

WHY THE STATE SHOULD STAY OUT OF CULTURE: AN ECONOMIST'S VIEW

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How should the state intervene, if at all, in the production, finance, and consumption of culture?

Economic liberals lean generally - subject to certain exceptions - against state interference with, and involvement in, *specific* economic activities/industries, on the grounds that this intervention will distort consumer choice, the allocation of resources, the discovery procedure of competition, and the process of natural economic selection in the market.

One of the major exceptions to this general rule, to which many outstanding economic liberals have given their strong support, concerns the matter of the promotion of cultural activity. They argue that in this area the state may, and should, play a positive role in fostering developments which either cannot be, or is not, forthcoming as a result of commercial pressures in the market.

Despite massive pressure on his ailing health due to his unstinting work at the Treasury during World War II, no less an economist than John Maynard Keynes acted as chairman of the Council for the Encouragement of Music and the Arts (CEMA) from April 1942 until his death (in 1946). And it was Keynes who "... fashioned the Arts-Council-to-be and laid the foundations of permanent State patronage of the arts in Great Britain."¹ The late Lord Robbins - although sometimes at variance with Keynes on some other aspects of overall economic policy - likewise accepted the case for state subsidy of the arts. Like Keynes, he also became personally involved heavily in these endeavours. His *Autobiography of an Economist* records that the administration of the arts - specifically, publicly-funded institutions connected with the visual arts (the National Gallery) and the lyric and balletic theatre (the Royal Opera House) - were one of the "main preoccupations" of his mature life.²

In our own day, such noted economic liberals as Sir Alan Peacock and Samuel Brittan have been prominent in arguing that the deregulation of the market in television broadcasting - which they have advocated strongly as authors of the Peacock Report³ - should be accompanied by the setting up of an Arts Council of the Air, for the purpose of subsidising with taxpayers' money those quality productions for broadcast that might not otherwise be commercially viable.⁴

Most recently of all, the liberal political theorist John Gray - in a wide-ranging treatment of many issues that amounts to his personal manifesto for classical liberalism - has accepted that, as a central matter on the positive agenda of a limited state "... government may legitimately fund artistic activity so as to renew the common culture."⁵

This paper examines the economics underlying these arguments and positions, and makes conclusions as to the advisability of the policies advocated in this long and strong tradition amongst classical liberals of the fostering of cultural development via the state.

TWO MEANINGS OF "CULTURE"

Before starting on that task, it is first necessary to distinguish between two separate (if related) meanings of the term "culture".

Firstly, the term is used to apply to the *personal* achievement of higher intellectual and aesthetic abilities and insight. In this sense of culture, the "person of culture" is one who has come to acquire more refined tastes and judgement in either the consumption or production of what we might term generically as "cultural commodities" such as art, dance, music, architecture, etc. Crudely put, it is the consumer who prefers Bach to Bros; the artist who attempts

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to add to an evolving and difficult school, instead of (let us say) churning out posters for an advertising agency.

Secondly, the term culture is used to refer to the state of intellectual, artistic, and social development of an *entire society* said, by social anthropologists, to possess a “common culture”. Thus, for example, we distinguish between the culture of the ancient Aztecs and the ancient Greeks because of their different “cultures” - in everything ranging from their corpus of scientific knowledge, types and styles of metal-working, architecture, political organisation, artistic motifs and modes, and social arrangements.

There are, of course, intimate, yet subtle, inter-connections between the two types or levels of “culture”. Culture in the first sense is evidently a (if not the) basic input to - as well as the ultimate reflection of - culture in the second, wider, sense. To take a very ancient example, the civilisation of Cro-Magnon Man (i.e. towards the end of the Paleolithic, or Old Stone, Age) is ineluctably linked in our minds with the marvellous cave paintings of deer, bison, etc. of the period (as at Lascaux, France, circa 12,000 B.C.). Again, the emergence of the New Stone, or Neolithic, Age, is generally regarded by archeologists as being defined by the general advent of house-building, the baking of clay pots, and the utilisation of highly polished stone tools (as well as the domestication of animals). Yet all of these developments must first have involved *individuals* in concepts of cultural and economic advancement - *homo sapiens* not possessing a collective mind - and subsequently then only spread more widely by group adoption, imitation, trade, and conquest of tribes that were equipped culturally and economically in an “inferior” manner. Yet these developments define for us now the “character of the age(s)” in the second sense of culture.

Despite the close interlinkage, in an input-output sense, of the two types of culture we would do well, as will be later argued, to keep them separate in our minds, especially as regards the construction of government policy towards culture today.

There are perhaps three main economic arguments or lines of analysis underpinning the thrust towards - even in the economic liberal camp - government funding of, or involvement in, the cultivation of culture. Let us label these as the public goods argument, the merit goods argument and the “cultural underpinnings” argument. They are examined in turn below.

CULTURE AS A PUBLIC GOOD

The public subsidy of Arts Councils of “land” and Air, counselled in the past and present by noted liberals, may undoubtedly be presented in terms of a general argument regarding the predicted under-supply of pure public goods in a purely market economy.

A “pure public good” - in the technical sense that this term is used in economics - is one which has the attributes of both non-excludability (i.e. non-payers for the service rendered or quantity consumed cannot be monitored, and thus charged for), and jointness of consumption (i.e. for a given quantum of output of the good or service, an extra consumer can partake of consumption without detriment, or cost, to the consumption of others).

Probably no “pure” public good exists - any more than does the “pure vacuum” of the physicist’s abstract reasoning. The only reasonable questions to ask are: *to what degree* does any product or service exhibit non-excludability or jointness of consumption? And, are there other possible ways of tackling these matters, to the extent that they exist, and at what cost, neither then relying without question upon the coercion-taxation-subsidy approach?

There is certainly a serious argument regarding broadcast (TV or radio) transmissions that some sorts of cultural/arts productions exhibit the jointness of consumption characteristic. Given an existing nationwide transmission network, then an extra viewer/listener can enjoy the resultant outpourings at virtually negligible cost to either the transmission system or to society in general.

Orthodox welfare economics teaches that a basic rule for the (Pareto-) optimal allocation of resources is that price should be (approximately) equal to the marginal cost. Thus - as in this case - if the marginal cost of the extra consumer is zero or negligible, so should the price charged to them be zero (especially as charging involves positive costs of collection, including those of policing the exclusion of non-payers). The residual cost - resulting from the non-payment for cultural entertainment - must perforce come - where else? - from the public purse.

Thus runs the line of argument as respects jointness of consumption of such cultural commodities. There are, however, a number of vitally serious problems concerning it, amongst which there is the paramount empirical fact that the argument might only be made to apply to certain *types* of cultural production, as *via* national broadcast transmission. Extra consumers of a live theatre performance, by contrast, undoubtedly involve the theatre in extra seating, maintenance, personnel, and other, costs. The marginal cost of the extra consumer is here not at all zero.⁶ Much the same applies to art galleries, museums - and cathedrals, now amongst the UK’s top tourist attractions.⁷ Extra tourists do mean, in the latter venue especially, escalating costs of expert repair and maintenance - without the wherewithal, generally, to do so afforded by the income from an entrance charge. No small wonder that Hereford Cathedral was eventually driven to the idea of selling off its famous *Mappa Mundi* to deal with its mounting financial difficulties!

Moreover, the negligible marginal cost applying to extra viewers of TV/Radio broadcasts applies equally to the case of the showing of pornographic movies on TV as it does to the broadcasting of St. Paul’s Choristers performing on Christmas Day. To distinguish between the two cases requires the concept of merit goods, discussed below.

Again, it needs to be noted that the exclusion principle *can* be made to apply in the case of most cultural commodities. Clearly, most museums and art galleries are well equipped (or should be) to deter or prevent unwelcome and stealthy entry. Theatres all possess ticket offices and ushers to check the tickets to the same general purpose. Exactly the same entrance-pricing policies *could* in principle be applied to the cathedrals (currently, only Ely does so).

CULTURE AS A MERIT GOOD

The last point, relating to entrance to cathedrals, leads pointedly on to a further, and different, case for avoiding market dictates in allowing access to the consumption of cultural commodities. Many ecclesiasts would object that a policy of charging for entry to cathedral precincts might discourage, or prevent, genuine, but relatively poor, worshippers of God from doing so in facilities created for that very purpose.

More mundanely, but more generally, it may be argued on economic grounds that there exists a range of goods which should be supplied at below - or even zero - cost of delivery, because of the inherently uplifting effect of these commodities in a cultural sense, quite independently of any element of publicness, in the technical economic sense defined above, that they may also exhibit.

The term "merit good" was originally applied to such cultural commodities by the eminent public finance theorist Richard A. Musgrave some thirty years ago,⁸ but their nature has remained elusive to economic analysis because the notion of them conflicts with the orthodox assumption by economists, and the bedrock postulate of Paretian welfare theory, that individuals are the best judge of their own interests. This is by assumption not the case with merit goods, which are supposed to *transform* the individual - providing, for example, a "new way of looking" at the world, or new feelings, or ones of a previously unreachable intensity. Moreover, the individual that emerges from this transformation is in a sense a different person, capable of perceptions, actions, or reflections that previously were not thinkable or doable by that person. Exposure to (good) education and science, and cultural experiences of all sorts, are argued to fall into these categories.

It is pertinent to note - we shall return to this matter later - that there may also exist a class of "demerit" goods (as I shall term them), the consumption of which degrades in some manner the individual rather than uplifting their cultural horizons. Addictive drugs, hard pornography, and exposure to extra-violent films are commonly cited as examples.

The problem for public choice posed by merit and demerit goods is quite different from that resulting from the existence of public goods (and public bads). In the case of the latter, the problem is to give effect to existing, underlying consumer evaluations, as each individual has an incentive to hide his/her true preference, hoping to "free ride" on provision by others. With merit goods, however, the yet-to-be-transformed individual cannot fully *perceive* the true benefits of consumption until after the experience, any more than an athlete can appreciate fully the joys of being "close to God", until *after* his or her conversion.

This means technically that the *ex ante* market demand for merit goods such as cultural commodities is sub-optimal, not in the Paretian sense, but as would be viewed by the consumers themselves once in an *ex post* consumption state. Many are the people, for example, who say that their lives were transformed by reading some particular book - be it the *Bible* or *Catcher in the Rye*.

This in turn means that the demand for merit goods cannot be approximated by some public-choice-style voting device, such as a unanimity rule, majority rule, or the Tul-

lock-Tideman demand-revelation process. It must in a sense be imposed on an "uneducated" consumer, or encouraged by appropriate public subsidy. Thus, the idea of the Arts Council, and the proposal for an Arts Council of the Air.

To accept this, however, means implicitly that arts/culture-promoting policies are in a sense but a *special brand of selective industrial policy*. The problem with industrial policy is how to "pick winners" that for some reason - such as positive external effects - are being under-rated and under-invested in by the market. The problem for sectoral industrial policy is how to avoid backing losers - of which there have been many instances in post-war UK industrial policy history.⁹

An arts/culture policy based on the selective subsidisation of certain theatre companies, artists and art schools, musicians and performances (etc.), faces precisely the same problems: how to "pick merit" and avoid "backing rubbish".

As with "picking winners" *via* industrial policy, the problem of "detecting outstanding merit" amongst producers of cultural commodities is not at all easy. Many are the great artists who have sat in their garrets, or otherwise eked out an existence, while their works went undetected by the artistic establishment and patronage of their age. Whilst his paintings now sell to Japanese financial institutions for double-digit millions of dollars, Vincent Van Gogh died (of his own hand) in penury.

Conversely, many are the artistic and musical "movements" that whilst being fashionable for long, failed the test of time. The style of architecture, for example, which was to find the most favour in the Twentieth Century - and which was to become the so-called "international style" after 1945 - was that developed by Oud, Gropius, Le Corbusier and Mies van der Rohe. This stressed functionalism, utter simplicity of line, and the unadorned and undisguised utilisation of modern materials such as concrete and steel. In the 1960s it seemed as if no new major building could be styled in any other than the "international style": it was *de rigueur* for all new architecture. Looking back in anger at the consequent rape of many ancient city centres and sites, many today might, however, agree with Prince Charles that the post-war imposition of this particular style of architecture in Britain's inner cities did far more damage than the Luftwaffe had done in the Blitz!

It is this fundamental difficulty concerning the selection of merit amongst the supply of cultural commodities that necessitates a resort to Arts Councils - be they of land, Air or Sea - composed of the Great and the Good as authorities of art and culture. To repeat, given the very nature of merit goods, no public choice mechanism is available for detecting the post-experience level and structure of individual demand for cultural commodities, and, likewise, the market is similarly flawed.

However, as any type of Arts Council must selectively "impose" (if only by means of selective subsidisation) choice from above, there are inevitable dangers involved in the mechanism, in a variety of ways.

One danger is indicated by the literature on the economics of the regulation of industry. Studies of this matter, particularly from the USA experiences, indicate the possibility

of “regulatory capture”, whereby the established components of a regulated industry manage to convert the regulatory authority into its lap-dog utilising, for example, regulation on new entry, and prices, as implicit cartelisation devices.¹⁰ Applied to the Arts Council model - which is a subsidy-distributing, not regulatory, agency - the related possibility exists of “grants capture” by the Establishment, at the expense of new and peripheral producers of cultural commodities. The present heavy concentration of arts-related grants - to artists, museums, galleries, theatres - in the London area, might be taken as an indication of such a tendency.

Second, an Arts Council, especially if dominated by one figure or clique, may remain “uncaptured” yet bend the distribution of grants according to its own preferences - perhaps even for its own purposes. Hutchinson has examined in detail how CEMA under John Maynard Keynes - and subsequently the Arts Council that arose from it - made the Covent Garden Opera its most heavily subsidised “client”. He also notes that Keynes was not only chairman of CEMA, but also of the Covent Garden Opera House Board - and he was, of course, married to the ballerina Lydia Lopokova.¹¹

THE PROBLEM OF JANUS-FACED MERIT GOODS

Does the foregoing matter? Surely “we can all agree” that ballet has some merit?

The problem is not so simple. First, if we did so all agree, then the case for subsidy-distributing Arts Councils is removed. People would purchase for themselves the cultural commodities that they are supposed not to regard.

Second, and more fundamentally, views on cultural commodities are intensely personal. What may be high Art in the eyes of one beholder may be a pile of old bricks, and nothing else but, in the eyes of others.

It is quite possible for a cultural commodity to be a merit good to some, and a demerit good to others. Examples abound, but the matter is most strikingly illustrated today by the *Satanic Verses* affair.

Salman Rushdie’s book (which, not incidentally, did not receive any public subsidy in the UK) has been praised for its value as literature by a number of noted authors, such as Arnold Wesker. Yet it was also to give rise to a most volatile protest against its publication and sale on the part of many Moslems - and, of course, a death threat for the author, instigated and announced by the late Ayatollah Khomeini. Clearly, those of the latter persuasion regard the book, in the terminology used here, as a demerit good. The argument for prohibiting it is not based on public goods/public bads grounds, but rather that, as a demerit good, it demeans the reader *via* its contents - the opposite case to a merit good that “uplifts”.¹³

Cases of such “Janus-faced” cultural commodities - being a merit good as seen by some, a demerit good by others - are by no means confined to those where religious controversy is involved. If a future Arts Council of the Air were to promote via subsidy an unexpurgated screening of the film of D. H. Lawrence’s *Women in Love*, this might be regarded by some as an appropriate distribution of funds on merit goods grounds. Others - and assuredly the National

Association of Television Viewers - would object on grounds of its purportedly degrading sexual explicitness.

An Arts Council of the Air could avoid such controversies only by selecting for subsidy those productions to which no-one would at all be likely to object to, as “everyone liked them”. Yet, this again would remove its very *raison d’être*. If they were already very popular, there would be spontaneous market demand for them in a deregulated broadcasting industry. The express purpose, however, of subsidising supposed merit goods is to *alter* the existing pattern and level of demands and supplies of cultural commodities.

Nor is it at all that easy to pick upon those productions about which everyone might subsequently agree that it was a merit good - or at least not a demerit good. It might be remembered in this context that even cleaner-than-clean cartoons of the *Tom and Jerry* and *Bugs Bunny* varieties, have been attacked by some for their portrayal of violence, for “insidious propaganda”, and - at the same time - a lack of realism.¹⁴ Yet others deny these arguments.¹⁵

THE CULTURAL UNDERPINNINGS OF THE MARKET ECONOMY

A third type of argument for state subsidy - or, preferably, in his view, tax relief - for the supply of cultural commodities has recently been put forward by Dr John Gray in his exposition of the positive agenda for limited government.¹⁶

His tract covers a plethora of varied issues, and comes to many conclusions from which the present author would not dissent. Yet the core ideas of Gray’s monograph relate centrally to our matters of concern here, and do raise questions about the role of the state in relation to cultural development.

His general thesis is that - *contra* Hayek - the market economy is not a self-sustaining order, in the sense that its survival “depends crucially on an unguarding culture of liberty”, which cannot be protected or maintained by statutory or constitutional means.¹⁷ Thus, for Gray, an appropriate cultural underlay is the *essential* background which the market order needs in order to reproduce and regenerate itself over time. Or, in his own words: “*stability of the market society depends crucially on a matrix of cultural traditions which at once legitimate it and find expression in it.*”¹⁸ (Italics in original.)

Although the latter argument is developed under a sub-heading in the text entitled “Culture as a Public Good”, Gray’s analysis is in fact of a quite different character. He appeals neither to nonexcludability or to jointness of consumption in analysing the role of culture. His argument is rather that a sustaining culture is an essential *pre-requisite* of an ongoing market economy; in much the same way that orthodox micro-economics accepts that an appropriate specification of (private) property rights enforced by government is an essential prerequisite for the workings of the price system.¹⁹

Moreover, Gray’s analysis is implicitly directed at “culture” in the second sense defined earlier - culture in the sense not of *personal* achievement or upliftment in the production or consumption of cultural commodities, but the state of an entire “common culture” in the social-anthropological

sense. To repeat, it is concerned with the “*matrix* of cultural traditions” which legitimate, and find expression, in the market economy.

In a way, the Gray analysis thus relates more closely to Habermas’ sociological analysis of capitalism and culture, than to orthodox classical liberal expositions of the roles of the market and the state to the provision of cultural commodities. It is Habermas’ contention that capitalism contains cultural contradictions - that the workings of the market economy create a collision with the “life-world” of its cultural underpinnings (in an era “post-materialist” values), and may thus undermine itself.²⁰ Gray, however, does not go quite that far - to argue with Habermas that capitalism contains *inherent* cultural contradictions. He does, nevertheless, accept with Habermas that the cultural foundations of capitalism are crucial for its stability and survival.²¹

This leads him to accept, as part of his positive agenda for a limited government in a market society, (a) tax relief to various forms of “desirable development” that sustain the common culture, (b) the possibility of subsidies dispersed through state-funded agencies, such as an Arts Council of the Air, to achieve the same effect, and (c) the extension of government aid (either directly or via vouchers/tax subsidies) to Muslim, Orthodox Jewish, and Hindu schools, “... an enabling device whereby these cultural traditions can renew and reproduce themselves.”²¹

There would seem to be some fundamental problems in this “cultural underpinnings” argument for state support and promotion of cultural commodities and activities. First, what is the “common culture” and how do we identify it? Second, do all “cultural traditions” that exist in a free society promote that situation?

The very existence of a “common culture” in contemporary advanced capitalist societies is a moot point. Admittedly, there are some common elements. Modern Man, like Cro-Magnon Man is, for example, essentially a cave-dweller - with the difference that the former tends almost uniformly to erect his own “caves”, instead of relying upon the natural supply of holes in the ground. There are other commonalities of modern culture, such as extensive reliance upon TV as a source of entertainment. Beyond these lowest common denominators, however, what assuredly marks out modern society is the extreme *diversity* of cultural commodities and activities. Variegation of cultural pursuit, and not commonality, is the hallmark of contemporary culture. A listing of the cultural activities available in a major city such as London - as in *Time Out* magazine - reveals a massive diversity of available options; and this would be only a partial listing.

Moreover, not all of these cultural activities are necessarily consistent and conformable. The traditional British pub may be a long-standing cultural institution (in our second sense of “culture”) to many Britons; but, of course, the partaking of alcohol is an anathema to those who are strict Moslems - and who are a not insignificant minority of the total UK population.

The great cultural diversity of contemporary society may be seen as the result of the development nationally and internationally of the market economy, which has led to dramatic reductions in the cost of trade in goods, the

transmission of ideas, and the migration of peoples. The result, however, is not necessarily, or even evidently, to produce a newly-constituted cultural blend upon melting-pot lines.

We must face up to the fact that in a modern, highly diverse, society to seek for a “common culture” - other than that represented by the very lowest common denominators - is to seek for a will o’ the wisp. Government cannot promote it, because it cannot identify it.²²

About all that government in modern society can do is try to ensure that all groups and mini-cultures face one common set of laws - the rule of law - so that cultural competition is fair and open.

This leads on to the second point noted above. Gray’s argument that government aid that currently applies to state schools should be extended, for example, to Moslem and Hindu schools. This, indeed, would be consistent with the rule of law. It does, however, raise two further questions.

- i) Given that it should not be the business of the state actively to promote an illusory common culture, is it any more its business actively to promote by grants or other means maximum cultural diversity?
- ii) Relatedly, how far should the government go in extending this aid to “cultural groups”? The Rev Sun Myung Moon’s Unification Church, for example, might plausibly claim that it is “more pro-market” than Islamic Fundamentalism, and should receive equal treatment. And what of other small sects? Charles Manson, after all, believed himself to be running a sect ...

The Manson case could be eliminated as an appropriate group for government aid on the Gray criterion that the purpose should be to maintain and renew the culture of *liberty*. But other, less baleful, cases point to the general difficulty of drawing a line in these matters.

What, for example, of the Christian Socialist Movement initially founded in the 1840s in England by Frederick Denison Maurice? Presumably the Christian orientation of the Movement is not in doubt. Key ideas in Christian Socialism from its inception, however - and which continue to this day - were its outright opposition to “heartless” individualism and competitive capitalism. “Christian” in viewpoint Christian Socialism certainly is; libertarian in inclination it is not. Should government aid be extended to them on the Gray criterion?

Consider, alternatively, a non-religious cultural movement - the so-called “Beat Movement” that sprang up in the mid-1950s centred at such locations as Greenwich Village in New York, the North Beach of San Francisco, and Venice West in Los Angeles. Led by poets and writers such as Allan Ginsberg, Gregory Corso, William S. Burroughs, Lawrence Ferlinghetti, Gary Snyder and Jack Kerouac, the Beat Movement was to achieve a profound impact on the culture of American youth, both of those times and later generations. There are also those literary critics who would argue that the Beat Movement contained within it some figures of undeniable literary and poetic talent.

At the same time, the Beat Movement proselytised for ideas that are not necessarily at all the sort of cultural underlay most conducive to the survival of capitalism.

These included “dropping out”, experimentation with drugs, the rejection of “middle class” values, and sexual abandon (indeed in Burroughs’ work it included outright advocacy of the extremes of depravity).²³

Would or should an Arts Council feel it valid to provide grants to a resurgent Beat Movement, or to allow tax relief to a foundation created to support such cultural endeavours? Would an Arts Council of the Air feel it right to subsidise the production and transmission of some of the “wilder” Beat Movement statements - given the fact that they were uncommercial, but judged to be of literary merit?

These questions are posed simply to bring out the fundamental practical difficulties in applying a workable, and non-controversial, set of criteria for government aid to cultural endeavours on the Gray model.

The basic problem is that not every producer of cultural commodities is as with Voltaire, a paragon of advocacy for freedom of expression, a literary bastion against intolerance, and a debunker of economic *dirigisme*. Here indeed is a clear case of cultural endeavour that could only be seen as one fundamentally supportive of the culture of liberty.²⁴ Once, however, we move away from such a pinnacle of the *genre*, it becomes apparent - very quickly - that it would be no easy task to select amongst cultural commodities, traditions, and movements according to their impact upon the general cultural underpinnings of the free society and economy.

Indeed, it may be argued to the contrary of Gray that it is of the very nature of a free society and economy that it can cope with and adjust to a very considerable quantity of anti-capitalist culture, and that we should not be overly concerned with the production of cultural commodities and movements that are of an anti-market bent: *provided* that these are not enforced by the state.

The market economy of the West has survived over the Twentieth Century, despite the prevalence over this long period of an anti-capitalist mentality in cultural, artistic, academic, and (increasingly) religious circles. There is a fundamental reason for this: the free society/economy is essentially “flexible” in nature, and can absorb, diffuse, and respond to a hostile intelligensia in ways that are not open to more “brittle” central planning-cum-totalitarian socialist regimes.

The widespread “counter-culture” of the 1960s and 1970s - which was in part the child of the earlier Beat Movement - did not “bring down capitalism” in America or Western Europe. To put it at most, it did alter, at least temporarily, the words attached to some pop songs, and created fortunes for some pop groups. Again, numerous student leaders of those times were subsequently to become entrepreneurs (e.g. in publishing), or managerial executives of high rank - as companies judged that they exhibited considerable leadership potential.

This compares dramatically with the fate of the short-lived student movement that thronged Tiannamen Square in Beijing in early 1989, calling for greater freedom and democracy. Only the fate of some of the participants is as yet known - and that was certainly not one of accelerated progress on an inside-track executive training programme, for eventual high corporate office.

A free economy and society, by its very nature, offers multiple opportunities for the exercise of exit and voice, for peaceful disagreement and controversy, criticism, and market experimentation with new products, services, and cultural movements. In this way, it is capable of accommodating to, and even absorbing, cultural developments that would indeed undermine a non-free society.²⁵

THE CASE FOR A POLICY OF LAISSEZ-ALLER

None of the foregoing is to deny the fact that historically, government finance and commissioning of works of cultural endeavour have led to the production of works of an outstanding nature.

The Renaissance in letters and arts that originated in Italy in the fourteenth century, and which spread over the rest of Europe at varying rates subsequently, was in considerable part the result of official (government and official church) patronage.

The artist Giotto (1270-1337), at the beginning of the Renaissance, was patronised not only by the guilds and rich men of Florence but by Roman Cardinals and the King of Naples. In the two centuries following, more and more despots and Kings - as well as merchant princes - were to join the ranks of artistic patronage across Europe. In Florence, not only commercial magnates but churches, monasteries, and local governments mounted a financial campaign for civic beauty. Lorenzo the Magnificent employed Botticelli, and subsidised the works of the Humanists of the Platonic Academy. Il Moro, the Sforza despot of Milan, appointed Leonardo da Vinci as his Minister of Fine Arts, Director of Public Works, and master of the Revels.²⁶ Various Popes commissioned Leonardo da Vinci, Botticelli, and Michelangelo with a view to turning Rome into the artistic and architectural capital of the world. Further north, Durer was to receive extensive commissions from the Emperor Maximilian, whilst Holbein was employed by the court of Henry VIII.

By the time of Titian (1477-1576), in the middle decades of the sixteenth century, this “system” of official patronage had become so extensive that the painter concerned was receiving offers from half of the Kings and Despots of Europe.

Many would feel that not much, if any, of this extensive state expenditure went to “waste”! Official patronage can admittedly lead to the production of outstanding, and lasting, cultural commodities. Is there not, given the Renaissance example, a sound case for state involvement in the production, or at least (part?) finance of these commodities?

The tenor of the argument in the foregoing analysis was to cast severe doubt upon that case. It is worth reiterating the main points.

First, the volume of technical public goods amongst the serried ranks of cultural commodities is very much smaller than is commonly and glibly asserted by the “pro-culture” lobby; and in many cases they could be easily “privatised”, in the sense that only those paying for access enjoyed the benefits.²⁷ Second, the merit goods argument for public subsidy of cultural commodities runs into a number of analytical and practical quagmires. There is no mechanism for revealing - given the inherent nature of such goods - what

is the “true” demand, post-consumption, for them. Thus selective aid of supposedly meritorious cultural commodities has to be de-termined “from above” on some Philosopher-King model of an Arts Council. But Leonardo da Vinci is not always available to fill this roll, and any quango system runs the risk of elitist imposition or lobbying “capture”. “Janus-faced” merit goods also exist, in multiple numbers, and cause excruciating problems if public subsidy is involved: the state then appears to be backing one view against another, in what are, after all, deeply personal, subjective matters.

Thirdly - and most importantly, however - it is extremely dubious that we can define, by anthropological or other means, the “common culture” of contemporary Western society, and then allocate subsidies or tax reliefs to (purportedly) cultural undertakings, especially (if on the Gray model) these are supposed to be supportive of the culture of *liberty*. Either the quangos concerned would inevitably engage themselves in matters of high religious and political controversy, or accept a soporific role of subsidising those undertakings of such an anodyne nature that they could not possibly give offence to anyone (an extremely difficult task in itself!).²⁶

We must remember that the culture of contemporary Western society is not the culture of the late Middle Ages, or of Paleolithic Man. Its hallmark, if there is one, is of massive diversity and experimentation, culturally and economically. “Culture” in Medieval society was unquestionably bound up with a generally-shared vision of a relation of Man-to-God, and was witnessed in the great cultural artefacts - epitomised by Michelangelo’s architectural plan for St Peter’s in Rome, and his massive effort in the painting of the Sistine Chapel - of those times. But with the Renaissance, we see a turning towards a more secular vision of culture, in which *homo sapiens* and the rest of nature exist independently of God. And, in contemporary society, we witness a veritable explosion of cultural diversity and pursuits, itself the result of the freedom to experiment that a market society has offered, and the mixing of cultures from across the globe to which this has given rise.

Given this state of our social-economic evolution, it is impossible to declare what constitutes our “common culture”, and what, accordingly, should be accorded government aid to sustain it. Indeed, given the essentially evolutionary character of contemporary culture, an attempt to reproduce and renew contemporary culture by means of government aid - as Gray argues for - might well undermine the very wellsprings of evolution that feed this evolutionary culture, and (attempt to) freeze it into some (state or quango-determined) cultural ice age. (An Establishment-minded Arts Council set up in the age of Cro-Magnon Man, for example, might well have declared that public subsidy would go only to those paintings made on cave walls, in order to “reproduce and renew” the traditions of the culture).

The alternative is to accept the inevitable. If the state or its agencies cannot define the common culture - and they cannot in an evolving, free society - and we accept that they should not be in the business of the (probably spurious) extra creation of cultural diversity, then there is the policy of *laissez-aller*, of “letting go”. In other words, the state in contemporary society should not be involved in the finance

and production of cultural commodities. It is this policy that, given the foregoing argument and analysis, I would advocate.

This is immediately objected to by those who love the arts - including, as implied above, many classical liberals. With the abolition of the Greater London Council, over one hundred noted artists, authors, and performers, published major advertisements in the national press criticising the move, and arguing that the “Arts Were in Danger”; that London threatened to become a cultural desert.²⁹ The fear is that, in the absence of government/quango subsidy, the arts as we know them would disappear - or be considerably reduced in supply.

I would argue staunchly to the contrary. Historically, many artists and composers - like great entrepreneurs - have persevered against much adversity to attain great stature eventually, driven by their creativity. Samuel Smiles recounts in detail how Turner, Tintoretto, the two Caravaggios, Giotto, Zingaro, Cavedone, Canova, Gainsborough, Bacon, Inigo Jones, Etty, Flaxman, Chantrey, Claude Lorraine, and many others, struggled from obscurity and, often, dire poverty.³⁰

Moreover, the confrontation of producers of cultural commodities with the realities of market demand have historically caused them to consider the marketing and “packaging” of their products, in ways that they would not have been forced to do if insulated by public subsidy. It bears remembering that opera was developed in Italy in the late eighteenth century onwards by entrepreneurs - not by governmental organisations - and attracted the sort of attention and rapture that we nowadays associate with major “pop” (read: popular) concerts.³¹ Perhaps it is of the inevitable nature of things that once a cultural movement, in a developing, evolving, and diverse society, becomes the “property” of the Establishment, and then assailed by state subsidies, that it loses its dynamic vigour; and the attraction to the youth of the day.

CONCLUSION AND CAVEATS

The purpose of this essay is to open up debate about the appropriate role, or otherwise, of government funding in relation to the production of cultural commodities, a matter which is dear to the hearts of many of the intelligensia - including the classical liberal intelligensia (who would otherwise adopt a generally strict line concerning state funding of most forms of economic activity). It suggests that state sponsorship of culture and the arts has - in the conditions of contemporary society in particular - much less force behind it than many would have us believe.

This is, of course, not the same thing as an impossibility theorem: it is not *impossible* that state finance of culture could add to net social utility. It is just extremely difficult to do, in ways that do not enshrine moribund traditions, or give offence to certain groups in an heterogeneous society via the state financed production of (for them) demerit goods. On balance, it seems best for the state, as a matter of central policy, to leave such matters well alone in a free, diverse, and evolving society: *laissez-aller* should be the watchword of policy.

It is important to note what this does *not* rule out. It does not completely rule out local government subsidy to developments of local historical and cultural interest, or joint

public-private ventures in these regards. The more localised the concern, then probably the greater is the sharing of values and concerns (especially if devoted to historical matters - which are not in dispute).

Second, it does not at all rule out the erection of public buildings and monuments along lines of good design and elegance, even beauty, rather than concrete boxes on stilts. Even if all "cultural" quangos such as the Arts Council were to be abolished - as I would suggest - the public sector would still exist, and it is to be preferred that the design of the necessary offices accommodation etc. adds to, rather than (as so commonly in the post-war period) detracts from, their historical and architectural surroundings.

Third, this paper has ignored some important points about state involvement in the production of cultural commodities on the "negative" side - in order to concentrate upon its "active" side. There are separate analytical matters that arise in respect of (for example) conservation orders, censorship, the prohibition of various commodities, planning permission and urban regeneration (and so forth), which have not been treated here. But that requires separate argument, even if the topics are overlapping to some degree.

Having said all of this, we must come to terms with a fundamental fact: that the supply of totally outstanding artistic and cultural talent is probably not related - certainly not in any simple way - to the market/state context in which individuals of outstanding talent find themselves. It was perhaps rather easy for Johann Sebastian Bach to remark of himself: "I was industrious; whoever is equally sedulous, will be equally successful." Neither the state subsidy system nor the process of market competition can necessarily "cultivate" a Bach.

NOTES

1. Mary Glasgow, 'The Concept of the Arts Council' in Milo Keynes (ed.), *Essays on John Maynard Keynes*, Cambridge University Press, 1979, p. 271.
2. Macmillan, London, 1971, p. 241.
3. Home Office, *Report of the Committee on Financing the BBC*, HMSO, London, 1986, Cmnd 9824.
4. See their chapters in Cento Veljanovski (ed.), *Freedom in Broadcasting*, IEA, London, 1989.
5. *Limited Government: A Positive Agenda*, IEA, London, 1989, p. 74.
6. More profound analytical problems with the application of the marginal cost pricing rule are discussed by Jack Wiseman, 'The Theory of Public Utility Price - An Empty Box', *Oxford Economic Papers*, 1987, Vol. 9.
7. Both Westminster Abbey and St. Paul's generate more visitors than the Tower of London. Even the cathedrals of Coventry and Wells attract more visitors than Blenheim Palace.
8. *The Theory of Public Finance*, McGraw-Hill, New York, 1959. Musgrave actually used the term merit *want*, but merit *goods* has become the more popularly-used expression.
9. J. Burton, *The Job-Support Machine: A Critique of the Subsidy Morass*, Centre for Policy Studies, London, 1979; J. Burton, *Picking Losers: The Political Economy of Industrial Policy*, IEA, London, 1983.
10. For a review of the literature, R. A. Posner, 'Theories of Economic Regulation', *Bell Journal of Economics and Management Science*, Vol. 5, No. 2, Autumn, 1974, pp. 325-358.
11. Robert Hutchinson, *The Politics of the Arts Council*, Sinclair Brown, London, 1985.
12. Glasgow (*op. cit.*, p. 267) also records that Keynes' "... own favourites were apt to get special treatment [in the disbursement of CEMA funds]."
13. "The God-given right of freedom of expression is not what is at the centre of the Rushdie affair. What outraged the Muslims ... is that Mr Rushdie was not actually expressing a serious opinion at all, he was merely insulting, on no justifiable grounds, the person of the prophet ... [T]hat, he knew would stir up powerful emotions." Dr Hesham el Essawy, letter to *The Independent*, August 3, 1989.
14. See C. Laurence, 'Does Toontown Need a Ticking-Off?', *Daily Telegraph*, August 4, 1989, p. 17.
15. G. Cumberbatch, *The Measure of Uncertainty*, Broadcasting Standards Council, London, 1989.
16. *Op. cit.*, fn. 5.
17. Gray, *op. cit.*, p. 10.
18. Gray, *op. cit.*, p. 74.
19. The latter point can and has been developed in terms of public goods theory; see G. Tullock, *The Social Dilemma*, University Publications, Blacksburg, VA, 1974, ch. 2; J. M. Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan*, Chicago University Press, 1975. Gray does not develop his argument concerning culture along these lines.
20. J. Habermas, *Theorie des Kommunikativen Handelns*, Frankfurt am Main, 1981.
21. Gray, *op. cit.*, p. 74.
22. Attempts to promote a "common European culture" are bound to fail on precisely the same grounds: it will prove impossible to define, given the vast heterogeneity of the EC, a "common culture".
23. W. S. Burroughs, *The Naked Lunch*, Paris, 1959.
24. Voltaire was, not incidentally, greatly influenced by the works of John Locke during his years in England - to where he had to flee to escape the wrath of French religious and political authority. His subsequent *Lettres Anglaises* (1734), extolling the developing scientific, market and political orders in England - compared to the more authoritarian France of those times - was proscribed by the French *Parlement*, and all copies ordered to be burned, upon his death in 1778.
25. For a trenchant and lucid exposition of this view, see S. Brittan, *Capitalism and the Permissive Society*, Macmillan, London, 1973.
26. Leonardo was subsequently employed publicly by the Pope, Cesare Borgia, and Louis XII and Francis I of France.
27. Charging for entrance for tourist purposes to cathedrals, for example, could be accompanied by the setting aside of certain sections for devotion and prayer, at a zero entrance price. The President of *SAVE Britain's Heritage* has also suggested a membership scheme (along the lines of the National Trust and English Heritage) that would provide *private* benefits to members - free entrance - and thus internalise the externalities. See Marcus Binney, 'Join the Trust and help Save Our Cathedrals', *Independent*, August 4, 1989, p. 10.
28. Effectively, the latter decision rule would be a *unanimity voting rule*, in public choice terms - which involves astronomical decision-making costs. Nor could people be asked to vote on their "preferences", given the assumed mind-bending character of merit goods and demerit goods.
29. For a critique, see J. Burton, 'Arts to Follow Political Piper?', *Economic Affairs*, Vol. 5, No. 2, Jan-Mar, 1985, pp. 22-25. It is to be noted that there has been no significant change in the volume of cultural activities in the capital since the demise of the GLC - and, if anything, it has increased, serving - as it does - an international market.
30. S. Smiles, *Self-Help*, first published 1859, published by Penguin Books in 1986. See ch. 6 in particular.
31. See J. Roselli, *The Opera Industry in Italy*, Cambridge University Press, 1984.