

CURTAINS?

THE FUTURE OF THE ARTS IN AMERICA

MICHAEL M. KAISER



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CURTAINS?

For my parents,

HAROLD *and* MARION KAISER,

who taught me to think ahead

PREFACE

I am an arts manager because when I was four years old my parents took my siblings and me to see *The Music Man*, starring Barbara Cook as Marian the librarian. When she sang “Goodnight, My Someone,” standing on the porch of her house, one could suddenly see through the wall of the house and watch Amaryllis play the piano. What magic made the house become transparent? I was hooked.

Since that moment, I have believed in the power of the arts to inspire, educate, and entertain. People in every culture draw and sing and dance. The need to express oneself is innate to human beings. It cannot be ignored, submerged or repressed for very long. Artists need to create beautiful and meaningful works. It is not a choice, it is a requirement.

The arts are necessary for every community’s health and well-being. No great civilization can be sustained without the joy and the release provided by the arts. Only totalitarian societies limit art-making and such societies fail to endure, in part, because their people are denied an open, honest, creative outlet.

I remain convinced that any arts organization that does good work can be vibrant and healthy and sustainable. There is demand for great art and there is support available for the work of great artists and there always will be.

While I am confident there will always be art and artists in our world, however, I am less optimistic about the future of organized arts institutions: the opera, theater, ballet, and modern dance companies, the symphony orchestras and museums that currently present the vast majority of work created by professional artists. While there will always be art, I fear there will not always be the wide range of organized and professional arts venues, producers, and presenters that we currently enjoy.

My concern does not result simply from the difficult and ex-

tended period of economic instability we have recently endured. I am not a Depression-era child and I maintain a remarkably positive outlook on the potential for healthy arts organizations in any environment. (That's why I was willing to lead four virtually bankrupt arts organizations over the past thirty years.) Nor am I one in the chorus of voices intoning, "The arts model is broken." Many arts organizations that were managed and governed well during the recent recession remain healthy and should continue to be vibrant in the future if they enjoy strong leadership from board and staff.

The arts model is not broken. But the poor implementation of this model in an increasingly difficult environment causes me concern. Only a very few arts organizations are managed well, with consistent vigor and focus. Too many of them do little or no real planning. These institutions fail to produce interesting art, do not know how to market or raise funds, are governed by weak or ineffective boards, have failed to exploit new technologies wisely, and are clumsy about embracing supporters, both old and new. And while many of these organizations got by in the past, surviving the bumps and bruises, I fear their path will become ever more perilous. I am not optimistic that such institutions will exist two decades from now.

This pessimism arises from my experience with evaluating industries and the ways in which they mature. Before I became an arts manager, I was a business consultant who specialized in industry evolution. I studied dozens of industries—from jet engines to computers to automobiles—and learned how they changed and developed over time. I evaluated the impact of new technologies and studied how new modes of distribution changed industry dynamics. I analyzed how competitive pressures evolved as product lines changed, and how buyers became more powerful as specialty products turned into commodities. I even wrote two books on these topics.

My experiences consulting to a range of corporations in a myriad of industries, coupled with my observations over thirty years in arts management, have created a deep-seated discomfort with the current state of the art world. The many trends at work now are

going to change our arts ecology forever. We have been fortunate to live in a remarkable era of arts accessibility, a true golden age. But it is coming to an end.

As I look twenty years into the future, I remain optimistic that those arts organizations that do things consistently well—the ones that create great and exciting art, that market effectively, that gather strong families of donors, audience members, and board members—will thrive.

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Preface

But trends in technology, demographics, government support, and arts education are working against us. It is going to be increasingly difficult to thrive, or even survive, as an arts organization in the coming decades. There will be winners, for sure, but I am equally certain there will be a larger group of losers.

I know that many of my peers will disagree vehemently with my projections, and I fervently hope I am wrong. But I received similar reactions from executives at IBM and General Motors in the 1980s, when I suggested that their industries were changing in ways that would cause them major challenges. I had hoped to motivate change rather than scorn, but I failed.

I pray I am more successful this time around.

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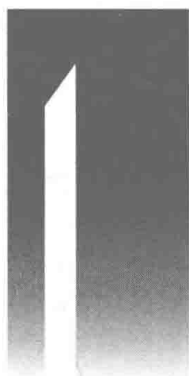
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AMERICA THE BEAUTIFUL

THE ARTS EXPLOSION,

1950-2000

Those of us who were born in the United States of America in the decade following World War II have lived charmed lives. Our world has continuously changed and expanded in remarkable and magical ways. Most of us are more educated, wealthier, and better traveled than our parents. We were born in the age of television and have lived into the age of Netflix and Hulu. We witnessed the development of computers and lived into the age of iPads. Wary of long-distance telephone charges as children, we now speak at will, and at very low cost, on our smart phones. That is, when we speak at all, because we can e-mail and text to anyone at any time at almost no cost. Along the way we adopted, then discarded, fax machines, VCRs, cordless telephones, and numerous other gadgets that seemed like revelations when they were introduced and now seem merely quaint.

Our lives have expanded in other ways. We now travel everywhere, at relatively low cost. Airline ticket prices have fallen 40 percent since the 1950s. In 1958, 38 million people flew; fifty years later, that number was 809 million! We eat foods from every corner of the earth. I didn't taste pizza until I was ten years old; our children know the difference between sushi and sashimi. Where we once read a daily newspaper, we now access our information in real time: even twenty-four-hour news stations struggle to keep market share when so many of us get our news online, faster than it can be produced for television. We used to buy expensive encyclopedias; now we use Wikipedia for free. Instead of visiting a library to research a school paper, students now log on and search, then cut and paste.

These technological changes have been accompanied by earth-shaking social changes. We have lived through efforts to secure civil rights, women's rights, reproductive rights, and gay rights. (Hard as it might be for many younger people to imagine, there was even a battle to secure the right to divorce.) And while we still have much to accomplish, we now live in a more equitable society than we were born into.

Much else has changed over the past seventy years. For those of us who care about the arts—and a remarkable number do—there has been an explosion in the accessibility and diversity of live performances and visual arts exhibitions. Except for a few of our venerable museums, orchestras, and opera companies, most of the arts organizations in today's United States were formed after World War II. With some notable exceptions, many of our most famous modern dance companies, theater organizations, ballet companies, and jazz groups also were spawned in the second half of the twentieth century, including the Alvin Ailey American Dance Theater, Steppenwolf Theatre Company, New York City Ballet, Lyric Opera of Chicago, and so on. (The same is true for many countries across the globe. Even when some of the major arts venues are older, the ensembles operating within them are young. The Royal Opera House, for example, was built in the mid-nineteenth century but the Royal Opera Company was formed in 1946.)

The burst of national pride, enthusiasm, and economic development that followed the war resulted in a remarkably fertile period of creativity in the United States. Working in that decade were the playwrights Tennessee Williams, Eugene O'Neill, and Arthur Miller; the composers Leonard Bernstein and Aaron Copland; the moviemakers Frank Capra and Alfred Hitchcock; the jazz artists Dizzy Gillespie, Duke Ellington, and Charlie Parker; and the choreographers Jerome Robbins, Agnes de Mille, and Martha Graham. We still revere the great movies, musicals, songs, novels, plays, and ballets that were created in that remarkable time.

And with the emergence of every important new artist, America's hunger for arts experiences only increased. Audiences were large, costs were relatively low, and the great and the good in each

community were willing to underwrite the expenses that ticket sales could not cover.

This hunger for arts experiences was fed by television viewing. While those born after 1970 might not believe it, serious arts played a vital role in the development of commercial television. Many popular programs promoted the great opera singers, actors, and dancers of the time, including *The Bell Telephone Hour*, *Playhouse 90*, and *The Ed Sullivan Show*.

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*America the
Beautiful*

It is amazing to recall that Joan Sutherland was regularly featured in prime time on network television. Although an astonishing talent, Sutherland was not the most telegenic person; she would have been unlikely to get the bookings today. But a generation of Americans enjoyed Maria Callas, Isaac Stern, and Rudolph Nureyev, while many families huddled around their television sets to watch Leonard Bernstein conduct Young People's Concerts with the New York Philharmonic on CBS from 1958 until 1972! By contrast, the sole regularly scheduled network television program to feature classical music today is *The Kennedy Center Honors*, broadcast on one night each December and featuring only a short segment on the classical arts.

This appreciation for the arts was reflected in the lives of our leading politicians. President John F. Kennedy and his wife Jacqueline famously turned the White House into a salon where great artists and thinkers and writers could meet. When the Kennedys hosted the politically controversial cellist Pablo Casals in 1961, his performance made international news. The same was true of a gathering of Nobel Prize winners, of concerts by young artists, and other events.

As a result of the emergence of great talent and heightened visibility, the period from 1945 until 2000 saw an astonishing proliferation of arts organizations. And not just in New York, Chicago, and San Francisco. Important arts institutions were created in virtually every city and state in the Union, including Santa Fe, New Mexico; Cooperstown, New York; and Montgomery, Alabama. Today there are tens of thousands of arts organizations spread across the nation which attract many millions of visitors and inspire countless artists and audience members.

THE INCOME GAP

Another principal factor behind this artistic golden age was the willingness of an increasing number of people to support their local arts institutions, with financial contributions ranging from modest levels to much larger amounts. While it is true that, from the beginning of time, humans have had the twin needs to create and to be entertained, the history of arts organizations is entwined with the history of the people who are willing to pay for them. The visual and performing arts have never paid for themselves.

Why? Unlike most other industries, artists and arts institutions have never found a way to consistently boost worker productivity. In almost every other profitable industry, workers become more productive quarter after quarter. It now takes fewer person-hours to make a car or a blender—or to complete a banking transaction or send an oil invoice—than it did last year. This critical element affects every business; if workers get more productive, the cost of making the good or providing the service is less than it would be if worker productivity was flat.

Those of us in the arts, however, have a difficult time improving worker productivity. Musicians do not play Beethoven's Fifth Symphony faster every year, nor are any fewer dancers required to perform *Serenade* than when George Balanchine first created it in 1934. We do not ask sculptors to sculpt more quickly every year, nor do we ask composers to write a score in less time.

As a result, arts institutions suffer from a higher rate of inflation than the steel, automobile, or banking industries, where improvements in worker productivity lower one cost of production (total salaries) and offset, at least in part, inflation in other costs.

The fact that costs rise faster for arts organizations than for other industries is often misread as "artists don't handle money well" or "artists are wasteful." Many board members believe that if an arts organization were managed carefully, it would turn a profit. They cannot understand why an organization that makes something people like should run at a perpetual deficit.

This corporate prejudice can affect the way they govern their arts organization, encouraging them to try to cut budgets or to avoid ad-

dressing annual fund-raising requirements. Such board members start from the belief that arts managers are doing something wrong. They think that if corporate managers could run the arts organization, then it would become profitable, that if arts managers were smarter, fund-raising targets could be lower. They are simply wrong.

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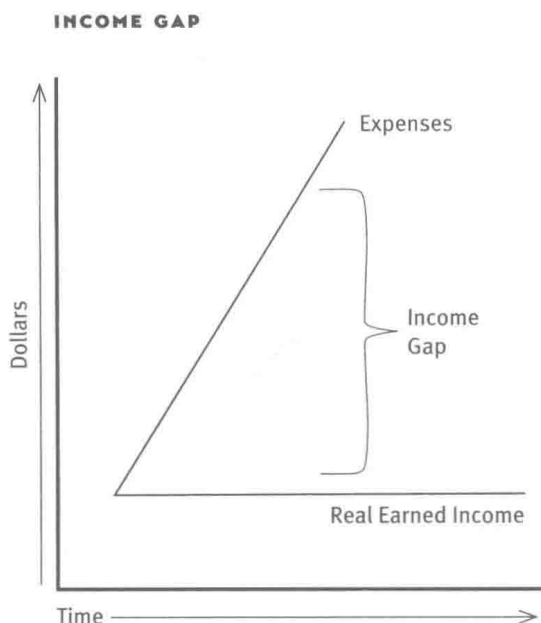
In truth, arts organizations are among the most efficient in the world, doing an immense amount of work with very small budgets. Even the largest arts organizations have modest budgets compared to ordinary corporations. And yet, many of the world's most important arts institutions have created huge brand awareness, with marketing commitments that are a small fraction of their less-well-known corporate counterparts. We have to be efficient because we serve so many masters: our board members, our audience, our donors, the press, and our peers.

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*America the
 Beautiful*

To make matters more difficult, the opportunity for earned income in the arts comes with some built-in limitations. In many cases, the possible income for a given performance is limited by the number of seats in the theater. The Opera House at the Kennedy Center, for example, has 2,300 seats; that number has remained unchanged since it opened in 1971. Unlike most corporations, which can spread their costs over an ever-increasing customer base, each performance in this venue can serve only 2,300 patrons. Although our overheads grow quickly, our audience per show—and hence our real revenue for that show—is fixed.

When I was running the Alvin Ailey organization, I brought the dancers to perform at the Odeon of Herodes Atticus, a beautiful outdoor amphitheater built into the base of the Acropolis in Athens, Greece. It is one of the most amazing places in the world to experience a performance. The dancers were thrilled to perform on this ancient stage, with the Acropolis lit by the moon. I marveled, however, that the number of seats for the performances was the same as when the theater was built almost 2,000 years ago. There had been no opportunity for increases in real earned income, despite a huge increase in costs per performance!

Although arts institutions typically cannot increase the real earning potential for each performance, their costs rise quickly because



of the productivity problem. This causes an income gap that grows larger and larger every year. This economic dilemma has faced arts groups since the time of the construction of the Odeon of Herodes Atticus. When revenue growth is slower than expense growth, deficits are the result.

FILLING THE INCOME GAP

So what can we do to fill this income gap? One way to balance our budgets is to continue to raise ticket prices—as we have done for the past thirty years. But ticket prices have now grown so high that we have hit a point of diminishing returns: when going to the theater is too expensive, people stop going and revenue falls. Today, a pair of center orchestra tickets to the Metropolitan Opera cost \$600! For just one performance! For that price, one could buy a computer and watch Leontyne Price and Luciano Pavarotti on YouTube for free, forever. High ticket prices do have an impact. After the Metropolitan Opera raised ticket prices 10 percent for the 2012–2013 season, ticket sales fell over \$6 million, forcing management to reverse course. That season the Met earned only 69 percent of

its potential ticket sales, down from the 90-percent range decades earlier.

The fact is that many people now believe the arts to be irrelevant to their lives. Because they have been priced out of the market, they have begun to look for other, less-expensive ways to be entertained. At the same time, advances in technology have provided many new and exciting ways to be entertained—and at almost no cost. While many arts institutions argue that they need to charge high prices to sustain themselves, they violate their own missions when ticket prices become so high as to discourage the audience for the art form they profess to be supporting. One can observe the impact of such pricing whenever a high-profile arts organization offers a free event. Just about everyone shows up for free concerts, operas, and dance performances: old and young, rich and poor, black and white. The arts are not unpopular—they have simply grown too expensive.

An alternative approach to filling the income gap has been to cut back on programming, either by doing less work or less ambitious work. A ballet company might do one less program each season; a theater company might do more small plays; an opera company might reduce the number of new productions, and so on. While this is a favored strategy of many board members—especially those who do not understand why costs rise and who believe that artists are wasteful—this is a losing proposition. Audiences and donors will not continue to support arts organizations that appear to do less and less. This should be one of the take-aways from the sad demise of the New York City Opera in 2013. When that company left Lincoln Center and became an itinerant ensemble, it also drastically reduced its number of productions each season. Although these productions received strong reviews, the performances were so diffuse in time and location that the organization could not maintain its family of audience members and donors.

Arts organizations must be frugal; we have nothing to spare and cannot justify wasting donors' contributions. But one simply cannot save one's way to health in the arts. A dollar cut from the budget can end up costing several dollars in lost ticket sales and