

Sponsoring of Culture in the US and Europe -  
empirical findings and normative reflections

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Thank you all for coming. My talk will have three parts; first I will start with some remarks on the American system for funding the arts, then I will offer three general lessons about arts funding and then I will talk about four particular questions, which may concern Switzerland and arts funding in Switzerland.

To start with the American system, very commonly I give talks on arts policy and arts funding in Europe and often I contrast the American system with, for instance, the French system. The French system is very centralized and there is a Ministry of Culture, which plays a strong role, but when I look at the Swiss system and compare that to the United States, more than anything else I see similarities, at least compared with the rest of Europe. As you all know, in Switzerland arts funding tends to be local at the level of canton or the city. There is not a Ministry of Culture with a central role. Switzerland, almost uniquely in Europe, has a fairly sensible law about foundations. In this regard, it is quite similar to the United States.

Our tax incentives for giving in the United States have long played a central role in funding the arts. In Switzerland now there are tax incentives for giving, which are stronger than in most parts of Europe. And in general, in both the United States and in Switzerland there is a central role for private philanthropy and private foundations just as this talk is being sponsored, I believe, by a private foundation.

So these are many points of similarity, but there are also some very important points of difference between Switzerland and the United States. Let me just briefly review the United States system and means of funding the arts and look at a few numbers to get a sense of magnitudes. We do have a federal art's agency at the national level. It is called the National Endowment for the Arts. Most Americans know very little about this

agency. It spends a very small sum of money. In a typical year our federal arts agency at the national level spends, in terms of dollars, about \$120 million pre capita (per head). This is well under fifty cents per capita, a tiny amount. Many Americans do not know this agency exists. So that's a \$120 million, just for purposes of contrast if we look at the amount of money that Americans give voluntarily to the arts in a typical year. This sum ranges from 13 billion to 15 billion in a typical year and that's billions compared to millions. So, at the national level US arts funding, as we say, it is a tiny drop in the bucket.

In the United States, state level funding, we have of course 50 states. That is larger than the national level, but state level funding is still relatively small. In a typical year it is about \$300 million. At the city level this is one big difference between Switzerland and United States; as I understand Switzerland, you do much more at the city level than we do. In a typical year, arts funding at the city level is about \$300 million, but of course, we are a larger nation and have many more cities than in Switzerland. In per capita terms this is quite small. The only American city that engages in city arts funding at any level close to Swiss cities, in per capita terms, would be New York City. New York City alone on the arts, in most years, spends more than our national government through the National Endowment for the Arts and it has at times exceeded \$200 million in expenditures per year.

What really has driven American arts policy for high culture is American tax law and very strong tax incentives, which encourage people to donate money, and these tax incentives, they do not distinguish across different kinds of art or different kinds of culture.

They do not even distinguish between different kinds of non-profit institutions or foundations. If you give away a dollar you get a tax deduction, you pay less on your taxes. It depends, of course, how much money you earn, but typically, let's say my wife and I would give away \$1. That would lower our taxes by about \$0.35 or \$0.40. So, for every dollar that is given away, the donors get back at least a third. If very poor people

give money away they get back less, but of course most donors are at least in the middle class, upper middle class or the very wealthy. So, the extent of philanthropy for the arts and for many other functions is simply enormous and of course it is not just for the arts.

Perhaps, many of you read in the newspaper this morning that Warren Buffett is giving away 85% of his fortune. He is pledging to donate \$30 billion, but the astonishing fact is not that he is giving away the money; the surprising fact is that no one in the United States is surprised to read this. Of course, he is giving the money to the Bill Gates Foundation. In a typical year the Gates Foundation spends on education and health programs about \$1.3 billion, so that is a lot of money. Compare this to UNESCO, a fairly prominent organization at the global level. The Gates foundation in a typical year spends more than twice as much as UNESCO. So to understand American arts policy to understand it, we need to get out of our minds, an obsession with subsidy and an obsession with spending. Absolutely, there is some subsidy and there is some government spending, but it is not the central force in the system.

American arts policy has several other aspects; let me note them.

First of all American universities are a very important home for the American arts. Many artists work in universities or they spend time having their works performed be it theater, or music, or art; there are many, there are hundreds of university art museums. There are many university venues for just about every kind of art you can think of, be it popular art or high culture. And of course in the United States most of the students who go to university go to public universities supported by government. About 87% of American students go to public, state-supported colleges or universities. What the American system has done here, just like with foundations and just like with donations, it has developed a very happy connection between the public sector and the private sector because our public universities are required to compete for money on the same terms as our private universities. So, if you visit a university or college in the United States, if you don't already know, if you just walk on the campus you cannot tell if it is a state supported school or a private school. There is effectively no difference because the system has some

state support, but the fundamental incentive is to compete for funds. There is no guaranteed lunch, so to speak, the level of subsidy is not extremely high. There is an extraordinary creative ferment and creative pressure within, all because of competition. And thus the universities have played a big role in supporting American culture. Sometimes I think the most important role for the American university in supporting culture is simply to keep a lot of young people together often doing nothing, they are doing nothing, no work at times and what is it they do? They listen to music, they read books, they talk to each other, they develop fads and trends, and new ideas. A great deal of American culture, be it music or film, or often TV programs, is originally supported by young people and it finds its fan base in young people and often young people at the university.

So, I view it as a big indirect subsidy to American culture that we take a large percentage of our smartest young people and just put them together and let them do what they want. And they are extremely hungry for culture and they have a fair amount of money to spend. It is another way of understanding the American system, namely the special role and influence given to the young. And when we ask the question, why has American culture on the world stage, at the global level, had so much influence? In part, this is because American culture has at home, within the United States, given such a large role to the American young and it's really often the culture of the young that is exported abroad. And of course, many other countries in Latin America and Asia have demographics with a large number of young people, larger than the United States, so, it is the culture of our young, which we export.

There is another important indirect subsidy to American culture if we consider churches. But, at least one final indirect subsidy, which I think has been the most important American arts policies of all, and also I believe, I'm no expert on Switzerland, but I believe it is been the most important Swiss arts policy also. And this has to do with policy toward science. Both the American government and the Swiss government in a variety of ways subsidize science. If we look at the United States, there have been subsidies, often indirect, often unintentional, unintended, contrary to intention, but subsidies to the

Internet, the airplane, and the computer. Those three critical innovations all have been wonderful for culture. How is it that today I came to Zurich and visited the Kunsthaus? I flew here by an airplane. If I had to take this trip by slow boat it would not have happened. So, you have the Internet, the airplane, and the computer. All came from American government support to science.

In many countries the most important cultural policy is science policy. And it is rarely seen as such, but that is one of the essential lessons of the modern world that if you care about culture, and if you care about cultural policy, most of all, you should care about science policy, and that your country has a good science policy. And if I think of Switzerland, again proclaiming no expertise, but as I understand it there was a fellow from Oxford named Tim Berners-Lee, who near Geneva developed the protocol for what we call the World Wide Web. This was at a group which we call CERN. And this was really a laboratory to study particle physics. It's another example of a kind of discovery by accident. The subsidies are not directed at developing the World Wide Web per se, but the World Wide Web, the idea for it, the formatting and protocols, came out of Switzerland and this has been a marvelous advance for culture. So, if you are thinking about Swiss arts policy, maybe you're thinking about the Basel referendum and which pictures to buy. Maybe you're thinking about the museum, maybe you're thinking about an exhibit of Giacometti or Paul Klee. Yes, those all are Swiss art policy, but the number one Swiss art policy took place outside of Geneva. It has changed my life in fundamental ways and I love Paul Klee, I love Marx Frisch. Ferdinand Hodler is one of my favorite painters. Those are all connected to Swiss arts policy. You seen them, you see Hodler in Swiss arts museums, but none have touched my life in the same way that the World Wide Web has. So, it is very important to keep in mind, if we are thinking about arts policy. The correct way to pursue the debate is not just to focus on the arts or a narrow level of subsidies but to look more broadly at what supports the arts and in today's world often that is science.

The United States and Switzerland, as I see it, have had relatively effective policies towards science. So, the American system if were to just to sum it up, would be a

relatively small level of direct subsidy, a very strong set of incentives for charitable and foundation giving and many clever means of supporting the arts indirectly be it through universities or science policy or churches. And the American system in my view has worked relatively well, it is not perfect by any means, but I think even when we look to high culture of the United States in the last 50 years has had a relatively successful record. If you look at abstract art in the Kunsthaus here you will see pictures by Robert Rymann, and probably you all know it was Swiss collectors who were interested in Cy Twombly before many American collectors.

Many American artists were more popular in Switzerland first, but nonetheless there is in the United States a large market, a healthy set of incentives, a lot of museums to sell pictures to, a strong auction market and many wealthy collectors. Given those remarks, let me move to the second part of my talk and sum up what I think are the three fundamental lessons for arts policy for most countries in the world.

And the first one I have already told you. The first one is that the best arts policy is a good policy towards science. The second lesson I think is also simple, but commonly neglected. The second lesson is the best arts policy or perhaps the second best arts policy is simply to have a strong economy. A strong economy would do a great amount for the arts. And if you look around the European Union throughout the 1990's most countries in the European Union have been cutting their arts funding. And there are several reasons for this, but it is largely a combination of factors starting from low rates of economic growth combined with European Union directives to lower budget deficits to 3% of national income. So, some spending must be cut, often the arts are the first thing to go. They don't have the same constituency as social welfare spending and so France, Germany, Italy all of these countries have been cutting arts spending because their economies have been weak, their rate of economic growth has been slow.

As I understand Switzerland, I think in the last quarter the rate of economic growth here is now over 3%. That's a great arts policy. So, let's hope you can keep that up. The third lesson, I think many people intuitively do not like, but it is a fact. And the third lesson for

arts policy is that the arts to an increasing degree will become more and more commercial overtime. Even if a government is wealthy and spends more on subsidy, the growth of commercial culture will outrace the growth in state supported culture. Let me give you just a few examples. When I was growing up in United States as a child, we had six or seven TV channels and they were terrible. Television was truly a horror, it was of low quality and stupid. Today, I'm not that old, today in my house we have over 500 television channels and the quality is much higher. If I think of the music that I have available to me, commercial music, I don't mean the Opera, I don't mean Ballet and Symphony set in a concert hall, I mean music of every kind African music, Indian classical music, folk music, Blues, Rock n Roll, jazz, also Beethoven if I think of my musical options. When I was kid, I would go to a record store. It would be small, it would be a small shop, it was the best record store I could get to. They would have no more than a few thousand titles.

So, you could buy hits, you could buy Beatles, you could buy Mozart, you even could buy Duke Ellington, but you couldn't buy the musics of the world. There wasn't a lot of choice. You couldn't buy Honegger if you wanted Swiss classical music, maybe you could go to New York, but most people simply couldn't get it. Today, I can go to music stores that will have many thousands of titles. I can go to the section 'Music from Madagascar' and decide do I want to buy music from the capital of Madagascar, from the lowlands, from the highlands, or indeed other forms of music from Madagascar, I have a choice. And if I go to the store and it only has one kind of music from Madagascar, I'm disappointed and I stop going to that store. That was unthinkable when I was a child. If I go to a bookstore today, a typical bookstore in the suburbs, it will have a hundred thousand titles. When I was a child, a typical bookstore, a "big one," might have 20,000 titles, but commonly it would have 5,000 titles. So, this growth simply has been enormous. Most of it has been founded by capitalist wealth, by the profit motive. Not by government, not by private donors, but most culture is commercial.

And again no matter how good a job a government does, no matter how much it spends, it will not keep pace with these developments. So overtime the commercial element will

become more important for every culture out there that is growing and we need to recognize this. Whatever policy of subsidy or indirect support we favor, most of the arts will be commercially supported and it will depend upon the strength of an economy and it will be an interaction between consumer and capitalist. This need not hurt high culture and in many ways it will help high culture if fans can buy fine books or fine music or classical music. All of these forms of more readily available today than ever before. If you go to iTunes, there's more classical music on iTunes. You make one click, go to [amazon.com](http://amazon.com), one click and you can buy virtually any book in the world. For high culture these are fantastic developments. If you want to see foreign movies, you want to see French movies, German movies, you order them on the Internet. In three days it comes to your house, no matter how far you live from a large city.

So, the third lesson is, be ready for commercial culture embrace it. It is not perfect, it has a lot of junk, a lot of garbage, but ultimately it is the friend of creativity not the enemy and it means more choice. We need to realize more choice means more junk -- that's part of what choice is. But, more junk is also a symptom of the riches we enjoy.

And in the third and final part of my talk, let me mention four issues faced around the world and I believe they are faced in Switzerland also. And I'm not sure I have definite answers for these issues, for Switzerland or even for the United States, but I think there are four very important questions and too often I see that arts policy is obsessed with debating the level of subsidy. 'Spend more, spend less.' That is one debate, but overtime that debate is becoming less important. So here are four debates, which I think of central importance for most countries.

The first question has to do with the Internet and what we call broadband. I believe in Switzerland most connections are based upon what we call DSL, although some of you have cable and some of you may have wireless. However it is done, people connect at home to the Internet and this is rapidly becoming the most important way that we consume culture. We connect to the Internet to buy books, search the World Wide Web, read about artists, and read about cultures. And over time bandwidth will become more



scarce and there will be more content sent over the Internet perhaps than the Internet can handle. So, in the United States right now there is a proposal to charge different web suppliers -- different suppliers of content -- different prices.

So the way it works right now at home, my wife and I, we get our Internet through cable TV, we pay one monthly fee. The people who send us content -- Google, Amazon, eBay - they do not pay anything to the cable TV company, and now the cable TV company has come along and asked the American government, "Can we charge a special fee to Google, to Amazon, to eBay?" I write a blog, maybe they will charge me a special fee to have my blog on the Internet.

In my view this is a bad idea for the United States. It would lead to the Internet being less creative and less diverse. In any case there is a fundamental question about the future of the Internet. Today might be the most important question for culture. In the United States we call this debate 'Net Neutrality'. My position is that of no fees so I favor Net Neutrality; currently this is being debated in Congress. So that's the first question.

And the second question, I think it's very important and that is, how can we make arts, foundations, charities, non-profits work better rather than worse? How can we encourage donors? And I think tax incentives are very important, I think they are very much to be recommended, but the tax incentive alone in my view is not enough. I think there is a broader social question about how donations are regarded by the media, by other people, within the business community? Are donors proud of what they give? Are they praised? Is it an important part of being a wealthy person in a country to give away your money? And this is a problem no government can solve, it is a problem of norms, a problem of culture, but I would say in Switzerland if you are looking towards greater reliance on your tax system that is great, but the tax system cannot do the job alone. There needs to be a reorientation of thinking. Charitable donations need to be in part honored, but also in part expected.

Another question, this is the question for Europe, but not for the United States and that has to do with membership in the European Union. I believe that is a big question here, and personally I have no opinion as to whether membership in the European Union would be better for Switzerland or not. But, when it comes to Swiss culture I believe it would worse for Switzerland. Viewing the matter as an outsider one thing that is so refreshing about Switzerland is simply the diversity, and that it feels different from anywhere else in Europe more so than Germany, or France, or Belgium, or Netherlands, and in part this is because Switzerland has stayed outside the European Union.

Again, I don't know if this is good legally, economically, internationally, and so on. It is very complicated, but when it comes to the arts, I would much rather see Switzerland continue to take it's own path and to stay unique and that when I come here, which I have many times and always enjoyed, I very much like the idea that the Swiss have a unique perspective and they view themselves as something different from just another European nation, part of the European Union. So, looked at by an outsider from a global perspective, I am hoping you all stay outside of the EU. Finally, I think there's a question of -- view it as an outsider -- what has Swiss culture been really good at and what where it has been less successful? And let me just tell you my impressions. I think what Switzerland has done best at is culture at the local level, especially live performance. If one looks to theater or Opera or especially museums, I think the Swiss policy of having most culture done at the level of canton or the individual city, has worked extraordinarily well. If you go to Swiss cities, in terms of population they are not as large as many other urban areas in Europe.

But, if you look at their cultural life, they are often much richer. One month ago, I was Bordeaux, France, a lovely city, amazing food. I believe Bordeaux had 600,000 or 700,000 people, no good art museum, they had some concerts, but if I compare it to what I see in Schaffhausen, which is not a large city, I vote for Schaffhausen. That's because Swiss policy has had this decentralization. There is extreme competition to make happy the people who are paying the taxes, living in the city or living in the canton. So for local

culture, I think Switzerland for its size arguably has been the most successful nation in the world.

I think the area where Swiss culture is less known has to do with export. So, if you look at cultural products, which are exporting to other countries, the Swiss are less well known. So if I think of popular music and if I ask what in popular music comes from Switzerland that my friends listen to, or if I think of cinema, what is it in cinema that comes from Switzerland that my friends watch? I can think of some things, but I don't see the level of success is comparable to what we see with museums, theater, Opera, or for that matter architecture and design.

For architecture and design, the Swiss from my personal taste are number one in the world, maybe not even per capita, maybe in absolute terms. But with the popular music, movies, TV, there has been fewer successes. I think joining the European media agreements will not make a huge difference. And I don't have any answer to this question of why Swiss cultural policy has been so successful for the people who live here, but there have been fewer successes in terms of export. But if Switzerland is interested in more export success this would require two things, I am not sure that they are good they might be bad, I am not sure to what extent, but it would require younger demographics and it would require a higher level of integration. I believe that countries with a higher level of immigration do have greater success with exporting their culture, because they are used to producing culture for people from other points of view. Furthermore countries with especially high percentages of young people have greater successes exporting, because a lot of the world especially Asia and Latin America, has lots of young people. Whether Switzerland should take this route, I leave to you all. It is not for me to say.