

ECONOMIC EAR

Classical Music: The cultural wealth of nations?

In this month's Economic Ear, **Antony Feeny** discusses some figures for musical philanthropy – through the lens of Adam Smith

The views of Adam Smith were much more nuanced than the hardline free-market economics drilled into our consciousness by endless retellings of a few hackneyed aphorisms from *The Wealth of Nations* – or at least as that 1776 book is retailed to us in a suitably *manga*-ised version by various self-appointed guardians of the free market. In that work he may have deplored 'the exorbitant rewards of players, opera singers, opera dancers, etc' but of course thinking musicians will know that at heart he wasn't really a curmudgeonly killjoy Scottish economist. Smith was (apparently) as humanitarian and cultured as the rest of us, as evidenced by his earlier (1759) *The Theory of Moral Sentiments*,

which incidentally the previous Chinese premier cited as one of his favourite books.

As with Adam Smith, so with the bankers? Have the critics of our financial wizards got it (at least partially) wrong? Are financiers in reality on the side of us lovers and practitioners of music and actually riding to the rescue of the beleaguered classical music business?

We'd certainly better hope so, since in these times of stringency no one else is stepping into the role of the US cavalry. As every classical music fundraiser knows, when box office revenues are shaky, when public (Arts Council and local government) subsidy is stagnant for the foreseeable future, and when sponsors are flocking to more trendy football, there's no

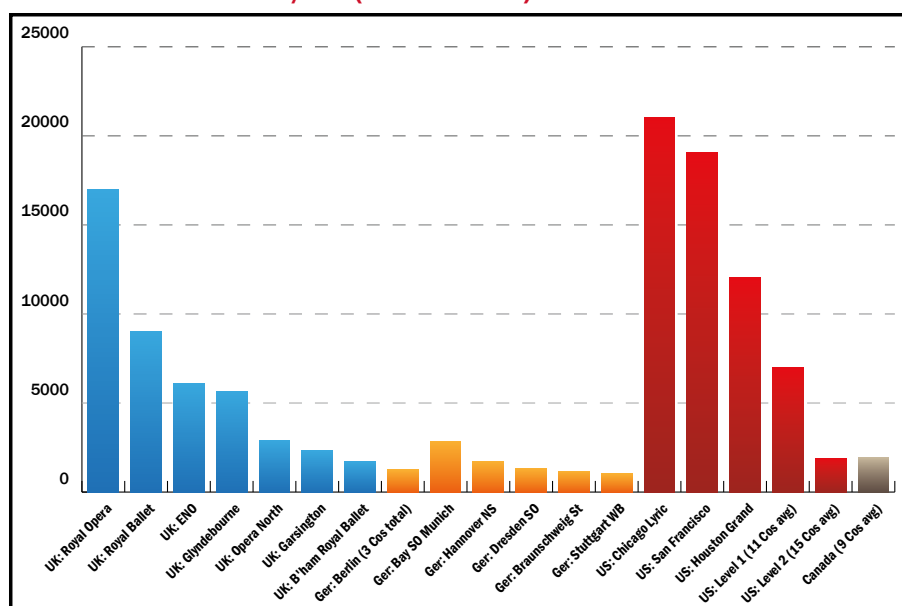
substitute for pressing the flesh and working the phones to reel in a few more wealthy individual philanthropists.

In last month's article I highlighted the importance of individual donations for classical music organisations which in conjunction with membership schemes and gifts from trusts and foundations in 2013 raised £89m for live performing organisations or 16% of their total income. It would be easy to focus only on the top half dozen recipients (the usual suspects) that received just over half of the total donations. What is more notable, however, has been the success of many small organisations, some of which raised over half of their incomes from this source. And in any case even small amounts can be critical for the thriving small-scale musical sector.

But here's a key question: Is this volume of donations a little or a lot? The answer of course all depends on how you look at the data. There are two comparisons that might help us to understand: other areas of philanthropy in the UK, and international comparisons for classical music.

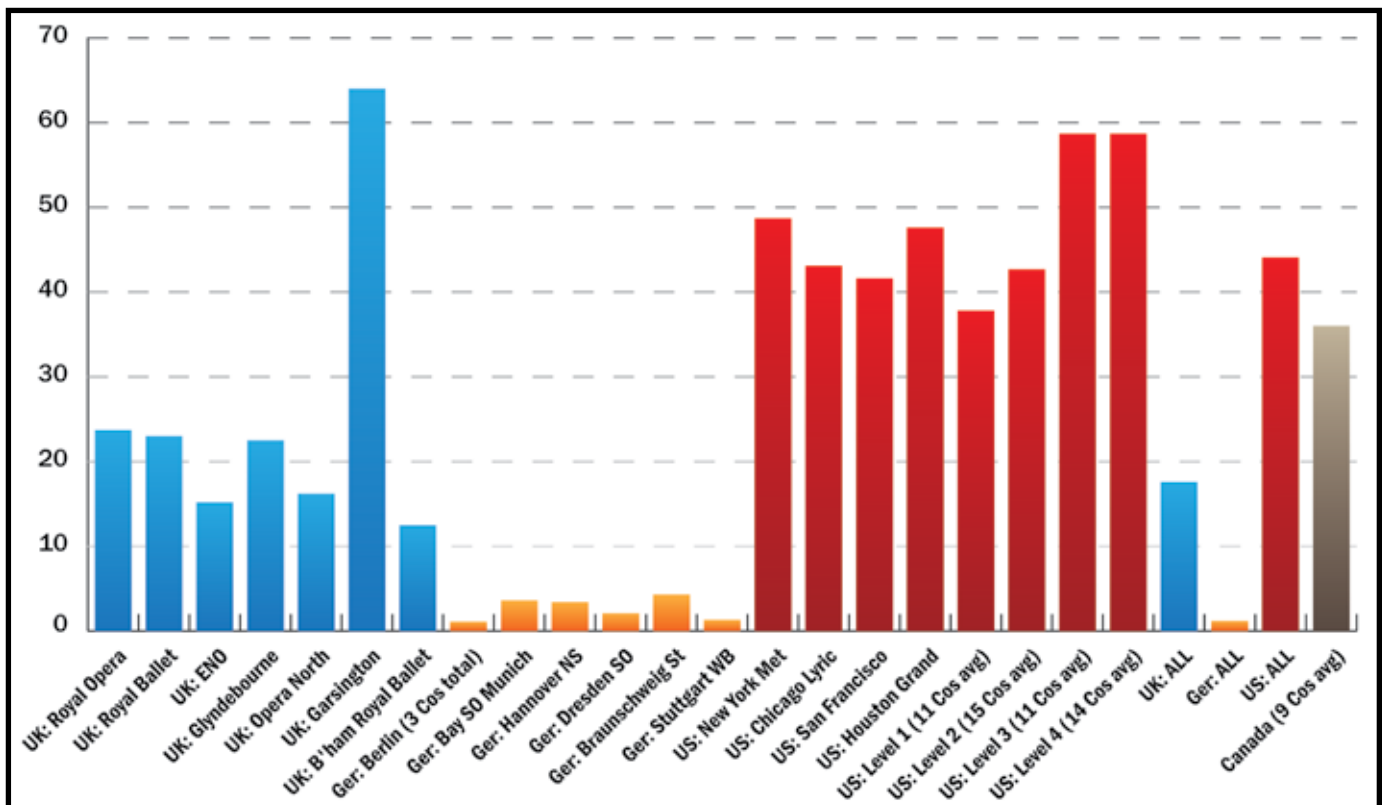
First, the UK. The study *UK Giving 2014* by the Charities Aid Foundation suggested an estimated total amount donated to charity by UK adults in 2014 of £10.6bn. Unfortunately for musicians, the study found that arts was only the 14th most popular recipient – after medical, children, hospitals, animals, religious, etc – accounting for only 1% of donations, or some £106m. Given my calculations for music

CHART 1: UK, GERMAN & NORTH AMERICAN OPERA HOUSES RECEIVING THE HIGHEST INCOME FROM SPONSORSHIP AND DONATIONS IN 2012/13 (£ MILLIONS)



* German figures from *Deutscher Bühnenverein Theaterstatistik 2012-13*; US figures from individual company websites (adjusted) and Opera America's Annual Field Report 2013 for the Levels; both converted at the end of February 2016 exchange rate. See website link for more details

CHART 2: UK, GERMAN & NORTH AMERICAN OPERA HOUSES RECEIVING THE HIGHEST INCOME FROM SPONSORSHIP AND DONATIONS IN 2012/13 (% OF TOTAL INCOME)



alone, this seems low, but it's not completely out of kilter bearing in mind different classifications. Either way, with arts seeming to rank even below sports at the bottom of the reported donations 'hierarchy', there is clearly some way to go. Fortunately for music, arts were slightly more popular among the very rich (those financiers riding to our rescue?) since, according to Coutts, 3% of donations in 2013 with a value in excess of £1m (some £95m out of a total of £1,350m) were to arts, culture and the humanities – although this pales in comparison to the £570m donated by this wealthy group to higher education.

So what about our second comparator, the international situation? International comparisons are of course fraught with complications because of the different cultural contexts and above all the often very different approaches to tax relief and subsidy. I'll put these concerns to one side, however, since they could merit several articles in themselves. Although overall the UK is apparently not so benevolent as the two countries which top the Charities Aid Foundation's World Giving Index 2014, namely Myanmar and the USA, it does make the No 7 spot.

As regards international musical phi-

lanthropy, let's look at the two other major western countries for classical music, Germany and the US. Unfortunately, the most widely available German statistics don't separate donations from sponsorship (which I classify as commercial rather than philanthropic), and they only do this separation anyway for operatic theatres (which also include ballet, etc), so the comparable figure for UK donations in 2013 is the combination of these two. The most widely available statistics in the US look at opera houses only in bands or levels by size, and the largest level even excludes the New York Metropolitan Opera because it's so large and thus distorting. So in summary, the figures I've used for the UK have been selected in order to be comparable with those available for other countries.

Given the level of public subsidy and different tax regime, you might expect that Germany would be a relative desert for philanthropic contributions. After all, why give more if the various governments (federal, state, city) are already making sufficient contributions using your taxes? At first glance one is surprised to see that German live operatic theatre organisations seem to collect relatively large amounts for donations and sponsor-

ship – in 2012/13 €28.7m, or roughly £23m. This was nearly half the UK's comparable figure for opera and ballet of £51m, although not surprisingly it hardly registers compared to the Met's gargantuan \$158m (~£113m) let alone the total for US opera of around \$325m (~£232m). Comparing sponsorship and donations for the top half dozen operatic theatres/groups in each country just reinforces this gap, as shown in Chart 1.

If anything the representation in Chart 1 understates the gap with the US. Not only have I cheated by combining the three Berlin opera houses so that Berlin gets representation, but the 26 opera companies in the US Levels 1 and 2 probably all raise more money than every opera company in Germany apart from Munich's Bavarian State Opera.

Nevertheless, one may still be surprised to see German companies scoring so well – but that's before you look at the percentage data. Because there are so many German operatic organisations (often including not just opera but also ballet and many other shows) their total turnover was €2,440m (~£1,936). This total turnover was not just way ahead of the UK's opera and ballet figure (£290m) and the total for US opera (\$736m/~£525m), but

it was so far ahead that it means that donations and sponsorship in Germany accounted for only 1% of total income compared with 18% in the UK, 44% in the US, and 36% in Canada. This is shown in Chart 2, which also adds country totals, the 25 additional US opera houses in Levels 3 & 4, and the NY Met (whose *proportion* of donations is not that dissimilar from other American companies).

One should not conclude from this, however, that the Germans are ungenerous philanthropists (of course ignoring the important question of taxes and subsidy). If you look at these donations on a per capita basis (per head of the population not audiences or donors), the Americans came out top at 81p per head (remember this is just for opera) but the Brits were about the same (given exchange rates) at 80p per head. Although Germany came far behind this, it still managed 28p per head, with Canada in between at 56p per head.

So, back to our original question: Is the volume of UK monetary donations to classical music a little or a lot? A few international comparisons suggest that it's a lot, but before

hubris overwhelms us we should reflect that this could mean that fundraisers are going to encounter even bigger challenges as they try to raise ever more money to fund the gap, particularly since UK donors are apparently already quite generous in other areas by international standards.

None of these numbers and charts addresses the issue of why people give to classical music or anything else. Motivations are not really the territory of the Economic Ear, although the interested reader might want to follow up with references like the oft-cited work of Marcel Mauss who in 1925 analysed giving in terms such as reciprocal and community service obligations.

Of course we economists and accountants are slightly puzzled by it all. I have invented a concept of 'contingent value' as a catch-all to summarise the non-monetised value that so many people in the classical music community (musicians, volunteers, members, etc) receive for their gifts, below-market rewards, and other contributions; 'contingent' because the particular form of that value varies

between communities, is rather uncertain, and difficult to quantify. Whatever its exact size, the contingent value of classical music is undoubtedly large.

And this just brings us back to the point that although statistical analysis may be interesting and enlightening, the money values they contain are only a part of the equation. You need the moral Adam Smith as well as the economic Adam Smith to provide an adequate explanation of why the financiers, you and I all donate so much to classical music. ☺

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