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### Symphonic metamorphoses

*Variations on vulnerability: orchestral musicians' employment in times of crisis*

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#### Publication date

2022

[Link to publication](#)

#### Citation for published version (APA):

Kurzbauer, H. R. (2022). *Symphonic metamorphoses: Variations on vulnerability: orchestral musicians' employment in times of crisis*. [Thesis, fully internal, Universiteit van Amsterdam].

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## 9. Follow the money: economics at the orchestra

*“In the performing arts, crisis is apparently a way of life.”<sup>664</sup>*

*“The economic argument is attractive for its elegant parsimony. The artists who remain in artistic occupations despite low earnings and highly uncertain prospects gain something else that has to be taken into account in order to preserve their rational occupational choice frame....such an argument holds only in a conceived world of activity in which there is no room for anything else, but exchange based on a series of minute calculations.”<sup>665</sup>*

*“At the end of the day, it’s all a question of purse strings, of cost and so-called public will. If the general consensus is ‘we need this orchestra or this dance company’ the cost will not become central to the debate. We are sadly moving backwards to a discussion of ‘do we really need these things called art?’<sup>666</sup>*

The future of orchestras as employers and musicians as employees in the 21<sup>st</sup> century is indelibly linked to the financial condition of their musical organizations. As described in the previous *Haydn rewrites history movement*, wages and budget-related issues have been central to musicians’ misfortunes from the earliest recorded days in musical history, as evidenced by diary entries and letters from the likes of Haydn, Mozart, and other prominent musicians. The *movement* further touched upon the principal pillars of orchestral support: the church, the state, and philanthropists in various incarnations. During the orchestra’s period of rapid growth in the 19<sup>th</sup> and 20<sup>th</sup> centuries, development and financing were closely tied to the expansion of urban centers, and civic culture within these centers. An orchestra became part of a symbol ‘of and for’ the city; a concert hall became not only a place in which to listen to music but also a place to be seen as new elites vied for social standing through philanthropy. The importance of the orchestral institution to ‘national’ culture contributed to a golden period of growth for symphonic organizations in the 20<sup>th</sup> century during which the expansion and popularity of the recording industry and orchestra tours led to innumerable cross-border cultural exchanges and a heightened demand for classical music. Integral to a favorable notion of cultural value is the concept of culture as a ‘national good,’ an enhancement for the nation, a hypothesis that has been shaken to its core in the wake of the 2007-2008 financial crisis in both countries studied. The weakness inherent in a dependency on value of culture arguments and the impact of cultural economic hypotheses on the orchestral sector are central to this *movement*.

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<sup>664</sup> William Baumol and William Bowen. *Performing Arts: The Economic Dilemma* 1966 p.3.

<sup>665</sup> Pierre-Michel Menger. “Artistic Labor Markets: Contingent Work, Excess Supply and Occupational Risk Management” in *Handbook of the economics of art and culture* 2006 p. 558.

<sup>666</sup> Discussions with Ronald Wilford 50 years at the helm of Columbia Artists Management (CAMI) New York.

## 9.1 Orchestral malaise in the U.S.: the run-up to 2007

In the absence of state subsidies, the funding that provides European orchestras with their financial lifeline, U.S. orchestral budgets depend on endowments, private donations, institutional investments, and ticket sales. The 1990s marked a period of rapid expansion for U.S. orchestras. Studies backed up by American Symphony Orchestra League materials speak of a heyday in terms of increases in budgets, community outreach, and orchestral staffing.<sup>667</sup> Yet, under the surface of the golden decade, trouble loomed. The S&L crisis (Savings and Loan) in which over one third of the ‘smaller banking institutions’ in the United States collapsed<sup>668</sup> was a portent of future disaster as the lending associations holding over 50% of U.S. homeowner mortgages in the United States buckled under the pressures of a noxious combination of corruption at the highest levels, risky junk bond investments, fraud, and lack of fiduciary control.<sup>669</sup> “Once banking institutions shake, U.S. cultural institutions are soon to follow.”<sup>670</sup> The dramatic downward turn in orchestral finances in the United States in the 21<sup>st</sup> century was rooted in several factors: the first shock wave of general financial setbacks that followed the September 11 attacks, and the 2002 recession, which were minor compared to what was to come in 2008. Tellingly, “when the stock market plummets, philanthropy walks out the front door.”<sup>671</sup>

### 9.1.1 Financial crisis 2007-2008: percussive repercussions

Even the savviest orchestral insiders could not have predicted the full force the 2007-2008 financial crisis would have on their industry. It led to increased precarity in the orchestral sector, not only in terms of season cancellations, but more critically, in terms of bankruptcies and marked upsurges in strikes, lockouts, and the call for increased concessions as musicians bore the brunt of budgetary losses. “Frozen salaries, the demand on the part of musicians to cover more and more in health plans and pensions are the signs of disturbing financial times.”<sup>672</sup>

<sup>667</sup> A multiplicity of articles available at: <https://americanorchestras.org/symphony-magazine/archive/older-issues.html>

<sup>668</sup> The bailout came on the back of the taxpayer, see the succinct analysis at: <https://www.investopedia.com/terms/s/sl-crisis.asp>

<sup>669</sup> Two solid analyses of the S&L crisis: Martin Mayer’s *The Greatest-Ever Bank Robbery: The Collapse of the Savings and Loan Industry* 1990, and Paul Z. Pilzer’s *Other People’s Money: The Inside Story of the S&L Mess* 1989.

<sup>670</sup> Conversations with Professor John Montias (Yale) a cultural scholar in his own right (significant Johannes Vermeer research).

<sup>671</sup> Cleveland Orchestra board member, anonymity assured, 2014.

<sup>672</sup> Conversations with Jonathan Sherwin, bassoonist and chair of the Cleveland Orchestra Committee responsible for negotiating on behalf of the musicians.

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Diminished donor finances and decreasing endowments accounted for the demise of an alarming number of U.S. orchestras across the country.<sup>673</sup> Yet, notwithstanding plummeting fortunes, orchestral organizations in both countries studied set store by tried-and-true pricey practices such as orchestra tours. A reliance on *temps perdus*, the past sources of commendation and international reputational success did not stand orchestras in good stead financially. A realization that orchestral organizations may have exacerbated their own financial problems is troubling in light of the cost disease theory discussed below. What critics perceived of as resistance to change within the orchestral organization fed into orchestral malaise post 2007-2008 financial crisis exemplified by orchestra tours, one of the most expensive components within the orchestral budget.

### **9.1.2 On the road, off the road**

In the pre-crisis era, leading orchestras were treasured as ‘cultural ambassadors’ worthy of support, a theme that permeated arguments to exempt the Royal Concertgebouw Orchestra (RCO) from the subsidy cutbacks inflicted on other orchestras in the Netherlands. Statisticians and economists doubt whether orchestras earn money by touring nowadays, especially in comparison with past decades when capacious recording contracts and wondrous reputational spinoffs of orchestral celebrity brought groups such as, the Philadelphia Orchestra and the New York Philharmonic star status and international renown.<sup>674</sup> Presently, aside from orchestras with in-house record labels (RCO Live in the Netherlands and NYPhil+ as examples), the recording business is “a shadow of its former self; a lion’s share of musical dissemination takes place online.”<sup>675</sup> One year after resolving a bitter lockout that lasted a record 16 months, the Minnesota Orchestra toured Cuba (2015), an adventurous move for a U.S. orchestra. The illustrious Cleveland Orchestra announced tour dates to Abu Dhabi (2020), the first U.S. orchestra to sally forth to the Emirates.<sup>676</sup> Regardless of expense, high-profile tours are still perceived of as fruitful endeavors to some orchestras although sceptics

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<sup>673</sup> U.S. orchestras including the Albany Symphony, Honolulu Symphony, New Mexico Symphony, Syracuse Symphony, and Tampa Symphony declared bankruptcy or were forced to shut down as a direct result of the crisis. The San Jose Symphony declared bankruptcy during the 2002 recession.

<sup>674</sup> See, Robert Flanagan. *The Perilous Life of Symphony Orchestras: Artistic Triumphs and Economic Challenges* 2012 and further orchestral economics related publications by the Stanford economist.

<sup>675</sup> Conversations with Ab Sengupta, presently director Artistic Planning, Carnegie Hall, a professional violist and former Artistic Director, Baltimore Symphony Orchestra.

<sup>676</sup> See <https://www.cleveland.com/entertainment/2019/11/cleveland-orchestra-plans-first-concerts-in-united-arab-emirates-on-spring-2020-tour.html> The ambitious tour project was cancelled due to COVID-19 travel restrictions.

who observed the bitter labor struggles at the Baltimore Symphony (BalSO) in 2019 observed that within a year of a successful London Proms debut and European tour, the orchestra was on the verge of bankruptcy, see *FAQs*. Despite the allure of the tour, realists inside the orchestral business concur: “[t]icket sales, tours, and recording contracts, the magic trio that spelled out success in the mid-20<sup>th</sup> century has been in total obsolescence in the 21<sup>st</sup> century and we have yet to find formulas to replace them.”<sup>677</sup>

## 9.2 Value of culture debates

While an analysis of theoretical debates on the value of culture is not central to this enquiry, a quick discussion is relevant here. Several strands within the debate have swayed public and political views on the subject, with direct effects on if and when policy makers, sponsors and subsidy purveyors opt to spend the taxpayer’s money on artistic endeavors. Many a modern-day orchestral musician is perplexed by what seems to have been a post-financial crisis backlash against embracing the arts in general and/or their art in specific as a common good. Interviews with musicians on both sides of the Atlantic displayed a disturbing consensus of disbelief expressing the idea that “there must be something wrong within our profession, as we are forced to spend so much energy defending its very existence.”<sup>678</sup>

The media feeds into the mix by posing questions that revolve around the theme ‘is the orchestra relevant? Is it dying?’ when reporting on financial and labor-related struggles in the field.<sup>679</sup> Economists, joined by social commentators, and of course politicians, continue to debate whether funding culture is essential to a flourishing society. Suffice it to say, classical economists have not always been ‘friends of the arts.’ Adam Smith, the grandfather of the science of economics, placed musicians in the category of ‘frivolous’ workers whose contributions to ‘production’ were the antithesis of value: in a word, ‘unproductive.’<sup>680</sup> Smith’s emphasis on consumption and the interests of the consumer as the be-all and end-all of production finds its echoes in speeches by politicians in both jurisdictions studied with respect to ‘lazy artists,’ ‘culture as a left-wing hobby,’

<sup>677</sup> Discussions with Bruce Coppock, former Executive Director, the Saint Louis Symphony and former Managing Director, Saint Paul Chamber Orchestra.

<sup>678</sup> Paraphrasing responses given by Dutch and U.S.-based orchestral musicians.

<sup>679</sup> A simple Google search centered on the decline of classical music nets over 20,400,000 hits in a matter of seconds while a similar search on the ascendancy of the arts less than 6 million hits.

<sup>680</sup> See, Adam Smith’s famed monograph *The Wealth of Nations*. “Like the . . . tune of musicians, the work of all of them perishes in the very instant of its production.” Taken from Movement III. Available at: <http://www.gutenberg.org/files/3300/3300-h/3300-h.htm>

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and other negative slogans used to dismiss creative output.<sup>681</sup> An ample discussion of the ‘hobby’ metaphor and its implications for cultural expenditures in the Netherlands fills the pages of *Requiem for an orchestra*.

### **9.2.1 A conspectus on cultural economics**

Leaving Adam Smith and the 18<sup>th</sup> century to fast-forward two hundred years takes us squarely to the late 20<sup>th</sup> century, when the Dutch economist Arjo Klamer advocated a total rejection of Smith by calling for unabashed support for the arts: a ‘life form’ that is interwoven into the fabric of society, a basic necessity whose value should not be assessed by the rules of the marketplace.<sup>682</sup> Cultural economics, a field that has become a fixture at many universities since the early 1960s<sup>683</sup> marked an attempt for academics to develop theories on the characteristics of production and distribution relevant to various artistic endeavors. The eminent Ruth Towse rejected Klamer’s plea to support art for art’s sake. Along with Mark Blaug, Alan Peacock, and David Throsby, Professor Towse studied the resources of artistic production to develop theories that quantify and define public expenditures in the arts. Realizing that ‘culture has value, so support it’ arguments rest on exceedingly thin ice in times of economic crisis, David Throsby convincingly linked cultural and economic values in order to devise a rationale for allocations in which culture is looked upon as a contributory factor for economic growth.<sup>684</sup> Whether applied to the case of the Netherlands, where culture (read, orchestras) is funded primarily through subsidies, or the U.S. where support rests on a model of indirect funding through tax exempt contributions on the part of corporations and individuals, Professor Throsby puts forward two recommendations as benchmarks. Firstly, cultural output should be an integral part of a nation’s cultural heritage. Secondly, teams of experts should be employed to influence financial decision-makers to make the ‘right’ decisions to benefit ‘the public good.’ Throsby did not enter into a discussion of the possible negative repercussions from expert opinions, as to if and when experts advance personal agendas, a subject for further discussion in this enquiry.

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<sup>681</sup> Senator Jesse Helms infamous rants against the National Endowment of the Arts in 1989 and the Dutch State Secretary for Education, Culture and Science, Halbe Zijlstra’s equally infamous ‘art is a left-wing hobby’ (2012) come to mind.

<sup>682</sup> Arjo Klamer. *The Value of Culture* 1996. Further articulated in many editorials, blog posts.

<sup>683</sup> Paraphrasing the words of pioneer Ruth Towse. See, Introduction *A Handbook of Cultural Economics*, 2nd ed. p 1. 2013.

<sup>684</sup> David Throsby. *The Economics of Cultural Policy* 2010 p. 7.

### 9.2.2 Baumol's curse: the cost disease

Turning to the orchestral field, the widespread theories of two economists who collected microeconomic data in the U.S. and the U.K. proved seminal, not only in terms of methodology, but in reframing the narrative concerning the orchestras' chances of survival regardless of its sources (public vs. private) of finance. More than fifty years have passed since the Princeton-based experts, William Baumol and William Bowen, shared their findings on the economic challenges faced by U.S. arts organizations with a special focus on orchestras, "by far the nation's longest-lived performing organizations."<sup>685</sup> Following a discussion of Baumol and Bowen's theory and its predictions, this *movement* will offer a critique and move towards a discussion about how their conclusions hold in the light of today's orchestral financial dilemmas. As the research discloses, Baumol and Bowen's 'cost disease' hypothesis influenced generations of cultural economists and cultural policy makers. Their theory influenced expert reports on both sides of the Atlantic that have had a marked effect on orchestras since the 2007-2008 financial crisis and ensuing recession.

A prophetic *New York Times* article at the beginning of the 20th century reported: "[t]he permanent orchestra season has, as usual, been financially a bad one all over the country. . . [T]here is always a deficit, which public spirited guarantors are called upon to pay year after year. A permanent orchestra, it seems pretty well established by American experience, is not at present a paying institution and is not likely immediately to become so."<sup>686</sup> The quote could well have been written one hundred years later, considering the financial precarity in many orchestras worldwide and the vulnerabilities faced by orchestral musicians in the 21<sup>st</sup> century. Why do symphony orchestras seem destined for financial failure?

According to Baumol and Bowen's analysis, the success of the U.S. economy in the post-WWII period was based on productivity increases that stemmed from a combination of factors including technological advances, improved workers' education, and an expansion of economies of scale. In their analysis, the performing arts, exemplified by symphony orchestras, are unable to benefit from such an increase in terms of productivity, and are thus doomed to suffer from 'cost disease'.<sup>687</sup> Two primary motives lead us to take a closer look at how this theory continues to play out in the realm of

<sup>685</sup> William Baumol and William Bowen. *Performing Arts: The Economic Dilemma* 1966 p. 3.

<sup>686</sup> Richard Aldrich. "Permanent Orchestra Season a Bad One" *New York Times* May 3, 1903. Available at: <https://query.nytimes.com/mem/archivefree/pdfres=F6OC16FD34591B728DDDA0894DD405B838CF1D3>

<sup>687</sup> Baumol and Bowen, *supra* at fn. 685 p. 1.

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the orchestra in the U.S. and the Netherlands. Firstly, the ‘imperfect’ market forces at work in the cultural sector analyzed by Baumol and Bowen have influenced not only the discourse on cultural economics but also actions taken by decision-makers with regard to cultural organizations; actions that often netted negative outcomes for orchestras under fire. Secondly, in order to attempt to craft answers to the labor-employment problems within a beleaguered sector plagued by economic uncertainty, a rudimentary understanding of root causes is indispensable.

The essential labor requirements, the bottom line as to ‘what’ an orchestra produces, is set by the composers whose works are selected for performance. While there is some interpretational variance as to exactly how long a Beethoven symphony might take to perform, not to speak of the exact number of musicians needed (see discussions on the ‘complement’ in the FAQs), no technological efficiency-oriented improvements could possibly change the amount of time it takes to perform the composition. “From an engineering point of view, live performance is technologically stagnant” - the mechanics of a violin and the notation of a score have changed little since the time of Johann Sebastian Bach. Accordingly, the “hourly output yield” of performers has not changed over time.”<sup>688</sup> Thus, while “[h]uman ingenuity has devised ways to reduce the labor necessary to produce an automobile. . . no one has yet succeeded in decreasing the human effort expended at a live performance of a 45 minute Schubert quartet much below a total of three man-hours.”<sup>689</sup> At the very heart of the ‘cost disease’ hypothesis lies the intrinsic nature of artistic performance: it cannot be measured or improved upon through efficiency. Furthermore, and importantly, there is little or no equilibrium between supply and demand: the oversupply of artists in comparison to the amount of employment on offer is a given within the orchestral sector. Following the Baumol and Bowen line of thought, the wage-standard of living in the orchestral sector falls into a regressive pattern when compared to industries that are able to progress as a result of technological change. In other words, the orchestra is doomed to financial failure based on its model of high-performance costs and low reliance on technological knowhow to increase efficiency, as well as the aforementioned imbalance in supply and demand.

Unfortunately, the orchestra becomes linked to what economists refer to as a sector rife with ‘productivity stagnation.’ Baumol and Bowen argue that where there is no productivity gain, the cost to produce concerts will rise exponentially in comparison to the revenues gained. In a sector that stands still, or worse stagnates, if labor costs rise

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<sup>688</sup> Ibid, pp. 163-164.

<sup>689</sup> Ibid, p. 164.



and musicians continue to earn higher wages, their orchestral organizations will be forced to accept increased deficits in order to be able to continue operation. The truism ‘all costs increase over time’ compounded by the post-financial crisis market forces that have prevented orchestras from increasing their revenues added to the noxious mix of stagnating subscription/ticket sales and philanthropic falloffs have scarred the sector with bankruptcies, reorganizations, and shutdowns.

Consumers purchasing the latest smartphone do not pay attention to the number of hours that went into product development and production: they want a device that works and is relatively affordable. Following the analysis of Baumol and Bowen, a symphonic performance is fundamentally different from the aforementioned development in that the musicians’ exertion, his/her labor is what can be referred to as the product. If symphony orchestras existed in a vacuum, this inherent productivity stagnation would not be an issue of concern. Yet, to equate the orchestral workplace to the factory floor places a burden of unfair comparison on the orchestra and its musicians. High productivity in other sectors of the economy, leads to wage increases and more favorable employment conditions according to Baumol and Bowen.<sup>690</sup> Do vulnerable musicians deserve extra protection as cogs in the wheels of a sector that suffers from productivity loss?

To recapitulate, following the cost disease line of thought, because orchestras cannot increase their productivity, and because the cost of performance increases, cost disease cannot be “cured,” and the “real quantity of artistic production will decline.”<sup>691</sup> Rising fixed costs, exemplified by the cost of renting halls, and increasing salaries, cannot be offset by productivity growth. The race against the clock of diminishing returns focuses on the intractability of fixed costs and, if Baumol and Bowen are to be believed, the income gap will widen further with the passage of time. Three decades after the publication of the ‘cost disease’ bomb, William Baumol gave his answer to the question: “in a free market economy, is organizational death the natural ultimate theoretical result of cost disease?” His answer circumvented the worst-case scenario “because it involves foretelling the future” but articulated the warning that “current trends in support of the arts and prospects for tax laws and other incentives to giving are not encouraging.”<sup>692</sup> Relating the cost disease that plagues orchestral organizations to cost disease in other vital sectors such as health care and education, Baumol remained

<sup>690</sup> Baumol and Bowen, *supra* at fn. 685 p. 168.

<sup>691</sup> Tyler Cowen. “Why I Do Not Believe in the Cost-Disease” 1996 pp.207-214.

<sup>692</sup> Interview, William J. Baumol in *Harmony* September 14, 2007. “Symphony Orchestra Economics: The Fundamental Challenge. Links to Harmony.” Links to the publication are available at: <https://www.americansforthearts.org/by-program/reports-and-data/legislation-policy/naappd/harmony-forum-of-the-symphony-orchestra-institute>

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pessimistic concerning trends in general public welfare, as “many of the services that we associate with quality of life will become relatively more expensive while mass-produced things become cheaper and cheaper.”<sup>693</sup> The incurable cost disease has permeated the rhetoric on orchestral demise, but is it relevant, or remotely helpful? If cultural sectors are implicitly stagnant by virtue of their disposition, what is the use of applying economic theory to the sector at large? In Baumol’s *weltanschauung* questions arise with regard to a theory that aligns economic growth to technological advances. To paraphrase the master himself, it is challenging to apply the cost disease to traditional classical music performance: even with the advent of CDs and interactive technology, there is no perceptible change in the performance of a string quartet in terms of efficiency.

### **9.2.3 An unlikely source of vulnerability: pressures at the bargaining table**

*“Every year, our musicians go into a cave and begin.”*<sup>694</sup>

A critical assessment of the cost disease emanates from union insiders who have front line experience in the art of collective bargaining on behalf of orchestral musicians. Union officials in both the U.S. and the Netherlands have countered the cultural economists’ cost disease theory with a counter proposal. “Instead of viewing the orchestra as a pariah, it should be considered to be a real service provider, forgive the crassness of the term, which benefits the community-at-large through the dissemination of art, creative performance. A change of attitude in the mindset could work wonders at the bargaining table.”<sup>695</sup>

Reports from U.S. orchestras in the post 2007-2008 financial crisis era, ranging from top-tier orchestras to the ROPA regional orchestras (see *FAQs* for additional information on ROPA) provide ample evidence to support the statement that managements come to the bargaining table with proposals that impact musicians negatively.<sup>696</sup> “These days management arrives at the bargaining table with multiple proposals that involve variations on the theme of proposing fewer work weeks, cutting back the number of musicians (the complement) but neglect to address the financial pressure that the

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<sup>693</sup> William Baumol. *The Cost Disease: Why Computers get Cheaper and Health Care Doesn’t* 2012.

<sup>694</sup> ICSOM member musician discussing collective bargaining, quote given at the ICSOM Conference Washington D.C. 2016.

<sup>695</sup> Conversations with Martin Kothman, senior director FNV Media & Cultuur.

<sup>696</sup> Information gleaned from ICSOM and ROPA on multiple occasions (discussions with delegates at the 54<sup>th</sup> ICSOM Conference Washington D.C. August 24-27, 2016, where bargaining issues and cutbacks were covered in multiple sessions and individual meetings; ROPA information clarified by Naomi Bensdorf Frisch, ROPA Board member. Discussions with AFM President Tino Gagliardi were amplified by information presented at the 4<sup>th</sup> International Conference, International Federation of Musicians May 11-14, 2017.

exorbitant costs of paying conductors, soloists and the ever-increasing administrative and marketing support staff exerts on the orchestral budget.<sup>697</sup> In comparison to the U.S. orchestral collective bargaining tradition characterized by the legendary Len Leibowitz as ‘pugilistic’,<sup>698</sup> Dutch orchestral bargaining is much less adversarial. “Certainly, no cadres of lawyers on opposite sides at Dutch orchestras or for that matter European orchestras”<sup>699</sup> yet, nonetheless, as finances shrink, Dutch orchestral problems grow. A glance at the websites of any major orchestra in the U.S. or for that matter, in the Netherlands, shows a dramatic increase in the number of administrative staffers on the organization’s payrolls. A quick reference to the number of musicians vs. staff members at major orchestras is instructive. A tally of staff members at the leading U.S. orchestras, in terms of name-recognition and budget, shows that staff members outnumber musicians at the U.S. venues, whereas the leading Dutch orchestras make do with roughly 50% less staff members than musicians.<sup>700</sup> Are the Dutch orchestras simply more efficient or does the answer to why this percentage is significantly lower lie elsewhere? As cogently clarified by a member of the Royal Concertgebouw Orchestra’s (RCO) management team, the explanation is quite simple: “Dutch orchestras like other European counterparts while always on the lookout for creative ways to amplify funding do not have to operate huge marketing and fundraising initiatives within our organizations. Still to this day, government and municipal subsidies account for much of our costs, yet as the cuts are ever increasing, we are emulating our American colleague orchestras by turning to marketing and social media with of course an increase in staff members.”<sup>701</sup>

#### ***9.2.4 What if the cost disease theory was wrong?***

What if Baumol and Bowen were wrong? Perhaps the concept of ‘cost disease’ does not have any business meddling in the orchestral nonprofit world where the laws of nature teach that overhead will never achieve financial balance or rising revenues. Observing from the distance of time, the more than five decades that have passed since Baumol and Bowen coined the term, is it not possible to criticize the ‘cost disease’?

<sup>697</sup> Conversations with Randy Whatley, U.S.-based orchestral media advisor.

<sup>698</sup> Leonard “Len” Leibowitz, legendary legal counsel at ICSOM: at the Symphonic Services Division (SSD) AFM, and for Local 802 (New York City). Mr. Leibowitz negotiated countless orchestral CBAs in the United States. See, “The Myth of the Structural Deficit” available at: <https://www.local802afm.org/allegro/articles/the-myth-of-the-structural-deficit/>

<sup>699</sup> Conversations with Jan Willem Loot, former Director Amsterdam Philharmonic Orchestra; Netherlands Philharmonic Orchestra and the Royal Concertgebouw Orchestra.

<sup>700</sup> Compare for example, the New York Philharmonic staff vs. musicians to the Rotterdam Philharmonic staff vs. musicians, available at: <https://nyphil.org/about-us/meet/philharmonic-staff> to [https://www.rotterdamphilharmonisch.nl/nl/het\\_orkest/team](https://www.rotterdamphilharmonisch.nl/nl/het_orkest/team)

<sup>701</sup> Interview, David Bazen, Director of Business and Media, RCO.

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A metaphorical association with ‘disease’ invokes and can even perpetuate negative scenarios that point to a sector predestined for financial failure. Internationally, researchers and thinktanks not to speak of the Dutch Raad voor Cultuur (Council for Culture; RvC) and ministerial departments concerned with subsidies have relied heavily on Baumol and Bowen’s theory in their policy recommendations for culture cuts, going back to the late 1990s. To recall, economist and Minister of Culture and Media (1998-2002) Rick van der Ploeg’s proposals linked subsidies to organizational efficiency under the aegis of the functional approach to state support.<sup>702</sup> It is interesting to note that Van der Ploeg was critical of the cost disease theory; he presumed that Baumol and Bowen’s hypothesis was not persuasive when applied to the subsidized arts world. According to Van der Ploeg, just because an orchestra could not increase its efficiency quotient, it would nevertheless benefit from progress in other sectors. “Jobs in the cultural sector are not destroyed, since technological progress elsewhere boosts purchasing power just enough to maintain spending on culture despite rising prices of culture.”<sup>703</sup> Unfortunately for orchestras or for that matter any of the cultural organizations dependent on state support, arts spending does not enjoy a comfortable relationship with such purported increases in purchasing power. The mere fact that purchasing power may increase does not directly relate to an increase in cultural consumption, nor does it relate to an increase in orchestral support simply because personal taste, popular trends, and the marketplace govern how money-for-culture is distributed on the part of the consumer. Developments in the Netherlands and the United States show that post financial crisis, spending money on orchestras is no longer a high priority in a cultural support climate that attaches great value to efficiency and an orchestral organization’s ability to raise its own funds. Professor Throsby pleads for a rethink in which the intrinsic value of artistic production moves to the center of economic decision-making, arguing that orchestras and by extension, other cultural institutions possess inherent intrinsic worth. “[They are] separate from the hard numbers of the economic value, from the dollars and cents. That means it’s a different sort of value they’re creating, which we can call cultural value or artistic value.”<sup>704</sup>

Although the difference between cultural funding ideologies in the Netherlands and the United States are considerable with the former relying mainly upon state subsidy,

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<sup>702</sup> Former Minister Van der Ploeg’s “functionele benadering van subsidies” (functional approach to subsidies) stimulated policy in the years that followed. See, Rick van der Ploeg, *Cultuur als confrontatie - Uitgangspunten voor het cultuurbeleid 2001-2004* Zoetermeer, Ministerie van Onderwijs, Cultuur en Wetenschappen.

<sup>703</sup> Rick van der Ploeg. “The Making of Cultural Policy: A European Perspective” in *Handbook of the Economics of Art and Culture*, ed. Victor A. Ginsburgh and David Throsby 2006 p. 1207.

<sup>704</sup> David Throsby as quoted in an interview by Alex McClintock, for Australian Broadcasting Radio “Why no symphony orchestra in the world makes money” 4 April 2017.

an independent arts council and ministerial responsibility, and the latter dependent upon corporate and private patronage, the similarities in terms of post 2007-2008 financial crisis effects are remarkable.

Respected economists writing post Baumol and Bowen, exemplified by Robert Flanagan,<sup>705</sup> have focused on structural deficit and cost disease while avoiding what orchestral musicians have long hailed as larger elephants in the room: the spiraling cost of CEO salaries, the marked expansion of administrative staffers with their concomitant costs, and the rapid escalation in soloist and conductor salaries, topics that will return in subsequent *movements*. What Baumol's cost disease forgets is the 'technical performance advancement' factor. Simply, the technical advancement in terms of musicians training and performance levels has skyrocketed since the late 20<sup>th</sup> century. Applying that knowledge to the theory, better technically trained players can and do master the compositions they perform more quickly, perhaps even more efficiently than their illustrious predecessors who premiered the works. "Just think of how many great composers in past centuries wrote concertos for soloists who were unable to play the pieces! Nowadays, young performers are playing at a technical level that only a few could dream of a half-century ago. Perhaps (laughing) our teaching has improved but more realistically the easy access to old recordings and the cultural shift that has made classical music professions desirable in parts of the world (China, Japan, South Korea) where the art form was inaccessible has had an incredible impact, certainly for string players and orchestras worldwide."<sup>706</sup> There is obviously an ingenuous quality to the 'efficiency' and 'technical performance advancement' argument even though it does poke a hole in a part of the 'cost disease' premise.

Turning from a musical-technical point of criticism to a more economic assessment, James Heilbrun pointed out that Baumol and Bowen had neglected to consider the fact that orchestral finances are more dependent on donations than they are on 'real' market earnings, debunking part of the 'earning gap premise.' Speaking from the distinct advantage of 21<sup>st</sup> century cultural expertise several decades following the original cost-disease analysis, he argued that it should be possible to include both donations as well as subsidies so crucial to the European orchestral landscape into the earning side of the equation.<sup>707</sup> Another layer of critical comment can be found in the fact that Baumol's

<sup>705</sup> Robert J. Flanagan, Konosuke Matsushita Professor of International Labor Economics and Policy Analysis at the Stanford Graduate School of Business has written extensively on orchestral economics.

<sup>706</sup> Interview with top international violin pedagogue, the Vienna-based Boris Kuschmir.

<sup>707</sup> James Heilbrun. "Baumol's cost disease" in *Handbook of Cultural Economics* 2d ed., 2003.

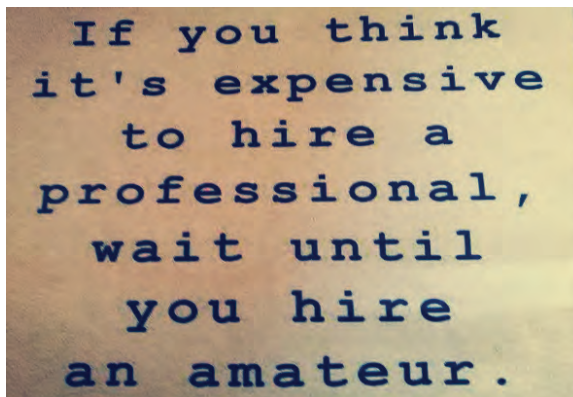
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cost disease considers the salaried, contracted members of the orchestra as the sole producers of orchestral labor. Closer inspection of ‘who’ performs in orchestras on a weekly, monthly, and seasonal scale, proves that there is a fallacy to this assumption; a considerable number of performers in the orchestral workforce are freelancers, often self-employed. Statistics show that freelancers’ wages have not risen at the same rate as musicians under CBAs, with many reports showing an actual decline in orchestral cost disease partially due to the influx of freelance labor at lower wages.<sup>708</sup>

### 9.2.5 *Replacement scenarios*

Distressingly, following an analysis of the first empirical evidence related to orchestral cost disease, Bowen asserted, “the only way an orchestra can avoid it [cost disease] is by substituting amateurs for professional musicians, or simply cutting down steadily on the number of musicians.”<sup>709</sup> The ‘cut down’ in terms of complement is an ongoing bone of contention for orchestras in both countries studied, as the FAQs already revealed: consider the central role played by ‘the complement’ in the Atlanta, Minnesota, and Baltimore Symphony lockouts, and the bitter contentions around the complement cuts at the Netherlands radio orchestras’ debacle in 2012-2013.<sup>710</sup>

Although orchestras in the U.S. and the Netherlands have not resorted to hire amateurs to replace professional musicians, there have been moves to replace professionals with advanced student ‘interns,’ and other trends that cause consternation on the part of professional freelance musicians. Within the past decade, several orchestras in the



<sup>708</sup> Conversations with Ruth Towse concerning Baumol’s cost disease and its relevance to British orchestras in the late 20<sup>th</sup> century supplemented by materials provided by the League of American Orchestras support this finding.

<sup>709</sup> See, *Harmony*, *supra* at fn. 692.

<sup>710</sup> The FAQs introduced the subject, more information presented in other *movements*.

Netherlands have introduced academies in which conservatory students receive training through various ‘side-by-side’ initiatives: the students play alongside seasoned orchestral players as part of a ‘learn to adapt by doing’ scheme. While exemplary in objective, practice discloses that several of these academies do not offer training above and beyond performance opportunities. The differences between the academies associated with the Royal Concertgebouw Orchestra, the Vienna Philharmonic and other major European orchestras is incredible when compared to some of the newer ventures that proliferate in the Netherlands. The ‘academicians’ are expected to take part in public performances but are not paid accordingly.

*“I hold advanced degrees in my instrument from a leading U.S. college and started in on a second master’s degree at the Codarts Conservatory Rotterdam. Deliriously happy to win an audition to join the Academy at an excellent Dutch orchestra in 2018, I soon learned that I was expected to play all rehearsals and public concerts for less 400 euros per month! Had the orchestra hired me as a regular freelancer, I would have been paid at least that per week. The training? Simply, sit next to a regular member of the viola section and play. Something tells me that this particular academy is just an excuse to hire cheap labor.”<sup>711</sup>*

The second escape valve for orchestras in the U.S. seeking to replace paid professionals with cheap labor is exemplified by ‘strike breaking’ attempts on the part of orchestral managements. Infamous ‘scab’ hiring attempts at the Louisville Symphony Orchestra were alarming not only in terms of ‘strike breaking’ and a breach of solidarity with the contracted players; these actions set a precedent for other orchestras to take similar steps to thwart industrial action if necessary.<sup>712</sup> Although the right to strike is a fundamental principle of U.S. labor law, it can be constrained and even undermined by the counterbalance of the employer’s right to replace workers. In the U.S., the *MacKay* doctrine that takes its name from the eponymous SCOTUS case<sup>713</sup> gave pride of place to an employer’s right “to protect and continue his business” without requiring the employer to re-employ striking workers.<sup>714</sup>

Recently, on the European scene with direct implications for the German-Dutch musical market, warnings have been posted on social media after several German orchestras actively sought Dutch-based musicians to replace striking musicians. In Germany, the right to strike is derived from the freedom of association. The German

<sup>711</sup> Conversation with a violist who won a position at a leading Dutch orchestral academy, anonymity assured, October 2018.

<sup>712</sup> See *Epilogue: Appendix 9* to read the Louisville Orchestra’s call for musician applicants and one of many union reactions for musicians to cease and desist from the ‘call.’

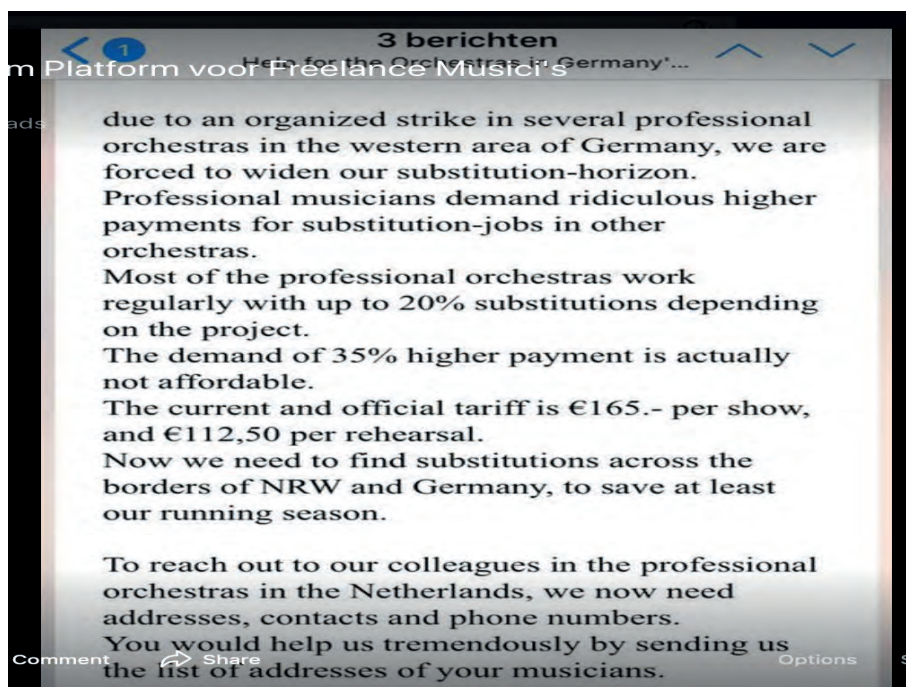
<sup>713</sup> *NLRB v. MacKay Radio & Telegraph Co.*, 304 U.S. 333 (1938).

<sup>714</sup> *Ibid.*, at 345.



Constitution (*Grundgesetz*) Article 9(3) sets forth a general guarantee of the freedom of association. The right to strike derives from the right to organize: strikes must be authorized by unions. Although hiring foreign strikebreakers is not illegal, the action was widely condemned by musicians reacting on social media. The original text disseminated on Facebook, Twitter, and other social media platforms as captured on screenshot is followed by the response from the Platform voor Freelance Musici (PvFM) Netherlands reproduced below:<sup>715</sup>

Questionable practices linked to strike-breaking and the erosion of solidarity amongst orchestral musicians have taken place throughout history. With increased easy access to musicians through social media and the increased precarity in the orchestral freelance sector, “the temptation to think of oneself and not one’s colleagues is real and



<sup>715</sup> Text taken from the Platform voor Freelance Musici (PvFM) Facebook page with Twitter links, April 11, 2019 “GERMAN ORCHESTRA VIOLATES EUROPEAN SOCIAL CHARTER BY HIRING SUBSTITUTES DURING STRIKE-By the European Social Charter, during a lawful strike the employer is not permitted to hire any other person in substitution for a striking worker. A German orchestra, however, is now trying to do exactly this, by contacting Dutch orchestras. We hope that all Dutch and other European instrumentalists and orchestra managers will take a stand in solidarity with their German colleagues. Please, do not give contact information about your workers (which also violates privacy laws) and share this message with other instrumentalists!”  
[#Europe](#) [#EuropeanCharter](#) [#EuropeanSocialCharter](#) [#EU](#) [#Solidarity](#) [#Artbutfair](#) [#strike](#) [#classicalmusic](#) [#musicians](#) [#music](#) [#labourlaw](#)



hard to avoid.”<sup>716</sup> The Louisville Symphony was placed on the American Federation of Musician’s (AFM) International Unfair List for a short period of time, the most serious ‘name and shame’ reprimand.<sup>717</sup> In an article penned by the author on the subject of the Louisville labor infringements, I emphasized that it is the musicians rather than the orchestra who were in need of support.<sup>718</sup> As both the German-Dutch and Louisville orchestral examples show, the right to strike vs. the right of a worker to return to the workplace after a strike is laden with emotional complications that can impact a legally condoned action.<sup>719</sup>

### 9.3 Quantifying artistic output

The question as to what the real justification might be for quantifying the output of an artistic performance should be posed. Might we not hearken back to Joseph Schumpeter and his belief in entrepreneurship as the most significant, change-inducing source of improvement along with his distinctions between three types of innovations: process, product, and organizational?<sup>720</sup> Schumpeter would nod in approval if he were to consider the multiplicity of advances in orchestras that have curbed unbalanced growth as described by Baumol’s cost disease.

The misfortunes associated with operating under persistent deficits according to analyses by Baumol, Bowen and later, Robert Flanagan are a direct consequence of wage inflation and organizational inflexibility. As the analysis of the orchestral complement in the FAQs revealed, a healthy, well-functioning orchestra calls for a certain number of musicians who are highly skilled and ‘should be quite expensive,’ according to musicians and union representatives in both countries studied. If the aforementioned economists are right, salaries in the orchestral workplace account for wage inflation deficits that are impossible to curtail, especially as subsidies and/or sponsorship diminishes. Can the cost disease problem be bucked without cutting musicians’

<sup>716</sup> Dutch freelance orchestral musician responding to the German ‘ads,’ anonymity assured.

<sup>717</sup> In accordance with Article 8, Section 3 of the AFM Bylaws, “Members shall not render musical services for organizations, establishments or people who have been placed on the International Unfair List. Any member who violates this Section shall be subject to penalties in accordance with Article 11, Section 13 [of the AFM Bylaws].”

<sup>718</sup> Heather Kurzbauer. “Help wanted” *The Strad* 11 December 2011. Available at: <https://www.thestrاد.com/help-wanted/2786.article>

<sup>719</sup> These complexities underpin the need to overturn *Mackay*, eloquently argued by Julius G. Getman. *The Supreme Court on Unions: Why Labor Law Is Failing American Workers* 2016.

<sup>720</sup> For more on the theories of Joseph Alois Schumpeter, see Karol Śledzik “Schumpeter’s View on Innovation and Entrepreneurship” 2013. Available at [https://www.researchgate.net/publication/256060978\\_Schumpeter's\\_View\\_on\\_Innovation\\_and\\_Entrepreneurship](https://www.researchgate.net/publication/256060978_Schumpeter's_View_on_Innovation_and_Entrepreneurship)

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salaries? Is there a way to increase revenues to meet rising costs? Increasing ticket prices is tricky business, as these prices are market sensitive: the Dutch governments brief flirtation with a VAT tax increase on ticket prices in the cultural sector was met with the valid criticism that the public would stay away from the concert hall if prices were raised. Orchestras rely on ‘nonperformance’ income, monies donated by corporate, governmental, and/or private sponsors as well as investments related to long-term endowments. Government support in the U.S. accounts for approximately 5% of a U.S. orchestra’s revenue, while accounting for over 80% of the revenues in Dutch orchestras. As *Requiem for an Orchestra* foregrounds, if government cultural subsidies dematerialize, orchestras cease to exist.

“Repeating the mantra that the financial foundations of U.S. orchestras are built on quicksand is not constructive but steeped in detriment.”<sup>721</sup> Instead of emphasizing cost disease, accepting the fact that any large-scale cultural endeavor demands considerable expenditure and merits support is necessary to ensure that not only private/corporate sponsors but also governments/municipalities provide support. Placing the blame for financial inadequacy on lazy boards, careless management, or clueless musicians is counterproductive. To paraphrase Pierre Audi’s bold statement of his views on the subject at the 50<sup>th</sup> anniversary of the Dutch National Opera, “opera is extravagant, opera is expensive, opera is worth it. It is an art form that takes us to emotional and experiential spaces that we have never travelled to before. Its reach is beyond our individual capabilities, it deserves our every support.”<sup>722</sup>

Beyond a positive mindset, as advocated in the paragraph above, several noteworthy reports present data to support orchestras’ positive economic impact on the city centers and outlying communities they serve. In the U.S., Ford Foundation and National Endowment of the Arts (NEA) research in the late 20<sup>th</sup> century and early 21<sup>st</sup> century revealed data that backs up the hypothesis that orchestral organizations contribute more than prestige to their hometowns: the spinoff revenues are of significant economic benefit to their greater communities.<sup>723</sup> Some of the findings from a 2012 NEA report paint a positive picture of cultural production in relation to other sectors. That year, cultural production contributed over \$698 billion to the U.S. economy, over 4.3% of the U.S. GDP, considerably more than the construction sector (\$586.7B) or even the

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<sup>721</sup> Conversations with Randy Whatley.

<sup>722</sup> Speech given at the Gala Celebration 50 Years Dutch National Opera September 25, 2015.

<sup>723</sup> National Endowment for the Arts, and United States Department of Commerce. Bureau of Economic Analysis. Arts and Cultural Production Satellite Account, United States, 1998-2017. Inter-university Consortium for Political and Social Research [distributor] 2020-03-17. <https://doi.org/10.3886/ICPSR36357.v6>

transportation sector (\$464.1B).<sup>724</sup> The same report notes “a ripple effect on the overall economy” that has a positive effect on the creation of new jobs in sectors related to cultural consumption. Recently, a report undertaken by academics in Cleveland, Ohio found that: “The orchestra alone generated \$135.4 million in spending at both at Severance Hall and Blossom Music Center. Of that, \$19.4 million came from visitors outside Northeast Ohio, primarily in the form of dining, travel, and lodging.”<sup>725</sup> In terms of enhanced employment opportunities, the Cleveland Orchestra and directly-related derivatives were responsible for over 1,200 jobs in the 2017-2018 season alone.

Similar observations can be found in a comprehensive joint opinion presented by the Dutch Social and Economic Council (SER) and the Dutch Council for Culture (RvC), which presented concrete suggestions for improving the future of cultural workers and their organizations in the Netherlands.<sup>726</sup> The study emphasized the contribution that the cultural sector in its totality provides to the Dutch gross domestic product, estimated at 2.25% in terms of direct contribution over a twenty-year period.<sup>727</sup> In addition, the Dutch study emphasized the important added value of culture to the nation’s well-being for its citizens, the greater business community, and the multitude of tourists who flock to the Netherlands to avail themselves of its rich cultural life.<sup>728</sup>

### 9.3.1 Professor Flanagan strikes back

*The Economic Environment of American Symphony Orchestras*, commissioned by the Andrew Mellon Foundation in 2008, became influential beyond academic circles: collective bargaining initiatives cross country felt the impact of the ominous predictions of cost disease-related failure in the sector.<sup>729</sup> Influenced by Baumol, Bowen, and the Wolf report, and energized by statistical research completed at Stanford, the report reveals cyclical trends and is replete with facts and figures related to the economics at the orchestra. Cogently, Professor Flanagan takes the historical long view by hypothesizing that orchestral ongoing economic instability can be attributed in part to the history of its organization. He was fascinated by the shift from a self-organized

<sup>724</sup> For a useful infographic published by the NEA, see <https://www.arts.gov/sites/default/files/nea-infographics-economic-value.jpg>

<sup>725</sup> Zachary Lewis “Cleveland Orchestra economic impact report details large financial footprint” *Cleveland Plain Dealer* September 26, 2019.

<sup>726</sup> See, in Dutch, *Passie gewaardeerd: advies over versterking arbeidsmarkt culturele sector*. SER-advies 17/07 21 april 2017. Available at: <https://www.ser.nl/-/media/ser/downloads/adviezen/2017/passie-gewaardeerd.pdf>

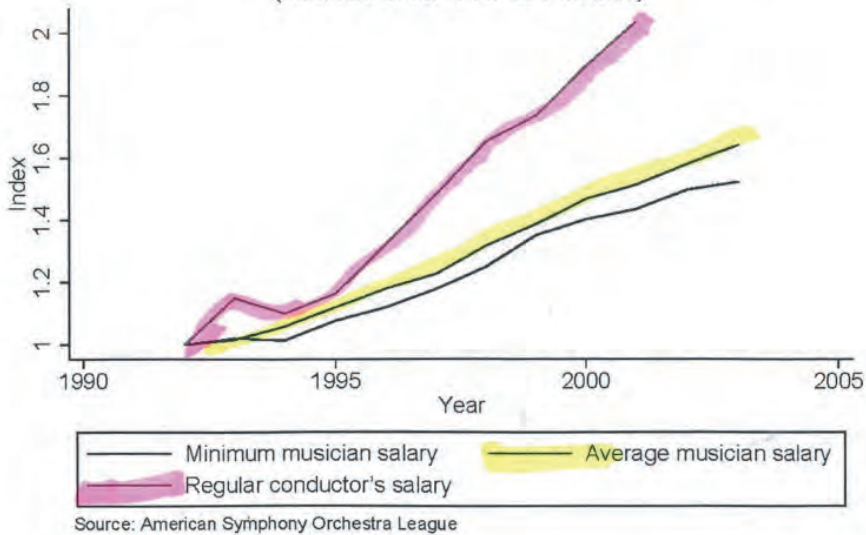
<sup>727</sup> *Ibid.*, at p. 43 with a reference (fn. 1) to statistics found in *Cultuur in Beeld 2016* [Culture at a glance]. Den Haag, 2016.

<sup>728</sup> *Ibid.*, section 3.

<sup>729</sup> Robert Flanagan “The Economic Environment of American Symphony Orchestras” 2008.

cooperative to a professional establishment ('the three-legged stool'), in which a board employs third-party management to run the orchestral operation. His findings show that negative economic conditions that he refers to as 'cyclical influences' exacerbate entrenched structural problems inherent within the orchestral organizational model. Focused on "the extent to which the economic difficulties faced by symphony orchestras reflect collectively bargained wage increases and work rules,"<sup>730</sup> the study deflects academic focus away from the important role of inflated CEO/executive director salaries, expanded administrative staff costs, and the ever-rising fees claimed by conductors and soloists.<sup>731</sup> The absence of insider information, a real deficiency in terms of research sources, and a striking lack of sensitivity to the concessions made by orchestral musicians in the post 2007-2008 crisis period form a leitmotif throughout the study.<sup>732</sup>

Figure 5. Musicians' and Conductor's Salaries  
(Indexes: 1992=1 for all variables)



STATA

In 2012, Professor Flanagan culminated decades of research on orchestral dire straits with another volume considered by orchestral managers worldwide as the definitive

<sup>730</sup> See, Robert Flanagan. "Symphony Musicians and Symphony Orchestras" 1989, revised 2008. Available at SSRN: <https://ssrn.com/abstract=1111772>

<sup>731</sup> Ibid., the American Symphony Orchestra League provided the statistics interpreted by Robert Flanagan.

<sup>732</sup> Case in point: orchestral musicians did not take part as interview subjects in the aforementioned scholarly research.

study on the subject: “whether you are running an orchestra in Capetown, in the U.S., or in the Netherlands, this book is the go-to volume for all stakeholders in the music business.”<sup>733</sup> While the author does not purport to lock horns with an eminent economist’s methodology or conclusions, there are many disturbing elements within Flanagan’s research. Consider the following statement: “[m]ost alarming for the size of an orchestra’s structural deficit, pay change shows little sensitivity on average to the financial balance of orchestras.”<sup>734</sup> Unfortunately for those who care to base policy on the basis of Professor Flanagan’s extensive data, his study came to fruition just before the 2007-2008 crisis, thus it was impossible to fathom the extent of the egregious financial problems that ensued in the cultural sector thereafter.

Professor Flanagan’s focus on the *performance income gap*,<sup>735</sup> the difference between performance revenues and performance expenses can be regarded as another iteration of cost disease. Calculating the cost of mounting concerts is a challenging exercise if one considers the number of variables involved. Professor Flanagan collected data from fifty major orchestras in the U.S. and compared these to the *Producer Price Index*, an indicator that measures the average changes in prices producers receive for their output, to conclude that the cost of performances increased a whopping 300% in the period between 1987-2005 as compared to commercial sector gains of approximately 40%.<sup>736</sup> A slippery slope of comparisons at the very least and a questionable manner of calculation with regard to the cost of mounting concerts can be noted. Data from orchestras locked out by management since 2012, including data supplied by the Atlanta Symphony and the Minnesota Orchestra, show that quite surprisingly, per-concert costs did not increase as a result of financial crisis (2007-2010). In the case of the Minnesota Orchestra, however, the costs increased dramatically in 2010-2011, after the orchestra board-management scheduled fewer concerts during the season.<sup>737</sup> In addition, a computation of the financial sacrifices borne by orchestral musicians who accepted pay cuts to aid their organizations’ quest for healthy recovery in the years that followed the crisis is missing from Professor Flanagan’s analysis. Importantly, no mention is made of the exorbitant fees paid to guest conductors and soloists, not to speak of the steep salary increases of orchestral CEOs and music directors, discussed in the *FAQs*.

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<sup>733</sup> Jeff Woodruff, orchestral manager and CEO diverse U.S. orchestras.

<sup>734</sup> Robert Flanagan. *The Perilous Life of Symphony Orchestras* 2012 p. 173.

<sup>735</sup> Italics inserted by Robert Flanagan, *ibid.*, p. 3

<sup>736</sup> *Ibid.*,

<sup>737</sup> Information gleaned from *Save our Symphony Minnesota* (SOSMN) “Unlocking the Truth” 2013 Available at: [www.saveoursymphony.org](http://www.saveoursymphony.org)

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Professor Flanagan proposed a three-prong solution for orchestral survival: increase performance revenues, reduce growing expenditures, and raise non-performance income. While all three proposals could well be applied to any organization seeking financial advice, their application to the plight of orchestras in crisis is problematic. Of special application to the research, the second proposal with regard to expense reduction has a direct effect on musicians' salaries and related employment benefits. Numerous discussions with orchestral musicians involved in collective bargaining from tens of U.S. orchestras show that musicians and union representatives' cross country are highly attuned to the need for cooperation and acceptance of oft-difficult belt-tightening operations while recognizing that there are points of no return, as the Atlanta and Baltimore lockouts highlight. Had Professor Flanagan spent more time in discussion with stakeholders instead of interpreting statistics supplied by the League of American Orchestras, an organization criticized for supplying unreliable data, his findings could have reflected greater nuance.<sup>738</sup>

According to his view, orchestral cuts in terms of finances, season diminution and a reduced complement are part of a historical reversal, an about-face to the extraordinary growth U.S. orchestras experienced in the second half of the 20th century. As the recession took hold, "basically, orchestras are trying to change labor from being quite as fixed a cost into a more variable cost."<sup>739</sup> Thus, the financially troubled orchestra is a reactive organization: shedding players, cutting weeks, and acting like factories in trouble when finances are at stake. Musicians, conductors, and even savvy managers beg to differ. "Keep in mind, orchestras are not factories that produce something tangible, musicians are in the business of magic, of making dreams tangible, of putting sound into the hearts and minds of listeners, it pains me to think that those who put their minds, bodies and hearts into acts of creation turn into flimsy shards whose futures can be shaken and even destroyed by flighty managerial decisions."<sup>740</sup>

In 2014, the League of American Orchestras disseminated the news that U.S. orchestras had been forced to rely more on their unearned (investment income and donations) than on earned income (read, ticket sales and assorted fee-related services such as educational concerts, or in the case of orchestras who own their halls, venue related

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<sup>738</sup> Former ICSOM President, Bruce Ridge led the critique regarding the data. Further questions and criticism voiced at the ICSOM Conference Washington D.C. 2016.

<sup>739</sup> Robert Flanagan, as quoted by Michael Cooper. "Roll over Mahler: U.S. Orchestras are Shrinking," *New York Times*, November 22, 2014.

<sup>740</sup> Discussion with conductor, Michael Schönwandt, former Principal Conductor RKF; since 2015 Principal Conductor of the Opéra Orchestre National de Montpellier.

income such as rental fees).<sup>741</sup> Where do these findings lead for the orchestra in the 21st century? Is the dinosaur doomed to extinction as a broker for elitist art consumed by the privileged few? Or can the musicians, ‘soldiers of the future,’<sup>742</sup> build a new future based on community engagement and the thrill of artistic participation? Are there actionable means to serve orchestral ends when ‘follow the money’ seems to be at the root of orchestral problems? Actionable responses to the myriad of problems presented by cultural economists are few and far between. A refocus of the ‘culture’ discussion away from cost and in the direction of value is the answer given by many musicians bolstered by some researchers and even a few policy makers who are taking present small steps to amend subsidy cuts in the Netherlands.<sup>743</sup> What steps can stakeholders from within the orchestral organization, unions and politicians take to build a stronger future? Is a part of the orchestral-in-crisis dilemma tied to mismanagement, weak governance, ramped up patterns of corporate cluelessness and greed as multiple stakeholders discussing U.S. orchestral lockouts from Atlanta and Minnesota to the 2019 Baltimore Symphony lockouts have reported?<sup>744</sup>

### **9.3.2 The legacy of Baumol’s curse: expert reports and assessments**

The presentation of The Wolf Report at a meeting of the American Symphony Orchestra League in 1992 underscored the Baumol’s ‘curse’ message to a new generation of U.S. orchestral managers and administrators. Challenging orchestral leaders to embrace a paradigm shift or sink into oblivion as a result of aging audiences and increasing deficits, the dismal prognosis at the core of the report attempted to solve cost disease by downscaling the orchestral complement, reducing the number of concerts performed per season, and reorganizing municipal orchestras into regional performance groups.<sup>745</sup> Questionable conclusions such as “can orchestras continue to produce more product than their consumers want?” were coupled with fallacious reasoning exemplified by the connection between increased numbers of orchestral services/concerts and the requirements of unions to strive for wage increases as a part of collective bargaining processes. “The problem for orchestras has been that in order

<sup>741</sup> See, Michael Cooper, *supra* at fn. 739.

<sup>742</sup> Paraphrasing recently disseminated statements by Yo Ma and the New York Philharmonic’s President CEO Deborah Borda, May 16, 2017. Available at: <https://nyphil.org/whats-new/2017/may/deborah-borda-curtis-commencement-address>.

<sup>743</sup> Michael Mauskopf Columbia Business School is a staunch advocate of the value over cost substitution.

<sup>744</sup> See, *Song of the Lark* blog <https://songofthelarkblog.com/> and the weekly reports on *Adaptistration*, [www.adaptistration.com](http://www.adaptistration.com)

<sup>745</sup> The Wolf Organization *The Financial Condition of Symphony Orchestras* 1992. Available at <http://www.polyphonic.org/wp-content/uploads/TheFinancialConditionofSymphonyOrchestras.pdf>.

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to pay musicians a reasonable wage, the decision has been made to schedule more concerts than the market will easily bear.”<sup>746</sup> Gloom and doom permeate the report, with statements such as: “many financial approaches have been tried over the past fifty years to improve the financial condition of orchestras. Yet, the industry as a whole appears to be in the worst financial shape it has ever been in.”<sup>747</sup>

Dire messages notwithstanding, there are a few constructive suggestions that appear on the pages of the Wolf Report, including a call for greater racial integration and an appeal for a more transparent, inclusive system of collective decision-making. However, the point remains that the Wolf Report’s economic analyses were flawed. Taking two decades of statistics from U.S. orchestras reported by the American Symphony Orchestra League as a point of departure, the report shows that in 1971, U.S. orchestras ran an operating deficit of \$2.8 million. Twenty years later, the deficit reached \$23.2 million with a budget deficit of \$64 million predicted by 2000.<sup>748</sup> History would show that the Wolf Report was incorrect in its economic analyses, as the predicted \$64 million deficit was happily superseded by an \$85 million surplus in 2002.<sup>749</sup> Nevertheless, then again, moving forward to the post- 2007-2008 era characterized as ‘the Great Recession,’ the rhetoric of Baumol, Wolf, and Flanagan echoed through orchestral halls as nonprofits struggled to attract donors in a climate of lackluster philanthropy.

### ***9.3.3 Experts interpret data: plus ça change, plus c’est la même chose***

A closer examination of several seminal expert reports targeted to orchestral economics in the U.S. and the Netherlands finds mantras of doom and gloom and their impact on decisions imperative to orchestral futures. The Wolf and a series of Flanagan reports cast aspersions on the future of the orchestra as a viable musical entity for the future. Berenschot, a well-respected Dutch public and private sector consultancy firm, and other experts in the Netherlands circle around the subject of whether or not it is desirable to maintain a high degree of subsidy for an industry that is not able to sustain itself economically. To reiterate the ‘curse’ argument: if a sector lacks the ability to progress in technological terms, it is doomed to fail. Therefore, unless there is a public social/policy exception conferred upon cultural endeavors, it

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<sup>746</sup> Ibid., p. A-18

<sup>747</sup> Ibid., p. A-17.

<sup>748</sup> Ibid., p. A-13.

<sup>749</sup> Data provided by the League of American Orchestras 2002. Available at: <https://www.americanorchestras.org/>



is increasingly challenging to mount reasons for granting the subsidies integral to the future of such sectors. Expert reports on both sides of the Atlantic, from Professor Flanagan's U.S. based studies to diverse Berenschot reports, inform that despite the pessimistic prognosis in various cultural sectors there is no dearth of musicians and other cultural actors competing in the market.

In a report on new models for the future of Dutch orchestras, in response to 2008 data regarding the comparatively low pay scales for orchestral musicians,<sup>750</sup> Berenschot reported that these pay scales are considerably lower than those for other professionals at a comparable level of training.<sup>751</sup> However, the experts did not make use of an analogous factor to determine the 'comparable level of training.' The Berenschot logic runs as follows: the average orchestral musician holds at the very minimum, conservatory degree at the Bachelor level. Conservatories in the Netherlands, (as opposed to the United States where conservatory training is considered to be 'on par' with a college education) are considered to be HBO studies, the Dutch equivalent of a 'vocational' level of higher education as juxtaposed to 'university-level academic studies'(WO).<sup>752</sup> On average, employed HBO diploma recipients earn markedly less than their WO counterparts both immediately post-graduation and five years thereafter.<sup>753</sup> If experts continue to compare an orchestral musician's education – a lifelong, singular focus on perfecting instrumental skill akin to the highest level of sports training - to a three-year vocational course of study, musicians' salaries will remain low, and importantly, musicians will have to persist in the struggle to justify better work conditions and higher salaries.

Moving forward in the Berenschot report, a single sentence speaks volumes: "we have not received any signals that point to the fact that it is difficult to attract musicians on the basis of their remuneration." (author's translation)<sup>754</sup> Market saturation, as

<sup>750</sup> In Dutch, Berenschot *Naar nieuwe prestatie modellen voor orkesten* (Towards new performance models for orchestras) 29 april 2011. Available at: <https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vip1eantjlxu>

<sup>751</sup> De inkomenspositie van musici door Research voor Beleid (juni 2008) is gebleken dat de primaire salarissen van orkestmusici lager zijn dan bij andere functionarissen die op Hbo-niveau in de muziek zijn opgeleid.

<sup>752</sup> The HBO-WO split refers to: HBO (university of applied sciences) and WO ('scientific' university education) Dutch educational institutions refer to the difference between a 'vocational' degree (HBO) and an 'academic' degree (WO).

<sup>753</sup> Information available at: <https://mens-en-samenleving.infonu.nl/opleiding-en-beroep/26187-gemiddelde-salaris-na-hbo-of-wo-studie.html>

<sup>754</sup> Berenschot, *supra* at fn. 750.

Original text in Dutch: "We hebben geen signalen gekregen die erop duiden dat het moeilijk is om musici aan te trekken of te behouden op grond van de beloning" p. 52.

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Berenschot's experts observe, leads to the stark fact that for every musician, hundreds are waiting in the wings to rush on stage, a truism that for many orchestral players implies "we often do not even dare to think about let alone stand up for the financial aspects of our employment because we have been taught to internalize the fact that we are lucky to be able to work at any level in the music profession, let alone hold down an orchestra job."<sup>755</sup> From the musician's acceptance of the fact that their *métier* is characterized by an overabundance of qualified professionals for a small number of positions, to the policy maker's observation that low salaries do not deter musicians, creates a self-fulfilling prophecy as the laconic statement by a leading orchestral manager indicates: "if you think you should earn more, I strongly suggest a career switch. This is an orchestra, and your salary will remain more or less the same with some small cost-of-living adjustment for the duration of your days."<sup>756</sup>

### **9.3.4 *The X factor: talent as an objective factor to survive orchestral cuts***

Much information as we shall discover is derived from economists' and policy makers' interpretations and reinterpretations of data, often colored by perceptions and hypotheses concerning the sector that are based misconceptions. Such a bold statement is in immediate need of scholarly reassurance. To exemplify, Berenschot considers 'talent' as a measure of key performance indicators (KPIs) in the orchestral sector.<sup>757</sup> Is talent the appropriate indicator? And, even more fundamentally, can talent be measured? The *FAQ movement* showed that such a misnomer applied to the craft of music-making is certainly not appreciated by musicians. A counter to the talent conundrum from the annals of orchestral musicians' lore has been passed on for generations: "to measure talent is to border on the ridiculous, our musicianship and music-making skills are a combination of lots of perspiration and on a good day, a small amount of inspiration. Hard work, training, an open heart, mind and ear. Do not define us by referring to our talent!"<sup>758</sup>

Hearken back to Baumol's assertion that the "cost of talent rises in a growing economy yet the unit productivity of the performers in stagnant service industries does not"<sup>759</sup> and consider the term 'talent' in relation to musical success, a term that wends its

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<sup>755</sup> Conversations with Laurie Niles, the founder of violinist.com ([www.violinist.com](http://www.violinist.com)).

<sup>756</sup> Jan Willem Loot in a contract discussion with the author. Mr. Loot was the Managing Director of the Netherlands Philharmonic Orchestra at the time soon to move to the top management position at the Royal Concertgebouw Orchestra in 1998.

<sup>757</sup> Berenschot, *supra* at fn. 750.

<sup>758</sup> Former member, principal player, Netherlands Radio Symphony Orchestra/Radio Chamber Philharmonic, member of the works council until 2013 upon reading the Berenschot report.

<sup>759</sup> William Baumol. "Children of Performing Arts, the Economic Dilemma" 1996 pp. 183-206.

way through position papers, reports and assessments regarding orchestral subsidies and other musician-related subjects. During orchestral reorganization processes in the Netherlands recounted in *Requiem for an orchestra*, ‘talent’ was linked to an exceptional status, ‘onmisbaar’ (in Dutch), translated as irreplaceable, a criteria that was leading in dismissal dispensation for the precious few. Is it not possible to cast aspersions on the legitimacy of empirical fact-finding if the link between empiricism and the subject at hand rests on a subjective term, ‘talent,’ as an objective criterion?<sup>760</sup>

### 9.3.5 More Berenschot: expert suggestions

In a study commissioned by the Dutch Ministry of Education, Culture and Science in 2011,<sup>761</sup> a team of eight benchmark and organizational experts investigated the state of Dutch orchestras in order to advise the Ministry on sectoral restructuring based on cost-efficiency. Starting off with a baseline measurement (‘nulmeting’) of the status quo for Dutch orchestras in 2009, the experts noted that the Raad voor Cultuur (Dutch Culture Council; RvC) had sounded the call for far-reaching changes in the entire system of orchestral organization and subsidies: orchestras should receive subsidies in accordance with ‘results’ and not based on the number of employees per province (‘formatieplaatsen per landsdeel’).<sup>762</sup> Their conclusions indicated that several changes were necessary to serve these ends. The Berenschot advice, in unranked order:

1. Reduce the total number of orchestras; allow remaining orchestras to take on the performance activities of the ‘redundant’ ensembles. Berenschot advocated a ‘cluster’ category in which orchestras combine forces and significant personnel cuts are made
2. Reduce the complement (‘vaste formatie’) by means of the cheese cutter (‘kaasschaaf’) method in which a slice of the orchestra is removed and replaced by a so-called flexible layer of workers (‘flexibele schil’), in other words, freelancers
3. Carry out administrative mergers in which the complement of musicians remains intact while restructuring/merger occurs on the level of the board, and artistic and management staff levels.
4. Create pools of orchestral musicians who travel and perform throughout the country, or alternatively, are assigned to specific provinces to perform in orchestras.

<sup>760</sup> Further discussion can be found in the section starting on p. 303, see: More relevant dismissal concepts: the indispensable employee (onmisbaarheid).

<sup>761</sup> Berenschot, *supra* at fn. 750.

<sup>762</sup> Berenschot, *supra* at fn. 750 p. 4.

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Discussing these points with Dutch orchestral musicians and music producers was not only an emotionally charged exercise, but also valuable in terms of valid criticism from the insiders who perform orchestral duties on a daily basis. The “cluster” category, perhaps original in conception, suffers from a fundamental misconception related to the value of what U.S. pundits call ‘crucial community building.’<sup>763</sup> “Redundant ensembles” are not mere throwaways, they are living, breathing cultural entities who communicate to real audiences. Certainly, if you look at the orchestra from a distant lens, all orchestras, all players, are replaceable. What makes each living cultural organism distinct, however, is just that: they are marked by individual personalities and characters, combining can and does destroy just that.<sup>764</sup> Complement reduction has occupied a significant number of pages in the *FAQs* and further criticism of the dreaded cheese cutter method (point 2 above) can be found in a protest manifesto penned by the author on the eve of orchestral cuts in the Netherlands in 2004.<sup>765</sup>

While cynics may observe that musicians would be enthusiastic to learn that their ranks remain unscathed while management bears the brunt of a reorganization (point 3 above),<sup>766</sup> the premise behind this particular efficiency effort ignores that “a great orchestra calls for a staff that lives and breathes the culture of the orchestra, and that this staff has to spend its waking hours with the orchestra to take on the enormity of the creative challenge.”<sup>767</sup> A staff with little or no direct link to its ‘home’ orchestra can complete routine assignments, but cannot presume to take on the myriad tasks that call for personal commitment and identification with the organization.

The fourth observation, the creation of freelancer pools of orchestral musicians, harkens back historically to the ‘freelance bands’ of unaffiliated troubadours described in *Haydn rewrites history*. Apropos, a Dutch-based freelancer who mounted a case against the RCO foregrounded in *A long and winding road*,<sup>768</sup> presented a

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<sup>763</sup> A great deal of U.S.-based research literature on the orchestra as integral to the community, a living, culturally vital participant on many fronts is available through multiple websites. The League of Symphony Orchestra’s site is a good starting point available at, <https://americanorchestras.org/learning-leadership-development/diversity-resource-center/best-practices-in-orchestras-arts-organizations/audience-development.html>

<sup>764</sup> Discussions with Netherlands Television Radio (NTR) producer, Anita Wijnen. As a producer for the internationally famous VARA Matinee Concertgebouw series, she has front-row experience with orchestral organization as her ‘client’ orchestras went through the process both pre- and post- crisis.

<sup>765</sup> Heather Kurzbauer “Kaasschaaf en Cultuur: Culture on the Cutting Board” 20 February 2004. See *Epilogue: Appendix 10*.

<sup>766</sup> Initially musicians interviewed chuckled at this proposition but then realized that it meant some type of geographic merger akin to the reorganization that created PhilharmonieZuid Nederland (PZN) from two regional orchestras, the storied Limburg Symphony, and the Brabant Orchestra, see *FAQs*.

<sup>767</sup> Conversations with Ernest Fleischmann.

<sup>768</sup> The *Pintus* case plays prominently in that *movement*.

proposal to the now defunct *Cultuur in Beeld* (Culture in Focus) Dutch-based culture conference some years back.<sup>769</sup> Her proposal differentiates itself from the Berenschot proposition in that it was intended to provide work for high-level freelancers, with a focus on small chamber ensembles. “A freelance pool of carefully selected musicians could enrich each province by presenting chamber music concerts in a variety of venues, including nonstandard locations. This helps to solve two problems: the high degree of unemployment amongst excellent conservatory graduates and the need for ‘door-to-door’ music in areas of the country where there is no direct access to Dutch orchestras.”<sup>770</sup> The Berenschot proposition would not alleviate orchestral crises but serve to aggravate them, as it would turn the entire profession into a freelance endeavor. Questions as to how a system or pool of ‘on call’ classical musicians could be put into place aside, the premise upon which it rests is dubious in terms of a genuine commitment to the profession.

#### 9.4 CAO flexibilization

Without any significant discussions that involved musicians, Berenschot came to the conclusion that Dutch orchestral CAOs are much too inflexible. “To introduce flexibility into the terms of employment is of the greatest importance.”<sup>771</sup> Prophetic words indeed when one reads the name of the third Berenschot expert listed amongst the eight assigned to the task: Piet van Gennip. Two years after lending his academic expertise to the report, Mr. van Gennip was appointed as General Director, Het Balletorkest (HBO). His steadfast adherence to CAO flexibility that stems from years of research experience at Berenschot has led to frequent differences of opinion with the orchestra’s Works Council and musicians.<sup>772</sup> To highlight, a close reading of the work schedule of a fully employed musician at HBO shows that the schedule stretches the CAO to its limits in terms of ‘free days’ for musicians, creating high work stress in a job in which 70% contracts closely resemble 100% work.<sup>773</sup> “Everybody in the orchestra was hurt by the reorganization in 2012-2013, we lost a preponderance of players and

<sup>769</sup> A yearly meeting of the minds in the cultural sector, the conference drew thousands of participants from every conceivable branch of cultural focus. The proposal was submitted in 2017, the final year of the conference. <https://www.vnpf.nl/nieuws/congres-cultuur-in-beeld-stopt>

<sup>770</sup> Discussions with Tiziana Pintus, violinist and creative project initiator, 2017. Her quest for a position in the RCO is the focus of *A long and winding road*.

<sup>771</sup> In the original Dutch: “Het allerbelangrijkste is dan ook om flexibiliteit in de arbeidsvoorwaarden te brengen.” Berenschot *supra*, at fn. 750 p. 54.

<sup>772</sup> Treading lightly, discussions with principal players, works council members. Mr. van Gennip, Martin Kothman and Mark Gerrits, provide backup to this statement.

<sup>773</sup> See, HBO schedule season 17/18, *Epilogue: Appendix 11*. A quick scan of the colorful work schedule shows that free days are few and far between.

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the core that was left works longer hours, more performances than ever before, and all that for less money. We were told that those who remained are the lucky ones, they at least get to perform, this is the classic dilemma for musicians – you have to accept less because you want to be a part of the performance.”<sup>774</sup> Another HBO member added a philosophical note to a discussion of more work, less pay at the orchestra. “It is the classic divide, the ‘them’ and ‘us’ of manager and musician. They look at the cash flows, the schedules, the possibilities to cut, and we experience overfull schedules, shrinking salaries and less time for enriching musical activities. Where is Leonard Bernstein when we need him, a strong voice to bring us together?”<sup>775</sup>

The list of interviewees who submitted information to bolster the Berenschot report’s findings contains the names of managers, cultural economists, and HRM professionals, yet the name of one and only one musician is included. Adding insult to injury, the sole musician, the laudable violinist Frederieke Saeijs, never sought nor gained employment as a member of a professional orchestra, in the Netherlands or beyond.<sup>776</sup> If experts seek stakeholder advice from managers and ‘insiders,’ is it too much to ask for information from those who operate at the center of their inquiry, the musicians?

## **9.5 The negative impact of the cost-disease theory on orchestras**

There is nothing novel in the statement that orchestras have been plagued by financial hardships throughout the centuries. What is novel is that a reliance on theories such as the cost disease theory can lead financial decision makers down a dangerous path in terms of orchestral futures. Len Leibowitz, an attorney with vast experience in negotiating U.S. orchestral CBAs, acknowledges the structural deficit reality. Nevertheless, he underscores the point that U.S. boards use the cost disease theory and structural deficit arguments to excuse their negligence in making commitments to raise money, enhance and expand community relations, and other support building endeavors. Relying on years of experience, he notes that “managers are often unwilling to negotiate and throw up their hands and say, ‘that’s it.’ Where is the end of the road? Managers and boards have abdicated their responsibility by saying the structural deficit is built in, it can’t be fixed.”<sup>777</sup>

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<sup>774</sup> Discussions with former HBO violist, Andrew Faughnan.

<sup>775</sup> Discussions with HBO principal players, anonymity assured.

<sup>776</sup> Berenschot Bijlage: “betrokken personen” p. 60. For more information on Ms. Saeijs, see <https://www.frederieksaeijs.com/>

<sup>777</sup> Len Leibowitz, *supra* at fn. 698.

Going back to Adam Smith, is it not possible to posit that whichever economic theory policy decision are based upon, the central issue should be: what is the concept of the individual, the stakeholder, the employee who is about to lose his/her job? Peter Benoiel, a forward-thinking former CEO with decades of orchestral board experience opines, “most economists take a sanguine view of their own study or inquiry. I preferred philosophy to economics during my formative years and nevertheless learned much related to economics through life experience. Boom and bust are the vernacular of many economists. For orchestras to navigate treacherous waters and deal with real-time deficits, they need board members with a special understanding of these challenges but more importantly, a connection to the vital necessity of having an orchestra grace one’s life, one’s city.”<sup>778</sup> Looking carefully at the signals presented by cultural economists, managers, and panels of experts epitomized by Berenschot reports and the RvC (NL), the Wolf and Flanagan reports (U.S.), and politicians responsible for subsidy distribution, it becomes obvious that the following quote sets the tone for discouragement with regard to orchestral finances: “because of the economic structure of the performing arts, financial pressures are here to stay, and there are fundamental reasons for expecting the income gap to widen steadily with the passage of time.”<sup>779</sup>

### 9.5.1 *Times they are a-changing?*

David Throsby challenged us to ask: ‘how appropriate is it to ask how far an economic approach to policy-making might be able to incorporate culture within its frame of reference?’<sup>780</sup> Probing further one might ask: how can culture be accommodated within the free market economic thinking that guides most states in their approach to funding cultural activity? The post WWII purposive approach to arts funding has undergone a major shift, a destabilization in terms of public sector spending along with a withdrawal of state involvement as public budgets have decreased dramatically in recent decades. The Thatcher-Reagan neoliberal support of market liberalization, deregulation, and the rules of the market economy have caused a shift in the state’s ‘verdict’ concerning whether or not the arts are worthy of funding not only in the U.S. but “[i]n Europe [where] the market and the arts are often unhappy bedfellows.”<sup>781</sup> The

<sup>778</sup> Former CEO of Quaker Oil, Peter Benoiel served as Chairman of the Philadelphia Orchestra Association Board and has held various board positions at the Curtis Institute of Music, the Grand Teton Music Festival and the Marlboro Music Festival for decades.

<sup>779</sup> Hyman R. Faine. “Cooperative Bargaining in Nonprofit Arts Organizations” 1985.

<sup>780</sup> David Throsby. *Economics and Culture* 2001 pp. 138-39.

<sup>781</sup> Rick van der Ploeg, former Dutch Minister of Culture and Media (1998-2002). “The Making of Cultural Policy: A European Perspective” in *Handbook of the Economics of Art and Culture*, ed. Victor A. Ginsburgh and David Throsby 2006 p.1.

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impact of this shift sowed seeds of destruction in the Netherlands as *Requiem for an orchestra* details.

The aforementioned neoliberal approach was characterized by minimum ‘intrusion’ on the part of big government to set acceptable standards in capital and labor markets. The countervailing forces of strong unions and labor market regulation were undermined by a shift of the ‘balance of power’ from workers to employers. Market-driven solutions severed from the protection of government intervention became the norm. This mini-reflection on the bitter fruits of the neoliberal revolution bears emphasis, as it seeps through the cracks in most cases of orchestral crisis. From reports of mismanagement and ‘faulty’ board judgments in Atlanta, Minnesota, Baltimore detailed in the *FAQs*, to the disregard for musicians’ rights to ‘free time’ at an increasing number of Dutch orchestras, the screws are tightening in the profession. An offshoot of Pareto’s famed principle of equilibrium conditions holds that in order to ensure that some workers/colleagues will be better off in the future, others must suffer, become worse off.<sup>782</sup> “After the golden years of the last quarter of the 20<sup>th</sup> century, orchestral managements view us more like commodities, (non)revenue-producing entities, not as performing artists. We are constantly being reminded that we are the privileged few to even hold jobs in the field as if it is our ‘good luck’ to experience various levels of exploitation in the profession we hold so dear.”<sup>783</sup>

The observations presented by Los Angeles Philharmonic violist and ICSOM President Meredith Snow at the AFM convention 2019 insert yet another alarm in terms of orchestral survival. Even though her comments are based on U.S. orchestral experiences, a parallel shift distilled through the rhetoric of Dutch cultural policy makers can be detected.<sup>784</sup>

*“As the majority of wealth in our national economy flows upwards into the hands of a few, ICSOM is seeing a change in the balance of power in our non-profit sector of the music business. As orchestras continue to generate less earned income, we become increasingly dependent on endowments and donations. This is changing the leverage points we have traditionally used in negotiations. Boards and managers seem to have no qualms about leaving musicians locked out until they come to heel. There is no commitment to the orchestra and no commitment to the music we provide to our communities. The **bottom***

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<sup>782</sup> The Pareto Optimum or Pareto Efficient named after the early 20<sup>th</sup> century Italian economist Vilfredo Pareto spawned numerous studies on redistributive transfer, see, Ravi Kanbur. *Spatial inequality and development* 2005.

<sup>783</sup> Discussions with Rebekah Johnson, violinist New Jersey Symphony.

<sup>784</sup> Ample proof provided by the Dutch Council for Culture (Raad voor Culture) reports and subsidy pronouncements and statements as well as a broad spectrum of political pronouncements following State Secretary Halbe Zijlstra’s infamous ‘culture is a left-wing hobby.’



*line is their idol, with little care for their underlying civic duty to the public and to our non-profit arts.*<sup>785</sup>

Perhaps the last messianic words should come from the brilliant pen of Deirdre McCloskey who intones a global challenge: “using the arts. . . is the way that anything changes in a free society.”<sup>786</sup> And while we are at it, add a tall order of healthy national cultural policies and responsible governance in orchestral management.

The question remains that if the odds are stacked up against orchestral survival as cost disease is much more of a reality than a fear, how can the orchestra persevere? Answering the question with the commonplace retort that ‘orchestras have always faced these challenges and survived’ falls short of providing a real answer. We need to reinterpret the question to ask if there is another paradigm, another manner to cut costs while delivering the unique ‘orchestral product.’ Such paradigms have already found homes in the increasing number of self-governing orchestras and flexible models found in the smaller orchestra, the chamber orchestra sector in which costly administrative and management positions are replaced by musician-leaders who take on these posts. The translation of the U.K. self-governing model common to the major London orchestras<sup>787</sup> to the United States has not met with great success. The Louisiana Philharmonic Orchestra, which formed after the dissolution of the New Orleans Symphony Orchestra in 1991, is a notable exception as the full-time complement of musicians are its corporate members. Yet, with its small complement (less than 70 musicians), a comparatively short (36-week) season, and comparatively low salaries,<sup>788</sup> it could be argued that the Louisiana orchestra does not offer a viable means of evaluating success as a self-governing U.S. orchestra. “Every decade brought challenges to the classical musicians in New Orleans. We survived the loss of the New Orleans Philharmonic, we survived Katrina, we fought for the survival of classical music in our city and in our region and to some extent we won as we still exist, however the price we had to pay was high.”<sup>789</sup>

Many self-governing orchestral initiatives are to be found within the realm of smaller ensembles and chamber orchestras: Orpheus, the storied New York-based chamber orchestra founded in 1972, and the Dutch-based Ludwig, a forward-thinking, expan-

<sup>785</sup> ICSOM Chairperson Meredith Snow’s address to the AFM Convention Las Vegas, Nevada, June 17, 2019.

<sup>786</sup> See, Deirdre McCloskey’s contribution “Battles to be Won” *Windy City Times* September 17, 2014.

<sup>787</sup> The Royal Philharmonic Orchestra, the London Symphony, the London Philharmonic, and the Philharmonia are self-governing, with players holding shares in the company and making up the board of directors. All players are paid on a freelance basis.

<sup>788</sup> Section violin salaries (2012) listed at less than \$13,000 at: [www.glassdoor.com](http://www.glassdoor.com)

<sup>789</sup> Conversation with Louisiana Philharmonic harpist Rachel van Voorhees.

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dable musical ensemble founded in 2012, provide stellar examples of musician-operated startups. Closer analysis shows that Orpheus elects three of its 34 musician members to form its Board of Trustees, and another trio to Artistic Director positions which means, in essence that although musician members have input into decision-making, the ‘three-legged stool’ is still in operation.

### **9.5.2 Rationales for arts funding: the bigger picture**

“How can we find the freedom to use our imaginations as musicians without constantly thinking of the commercial impact of our output?”<sup>790</sup> In an eye-opening piece in the Arts and Leisure section of the *New York Times*<sup>791</sup> A.O. Scott critiqued a new era of social inequality and cultural change, a world in which “museums chase dollars with crude commercialism aimed at the masses and the slavish cultivation of wealthy patrons. Symphonies and operas chase donors and squeeze workers (that is, artists) as the public drifts away.”<sup>792</sup> Scott analyzed the clash between high and middlebrow culture, perhaps inspired by observations highlighted in Thomas Piketty’s blockbuster, *Capital in the Twenty-First Century*, a political economics tour-de-force that describes economic inequality in terms of a rapacious increase in economic disparity between the very top of the financial pyramid, the 1% in Piketty’s terms, and the middle class. Whereas the specific elements in terms of taste and spending patterns that define allocation according to class are not relevant to the present analysis of the ups and downs in arts (orchestral) funding, what does add to a consideration of patronage and funding in the new millennium is Scott’s unmasking of a new twist to patronage.

According to Piketty, prior to WWI, the aforementioned 1% received approximately 20% of total income garnered in both the United States and Great Britain. The post-WWII period, measured by U.S. statistics in the 1950s, showed a decrease to 10%. The rush forward took place in the 1980s, the decade of the big earners and sky-is-the-limit bonuses: the millennials saw a dramatic upturn back to 20% in the U.S. To Piketty and a gamut of star economists who used tax records to back up their arguments, inherited wealth compounded by the conspicuous lack of progressive taxation in the U.S. is one of the scourges that aggravate economic inequalities and led to the ‘erosion’ of the middle-class. Not only has the U.S. experienced a return to 19<sup>th</sup> century levels of income gaps, but it has entered into an era of ‘patrimonial capitalism’ (in which a very few control an economy ‘fueled by patrimony’) that is shaped by the rise of super

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<sup>790</sup> Freelance musician’s comment at a meeting of the Platform voor Freelance Musici (PvFM), Splendor Amsterdam, June 2019.

<sup>791</sup> A.O. Scott. “The Squeeze on the Middle Brow” *New York Times* August 3, 2014.

<sup>792</sup> *Ibid.*,

salaries and bonuses for top CEOs, and a newly minted super-rich star class of dot.com, entertainment, and sports moguls.

#### 9.5.2.1 A tax on culture?

Progressive taxation mitigated by philanthropy would make donations to cultural (and other) nonprofits attractive. “In reality, however, *Capital in the Twenty-First Century* makes it clear that public policy can make an enormous difference. Even if the underlying economic conditions point toward extreme inequality, what Piketty calls ‘a drift toward oligarchy’ can be halted and even reversed if the body politic so chooses.”<sup>793</sup>

Conversations with orchestra managers and musicians across America shed light on another dimension tied to the philanthropy issue. As a newly minted wealthy class rises, the desire to support ‘art for art’s sake’ vanishes as a new generation of dot.com billionaires eschew the ‘old’ traditions of cultural philanthropy, preferring marketplace investments (read, art or culture that makes money for them) and ‘feel good’ investments that advance greater goals such as ‘erasing poverty, curing AIDS.’ And, on the corporate front, “many of the more established national foundations – Ford, Rockefeller, Pew, Gates, etc., are “edging politely but firmly **away**” from “legacy” institutions that “cannot demonstrate a significant contribution to solving or soothing specific social or economic traumas.”<sup>794</sup> Dr. Harald Falckenberg, a cultural scholar and art collector, tied art investment in the plastic arts to major world investment strategies. He offended theorists and policy makers with a statement that was perceived as short-sighted and crass: “every era gets the art it deserves.”<sup>795</sup> Yet, a closer look at the impact of subsidy cuts in the Netherlands and philanthropic reductions in the U.S. indicate that there is some merit to his observation. “Offerings in the cultural section have become leaner and meaner as funds diminish; too many believe that if we don’t cater to the crowd, we will face extinction. Our challenge is to shout from the rooftops that art matters.”<sup>796</sup> Does this imply that we can only acquire the culture we can afford to pay for?

Generous post WWII subsidies helped build and maintain great orchestras in the Netherlands and fund conservatories to train generations of musicians. The discrepancy

<sup>793</sup> Paul Krugman. “Why we’re in a New Gilded Age.” *New York Review of Books* May 8, 2014. <https://www.nybooks.com/articles/2014/05/08/thomas-piketty-new-gilded-age/>

<sup>794</sup> Mike Scutari. “From Mahler to the Masses” 2017. Available at: <https://www.insidephilanthropy.com/home/2017/4/6/orchestras-symphonies-grants-foundations>

<sup>795</sup> Harald Falckenberg. “The art world we deserve?” *Financial Times* April 11, 2014. Available at: <https://www.ft.com/content/498f5cca-bfce-11e3-b6e8-00144feabd0>

<sup>796</sup> Conversation with Erin Roy, theatrical creator, and producer.

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between the numbers of students attending professional training programs at conservatories and the places of employment available upon graduation sparks regular discussions concerning the necessity to close training institutes or, conversely, create more job opportunities for music students.<sup>797</sup> A discussion on the quality of conservatory training, or the necessity thereof in the face of dismal employment opportunities goes beyond the scope of this paper, however the intensity of the debate following the latest round of orchestral cutbacks raises the question: where will the students highly trained in their musical craft find work when orchestras are disappearing steadily as a result of financial cuts? “We are told, be creative, throughout history artists have always faced great financial instability, this is not a new phenomenon. However, such statements do not bode well for progress. We read about the evils of precarious work in other sectors only to discover, this is what we face, less horrible than sweatshop or Uber inequality but no less dismaying.”<sup>798</sup>

The shift from support for the arts as an integral investment in a country’s future and charitable support for cultural institutions and the artists who ‘make’ culture has given way to a profit-model view towards culture that reads: “if culture can make money, it deserves support.” Does this mark a messy descent to a piecemeal cultural environment in which only the ‘fittest’ survive? The competition between cultural organizations on the macro scale and the battle for subsidies/support for orchestras on the micro scale cloud the search for structural solutions.

A pragmatic approach to calculate return on investment does not ‘work’ in the cultural sphere. Do we need to determine calculated return on public investment in cultural products to attract philanthropists? Across the channel in Great Britain, it can be observed that the language of state cultural grants has undergone a shift in terminology from giving ‘grants’ and ‘awards’ to ‘investment.’ Such a terminology shift implies a refreshing approach as to how orchestras could work towards a turn around. If managers start to cooperate rather than compete with one another for funding, if musicians whether freelance or fully employed rise up to express the value of their artistic endeavor with strength and unity, we can make the case for our service. To paraphrase Churchill, if we don’t fight for our culture, what is there to fight for?<sup>799</sup>

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<sup>797</sup> See, for example, ‘Nederlanders gezien als tweederangs muzikanten schaf conservatoria af’ (The Dutch are considered second-rate musicians, decrease the number of conservatories) *Volkskrant*, 11 August 2011 at: <http://www.volkskrant.nl/vk/nl/2676/Cultuur/article/detail/2845625/2011/08/11/Nederlanders-gezien-als-tweederangs-muzikanten-schaf-conservatoria-af.dhtml>

<sup>798</sup> Round table discussions with Juilliard School of Music recent graduates, New York 2015.

<sup>799</sup> Benoît Machuel, Secretary General Federation International Musicians (FIM) referring to a frequently quoted remark by Sir Winston when asked to cut the arts budget to support the war effort during WWII. Reputedly Sir Winston’s retort was, “then what are we fighting for?”