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Culture: A Strategic Economic Asset

As the “Culture wars” begin to heat up with talk of ending federal support to public television and the National Endowment for the Arts and Humanities, the public would do well to consider how culture in our country comes into being, supports itself, and how it contributes to the nation's economy.

In general terms, culture is cleaved into two operating camps: commercial and non-profit.

Commercial entities like movie studios, television networks and music and book publishers concern themselves with aspects of culture which, in their view, will attract the largest number of paying customers. They select a small fraction of culture to invest in and usually make big money both for themselves and for the country. What the entertainment industry churns out is the nation's second largest export after aerospace technology. That's good for everyone, even if you are not directly employed by those media companies.

The non-profit sector concern themselves with culture from an educational perspective. Our museums, symphonies, public radio and television stations, theater companies and the like all seek to preserve the cultural heritage of the past, teach new generations about that heritage, and promote the creation of new culture. The cost associated with these activities (some \$55 billion a year) are subsidized by a partnership between the public and the private sectors. Some of the

costs are recovered by earned revenue: charging membership fees, selling mugs and tote bags, and by perennial membership drives. Private philanthropy, encouraged by tax laws, provide the lion share of support to the non-profit sector. And finally, the federal government appropriates \$648 million a year as part of its direct support to CPB, NEA, NEH and the Institute of Museum Services.

Culture in the United States, therefore, operates in a two-tiered financial system, one that subsidizes the enormous overhead costs associated with preservation and public education, and the other which operates in a free market of risks and rewards.

This two-tiered financial arrangement, however, gives the impression that the commercial system can thrive and survive on its own. It obscures the degree to which all of those billions of dollars in export and profit depend on the non-profit side. Some might object to linking the entertainment sector (of which commercial film, television, publishing and music constitute the most important components) with the non-profit cultural sector, but no one can argue that these enormous commercial enterprises could exist and thrive without the cultural base they emerge from. The actors, authors, composers, choreographers, musicians, directors, artists and other creative talents that constitute the content producers of that multi-billion dollar sector, are all trained in the arts and almost all of them have worked extensively in the non-profit cultural tier. Some of the most established actors and playwrights of our day will acknowledge the debt their careers owe to non-profit theaters throughout the country. These regional theaters keep acting and writing skills honed and allow fresh material to feed into the larger commercial world of

popular culture.

Hollywood and Broadway over the past thirty years is filled with commercially successful properties which were given birth in the non-profit cultural arena with support from the NEA. Films like "Driving Miss Daisy," "Annie," and the current "Nell," and Broadway shows like "A Chorus Line," and "Hair," which was both on Broadway and a film, briefly illustrate how the non-profit cultural sector is the breeding ground where creative talents and ideas are spawned and developed. Optimizing the economic benefits of a creative work is the primary mission of the commercial side, and they constantly troll the non-profit cultural arena for new material. Culture, therefore, incorporating both popular and so called "high" culture, constitutes an important category of economic activity employing 3.2 million people. In 1989, more people worked in the creative arts industry than in the steel or rubber industries.

Another important economic contribution made by the non-profit cultural sector is derived from tourism. On the surface, culture may seem an unlikely term to apply to tourism, and yet upon closer inspection we find that cultural attractions are often the driving factor in both domestic and international tourism. Several studies, including one recently released by the Port Authority of NY and NJ, document how cultural attractions, like museums and theaters, constitute the principle reason for visiting a particular city. In the Port Authority study of the New York metropolitan region, over 40% of international tourists cited cultural attractions as the primary reason for their visit. They left behind \$1.7 billion dollars in the region's hotels, shops and restaurants. Economic impact studies like these, in cities around the country, help us to

understand the true underpinnings and motivations of international tourists, who last year spent \$45.6 billion in the U.S., and firmly established the role that the non-profit cultural sector plays in that expanding industry.

Though not fully recognized, the link between cultural policy and economic policy is growing in importance and should not be relegated to the background any longer. If the 104th Congress wants to invest in America's economic future, it needs to study how the non-profit cultural sector serves as a factor of production -- contributing both talent and content to important export sectors.

It would also do well to recognize that its small direct investment in these federal agencies helps to stimulate other contributions to the non-profit cultural tier. In the case of the National Endowment for the Arts, for every federal dollar, there are eleven dollars that match it. You can't design a public policy that would work more efficiently than that.

At its root, the debate being waged in Washington really isn't about the amount of federal money that is involved, but on whether or not the federal government should continue to play a direct role in support of culture. Opponents of both Endowments should not use the ruse of reducing the size of government to hide their true intent. After nearly thirty years in operation, it is quite clear that the small direct support of the Endowments by the federal government has acted to expand cultural production and access throughout the land, in partnership with others.

Eager as the new Republican leadership in Congress is to implement elements of a conservative agenda, it should pause and consider how the elimination of the Endowments and the CPB will undermine the partnership between the public and private sectors which support the creation of intellectual commodities.

John Ong, the Chairman of B.F. Goodrich and the former Chairman of the Business Roundtable, recently said that a lifetime of observation had led him to the conclusion that, irrespective of cultural differences, the economically strong nations of the world shared one thing in common, "They tend to foster strong alliances among educational, arts and business institutions. They recognize that education, cultural richness, and economic power, together, are the underpinnings of their success as societies."

Why should the 104th Congress want to "fix" or "privatize" something that is already a model of privatization and presently working to America's advantage?

About Luis R. Cancel

Luis R. Cancel is the former Commissioner of the New York City Department of Cultural Affairs and the President of the American Council for the Arts.