

ECONOMIC EAR

Music, medicine or missiles?

Antony Feeny learns how much the UK government has spent on the arts since the end of world war two

There can be few readers of even such a venerable institution as *Classical Music* who will be able to remember a time before the British state was heavily involved in paying for the arts. In fact Her Majesty might well be on the verge of preparing to send out your centennial telegram for you to have any clear recollection of, let alone involvement in, that period long ago when patronage for musicians probably meant hoping that the likes of Thomas Beecham might sprinkle in your direction some of the golden dust from his pills.

As most readers will be aware, it was the second world war that changed the somewhat precarious arts funding situation that

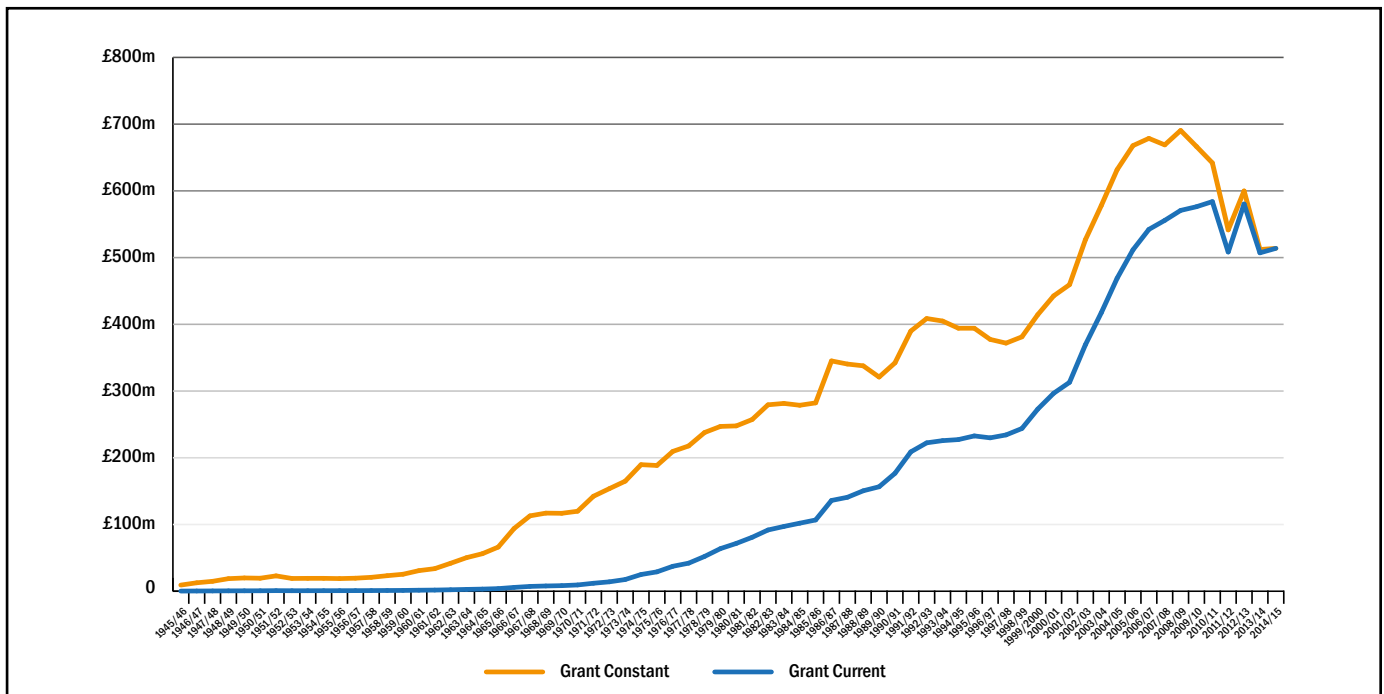
prevailed until 80 year ago – a change spurred on by John Maynard Keynes and other enlightened members of the establishment. The Council for the Encouragement of Music and the Arts (CEMA) had been set up to promote British arts and culture in 1940 so the population had acquired heightened expectations of artistic bounty from the state. And six years later it must have seemed logical to maintain CEMA's legacy amid the dearth of all products and resources – let alone entertainment – after the end of such a prolonged and draining war.

And so the Arts Council of Great Britain (ACGB) was established, with its very first grant-in-aid of £235,000, or about £8.9m in

today's money. At that stage ACGB was still quite involved in organising concerts and other events in factories, hostels and halls, but the direct provision of arts declined and was increasingly 'outsourced', as we might say now, although ACGB maintained involvement for decades in some institutions such as the Wigmore Hall and Hayward Gallery.

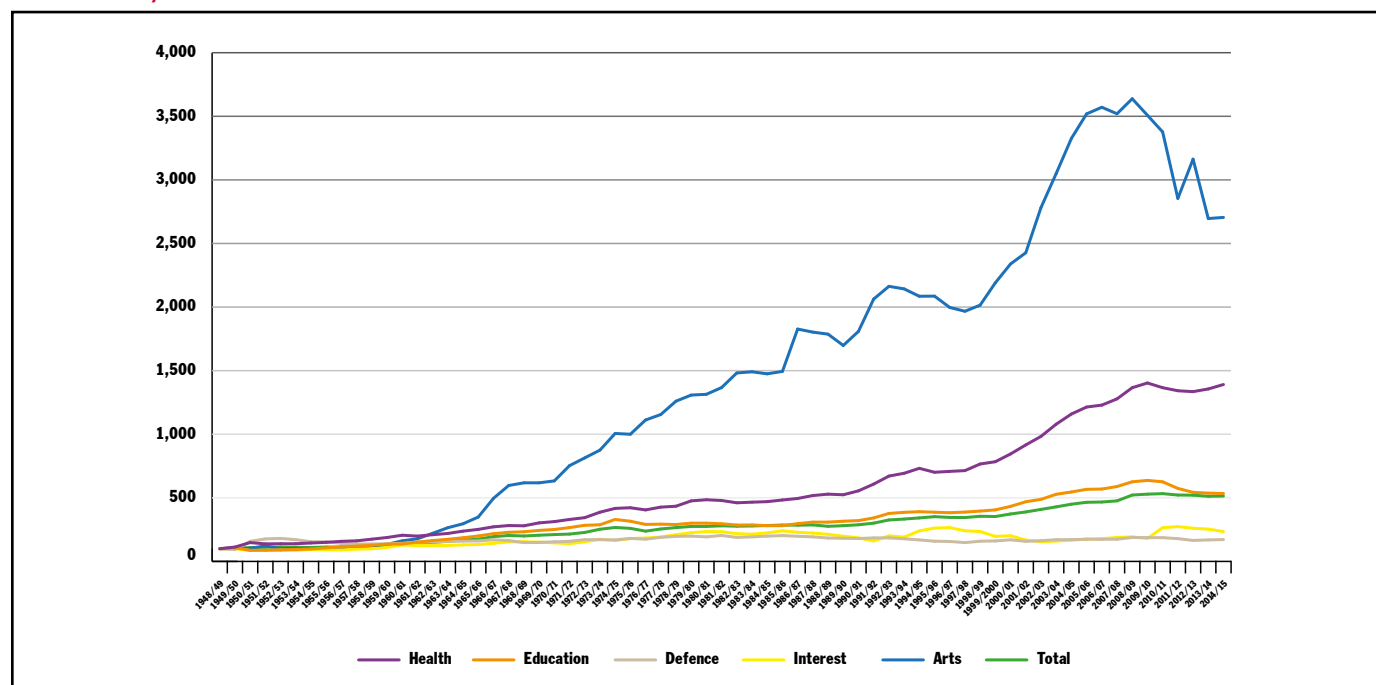
This has of course become the model with which we are all long familiar whereby the Arts Council dispenses largesse to applicants as a mechanism for the government itself to provide funds but to maintain its hands-off role in arts management. And the same approach continued in 1994 when ACGB was split into separate arts councils for England,

CHART 1: ARTS COUNCIL GRANT-IN-AID EXPENDITURE 1946-2015 (EXC LOTTERY) IN CURRENT & CONSTANT 2015 PRICES



▲ Note: The above figures include spending by the Arts Council of Great Britain (pre-1994/95); the three Arts Councils of England, Wales and Northern Ireland; and the Arts Council of Scotland/Creative Scotland and Scottish Executive (for five NPCs post-2008). Figures are sourced from the annual reports of those organisations and in some cases from the annual accounts of individual recipients. Constant prices calculated using indices from UK Office for National Statistics and Bank of England

CHART 2: RELATIVE GROWTH IN SELECTED AREAS OF UK GOVERNMENT EXPENDITURE PER CAPITA WITH BASE YEAR 1948/49 = 100



Scotland, Wales and Northern Ireland, all of which also became responsible for distributing some of the funding from the newly established National Lottery.

And so for the potted history of 70 years of our arts councils. But what of the money that they receive and dispense? Well, there can be no great surprise that it's grown – and dramatically. That 1946 grant-in-aid of £8.9m in today's prices had become an 'unrestricted' grant-in-aid of £371m in 2014/15 for Arts Council England alone, or a total of nearly £900m if you add in the additional resources from 'restricted' grant-in-aid (£78m), Creative Scotland (as the Scottish Arts Council has been known since 2010) (£46m), the Scottish Executive (which funds the five major Scottish arts organisations) (£23m), the arts councils of Wales (£33m) and Northern Ireland (£14m), and the shares of proceeds from the National Lottery distributed by those four arts councils (£268m + £35m + £18m + £10m = £331m). So, depending on how you cut the cake, you could argue that the government's allocation of taxpayers' money to the arts has increased by a factor of around 60, or 100 if you include the additional money contributed by the buyers of lottery tickets.

This is such a large subject that the Economic Ear is going to discuss it in stereo, and my second article on this subject in next

month's *CM* will look at how we, the classical musicians and lovers of classical music, have benefited from the arts councils' spending over the years. But in the remainder of this article I want to keep looking at the total picture for spending by the arts councils on all arts and at how these amounts compare with other areas of the economy, since it's all too easy to become befuddled by the size of the numbers with which we're dealing here.

And I can assure you that this whole subject is not so straightforward as it might appear nor as I had hoped when I rather naively embarked on this task of musical monetary archaeology. The adjoining box gives a very rough idea of the sources and some of the issues, with more details on the relevant *CM* webpage. Suffice to say that I believe the figures and trends to be broadly correct, although complete precision is pretty much impossible, and I've done the best I can to ensure that the situation is fairly represented.

Chart 1 shows the total expenditure by the various arts councils on all artistic and administrative functions during the 70-year period from 1945/46 to 2014/15. The lower (blue) line shows the figures in current prices (the amounts during the years when incurred) and the upper (orange) line shows the same figures recalculated in constant 2015 prices. So the two lines are far apart in the median year of 1979/80, for example, when current expendi-

ture was £64m which in constant 2015 prices equated to £247m, and by definition the two sets of figures converge in 2015.

Focusing on the figures in constant 2015 prices, two things are immediately striking: first, the enormous increase in total arts expenditure by the arts councils since the war, and second, the two main periods of declining real expenditure in the second half of the 1990s and since 2008.

On the first point, it is perhaps hardly surprising that there should have been a significant increase in Arts Council spending, since right at the end of the war the arts were not the highest priority, and in fact arts spending did not really take off until the early 1960s. Total spending in real terms by ACGB in 1945/46 was only £9m in constant 2015 prices (£235,000 in 1946 prices) while the unrestricted grant-in-aid funding for the four UK arts councils in 2015 totalled over £500m. This is an increase of 5,500% over the 70 years, or a compound annual growth rate (CAGR) of 6.0%. Allowing for the increase in population from 49 million to 65 million (33%), the equivalent per capita figures were £0.19 and £7.89, representing an increase of 4,100% or a CAGR of 5.6%. These increases seem quite astonishing, although much depends on which year you take as the base. The CAGRs per capita since 1959/60

(over the last 55 years) and since 1975/76 (40 years), for example, have been 'only' 4.1% and 1.2% respectively.

All of these sound like large numbers, but are they? One way of answering that is to compare the arts councils' expenditures with other areas of government spending. Here I'm switching to 1948/49 as the base year, since total government expenditure declined precipitously in the three years after the war ended, mostly in the area of defence. At that point government spending through ACGB was comparatively insignificant: out of a total expenditure in 2015 prices of £146bn (including £26bn on defence, £16bn on education, and £10bn on health) spending by ACGB accounted for £19m, or around 0.01%. Sixty-seven years later this proportion had risen to 0.06% – a massive percentage increase compared to defence, education, health and even interest payments as well as in absolute terms, but still a tiny amount compared to all of these, ie £0.5bn compared with £134bn, £86bn, £45bn, and £46bn respectively within the overall total for government spending of £756bn.

This is probably clearer to understand (!) if you look at Chart 2, which shows the relative changes in these areas of UK government expenditure over the last 67 years in indexed terms where spending in the year 1948/49 is shown as 100 for each of the areas of expenditure. In summary, the arts may have lost out quite significantly in the last seven years, but they have also done pretty well in the last 70 years.

This links to the other striking feature of the 70-year expenditure trend referred to above, namely the two main periods of real decline. The situation became more complicated after 1994 of course, following the replacement of ACGB by the four regional arts councils and the introduction of National Lottery funding (also devolved). Although lottery money has been important, particularly for capital and strategic projects, the figures here exclude lottery funding (shown separately in Chart 3), since the money from the National Lottery was intended to be an addition and not a substitute and in any case derives from self-selecting individual philanthropic gambling rather than from compulsory central taxation and furthermore is not subject to a requirement to spend fully each year.

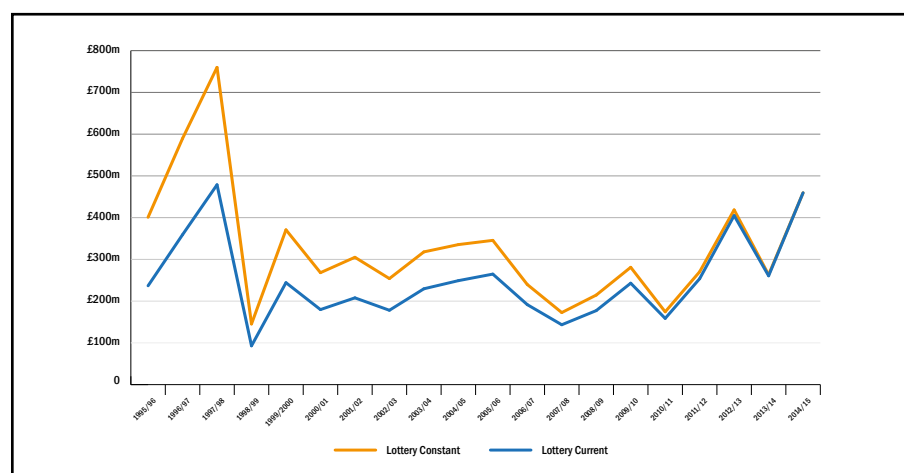
The 1993 peak in grant-in-aid expenditure of £409m (in constant 2015 prices) was only reached again seven years later in 2000. Over the next seven years there was an enormous increase of some two thirds to a 2007 peak of £679m (in 2015 prices, and including England, Scotland, Wales and Northern Ireland) from which there has been a jagged decline to a total of £514m (including £27m non-granted) in 2015, which is roughly the same level in real terms as in 2002.

And now I realise that I've reached the end of this article and provided rather a lot of numbers, but have said almost nothing about classical music. I crave your indulgence because, as I indicated previously, next

A NOTE ON THE METHODOLOGY

Extracting and processing 70 years of Arts Councils' data is not for the faint-hearted. The main sources of data used here are the annual reports and accounts of the Arts Councils of Great Britain (pre-1994), England, Scotland, Wales and Northern Ireland, as well as some of the accounts for individual organisations. During that time there have been constant changes in the formats, the classifications, the levels of detail, the data in/excluded, and so on. By going back to the original sources rather than relying on the periodic classification and sifting of others, I hope to have eliminated most of the potential variations, but complete accuracy is all but impossible and it is inevitable that another researcher would have taken some different decisions (not to mention made different spreadsheet errors!) and come up with some different results, although I believe that we would be broadly in agreement. You should also note that these figures cover expenditure by central government only (via the arts councils) and do not include expenditure by local government. For a longer discussion of the sources and issues, your attention is again drawn to the *Classical Music* website at www.classicalmusicmagazine.org/economic-ear-methodology

CHART 3: LOTTERY EXPENDITURE ADMINISTERED BY THE FOUR UK ARTS COUNCILS IN CURRENT & CONSTANT 2015 PRICES



▲ Note: Grant-in-aid income and expenditure will typically be more or less the same in each individual year as the money from the Treasury usually needs to be allocated in the year of receipt. Funding from the National Lottery, on the other hand, can not only be carried forward but can also be allocated to multi-year projects so Arts Council lottery income and expenditure may differ significantly

month's Economic Ear will look in more detail at how different areas of classical music have benefited from the largesse of the arts councils over the years. However, it seemed important first to understand the overall context of government arts spending, which has set the framework for state funding of classical music. I should also draw your attention to the *CM* webpage about the methodology and sources for this article, since the effort involved in collecting these data has made me much more appreciative of Disraeli's old adage about lies, damned lies and statistics. I hope the figures here have more of the statistics than the lies! 🎵

Antony Feeny is completing a PhD in Musicology at Royal Holloway University of London. The second article about historical Arts Council spending on music will appear in the December 2016 edition of *Classical Music*