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## Theatre

*Daniel Urrutiaguer*

In Ancient Greece, the State controlled and financed theatrical activities in order to celebrate Dionysus. In Western Europe, the dependence of the arts on the Church has weakened since the Renaissance with the professionalization of companies. Royal court patronage promoted an academic production of tragedies whereas an interest for comedies or bourgeois dramas grew in the 18<sup>th</sup> century. The development of a private market is related to the social recognition of the play wrights' originality. The popular taste for spectacular and stars' ham acting drove highbrow directors to develop naturalistic or symbolic forms on stage at the end of the 19<sup>th</sup> century, while modern authors broke the psychological unity of characters. Following Bernheim (1932), Leroy (1990) distinguishes the 'stock system', when a 'director-cum-manager' heads a permanent company from the 'combination system', when theatre management assembles artists for each production on an ad hoc basis. Because of the 'industrial revolution' on the stage, the combination system has grown since 1875 in the USA and since the early 20<sup>th</sup>-century in France. French subsidies for new staging of an existing work or the creation of new theatrical works and indirect grants with specific unemployment benefit for 'intermittent' artists and technicians stimulate the splitting up of theatrical production within an economic system of short-run shows. Germany or Russia are closer to the 'stock system' with permanent companies in State owned and managed theatres. The proportion of public subsidies in the total income contrasts with the North-American and UK systems where private contributions have more weight. Compared to profit making privately owned proprietary companies, private and publicly owned non-profit making firms are everywhere prevalent.

In most countries, the number of shows and theatre companies is growing much faster than private demand while decreasing public budgets are a common experience. Since the 1970s, fringe companies expanded off the official institutions by mixing experimental shows and shows with appeal for local low income people. Consequently, the main problems of regulation nowadays come from excess supply of theatrical productions, an unequal stratification of the distribution networks and tension between the public objectives of artistic excellence and equality of access in increasingly multicultural societies.

### **Demand for theatre**

International surveys of theatre participation show a positive correlation with academic qualifications, income and town size. The distribution is more unequal for opera, jazz or classical music and more balanced for other performances (see Heilbrun and Gray, 2001; Eurostat, 2007). The hypothesis of 'rational addiction' justifies a deterministic framework with the accumulation of consumption capital that decreases the implicit price of arts (Becker, Murphy, 1988). 'Learning by consuming' models the discovery of taste with positive or unpleasant surprises from past experiences (Lévy-Garboua and Montmarquette, 1996). Their econometric study shows that French theatre attendance in 1987 was greater for people who know a lot about actors and directors and talk about theatre in their social circles; furthermore, the substitution effects of reading and cinema attendance on the demand for theatre are important too. Abbé-Decarroux and Grin (1992) have related the perception of risk of potential disappointment on the part of older people to account for the younger attendance rate at spoken theatre, compared to opera and symphony concerts. Whereas most econometric studies analysis the global demand for theatre as being price inelastic (Heilbrun and Gray, 2001), Abbé-Decarroux (1994) estimates the demand is price-elastic for reduced seat price at the Geneva Theatre for the period 1982-1989. For the 26 Turkish public theatres in 2002-

2003, Akdebe and King (2006) estimate the price elasticity is smaller in Ankara, Izmir and Istanbul than in less developed cities.

A main line of research concerns the analysis of the heterogeneous demand for theatre.

In the USA, Ateca-Amestoy's latent class model (2008) distinguishes, among non-theatre-goers in 2002, the people who will never attend from those who might go later. Income and being single reduce the probability to participate never more than parental education. The probability of attending a performance increases more significantly with age and theatrical education than with income and is greater for women. Throsby (1983, 1990) introduced quality variables with the standards of source material, production, acting, and design, which he appraised by a condensation of press reviews into the demand function for individual theatres, finding that estimates varied according to the specific image of the theatres. In contrast with Abbé-Decarroux (1994), Corning and Levy (2002) highlight the insignificance of the critics' impact upon audiences, except in one theatre. Just as the positive impact of income on demand for performing arts is offset to some extent by the negative effect of the opportunity cost for a highly time-intensive leisure (Moore, 1968), Urrutiaguer (2002) assumes a contrasting influence between critics' comments and nationally approved directors' reputation upon attendance of French theatrical institutions in 1995 and 1996. Both coefficients are significant with opposite signs when he splits the sample into two subsets while they are insignificant for the overall sample. Tobias (2004) proposes a non-cardinal aggregation measure of expert opinions and infers their judgements on public theatres in Germany are less connected to economic variables than is the case in ballet or opera.

### **Costs of production and firm strategy**

Baumol and Bowen's (1966) 'cost disease' is based on a view of quality as the capacity to reproduce standard classical plays, whereas demand is assumed to be rather price elastic and income inelastic. Baumol and Baumol (1985) interpreted the decreasing average cast size of Broadway non-musical plays for the period 1946-1979 as an 'artistic deficit'. Hence they adopt a questionable view of the quantity of work as a main criterion of quality. As fixed costs of production are significantly higher than marginal costs of distribution, scale economies are possible by increasing the number of performances whether there is a demand for them. Translog cost functions show an inefficient allocation of capital and labour inputs for theatres in Finland (Taalas, 1997) or in Emilia Romagna in Italy (Fazioli and Filippini, 1997). Touring more frequently can raise revenues that partially pay off fixed costs and price discrimination according to attendees' willingness to pay may increase ticket box office. Whereas the proportion of revivals in Broadway theatre productions grew significantly, Maddison (2005) shows that this risk averse strategy does not stochastically dominate original productions from a financial perspective.

Economies of scope occur when the joint production of a group of products is cheaper than separate productions. Multi-product production breaks down into programmed shows and other cultural offerings. As most attendees rate sociability highly when they go out, meeting spaces within the theatre like halls, restaurants or bookshops, and the capacity of the management team to give convivial signs are important to enhance the social value of the consumers' experience. A cultural gap between artistic excellence and the local population's interest may increase Baumol and Bowen's 'earnings gap'. The sophistication of technical norms, as a response to competition from cinema and television, increases the costs of production of theatrical performances. More and more theatres are trying to attract regular attendees with short-term events like mini festivals. Artistic education may above all

reproduce the social composition of audiences because parents transfer their culture to children and school education cannot provide a counterweight to this process without a large amount of subsidy. To make the average person aware of the benefits of theatrical performances primarily requires taking into account their cultural habits. The composition of repertoire may therefore be a crucial question.

### **Repertoire and theatre management**

Following Di Maggio and Stenberg (1985), O'Hagan and Neligan (2005) propose a 'conventionality index' to record the number of productions of works by a playwright in the sample of theatres under consideration. Using this index as the dependent variable, their cross-sectional regression analysis of 40 English subsidised non-profit repertory theatres for the seasons 1996/97 to 1998/99 shows that repertoire is less conventional when venue capacity and budgets are smaller. In accordance with Di Maggio and Sternberg's results for New York City, location in London decreases the conventionality index because of competition in wealthier markets. However, a higher proportion of public subsidies in a theatre's total income is connected with less conventional choices.

In France, a 'director-*cum*-manager' heads national theatres and national drama centres (NDC). He directs theatrical shows and buys outside programming. The manager of '*scènes nationales*' (SN) is usually not a director. He has a multi-field programming. For the period 1995-1997, managers of the biggest NDC and the smallest SN were more open to programming French contemporary shows and SN managers showed a greater interest in contemporary plays than NDC 'director-*cum*-managers' (Urrutiaguer, 2004). Unlike the assumption that artists prefer innovation (Di Maggio and Sternberg, 1985; Castañer and

Campos, 2002), the risk of producing theatrical shows compared with buying-in performances is hence a key factor.

As classical plays are less risky than contemporary ones, the relationship between the proportion of them in both repertoire and in attendance is expected to be positive. However, the coefficient is weak or insignificant in regression models of demand. For 59 Flemish subsidized theatres over the period 1980-2000, Werck and Heyndels (2007) estimate cast size, plays by Dutch-speaking playwrights and revivals have a more positive effect on demand. Artists and theatres' fame may therefore have more influence than the type of repertoire.

Repertoire choice enhances the management's reputation for programming and the viability of theatre. Except for some 'managers-*cum*-directors' who support innovative playwrights, profit making privately owned theatres focus on light comedies or musicals to increase the probability of commercial success. The trade off for managers of non-profit organisations is that between the maximisation of audience, budget and quality. Principal-agent analysis usually focuses on agents that manipulate information to maximise their public budget. The strategies of managers' theatres are more complex when we consider they are both the agents of public authorities and the managers of programmed artists.

Krebs and Pommerhene (1995) initiated a psycho-economic approach of the trade-off between lowbrow and highbrow productions for German regional theatres directors. It is a way to refine the analysis of managers' economic motivations in grant-aided theatres. Their reputation comes from a trade-off between box office revenues, critics' comments and peer group's judgments on quality. Tension is mounting between a state's requirement of international recognition and the local authorities' expectations of more convivial services in

their territories. The necessity to increase their own resources is raising competition between theatres. Shorter-term productions accentuate artistic excessive offer and the skew distribution of performances per firm. Hence, as stated by Throsby (1994), progress in quality measure should be useful to better understand the theatre utility according to the goals of managers, artists and public or private patrons.

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### **Further Reading**

Regression models of demand are provided in Krebs and Pommerehne (1995), Levy-Garboua and Montmarquette (1996), O'Hagan and Neligan (2005), Abdeke and King (2006), Werck and Heyndels (2007) whereas Throsby (1983, 1990), Abbé-Decarroux (1994), Corning and Levy (2002), Urrutiaguer (2002), Tobias (2004) take into account subjective judgments on quality. No-theatre goers' behaviors are the subject of Ateca-Amestoy (2008). Cost inefficiencies are discussed in Taalas (1997), Fazzioli and Filippini (1997) and Maddison (2005). For the cost disease see Baumol and Bowen (1966), Throsby (1994), Heilbrun and Gray (2001).