

## How would *you* spend a half-billion dollars on arts, culture and heritage?

The government spends a half billion dollars on arts, culture and heritage each year but has little indication of what the public actually wants from public expenditure. At present mainly ‘experts’ decide what cultural goods and services should be supplied from the public purse. With New Zealand’s rapidly changing demography, low barriers to finance, production and distribution of cultural goods and services, and new technology to assist funding decisions, there is an opportunity to improve the match between public spending and public preferences. Simple tools are becoming available to ensure that public preferences are taken into account and that demand-side policies redress a supply side imbalance.

### The creative sector is flourishing

The creative sector plays a central role in making our cities and regions attractive places to live, work and visit. The arts and culture sector contributed \$1.7 billion directly to the New Zealand economy in 2014. Internationally, the sector is growing faster than the global economy as a whole.

The means of finance, production and distribution of creative goods and services are in the hands of everyone, making for a very vibrant and dynamic global market.

### Yet funding challenges pose a problem

But there is a growing gap in vibrancy and dynamism between the privately funded sector and publicly funded sector. The current allocation of public funds is largely historical, approved by committees, who may or may not have a grasp of what current and future generations want created and preserved.

Can we improve the efficient and dynamic allocation of public funding to ensure the best results for a rapidly diversifying New Zealand society? New research and funding models that tap the demand side suggest we can.

### Is there a role for the state?

Perspectives that argue for a minimal role for the state tend to be based on protecting freedom of expression and property rights. The *OneMusic*

licence for New Zealand pubs and restaurants is a good practical example of copyright protection.

Perspectives that argue for a wider role for the state are based on a degree of market failure to provide an ‘optimal’ level of goods/services. Successive New Zealand governments have subsidised production of New Zealand cultural expression so that stories unique to New Zealand are created and preserved. Government invests more than a half billion dollars in arts, culture, and heritage funding each year.

### It is not the mountain we conquer but ourselves

The argument goes that Hollywood and the British Museum will not create stories and preserve taonga essential to New Zealand identity. The market will produce *Shortland Street* but is unlikely to produce historically important works like *Field Punishment No 1*, the story of WW1 conscientious objector Archibald Baxter or *Beyond the Edge*, documenting Hillary’s ascent of Everest.

If we accept that the state has a valid role in supporting the creative sector, the next obvious question is who decides what stories and taonga should be created and preserved from the public purse.

### Who should decide who gets what?

Decisions can rest in several places. Ministers can decide, bureaucrats can decide, the arts

establishment can decide or the public can decide. The government rightly stays arm's length from most operational decisions on creative expression – history has shown what happens when art becomes propaganda.

Most public arts and culture funding sits with Crown funders such as NZ On Air, Creative New Zealand, the New Zealand Film Commission, Lotteries Grant Board and the big delivery institutions such as Heritage New Zealand and Te Papa. In practice, this means the decision rights sit with the appointed boards and their expert advisors.

### It is no longer valid to say it is too hard to elicit public preferences

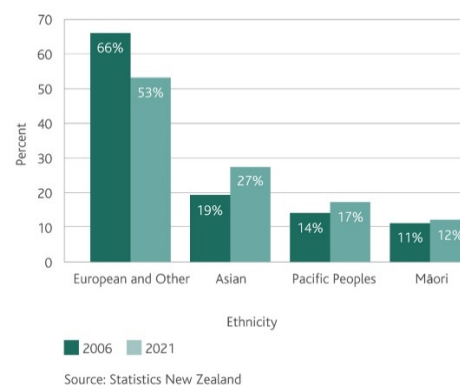
An important piece of research from Harvard drawing on data from crowdfunding shows that 'crowds' and the arts establishment make similar decisions in their evaluation of what to fund.

However, an important difference between the two sets of preferences was that the 'crowd' funded successful projects that the experts turned down. Crowds may have better information about potential interest and preferences.

Appointed boards and expert advisors' may have 'establishment' biases that the crowd does not. If boards recognise this, they can overcome this bias using modern techniques that elicit public preferences and make the selection process more transparent. The impact is a more dynamic sector that embraces innovation and changing societal preferences and one that maximises public value.

With New Zealand's rapid cultural diversification (with no ethnicity accounting for over 50% of the Auckland population by the mid-2020s) public involvement is critical to ensuring cultural expression connects with an evolving New Zealand identity.

### Auckland's ethnicity 2006-2021



### Demand side policies will boost fairness, efficiency and sector growth

We don't need to go as far as the Swiss who have been known to buy paintings by referendum. Public decision making may not fully replace 'expert' decision making but can usefully augment it.

The Arts Foundation site *Boosted*, set up with Lotteries funding, shows one way that private and public (tax expenditure) can work together. *Boosted* works because donors hand pick what they want to support. The *Boosted* 'all or nothing' approach means if a project proposal does not attract enough funds (demand) to meet production costs, it does not proceed. Funds are returned to the donors. There are a number of variants on creative sector crowdfunding in New Zealand and overseas such as *Pledge Me* and *Kickstarter*.

### This will improve artists' prospects

Public decision making is one demand side strategy in what is otherwise a very supply side, production subsidy-centric set of policies that may not be in the long term interest of artists either. When there is oversupply, artists struggle to make a living as prices are forced down.

A good overseas example of a demand-side policy is *Own Art*, a publicly funded UK scheme that makes buying contemporary art and craft affordable by letting consumers spread the purchase over 10 months with an interest free loan. Since the launch of *Own Art* in 2004, over 35,000 individual art purchases have been made with a total value of over £28.5 million. 80% of the customers said that without an interest free loan

they would not have been able to make their purchase. Australia has similar schemes.

The New Zealand Symphony Orchestra's *Pay Your Age* programme is a demand side policy aimed at audience development and attracting people that might not otherwise attend. Voucher schemes offer free museums passes to high schoolers in the Netherlands, France and cities like Philadelphia. These demand side policies target consumption experiences rather than production.

### Some producers warrant special treatment

While many producers may think they are a special case for supply side subsidies and grants, major performing arts *are* a special case because they have high fixed costs and limited efficiencies. A downsized symphony orchestra is a chamber orchestra. A quartet of three is called a trio. Excellence in traditional performing arts like orchestra and ballet signal New Zealand's place in the world. You either have them or you don't.

The debate gets interesting with art forms like kapa haka which is unique culturally and may also yield social and economic benefits.

### If you don't ask...

Even with these special circumstances, New Zealand's cultural policy needs demand side strategies that cultivate life-long audience support and participation so that the arts can grow, evolve in line with public preferences and be less reliant on public funding.

We can start by asking.

### References

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