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# Why the State Cannot Know which Cultural Goods to Fund

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**Abstract**

In this essay, I argue that the state should decide which cultural goods to fund on the basis of whether the funding decision tracks democratic preferences. I discuss two ways of meeting this condition and try to apply their associated allocation principle to humanities teaching and research. Both offer an abstract allocation principle that cannot be applied in practice, due to their reliance on qualities that are unquantifiable, diffuse, or subjective. As such, I conclude that neither interpretation specifies whether university level humanities teaching and research should be funded by the state.

**Keywords:** Culture; Humanities; Funding; Cultural Economics

## 1. Introduction

In this essay, I argue that the state should decide which cultural goods to support on the basis of whether the value derived from these goods by citizens outweighs the associated tax burden. I will present two different interpretations of this conclusion. The first relies on a public goods justification of state funding for culture, and the second on a 'lofty' justification, both specified by Dworkin (1985). I will argue that neither interpretation results in a precise allocation principle for state funding of culture. Therefore, it remains unclear whether the principles evaluated entail financial support for university level humanities teaching and research.

## 2. When Is State Funding of Cultural Goods Justified?

I believe that the state should decide which cultural goods to support on the basis of whether this funding decision tracks citizens' preferences. Citizens would rationally prefer funding of cultural goods if the value derived from these goods outweighs the associated tax burden. Any government that would not obey this principle, referred to from now on as the funding condition, would be voted out of office and replaced by a government that does. Therefore, the state will fund only those goods that meet the funding condition, but not all of them. This

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is because the state will only want to fund a cultural good if it would not be funded without state intervention. In this essay, I exclusively focus on those kinds of goods that meet the funding condition and would not be privately funded if the state did not support them. To defend that only the funding of those goods that meet the funding condition can be justified, I would have to specify in what cases democratic votes yield just outcomes and why. As this beyond the scope of the essay, I assume that the decision infrastructure of the democracy in question is just.

One problem with evaluating whether the funding condition is met is that not all taxpayers will benefit equally, or proportionately to the taxes they pay. As a result, the majority of people might be in favour of funding a specific cultural good because their net value gained is positive, even though on aggregate, the net value gained is negative due to high costs imposed on a small group of individuals. In such cases, whether cultural goods will be funded depends on how large the required majority in the country in question is, and whether the country has any distributional restrictions when it comes to accepting policy. If the decision infrastructure itself is unjust, this will also yield unjust outcomes even if the funding condition is met. In this essay, I will assume that the decision infrastructure is just, and that therefore the state is justified in funding cultural goods if the funding condition is met. To further simplify the examples in my essay, I assume that the costs and benefits of funding cultural goods are evenly distributed throughout the population, so that a vote would always be unanimous. If the voting infrastructure of a country requires less than a unanimous vote, as is likely, the examples could be adjusted accordingly, but I consider these variations beyond the scope of this essay.

## 3. The Public Good Principle

The first way of meeting the funding condition relies on the assumption that cultural goods are public goods (Towse 2003). In a free market, public goods are underprovided. The utility that could be obtained through collectively funding them outweighs the disutility of having to pay the associated tax. However, the potential utility of a public good is non-excludable and this leads to free-riding. In Table 1, this situation is represented by the Free-Market example. Even though everyone could benefit from funding culture, only 10% of the population actually contributes. This means that the culture cannot be funded and the community misses out on the value that could have been derived from culture if everyone had contributed. This problem can be overcome through enforcing a tax. I have illustrated this with the state-enforced tax example in Table 1. In this example, the amount of contributors drives down the individual cost of funding culture, such that it is lower than the individual benefit. As a result, culture is funded and each individual benefits. Rational voters would thus vote for funding culture this way.

| | **Free Market** | **State-Enforced Tax** |
|---|---|---|
| A. Size of the group (out of 1000) | 100 | 1000 |
| B. Total price of the museum | 1000 | 1000 |
| C. Individual price of the museum (B/A) | 10 | 1 |
| D. Individual value of the museum | 2 | 2 |
| E. Does the museum get funded? (if D>C) | No | Yes |
| F. Potential total value of the museum (A*D) | 2000 | 2000 |
| G. Actual total value of the museum | 0 | 2000 |

**Table 1.** An example of culture as a public good: the funding of a museum

As it stands, this argument only justifies funding culture if it meets all the criteria for being a public good, which are being non-excludable and non-rivalrous. An example would be public art. Public art, for example statues on a square, is non-excludable and non-rivalrous. If the total utility derived from interacting directly with public art outweighs the disutility of having to pay for it, the state could fund it if this otherwise would not happen. Two problems follow from this conclusion. First of all, the individual utility of any cultural good is hard to quantify and hard to predict. The factors that help determine utility of culture, such as the popularity and resonance of a cultural good, are not readily expressible in the same way costs are. Furthermore, this utility will be different for everyone and also depends on the specific cultural good in question.

Secondly, the conclusion that culture should only be funded if the gained utility outweighs the disutility of the tax only applies to those forms of culture that are public goods. However, many kinds of culture are in fact excludable and rivalrous. Examples include humanities teaching, theatre and opera. Often, these kinds of goods that are not public goods are partially paid for individually, and partially funded by the state. To justify partial funding by the state, it is argued that on top of the excludable and rivalrous value, these goods also generate value that behaves like a public good. As such, even if most people will not benefit directly if these goods are funded, they will still benefit indirectly (Dworkin 1985). These indirect benefits, referred to as spillover effects, include the economic benefits of having a cultural centre nearby, deriving from, for example, tourism, but also living in a society with a rich culture. According to this approach, the disutility imposed by taxation to fund those kinds of culture that are not entirely public goods, would be justified to the extent that they generate spillover effects that have the characteristics of public goods.

The funding condition is met as long as the non-excludable utility that is thus generated outweighs the disutility of the associated tax. However, there are practical problems associated with the cost-benefit analysis needed to check if the funding condition is met. I have already elaborated on problems regarding determining the utility directly derived from culture. When it comes to calculating the indirect value derived from spillover effects, more problems arise. Like direct utility, some spillover effects, such as 'living in a society with a rich culture, are difficult to quantify. Furthermore, the size of all spillover effects depends on the hard-to-predict popularity of cultural goods themselves. Lastly, spillover effects are diffuse and difficult to isolate. For example, if someone comes to a museum and goes to a restaurant after, it is impossible to determine whether this visit was actually caused by the presence of the museum, and if so, how much of the surplus value generated should be attributed to the presence of the museum.

Given the impossibility of calculating a value for these diffuse and difficult to quantify spillover effects, the allocation of funds according to the public good principle is impossible. This also applies to the spillover effects associated with the humanities. These include the human capital gained as well as living in a society with informed citizens, and are also affected by the difficulties pointed out above, such as quantification and diffuse effects. As such, I will refrain from speculating about how these benefits relate to the costs. Instead, I repeat my conclusion that the public good principle does not yield a practically useful allocation principle for deciding what cultural goods need to be funded, humanities included.

## 4. Lofty Justifications

The second way of meeting the funding principle I will be discussing is referred to by Dworkin as the 'lofty principle'. It relies on a belief that culture will be undervalued on the public goods approach alone because culture has value beyond what is recognized by individuals (Dworkin 1985). This value can take several forms, such as intrinsic excellence, personal enrichment, or the availability of a diverse cultural context. According to the lofty approach, the state is capable of correctly valuing this intrinsic excellence and is justified in funding those cultural goods that possess it, on top of the funding already justified by the public good justification. This lofty approach is paternalistic in the sense that individuals would not vote for this funding themselves, even though it will make them better off. However, if the voters were rational, they would vote for it, which makes that the funding condition set at the beginning of this essay is met.

When it comes to the allocation of funds on the lofty approach, two problems arise. The first is that as 'normal' citizens allegedly cannot recognize the actual value of cultural goods, a select group of experts will have to identify what cultural goods are excellent, improving or diverse enough to be funded (Towse 2003). However, these qualities are subjective, and more so than in other policy areas. For example, there generally is scientific consensus on what practices yield the best health outcomes, and therefore should be funded. However, this consensus does not exist when it comes to culture. For example, some believe abstract art is excellent and improving, others believe it is worthless. Unless an additional value judgement is attached, the lofty principle cannot find an objective way to resolve disputes about the value of specific kinds of culture, and select experts accordingly. If the lofty approach is applied, a random group of cultural experts will make arbitrary decisions about funding of culture. Without more information on who this group of experts consists of, and what their opinions on art are, it remains undetermined whether humanities teaching and research would be funded.

Secondly, even if a relatively undisputed way of selecting a group of experts can be found, they will be unable to account for the reason behind spending beyond that they subjectively believe something is valuable. This means that there is no reliable way to determine the right level of spending. On the public goods justification, the individual utility of and thus willingness to pay for cultural goods is comparative, and depends on the opportunity cost of other goods. For example, a cultural good funded by a wealthy country might not be funded by a poor country even if it has the same price, because the poor country derives less value from the cultural good relative to other goods. On the lofty justification, the lofty value of culture is by definition not commensurable with other goods taxpayers might want to spend resources on, because they are mistaken about the lofty value. As such, the level of funding justified on the lofty approach remains unspecified, and even with a specific allocation principle, it would remain unclear whether humanities teaching and research are included in funding.

## 5. Conclusion

In this essay, I have discussed two ways in which cultural goods could meet the funding condition, and their associated allocation principle. The public good justification cannot practically identify what forms of culture to fund due to the diffuseness and difficult-to-quantify nature of direct or spillover cultural value. The lofty principle relies on the intrinsic value of specific forms of culture. The subjective nature of this intrinsic value makes it impossible to specify an allocation principle or a funding level. In conclusion, neither way of meeting the funding condition is able to specify both the level and allocation principle for the funding of culture, and as such, they remain undecided on whether humanities teaching should be funded.

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