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Rushton, Michael

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## **Expensive Tastes and Public Funding for the Arts**

Michael Rushton

O'Neill School of Public and Environmental Affairs, Indiana University

1315 East 10<sup>th</sup> Street, Bloomington, IN 47405-1701 USA

[mirushto@indiana.edu](mailto:mirushto@indiana.edu)

ABSTRACT: A challenging question in moral philosophy is how to gauge the achievement of equity between individuals when people differ in their preferences, and in particular where some people might have “expensive tastes”, in that the goods necessary to bring them to a certain level of welfare are much costlier to obtain than the goods that bring others to the same level of welfare. “Opera” is an example often presented in the literature, although we can imagine other aspects of culture that are vitally important to a small minority but very costly to provide, and whose benefits are not most often enjoyed by the well-off; the preservation of an aboriginal language, or the specific cultural practices of an immigrant minority, for example. A distinction might also arise if equity involves consideration of whether the “expensive tastes” were deliberately cultivated by the people who hold them. This paper situates the “expensive tastes” debate in the real world of arts funding bodies that value equity in funding, and are challenged with making allocation decisions under hard budget constraints. Should “expensive tastes” matter at all in choices regarding funding, and, if so, how?

KEYWORDS: Arts policy, expensive tastes, equality

JEL Codes: H41, Z11

This paper is still a work in progress – all suggestions received with gratitude!

## ***Introduction***

Public sector arts councils distribute funds to artists, arts presenters, or consortia of artists and organizations. Across time and across countries there are variances in approach: some arts councils will fund nonprofit arts presenting organizations, but not individual artists; other arts councils might direct more of their funds to special projects by presenters, rather than ongoing grants to be used by presenters for their usual programming; and some arts councils might place more emphasis on fostering excellence in artistic creation rather than a broad-based public access to participation in the arts. But since funds are scarce, decisions need to be made about the criteria for funding, and how applications from those who hope to receive funds are evaluated and ranked.

This paper is about how arts councils incorporate into their funding allocation mechanism the idea that some segment of the population that they are meant to serve has *expensive tastes*. By that term, I mean people for whom the arts are an important part of their wellbeing, and that the art that matters to them is more expensive to obtain than is the art that is most meaningful for the rest of the population. The moral philosophy literature on the problem of expensive tastes is vast, and I will neither attempt to provide a comprehensive review of that literature nor to critique it. Rather, my aim is the practical question of what arts councils actually *do* as they determine their priorities for distribution of resources.

Contrary to the canonical literature on the economics of public funding for the arts, I will argue that serving those in the population with expensive tastes in the arts is the most coherent way of understanding what arts funders are actually trying to accomplish. This has important implications for any discussions on how public support of the arts might be reformed, and for whether public arts funding can be justified at all.

### ***What do we mean by expensive tastes?***

I will define expensive tastes in this paper as those held by a person who, compared with the general population, in order to achieve a given level of welfare, needs to have available for

consumption a good (or a few goods) that is only available at a high price. Suppose, for example, George only enjoys an art form that is expensive to experience, when most of the population is satisfied by cultural offerings more cheaply obtained, and further assume that this art deeply matters to George in terms of his wellbeing and capability for enjoying a fully satisfying life.

What makes some art particularly expensive? The performing and visual arts are typically characterized as having high fixed costs and low marginal costs. That is, it takes a lot of funding up front to mount a production, or prepare an exhibition, or write a novel, or make a film, but once that has been done, there is very little additional cost per viewer (in general see Caves 2000). This means that the *average* cost per viewer is higher when, other things being equal, there are fewer viewers. And so one way that an art form might be expensive is that it is enjoyed by only a very small number of people.

Matters are complicated when it is recognized that the cost of producing a work of art is not fixed, but can vary according to choice: *The Marriage of Figaro* can be produced with a small orchestra, borrowed costumes, a minimal set, and local performers, or with a full orchestra, elaborate specially-tailored costumes, a lavish set, and internationally-recognized stars to perform in the key roles.

When the arts presenter is a commercial firm, the expense of production and associated quality is determined by profit-maximization: under the assumption that customers are willing to pay more for higher-quality productions, the manager looks for the level of quality that maximizes revenues minus production costs, and would only increase quality when the marginal gains in revenue would exceed the increase in costs.

But if the arts presenter is a nonprofit organization, the decision process might be different. A fundamental aspect of nonprofits is what Hansmann (1980) termed the “nondistribution constraint”: that is, any profits from the organization’s activities must be held within the organization, either through an expansion of expenditures or in savings, but cannot be distributed to management or board or owners (the organization itself is the residual claimant). If the decision-makers within the organization highly value the *quality* of their productions, then

their incentives are to choose the highest possible level of quality consistent with being able, over the long run, to balance their budget, based on revenues from ticket sales, private donations, and public and foundation grants (see the model in Newhouse, 1970).

In this model, an art form can become “expensive” not out of necessity, but because there is sufficiently high willingness to pay for tickets and to make charitable donations to fund very expensive productions. When the Metropolitan Opera of New York spent \$169,000 to create poppies for a single scene in a production of Alexander Borodin’s *Prince Igor* (Service and Kennedy, 2014), it was not because it was a *necessary* expense, but rather that it was a *feasible* expense. In discussions on the moral implications of varying conceptions of equality and the place, if any, for taking account of expensive tastes, “opera” is an archetypical example (see Fleischer 2017, Kaplow 2006, Lippert-Rasmussen 2013, Holtug 2015, for example), but it is worth keeping in mind that the way that opera is funded and produced has heightened the degree to which it is “expensive”.

But an expensive taste in the arts might also be something quite different, for example the ability for an immigrant or refugee family to enjoy the culture of their origins in their new land, where it is costly to access and there are only a few in a similar situation with whom to pool resources and share expenses. For Hmong people who are immigrants to the United States and the city of Minneapolis, since they are such a small population, and (to generalize) a relatively poor population, funding a cultural center on their own might present a very high expense per person. They are, it could be argued, “unfairly disadvantaged in the cultural marketplace” (Kymlicka, 1995, p. 107). But having such a center would make a big difference to their well-being. It is thus an “expensive taste”, though not an extravagant one.

### ***Why is there public funding for the arts at all?***

There are multiple *types* of reasons that might justify tax-financed public expenditures in the arts, with each of these being in some way or another contestable. All of these need to be considered against the fact that states *do* directly fund the arts, whether public art, state-owned and -operated

museums, performing arts centers, and presenting organizations, and through subsidies to nonprofit arts organizations and (sometimes) individual artists. The per capita amounts, and the emphasis on different kinds of arts spending, varies across countries, and yet there is no rich country where there is not at least some public spending on the arts. So whatever we might think of the merits of different theoretical justifications for such spending, *something* has led such spending to be acceptable through democratic processes. And the various rationales below are not mutually exclusive: a publicly-funded arts council could conceivably devote expenditures to bringing the arts to underserved regions, also devote funds to preserving institutions important to a city's arts infrastructure for economic reasons, and give special consideration to art with a "message" considered worth spreading.

The first is that there might be a desire to use arts funding to alter and shape the cultural preferences, or beliefs about the world, held by the population. Examples could include developing tastes for the high arts over more popular art as a sort of *merit good* (Musgrave, 1959), on the assumption that people will be better off, and, in the end, grateful, to have been exposed to cultural offerings they would not otherwise have encountered: "The only valid argument for government aid to the arts is that it is a means of educating the public's taste and that the public would benefit from a more educated taste" (Scitovsky, 1972, p. 68). Dworkin (1985) (to whom I return below) refers to this as the "lofty" case for public expenditures on the arts. But in practical terms the approach does not take as far, it is "an inadequate guide for public policy; it tells us nothing except that more of what is good is better" (Netzer, 1978, p. 16).

A second type of rationale flows from more traditional economic modelling, taking preferences and beliefs held in the population as given and not seeking to change them, but instead asking whether public funding of particular goods would raise (some measure of) aggregate welfare above what a purely free market in goods would deliver. The arts might have public good aspects – say a work of public art available for appreciation by all passers-by, with no practical means of charging people for viewing, and with no additional costs to the economy from larger numbers of people taking part in enjoying the work. Or there could

be positive externalities from arts consumption and production, such that my attending an orchestra concert confers benefits on at least some of the population who did *not* attend the concert. This could be, for example, because the orchestra continuing to flourish will bring economic and social benefits to the neighborhood and city, or because the orchestra's survival as a cultural institution will benefit future generations of classical music fans, or because it is simply of value to someone who prefers listening to classical music on the radio at home to know that there are people attending the live concerts (Frey 2000; Peacock 1969; Throsby 2010).

One difficulty with the public good / externality argument is that these benefits are going to be very difficult to measure, and in turn to arrive at optimal levels of funding. There is no solid empirical evidence as to whether any of the suggested externalities exist beyond a minor level of significance, or whether there are some forms of publicly-supported arts generate higher levels of externalities than other forms. There does exist survey data indicating at least some people favor public funding and will vote in favor of (small) tax increases to pay for increased grants to the arts (Rushton 2005). And there are also contingent valuation studies indicating what people would be willing to pay for specific art presenters or heritage preservation (Bille Hansen 1997; Noonan 2003; see also Diamond and Hausman 1994 for critique of these estimates). But these votes and polls do not establish the existence of externalities; people could favor public funding because they gain personal benefit from the expenditure in excess of what would be their increased taxes, benefitting from taxes being levied on those who will not avail themselves of the increase in cultural offerings.

A second difficulty is that the benefits from spending on the arts will be unequally distributed: some will be very pleased about the amount of subsidized cultural activity going on in their city, while others have no interest. The more heterogeneous are people's preferences towards public goods, the greater the efficiency losses in using general taxes to fund them (Atkinson and Stiglitz 1980; Alesina, Baqir and Easterly 1999; Rushton 2003), although difficulties can be at least partially overcome by designing a "bundle" of state spending such

that each person has *some* parts of the bundle they like, even if they don't take an interest in each component spending program, and where it is close-to unanimous that having the bundle of programs is superior to a minimal state that spends on none of these programs (Feinberg 1994; Claassen 2013).

### ***Can a liberal state support art?***

Ronald Dworkin's (1985) essay warrants special attention, as he attempts to square the circle of maintaining the Rawlsian (1971) goals of individual liberty and state neutrality with respect to "the good", with public arts funding that, in practice, tends to benefit only a portion of the population (thus leading to involuntary provision of funding by those opposed to taxpayer support of the arts), and seems to very much involve the state taking a stand that the arts are a "good thing" for people's lives. Rawls rejected public arts funding: "Persons join together to further their cultural and artistic interests in the same way that they form religious communities. They do not use the coercive apparatus of the state to win for themselves a greater liberty or larger distributive shares on the grounds that their activities are of more intrinsic value" (1971, pp. 328-9). As Black (1992) argues, the Rawlsian "original position" from which his social contract arises does not have the shared culture (or any culture?) that Dworkin will subsequently argue we have a moral duty to maintain.

Early in the essay, Dworkin looks for what might be promising ways to proceed, "if we begin, as many of us do, by wanting to find some justification for a generous level of state support" (p. 222). He first looks to the merit goods concept, or the "lofty" approach, that seeks to change people's preferences towards the higher arts. He rejects it on the grounds, first, that support for the high arts inevitably is to most benefit to people who already appreciate it as such, and these tend to be the most highly formally educated and wealthiest citizens (surveys, such as National Endowment for the Arts(2015), consistently support this observation), and, second, that "orthodox liberalism holds that no government should rely, to justify its use of public funds, on the assumption that some ways of leading one's life are more worthy than

others, that it is more worthwhile to look at Titian on the wall than watch a football game on television” (p. 222).

Dworkin tries to make the case that government subsidized culture eventually benefits all through a “trickle down” effect on popular culture, but that’s an empirical stretch without much evidence (an unusual feature of the essay is that it contains zero references to any other writings). And it leaves aside the idea of *what* art to fund (this isn’t just a problem with Dworkin’s specific case for arts funding, of course, but applies generally to all rationales for public arts funding) while maintaining some sort of state neutrality.

In the end, Dworkin suggests “we should try to define a rich cultural structure, one that multiplies distinct possibilities or opportunities of value, and count ourselves trustees for protecting the richness of our culture for those who will live their lives in it after us” (p. 229). It is an intergenerational standard of equality, and rests not on ensuring future generations have the same or better levels of welfare as the current generation, but that they have the similar endowments of cultural *resources* from which they can draw inspiration for their own artistic expressions (this is consistent with his judgment that equality of resources, rather than equality of welfare, ought to be the goal of liberal policy: Dworkin (2000)). It is an irony is that Dworkin wants to convince that a *liberal* state (in his conception of liberalism) can justifiably subsidize the arts, and in the end presents a very *conservative* case for doing so.

### ***Equality and public funding of the arts***

Consider two sorts of ways a polity concerned with equality (I put aside the question of “equality of what?” for now) might implement measures to reduce the inequality that arises in a modern economy. First, it can try to ensure that poor people and their families have money to buy things: it can transfer funds to them through welfare payments, unemployment compensation, and an income tax system that is broadly progressive through refundable tax credits and a progressive structure of marginal tax rates. Second, it can directly provide for

universal access to those goods that at least to some degree equalize opportunities for those born poor to advance their chances of success, through public schools, publicly provided health insurance, and neighborhoods safe from crime.

But how does public funding of the arts fit into this? A reason for providing cash transfers to the poor is that it leaves individuals the choice as to how to best allocate their budget. There is an efficiency gain in recognizing that each individual knows best what goods and services they most wish to acquire, and there is the intrinsic benefit of the dignity that comes from the state recognizing people's ability to make their own budget choices rather than having the state make choices for them. This is the argument for replacing programs like "food stamps" and subsidized housing with a pure cash transfer subsidy through a negative income tax made by minimal-state economists like Milton Friedman (1962).

Including the arts in public school education is a way to ensure all children receive an opportunity to explore and enjoy their creative sides, to see it as a potential career, and if nothing else to be able to more fully enjoy the culture offerings of the world in which they will live as adults. But why, then, subsidize a city's museum of contemporary art? We know from many studies of arts participation that only a fraction of the population will ever visit, and that the visitors will be strongly skewed towards the most highly formally educated and the wealthiest residents. The most recent figures from the United States, for 2017, found that only 23.7% of adults visited any art museum or gallery in the previous twelve months (only 3.1% attended the ballet, and 2.2% a live performance of opera) (National Endowment for the Arts, 2018). The museum is not necessary for public school education in the arts (an occasional field trip to the museum can bring some benefits, but a fine public school (in the American sense of the term) education in the arts can occur without it).

But there does remain a further equity rationale for directly funding arts institutions, and it rests on the *targeting* of benefits. Consider this thought experiment (this draws on the analysis in Blackorby and Donaldson, 1988). Suppose that levels of cash transfers to the poor have been in place for a long time, determined through political processes as the amount that balances

fairness in income distribution with maintaining incentives for people to go out and earn what income they can; an optimal income tax that considers equity and efficiency (the seminal treatment is Mirrlees 1971). But it is discovered that a small segment of the adult population is functionally illiterate, and would like to become literate, and that these adults are, for the most part, poor. A possible response would be “let’s increase the level of cash transfers to the poor so that those who need it can afford to purchase enrollment in a literacy program.” But that is going to be expensive (increasing transfers to *all* lower-income people) to attain a goal that only concerns a small number of people. It would likely better serve the goal of helping the affected adults gain literacy and remain close to the optimally designed income tax-and-transfer system by simply having the state directly fund a freely-provided (or heavily subsidized) literacy program. Notice this is also superior to the state putting out the call “please contact us if you need special funding for a literacy program, and we will arrange for a money transfer to you to enable you to purchase a place in a literacy class” because there is a good chance that some would feign illiteracy in order to access funds, and then use the funds for something else. A directly provided program would not have that difficulty, because it is hard to imagine someone who would falsely claim illiteracy just to be able to attend a free class which they, in fact, have no use for.

Apply this reasoning to the arts. Suppose there is a minority of the population that would receive great benefit from the subsidy of a particular form of art; it has deep meaning for them, and the ability to enjoy it and share in it with people with similar tastes is very valuable to them. But most of the population has little interest. There are three options for the state. First, it could claim that the benefits to these individuals from the arts are not a relevant problem demanding a public response, and let the market determine which cultural goods exist, and at what price. Or, second, it could aim for an increase in the progressivity of the tax and transfer system, such that *if* someone had an art form that was especially valuable to them then they could better afford to pay the market price for it. Or, third, it could directly subsidize presenters of various arts,

knowing that for each of them only a small proportion of the population will attend and benefit from it, but also knowing that this is more efficient than using the second option.

*In practice* what we observe is the third option. And however one might answer the question of whether the state *ought* to account for expensive tastes in its arts funding decisions, what we observe is that it *does* account for expensive tastes, in choosing to grant funds to arts presenters whose exhibitions will only ever be seen by a small, but self-selected, part of the total population. By expensive tastes we mean meaningful art that happens to be expensive to obtain, not something that is enjoyed simply for the fact that it is extravagantly lavish without regard to the actual artistic content or aesthetic experience. This might be grand opera, which involves a lot of performers and a large enough performance space, or a simpler cultural center for art that appeals only to a small minority for whom it is very special. And so the Minnesota State Arts Board could be said to support the “high art” Saint Paul Chamber Orchestra [<https://www.thespco.org/>] and the Walker Art Center [<https://walkerart.org/>] as well as the much smaller Somali Museum [<https://www.somalimuseum.org/>] and the Hmong Cultural Center [<https://www.hmongcc.org/>], both in Minneapolis, for a common reason: that each of these serves a small part of the population for whom the institution matters a great deal, and it is worthwhile for the state to do this, even if there are Minnesotans who will attend none of these taxpayer supported cultural organizations.

In this funding model, it does not matter whether the expensive tastes were acquired on purpose or not. Somali and Hmong immigrants to Minnesota were raised with specific cultural traditions in the arts, and are able to enjoy them in their new home, but there are no moral distinctions to be made in whether specific effort was devoted to maintaining participation in that culture (and we would expect it to matter much more to some migrants than to others). The taste for orchestral music might have been an important part of some audience members’ upbringing, while for others it is a taste acquired later in life, but it’s not clear we should make too much of this. As Kaplow (2006) notes, people cultivate specific tastes because they think their lives will be better for it; it is a “rational addiction” (Becker and Murphy 1988), and it would be a poorer

world if we encouraged individuals *not* to attempt to develop enjoyment of cultural offerings because of their expense. As G.A. Cohen puts it:

...that Berg is more expensive than bebop is no part of what makes Berg better for most Berg lovers. It is just an unfortunate fact, and Berg lovers consequently do not break faith with their commitment to what they think is good music when they campaign for a Lincoln Center in which to hear it. Most would not choose to lack their esoteric taste, but they would certainly choose not to sustain the frustration that happens to accompany it... It means that we might think it right to provide a Lincoln Center even for those who forgo an offer to be schooled out of their highbrow musical taste. (Cohen 2011, p. 36).

At its core, whether expensive tastes should “count” at all, or whether certain tastes might count but not others, rests on the question of, as Dworkin (2000) put it, “equality of what?” If an objective of public policy is to aim towards, however imperfectly, equality of subjective well-being, or welfare (Arneson 1989, 1990; see also Scanlon 1975) then the varying tastes across the population matter and should be accounted for. Dworkin (2000) agrees with this conclusion, though finds in it a rationale for rejecting equality of welfare as the desideratum, in favor of equality of resources, or “primary goods” (Rawls 2002). The “expensive tastes” approach to thinking about arts funding has a lot in common with Sen’s (1982) and Nussbaum’s (2011) idea of *capabilities*, in which equality is concerned with people’s abilities to be able to do certain things, enjoy a kind of life, without trying to reduce to atomistic notions of utility, or trying to ensure some equal amount of resources to all, when people differ so widely in their abilities to make use of different types of resources, and to gain fulfillment from different things. This is the foundational idea behind Wilson, Gross and Bull’s (2017) conception of “cultural capabilities”:

What is required for cultural creativity varies considerably across circumstances. But it very often involves substantial freedom to play (and try things), to spend time with other people (to affiliate), and to make sustained use of our imagination, senses and capacities

for thought. Taken together, substantive freedoms such as these enable people to pursue and realise cultural creativity, thereby co-creating a version of culture. This condition of substantive, social freedom is what we call *cultural capability*. (p. 22).

### ***Implications***

We differ widely in how we encounter culture, and in terms of how we wish to encounter it, and the capabilities approach, in common with the “expensive tastes” approach, allows for those differences. It makes no claims to a universal cultural experience, or widespread public good aspects of the arts, and does not rely on the existence of externalities in arts production and consumption that may in fact be very small. Neither does it make claims on the superiority of one type of art over another. It just recognizes that for at least some people attending or creating art of some kind is important to their lives, and some public funds can enable them to better enjoy it. What has been presented here is a rationale for public funding that is modest, without grand claims beyond simple improvements in some lives through the opportunity to engage in the arts.

One implication of this approach is that it ends the need for a search for justifications of public funding of the arts through arts’ *impact* and instrumental benefits. The value of arts funding is the intrinsic benefits it brings to those who choose to avail themselves of the opportunities to do so through the public subsidies of the arts they cherish. Whilst there may be gains in health, sociability, or economic activity that come from arts consumption, the evidence has always been thin (Carey, 2006), and, if followed as a guide to policy, would call for an arts funding allocation that could demonstrate the largest external effects, rather than the personal aesthetic enjoyment people gain from creating and participating in the arts (Hadley and Gray 2017).

A second implication is that it would change the debate over the proportions of funds that go to more, or less, popular arts forms. Dugher’s (2018) claim that popular music is grossly underfunded relative to opera when popular music is, by definition, more popular *might* be true,

but the way to examine the distribution of funds would be to ask where the funding could have the most impact on some people's lives.

A third implication is a reassessment of the great deal of focus in cultural policy and arts administration of "audience building" as a goal and a metric of success. That in the past year 2.2 percent of Americans (National Endowment for the Arts, 2018) and 3.7 of residents of the United Kingdom (Department for Digital, Culture, Media and Sport 2018) attended an opera performance does not present, in itself, a need for doubling or trebling opera attendance. There are sound reasons for opera companies to ensure they are not, through the manner and venues in which their works are presented, excluding people with an interest in opera but who feel they somehow are not wholly welcome at performances. And educating children at least to a degree, about what opera is and sounds like, as part of their general education in music and the arts, is also valuable in presenting them as part of the wide array of means of artistic expression. But the "expensive tastes" approach suggests that ensuring productions bring joy and meaning to those who do love opera is, if opera is to be funded at all, the primary aim of the funding. This does not mean that expensive arts should not be regularly evaluated as to whether it represents a best use of scarce arts funding; perhaps opera *is* overfunded relative to other art forms that have deep meaning for a part of the population. But attendance levels are a misguided metric if the goal is to make more affordable expensive, but to some, very meaningful, art.

I have tried to argue that supporting those arts that represent "expensive tastes" in their participants and audiences is a good explanation for what arts councils are trying to do. Arts Council England or the National Endowment for the Arts might make many statements about the external, instrumental benefits of the arts, or of their goal to bring the arts to everyone, but these are not well supported by evidence on the impacts of arts funding; the case from expensive tastes, although it might not be political expedient for the councils to say so, is a simpler explanation that accords with the actual distribution of funds. This does *not* mean that the status quo in arts funding is therefore justified; expenditures can be evaluated, and adjusted, based on evidence as to whether the activities funded are highly valued by the participants,

and at the same time whether the funded activities would have difficulty surviving in a nonsubsidized cultural marketplace. Cultural preferences, and the structure of markets, costs, and prices in the arts, are not fixed, and public expenditures in the arts ought to adjust to changing preferences and market conditions in the quest for targeting the actual goals of public funding.

It is also true that not everyone would concur that all expensive tastes represent a good justification for public arts funding. There can be a difference in how we think about the funding and protection of cultures for minorities who have no choice into the culture into which they were born, and where absent state support their only option for some culture would be assimilation into the majority population – consider a small population of an aboriginal people surrounded by a majority settler culture for example (Kymlicka 1995) – with those who had ample resources but choose to make their culture expensive (Quong (2006) gives the example of a person who lived in a big city where opportunities to attend the opera were abundant, but who chooses to relocate to a small, rural town and now finds opera has indeed become an expensive taste to satisfy). How to treat “expensive tastes” in our moral framework, and whether they ought to be part of the “currency of egalitarian justice” (Cohen 2011), or whether it depends on whether the tastes were deliberately acquired or an accident of birth, is unsettled. But current allocations of public funding for the arts are consistent with the idea that at least to a degree expensive tastes *do* matter.

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