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Arts of the states in crisis–Revisiting determinants of state-level appropriations to arts agencies



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ABSTRACT

Clearly, much has happened to the state of public coffers and their ability to finance the arts in the past decade. This study extends Noonan (2007) into the next decade and the “Great Recession” that hit the U.S. (and world) economy—with state public finances severely exposed to the downward economic shock. The emphasis of the empirical analysis here is answering a twofold question: how well have past models predicted the past decade of funding patterns, and how have the funding determinants shifted in recent years. While the previous work found that some predictable patterns (e.g., there is much momentum in funding, demographics and partisan politics matter), there was insufficient evidence to back the claims that SAAs suffer disproportionately during times of fiscal stress. Further, political culture has changed substantially in the US in recent decades. From today’s vantage, we can observe how well the older models predict the changes actually experienced. This comparison shows that the severe budget cuts experienced in the wake of the recession were to be expected, but there are some interesting shortcomings in the previous understanding, which points to a shift in the determinants of public arts funding in the U.S.

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1. Introduction

Public funding for the arts in the United States occupies an important and controversial niche in the country's cultural sector. Yet while direct arts funding from the government has long been a minor share of resources invested in the arts, it has served as a lightning rod for political controversy, a litmus test for the health of the sector, and a priority-setter and pivotal supporter for particular arts projects and programs. Noonan (2007) offers a detailed look at how fiscal, institutional, and demographic factors influence state-level appropriations to state arts agencies (SAAs) in the United States. His dynamic panel data statistical model relies on data spanning 1969–2002. By ending the analysis in 2002, however, the analysis misses one of the most dramatic, challenging, and high-profile eras of public arts funding in the United States. This analysis revisits the earlier study and updates the data through 2011. The past 10 years bring some trends previously not experienced in the data, including the Great Recession (2007–2009) and declines in appropriations and household income. 2001 marked the all-time peak of funding for SAAs in real terms, and concluding the time series shortly after that point meant that the data only contained what was a familiar story for public arts expenditures around the world: seemingly continually rising funding levels for 30 years. Extending the time series out to 2011 reveals the pattern of nearly monotonic increases in annual appropriations has been supplemented by declines in the real budgets of SAAs in nine out of the past 11 years.

2. Introduction

How predictable were recent trends and how determinants of public arts funding have evolved can be informed by comparing the results from Noonan (2007) with new results using an updated set of data and statistical estimation. Some political, economic, and social factors' roles are clearly changed with the updating. The changes in political and fiscal factors' roles are the most notable, with the relative consistency in major socio-economic influences also reflecting important realities for public arts funding in the U.S. Updating the Noonan (2007) study makes several important contributions to the literature. First, it presents new findings about the fate of state arts funding during a particularly severe macroeconomic shock. Second, its out-of-sample predictions using the Noonan (2007) model allow for a test of predictability of those prior results. Third, updating the model explaining SAA funding brings in new information and identifies how the determinants of public funding have changed.

The analysis proceeds in three steps. The first step is to review the recent experiences for SAA budgets, quantitatively and qualitatively, to describe the recent trends. Second, the Noonan (2007) model is used to forecast trends in funding over recent, post Great-Recession years. By essentially forecasting history, the forecasts can be compared to actual SAA appropriations to reveal how the funding relationships have changed over the past decade. The third step provides new estimates of the determinants of state arts agency appropriations, which are directly compared to the older estimates. Updating these results highlights the new, stronger forces in explaining public funding for the arts in the US. Overall, the analysis illustrates how the dramatic changes in the macroeconomic landscape over the past decade have influenced both the level of SAA funding as well as revealed new drivers of that funding. I conclude by discussing the stability and resilience of US public arts funding.

3. Background

The public arts funding system in the US can be briefly summarized as diverse and decentralized (NEA, 2012).¹ There is direct spending from federal, state, and local agencies. There is also indirect support, largely in the form of forgone tax revenues from subsidizing some private arts support. Starting at the federal level, direct spending flows predominantly through the NEA. Created in 1965,

¹ NEA (2012, p.3): "Direct public support is not used to impose arts policy. Instead, government decisions on arts funding tend to be driven by experts in a given field or discipline. Candidates for those funds are almost always subject to rigorous peer review, which ensures that the awards are based on merit, not on policy aims or on political favoritism."

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