket prices need to stay relatively cheap.

"With productivity per [human]-hour roughly constant, *any increase in wage rates, however modest, must lead to a corresponding increase in costs.*" (170) In order to fix the income gap

through capitalism alone, ticket prices would have to raise faster than expenditures. But that's not happening; it's actually going in the opposite direction.

Restrictions on raises in ticket prices: "1) the disinclination of individual arts organizations to raise their prices, on moral grounds ["Since a performing organization is generally a dedicated group, firmly convinced of the value of its product to society, it is natural that it should seek to distribute its services as widely and as equitably as possible. The group is usually determined to prevent income and wealth alone from deciding who is to attend its performances."]; 2) the place of the arts in the ticket purchaser's hierarchy of necessities; and 3) the forces of competition." (B&B, 173)

The cost of performance is rising faster than ticket prices. (172) Why? Because the rest of the economy isn't shackled by the economic restrictions we face, and is actually able to increase productivity each year and ask for better compensation. So when we buy wood, and rent space, it's for ever-increasing costs, and our bank account is staying relatively the same size each year.

Why do we keep doing this even though the pay sucks? **We're suckers for "psychic income"**. [And rightfully so!]

"Because performers frequently are dedicated individuals who are willing to work under economic conditions which would be considered appalling in other activities, the performing arts are relatively insensitive to general wage trends, especially in the short run. Even in the long run, earnings in the performing arts may lag behind wages in occupations which provide less in the way of psychic income. Whereas most unskilled workers, for example, are likely to regard the hourly wage as their primary reward for working, the typical performer presumably receives, in addition, considerable pleasure and personal satisfaction from his work. The important point is that, as the general level of real income increases over time, people may well feel that they are better able to afford to pursue careers which offer relatively lower money incomes but larger psychic incomes.

"It is largely for these reasons that performing arts organizations in financial difficulty have often managed to shift part of their financial burden back to the performers and to the managements, who also are often very poorly paid by commercial standards. The levels of income in this broad field must be considered remarkably low by any standards, and particularly so in light of the heavy investment often made by the artists in their education, training, and equipment." (B&B, 169)

What full-Capitalism looks like in the arts:

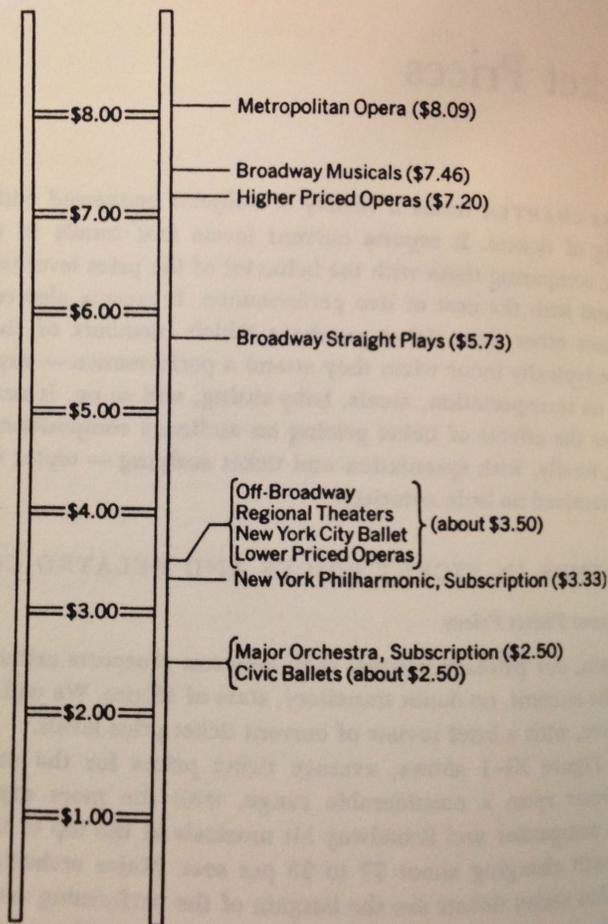
"It is easy to visualize what might happen to the performing arts if their prime objective were profit maximization. One can envision the nation's performing arts reduced to a vestigial state, with a very small number of theaters and orchestras catering to an exclusive group of persons who could afford to pay the very high and ever-rising prices necessary to keep them going."

FOOTNOTE: "The Broadway theater world comes closer to conforming to the profit maximization model than any other segment of the performing arts. Most investors on Broadway, notably the corporations which have been backing a number of musicals in recent years, doubtless go into the theater for the money they hope to make. The fact that the annual number of new productions on Broadway, especially the number of serious plays, has declined significantly is certainly in line with what one might expect to follow from a profit maximization

goal. Nevertheless, even the Broadway theater is not a case of pure pursuit of profits. At least a few "angels" apparently invest more because of a commitment to the theater and a sense of psychic pleasure in participation than out of a calculated assessment of profit possibilities." (B&B, 173)

FIGURE XI-1

THE TICKET PRICE LADDER: AVERAGE TICKET PRICES, VARIOUS ORGANIZATIONS, 1964-65



Average ticket prices were obtained by dividing capacity gross by the total number of seats in the auditorium. This procedure automatically yields an appropriately weighted average because it weights any ticket price category in proportion to the number of seats available at that price. The basic data were supplied by individual organizations in each case.

The Case for Philanthropy

Did you know? The poor do most of the giving, largely because there are more of them. (312)

The traditional case for philanthropy from individuals: Please please help us because a) YOU like this, or b) you like ME. This works, but there are limitations, and you can exhaust your base.

Alternative individual models:

A movement to articulate and convince people that the arts are fundamental to the health of our democracy, and the free flow of our ideas.

The traditional case for philanthropy from institutions/corporations/organizations:

- 1) It's a law. There's a government requirement to give away a percentage of corporate earnings to non-profit enterprises.
- 2) It can boost the organization's image in certain, calculated ways. [If BP offered a new artist grant, would you take it?]

Alternative organizational models:

- 1) The League of Independent Theaters' *LIT Fund*, a \$0.05 ticket fee on each ticket sold. The money is distributed to the independent theater community to fund the harvesting of new ideas. Should commercial/Broadway theater participate in this fund? Do they see the benefits in the long run?
- 2) Funding each-others' art work. This is already happening, a lot. We pay for tickets to one another's performances, and donate to kickstarter campaigns.

On the Rationale for Government Support

"No one is suggesting support on a scale which would make government the exclusive source of funds for any activity, and a pluralistic arrangement in which private and public support both play a role automatically acquires checks and balances. Such a mixed system has been highly successful in maintaining the vitality of our system of higher education, and there is no obvious reason why it should not work just as well in the arts." (376)

Before we get there, why have Americans been scared of government support? One reason is that they worried that "public funds" are the same thing as "government control" of artistic expression, as has happened in many fascist states we can all remember. However, in US history, there is little evidence that the government has ever controlled the content produced, despite some evidence of condescension towards "experimental" work by the WPA [and NEA], and two congressmen who called Martha Graham's work "erotic", in a ploy to restrict arts funding. (374)

Also, many people are suspicious about why money from the many should pay for the entertainment of the few. (376-377)

Baumol and Bowen offer us one good reason to be worried about government support: "While government assistance may not circumscribe the freedom of the arts in any direct sense, it can effectively dampen their vitality. If support is channeled exclusively to old, established organizations, it can discourage experimentation and make for general stagnation." (375) [Oops.]

On the contrary, they also worry that spreading public funds out too thinly, especially towards "fifth-rate institutions", will create a "brains drain" from the big important organizations. (376) [Maybe we need that?]

The big question: If the performing arts are so important, why won't people pay to support them?

"If audiences do not want [the performing arts] sufficiently to cover their costs through admissions charges, why should this fact be construed as a *prima facie* case for public support? Might it not argue the contrary -- that live performance is an obsolete vestige of a handicraft economy which deserves no public assistance precisely because effective demand for it is inadequate?

"This is a particularly telling argument in a discussion of government assistance, for government funds, unlike private gifts and contributions, are supplied *involuntarily* by many individual members of the public. If the arts are to receive help from government sources, it becomes important to explain why the performing arts should be among those privileged activities which are granted exemption from the market test.

"The proper response, it may be felt, cannot be given on a materialistic level. *Rather, it must be phrased in terms of finer and less tangible concepts: the inherent value of beauty and the ineffable contribution of aesthetic activity.* To the [person] in the street, however, this may not be an acceptable answer. Indeed, it is likely to smack of things [he or she] rightly considers dangerous: paternalism, dictation of tastes and violation of consumer sovereignty. [He or she] may well ask whether we are to base the allocation of the

nation's resources on the aesthetic standards of some group of individuals who consider the true standards of beauty to have been revealed only to them."

"But if, as we have shown, audiences are drawn from so limited a segment of the community, can one ever expect to demonstrate that government support of the arts accords with the desires of the public? The answer is to be sought in the nature of activities which, by general consent, are exempted from the market test. One does not expect the defense establishment to show a profit, the courts to pay for themselves or the elementary schools to cover their costs out of their revenue. There are good grounds for these exemptions -- grounds fixed firmly in economic analysis and involving no departure from democratic ideals." (377-378)

Arguments that nullify the market test:

1) THE EGALITARIAN GROUNDS

"We generally take it as an article of faith that it is undesirable for anyone to be kept from achieving as much as [he or she] can through the abilities with which [he or she] is endowed. It is, therefore, widely agreed that no market test need support the flow of public funds devoted to the opening of opportunities to the impecunious." (378-379)

In other words, everyone has the right to develop the taste of the performing arts, and many have arguably been denied that right.

2) THE EDUCATION OF MINORS

"It is felt that if children and adolescents are not exposed to artistic performance during their minority, by the time they become adults it will be too late. The arts must be made available early, while tastes are still being formed and behavior patterns developed." (380)

[There was no concrete, long-term evidence/study of this in the 60s. I wonder if there is one today?]

3) PUBLIC GOODS AND THE MARKET TEST

"Public goods are items which, when provided to one person, automatically and unavoidably become available to other members of the community as well." (380)

An awesome example: Clean air efforts in LA. No single individual is willing to pay for them, but they benefit the entire population.

"The provision of public goods cannot be entrusted to market forces alone. The profit motive and free enterprise, which work so effectively in bringing private goods to consumers when and as they want them, are subject to a fatal limitation as regulators of the supply of public goods."

"While public goods cannot pass the market test, it does not follow that such items are unwanted by the general public. Even though consumers cannot be made to pay for them, they may regard them as well worth their cost. In such a case it is the normal commercial mechanism and not the consumer demand which has failed to function. A government's decision to supply a public good is, therefore, not necessarily a decision to flaunt the wishes of the consumer. On the contrary, government financing may be the only way in which the wishes of the body of consumers can be put into effect." (Baumol and Bowen, p. 381)

The Live Performing Arts as a “Mixed Commodity”, with both Private and Public benefits: Mixed commodities are "goods and services whose characteristics are partly private, partly public." (381)

Take the example of education: It's a private good, because a student's personal welfare (and future earning ability) increases through school. It's also a "public service because it enriches society as a whole--it not only increases the productivity of the individual, it makes for a better life for everyone in the community. Without general education, the process as we know it would not function effectively." (381-382)

Mixed commodities are expected to cover some of their costs by sale to the public, but not all. The price tag of quasi-public goods may be insufficient to cover their cost of production. You can charge a fee for the direct benefits given to each consumer of the product, but you can't force people to pay or to consume it. However, the indirect benefit is available to all members of the community, whether they wish to engage directly with it.

What advantages do the performing arts offer to the public?

1) International prestige of having the best artists. "Many persons who themselves have no desire to attend an opera or a program of contemporary dance take pride in the international recognition conferred on our signers and the creativity of our choreographers. To them the availability of a number of fine orchestras is a measure of the achievement of America, and is therefore a prime source of satisfaction." (382-383) In the 60s, funding the touring of arts programs internationally helped to counteract the image that the US was completely materialistic and devoid of values.

2) The benefit to nearby business. "The availability of cultural activity confers [indirect benefits] on business in its vicinity," from a New York Times editorial in 1965 describing the necessity of locating a nuclear physics lab near educational and cultural centers. "Many local readers over the country are now becoming aware that a strong research-oriented university, a thriving symphony orchestra and a lively theater no longer can be ranked as frills. They are essentials for a community's economic expansion in an age when science and scientists play an unprecedentedly important role." (NYTimes, on 384)

3) Preserving the arts for future generations. *Preserving the arts in the future requires support for the arts in the present.* (385) "The development of mature cultural activities, of exacting standards of performance, and of an understanding audience cannot be achieved overnight. Funds must be provided today if the arts are to be kept alive tomorrow... Though most Americans may be happy that future generations will have the arts available to them and are content to have funds spent for the purpose, there is no way in which the free market, unaided by public funds, can enable these desires to be realized." (385)

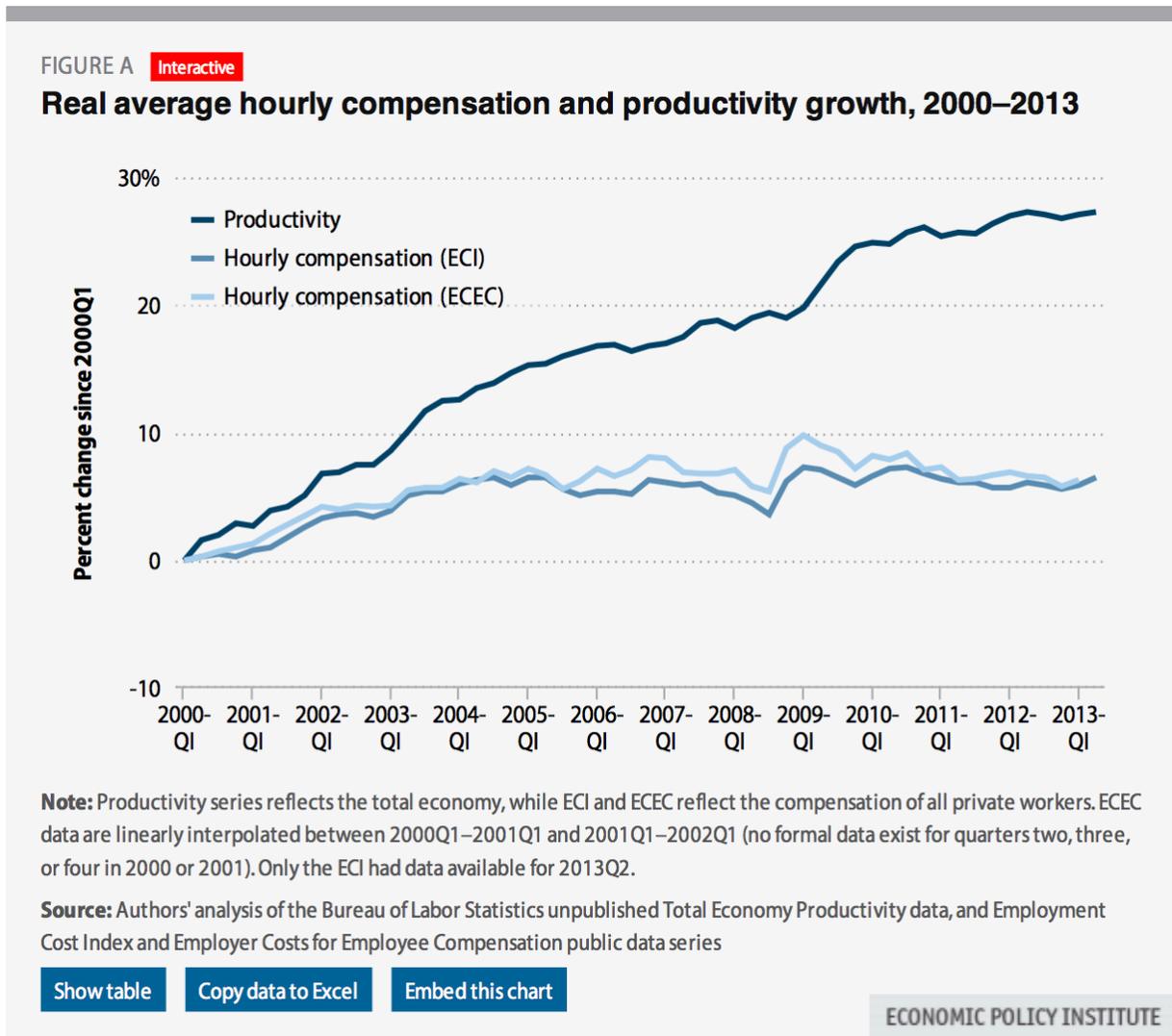
4) Educational contribution. *If education is good for the country, the arts must be too.* Without the arts, there is no way to teach an important part of our history. The history of drama can only be fully understood through the direct experience of live drama. "If the arts are reduced to an atrophied relic of ancient history, a critical component of our educational system must concurrently be lost." (385)

The Grand Finale:

"If one agrees that the performing arts confer general benefits on the community as a whole, in the manner described above or in other ways, [he or she] must conclude that in part, and perhaps in large part, the arts are public goods whose benefits demonstrably exceed the receipts one can hope to collect at the box office." (385-386)

"It is a long-standing tenet of economics that if the wishes and interests of the public are to be followed in the allocation of the nation's resources, this is the ultimate ground on which government expenditures must find their justification. Government must provide funds only where the market has no way to charge for all the benefits offered by an activity." (386)

Moving Forward



Is the American Dream still alive? If not, should we change our “ask”. So far, people have mostly asked for class mobility, a dream that seems to have died. What is our barometer of basic stability? Are we achieving our basic human rights? A roof and food? The rights to have kids? A certain income threshold?

What is our “ask” of the government? Local? State? National?

What is our “ask” of the philanthropic class? How can we innovate the philanthropy model and find new ways to motivate donors?

What is our “ask” of the commercial arts economy? (Consider the \$0.05 LIT Fund)

What other ways can we find to hack capitalism?