

ECONOMISTS AND THE ARTS

**Address to a dinner for the
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and
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by

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Thank you for the opportunity to talk to you today. Given the reputation which economists have nowadays as 'desiccated calculating machines'¹, you may have been surprised to find that any economist is sufficiently interested in the arts to be willing to, or to be invited to, speak to a gathering such as this, let alone to spend part of his time chairing a body such as the Tasmanian Arts Advisory Board.

Yet in fact economists have been instrumental in the development of public policy towards the arts in both the United Kingdom and Australia. I hope to illustrate that by talking about the contribution that three different economists have made to supporting the arts.

The best-known, and arguably the most influential, economist of the twentieth century was John Maynard Keynes, whose work provided the intellectual framework within which most Western governments conducted economic policy from the 1930s until the 1970s and whose ideas and theories are still widely studied and debated among economists even today.

The arts, and artists, played a major role in Keynes' life. The two great loves of his life were the painter Duncan Grant and the ballerina Lydia Lopokova, whom he married in 1925. According to his biographer Robert Skidelsky, Keynes regarded both as 'delicate work[s] of art, to be worshipped and protected against breakage'². His lifelong friends included the writer Lytton Strachey and the sisters Vanessa and Virginia Bell, better known to history by their married names Stephen and Woolf.

Keynes was Chairman of the Council for the Encouragement of Music and the Arts from 1941, which in 1945 became the Arts Council of Great Britain. Keynes was Chairman of this Council until his death in April 1946.

Keynes' active involvement in and support for the arts goes back at least to 1921, when he wrote in the foreword to a catalogue for an exhibition by the London Group of artists (which included his friends Roger Fry and Duncan Grant):

"Civilized ages have always recognized that a patron of the arts performs for the society he lives in a distinguished and magnanimous function. Without patrons art cannot easily flourish"³.

Keynes was very much aware, in 1930, of one of the problems that artists and arts organizations continue to face today:

"It is impossible, in my experience, to go on continually getting financial support for something which is perpetually losing money and presents itself as a bottomless sink to the friends and supporters who come in enthusiastically at the start"⁴.

There is a contemporary relevance to his observation (in the same article) that:

¹ A pejorative first used, as far as I am aware, by Karl Marx to describe Jeremy Bentham, but more famously applied by the British Labour politician Aneurin (Nye) Bevan in 1954, allegedly to his front-bench colleague (and subsequently Leader) Hugh Gaitskell.

² Robert Skidelsky, *John Maynard Keynes: Hopes Betrayed 1883-1920* (London, Macmillan, 1983), p. 104.

³ JM Keynes, Catalogue for the London Group Exhibition, Mansard Gallery, October 1921; reprinted in *The Collected Writings of John Maynard Keynes*, Volume 28 (London, Macmillan, 1982), Chapter 3, p. 297.

⁴ JM Keynes, 'The London Artists' Association: Its Origin and Aims', *Studio*, June 1930; reprinted in *Collected Writings*, op. cit., p. 299.

"When one sees how much money is spent in a year on useless and hideous objects, it seems monstrous that it should be a serious struggle to provide some of the most promising artists in the country ... with £150 a year. Why does the general public find it so extraordinarily difficult to get over its reserves and hesitations towards contemporary art?"⁵

Keynes worried that the economic egalitarianism which he for the most part favoured would eventually destroy private patronage of the arts, making government support the only way of saving the arts from extinction⁶. In this regard, as in a number of others⁷, Keynes turns out to have been wrong.

But the arguments he used to advocate government support for the arts nonetheless resonate today no less than in the 1930s when he made them:

"We have persuaded ourselves that it is positively wicked for the state to spend a halfpenny on non-economic purposes. Even education and public health only creep in under an economic alias on the ground that they 'pay' ... One form alone of uncalculated expenditure survives from the heroic age – war. And even that must sometimes pretend to be economic"⁸.

A decade later, in 1945, he observed that:

" ... the civilizing arts ... in fact use up an infinitesimal quantity of materials in relation to their importance in the national life and the comfort they can give to the individual spirit"⁹.

Keynes thought that 'state spending, in times of depression or boom, should be oriented to the beautiful as well as the useful'¹⁰. And his advocacy was not confined to 'permanent monuments of dignity and beauty', but:

"Even more important ... are the ephemeral ceremonies, shows and entertainments in which the common man (*sic*) can take his delight and recreation after his work is done, and which can make him feel, as nothing else can, that he is one with, and part of, a community finer, more gifted, more splendid, more care-free than he can be by himself"¹¹.

As far as the individual artist was concerned, Keynes thought that:

"We can help him (*sic*) best, perhaps, by promoting an atmosphere of openhandedness, of liberality, of toleration, of experiment, of optimism, which expects to find some things good"¹².

Keynes recognized the folly of attempting to define what art should be, or to prescribe what artists should or shouldn't do. Speaking on the BBC just after his appointment as Chairman of the Arts Council of Great Britain he said:

⁵ *Ibid.* p. 307.

⁶ Roy Harrod, *The Life of John Maynard Keynes* (London, Macmillan, 1951), p. 518; Robert Skidelsky, *John Maynard Keynes: Fighting for Britain* (London, Macmillan, 2000, p. 288).

⁷ Precisely which others, of course, continues to be a matter of contentious debate among contemporary economists.

⁸ JM Keynes, 'Art and the State', originally published in *The Listener*, 26 August 1936; *Collected Writings*, op. cit., p. 342. He characterized this as 'the Treasury view'.

⁹ JM Keynes, Foreword to the catalogue for An Exhibition of French Book Illustration, 1895-1945; *Collected Writings*, op. cit., p. 365-66.

¹⁰ Skidelsky, op. cit. (2000), p. 288.

¹¹ JM Keynes, 'Art and the State', p. 344.

¹² *Ibid.*, p. 345.

"The work of the artist in all its aspects is, of its nature, individual and free, undisciplined, unregimented, uncontrolled. The artist ... cannot be told his (*sic*) direction; he does not know it himself. But he leads us into fresh pastures and teaches us to love and to enjoy what we often begin by rejecting, enlarging our sensibility and purifying our instincts. The task of an official body is not to teach or to censor, but to give courage, confidence and opportunity"¹³.

On another occasion he said, 'The arts owe no vow of obedience to anybody'¹⁴.

Keynes was concerned to ensure high standards of artistic performance. As Chair of the Council for the Encouragement of Music and the Arts he wrote in 1943:

"We also seek, and increasingly, to aid all those who pursue the highest standards of original composition and executive performance in all branches of the arts ... and to accustom ... audiences to expect and to approve the best"¹⁵.

But he also placed great importance on the role of the Arts Council in "decentraliz[ing] and dispers[ing] the dramatic and musical and artistic life of the country, to build up provincial centres and to promote corporate life in these matters in every town and country" so that "different parts of the country would ... learn to develop something different from their neighbours and characteristic of themselves"¹⁶.

At the height of the Great Depression, Keynes looked forward to a time when:

"the *economic problem* may be solved, or be at least within sight of solution, within a hundred years ... that for the first time since his creation man (*sic*) will be faced with his real, his permanent problem – how to use his freedom from pressing economic cares, how to occupy the leisure which science and compound interest will have won for him, to live wisely and agreeably and well"¹⁷.

In anticipation of that time, Keynes thought:

"there will be no harm in making mild preparations for our destiny, in encouraging and experimenting in, the arts of life as well as the activities of purpose"¹⁸.

Although one might say that there are still another twenty-three years in which Keynes' prediction could come true, it's more likely that this will be another thing about which he was wrong. Alternatively, it could be seen as an illustration of the contemporary economist's maxim that when forecasting, one should give numbers, or dates, but not both!

¹³ JM Keynes, 'The Arts Council: Its Policy and Hopes', originally published in *The Listener*, 12 July 1945; *Collected Writings*, op. cit., p. 368.

¹⁴ Cited by Mary Glasgow, 'The Concept of the Arts Council', in Milo Keynes (ed.), *Essays on John Maynard Keynes* (London, Oxford University Press, 1975), p. 263.

¹⁵ JM Keynes, 'The Arts in War-Time', originally published in *The Times*, 11 May 1943; *Collected Writings*, op. cit., p. 360-61.

¹⁶ JM Keynes, 'The Arts Council', op. cit., pp. 370-71.

¹⁷ JM Keynes, 'Economic Possibilities for Our Grandchildren', originally published in *Nation and Athenaeum*, 11 and 18 October 1930, and subsequently in *Essays in Persuasion* (London, Macmillan, 1931), pp. 326 and 328.

¹⁸ *Ibid.*, p. 332.

However Keynes' vision of the role of the arts in our society, and the role of the State and of the private sector in financing it, remains as valid today as it was when he was spelling it out.

The Australia Council, and the various State Arts bodies such as the one which I currently have the privilege of chairing, were modelled on the organization of which Keynes was the founding chair.

In one of those odd parallels with which history is replete, the founding Chair of the Australia Council, Herbert Cole ('Nugget') Coombs, was also an economist. During his nineteen years as its Governor, the Commonwealth - subsequently the Reserve - Bank acted 'to some degree as a patron of the Arts, particularly those related to painting, sculpture, architecture and associated crafts', acquiring a 'variety of works by contemporary Australian artists who have become recognized as the most distinguished of our time'¹⁹.

Coombs' views on funding of the arts were similar to Keynes:

"The Arts have always needed patrons, and it has seemed to me that those on whom 'the arrangements of society' confer control of great resources have an obligation to society to perform this function. The natural successors of the noble families of the Middle Ages are today the great corporations, public and private"²⁰.

According to Coombs, Ben Chifley regarded arts companies as 'sinks for public money'²¹ while Menzies, despite his skills as a performer, 'had little interest in any of the Arts'²². Nonetheless, from 1959 onwards the Commonwealth Government began providing financial support for the Australian Elizabethan Theatre Trust, which in turn became the primary source of advice to the Government on the arts and the vehicle through which Government funds were channelled to other organizations. Inevitably this led to rising concerns about what we would today call perceived 'conflicts of interest', which in turn led, after the elevation to the Prime Ministership of Harold Holt (whose father had been an impresario) to the establishment of the Australian Council for the Arts, of which Coombs became the inaugural Chairman in 1968 and remained until June 1974.

Coombs' philosophy in administering the Council's programs of support for the arts was clear:

"The arts are not merely for the practitioners, they are also for the patrons, for the audiences. Their representatives are as likely as artists to assess ways of meeting their needs, or of adding to their opportunities and range of choice"²³.

The inaugural Chair of the Tasmanian Arts Advisory Board, Claudio Alcorso, was also trained in economics, taking an undergraduate degree in that subject at the University of Rome and extending his studies at the London School of Economics, although rather than pursuing a career in economics he then entered his family's textile business²⁴.

¹⁹ HC Coombs, *Trial Balance* (Macmillan, Melbourne, 1981), p. 224-5.

²⁰ *Ibid.*, p. 226.

²¹ *Ibid.*, p. 218.

²² *Ibid.*, p. 223.

²³ *Ibid.*, p. 254.

²⁴ Joseph Talia, *The Alcorso Story*, www.italydownunder.com.au/issuefour/alcorso.html.

Alcorso came to Australia in 1939, prompted by the fact that it was the largest per capita purchaser of printed textiles in the world, but was interned as an 'enemy alien' upon the outbreak of World War II until 1944 (despite efforts by the conductor Toscanini, among others, to procure his release). He transferred his business from Sydney to Tasmania in 1947.

Claudio Alcorso was also a member of the Elizabethan Theatre Trust, and subsequently founding Chairman of the Australian Opera. In that capacity he persuaded the then Prime Minister William McMahon to double the Commonwealth Government's financial contribution to the Australian Opera, and also pioneered the practice of approaching corporations for sponsorship, extracting in short order \$55,000 from Pioneer Concrete, \$70,000 from TNT and \$90,000 from Amatil for Australian Opera productions (in 1970)²⁵. This is equivalent to almost \$1.9mn in today's dollars.

The role which economists, or people with training in economics, have played in promoting support for the arts in Britain and Australia thus belies their widespread perception as people who 'know the price of everything and the value of nothing'.

Of course it continues to be important to make the case for government, corporate and individual support for the arts. Inevitably, even though I acknowledge the frustration it causes for those working in the arts who believe that their intrinsic and aesthetic value is sufficient justification for public and private support²⁶, that case has to highlight the ways in which the arts can and do contribute to other objectives.

Advocates of funding for sport rarely have to do that because, according to Australia Council Deputy Chair Joseph Gersh:

"the community at large is actively invited and encouraged to be part of 'elite' sports, by being spectators and supporters. In the arts, whether intentionally or not, 'elite' often comes across as exclusive"²⁷.

This is reflected in the comparative levels of funding for sport and the arts by government and business in Australia. In 2000-01, the latest year for which comparable figures are available, the Commonwealth, State and Territory Governments spent \$1.074bn on sport and recreation and \$1.785bn on the arts²⁸.

But this latter figure includes \$914mn spent by the Commonwealth Government on 'broadcasting and film', 90% of which was for funding of the ABC and SBS. On the (admittedly arbitrary) assumption that, at most, 10% of the funding provided by the Commonwealth to these two organizations is actually spent on 'the arts', the Commonwealth, State and Territory governments spent about 12% more on sports than they did on the arts, in that year at least.

²⁵ Ibid.

²⁶ See, for example, Jane Haley, 'Promoting the Value of the Arts', *Arts Hub* (7 March 2007).

²⁷ Joseph Gersh, 'Business and the Arts: What's in It for Us?', Speech for the Currency House *Arts and Public Life Lecture Series* (Sydney, 21 March 2007); edited version published in *Australian Financial Review* (22 March 2007), p. 44.

²⁸ Australian Bureau of Statistics, *Sport and Recreation Funding by Government* (catalogue no. 4147.0, November 2002), p. 5; and *Cultural Funding by Government* (catalogue no. 4183.0, August 2005), p.6. The latter figure includes \$226mn of spending on 'art museums' which the ABS classifies as 'heritage' rather than 'the arts'.

Moreover, and contrary to the implication in Joseph Gersh's comments which I quoted earlier, the 'elite' sports which have been most successful in attracting 'the community at large' as spectators and supporters – namely cricket, tennis, golf and the various codes of football – actually get virtually zero government funding. Government sports funding instead tends to be concentrated on those sports in which there is an opportunity to win medals at the Olympic and Commonwealth Games.

As I have said on a couple of other occasions²⁹, there is something vaguely reminiscent of the former East Germany about the way in which Australia holds up success in sport as somehow indicative of the superiority of our way of life; and we pay a price for the fact that we do not regard success in other fields as similarly worthy of support, encouragement or pride.

George Mason University's Richard Florida suggests that a vibrant arts scene is one of the things which acts as a 'magnet' for what he calls the 'creative classes' who are increasingly the drivers of differences in regional economic performance; while, by contrast, government support for professional sports conspicuously doesn't³⁰.

Yet, as he notes:

"States and regions across [the United States] continue to pour countless billions into sports stadiums, convention centres, tourism-and-entertainment centres and other projects of dubious economic value. The payback would be far greater if these regions channelled only a fraction of such funds into creative capital, for example, by supporting new biotechnology and software research or by investing in the arts and cultural creativity broadly"³¹.

Although Florida's research was focussed on the United States, the message of it is also applicable to Australia. It's one which South Australia appears to have taken more to heart than some other States.

The preference for spending on sport rather than the arts is much more pronounced in business than it is in government.

In 2000-01, the latest year for which figures are available, Australian businesses gave \$628mn to sport and recreation by way of donations or sponsorship, representing 43% of their total donations and sponsorship expenditures, compared with less than \$70mn to the arts and culture (and, for that matter, compared with \$339mn to community service and welfare)³².

This strong bias towards sport on the part of business people extends beyond where they spend their shareholders' funds. As Ralph Kerle of the Centre for Cultural Studies and Analysis points out,

²⁹ Saul Eslake, *Three Seemingly Unrelated Propositions Concerning Australia's Identity and Economic Performance*, Address to the Royal Society of Tasmania (Hobart, 6 September 2005), (http://www.anz.com/business/info_centre/economic_commentary/RoyalSocietyofTasmaniaSep2005.pdf), p. 7.

³⁰ Richard Florida, *The Rise of the Creative Class* (Basic Books, New York 2002), pp. 224-226 and 303.

³¹ Florida, op. cit., p. 320.

³² ABS, *Generosity of Australian Businesses* (catalogue no. 8157.0, June 2002), p. 6.

“rather than use arts as their inspirational role models for creativity, corporate leaders exhort their senior managers to embark instead on a quest to succeed and find new heights in performance by learning from Australian sporting heroes ... a sporting champion and his [sic] mindset represent the least threatening metaphor for commercial innovation and creativity”³³.

Yet in many ways the arts, more so than sport, embodies and requires skills and attitudes that are increasingly called for in contemporary business contexts:

- critical thinking;
- the ability to challenge conventional wisdom, to – in the clichés so loved of business leaders and consultants – ‘push the envelope’ and (gulp) ‘think outside the square’;
- the capacity to look at familiar objects or themes from new angles and perspectives;
- the ability to innovate with new media, new forms, and new technology; and
- the ability to borrow and adapt from things that appear to work in other settings.

Although some individuals have been and continue to be amazingly generous in their support of the arts, the vast majority of those individual Australians who do make tax-deductible donations prefer to direct their generosity elsewhere. According to a survey conducted for the Commonwealth Department of Family and Community Services and the Prime Minister’s Community Business Partnership³⁴ – which defined ‘giving’ more broadly than the Tax Office – found that fewer than 5% of all individual donors gave money to arts or cultural associations, and that arts or cultural associations received just 2.3% of all donations. Religious and spiritual organizations, international aid and development organizations, community and welfare associations and medical research institutes account for nearly three-quarters of all individual donations.

So there is still a major task before the arts community to engage not only with government but with business and with individuals to secure greater financial support for the arts. Although they may wish it were otherwise, people in the arts community cannot expect this support ‘as of right’.

I think Joseph Gersh put it well in the speech from which I’ve already quoted once before in saying that arts organizations ‘need to find out the goals of businesses and identify who within them is going to see the benefit in a partnership with the arts’ and then, once established, to nurture that relationship³⁵.

The Australia Business Arts Foundation plays an important role in helping to make and sustain these relationships, and I’m delighted to be able to support it today.

³³ Ralph Kerle, ‘We May Be the Lucky Country – but Not the Creative Country’, *Company Director* (Australian Institute of Company Directors, October 2004), p. 16.

³⁴ *Giving Australia: Research on Philanthropy in Australia*, Summary of Findings (Commonwealth of Australia, October 2005).

³⁵ Joseph Gersh, ‘Business and the Arts: What’s in It for Us’, op. cit.