INDUSTRY PROFILES COLLECTION

Donald N. Stengel, *Editor*

A Profile of the Performing Arts Industry

Culture and Commerce

David H. Gaylin

BEP BUSINESS EXPERT PRESS

A Profile of the Performing Arts Industry

A Profile of the Performing Arts Industry

Culture and Commerce

David H. Gaylin

BUSINESS EXPERT PRESS

A Profile of the Performing Arts Industry: Culture and Commerce

First published in 2016 by
Business Expert Press, LLC
222 East 46th Street, New York, NY 10017
www.businessexpertpress.com

ISBN-13: 978-1-60649-564-3 (paperback)
ISBN-13: 978-1-60649-565-0 (e-book)

Business Expert Press Industry Profiles Collection

Collection ISSN: 2331-0065 (print)
Collection ISSN: 2331-0073 (electronic)

Cover and interior design by Exeter Premedia Services Private Ltd., Chennai, India

First edition: 2016

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America.

Abstract

Attending a live concert or theatrical performance can be a thrilling experience. At their best, the performing arts represent the height of human creativity and expression. But the presentation on stage, whether it is Shakespeare, Beethoven, or *The Lion King*, depends on a business backstage.

A Profile of the Performing Arts Industry provides an overview of both the product on stage and the industry that makes it possible. While the industry's product is unique—with unique supply and demand characteristics—it is still an industry, with economic inputs, organization structures, competitors, business models, value chains, and customers. We will examine each of the major segments (Broadway, regional theater, orchestra, opera, and dance) along these business dimensions.

The challenges facing the performing arts industry in America are well known. Many companies struggle to survive, and there have been some high-profile bankruptcies. Participation rates are falling, audiences are aging faster than the general population, season ticket sales are in decline, and gift-giving levels are hard to sustain in today's economy. The value of the arts and arts education are in question, and both have largely disappeared from public policy agendas.

Yet there are bright spots. Some companies are thriving, enjoying sold-out performances, extended runs, and healthy balance sheets. The Metropolitan Opera's Live in HD series continues to be widely successful. Some Broadway productions have turned into global, billion-dollar businesses. Admission to professional schools of the performing arts is more competitive than ever, and the caliber of graduates is astonishingly high. At the nonprofessional level, there is no shortage of community productions across all genres and geographies.

Why do some companies struggle and some thrive? Despite trends that appear uncontrollable, management decisions have a huge impact on economic outcomes. This book examines the range of product, market, and resource choices available to performing arts managers and provides practical examples in key areas such as programming, venues, performer relations, marketing, and fund-raising.

Three features of the book are a historical perspective, broad industry coverage, and data-driven analysis. Today's business models and performance practices were largely developed in the 19th and early 20th centuries. Sound strategy requires an understanding of the status quo. We therefore have chapters on the historical evolution of the artistic disciplines and the industry's development in America, as well as more recent trends and initiatives.

Broad industry coverage allows the reader to compare developments across genres. In practice, genres tend to be siloed (e.g., theater people keep to theater), but there are learnings to be shared. While the focus is on the traditional arts, we also look at developments in live entertainment and popular culture more generally.

Data-driven analysis provides a fact base for comparative and longitudinal insights—for example, regarding the performing arts versus other industries, long-term trends in revenues and costs, the bargaining power of labor unions, and the impact of new technologies, including the Internet and social media.

This book will give lovers of the performing arts an understanding of the business realities that make live performances possible. Managers, board members, and performers will be better equipped to take on the strategic challenges their companies face. People contemplating any of these roles will have a better idea of what to expect. Business analysts and students of strategy will discover how economic frameworks apply in this unique setting where culture and commerce converge.

Keywords

arts management, Actors' Equity, ballet, Broadway, classical music, dance, Metropolitan Opera, musicians union, nonprofit management, opera, orchestra, performing arts, theater

Contents

CHAPTER 1

Introduction

The performing arts include music, theater, and dance, and reflect some of humankind's most essential activities. The format was set in ancient times—live performers, a space to perform in, and a live audience. Indeed, the arts predate civilization. Archeologists have found flutes made of mammoth ivory and bear bone that are 42,000 years old, with carefully carved finger holes and mouthpieces. The earliest cave drawings are equally old. By comparison, farming and domestic animals did not appear until about 10000 BC and writing not until 3000 BC. Some anthropologists even hypothesize that language began as a mixture of singing and speaking.

Miraculously, our Paleolithic art evolved into the works of Sophocles and Shakespeare, Bach, Beethoven, and Balanchine. It is one of civilization's great achievements and transcends its cultural origins. Shakespeare is by far the world's most produced playwright, in both English and translation. Tokyo has more professional orchestras (eight!) than any other city. China reportedly has 50 million piano students, and there are opera houses in Bangkok, Hanoi, Kuala Lumpur, and Ulan Bator. The uniquely American inventions of jazz, modern dance, and the Broadway musical likewise can be seen and heard around the world. The performing arts that developed from Western culture have demonstrated close to universal appeal and staying power.[1] The industry that sustains it, however, is in transition.

Turbulent Times: Winners and Losers

Spending on live entertainment in America was almost $29 billion in 2013. According to government statistics, it has been the fastest-growing form of recreation since 2005 and one of the fastest-growing segments of the entire economy. But growth has been uneven. Pop-rock concerts have had banner years, with the top acts filling 50,000-seat stadiums at hundreds of dollars per ticket. Broadway is setting records, led by *The Lion King* and *Wicked*, and comedy is also strong. But traditional performing arts companies are fighting to hold their own. Theater, symphony, opera, and dance companies, which expanded during much of the 20th century, are facing serious challenges. While almost 50 million U.S. adults attended a performing arts event in 2012, the participation rate has been declining for more than a generation. Like other entertainment segments, the performing arts have also been affected by the ubiquity of digital media and changing consumer behavior.

The plodding general economy has amplified areas of weakness. The industry was still recovering from the 2001–2002 recession when the 2008–2009 financial crisis hit. Some companies felt the need to cut back the number of productions or to present less expensive works. But cost-cutting efforts often triggered labor disputes in this highly unionized industry. There was a rash of lockouts, strikes, and even bankruptcies.

In April 2011, the venerable Philadelphia Orchestra, long ranked among America's "Big Five" symphony orchestras, declared bankruptcy under Chapter 11. Unable to get costs and revenue in balance even as the economy seemed to be rebounding, the company's board of directors concluded it faced a "structural deficit" that could only be solved in court. During the contentious, 15-month legal process that followed, Philadelphia still managed to maintain its concert schedule and payroll. Orchestras in Detroit and Minnesota cancelled entire seasons; the New York City Opera closed down entirely in 2013, and the San Diego Opera's board voted to close in 2014 but reversed itself only after a community-wide rescue effort.

For long-standing institutions like the Philadelphia Orchestra to declare bankruptcy came as a shock to some and a huge warning to all. But theater, music, opera, and dance companies are businesses subject to the laws of supply and demand. Bankruptcy rates among the 8,500 performing arts companies in America rose after the Great Recession just as in other industries. Companies like Philadelphia, Pasadena Playhouse, and Louisville Orchestra were able to use Chapter 11 to reorganize and cancel debts. But others, such as the American Musical Theater of San Jose, Ballet Florida, Opera Boston, and New Mexico Symphony, had to liquidate under Chapter 7 and disappeared.

Yet amid these struggles, some companies are enjoying box office and financial success. The Los Angeles Philharmonic, with a $110 million budget in 2013, has had operating surpluses in 10 of the past 11 years and sells more than 90 percent of its seats. Every year, New York City Ballet, a $60 million business, sells more than 45 performances of George Balanchine's classic choreography for Tchaikovsky's *The Nutcracker* in a city that supports six or more competing productions. On Broadway, *Phantom of the Opera* has played more than 11,200 performances since it opened in 1988 and is still playing. Off-Broadway, *The Fantasticks* ran for more than 17,000 performances between 1960 and 2002, was revived in 2006, and has, so far, earned its original investors an estimated 24,000 percent return.

Nor is success found only in New York and Los Angeles. America's 1,800 not-for-profit professional theater companies, located in all 50 states, have collectively generated operating surpluses in 10 of the last 11 years, too. Dozens of ballet companies stage their own productions of *The Nutcracker* for the Christmas holiday period every year—43 performances by Boston Ballet, 33 by Houston Ballet, and 20 by Atlanta. Many midsized and small companies are also thriving. The Omaha Symphony performs more than 200 concerts each year on a $7 million budget and typically runs a modest surplus. Jackson, Michigan, 80 miles west of Detroit, supports a professional orchestra, a music school, and a composer in residence on an $800,000 budget. Turnarounds are also possible. The Charlotte and Louisville symphonies, with budgets of $9 million and $6 million, respectively, each ended FY2014 with their first surpluses in more than a decade.

No performing arts company is resting on its laurels in these challenging times. Yet, while some companies struggle to survive, how is it that many are holding their own or even thriving?

Key Drivers of Economic Performance

A company's economic success is driven by three sets of variables and their interactions:

1. The **nature of the product or service** sets intrinsic parameters for the structure of cost and revenue. Every performing arts company is a service business, providing a particular form of consumer entertainment

at a particular time and place. The "product" is labor-intensive, highly perishable, and a discretionary purchase, competing with many other recreational options. Beyond this common baseline, however, each performing art form has specific production requirements and audience expectations (e.g., musicals are more complex and costly to produce than plays; opera singers are expected to perform without amplification). In addition, there are unique characteristics of producers and consumers of performing arts that affect supply and demand (e.g., the job market is full of aspiring performers despite the low success rate and below-market compensation).

2. The **market and competitive environment** is dynamic and presents potential opportunities and threats along multiple dimensions. Since live performance is location specific, geography is a key driver. Big-city markets, with more wealth and diverse buyers, are often at the extremes, with a few top-level companies and a large number of niche players. Smaller metro markets are more likely to have a few midsize companies trying to gain critical mass and highly subject to local conditions (e.g., in a college town, home football is a competitor). The U.S. business cycle and the slow recovery of real household income is another key driver; people are more careful about how they ration discretionary spending. But long-term changes in consumer behavior are having even more profound effects as demographics shift, recreational options expand, and cultural and lifestyle preferences change.
3. A firm's **business model** reflects long-term strategic choices made to support its mission. The delivered product requires a work of art, artists to perform it, a venue, and an audience. The value chain, consequently, includes creators, performers, facilities, and a variety of production and marketing inputs. How much of the value chain should a firm control? Companies can be vertically integrated, with their own theater and box office services, or they can focus on producing what appears on stage and leave the rest to others. There is also a wide range of choices in scale, scope, and quality. Performers are central, but companies can hire them for full-time or part-time; they can contract star performers years in advance or hire freelancers on the spot market. The advent of mobile, social, and online media is making additional permutations possible.

Management's adaptation to change is implicitly a fourth performance driver. Management needs to address changing environmental realities and make thoughtful strategic adjustments. At a simplistic level, success means presenting shows and concerts that people will pay to attend, but even the joy of a full house is not always enough. The performing arts business model that worked well for much of the 20th century is under siege. Management and boards of directors share responsibility for adapting to change, communicating the change, and executing effectively. Despite important factors that appear uncontrollable, it is a thesis of this book that management decisions have a major impact on economic outcomes.

Market and Competitive Forces

At the firm level, the size and location of a performing arts company's venues substantially define its potential market, since performance revenue depends far more on ticket sales than on other sources, such as recording or broadcasting. Geography is especially critical for resident companies, which operate from a fixed home base, in contrast to touring companies, which play at multiple venues.

At a macro level, the market is a function of the amount of leisure time and income available for recreation and the demand for different forms of entertainment. These variables are in turn affected by two sets of forces: (1) cyclical trends, such as ups and downs in the economy, unemployment, and the stock market, which are relatively short term; and (2) structural trends, such as demographic and behavioral changes that are relatively long term and independent of the business cycle (e.g., the aging and growing ethnic diversity of U.S. population).

The cyclical impact of the Great Recession has already been noted. Most companies saw attendance and revenue decline in 2009 or had to work harder to maintain them.[2] Based on data from 1988 to 2004, Robert Flanagan in his book *The Perilous Life of Symphony Orchestras* calculated that a 1 percent rise in the unemployment rate corresponds to a 4 percent decline in attendance and revenue.[3] Ticket sales are a discretionary purchase and typically fall in recession. Donors are less wealthy and reduce their giving (or ration it in ways that favor other causes, such as social services). Endowments fall with the stock market, reducing income further. Many companies had trouble cutting costs fast enough to match revenue declines, and those without strong financial reserves risked bankruptcy.

Yet, while the economy has improved since 2009, many companies continue to be stressed. The "structural deficit" cited in the Philadelphia Orchestra's 2011 bankruptcy filing suggests a deeper imbalance of supply and demand. Historically, industry supply grew substantially between the 1950s and early 1990s. Since then, the aggregate number and capacity of performing arts firms have stayed relatively level. Demand, however, has been changing.

Arts Attendance Rates Are Declining

By most measures, the arts are losing market share. The National Endowment for the Arts (NEA) has conducted periodic surveys of adult participation in the arts since 1982. While some art forms have seen modest gains, the general trend is down. For example, the percentage of U.S. adults who attended at least one musical theater event during the year fell from 19 percent in 1982 to 15 percent in 2012 (see Figure 1.1). Classical music attendance fell from 13 percent to less than 9 percent. Plays and ballet were down as well (along with art museums, arts festivals, and historic sites). The lower attendance rates still add up to more than

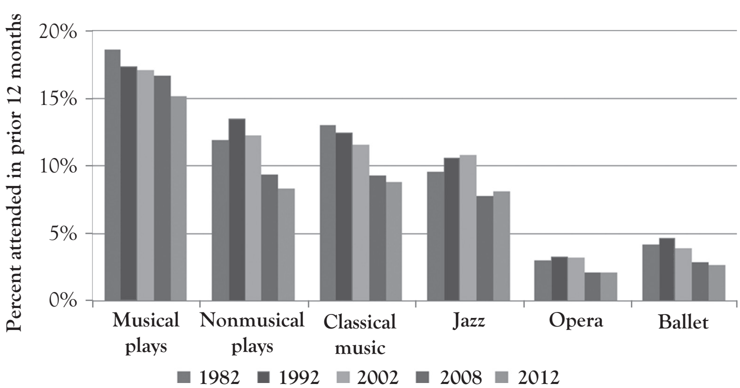


Figure 1.1 U.S. adults participating in the arts, 1982–2012

Source: NEA.[4]

50 million people, and many people enjoy the arts on electronic media. But the performing arts experience plays a steadily diminishing role in most people's cultural lives.[5]

Audiences Are Aging

As the arts lose share to other forms of recreation, arts audiences are aging even faster than population. For example, the NEA's 1982 survey found that the age group with the highest participation in classical music was 35 to 44. In 2012, the highest participation was from age 65 to 74—very likely the same group of people, all 30 years older. A similar pattern holds in theater. Exposure to the arts at an early age is a strong predictor of arts participation as an adult, so there is a self-reinforcing effect. With less exposure at home and less arts education in the schools, this trend will be difficult to reverse. The age distribution of a company's audience is increasingly a predictor of its economic vitality.

Declining market share and aging audiences are outcomes that reflect several broader trends.

- The divergence between high culture and popular culture has become a chasm.[6] There was always a distinction between art and entertainment, but they existed side by side and had cultural relevance through much of the 20th century. Reference points such as Shakespeare's "Wherefore art thou Romeo," Rossini's overture to *William Tell*, and Wagner's Valkyries were widely recognized. But high art today plays little or no role in most people's lives, and formerly shared references seem to be fading from general consciousness.
- Competitors for disposable income and leisure time abound, in part due to technology. Consumers have ready access to a stunning variety of digitized video and audio content at low cost (or free) and acceptable quality. Mobile and social media are creating entirely new behaviors and entertainment categories.
- While incomes may rise, leisure time is finite. If anything, people feel busier in a 24/7, multitasking world. Time and

> attention are scarce resources. Attending a live show or concert entails making a substantial commitment. Digital media can be consumed anytime and anywhere, including the comfort and convenience of home, which has become a locus of entertainment.

This changing environment has disrupted entertainment business models in the recording, broadcasting, and publishing industries, among others. The economics of pop/rock music were also upended by digital technology. So it is no surprise that performing arts companies would be challenged as well.

Management Strategies and Policies

The changing market and competitive environment only exacerbate problems that have plagued the industry for generations. The situation a half century ago, as described by William Baumol and William Bowen in their landmark 1966 study, *Performing Arts: The Economic Dilemma*, could well describe the situation today:

> In the performing arts, crisis is apparently a way of life. One reads constantly of disappointing seasons, of disastrous rises in cost, of emergency fund drives and desperate pleas to foundations for assistance. While some performing organizations have improved their financial position, there always seem to be others in difficulties. The off-Broadway theater, heralded one year as the repository of vitality for the American stage, is mourned for dead before the next season is half over, and even the venerable Metropolitan Opera has several times threatened to suspend a season.[7]

Recurring crises, Baumol and Bowen argued, are largely due to the intrinsic economics of the industry, which they called "the cost disease."[8] The nature of the performing arts imposes certain fixed costs and constraints on productivity improvement. For example, a Mozart symphony takes the same number of musicians and time to play as in Mozart's day. In most industries, labor productivity has increased geometrically since the

Industrial Revolution, supporting increased real incomes and wages. The performing arts have not enjoyed such gains, but still need to match prevailing wage rates to attract talent. Cutting performers' salaries will drive away talent, reduce performance quality, and trigger costly labor conflicts, since this is one sector of the U.S. economy where unions (for actors, musicians, stagehands, and others) are strong. Other cost reduction options are limited. Companies can reduce the number and scale of productions, such as selecting works that require smaller casts, simpler sets, fewer musicians, and so on, but this is likely to have revenue implications.

As in other industries, performing arts companies try to increase revenues faster than costs. Price increases have played a big role. Concert ticket prices have increased more than twice as fast as inflation since the early 1980s—about 390 percent by 2012 according to one study, versus inflation of 150 percent.[9] A good seat at the Metropolitan Opera was $100 in 1988 and $330 in 2013. The best seats for a hit on Broadway run $400 or higher today, but both pale next to the Rolling Stones, who sold more than 35,000 tickets at an *average* price of $519 for two concerts in 2012, with the best seats selling for thousands of dollars. Some studies suggest that demand is not very price elastic (and may be more income elastic), but there are indications that ticket price increases are reaching a limit.

Volume, the other key revenue variable, is up for live entertainment, overall. But the main driver has been more and bigger pop/rock concert tours aimed at offsetting the decline in recording revenue. For the traditional performing arts, attendance indicators are mixed. Theater has been volatile from year to year, depending on new hit shows, but attendance is generally up despite lower overall participation rates. Orchestra and opera attendance, on the other hand, are distinctly down, and many companies have been troubled by declining capacity utilization and empty seats.[10]

Given such persistent challenges, how can management respond? Short-term efforts to grow revenue and cut expense may help a company survive, but given the industry's profound challenges, problems are likely to recur. Successful firms take a broader perspective and typically have integrated strategies in three areas: products, markets, and resources.

Product strategy includes four key decision levers: (1) programming (what specific works to perform), (2) venues (where to perform), (3) performers (who performs), and (4) schedule (when and how frequently).

Organization size broadly affects product strategy, as noted in RAND's 2001 study, *The Performing Arts in a New Era*.[11] Larger companies are more likely to invest in big-budget blockbusters with superstar performers, elaborate sets, and special effects. Midsize companies may feature "warhorses"—well-known works with broad appeal like *Carmen* or Beethoven's Fifth Symphony. Small companies are likely to specialize in niche markets, which abound in the performing arts. There are analogs in the entertainment sector, such as the big Hollywood studios, which increasingly focus resources on a few blockbuster films.

Product decisions need to be made with a **market strategy** in mind. Given participation and age trends, for example, most performing arts companies are trying to reach younger audiences and reassert their relevance. Some look for people who enjoy the arts electronically (through film, records, online, etc.) but are not attending live performance. Programming for new audiences might involve pop, crossover, or contemporary works, multimedia shows, or showcasing young performers. Making the concert experience more inviting through more casual and social formats, more accessible venues, shorter length, or interaction with the performers after the show is also an option. Since exposure to the arts in childhood is the strongest predictor of attendance as an adult, long-term strategies include educational and youth programs in the theater, classroom, and online, and there are efforts to duplicate Venezuela's El Sistema program, which produced the Los Angeles Philharmonic's music director Gustavo Dudamel.[12]

Keeping traditional audiences happy while reaching out to new ones can be a major challenge. Some degree of risk-taking is necessary, especially where new works, formats, or audiences are concerned. At the extreme, new Broadway productions can entail immense risk. Taste is highly subjective, and demand can be hard to predict, even with Big Data analytics (which some companies are using). When a show succeeds, it is often hard to know why. A sellout in one market or point in time may prove disappointing in another. Richard Caves captures this aspect of creative industries in the "Nobody knows" principle in his book *Creative Industries*.[13] The product often needs to be assembled and presented before demand is really known.

Managing risk, balancing between new and old, and the constant need to raise more money all call for a **resource strategy**. Matching mission and resources is critical and requires addressing the natural tensions between artistic goals and business needs. Do we spend $10,000 on a larger string section or online advertising, or save it for a rainy day? Some companies are able to leverage resources by partnering or even merging with other institutions.[14] For nonprofits, contributed income and philanthropy are a growing source of revenue, and product-market decisions are sometimes tempered (or even shaped) by what major donors would like.

Outline of This Book

Chapter 2, "Defining the Arts and the Industry," starts with the artistic product—the nature and types of performing arts, the distinction between art and entertainment, and perspectives on the industry from both literature and standard industrial classification. We also review the unique features of the performing arts industry, such as the prevalence of noneconomic goals among producers and consumers alike.

Chapter 3 reviews the historical development of the performing arts disciplines to gain insights on the present. Composers, playwrights, and performance practices were all influenced by the economic and political environment. Theater can trace its origins back to ancient Greece and was shaped by the church and government regulation. The symphony orchestra was partly shaped by innovations in musical instrument technology, just as art forms today are being influenced by the Internet and mobile communications. Addressing the industry's challenges requires an understanding of its evolution.

Chapter 4 reviews the historical development of the industry in America. Music was prized during the colonial period, while theater was illegal in some states. Industrial development, immigration, and other historical forces all influenced business models. For example, the early rail and canal network encouraged a booming tour business before the Civil War. The basic business model of a permanent resident nonprofit company was established for economic and artistic reasons in the late 19th century and still dominates orchestra, opera, and dance today.

Chapter 5 provides a macro overview of the industry—its size, structure, value chain, and key segments. We examine the industry's position within the larger entertainment and recreation sector, the major drivers of demand and supply (in that order), and key economic roles and players in the value chain, including promoters and agents, as well as performing arts companies and artists. We also analyze the different genres and the for-profit and nonprofit sectors using reports from the Census and other government data.

Chapter 6, “Performing Artists and Their Unions,” examines the workforce, which, unique among industries, is both the primary input and output of the business. It includes the demographic, educational, employment, and income characteristics of performing artists and the enormous range between a few superstars at the top, an army of apprentices and strivers at the bottom, and the professional journeymen in the middle. We also look at labor unions, particularly Actors’ Equity and the American Federation of Musicians, which, unlike many other industries, continue to be powerful forces.

Chapter 7 goes into some depth on the structure, economics, and critical issues in the two largest genres—theater (Broadway, touring Broadway, and nonprofit regional theater) and orchestra. We look at the key players and companies in each from both artistic and business perspectives, including mission, organization and governance, programming and repertoire, financial trends, and idiosyncrasies. The chapter also looks (in less detail) at opera and ballet.

Chapter 8 tackles probably the most critical issue in the industry—audiences, which, in the digital age, increasingly view the performing arts as one of many entertainment options. We examine trends in attendance rates and frequency, competing uses of leisure time, characteristics of the audience in each genre, the nature and implications of America’s aging population, the decline of subscription sales, and recent industry studies designed to gain insight on audience behavior and identify ways to build loyalty.

Chapter 9, “Managing Performing Arts Companies,” concludes the profile by taking a management perspective and examining key decisions on product, market, and resource strategies, mission and governance, managing costs, the special concerns of nonprofit management (such as fund-raising and accounting practices) and, finally, a summary of the industry’s efforts to stay viable and relevant in the challenging digital world of the 21st century.

CHAPTER 2

Defining the Arts and the Industry

The performing arts, like other forms of recreation, are consumed largely for noneconomic reasons. Unlike other industries, however, the supply side is largely driven by noneconomic reasons as well. Art aspires to a higher calling than everyday commerce. Industry dynamics are an interplay of artistic concerns, which exist within the context of art, and the normal economic and competitive concerns of business. This chapter examines the performing arts from an artistic perspective, to define and clarify the nature of the product itself before we focus on the business of producing and marketing it. We discuss different definitions of *performing arts*, including those from standard industrial classification, and the more philosophical question of what makes something *art*. We conclude the chapter with a look at the special characteristics of supply and demand that make the performing arts a truly unique and challenging industry.

The Performing Arts and Live Entertainment

The verb *to perform* has two meanings in common usage: (1) to carry out or accomplish a task or purpose, and, more important to us here (2) to present some form of entertainment to an audience. The first meaning is relevant, in that performing an entertainment implicitly involves the completion of a work with a beginning and end. But the key item is the audience, typically live and physically present at the moment of creation. Indeed, the two-way exchange between audience and stage can be an energizing experience for both, and each performance is unique because of that real-time interaction.

Digital streaming and simulcasting are creating new meanings through virtual online audiences, who are live but not present. In some cases, the absent audience can even provide feedback through texting or other graphic display. Recording technology also preserves live performances for posterity or for simple time-shifting. Filming a commercial movie or video, on the other hand, is rarely a true “performance” for two reasons: There is no audience (the people running sound, lighting, and props are too busy working) and there is usually not a complete presentation, as scenes are typically shot piecemeal in short takes and retakes, often out of order.

Defining the *arts* is more complicated. The performing arts are a subset of live entertainment, but the line between art and other forms of entertainment is blurry. No one would dispute that the Boston Symphony Orchestra playing Mahler in Symphony Hall is art. Most people would agree that playing the orchestral soundtrack to *Jurassic Park* also qualifies, as probably does Celine Dion playing Caesars Palace in Las Vegas. But what about Britney Spears at Planet Hollywood or a David Copperfield magic show? All these people are unquestionably performing artists, but the works they perform clearly differ in nature, purpose, and the demands they make on performer and audience. The performance spectrum from high art to pop is vast. Theatergoers will find attending an opera like Puccini’s *La Bohème* and a Broadway musical comedy like *The 25th Annual Putnam County Spelling Bee* as completely different experiences, for example, but the two works have much in common on the full spectrum of live entertainment.

What makes something a work of art—or Art—and how is it different from nonart? This question has engaged philosophers since Plato and has led to theories based on aesthetic properties, representational and expressive properties, the social milieu from which art arises, and so on. Some contemporary schools of philosophy argue that art is too diverse and changing to be defined at all. A pragmatic view is that people pay for entertainment, while art requires subsidies. This has a ring of truth—wealthy patrons have always been important to the arts—but it is ultimately circular, since the entertainment world is full of flops, while art can be both highly entertaining and financially self-sustaining.

For purposes of industry analysis, three characteristics have been identified that distinguish art from other entertainments: deeper audience impact, longer shelf life, and more complex and demanding language.

Purpose and Audience Impact

To entertain means to provide amusement, enjoyment, or diversion. Art aims to do more than that, whether it is exploring the human condition, creating beauty, or expressing the innermost feelings of the artist. The mission statements of performing arts companies often have words such as enrich, challenge, educate, and inspire. Art wants to change its audience, while entertainment wants to please the audience. Art is associated with transcendence, something greater than the sum of its parts, pointing beyond itself and its creator toward some deeper, more powerful experience. That experience has been described in many ways, such as the following:

- "Music washes away from the soul the dust of everyday life," according to Berthold Auerbach, a 19th century German novelist (Picasso later said the same thing about visual art).
- The purpose of dance is "to energize the spectator into keener awareness of the vigor, the mystery, the humor, the variety, and the wonder of life," according to Martha Graham, a major American dancer and choreographer.
- The English playwright and poet Oscar Wilde said, "I regard the theatre as the greatest of all art forms, the most immediate way in which a human being can share with another the sense of what it is to be a human being."

There are many more views. Performing arts with words (plays, songs) and without words (instrumental music, dance) affect us differently and activate different parts of the brain. But in all cases, the aim goes beyond simple diversion and entertainment.

Longevity and Self-Containment

Because of its power to transcend everyday experience, works considered to be art are observably more enduring than other entertainment. For example, Beethoven's music is still enjoyed long after other amusements of his day, in Vienna, are forgotten. Artistic works gain a life of their own that is independent not only of their creators but also of their performers. Shakespeare's *Romeo and Juliet*, written for the English theater in the 1590s, still speaks to 21st century audiences around the world in a host of translations and continues to spawn perennial adaptations in ballet, opera, theater, and film. The view that "art speaks for itself," that no explanation or context is needed to appreciate it, takes this independent existence to an extreme. From a marketing perspective, explanation and context can be very helpful. Knowing about Shakespeare's world and seeing a good performance will add insight and enjoyment. But even a bad performance of Shakespeare, while less enjoyable and possibly painful, does not diminish his genius or his work.

Few artists approach Beethoven and Shakespeare, of course, and even highly regarded playwrights and composers can go in and out of fashion over the years. Major 20th century playwrights such as Eugene O'Neill, Lillian Hellman, and Samuel Beckett are less frequently staged in the United States today, but they still loom large in anthologies. The staying power of long-running classics, going as far back as the *Oresteia* trilogy (Aeschylus, 458 BC) and as recently as *Phantom of the Opera* (Lloyd Webber, 1986), truly does speak for itself.

The artists and works cited so far mainly involve long forms, namely, works that take an hour or more to perform. What about short forms—such as the contemporary popular song, which typically runs less than five minutes? Certainly, there is fine art here too. John Lennon, Bruce Springsteen, and Bob Dylan, to name some great popular songwriters, are unquestionably artists with impact and longevity. Interestingly, however, it is common in popular genres for new works to crowd out old. Today's Top 40 replaces yesterday's and, in turn, is replaced tomorrow. Such turnover is less common in the more traditional arts, especially in classical music, where new works often struggle for a hearing.

Complexity and Intellectual Capital

Art generally expresses itself in a more complex language than pure entertainment. It draws on a deeper stock of intellectual capital and cultural tradition and demands more of its audience in terms of their education and attention. Everyone likes a good tune, and the ability to create a memorable melody is a gift (shared by composers as diverse as Giuseppe Verdi, Irving Berlin, and Paul McCartney, among others). But appreciating the different voices of a fugue or the aural metamorphosis of a theme and variations requires a discerning ear. Those with the most rarefied expertise and sensibility are called connoisseurs. The term, derived from the French verb *connaître* (to know), was first used in the 1700s to refer to experts who could distinguish authentic works of visual art from forgeries and frauds. It was soon extended to experts in other fine arts, such as music, theater, and poetry. In today's consumerist society, however, people can be connoisseurs of virtually any matter of taste—food, wine, cigars, comic books, duck decoys—so that simply having gradations of refinement and expertise is not unique to the arts.

Nonetheless, the training needed to master an art form is substantial, captured in the "How do you get to Carnegie Hall" joke (answer: practice, practice, practice). More often than not, successful performers started young. Under the Suzuki method, four- and five-year-olds learn to play by ear before they can read. In ballet, where a dancer may be over the hill at age 30, preschools accept children as young as age 3 (must be potty trained, as one well-known ballet school cautions). Singing is an exception, because the voice changes and takes time to physically mature, but successful singers usually have gained a high level of knowledge and appreciation before they begin serious vocal study. The performers' training, in fact, is a simple way of distinguishing art forms and is implicit in standard industrial classification (discussed in the following text). For example, when Opera America announced a grant program for women composers, it did not try to define opera but simply called for "works for the classically trained voice and instrumental ensemble."

Skills gained through intensive training are a necessary but not sufficient characteristic of the best performing artists. Connoisseurs will say that great art is qualitatively different from technical mastery and craftsmanship. "Great dancers are not great because of their technique, they are great because of their passion," said Martha Graham. At the highest levels, technical mastery is assumed and implicit. As the cellist Pablo Casals said, "The most perfect technique is that which is not noticed at all." An even stronger view, from composer Johannes Brahms: "Without craftsmanship, inspiration is a mere reed shaken in the wind."

If the performing arts have more impact, longevity, and complexity than common entertainment, does that mean they are of higher quality?

Yes and no. Connoisseurs can distinguish better and worse operas and plays, just as there are better and worse rap songs and stand-up comics. There are multiple dimensions of quality and multiple purposes against which to judge works of art or entertainment. Comparing a single to an album, for example, or a song to a symphony, is likely to be fruitless. Some artistic judgments, moreover, are inherently subjective. The cliché "there is no accounting for taste" is derived from the Latin *de gustibus non est disputandum*, meaning that it is pointless to argue about matters of taste. But of course, we like to do it anyway. Even the earliest Paleolithic mimes and flutists no doubt had their critics and their fans.

Defining the Types of Performing Arts

Government reports are a key source of data, so how they define the arts and the industry is important. This book uses data primarily from three federal agencies: (1) the National Endowment for the Arts (NEA), an independent agency charged with supporting the arts; (2) the Bureau of the Census; and (3) the Bureau of Economic Analysis (BEA), the last two of which are within the U.S. Department of Commerce.

Since 1982, the NEA has conducted Surveys of Public Participation in the Arts (SPPA), using the Census Bureau for field work and administration. The survey measures participation rates at various kinds of live events, classes, community groups, and other outlets, and provides a valuable time series on audience trends. We introduced data from the survey in Figure 1.1, showing a troubling decline in adult participation rates. The survey has evolved to reflect changing tastes and technologies, such as arts consumption through smartphones and the growing importance of Hispanic culture. However, one particular measure has been a benchmark index since the beginning: "live attendance at jazz or classical music concerts, opera, plays, ballet, or visits to art museums or galleries." This index represents a relatively traditional view of art that we can call the high culture view. The inclusion of jazz might seem to be a concession to pop, but jazz was a uniquely American (especially, African American) contribution to music that in the past century has achieved a classical level of connoisseurship. (We discuss the NEA survey findings on audiences in more detail in Chapter 8.)

Spectator Amusements and Legitimate Theater

The Census Bureau and the BEA provide other definitions. The Census regularly surveys businesses and economic activity using standard industry classifications, in addition to its well-known decennial population census. The BEA analyzes Census and other data to report on personal consumption expenditures (PCE), the biggest component of gross domestic product (GDP). PCE provides a demand-side view of the commodities (goods and services) that consumers are buying. The Census's industry surveys provide a supply-side view of the firms that provide those commodities, grouping them based on similar production processes and other characteristics.

PCE starts with categories such as recreation, health care, housing, and food. The performing arts fall within recreation and a subcategory of recreation called "admissions to spectator amusements," along with movie theaters and spectator sports. Consumption of these services is similar in that people pay an admission fee to watch or listen to something at a particular venue. For many years (since 1921 or earlier), the performing arts component was called "legitimate theaters and opera, and entertainments of nonprofit institutions." Classical music, opera, and ballet are dominated by nonprofit institutions, so this definition is aligned with a high culture view of the performing arts. Theater has both for-profit and not-for-profit companies. But what is *legitimate theater*—and by implication, illegitimate theater?

The notion of legitimate theater originated in British law. When Oliver Cromwell and the Puritans ruled after the English Civil War, they banned all theater on political and moral grounds. Puritan colonists brought this view to America too. With the restoration of the monarchy in 1660, actors and playgoers breathed huge sighs of relief as King Charles II issued licenses for theaters to reopen. However, only two companies—the legitimate theaters—were licensed to perform serious full-length drama, such as Shakespeare, who was already England's most popular playwright. Other theaters were free to perform farce, pantomime, melodrama, music, and puppetry (such as *Punch and Judy*), but not full-length plays. The restriction on serious theater gave friends of the Crown a duopoly and provided a means of government control. Serious theater was potentially subversive through the use of political satire and symbolism. Less serious theater, where people come just to be entertained, was seen to pose less of a threat.

This historical context has influenced the American theater industry since colonial times. In the late 19th century, the term *legitimate theater* distinguished full-length plays from vaudeville shows. After the demise of vaudeville, the term lived on as a way to distinguish live theater from movie theaters. The spoken word and a degree of seriousness are usually implied, but not necessarily. For example, New York City has zoning regulations that give developers incentives to preserve the Broadway theater district as an important part of the city's cultural and tourism economy. They define legitimate theater as

> The live presentation, available to the general public, of stage productions by professional performing artists, including but not limited to plays, musicals, and other forms of expression that may incorporate dance, music and/or other elements, but excluding exhibition of films, video or similar electronic media, or radio or television studio performances except as incorporated in a live stage production.[1]

This definition obviously goes far beyond high culture and reflects major changes in the performing arts market. It includes rock concerts whether the performers are singing or lip-synching. Given the rapid growth of the rock concert business in the 2000s, the BEA stopped describing the performing arts as "legitimate theaters and opera, and entertainments of nonprofit institutions" in 2008 and began calling it simply "live entertainment, excluding sports."

Standard Industry Classifications

The North American Industry Classification System (NAICS) is a standard adopted by the United States, Canada, and Mexico that divides all economic activity into 20 sectors, each with a two-digit identification code. Subsectors and their component industries are identified with additional digits, up to seven. The NAICS hierarchy places the performing arts within a megacategory of leisure-related service industries called Arts, Entertainment, and Recreation (Sector 71), which includes spectator sports, amusement parks, fitness centers, and gambling casinos. Performing arts companies and spectator sports companies are classified together, along with some related industries, as Subsector 711 because their production processes have a common focus on live human action.

Under this scheme, NAICS defines Performing Arts Companies (industry group 7111) as "establishments primarily engaged in producing live presentations involving the performances of actors and actresses, singers, dancers, musical groups and artists, and other performing artists." Four component industries are identified at the five-digit level—theater, dance, music, and other—each "defined on the basis of the particular skills of the entertainers involved in the presentations"[2] (see box that follows). This definition effectively covers all live entertainment, including circuses, magic shows, and the full range of popular music (rock, pop, hip-hop, country, etc.), as well as the high arts identified by the NEA.

NAICS Classification of Performing Arts Companies

71 Arts, Entertainment, and Recreation
- 711 Performing Arts, Spectator Sports, and Related Industries
  - 7111 Performing Arts Companies
    - 71111 Theater companies and dinner theaters (includes opera)
    - 71112 Dance companies
    - 71113 Musical groups and artists (includes popular and classical music)
    - 71119 Other performing arts companies (includes circuses, ice skating shows, and magic shows)

There are other important industry players in addition to performing arts companies and performers—presenting organizations, concert promoters, venue operators, artists' managers and agents, and performers' labor unions, to name a few. Promoters and organizers, for example, come under industry group 7113 in the NAICS classification. These other groups and their economic roles will be discussed further in Chapter 5.

Performing Arts in Relation to Other Arts

Another way of defining the performing arts is their position in the overall art world. In the first half of the 20th century, "all writers and thinkers seem to agree," as one scholarly article put it, that five major arts constituted "the irreducible nucleus of the modern system of the arts"—painting, sculpture, architecture, music, and poetry.[3] Some scholars added dance, theater, or opera to the "irreducible nucleus;" others let music remain the only performing art listed.

Defining the nature of art is not easy, as discussed earlier, nor is crafting a "system of the arts." The arts exist in a social and economic context, and they evolve and change. Major art forms of the middle ages, such as plainsong and illuminated manuscripts, barely exist today in the same way that today's major forms, such as instrumental music and oil painting, barely existed then. Gardening was an important art form in the 17th century, as video games may be in the 21st. Nonetheless, it is a good bet that the performing arts will continue in one form or another.

A more current typology, which groups art forms under broad categories, is shown in Figure 2.1. The list is not exhaustive and there can be hybrids. For example, "performance art" is a combination of performing and visual art, as when a performer becomes a living sculpture. The production processes and media for these various art forms differ, but they all potentially compete for creative talent and consumer demand.

Performing Arts as a Cultural and Creative Industry

Just as the performing arts are one of several groups of art forms, the arts business is one of several sectors of the economy involving culture

Performing	Visual	Literary	Media	Crafts
Theater	Painting	Fiction	Flim/video	Ceramics
Music	Sculpture	Poetry	Digital art	Textiles
Opera	Architecture	Nonfiction	Animation	Jewelry
Dance	Photography			others
	Installation art			

Figure 2.1 Typology of art forms

and creativity. At the simplest level, some arts advocates measure the economic impact of the arts by citing ancillary spending related to arts consumption. Going to a concert or play, for example, involves travel expense and possibly dinner and baby-sitting services. Cities promote cultural tourism to attract out-of-town visitors. According to some studies, the economic contribution from these ancillary activities is actually larger than the spending of the arts and cultural companies themselves.[4]

The NEA and BEA are collaborating on a project to track the economic contribution of the arts and cultural sector using BEA's production and consumption methodologies. They define "core arts and cultural production" as having four components: performing arts, museums, design services, and arts education. Design services include the creative portion of advertising and are by far the largest of these components in both gross and net output. This is an interesting finding, but the performing arts have little in common with the advertising industry.

Some economists define an even broader "creative sector" consisting of cultural and commercial activities related to information and communication, where creativity is a critical input. This sector typically includes the arts listed earlier, plus some related or supporting industries. Industries related to the performing arts, for example, include recording and recording equipment, musical instrument manufacturing, theater equipment, and theater and auditorium construction. Likewise, the visual arts are expanded to include art studios and supplies, commercial photography, and photographic equipment; the media arts are expanded to include the motion picture, broadcasting, and cable television industries; the literary arts are expanded to include all of book publishing, and so on.

The approach of starting with core arts and adding supporting and related industries has been called the "concentric circles model of cultural industries." While this industry profile is focused on the performing arts, the concentric circles idea is useful in highlighting the importance of recording and broadcasting media. We can therefore view the performing arts along the dimensions of content and medium as suggested in Figure 2.2. Entertainment content ranges from the benchmark forms of high culture to the many genres of popular culture, which are largely encompassed in the NAICS industrial classification. Entertainment enjoyed through digital media includes reproductions of live performance as well as real-time

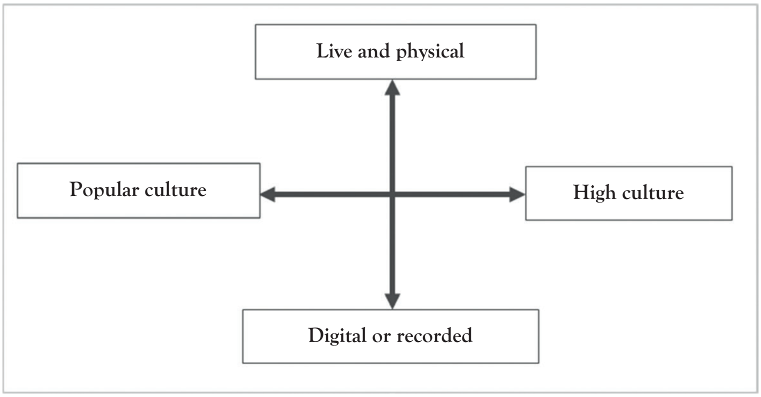


Figure 2.2 Two dimensions of art and entertainment

and interactive streaming, making it increasingly a distinct form of entertainment in itself.

This book will focus on businesses that produce live, high culture performances, that is, the upper right quadrant. Any profile of this quadrant, however, must reckon with popular culture and media technologies. Each wave of new technology, from sound recordings, movies, and radio to digitization, the Internet, and mobility (smartphones and tablets), has had a massive impact. Technology in fact has been shaping both ends of the entertainment spectrum for more than a century. File-sharing and streaming services are only the latest in a long line of disruptors. We will, therefore, step back periodically to view the larger environment in this book.

Unique Features of the Performing Arts Business

There are several unusual features intrinsic to the performing arts that have important economic and business implications. Every business has special features, but this industry has them in abundance, including noneconomic goals among key players, a large and unique labor supply, and intractable cost curves.

"What I Did for Love"

The prevalence of noneconomic goals is perhaps the most notable feature, captured by the dancer's torch song from the musical *A Chorus Line.*

Performing artists are willing to sacrifice time and money (and dancers, their bodies) for art. Ego certainly plays a role; this is the industry that gave name to prima donnas and divas. Some may seem to live for the applause of the crowd, and there are megabucks for those at the very top. But the strongest motivation is a passion for the art. More than most workers, artists care deeply about their work. This passion can clash with business considerations. Richard Caves calls this characteristic "art for art's sake" in his book *Creative Industries*,[5] referring to the French slogan *l'art pour l'art* that says that art has intrinsic value apart from any moral or utilitarian function. Whatever their philosophy, industry participants—managers as well as performers—place considerable importance on non-economic decision criteria.

Steep, Stratified Talent Pyramid

Passion and commitment are important because achieving a professional level of proficiency takes a big personal investment in training and trial. Even then, it is hard to make a living. The industry has a large supply of talent willing to work for relatively low wages, below comparable jobs in other industries. Openings are few and competition is fierce. Unemployment and underemployment rates are high. Those fortunate enough to make it, however, can do well. Members of major orchestras, for example, earn base salaries of $125,000 or more and can double that amount with teaching and extras. Near the top of the pyramid are soloists and star performers, with million-dollar incomes. Although stardom can be fickle and the talent differential debatable, there is a distinct pecking order (similar to what Caves calls "A list/B list"). At the very top are a handful of superstars whose mere presence on the marquee sells tickets and who can command fees many times greater than those just a notch below.

Part-Time and Volunteer Performers

With many called and few chosen, the industry features a large population of semiprofessionals who earn some income performing, but need to do other work to make ends meet. Many stay in the arts by teaching in schools, colleges, or privately. Others abandon any professional aspirations and take conventional day jobs, but stay connected to the arts by performing in volunteer community ensembles alongside enthusiastic amateurs. Volunteers also play a role as boosters and unpaid staff. Other nonprofit causes, such as health care and conservation, also leverage volunteers. But the performing arts are unique in having a parallel world of largely unpaid community groups that promote the arts and offer public performances. While this segment does not rank high in dollar terms (ticket prices are usually nominal, for example), it claims a significant share of overall audience time and attention.

Audience Investment

Like performers and aspirants, audience members also make a personal investment in the art. One investment is simply being there and paying attention. Sitting through a live two-hour performance requires a level of concentration. Most high art events, moreover, strongly discourage talking, eating, and cellphone use except during intermission (although texting has been accepted in some quarters). Another type of investment is learning the language of the art. The audience spectrum ranges from highly educated connoisseurs who appreciate the nuances between different performances of the same work to cultural omnivores who are merely knowledgeable but enjoy going out to occasional users who may have a few favorites but take them in modest doses. As with so many things in life, the greater the personal investment, the greater the reward.

"No Accounting for Taste"

The richness of art leaves a great deal of room for personal subjectivity, among the connoisseurs and occasional users alike. Some classical music lovers, for example, delight in contemporary music, and some cringe. Some adore crossover artists like Andrea Bocelli, who straddle classical and pop, and some do not. Beyond the core canon and "greatest hits," there is a long trail of secondary works, experiments, and rediscoveries, each with its fans. This diversity is related to what Caves calls "infinite variety," and makes segmentation and programming strategy difficult—and critical.

Cost and Productivity Challenges

The art form can entail a high level of fixed production costs. Just as a baseball team must have nine players, theatrical scripts and musical scores call for specified labor and capital inputs. *Cat on a Hot Tin Roof* has eight important roles; Mozart's *Jupiter* Symphony calls for a minimum of 40 players; a large chandelier must come crashing down in *Phantom of the Opera*. In other industries, doing the work faster or with fewer people is an advantage. But playing a Beethoven string quartet in half the time or with half the number of players is absurd; it would destroy the product. Since the Industrial Revolution, living standards and real incomes have increased due to productivity improvements in manufacturing, agriculture, and transportation. But by most measures, productivity in the performing arts is little changed since Beethoven's day, while the relative cost of labor and other inputs has grown substantially. (hence Baumol and Bowen's cost disease).

Not-for-Profit and No-Profit

Inherently fixed and rising production costs are not necessarily fatal. Professional sports teams face similar cost behavior. But the sports market's willingness to pay for luxury boxes, sponsorships, merchandise, and broadcasting rights has more than compensated. Such revenue opportunities are rare in the performing arts. Ticket sales often fail to cover costs, even with a sold-out house. A large portion of the industry, consequently, has been established as not-for-profit, particularly in symphonies, opera, dance, and regional theater. Income contributed by donors may account for 30 percent or more of the revenue of the nonprofits, and fund-raising is an essential business process, on a par with programming and production. Broadway theater is mostly for-profit but also has a financial gap: Some 75 to 80 percent of new productions close at a loss and even revivals of popular shows are risky. Instead of donors, Broadway depends on angel investors to fill the gap, who must be prepared to write off their investments. But unlike donors, they stand to earn capital gains if the show is a hit.

Ambiguous Metrics

Finally, there are multiple management metrics in the performing arts. Like any business, long-term economic health comes down to profitability (or surplus, for nonprofits) and cash flow. But output can be hard to define. The most common measures are box office receipts and attendance. Broadway shows are likely to track the number of performances, or length of run, and capacity utilization of the hall. However, the nature and quality of the programs and the number of different programs or productions presented can also be important. Particularly for nonprofits, results must be assessed relative to mission, as Jim Collins points out in his monograph Good to Great and the Social Sectors.[6] Performing arts mission statements, as noted earlier, often have words such as enrich, challenge, educate, and inspire. Specific goals may include achieving a certain level of artistic quality or reputation, presenting a particular repertoire or art form, and reaching or educating a particular audience. Such artistic goals are not necessarily at odds with economic health. But as in many creative endeavors, the potential for conflict between artistic and business goals is inherent in the performing arts.

CHAPTER 3

Historical Background on the Performing Arts Disciplines

Each performing art form has a historical and cultural lineage that continues to affect the business today. While social and technological changes have thoroughly transformed other industries, such as transportation and agriculture, the performing arts display striking continuity. A time-traveling actor or musician from one or two centuries ago might have to adjust to modern stage lighting and sound, but the essence of the work and working environment would be quite familiar. Understanding the industry's current challenges requires understanding its past.

In this chapter, we review the essential features of each major discipline—theater, orchestral music, opera, and dance—and how they developed historically. Why does an orchestra need 20 or more violinists? Why can we see dozens of Shakespeare productions in America each year, while the next three centuries of English-language drama are virtually silent? Where did the ballerina's tutu come from? Why is opera so expensive, and who is the fat lady? In sum, we will examine how the industry's salient features came to be what they are.

Ancient Origins

Although prehistoric humans played musical instruments, danced, and sang, it required the surplus wealth of civilization to afford people who could specialize enough to perform proficiently on demand. In fact, the performing arts were ubiquitous in the earliest civilizations, accompanying everyday activities, religious worship, public events, and battle. Ancient Egypt, Mesopotamia, China, and India each developed string, wind, and percussion instruments. Musicians and dancers appear abundantly in their painting and sculpture. In ancient Israel, King David was a celebrated harpist and poet, and his psalms were meant to be sung. In ancient Greece, male citizens trained to play an instrument and to sing and perform choral dances, and Greek deities, such as Apollo and the Muses (from which the word "music" was derived), were patrons and exemplars of the various arts.

Modern America's theater lineage goes directly back to ancient Greece. Its musical foundations—the sounds, instruments, and notation—were laid in medieval and Renaissance Europe. This narrative, consequently, is biased toward Western culture. Other cultures have also contributed, and the impact of African American music, in particular, has been huge in Europe as well as America. But historically, the performing arts in America are rooted in Europe.

The ancient Greeks established the basic forms of comedy and tragedy, and a pair of masks, one laughing and one crying, is still a symbol of the theater. The word theater means "a place for seeing," and the Greeks established its physical parameters of an open-air, semicircular structure with raked seating built into a hillside. The Theater of Dionysus in Athens, built in stages in the fourth century BC, could hold 17,000 people and played a major role in social life. Competitions for the best play were held annually. Only a fraction of the works by the playwrights Aeschylus, Sophocles, Euripides (tragedies), and Aristophanes (comedies) survive, but they are studied and performed to this day. Stagecraft was also developed, such as mechanical devices upstage to lift actors so they would appear behind the scenery, for example, to portray gods.

The Romans expanded the tradition, building over 100 permanent theaters around the empire, some of which still stand. The Theater of Pompey, completed in 55 BC and seating 10,000, was Rome's first and largest. It was based on Greek models but entirely freestanding, with a wall and porticos behind the stage area, which improved acoustics. The Roman aesthetic was different, however, and gladiators inaugurated Pompey's theater by killing 500 lions and 20 elephants. Much larger amphitheaters were later built for gladiators, racing, and a "bread and circuses" social policy, such as the Colosseum, seating 50,000 and completely circular. Serious drama declined as violent spectacle, farce, and mime, often with sexual themes, became dominant during the later years of the empire. The early Christians, not surprisingly, abhorred such entertainment, and after Christianity became the state religion, theater was banned as pagan and sinful. Similarly, musical instruments were banned from religious services because they were associated with Greek and Roman gods and with the lascivious entertainments of theater.

The church was in fact conflicted about theater and music. Some clerics burned Greek play scrolls, and some preserved them. Saint Augustine acknowledged the pleasures and emotional power of song, but kept his distance: "I ought not to allow my mind to be paralysed by the gratification of my senses, which often leads it astray."[1] Nonetheless, by 600 AD, singing and chanting had become essential to religious service, with monastic choirs that, in many respects, were professional singers. The church also reintroduced theater by dramatizing Bible stories and lives of the saints ("miracle plays") as a way of educating and engaging a mostly illiterate population.

Medieval church music was initially plainchant—a single melody line, with a soloist and choir or two choirs alternating. The best-known plainchant is Gregorian chant, still sung in some Catholic churches. Some people noticed that adding a bass line and embellishing the melody with a second melody line created interesting effects. By 1200, polyphonic music, with multiple voice lines and harmonic effects, began to appear, along with musical notation. Church pipe organs were common by then as well. The largest organs had hundreds of pipes, 20 or more bellows, and dozens of monks working in shifts to keep the air flowing, with a sound that could fill the largest cathedral. According to some technology scholars, the medieval pipe organ was the most complex human invention until telephone switching exchanges in the late 1800s.

Secular theater and music, meanwhile, began enjoying greater patronage by feudal courts during the relatively stable and prosperous High Middle Ages. Performers for the masses tended to be traveling minstrels, players, jugglers, and the like. But kings and wealthy nobles could afford to put entrepreneurial troubadours on the court payroll, who in turn hired other performers as needed. In 1282, the French-born poet and musician Adam de la Halle wrote what is considered the first musical play, *Le Jeu de Robin et Marion*, for the king of Naples. His manuscript included spoken and sung lines, musical notation, and illustrations about costumes, sets, and action. Some of his music may sound strange to modern ears, but his concept of a show is familiar and it signaled the return of organization and scale in production.

For centuries thereafter, the performing arts had a split business model: The church and aristocracy supported larger-scale productions and provided venues, while itinerant freelancers played for the masses wherever they could set themselves up. While the arts gained increasing status and importance in the Renaissance, professional court performers were generally servants of their patrons, and traveling troupes that hustled for a crowd in town centers were lower than that. Exceptionally talented composers and other creators might gain special status, but they were still subject to feudal codes and the whims of a master.

For serious large-scale production, it was not until the Industrial Revolution and the growth of a middle class in Europe that support from a paying audience became viable, giving creators and performers a measure of independence. Even then, wealthy sponsors remained indispensable for many companies and creators—a condition that continues in the 21st century.

Theater—the Earliest Large-Scale Entertainment Business

A performing arts industry as we understand it today, with private companies operating custom-built facilities and competing in a public marketplace, first developed in Elizabethan England as shareholder-owned **playing companies**. The companies were typically formed and owned by 5 to 10 experienced actors who specialized in certain types of roles and also handled the business side, such as venue operations. Plays were popular, patronized by royals and commoners alike, and theaters were designed to accommodate both, for example, box seats for the rich and a mosh pit for the masses. So many genres of drama developed that, in *Hamlet*, Shakespeare pokes fun when he has Polonius describe a visiting troupe of actors to Hamlet: "The best actors in the world, either for tragedy, comedy, history, pastoral, pastoral-comic, historical-pastoral, tragical-historical, tragical-comical-historical-pastoral, scene individable, or poem unlimited." (An aspect of Shakespeare's greatness is his mastery across genres, e.g., slapstick comedy in *A Comedy of Errors*, existential tragedy in *Hamlet*, and epic history in *Henry V*.)

England was not the only country with a burgeoning theater industry. Spain enjoyed a Golden Age from roughly 1492 to the early 1600s, when more than 10,000 plays were produced for both secular and state-controlled theaters. French theater rose to prominence in the 1600s, with the neoclassicism of Corneille and Racine and the comedies of Molière, largely under the auspices of the crown. The French national theater, Comédie-Française, national opera, Opéra de Paris, and national ballet were all established by decree of Louis XIV and remain major cultural institutions to this day.[2]

Stage technology and special effects were also developing. In Shakespeare's time, these included trapdoors in the floor and ceiling, wires and harnesses to lift or lower actors, live animals on stage, and sound effects. The rediscovery of the linear perspective in Renaissance art gave set designers tools to improve the illusion of depth on stage. In the late 17th century, stagecraft for baroque opera featured casts of hundreds, lavish sets and costumes, and sophisticated machinery that we still use today. There were winches to pull scenery or props across the stage, gears under the stage to change scenes by moving painted flats up and down through grooves in the floor, small elevators in traps under the stage to make actors appear and disappear, and wave machines to make sheets of painted canvas appear to billow like the sea—and a few instances where pools of real water were used.

A new type of management structure appeared under the Restoration. Royal theater licenses, including the two reserved for legitimate theaters, were granted to individuals, typically well-known actors. So unlike the earlier playing companies, a Restoration company was owned and controlled by one man, its leading actor, who chose plays that featured his abilities. The other members of the company were hired hands and had little say in company management (they could petition the Crown when they felt mistreated by the owner). This business form, called the **actor-manager system**, was later exported to America and dominated both sides of the Atlantic until the 20th century.

In addition to restoring and regulating theater, the English Restoration legalized actresses on stage. Until then, female parts were played by young men and boys. It was considered unseemly, even immoral, for a woman to exhibit herself in public and against church teaching (the church did not approve much of male actors, either). England lagged in this regard; in France, Italy, and even conservative Spain, women began performing on stage a century earlier. It attests to the power of the theater that female roles like Juliet, Lady Macbeth, and Kate were compelling even when played by males.

British theater law tightened even more in the early 1700s, and these changes filtered down to the colonies. As a constitutional monarchy took hold, the political discourse became more publicly heated, and the theater was increasingly used for political satire. In addition, nonlegitimate theaters were evading the restriction on serious drama by making slight edits, inserting musical interludes, changing the name, and so on. In 1737, the Whig government passed the Theatrical Licensing Act, banning plays that were critical of the Crown or Parliament, affirming Drury Lane and Covent Garden as the only legitimate theaters, and requiring that plays be approved by the Lord Chamberlain before they could be performed.

Theater censorship had a chilling effect. Many playwrights chose safer subjects such as romances and melodramas. Some opted out entirely and turned to the novel, which became a major literary medium. Producers also looked for safer works: Legitimate theaters showed more revivals of Shakespeare than ever before, and nonlegitimate theaters featured comedies and other light entertainment. British censorship was significantly eased in early Victorian times (but not fully repealed until 1968). Local authorities were given the power to license new theaters, and a building boom ensued, leading to the development of London's famed West End, with one of the two densest concentrations of theater in the English-speaking world. The other, of course, was Broadway.

Britain's legacy of censorship may help explain why, despite an active theater life, few straight plays between the Restoration comedies and the comedies of Oscar Wilde and George Bernard Shaw in the 1890s are still performed today. For serious work from that period, we look to masters from other countries, such as Anton Chekhov of Russia and Henrik Ibsen of Norway. The first great American playwright is generally considered Eugene O'Neill, who appeared in the 1920s. America also contributed the first **book musical** in 1927, *Show Boat*, which took a serious story and combined it with well-integrated songs and dances to create a new and enduring genre of musical theater.[3]

Classical Music

Western classical music includes the symphony orchestra, its signature form; chamber music, which involves fewer players and instruments; and choral music, which features the human voice. There are four groups of instruments in Western music: **strings**, **winds** (including woodwinds and brass), **percussion**, and **keyboard**. Instrumental technique and technology have vastly improved over time, but different combinations from these groups have been used since the Middle Ages, depending on the instruments available, the desired effect (brass instruments can play louder, for example), and cultural preferences. The orchestra emerged in the second half of the 18th century and, while still evolving, continues to be the dominant form.

The **orchestra** is built around the instruments of the string quartet: first violin, second violin, viola, and cello. This roughly matches the human vocal range—soprano, alto, tenor, and bass—and provides for four-part harmony, which is a foundation of Western music theory. To this core are added the double bass to further anchor the bottom, and woodwind, brass, and percussion instruments to provide a rich variety of tonalities, color, and accent. Strings are central in part because the string family blends well while covering a full range of pitches, from low notes to high notes, and the technology was mastered earlier than other instruments (Stradivarius started making violins in 1680). However, the volume (loudness) of string instruments is limited, so to fill large spaces and balance other instruments, each string part needs to be boosted with multiple players. (The guitar, another string instrument, became the rock instrument of choice only when it went electric; the sound of an acoustic guitar does not carry far without amplification.)

Chamber music can be a solo instrument or a small group of instruments, typically topping out at a dozen players or so. A larger ensemble, but smaller than a full-scale orchestra, might be called a “chamber orchestra.” Chamber music is ubiquitous in the classical world, but the smaller scale also entails smaller performing spaces and hence smaller audiences and revenue. The piano appears in much of the chamber music written, in part because its keyboard is so versatile and can play multiple notes and parts simultaneously. Composers wrote for different combinations of instruments, in part depending on whom they were writing for and the players available. The duo of a piano and another instrument or singer is the most common chamber form. The string trio is a piano, a violin, and a cello. Add another instrument, such as a viola, and it becomes a piano quartet. Most of the great classical composers wrote for string quartet (Beethoven's 17 string quartets are arguably the greatest body of work in all of classical music). Other common groupings include the woodwind quintet and brass quintet.

Vocal and **choral** music have the same relationship as chamber to orchestral: Vocal refers to music for a small number of voices, while choral music involves a larger group. In common usage, *choir* typically refers to a church group, *chorus* may refer to a group that sings with an orchestra or opera company, and *chorale* can be either, but all three terms are synonymous. Choral music, typically, has an instrumental accompaniment, such as a piano, organ, or small ensemble, but can also be sung *a cappella*, without accompaniment, which requires more highly trained ears and voices to maintain correct pitch. Much choral music is religious and sung in church. Some large-scale pieces with religious themes, such as Bach's *Mass in B minor*, Handel's *Messiah*, and the requiems of Mozart, Berlioz, Verdi, and Fauré involve orchestra, chorus, and soloists and are secular concert hall favorites.

Central Europe became the center for music composition in the 1700s, especially Vienna, where Haydn, Mozart, Beethoven, and Schubert all worked. How did a city much smaller than London and Paris gain so much talent? Economic historians theorize that the political fragmentation of Germany, and to some extent Italy, created more job opportunities for composers. Musicians were relatively cheap, and each of the kingdoms, duchies, and principalities of Germany maintained a court band and a music master who cranked out new work regularly. London was the largest city in the world, but cultural activities were more centralized, resulting in fewer opportunities. As the world's largest music market, however, England could afford to import the best—Handel lived most of his life in London, Haydn made his fortune there, and Mozart was making plans to move there before he died. Central Europe remained the mainstream of classical music until the 20th century, and immigrants from Central Europe played a key role in developing the music industry in America.

Improvements in **instrument technology** had a domino effect on art and economics in the 19th century. Valves for brass and better key layouts for woodwinds made them more reliable over a wider range of pitch and dynamics, and composers added more woodwinds and brass to the score and gave them more prominent roles. At the same time, middle-class audiences were growing, and larger **public concert halls** began to replace aristocratic salons. Strings, still the core of the orchestra, needed more volume to balance the additional wind volume and fill the larger spaces. This was accomplished in three ways:

- Instrument technology: Strings could get a bigger sound by increasing the tension, winding metal wire such as silver and copper around traditional gut strings (made from sheep intestines), or by replacing gut entirely with steel.
- Composition: High notes stand out, and composers wrote violin parts higher and higher to carry over the mass of sound, which put a premium on player quality since high notes in unison are harder to play.
- Personnel: String sections were expanded, leading to standard complements of 16 or more first violins, 14 or more second violins, 12 violas, and so on. So orchestras needed not only better players but also more of them.

The average **orchestra size** grew as winds and strings were added. Roughly 40 players were needed for Mozart in 1790, 60 for Beethoven in 1820, 80 for Brahms in 1880, and 100 for Mahler in 1900. Not surprisingly, orchestras also became more costly to operate.

More musicians and more complex scores required more coordination and rehearsal, and **the role of the conductor** emerged. The conductor is an intrinsic albeit nonplaying part of the performance, unlike theatrical directors, who typically watch from the back row or offstage once the show goes up. Until the 1800s, the leader or music master usually played in the ensemble as the harpsichordist or concertmaster, and often composed some of the music himself. The player-leader is still common in jazz bands, pit orchestras, and other smaller ensembles, and occasionally, the soloist in a concerto with orchestra will also conduct. Generally, however, the orchestra (and the concert band and concert chorus) has a conductor on the podium, baton in hand, his highly visible back to the audience, directing the players by gesture and facial expression, his motion more or less personifying the music.

Orchestra size peaked just before World War I as the aural impact of adding players reached a point of diminishing returns.[4] A reaction set in, fueled in part by necessity after the economic devastation of the war. The orchestra remained the primary medium for new works, but 20th century composers generally downsized and experimented with other groupings, such as the wind ensemble. Symphonies and concertos continued to be core orchestral forms, but composers also wrote ballet, film scores, and new forms such as the concerto for orchestra. Composers also tried different approaches to harmony and rhythm, incorporating elements from jazz and stretching tonality—the system of major and minor keys—or abandoning it entirely, leading to some audience dissatisfaction with "modern music." (This was probably exacerbated by the growth of university music departments, which emphasized music theory and musicology. Composers in academia may be free of commercial pressure but risk being abstract and insular—and academic.)

During the latter part of the 20th century, music historians and conductors revisited the original performance practices of music from the Renaissance, baroque, and classical periods. It had become common practice for conductors to transcribe such music for the larger forces of the modern orchestra (Leopold Stokowski's orchestral version of Bach's *Toccata and Fugue in D minor*, originally for organ, is a well-known example). This movement, called **historically informed performance**, led to the creation of period instrument orchestras such as Boston Baroque and San Francisco's Philharmonia Baroque, which use instruments or replicas from those periods. With transcriptions out of fashion, today's symphony orchestras have largely ceded the performance of baroque music to these groups.[5]

Opera

Opera is an extravagant hybrid, combining the drama and stagecraft of theater with singing, orchestral music, and often dance. Opera is the most costly performing art. One reason opera house seating capacity tends to be much larger than that of theaters and concert halls is the need to generate more ticket revenue per performance to cover costs.

Opera As Theater

As discussed earlier, standard industry classification treats opera as a segment within theater because of similar production processes. Both involve performers in costume moving about in a set. Both need large spaces backstage and above the stage (called fly space) to move sets and props. (For an orchestra on stage, in contrast, fly space can be acoustically detrimental—the sound should go out into the hall, not up into the fly space.) Large theater companies routinely produce musical theater and accommodate a pit orchestra, so offering an opera orchestra, which is larger, might not seem so much of a stretch, depending on the size of the pit.

Opera As Music

But most opera is quite different from the musical theater of, say, *My Fair Lady*, *The Lion King*, or *Wicked*. Opera is driven by vocal music and singers. Opera singers train at music schools; all major music schools have opera departments, but drama or theater schools do not. Opera audiences love singers who can act, but the voice comes first. It is the nature of the art form: Composers write challenging vocal parts, and only accomplished singers can do them justice. The long-standing practice of performing without amplification in very large halls puts an even greater premium on vocal talent. High-definition (HD) broadcasts of live opera, with multiple cameras and intimate close-ups, have certainly made looks and acting skills more visible, but vocal talent still reigns supreme.

Italian Origins

The earliest opera still performed today is Monteverdi's *Orfeo*, premiered in February 1607 to celebrate the carnival season at the palace of the

Duke of Mantua, Italy, where Monteverdi was the master of music. Based on the Greek myth of Orpheus and Eurydice, it is the first truly musical drama we know of, where the music reveals the characters and plot as much as the words do. It also represented the transition from Renaissance to Baroque. An orchestral fanfare or overture gets the audience's attention, a character representing the spirit of music sings a brief prologue to welcome everyone, and the curtain rises on Act I. The story is told through *arias* and other vocal music accompanied by the orchestra, connected by *recitative*, where the words are half sung, half chanted with a speechlike rhythm accompanied by only a few instruments, such as a harpsichord and a cello.

The Italian style of opera spread across most of Europe. It increasingly emphasized the soloist's aria, vocal technique, and *bel canto* ("beautiful singing") above ensemble singing, orchestral accompaniment, and even plot. Handel, a German who lived most of his adult life in London as a naturalized British subject, composed in the Italian style. Although Handel composed oratorios such as *Messiah* in English, most of his operas have Italian librettos.

As opera became more popular, the Italian style evolved, mirroring the dual genres of tragedy and comedy in theater. There was *opera seria* (serious opera), which often ends in death for one or more principal characters, sometimes even the heroine, and *opera buffa* (comic opera) where it ends happily, and even the villain, if there is one, gets off easily.

France was the main holdout against Italian style. Instead, France developed its own style under Louis XIV that combined two forms popular in France, the ballet and the tragic play. *Opéra-ballet* was a uniquely French baroque genre that managed to weave dance into the plot line. As elsewhere, French opera split into two genres in the 19th century, *grand opéra* and *opéra comique*, but dance interludes remained obligatory in both.[6]

National Styles

Developments in music, such as the growth of the orchestra, and social change, such as the rise of nationalism, also affected the direction of opera. Distinct national styles emerged. Composers of German language texts sometimes dispensed with recitative and allowed for unaccompanied spoken dialogue (as in Beethoven's *Fidelio* and Weber's *Der Freischutz*). Some composers wrote both concert and opera music, including Mozart (who wrote in both the Italian and German styles), Tchaikovsky, and Richard Strauss. The Italian school of Rossini, Bellini, Donizetti, Verdi, and Puccini focused almost solely on opera, with an occasional sacred mass.

In Germany, Richard Wagner created his own school and revolutionized opera with continuous, through-composed music, leitmotifs, medieval and mythological stories, and a goal of totally integrating music and drama through opera house design and production, as well as the score. Wagner profoundly influenced other composers in his own time and after. His legacy also includes complex and costly five-hour performances (with heavy overtime expense) and the image of the helmeted, spear-carrying Valkyrie (who, given opera's traditional valuation of voice over looks, was often the archetypal "fat lady").

Opera buffa and *opéra comique* converged as **operetta**, a middle ground between opera and musical theater. Masters included Offenbach, Gilbert and Sullivan, and Johann Strauss II, and in America, Victor Herbert and Sigmund Romberg. Operettas are shorter than opera and lean toward comedy or satire and happy endings. The music is written for classically trained voices, but is usually less challenging. There is spoken dialogue between songs, rather than recitative. Like musical theater, acting and vocal ability are both important in operetta. Certain parts may be more challenging along one dimension or the other, but singers who can act and actors who can sing are both prized, and those who can also dance are triple treats.

Language and Translation

Although 18th century Londoners flocked to hear Handel's operas in Italian, it became common in the 19th century to translate and perform opera in the language of the audience. Wagner in Paris was performed in French. In Germany, Mozart's Italian operas such as *The Marriage of Figaro* were usually performed in German well into the mid-20th century. America was an exception. For many years, America relied on visiting companies from Europe, who generally performed in their own language.

Italian singers and operas were the most common, and original language performance became standard in America. Many people would follow along with librettos in their laps, while others enjoyed the music with only a vague idea of what was being sung.

In 1983, the Canadian Opera Company in Toronto introduced supertitles (also called surtitles), where the translated text is shown on a horizontal video screen above the proscenium (the arch that frames the top of the stage). It was quickly adopted by other companies except the Metropolitan Opera, which resisted for a decade before introducing its own system of individual screens mounted on seatbacks, which each viewer could turn on or off. While there was some controversy about distracting attention from the stage, supertitles have been a boon to audience development and are often used in America even for operas sung in English.

Dance

Dance is about the human body moving in space and time—visual, physical, and almost always accompanied by music, even if only a drumbeat. Dance as a form of recreation and social expression is recorded in our most ancient texts and drawings. The court dance master, who taught the art of social dancing to the ruling class and organized extravagant entertainments for them, was a fixture of European court life since the Renaissance. Dance as a stand-alone performing art form, on the other hand, is a relative newcomer. Historic reenactors aside, today's oldest classics date back only to the last third of the 19th century, a mere 150 years ago. Earlier dance performance was usually in conjunction with other activities—pageantry or opera, for example—or veered into the mystical, acrobatic, or erotic.

Today dance is special enough to get its own five-digit industrial classification code, unlike opera, even though dance is also a type of theatrical entertainment, with costumes, scenery, and lighting. Ballet, the most common professional form, grew out of French court ballet in the 17th and 18th centuries, when Paris was the dance capital of the world and a nobleman's dance facility was a mark of status. Official portraits of Louis XIV typically show him in short breeches and silk stockings, proudly showing off his dancing legs. The popularity of *opéra-ballet* led ballet to develop as an art form in its own right, although to this day, the leading dance company in France is *Le Ballet de l'Opéra*, the Paris Opera Ballet.

As dance evolved, dance masters developed a vocabulary of **positions and movements**. Some scholars argue that dance steps were partly derived from fencing positions.[7] Classical ballet is based on the five positions of the feet (starting with the turnout), the two types of plié (bending at the knee), the four arabesques (balancing on one leg while the other is lifted), beats, turns, extensions, and so on. Female dancers develop skill at pointe work (lifting the heels off the floor and standing on tiptoes), which gives an ethereal, weightless look and was made endurable by the invention of the pointe shoe. Men, with greater leg strength, become principal dancers for their flying leaps, but spend a lot of time supporting and lifting ballerinas on pointe.[8]

Costumes in classical ballet evolved with the art form. When dance was a court function, dancers wore court attire, such as wigs, frock coats, and short breeches for men, and headdresses, tight bodices, and elaborate full skirts for women. This was obviously limiting, and as movement became more athletic, clothing adjusted. Women's skirts got shorter and looser so their pirouettes and footwork could be better appreciated. Eventually, the entire leg was exposed with the **classic tutu**.

Ballet in France declined in the mid-1800s (or veered toward music hall), and the locus of creativity shifted to Imperial Russia, followed by England and Denmark. Marius Petipa in St. Petersburg was the leading choreographer of the age and one of the first to work closely with a composer; in his case, Tchaikovsky. Most performances of the great ballets such as *Swan Lake* and *The Sleeping Beauty* today are still based on versions of Petipa's choreography. Petipa's revivals of ballets from earlier in the century are also standard repertoire today, including *Giselle* and *Le Corsaire* (music by Adolfe Adam, who also wrote the Christmas song "O Holy Night"), and *Coppelia* (music by Delibes).

These ballets tell a complete story in dance and mime, with characters and a plot line. Such works are called **story ballets** and sell well in today's market. The most popular story ballet of them all is *The Nutcracker*. Ironically, while Tchaikovsky's music was immediately popular, the ballet was not, despite Petipa's involvement.[9] It was not until the Russian-born George Balanchine choreographed it anew for the New York City Ballet in 1954 that the work took off and became a Christmastime perennial (*The Nutcracker* in America is discussed further in Chapter 7).

The **choreographer** plays a preeminent role in the dance world, not only in designing the sequence of movements and directing the dancers but also in selecting or even commissioning the music. Most began as dancers themselves. In the 20th century, they increasingly leaned toward nonstory or **abstract ballet**. One of the first successful abstract ballets was *Les Sylphides*, a 30-minute series of dreamlike scenes with no story attached. It was choreographed in 1909 by the Russian Michel Fokine and uses piano music by Frédéric Chopin, composed some 60 years earlier, which Fokine selected and had orchestrated.[10]

Modern dance is a major dance segment that gained momentum in the 1920s and, like the Broadway musical of similar vintage, is largely an American invention. Martha Graham (1894–1991), one of America's greatest dancers and choreographers, is often considered the founder, although Isadora Duncan and her flowing Grecian attire a generation earlier was an important predecessor. Both were reacting to the rigidity of classical ballet movement and costume. Modern dance has many schools and styles, but in general, it makes greater use of the full body than classical ballet, which is more about arms and legs, and allows for freer movement and positions. Graham found inspiration in the act of breathing and the movement of air through the upper body. The generation after Graham included choreographers such as Alvin Ailey, Merce Cunningham, Paul Taylor, and Jose Limon, who all started their own companies.

Dance genres today include different approaches to ballet, such as classical, neoclassical, and contemporary, and the myriad schools of modern dance. Choreographers use music differently, as foreground, background, or something in between. Some choreographers of new work look to old music such as Bach and the baroque, but 20th century and contemporary music is even more common. Modern dance is friendly to modern music. Stravinsky is popular not just for his three great story ballets but also for his later works, which are probably enjoyed more on the ballet stage than in the concert hall. Choreographers will also choose music for nontraditional combinations of instruments that may be better suited to nontraditional venues (and which also cost less than a full orchestra).

While theater primarily communicates through the spoken word, music and dance communicate at a different level, through sounds and movements that can seem more primal or more abstract than language. Dance is closer to speech than anything comparable in music through its use of mime and facial expression (particularly in story ballets), which can be as descriptive as words. However, it differs from music and speech in one major respect: **notation**. While scripts, librettos, and musical scores can convey the creator's intent with detail and precision, the notation of dance is elusive. How to represent on paper something that is so three-dimensional and nonverbal? This is a reason that choreographers are likely to run their own dance companies rather than rely on someone else to produce their work, as composers and playwrights can do.

Choreographers and dancers usually create personal forms of notation, and several workable systems have been developed. But dance notation does not have the same importance for dance as music notation has for music. Dance is passed down from teacher to student through demonstration and oral tradition. While video recording has been a boon to dance instruction, dance primarily lives in the memory of the performers and their audience.

CHAPTER 4

The Industry's Development in America

In this chapter, we focus on how the performing arts industry developed in America, from the colonial period to the information age. While plays, symphonies, and operas have long lineages as works of art, the organizations that perform them are younger and specifically American. Why are some companies for-profit and others not-for-profit? Why are some permanent, and others come and go? How did some get to be hundred-million-dollar operations, while others operate on a shoestring? The industry's current business models reflect adaptations to changes in economics, taste, and technology. They are not givens and need to be seen in their historical context.

Theater in America had a rocky start. In the Puritan mind, theater was at best frivolous and at worst licentious and immoral; Massachusetts and Pennsylvania banned plays outright. Britain's regulation of theater licenses also had an influence. The first commercial company consisted of 12 actors sent to the colonies by a British producer in 1752 after his request to open a third legitimate theater in London was denied. They established a theater in Williamsburg, capital of the Virginia Colony. Other companies were subsequently formed, but performances were limited to New York, Virginia, and points south because of Puritan and Quaker opposition.

As the revolution approached, the First Continental Congress extended the ban on theater to all the colonies under the Articles of Association passed in 1774, which protested British policy and called for a boycott of British products: (*Article 8*) "We will … discountenance and discourage every species of extravagance and dissipation, especially all horse-racing, and all kinds of games, cock fighting, exhibitions of shows, plays, and other expensive diversions and entertainments …."[1]

Delegates were moved by a coalition of Puritanism and a view that theater was a British product to be boycotted along with British tea. Not everyone agreed. Tories ridiculed the ban, the British military staged well-attended plays in cities they occupied, and American authors published plays in pamphlet form. George Washington also disagreed. Washington came from Virginia, where theater was popular. In the spring of 1778, he allowed officers to mount plays as a needed diversion for the army after the winter in Valley Forge, and this continued until he was formally rebuked by Congress.

The ban was repealed once independence was won, and public opinion shifted, perhaps encouraged by the First Amendment. Major theaters were built in cities from Savannah to Boston starting in the 1790s and followed settlement westward. Though British actors and plays remained fashionable, the stage Yankee became a popular stock character in American plays, a combination of folk hero and comic relief. Boston in fact became an active theater town, although its Puritan antecedents reappeared among late-Victorian moral crusaders and led to periodic censorship by local authorities (hence the phrase "banned in Boston," which some producers saw as a marketing advantage in other cities).

Unlike theater, **music in America** had religious standing and was favored from the start. The first book printed in the colonies, only 20 years after the Pilgrims landed, was the Bay Psalm Book. Music was central to all denominations, although there were different views on musical instruments. Some congregations believed only the human voice was appropriate in church services. To improve their singing, many of these churches, especially in New England, gave singing classes and taught their members to read music (an edition of the Bay Psalm Book in 1698 included music lessons). Elsewhere in the colonies, the line between sacred and secular was less severe. The Moravians in Pennsylvania and North Carolina brought with them the latest in German music practice and, like J.S. Bach, wrote new music for both services and concerts. Even Boston began to loosen up; the earliest-known printed music collection, in 1764, interspersed light tunes with religious music, with engraving by Paul Revere.[2]

The Theater Industry Begins

There was little distinction between high and low culture in the early 19th century—most theatergoers enjoyed some of each, sometimes on the same program. Because of the British regulation of legitimate theater, a broad genre of mixed entertainment blossomed alongside serious drama. An evening's fare might include a one-act farce, scenes from Shakespeare, a musical interlude, a pantomime, a dance interlude, and so on. John Durang (1768–1822), perhaps the first native-born American to make a full career in the theater, was actor, dancer, acrobat, and circus performer, all in one, and was reputedly much enjoyed by George Washington.

Early on, America began an unbroken **love affair with Shakespeare**. Today, his plays account for about 1 in 10 productions, far more than any other playwright, but in the early 1800s, it was 1 in 4. The Bard's popularity, moreover, extended throughout society. Speech and elocution were important subjects in education, and Shakespeare fit perfectly. After traveling in America in 1831, Alexis de Tocqueville wrote: "There is hardly a pioneer's hut that does not contain a few odd volumes of Shakespeare. I remember reading the feudal drama of Henry V for the first time in a log cabin."[3]

During the California Gold Rush of 1849, entrepreneurs brought stage troupes from England and the East Coast to entertain the miners, and miners in the Sierra reportedly entertained themselves by reciting Shakespeare around campfires. In New York, the rivalry between two popular Shakespearean actors, an Englishman and a native-born American, led to competing productions of *Macbeth* on the same night and the bloody Astor Place Riot, when literally thousands of the American actor's fans tried to disrupt the Englishman's show and were met by police and militia.[4] There were also numerous parodies and burlesques, which presumed some knowledge of the original, such as the two con men in *Huckleberry Finn* who perform butchered Shakespeare for unknowing country folk along the Mississippi.

Alongside legitimate drama, **minstrel shows** became the most popular mass entertainment by the 1840s. A uniquely American creation, minstrel shows had song-and-dance acts, slapstick skits, mock speeches, and parodies of legitimate theater and opera (including Shakespeare). Most importantly, and appallingly, from today's perspective, they were performed by white actors in blackface affecting black stereotypes such as Brother Tambo and Brother Bones. Abolitionists complained that minstrelsy made light of slavery, and slave owners complained that it was too sympathetic to slaves. Nonetheless, it was widely popular for a time and ironically created job opportunities for black actors willing to play the stereotypes.

The Music Industry Begins

By the late 1700s, **private music societies** appeared in many cities, where serious amateurs played for themselves and their guests and then socialized, sometimes with dancing. One concert each year might be open to the public. The repertoire was a potpourri of whatever pieces the members knew, and at first, there was little distinction between art music and popular music. As more professional musicians and music teachers emigrated from Europe, quality and formality increased, and a few music publishers—a key link in the industry value chain—were established. European music publishers also opened offices in Federal America, in part because there was little or no copyright protection or licensing protocol. To capitalize on the popularity of waltzes and Beethoven's reputation, for example, American publishers printed dozens of waltzes supposedly written by Beethoven, although in fact, he wrote only two.

Sheet music publishing got a huge boost from minstrel shows. Thousands of popular songs were printed. While most are long forgotten, those of Stephen Foster, America's first professional songwriter, are cultural icons—"Oh! Susannah," "Camptown Races," "My Old Kentucky Home," and "Beautiful Dreamer," to name a few. Foster's sentimental lyrics and persistent melodies were immediate hits. Previously, a large printing was in the thousands of sheets, but Foster sold in the hundreds of thousands. However, there was no system of royalties in the 1850s. Some of his output was written under contract with Christy's Minstrels, a relatively upscale minstrel troupe, and the rest was sold to publishers. He earned several hundred dollars per song—decent money in those days but a small fraction of what his publishers earned, or what a hit songwriter with a competent agent would earn today.[5]

Large-scale music institutions were also developing. Some private music societies took on a more public role. The **Handel and Haydn Society**, an amateur choral society, was founded in Boston in 1815 "to promote the love of good music and a better performance of it." It is America's oldest performing arts organization still in operation. The 90 members were mostly local tradespeople who sang in their church choirs and wanted to raise the level of quality while also "introducing into more general use the works of Handel and Haydn and other eminent composers."[6] Their first concert included excerpts from Handel's *Messiah* and Haydn's *Creation*, and full-length American premieres of both works were given over the next four years. The orchestra was a mixture of paid professionals and unpaid amateurs, and audiences for the early concerts ranged between 600 and 1,000; tickets cost $1.

The oldest orchestra still in operation, the **New York Philharmonic**, began in 1842 as a labor cooperative. It was founded as the Philharmonic Society of New York by a group of musicians led by an American-born conductor, Ureli Corelli Hill. Unlike Handel and Haydn's amateurs, the Philharmonic's members were professionals making a living in music. The 60-plus members decided by majority vote who belonged, what to play, and who would conduct, and they shared any net proceeds. The first concert was attended by 600 people and featured Beethoven's Fifth Symphony. Typical programs also included composers such as Mozart, Mendelssohn, and Wagner, who are as familiar to today's audiences as then—except that back then, much of this music was still relatively new and contemporary.

Theater and Music Venues

Theaters, concert halls, and opera houses were also going up. These were typically for-profit businesses, albeit with a civic interest in mind, some run by a sole proprietor and some by a manager who sold shares to investors. Niblo's Garden in New York, operated by Irish immigrant William Niblo, started as a coffeehouse that expanded and was rebuilt twice after fires, eventually becoming a 3,200-seat theater for opera, theater, minstrel shows, and circus acts. Based on anecdotal history, theaters burned down and were rebuilt with some frequency in the 19th century, suggesting that the theater business must have been highly profitable.

Niblo booked groups to perform in his venue, marketed the tickets, and was a pioneer of concession stands—his theater was connected to a hotel, saloon, and beer garden—but he did not operate a performing arts company himself. (He has been described as a combination of restaurateur Toots Shor and impresario Sol Hurok.) Most theater owners followed Niblo's business model, managing the venue but not the performers. Only a few hired actors and directors and operated resident theater companies.

A luxurious high end also developed. The Astor Place Opera House, opened in 1847, was located in an exclusive neighborhood and doubled as a theater when not in use for opera. It was closed and dismantled only a few years later because of the tragic riot, but was replaced in 1854 by the New York Academy of Music, which included some of New York's wealthiest families as investors. The Academy had 4,000 seats on five levels and was one of the first venues with tip-up spring seats. Its opera season became a social center for New York's old-moneyed elite, who owned the box seats as well as shares. The New York Philharmonic Society sometimes performed at the Academy and at Niblo's Garden. (Today's Metropolitan Opera at Lincoln Center is comparable in size at 3,800 seats and 200 standing room spots, but present-day New York has more than 10 times the population it did in 1850.)

New York was America's largest city and well established as its entertainment center, but other cities saw similar development. In Philadelphia, the Musical Fund Society was founded in 1820 to underwrite concerts by locals as well as touring Europeans. Four years later, it opened Musical Fund Hall, which became the city's main concert auditorium and also the site of events such as a reception for the Marquis de Lafayette, readings by Charles Dickens, and the 1856 Republican National Convention. It was supplanted by the Philadelphia Academy of Music, a 2,900-seat opera house (modeled on Milan's La Scala) that opened in 1857 and remains to this day one of the city's major opera and concert venues.[7,8]

European Influences in Music

While American-born actors were getting established in theater, music still depended on European immigrants and touring companies for much of the 19th century. The organizational models, however, were similar—a

musician-manager system, similar to the actor-manager system in theater, became prevalent on both sides of the Atlantic in music.

Max Maretzek, for example, was an Austrian Jewish conductor and composer working in England when he was recruited at age 27 to run the opera programs at Astor Place in New York. As conductor-impresario specializing in Italian opera, he engaged the leads (typically well-known Italian singers), leased the hall, contracted the orchestra and chorus, organized rehearsals and production, and conducted the performances. When Astor Place folded, Maretzek moved six blocks uptown to the new Academy of Music. He worked in other cities, too, such as Philadelphia's Academy of Music, where he produced the American premiere of Verdi's *Il Trovatore* for its grand opening (only four years after its world premiere in Rome). He died in 1897 in New York, a grand old man of American opera.[9]

In a male-dominated business, an unusual singer-manager was the celebrated English soprano Louisa Pyne. She managed the Pyne and Harrison English Opera Company, an A-list outfit that performed English-language operas and translations. In the 1850s, they visited 18 American cities, from Boston and Richmond to St. Louis and New Orleans. Like other touring companies from Europe, their visits were arranged with local theater owners or booking agents, who split the proceeds. They traveled by steamboat and railroad, new technologies that made the tour possible. Even so, traveling with sets and costumes for a dozen different operas was not easy, especially in winter. Pyne and company returned to London after their success in America, and for many years, theirs was the resident company at the Royal Opera House at Covent Garden.

The number and breadth of touring itineraries in the 19th century suggests a substantial and broad-based American opera market. Since touring companies came from the continent as well as England, Americans were exposed to opera in the original language as well as translation, and there was some controversy as to which was better. In a few instances, Pyne's company came to town with Rossini and Donizetti in translation, and local aficionados had already heard them in Italian.

While opera had wide popularity, the symphony orchestra became even more central to American musical culture. Two **touring orchestras** had a major role in shaping the market.

The first, the Germania Musical Society, significantly raised the bar for artistic quality. The group consisted of 24 Berlin musicians who came to America as a labor cooperative in 1848, following the failed revolutions in Europe that year. They gave concerts along the East Coast, demonstrating a level of ensemble playing not heard before in America. Financially, however, they barely survived the first two years due to lack of reputation and business savvy. As they despaired and thought of returning to Germany, their fortunes turned. Word got out and suddenly they were in demand, particularly successful in Boston, where they settled for three years. Their conductor, Carl Bergmann (who was more artist than manager), was asked to direct the Handel and Haydn Society, leading to a series of sold-out joint concerts that included the U.S. premiere of Beethoven's Ninth Symphony. Overall, the Germanians gave more than 900 performances to some one million attendees before breaking up to find permanent homes as U.S. citizens. Their influence continued to be felt for decades; Bergmann, for example, went on to conduct the Philharmonic Society in New York and help set up one of the first musicians unions.

The second group showcased the orchestra as entertainment as well as high-quality art. Louis Antoine Jullien was a flamboyant French-born conductor-manager who became popular in London. He toured America from 1853 to 1854, bringing only his principal players and hiring another 70 from America, resulting in the largest orchestra seen to date. He introduced "monster" concerts similar to his promenade concerts in London, where programs were aimed at an audience of thousands rather than hundreds. To attract such numbers, Jullien's repertoire ranged from popular dance music (such as waltzes and polkas) to medleys, opera overtures and arias, and complete symphonies. He introduced surprise sound effects using cannon, fire engines, and unusual instruments, and was a consummate showman. When he conducted Beethoven, for example, he would ostentatiously put on white gloves and use a jewel-encrusted baton, which someone would bring out on a cushion. P.T. Barnum hosted Jullien in New York, and they were kindred spirits. But along with the show, Jullien was a superb musician who respected the composer's score, performed music by American composers, and introduced new instruments such as the saxophone, while making the orchestra a mass entertainment medium.

Industry Development from 1860 to 1920

America's musical and theatrical culture expanded after the Civil War with the concentration of audiences through urbanization, the increase in wealth through industrialization, and the continued growth of talent through education and immigration. There was a **rich cultural life** even in many newer settlements, with local performers, tours, festivals, and music in homes and schools. Hundreds of public performing spaces were built, large and small. Chicago, still mainly known for transport connections and stockyards, opened a first-class 3,000-seat opera house in 1865. Many smaller towns in the Midwest and across the Plains felt a performing arts space signaled urbanity and would attract newcomers and a railroad stop. The term "opera house" was most commonly used, even if no operas were shown. About 150 buildings called opera houses were built in Colorado alone between 1860 and 1920.

Mass Musical Literacy

Jullien's monster concerts were continued by others, most notably Patrick Gilmore, an Irish American bandleader, who performed and organized mammoth jubilees throughout the country.[10] The National Peace Jubilee in Boston in 1869 was a week-long festival featuring 10,000 chorus members and a 1,000-piece orchestra (including 80 tubas) performing in a specially built coliseum with seating for 30,000, by far the largest structure in Boston at the time.[11] Gilmore's subsequent jubilees included celebrations of the end of the Franco-Prussian War, Chicago's rebuilding after the Fire of 1871, the U.S. centennial in Philadelphia, the dedication of the Statue of Liberty, and New Year's Eve in Times Square, which became an annual tradition.

Americans still avidly followed the latest compositions coming from Europe. For example, there were 150 different American productions of Gilbert and Sullivan's operetta *H.M.S. Pinafore* within a year of its premiere in London in 1878—all unauthorized due to weak international copyright law. For their next show, *The Pirates of Penzance*, the entire British company went to New York to make its premiere to ensure U.S. copyright protection.

Industrial Age technology also was important. Just as the development of steamboat and rail transportation made touring possible, **mass production of musical instruments**, especially pianos, made culture available in middle-class homes. Musical literacy, already high from choral singing, grew further. The only music in the home was do-it-yourself until the 20th century. The piano became a focal point of social life, and at least one family member, typically female, learned to play. Pianos were also a sign of status and respectability, in keeping with the Victorian ethic that music and the piano were virtuous and good for the soul. Piano manufacturing was a big business; annual U.S. production of pianos and organs in 1899 was 279,000, rising to 374,000 five years later,[12] in a nation of 16 million households (and the life span of a piano could be longer than that of its first owner). Sheet music publishing was also a big business. New music was eagerly sought out, whether songs from Gilbert and Sullivan or a piano reduction of Verdi's latest opera. But homegrown music was equally popular; the hit song "After the Ball" by American songwriter Charles Harris, a pioneer of Tin Pan Alley, sold five million copies in the 1890s.

Theater from Vaudeville to the Syndicate and the Shuberts

In contrast to music, theater continued to have a strongly American cast. Minstrelsy declined after the Civil War and was supplanted by a much cleaned-up variety show called **vaudeville**, which drew even bigger audiences. Vaudeville had perhaps a dozen acts, which might include singers, dancers, comedians, trained animals, magicians, and acrobats. It was a diverse, inclusive medium and the default model for early television's variety shows. To avoid any moral stigma or political incorrectness, theater managers typically targeted a Victorian, middle-class ethic. The marketing litmus test, "Will it play in Peoria?" comes from this period. A leading vaudeville impresario of this period was Benjamin Franklin Keith, who started out working in circuses and built a chain of theaters in the Northeast known for upscale entertainment, continuous showings, and lavish decor; Keith was also one of the earliest theater owners to show moving pictures in 1896.[13]

There were several hundred vaudeville theaters across the country, supplied by acts that traveled the circuit, mostly by family-run companies.

The great songwriter, playwright, and entertainer George M. Cohan ("Over There," "Give My Regards to Broadway," "The Yankee Doodle Boy," "You're a Grand Old Flag," etc.) got started as a child performer in "The Four Cohans," a family vaudeville act with his father, mother, and sister. Virtually every major entertainer in America played vaudeville in the early 20th century, including Fred Astaire, Duke Ellington, Harry Houdini, the Marx Brothers, and Bob Hope.

More serious theater evolved into the **stock company** under the actor-manager system. The manager hired a permanent troupe of actors to cover typical (or stock) roles—the leading lady, the villain, the comic relief, and so on—and prepared a repertory (or stock) of shows that could be rotated as often as daily. Stock companies typically had a home theater through arrangements with the theater owner. Edwin Booth, probably America's greatest actor in the 19th century, built and ran his own theater.[14]

The stock business, however, was limited by the actor-manager's repertoire. Audiences grew in the late 1800s as America became more urbanized and affluent, and they had an appetite for new works. The increasing cost of rehearsing and mounting new shows put stock companies at a disadvantage. **Touring productions** specializing in long runs had superior economics and were more attractive to theater owners, who received a percentage of the box office receipts (typically about 30 percent). By the turn of the century, more than 200 touring companies, mostly based in New York, were traveling the country, often with top-name stars such as Sarah Bernhardt. Permanent stock companies faded, although the term lives on as "summer stock."[15]

Although touring companies were in demand, their economic bargaining power was limited unless they had stars like Booth or Bernhardt. Stars are expensive, however—the biggest could claim a percentage of the box office themselves—and in short supply, and audience appeal can change unpredictably. Talent can be a fickle source of competitive advantage for performing arts companies. Scale advantages are also difficult to achieve. Economies of scale from operating multiple touring productions, for example, were limited, since each troupe would still need its own cast and complement of costumes, scenery, musicians, crew, and so on.

Theater operators, on the other hand, gained power with the growth of touring. Booking for many theaters, in particular, offered significant economies of scale through control of tour schedules. By controlling which shows were booked where and for how long, large operators could optimize performer travel time, theater capacity utilization, and potential tickets sales all at once. There were also **barriers to entry**. Barriers in theater operation are a little higher than in performing because real estate and location can confer some advantage, but all else equal in today's market, that advantage is minor. In a touring market, however, control of certain locations could create extra leverage over touring itineraries. For example, a tour going from New York to Pittsburgh might benefit from doing a one-night stand in Harrisburg en route, which would cover travel costs. Large cities have multiple competing theaters, but smaller cities do not, so control of Harrisburg conferred extra clout out of proportion to its size.

Theater operation became big business, and some operators aggressively built, acquired, and leased to form theater chains. In the 1890s, six of the biggest theater chains combined to form a cartel, the **Theatrical Syndicate**, which at its height included about 1,500 theaters, or three-quarters of total U.S. legitimate theater capacity. Despite public protests from the theater community, the Syndicate effectively controlled the booking of touring companies from coast to coast for more than a decade. They took special care to gain control of one-night-stand cities. Theaters and productions had to use the Syndicate's booking agency, Klaw and Erlanger, which took 5 percent off the top, and they would blackball a touring company that performed in a non-Syndicate theater. Abraham Lincoln Erlanger argued that the Syndicate created order out of chaos, optimizing tour schedules and providing greater profits all around—the same arguments used by Standard Oil and U.S. Steel to defend against the great antitrust cases of the same time. A federal court ruled that the Syndicate did not violate the Sherman Antitrust Act, and in 1907, Klaw and Erlanger announced the formation of a new company, capitalized at $100 million, designed to take over the theaters of Britain, France, and Germany.[16]

Before this new venture got far, however, the Syndicate met its match in the **Shubert brothers**. Sam, Lee, and J.J. Shubert were three boys who emigrated from Eastern Europe with their parents, settled in Syracuse, New York, and found their way into the theater business. In 1900, still in their 20s, they ran five theaters in upstate New York and borrowed money to buy their first Broadway theater. Unlike the Syndicate, they were active in buying rights and producing shows as well as operating theaters. In a business famous for its flop rate, they had a knack for picking enough winners to prosper. They positioned themselves as friends of the acting community and organized a farewell tour for the beloved Sarah Bernhardt, appearing in tent shows in Syndicate-controlled cities. This evoked much public sympathy and made more money, since the tents had a higher seating capacity. More actors and theaters defected to the Shuberts, the Syndicate fell apart—and the Shuberts became, in effect, the new syndicate.

By 1924, the Shubert Organization owned or leased 86 theaters, including a few in Europe, and was producing a quarter of U.S. legitimate theater. Their theater empire continued to grow, but its power in producing, booking, ticketing, and operating led to frequent litigation, both civil and antitrust. The theaters outside New York were divested, although many cities still have a "Shubert Theater" they formerly owned. In the 1950s, the company was forced out of producing and booking, but it was able to return in the 1980s. Still privately held, it remains the largest Broadway theater operator and a major producer and investor.

Orchestras in Chicago, Boston, and New York

As the century ended, there were far fewer orchestras than theaters. Most were part-time and gave only 5 to 10 concerts per year and sometimes public dress rehearsals. Three major orchestras had been established, in Boston, Chicago, and New York,[17] each representing a different 19th century business model: financier-autocrat, conductor-manager, and labor cooperative. At the same time, there was a movement to make the orchestra a permanent, full-time institution and a strong labor union movement as well, which put these business models to the test.

New York is America's oldest extant orchestra, but **Boston** was its first permanent one. Boston represents the **financier-autocrat** model, which appeared as America moved into its Gilded Age. Henry Lee Higginson was a Civil War cavalry major, successful stockbroker, well-connected Boston Brahmin, and serious music aficionado who almost single-handedly established the Boston Symphony Orchestra (BSO) in 1881 and built its excellent concert hall in 1900. More than a philanthropist, Higginson exercised almost complete control until the closing days of World War I, selecting conductors, setting policy on musician selection—sometimes selecting them himself—and making his views known on repertoire.

Higginson considered Boston's two part-time orchestras inadequate compared to the permanent orchestras he had seen as a student in central Europe. All six of the BSO's music directors from 1881 to 1918 were central Europeans whom he recruited. Higginson advised his first conductor to hire local musicians to avoid any animosity in the community. However, in the second year, he insisted on contracts requiring musicians to be available four days a week from October to April and not to play for any other conductor or musical organization except the Handel and Haydn Society, primarily a choral group and favored by Higginson's friends. The part-time orchestras could not pay as well as Higginson (even though one was at Harvard), so the exclusive contracts effectively shut them down. There were protests, but ticket sales stayed strong and the policy held. Higginson then began a process of upgrading artistic quality, hiring the best players possible, typically from central Europe, and insisting on their loyalty.

Higginson's deep pockets and social connections were key factors in his success. Of $125,000 in annual expenses, Higginson personally covered $50,000, which was the deficit after ticket sales and other performance income. The BSO became a favorite of upper-class social life—quite different from Gilmore's jubilees—and support from the Brahmins, who associated unions with socialist radicals, helped him resist unionization longer than any other orchestra in America. But Higginson's vision of a well-honed, permanent full-time ensemble was sound and compelling. In addition to about 40 home concerts in the early years, the BSO toured frequently and became a model for other cities, including Chicago and New York. By the early 1900s, it was generally considered to be America's finest orchestra.

Chicago started as an improved version of the **conductor-manager** model and a response to Boston. America's most celebrated conductor-manager was Theodore Thomas, a German violinist who came to America as a boy and played in Jullien's touring orchestra. In 1862, he started the Theodore Thomas Orchestra in New York, which toured America for 25 years, raising standards for artistic quality and programming as they went. Though not a Jullien-style showman, Thomas was a highly gifted conductor, manager, and educator. His concerts were so popular that the part-time New York Philharmonic Society made him its music director for 12 years even though the Thomas Orchestra was a competitor. Thomas conducted other groups as well, but the schedule was erratic and the travel tiring. In 1889, a Chicago businessman and family friend, Charles Norman Fay, asked Thomas to start America's second permanent orchestra in Chicago. It was not a hard sell; Thomas famously replied, "I would go to hell if they gave me a permanent orchestra." He was appointed conductor and manager of the Chicago Orchestra (later Chicago Symphony Orchestra), bringing many of his New York players with him. The organization raised funds for an endowment and a new concert hall, which opened in December 1904. Thomas conducted its initial concerts but died of influenza only a month later.

Thomas had lasting influence. As the quintessential conductor-manager, he reinforced the central role of the music director in American orchestras. He selected his musicians carefully and motivated them with good pay, solo opportunities, and professional respect. Program notes and youth concerts, standard practices of today, can be traced to Thomas. He insisted on performing full-length works, not excerpts or movements. He gave many U.S. premieres of contemporary composers such as Bruckner, Elgar, and Richard Strauss. He regarded edifying the public and raising its standards as a mission, and the Chicago board gave him broad authority to do so. "We had to take our symphonies whether we liked them or not," businessman Fay recalled.[18]

In **New York**, the market was large enough to support more than one part-time orchestra. In addition to the Philharmonic Society and the Thomas Orchestra, there was another musicians' **labor cooperative**, the New York Symphony Society and its affiliated chorus, the Oratorio Society, which had been founded in the 1870s by the German-born maestro-manager Leopold Damrosch (who later became music director of the Metropolitan Opera). There was a void when Theodore Thomas left for Chicago, and Leopold's son Walter saw an opportunity. He convinced the Scottish American steel magnate and philanthropist Andrew Carnegie to serve on the New York Symphony board, and then persuaded him to build a new hall for it. Carnegie Hall opened in 1891, and the great

Tchaikovsky visited America to join Damrosch in conducting the opening night concert.

Carnegie structured the hall as a business venture, governed by the Music Hall Company of New York, thinking that hardheaded business practices would make the operation self-supporting. But he was wrong—there were regular deficits and an ongoing need for cash infusions from wealthy donors. When Carnegie passed away, Henry Harkness Flagler, the son of a founder of Standard Oil, stepped up as fiscal guarantor of the hall and the Symphony. It was also apparent that a part-time orchestra like the Symphony Society could not sustain a major concert hall, and pretty soon, the Philharmonic Society was also performing there. In 1893, the Philharmonic Society invited the great Czech composer Antonin Dvorak to America, where he wrote his "New World" Symphony and premiered it with them—in Carnegie Hall.

The Nonprofit Corporate Model Takes Shape

Boston and Chicago demonstrated that a permanent, full-time organization best addressed the trends toward larger orchestras, more virtuosic demands on players, and growing audiences and expectations. More cities followed suit, including Cincinnati (1893), Pittsburgh (1895), and Philadelphia (1900). But managing a longer subscription season and paying wages that attracted the best players—who were mostly unionized—entailed costs that exceeded revenue from ticket sales. A 1903 *New York Times* article reported financial problems at every orchestra except Boston, which seemed self-sustaining due to Major Higginson's subsidies.

> The permanent orchestra season has, as usual, been financially a bad one all over the country. With the end of April comes the end of the seasons of orchestras of this kind, that have in recent years grown up in the chief American cities outside of New York: and also come the bills for those who pay the piper… for there is always a deficit, which public-spirited guarantors are called upon to pay year after year. A permanent orchestra, it seems to be pretty well established by American experience, is not at present a paying institution, and is not likely immediately to become so.[19]

The 19th century conductor-manager and labor cooperative models were inadequate in this environment. After Thomas's death, the Chicago Symphony moved to a **corporate model**, with separation between artistic and administrative duties and a committed board of directors who were tied to the community and had no expectation of a return on investment. Board leader Fay recognized the need for an annual fund of $50,000 to underwrite deficits. He initially planned to find 10 donors at $5,000 each, but wisely decided to broaden the base and find 50 donors at $1,000. He found 51, and most of them could and did give more when called on.

Likewise, musicians' cooperatives could not keep up with growing financial and managerial demands. The New York Symphony and Philharmonic Society both reorganized as professional, salaried institutions (in 1907 and 1908, respectively) with corporate boards of well-to-do music lovers and civic-minded philanthropists. Some supporters, including Carnegie and Flagler, were on both boards. With more secure finances, the new Philharmonic board was able to lure the composer and conductor Gustav Mahler from Vienna to be its music director.

Despite its financial challenges, the growth of the orchestra business was widely reported and the subject of national and civic pride. In 1909, for example, the well-known journalist and political activist Charles Edward Russell wrote an article entitled "The Grand Orchestra in America" for Cosmopolitan Magazine. It began with this headline: "The Symphonic Concert Is Coming to Be a Distinguishing Feature of American City Life. We Promise Very Soon to Lead the Whole World in This Department of Art."[20]

The Boston Symphony, with numerous, well-attended concerts and Higginson's personal subsidies, held to the financier-autocrat model for a long time. Higginson ran an auction for the best seats at the beginning of each season, which turned into a high-society event and a major source of funds (Isabella Stewart Gardner, the famed art collector, was regularly the highest bidder). The remaining seats were sold at moderate single-ticket prices, including large portions reserved for those who could only afford $0.25 or $0.50. The orchestra played an increasingly busy schedule and still toured frequently. But the deficits were growing too, and Higginson did not have the resources of a Carnegie. A public relations disaster in 1918 forced his hand.

America's entry into World War I led to widespread and often virulent anti-German sentiment. Thousands of people born in Germany and Austria had to register as enemy aliens. This was a problem for American orchestras, which depended on German music and German musicians; the nine largest orchestras in 1917 all had German- or Austrian-born conductors. Boston had the worst turmoil, much of it self-inflicted. Karl Muck had been music director in Boston for nine years and was well known nationally and well liked locally. But reports that he refused to play "The Star-Spangled Banner" after America entered the war, and criticism of the arrangement he used when it was played, led to investigations that turned up enough evidence of pro-German sympathies to fuel accusations that he was a German spy. Muck was generally supported by the BSO audience and players, but the drumbeat of rumor and accusation grew louder. He was arrested in March 1918 after a rehearsal of Bach's *St. Matthew Passion*; his score, thought to contain secret code, was also seized. He was imprisoned for more than a year (with 4,000 other suspicious enemy aliens) and finally deported after the war.[21]

Higginson supported Muck through the entire affair. In his view, the orchestra was not a military band and the anthem did not belong in an art concert. He even announced that he would disband the orchestra rather than yield to interference with its programs. He felt that music was universal and transcended national boundaries. But he was out of step with the country and came in for harsh criticism.[22] Meanwhile, the war had depleted his finances. In April 1918, as the season ended, he resigned as head of the organization and turned power over to a new nine-member board of trustees. Soon after, the BSO dismissed 18 German and Austrian players, along with the acting conductor who had replaced Muck; "Symphony Drops Huns," said a Boston newspaper headline.[23] The new trustees hired the BSO's first non-German-speaking music director, the Frenchman Pierre Monteux, who had conducted world premieres of Stravinsky, Debussy, and Ravel. Monteux began a focus on French and Russian music for which the BSO would become famous. The personnel turnover, however, did not end there. A salary dispute between the musicians and the trustees two years later led to a unionization attempt. It was defeated, but 37 players quit.[24] They too were replaced, and Boston remained the only major nonunion orchestra until 1942, when union restrictions on recording forced management to the table.[25]

There remained one further development to complete the American orchestra business model. After their corporate reorganizations, the New York Philharmonic and the New York Symphony continued as rivals, the Symphony offering a more modern and Francophile repertoire versus the Philharmonic's Germanic orientation. But maintaining two full-time orchestras proved untenable even in the nation's largest market. In 1928, shortly after Damrosch and the New York Symphony premiered George Gershwin's *An American in Paris*, they merged and became the Philharmonic-Symphony Society of New York Inc.—which has remained the legal name of the New York Philharmonic ever since.

The nonprofit corporate model became universal among American orchestras, with one major institution per metropolitan area, representation of its musicians by a union, season subscriptions providing the bulk of earned revenue, and donations filling the inevitable gaps. Under this framework, the American orchestra industry thrived for the remainder of the 20th century, and elements of this organizational model were adopted in theater, opera, and dance as well.

Art and Technology in the 20th Century

Two forces drove the performing arts industry through the 20th century: the rapid adoption of new technology and the growth of the nonprofit sector in all corners of the country.

Early Phonograph Records, Radio, and Music

Records and film appeared in the 1890s and were major industries within a decade. Radio came a bit later, but was already a consumer staple by the 1920s. The performing arts were affected in different ways. One might expect the new media to be economic substitutes for live entertainment and, no doubt, some people attended fewer music concerts because they could listen to records and radio at home. Most evidence, however, suggests that records and radio broadened the market for classical music, and vice versa.

The classical share of the early phonograph record market was substantial. The Italian tenor Enrico Caruso rocketed to worldwide fame and a contract with the Metropolitan Opera on the strength of best-selling records he made in the early 1900s. He became the world's first media celebrity, and his recording of an aria from Leoncavallo's *Pagliacci* in 1907 was the world's first platinum single. Caruso made more than 250 recordings with the Victor Talking Machine Company under an exclusive contract, and their sales helped Victor's flat disks become the technical standard over Thomas Edison's cylinders.[26]

The sound quality and playing time of 78 rpm records were more conducive to operatic arias than to symphonic music (for this reason, the first phonograph makers targeted the business dictation market rather than music). The playing time was three to five minutes (there were 10-inch and 12-inch disks), long enough for a song, but requiring frequent disk changes for a symphony. If anything, it is likely that symphonic 78s whetted an appetite for the real thing. At the same time, popular music writers and performers had the flexibility to write songs that fit comfortably on 78s.

In fact, the phonograph stimulated a boom in music education even with its limitations. Victor saw the opportunity and created an education department in 1911. A large proportion of its regular Red Seal volume went to schools and universities, supplemented by special music appreciation recordings. In the 1920s, Victor developed a program to help school boards procure musical instruments, which tied in with the growth of school bands and orchestras, state and national competitions, and music summer camps. Many music teachers saw the phonograph as a boon for serious music. It made repeated listening easy, and, almost by definition, serious music improves with repeated hearings.[27]

Radio cut into record sales in the mid-1920s, but likewise, featured classical music on advertiser-supported programs such as *The Ford Symphony Hour*. Both the New York Philharmonic and the Boston Symphony made regular live broadcasts. In 1931, the National Broadcasting Company (NBC) radio network offered the Metropolitan Opera $120,000 a season to broadcast selected Saturday matinees, which the Met happily accepted to widen its audience and replenish its Depression-depleted coffers (from 1940 to 2003, the Met broadcasts were underwritten by Texaco). NBC later formed its own in-house NBC Symphony

Orchestra, comparable to the best full-time ensembles, and hired the world-renowned Arturo Toscanini to conduct.

Record companies, failing to see synergies with broadcasting or integrate forward, folded or were acquired by radio networks, which had substantially greater resources from advertising revenue. For example, the Radio Corporation of America (RCA), the parent of NBC, bought Victor Talking Machine in 1929 and made it RCA Victor. Although jazz and big-band music were increasingly important, RCA Victor's sales of three million classical music records in 1936 accounted for 30 percent of total volume and 50 percent of revenue. At the same time, its sister radio network had a weekly *NBC Music Appreciation Hour*, which was required listening in 70,000 schools for seven million schoolchildren.[28]

The main victims of records and radio were the piano and live music in the home. Phonographs and radios became featured living room furniture, and the piano lost its position as the home music center. Piano sales held up at 200,000 to 300,000 in the 1920s, but had a declining share of households as population grew. Unit sales plummeted in the Depression and never recovered to their previous highs.[29]

Early Film and Live Theater

Film had a far more negative impact. Nickelodeon movie theaters, which showed a succession of one-reel shorts for a nickel, spread rapidly in the early 1900s, starting in lower-income neighborhoods. The market for live theater, with ticket prices of $0.25 or more, began to shrink. Some nickelodeons went upscale and attracted middle-class audiences too. By 1915, with *Birth of a Nation*, Hollywood was making feature films. Movie theaters became larger and more posh, replacing the nickelodeons, and ticket prices rose to $0.10. Moviegoing became a weekly activity for many, as Hollywood pumped out hundreds of new feature films each year, and box office demand exploded.

Movie theater revenue exceeded vaudeville and legitimate theater combined sometime during World War I. By 1921, movie theater revenue was $301 million, versus $81 million for all the performing arts (defined by the Census as "legitimate theaters and opera, and entertainments of nonprofit institutions" as discussed in Chapter 2). There were

20,000 movie houses, far more than the number of live theaters, many of which were converted for film. The number of touring road companies, mostly based in New York, went from a high of 300 per week in 1900 to less than 100 in 1915 and about 60 by the 1920s. Out-of-work stage actors flocked west to Hollywood—or back to Broadway.

In effect, the U.S. theater industry retreated to New York. Broadway enjoyed banner years during the Roaring Twenties, and most of today's theaters date from that period, as the industry moved uptown and consolidated north of 42nd Street. The number of new productions on Broadway, which had averaged 150 per year since 1900, rose to 250 in the mid-1920s. Both classical and dance orchestras thrived. Performing arts spending grew 140 percent between 1921 and 1927, versus 75 percent growth for movie theaters (see Figure 4.1). Business was still good for theater musicians, too, because silent movies were not really silent—they were accompanied by full orchestras in the largest houses, organs in the midsized ones ("the mighty Wurlitzer"), and pianos everywhere else.

The Broadway boom was ended by the one-two punch of talkies, which appeared in 1927, followed by the Depression two years later. By the end of 1929, all movies were filmed with sound, although it took a few more years for all movie houses to convert. The number of live theaters fell precipitously, and tens of thousands of silent movie theater musicians also lost their jobs. Restaurants, hotels, and other places that employed musicians replaced them with less expensive canned music from radio or

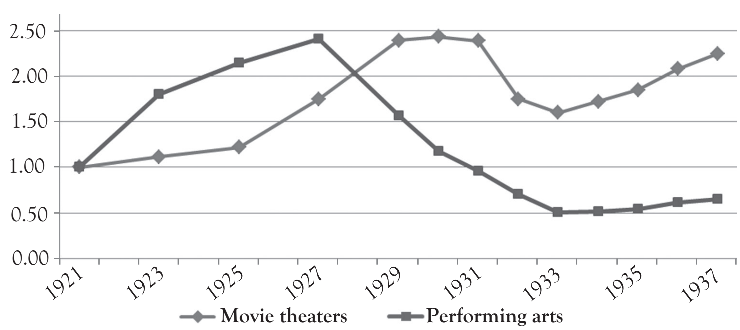


Figure 4.1 Spending on performing arts and movie theaters, 1921–1937 (1921 = 1.00)

Source: Bureau of the Census.[30]

phonograph. By 1933, the American Federation of Musicians estimated that two-thirds of the nation's musicians were out of work.

Many actors made the leap from stage to film—an estimated 70 percent of film actors in the 1930s started on stage. Similarly, some musicians found work at radio stations and recording studios. But spending on the performing arts went down and stayed down. In constant dollar terms, the industry did not recover to its pretalkie highs until the 1950s.

A longer-term effect of recording and broadcasting was to deepen the split between high culture and popular culture. The two genres had been complementary in the 19th century: slapstick skits and drama on the same bill, concerts with popular songs and symphonies. But the new media had advantages in price and convenience and made new forms possible; popular culture began to migrate and peoples' behavior changed.[31]

Nonprofits in the Depression

The situation was not entirely grim for nonprofits during the Depression. The symphony orchestra took its place as the country's premier performing arts institution. Some of the earliest nonprofit theater companies were formed, experimenting with new business models, and ballet for the first time became a serious American art form. An influx of European artists and intellectuals fleeing from fascism and communism enriched America's cultural life.

Some 85 new professional and semiprofessional **orchestra companies** were founded in the 1930s, staffed in part by unemployed theater musicians.[32] Symphonic music was "constantly and rapidly widening its appeal … and strengthening its claim upon our leisure time," according to a 1940 study, *America's Symphony Orchestras and How They Are Supported*, by Margaret Grant and Herman Hettinger, funded by the Carnegie Corporation.[33] They declared the United States "the most symphony-loving nation in the world" based on an "unparalleled level of popular support and participation" as evidenced by 16 major orchestras, most equal and some superior to the best in Europe, 200 secondary orchestras, and 30,000 amateur orchestras.[34] (Disney's *Fantasia* also appeared in 1940 and featured Leopold Stokowski and the Philadelphia Orchestra as much as Mickey Mouse and the other animated characters.)

Nonprofit theater developed from two lineages. One was the artist-led **Little Theater movement** from 1912 to the 1930s, which featured plays with social themes and new American playwrights in relatively intimate settings. It was partly a reaction against commercial New York–centric theater controlled by the Shuberts and was mainly an urban phenomenon, appearing in cities with significant arts communities, such as Chicago, Boston, Detroit, and Seattle. One of the early groups, the Provincetown Players, began on Cape Cod but moved to Greenwich Village after a few years and premiered the early works of Eugene O'Neill. The Little Theater movement was a precursor to Off-Broadway and Off-Off-Broadway in New York and their equivalents in other big cities.

The other lineage was the **regional theater** movement, which was more geographically dispersed. Given the decline of touring companies, Americans outside of New York and a few big cities no longer had access to professional theater. Amateur groups sometimes filled the void, and in a few instances evolved to a semiprofessional level, where perhaps the director and a star actor were paid. The 1930s saw the first regionals founded at a professional level, where everyone is paid.[35]

The oldest professional regional theater still performing is the Barter Theater in Abingdon, Virginia, in the Blue Ridge Highlands, founded in 1933 by a former Broadway actor from the area. It offered admission for $0.40 or the equivalent in produce, dairy products, or livestock (hence its name), proclaiming, "With vegetables you cannot sell, you can buy a good laugh." The idea of "Ham for Hamlet" was a good advertising gimmick but also a way to survive the Depression. The first performance sold out the 506-seat hall, and four out of five theatergoers paid by barter.[36] Some playwrights, including Tennessee Williams and Thornton Wilder, were paid royalties in Virginia ham, and George Bernard Shaw, a vegetarian, took spinach.

Another early regional was the Oregon Shakespeare Festival (OSF), founded in 1935 in Ashland in southern Oregon. It began as a two-play, three-day festival with modest city funding and ticket prices of $1.00 for reserved seating and $0.50 for adult general admission. A key success factor was taking a production of *Taming of the Shrew* to San Francisco in 1939 with a national radio broadcast. After going through the entire Shakespeare canon twice (completed in 1978), OSF began producing an eclectic repertoire of new and old and is one of the largest regionals today. Given their relatively isolated locations, both Barter Theater and OSF are resident repertory companies that maintain a payroll of actors and production people almost year-round.[37]

Federal relief programs were another aspect of the Depression worth noting. The Works Progress Administration (WPA), in addition to building roads, parks, schools, and other public works, had four cultural programs designed to provide jobs for unemployed artists—the Federal Music, Theater, Art, and Writers' Projects. The Federal Music Project hired more than 15,000 musicians, sponsored dozens of orchestras and other groups, and gave tens of thousands of concerts and millions of music lessons between 1935 and 1939. The Theater Project hired more than 12,000 actors and staff who likewise gave thousands of performances. Both projects put considerably more emphasis on living American composers and writers than established performing arts groups typically did.

As with many federal programs, there were complaints about government meddling and waste. The music program was criticized for a bias toward classical music; the theater program, the most controversial, was accused of funding communist playwrights and canceled by Congress due to its left-wing bias. The WPA's accomplishments are largely forgotten today, especially the arts programs, which left no airports or bridges. But by advancing American work and providing the only exposure to live music and theater for millions of people, especially in rural areas, they left a legacy and helped prepare for the next stage of growth.

Professional Dance Companies

Dance was the last major art form to develop in America, and it began with modern dance rather than ballet. America's first major dance company was the Denishawn School of Dancing and Related Arts, which was founded by husband-and-wife dancers Ruth St. Denis and Ted Shawn in 1915 and ran until they broke up in 1931 (Shawn apparently preferred his gay side). They offered an eclectic mix of ballroom, vaudeville, Asian folk, ballet, and their own form of modern dance, which included exotic movements and costumes ranging from ancient Egyptian and Greek garb to almost nothing at all. Denishawn was a seminal influence, and Martha

Graham was one of several pupils who went on to be luminaries of modern dance. Shawn went on to found an all-male dance group that evolved into the Jacob's Pillow dance center, still thriving in the Berkshires in western Massachusetts.

America's three largest **ballet companies** today all began during the Depression. Until then, the only classically oriented ballet was performed by foreign touring companies, such as Diaghilev's Ballet Russes, or as part of a theatrical show or opera. The Metropolitan Opera, for example, had an in-house ballet company and school, but, unlike the Royal and Paris Opera Ballets, it had little existence outside of opera.

In 1933, the San Francisco Opera founded a ballet company and school and gave it more independence than the Met's, particularly after one of its lead dancers, William Christensen, became choreographer. World War II led the Opera to disband the ballet company, but Christensen and his brother Harold, also a dancer, purchased the school from the Opera board and re-created the company as the **San Francisco Ballet**, giving it claim to be America's oldest professional ballet company.[38]

New York City Ballet's origins go back to 1934, when Lincoln Kirstein, a young balletomane and impresario of means, persuaded George Balanchine to leave Europe and join him in founding the School of American Ballet in New York. A year later, they formed the American Ballet company with dancers from the school. It became the resident ballet for the Metropolitan Opera, but the relationship ended after three years over issues of artistic independence. Performing was interrupted by the war, but the school continued.[39] In 1946, Kirstein and Balanchine founded a new performing group called Ballet Society and renamed it the New York City Ballet in 1948. The School of American Ballet is still its official training academy.

American Ballet Theatre can trace itself to 1937, when a Russian émigré dancer and teacher named Mikhail Mordkin founded a small ballet troupe in New York. Its prima ballerina (and financial backer), Lucia Chase, had bigger dreams of a national company that could be a living museum of dance, encouraging new works and featuring an array of talent rather than a single choreographer. She and Mordkin's business manager, Richard Pleasant, launched Ballet Theatre in 1940 (Mordkin faded away) and soon engaged a pantheon of choreographers, including Fokine, Balanchine, Agnes de Mille, and Jerome Robbins. "American" was added to the name in 1957.

As a window on past tastes, it should be noted that the first permanent, full-time ballet company predates these three companies by a few years and was part of a large commercial enterprise. **Radio City Music Hall** opened in 1932 and offered a stage show that changed every week and included the Rockettes precision dance company, which still performs its annual *Christmas Spectacular* in New York and on tour.[40] But it also had another all-female dance group, the Radio City Corps de Ballet, which put on 20-minute shows four times a day, 365 days a year. The ballet ran until 1974, when it was disbanded in a cost-cutting move as Radio City's movie-and-stage-show format showed its age. While the Corps had to adapt to a huge hall and a perhaps lower-brow moviegoing audience, it provided serious training and a paycheck to hundreds of professional dancers over the years.[41]

Grant-Making and Growth During the Cold War

In the 1950s and 1960s, there appeared an extraordinary consensus that the arts have intrinsic value, are important in a free, educated society, and should be promoted and financially supported. The economic outlook was good, college enrollment was booming, and the most popular majors were liberal arts and education. Against this backdrop, three sources of funding provided a major impetus for growth:

- Federal government agencies from the State Department to the Central Intelligence Agency (CIA) sponsored international tours by performing arts groups as a weapon in the Cold War.
- Some of the nation's largest private foundations, including Ford, Mellon, and Rockefeller Brothers, became heavily involved in promoting the arts.
- The National Endowment for the Arts (NEA), created in 1965, provided another source of funding and helped build a state and local infrastructure to support the arts.

With the political, economic, and demographic stars aligned, America's nonprofit performing arts industry enjoyed a sustained period of expansion until almost the end of the century.

Cultural diplomacy made the arts an early battleground in divided postwar Europe. The Soviet military government in East Germany sponsored concerts and art shows while portraying the United States as a cultural wasteland. The U.S. military government in Frankfurt responded by bringing American groups to showcase works by American composers and playwrights while also making the case that free enterprise and democracy are more conducive to the arts than communism. As the Cold War deepened, the CIA also got involved with cultural diplomacy. It covertly financed the Congress for Cultural Freedom, an organization of anticommunist intellectuals based in Paris, which in April 1952 sponsored a 30-day festival called Masterpieces of the 20th Century, including well-received performances by the Boston Symphony. Thomas Braden, a CIA officer and later journalist, wrote that "the Boston Symphony Orchestra won more acclaim for the U.S. in Paris than John Foster Dulles or Dwight D. Eisenhower could have bought with a hundred speeches."[42]

In 1954, the Eisenhower Administration established a formal program to fund tours of American art, opera, musical theater, dance, and jazz. The State Department helped underwrite a new production of *Porgy and Bess* in the 1950s, which played in Europe, the Middle East, and Latin America, as well as on Broadway. Another American opera with an all-black cast, Virgil Thompson's *Four Saints in Three Acts* (libretto by Gertrude Stein), also made the rounds. The government used works like these and black artists such as Louis Armstrong and Duke Ellington to counter Soviet propaganda about American racism. Almost every major American dance company also toured overseas on federal money, including New York City Ballet, American Ballet Theatre, and the modern dance companies of Martha Graham, Merce Cunningham, Paul Taylor, and Alvin Ailey. Funding for these activities stayed strong into the 1970s.

Private foundations such as the Carnegie Corporation had given to the arts, but it was the Ford Foundation and W. McNeil Lowry, its Vice President for the Arts from 1957 to 1976, that perfected the art of arts grants. The scale of Ford's giving under Lowry was unprecedented—more than $400 million to performing arts groups in a 20-year period, equivalent to more than $2 billion in 2014 dollars. Ford's key goals included (1) stabilizing symphony orchestras by eliminating debt and building endowments; (2) expanding the nonprofit theater and dance industries, which amounted to just a handful of companies in the 1950s; (3) assuring the supply of talent by improving artist incomes, for example, by lengthening orchestra seasons and making more musician positions full-time; and (4) providing better industry advocacy and support through service organizations such as the Theatre Communications Group (TCG).

In 1958, the Ford Foundation committed $25 million to help build and operate Lincoln Center. In 1965, it committed $85 million to strengthen 61 orchestras. In 1965 and 1970, Ford's dance and theater grants were greater than all the other 46 major private foundations combined. Boston Ballet, Pennsylvania Ballet, Dance Theatre of Harlem, and many other dance and theater companies were all founded during this period with seed money from Ford.

Ford's largesse was predicated on a leveraged funding model designed to magnify and lengthen its impact. Grants were for a limited number of years and required the recipient to raise matching funds two or three times greater than the Ford grant. The idea was to build capacity in the recipient and help it develop other income streams to sustain it longer term. Federal, state, and local governments were seen as a potential new funding source, in addition to individuals and other private foundations.

Passage of legislation creating the **NEA** and the National Endowment for the Humanities (**NEH**) owed much to the Ford Foundation's example as well as to an influential study commissioned by the Rockefeller Brothers Foundation. The cultural impact of the Kennedy Administration, which first proposed the idea and which brought artists such as cellist Pablo Casals and vocalist Ella Fitzgerald to the White House, also played a role, as did Lyndon Johnson's landslide election in 1964, which brought in a more Democratic congress more open to governmental solutions. Some Republicans in the House objected to the NEA as wasteful, frivolous, elitist, and not an appropriate role for the federal government; one representative ridiculed the bill by introducing an amendment that belly dancing was eligible for federal aid. But on the whole, there was significant bipartisan support. In 1969, President Nixon (a passable pianist and the last musically trained president until Bill Clinton and his saxophone) asked Congress to double the NEA's budget:

> The attention and support we give the arts and the humanities—especially as they affect our young people—represent a vital part of our commitment to enhancing the quality of life for all Americans. The full richness of this nation's cultural life need not be the province of relatively few citizens centered in a few cities; on the contrary, the trend toward a wider appreciation of the arts and a greater interest in the humanities should be strongly encouraged … .[43]

The NEA budget went from $8 million to $80 million while Nixon was in office and plateaued at about $170 million in the early 1990s, until the "culture wars" broke out and forced a retreat.[44] But in the meantime, performing arts companies grew dramatically in number, budgets, and audiences. Existing theater, symphony, opera, and ballet companies extended their seasons, and new companies established themselves in almost every corner of the country. Between 1965 and 1990, the number of nonprofit theaters rose from two dozen to almost 1,000. The number of significant opera companies (big enough to give union contracts to their soloists) rose from 27 to more than 200; and their revenue rose from about $30 million to more than $400 million. Performers' compensation and the unions representing them also grew. The total number of self-proclaimed artists (including visual and literary) doubled between 1970 and 1990 to 1.6 million.

As capacity grew, more seats needed to be filled, and subscription marketing offered an attractive solution. Subscriptions had been a key element of the resident nonprofit business model since the Boston Symphony auctioned off the best seats at the start of each season in the 1890s, but marketing budgets were modest. Some companies deliberately limited season tickets, to make sure single seats were available for new or lower-income patrons. A few, such as Lincoln Center Theater, offered memberships in lieu of subscriptions to entice patrons. But the superior economics of selling an entire season in advance and renewing in subsequent years led to an emphasis on more aggressive subscription marketing campaigns.[45]

Overcapacity and Recession

Despite their rapid growth, the economics of nonprofits were fundamentally unchanged: They needed strong attendance and significant philanthropy to break even, and a decline in either could put a company back in the crisis mode described by Baumol and Bowen in 1966 ("In the performing arts, crisis is apparently a way of life"[46]). No company was exempt. Although opera attendance was generally rising in the late 1970s, for example, the Metropolitan Opera's attendance and contributed income declined, and this softening led to a protracted labor dispute that delayed the start of the 1980–1981 season by 11 weeks.[47]

Grants and growth were a mixed blessing because they drove up fixed costs as well as capacity. Most grant recipients spent the money as fast as it came in. In orchestras, much of the increased funding went into higher salaries for musicians, which became the starting point for subsequent contract negotiations. The leverage model, which most public and private grant-makers professed, proved difficult to sustain. A big one-time gift might spur other big one-time gifts, but it was hard to create new sources of significant ongoing funding. In the 1980s, the Mellon Foundation stopped making orchestra operating grants and focused on endowment gifts for a few key companies in the hope of stabilizing their finances.

Problems in demand became increasingly evident in the 1990s. While nonprofit theater was still on an upswing, subscription sales elsewhere began to plateau or fall. The decline of rust belt cities with major cultural institutions, such as Detroit, Cleveland, and St. Louis, created additional challenges. A 1992 report commissioned by the American Symphony Orchestra League and funded by the NEA and Mellon concluded that "the industry as a whole appears to be in the worst financial shape it has ever been in."[48] It was apparent that arts organizations were still financially tenuous. Rather than increasing the supply of artists and arts companies, the foundations and NEA shifted their focus to developing audiences and increasing demand.

But venue capacity continued to grow. Hundreds of performing arts centers and theaters were built, expanded, or renovated. Some building had economic justification, such as revitalizing downtowns, and some was probably motivated by the "what I did for love" feature of the performing arts. But a study of arts construction tracked 364 performing arts center projects between 1994 and 2008 at a cost of $8.4 billion and concluded that problems during and after construction were the norm.[49]

Supply began to outstrip demand even in theater. There were about 1,500 nonprofit theater companies in 2005, double the number in 1990. Some of this growth may have been at the expense of Broadway touring productions, but commercial theater fluctuated more with the vagaries of hit shows on Broadway than regional competition. Overall, more plays than ever were being performed. But attendance at plays declined from 13.4 percent of adults in 1992 (25 million people) to 9.4 percent in 2008 (21 million people). Then the Great Recession hit. Attendance at straight plays fell to 8.3 percent in 2012 (19.5 million people), and musical theater, which had been holding even, saw a statistically significant decline as well.[50] Almost every corner of the industry experienced the recession, but on the whole commercial theater managed through it and rock concerts continued robust growth. The greatest difficulty was in the nonprofit performing arts sector, both in attendance and finances.

The Great Recession officially ended in 2010, according to the National Bureau of Economic Research, which adjudicates these things. But most companies are still living on the edge. The supply–demand balance is a central issue. There will always be a place for great art and audiences for hit musicals. But the position and relevance of the high arts has unquestionably changed in the past half-century. It will be difficult to reverse course and restore demand for the high arts to its glory days, although not inconceivable if contemporary creators can find new, compelling ways to use the traditional forms or create new forms with comparable artistic depth. Industry participants are rightly concerned about stimulating primary demand, and more coordinated, collective efforts may prove fruitful. But for an individual company, the immediate challenge is how to remain relevant, vital, and solvent.

CHAPTER 5

Industry Size, Structure, and Value Chain

This chapter provides an overview of supply and demand in the performing arts, making extensive use of current and historical government data. We start with demand, reviewing long-term trends in personal spending on all forms of recreation and entertainment and how they are influenced by changes in real disposable income and other variables. We then examine spending on live entertainment and the other spectator amusements, movie theaters and spectator sports, and how live entertainment spending surpassed them both in the past 20 years.

Turning to supply, we identify the economic roles involved in providing live entertainment—performing arts companies most importantly, but also promoters, agents, and independent performers, with examples of each. We then examine key segments within the performing arts industry by art form (such as theater, dance, and music), type of organization (for-profit and nonprofit), and firm size, followed by a look at how these different segments have fared since the Great Recession of 2008–2009.

Spending on Recreation and Entertainment

Recreation spending in the United States was just over $1 trillion in 2012, accounting for about 9 percent of total personal consumption expenditures (PCE) as shown in Table 5.1.

Recreation spending is largely a function of disposable (after-tax) income, leisure time, and the availability of recreational outlets, all three of which grew substantially during the 20th century. Real per capita income, for example, rose from about $5,000 in 1920 to $10,000 by 1950, $20,000 by 1980, and more than $30,000 in 2000. As people become more affluent, necessities like food and shelter take up less

Table 5.1 Personal consumption expenditures, 2013

	$ billions	% of total
Total personal expenditures	11,484	100
Top functional categories		
1. Health	2,372	21
2. Housing and utilities	2,113	18
3. Food and beverages	1,484	13
4. Transportation	1,132	10
5. Recreation	**1,006**	**9**

Source: U.S. Bureau of Economic Analysis (BEA), Table 2.5.5. Personal Consumption Expenditures by Function (August 5, 2014).[1]

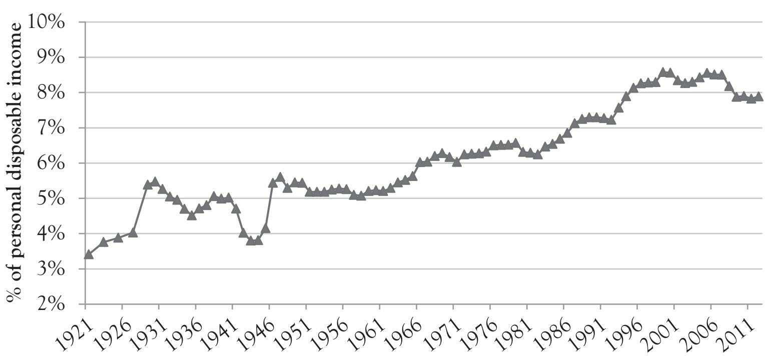


Figure 5.1 Recreation spending as a percent of personal disposable income, 1921–2013

Source: BEA, Table 2.1. Personal income and its disposition (December 2014) and Table 2.5.5 (August 2014).

income, leaving more to spend on things like recreation. Figure 5.1 shows recreation's share of disposable income rising from about 4 percent in the early 1920s to 6 percent in the early 1970s, to more than 8 percent in the late 1990s and early 2000s. The chart also shows periods when the recreation share fell, most notably during the Great Depression in the 1930s, when disposable income plunged more than 40 percent; during World War II, when fewer recreation outlets were available; and since the Great Recession of 2008–2009.[2]

Since 2008, the recreation share has in fact fallen below the level of the previous 14 years. This decline corresponds to an increase in the personal savings rate; conversely, the acceleration in recreation spending in the mid-1980s and early 1990s coincided with declines in the savings rate. One can infer that consumers are making spending decisions based on capital asset considerations as well as income. Confidence in the economic outlook and demographic changes (discussed in Chapter 8) also play a role. (In constant dollars, recreation spending per capita still hit an all-time high in 2013 because average income continued to grow despite the weak economy. The gains, however, grew more slowly and were less evenly distributed than prior decades.)

Spectator Amusements and Live Entertainment

The spending category of "spectator amusements," consisting of live entertainment, spectator sports, and motion picture theaters, was introduced in Chapter 2. The category accounted for 6 percent of total recreation spending in 2013, with live entertainment as its largest component (see Table 5.2). The reported estimate of $28.7 billion may also understate live entertainment spending due to classification methodology. For example, nightclub entertainment is typically counted with food and beverage services; the value of the entertainment may be reflected in a cover charge, but it is rarely priced separately, even though it may be a major attraction. Likewise, entertainment in casinos and cruise lines, which are both important employers of performing artists, may be counted with lodging and transportation, respectively, when purchased as a package. It might be noted that the $500 billion leisure travel industry drives a considerable amount of entertainment spending, although it is also a competitor for disposable income. (Leisure travel is classified with transportation, lodging, and food in PCE.)

From 1921 to 2008, government statisticians viewed live entertainment and the performing arts as equivalent, and tracked them under the designation "legitimate theaters and opera, and entertainments of nonprofit institutions."

The mix of recreation spending has changed over time, in part due to the adoption of new forms of recreation made possible by technology. Spectator amusements was the largest recreation category through much of the early 20th century, accounting for more than 20 percent of

Table 5.2 Top categories of personal recreation expenditure, 2013

	billions of dollars		% of total
Video and audio equipment, computers, and related services	306		30
Sports and recreational goods and related services	201		20
Gambling	118		12
Magazines, newspapers, books, and stationery	107		11
Pets and pet products and services	88		9
Admissions to specified spectator amusements	**64**		**6**
Live entertainment, excluding sports		**28.7**	**3**
Spectator sports		22.3	2
Motion picture theaters		12.8	1
Other recreation expenditure	124		12
Total	**1,006**		100

Source: BEA, Table 2.5.5 (August 2014).

spending, followed closely by magazines, newspapers, books, and sheet music. Movie theaters were by far the biggest component of spectator amusements, growing even faster after talkies came out and peaking at almost 30 percent of spending during World War II, when other forms of recreation were curtailed. After the war, recreation options exploded and in the 1950s, television took off. TV, radio, and audio equipment rapidly became the largest spending category through the 1960s, followed closely by magazines, newspapers, and books. Movie theater market share plummeted and never recovered (admissions have been largely flat since the mid-1990s, while population has grown more than 15 percent).[3] In the 1970s, sporting and recreational goods became the largest category until surpassed by video, audio, and computer products and services in the mid-1980s. (A sign of the times: Gambling surpassed magazines, newspapers, and books in 2004.)

Live entertainment and spectator sports, meanwhile, began to increase in the 1960s. From 1960 to 1985, each averaged close to 3 percent annual growth in real spending per capita, adjusted for general inflation. This

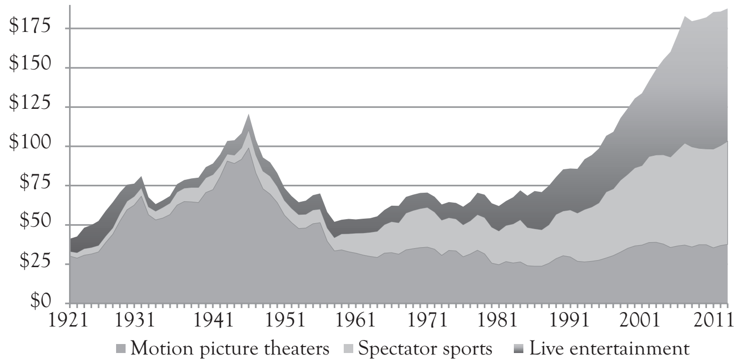


Figure 5.2 Real spending per capita on spectator amusements, 1921–2013 (in 2009 dollars)

Source: BEA, Table 2.5.5 (August 2013 and 2014); Bureau of the Census.[4]

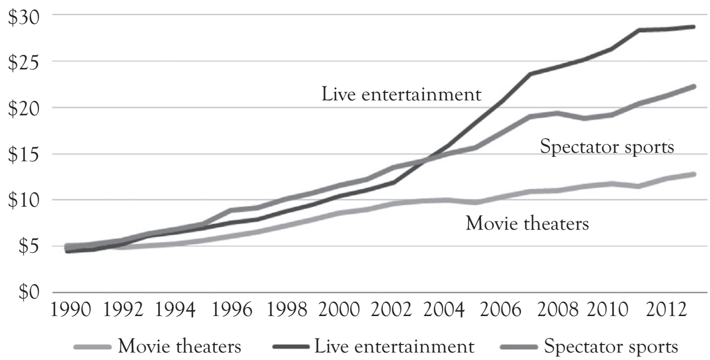


Figure 5.3 Spending on live entertainment, movie theaters, and spectator sports, 1990–2013 (in billions of current dollars)

Source: BEA, Table 2.5.5 (August 2014).

growth accelerated in the mid-1980s enough to surpass the historical spending peak set in 1946 (see Figure 5.2). In the early 2000s, live entertainment spending began to grow even faster, capturing an increasing share of the recreation market and becoming one of the fastest-growing categories in the entire U.S. economy.

The acceleration in live entertainment spending in the early 2000s can be seen in more detail in Figure 5.3, where the curve kinks up after 2002. One driver of this growth was rock concerts, which almost doubled, from $2.1 billion in 2002 to $3.9 billion in 2007, as value migrated

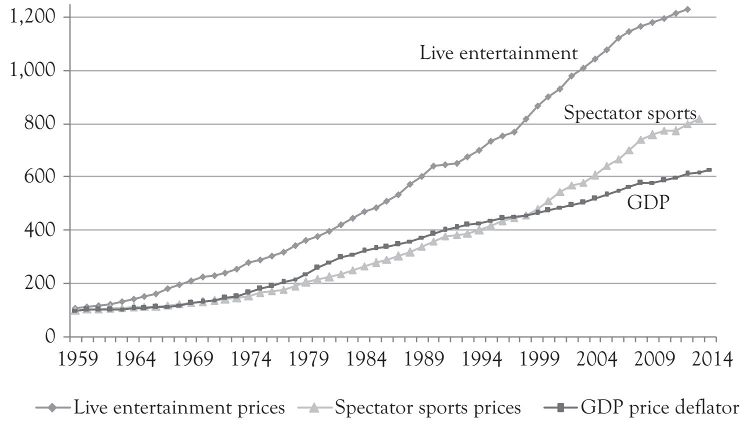


Figure 5.4 Price indexes for live entertainment, spectator sports, and GDP price deflator, 1959–2014 (1959 = 100)

Source: Federal Reserve Bank of St. Louis, ALFRED Graphs.[5]

from studio recordings to concert tours. It was during this period that the BEA decided to change its description of the performing arts from legitimate theaters and opera, and entertainments of nonprofit institutions to simply "live entertainment."

Ticket price increases have been an important driver of long-term revenue growth since the 1960s. The real spending per capita shown in Figure 5.2 adjusts for general inflation using the GDP deflator. But ticket prices have increased more than twice as fast as general inflation (see Figure 5.4). From 1959 to 2013, prices in the overall economy increased about 500 percent, versus increases of 1,100 percent for live entertainment and 700 percent for spectator sports.

The growth in live entertainment since 2002, however, appears to reflect real volume growth—in other words, attendance. Between 2002 and 2013, live entertainment revenue grew 141 percent, according to BEA estimates, while ticket prices grew 32 percent, according to the Federal Reserve. Therefore, real growth was 82 percent (calculated as 2.41/1.32 minus 1). Real growth in movie theater and spectator sports revenue during this time was 1 percent and 14 percent, respectively. Other data, however, suggest that almost all of the volume growth in live entertainment came not from traditional performing arts companies, but from popular music concerts by for-profit companies. It is also important to note that the latest BEA estimates show live entertainment flattening out toward the end of the period.[6]

Supply: Arts, Entertainment, and Recreation Industries

We now shift from what the market spends on live entertainment to the industries that supply it. The North American Industry Classification System (NAICS) classification for Arts, Entertainment, and Recreation (Sector 71) was introduced in Chapter 2, where we focused on defining the performing arts. The overall recreation sector, encompassing much more, consists of a variety of service industries grouped into three subsectors based largely on similarities in production processes.

711: Performing Arts, Spectator Sports, and Related Industries
712: Museums, Historical Sites, and Similar Institutions
713: Amusement, Gambling, and Recreation Industries

Performing arts and spectator sports, which were paired as spectator amusements in PCE, are paired as industrial sectors as well. While no one would confuse a symphony orchestra and a baseball team, the processes for producing and promoting sports and music events are similar and sometimes overlap. Both involve an audience in a venue with live players, even if the players themselves (and their conductors and coaches) need different skills. For example, the Madison Square Garden Company owns the famous sports arena and the professional basketball and hockey teams that play in it; through its MSG Entertainment division, it also promotes concerts at the arena and owns Radio City Music Hall, the Rockettes, and major theaters in Boston, Chicago, and Los Angeles.

It is worth noting that NAICS treats movie theaters differently. While movie theaters are consumed as a ticketed spectator amusement like spectator sports and performing arts, the production process involves projecting a reproduction on screen, not live players. So as a NAICS industry, movie theaters are classified in Information and Communications (Sector 51), along with movie and video production, publishing, broadcasting, video game software, and Internet services.

The three subsectors of Arts, Entertainment, and Recreation are in turn composed of industry groups; those within Subsector 711 are listed below. As discussed earlier, performing arts companies as defined in NAICS include everything from theater to rock groups to circuses.

7111: Performing Arts Companies
7112: Spectator Sports
7113: Promoters of Performing Arts, Sports, and Similar Events
7114: Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
7115: Independent Artists, Writers, and Performers

Revenue of Arts, Entertainment, and Recreation Industries

Total revenue for the Arts, Entertainment, and Recreation sector was $222 billion in 2013, according to the Census Bureau's services survey. This is much less than the $1 trillion in total recreation consumption because it only reflects service industries and excludes recreational products such as video equipment, sporting goods, and recreational vehicles (RVs), which are in the manufacturing sector.

Performing arts companies, with revenue of about $15 billion, were a relatively small component compared to other recreation industries (see Figure 5.5).[7] It was, in fact, less than half that of spectator sports, with $36 billion. On a PCE basis, however, we just saw the reverse—people

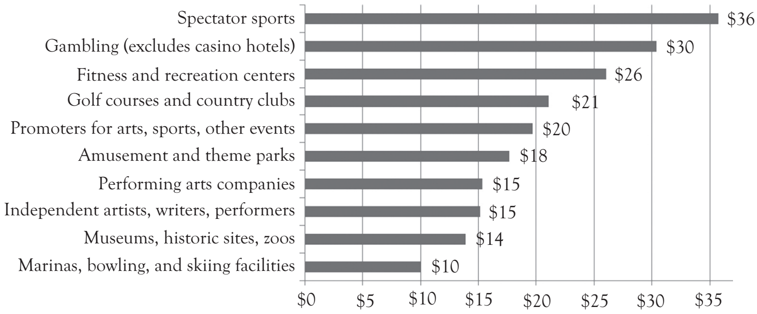


Figure 5.5 Arts, entertainment, and recreation industry groups by revenue, 2013 ($ billions)

Source: Census Bureau's 2013 Annual Services Report (November 2014), employer companies only.[8]

spent more to attend live entertainment ($28.7 billion) than to attend spectator sports ($22.3 billion) in 2013.

Why is spending on live entertainment much higher than spectator sports, while the revenue of performing arts companies is much lower? The reasons shed light on the nature of the two businesses as well as the NAICS classification and data.

- Spectator sports companies have other major revenue streams besides selling tickets to events. Broadcasting rights, sponsorships, and merchandise licensing are big businesses (ESPN pays the National Football League $2 billion to broadcast a single season of "Monday Night Football"). Performing arts companies have nothing comparable; their license fees from broadcasting and recording sales are much less and, more often, a different rights holder—the composer, publisher, or record company—gets a bigger share.[9] Nonprofit performing arts companies have additional revenue streams from contributions and grants, but these are also comparatively small.
- Equally significant, a major portion of live entertainment spending goes to businesses that are related to but distinct from performing arts companies, such as promoters and theater owners, agents, and independent artists and performers. Sports teams, in contrast, are more likely to own their venues (like the Madison Square Garden Company). Two unrelated industries also receive a portion of live entertainment spending: travel services that book entertainment as part of a tour package and schools and universities that present performing artists and groups on campus.
- There are also data-reporting issues. The performing arts, by their nature, have a high proportion of very small businesses that have no employees (e.g., freelance and part-time musicians and actors). The Census does not gather much information on these "nonemployer businesses" and limits most of its reports to companies with payrolls (such as the data in Figure 5.5). What is reported has much less detail and typically undercounts nonemployer earnings, in part because the

Census relies on tax returns to track them, not surveys, and their level of tax compliance varies. (Nonemployers account for 4 percent of all U.S. business revenue but three-quarters of all businesses.)

Live Entertainment Industries and Value Chain

Performing arts companies are in the center of an ecosystem of suppliers, buyers, intermediaries, and related businesses. The ecosystem provides the three essentials of live performing arts events: performers, a place, and an audience. Three corresponding sets of functions, consequently, shape the industry's value chain.

- **Artistic** involves the artwork, the performers, and the people who direct them.
- **Production** covers the venue and venue-related technical needs, such as sets, props, lighting, sound, and other equipment. Obviously, artistry is needed in designing sets and lighting, but these are separate from the performers.[10] (Costumes and makeup are less separate, but are also classified as production functions.)
- **Marketing** functions are needed to attract and service the audience, such as box office and ticketing, advertising and communications, and customer or patron services.

Industry participants can be seen as primary or secondary, depending on their level of responsibility for these functions (see Figure 5.6). A successful event needs someone to take overall responsibility for the entire process, like a general contractor, who also assumes the greatest level of financial risk. In the 19th-century days of the artist-manager, the leading actor or conductor was the impresario who pulled it all together. Smaller groups can still operate that way, but larger operations require greater division of labor. Typically, the general contractor function is handled by either a performing arts company or a promoter or presenter.

A performing arts company can span the entire value chain, but its first responsibility is artistic: selecting the artwork, hiring performers and

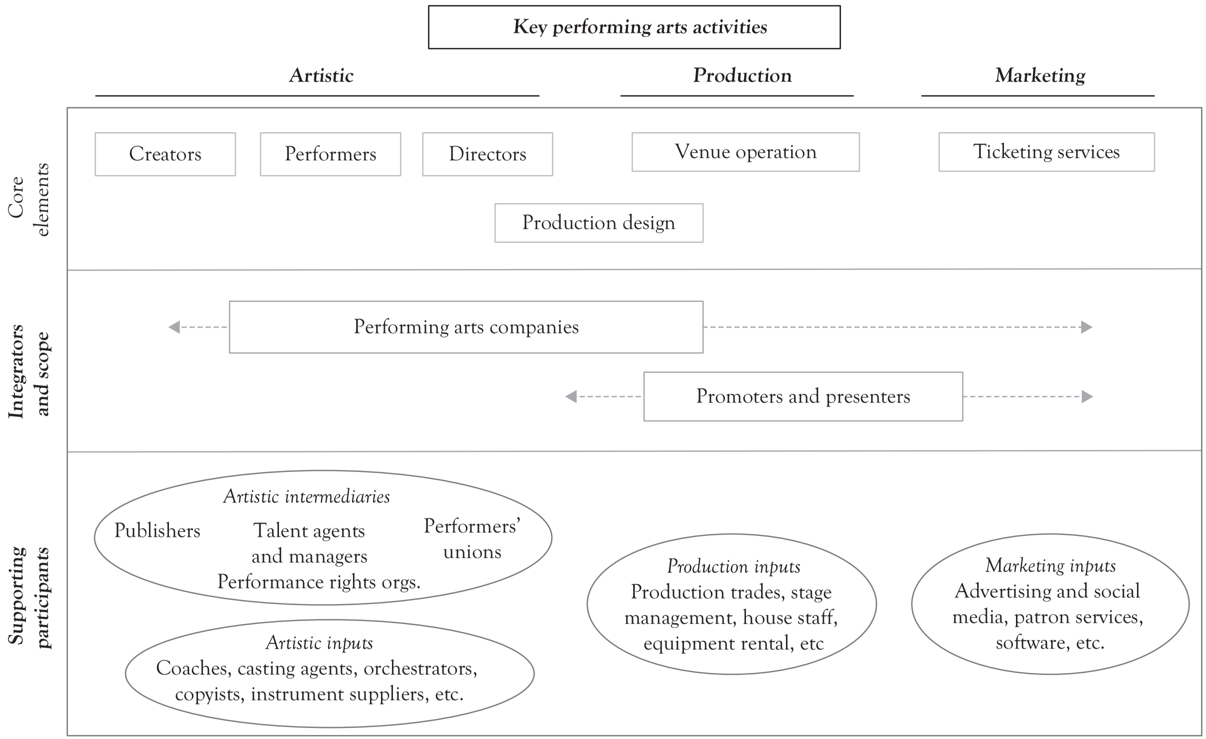


Figure 5.6 Participants in the performing arts industry

a creative team to direct them (such as conductors and directors), and preparing the performance. Performing arts companies are involved in production and marketing to varying degrees, such as leasing a venue and providing an in-house box office, but other participants also play major roles. Most venues, for example, are operated by promoters and theater owners; only a few of the largest performing arts companies operate their own venues.

The economic roles in this performing arts value chain are analogous to the traditional manufacturing value chain.

- Creators such as authors, composers, playwrights, and choreographers provide the blueprints, like an R&D function.
- Performers and performing arts companies follow the blueprint and provide the product, like a manufacturing function, except the product is a staged event and the blueprint leaves room for interpretation. (The creators and performers may be the same people, but great art has longevity and exists apart from its creator; the performer who follows a script, score, or choreography is an *interpretive artist*.)
- Promoters and presenters provide a place for the event, like a distribution function, and usually conduct marketing to draw an audience. (Recordings and digital media provide other forms of distribution; digital media may be live or recorded.)
- Ticketing services, which are increasingly online, provide the sales function and some pre-event customer service (the venue operator typically is responsible for customer service at the event itself).

Supporting this value chain are intermediaries involved with artistic inputs upstream. Creators are typically represented by publishers, who usually hold the copyright to a play or musical composition. Publishers license the works to performing groups, which traditionally includes rental of hard copy scripts and scores, and collect royalties on the creator's behalf. Talent agents represent actors, soloists, conductors, stage directors, and other key artistic personnel. Most professional performers and artistic personnel are also represented at a collective level by national unions and their affiliated locals.

Downstream, production requires venue property managers, other real estate-related functions, and a host of backstage functions. Costumes, sets, and props are typically the responsibility of the performing arts company, and are built in-house, by contractors, or rented. Stagehands are typically employed by the venue under a union contract; sound, lighting, and electrical work may involve both unionized venue employees and contractors hired by the performing arts company. Other production requirements vary with the art form and show (e.g., there are companies that rent falling chandeliers for *Phantom of the Opera* and others that specialize in making performers fly, as in *Peter Pan* and *Wicked*).

Industries Under NAICS Industrial Classification

The NAICS classification identifies four industry groups involved with live entertainment (we will leave spectator sports out of this discussion). It roughly (but not exactly) maps to the value chain shown here and is an important source of industry data. The system views production and freelancing as different economic activities and therefore distinguishes employees of performing arts companies from independent performing artists. In addition, promoters that operate facilities are distinguished from those that do not.

- **Performing arts companies** (industry 7111) stage performance events by mounting "live presentations involving the performances of actors and actresses, singers, dancers, musical groups and artists, and other performing artists."[11] They take artistic responsibility for the event on stage and for directing and paying the performers as employees or as independent contractors.
- **Promoters** (industry 7113) are organizations that promote and organize events, provide venues for events, or both. Many take on a general contractor role and are responsible for securing the venue, booking the performing group, and publicizing the event. Others operate facilities but rent the stage to performing arts companies or to other promoters who do not have their own facilities.

- **Independent artists, writers, and performers** (industry 7115) provide some of the artistic, creative, and technical skills necessary for the production of these live events. Most performing arts companies have performers on payroll, but they usually have to hire independents for certain jobs. Likewise, promoters may have technical people on payroll but also need to hire independents.
- **Talent agents and managers** (industry 7114) represent the artists and performers in getting bookings ("gigs" in music), negotiating contracts, and/or managing their activities or careers.

While their core economic functions vary, in practice, the general contractor role can be handled by any of these industry groups. Many take a hybrid approach. For example, a regional music ensemble might produce a series of concerts and assume the financial risk for them, but also appear at events presented by someone else—such as a for-profit promoter, university, or community arts society—where the ensemble's main obligation is to show up and perform for a fee. Similarly, promoters can rent their facilities to performing arts companies but also present their own series of events; independents can be presented by promoters (in which case no performing arts company is involved) or present themselves.

Characteristics of Performing Arts Companies

There were 8,549 performing arts companies with payrolls in America in 2012, generating $13.7 billion in revenue, according to preliminary data from the Economic Census.[12] A handful of large firms generate hundreds of millions in revenue, but most are much smaller. For comparison, there were about 4,800 movie theaters and drive-ins with $13 billion in sales, 4,000 music stores with $6 billion, and 8,800 pet stores with $15 billion.

In addition, the Census reports another 68,000 nonemployer performing arts companies in 2012—almost all sole proprietorships—with $1.5 billion in revenue. Most of the data presented here pertain to employer companies, which account for the lion's share of industry revenue. We will return to nonemployers in discussing the workforce in Chapter 6.

By geography, performing arts companies of all genres can be found in all 50 states, from New York and California, with almost 1,400 each, down to Wyoming with 10. However, companies are mostly concentrated in urban areas, and there are big differences in performing arts activity from state to state. New York, home of Broadway, is a special case, accounting for 6 percent of U.S. population but 17 percent of performing arts firms and 23 percent of payroll. The top 10 performing arts states are shown in Table 5.3, using employment as an indicator in this labor-intensive business.

Nevada and Tennessee enjoy a disproportionate concentration due to the big entertainment markets in Las Vegas and Nashville. They rank especially high relative to population; for example, Nevada's employment ratio exceeds that of New York (Table 5.4). The states with highest payrolls per employee in 2012 were Tennessee ($82,748) and Nevada ($52,522), with New York ranking third ($44,739)—all well above the U.S. average. (The District of Columbia ranks first in companies and employees per 100,000 population, but this is mainly due to arithmetic.

Table 5.3 Top 10 states for performing arts company activity, 2012

	Number of establishments	Paid employees	Annual payroll ($ thousands)	Payroll per employee ($)
Total United States	8,549	118,732	3,896,508	32,818
New York	1,357	20,370	911,330	44,739
California	1,395	16,018	692,260	43,218
Texas	399	6,035	175,980	29,160
Illinois	357	5,747	179,612	31,253
Florida	529	5,510	124,676	22,627
Virginia	152	4,354	147,620	33,904
Tennessee	453	4,051	335,214	82,748
Pennsylvania	295	3,834	125,903	32,839
Washington	188	3,249	85,575	26,339
Nevada	135	3,166	166,286	52,522

Source: Census Bureau's 2012 County Business Patterns (released May 29, 2014)[13] and 2012 Economic Census (preliminary report released October 31, 2014).[14]

Table 5.4 Performing arts company activity relative to population: Top five and bottom five states, 2012

	Companies per 100,000			Employees per 100,000	
1.	District of Columbia	7.6		District of Columbia	180.3
2.	Tennessee	7.0		Nevada	114.8
3.	New York	6.9		Hawaii	109.0
4.	Nevada	4.9		New York	104.1
5.	Vermont	4.2		Tennessee	62.7
	U.S. average	**2.8**		**U.S. average**	**37.2**
47.	Ohio	1.4		New Mexico	13.1
48.	West Virginia	1.3		Iowa	12.8
49.	Alabama	1.3		Arkansas	12.4
50.	Arkansas	1.2		Louisiana	10.2
51.	Mississippi	1.0		Mississippi	6.2

Source: Census Bureau's 2012 County Business Patterns (released May 29, 2014) and 2012 annual population estimates (NST-EST2012-01).[15]

Its performing arts community, which includes the Kennedy Center, serves a metro area of 6 million, but the population of the District itself is a little over 600,000.)

Segmentation by Art Form and Tax Status

Performing arts companies can be segmented on two mission-specific dimensions: the type of art they perform and tax status. As discussed in Chapter 2, there are four main types in NAICS: theater, dance, music, and other. Within each type are numerous genres:

- Theater companies (71111) include dinner theater, opera, repertory, touring, stock, comedy, improvisation, mime, puppet, and others;
- Dance companies (71112) include ballet, modern or contemporary, folk, jazz, and tap;
- Musical groups and artists (71113) include symphony orchestra, chamber, choir, band, jazz, pop, rock, country, dance band, drum and bugle corps, and independent musicians, singers, and soloists; and

- Other performing arts companies (71119) include circuses, carnivals, ice-skating shows, and magic shows.

The Economic Census, conducted every five years, provides the greatest detail (and statistical confidence) on the components of these four groups, including NAICS data at the six-digit level. However, the reporting lag time is typically three or more years. At this writing, the preliminary results available from the 2012 Economic Census only provide data at the five-digit level, as shown in Table 5.5.

Clearly theater and music, the two biggest sectors, need a more granular analysis for our purposes. We will therefore make use of the 2007 Economic Census, which is not significantly different from preliminary 2012 results. More recent data is also provided in the Census's County Business Patterns, which has a two-year lag (e.g., 2013 data will be issued in 2015), and its Services Reports, which aggregate quarterly data with a two-quarter lag.

As shown in the 2007 data in Table 5.6, theater and dinner theater accounted for 44 percent of industry revenue. Classical and popular music ("other music groups" in the table) accounted for 38 percent. The balance

Table 5.5 Preliminary data on performing arts companies from 2012 Economic Census

		Establishments		**Revenue**	
		Number	**% of total**	**($ millions)**	**% of total**
71111	Theater companies and dinner theaters	3,282	38.4	6,965	50.7
71112	Dance companies	491	5.7	636	4.6
71113	Musical groups and artists	4,464	52.2	5,071	36.9
71119	Other performing arts companies	312	3.6	1,076	7.8
	Total	8,549	100.0	13,748	100.0
7111	For-profit	4,608	53.9	8,186	59.5
7111	Nonprofit	3,941	46.1	5,563	40.5
	Total	8,549	100.0	13,748	100.0

Source: Census Bureau's 2012 Economic Census, preliminary comparative statistics.

Table 5.6 Summary data on performing arts companies from 2007 Economic Census

	Establishments		Revenue		Average revenue per establishment ($ thousands)
	Number	% of total	($ millions)	% of total	
Theater	3,093	35.0	5,377	39.6	1,738
Dinner theater	166	1.9	613	4.5	3,693
Opera	164	1.9	900	6.6	5,488
Dance	525	5.9	597	4.4	1,137
Symphony and chamber	845	9.6	1,746	12.9	2,066
Other music groups	3,653	41.3	3,372	24.8	923
Other performing arts	392	4.4	969	7.1	2,472
Total	8,838	100.0	13,574	100.0	1,536
For-profit	4,899	55.4	8,002	58.9	1,633
Nonprofit	3,939	44.6	5,572	41.1	1,415
Total	8,838	100.0	13,574	100.0	1,536

Source: Census Bureau's 2007 Economic Census (ECN_2007_US_71SSSZ6).[16]

consisted of opera, dance, and "other performing arts," with dance the smallest. Including all types of theater, high-culture disciplines accounted for 54 percent of establishments and 68 percent of revenue in 2007.

The numbers for "other music groups" are skewed upward because they include independent and freelance musicians. NAICS classifies independent actors, dancers, directors, playwrights, and choreographers in a separate industry (7115) because production and freelancing are different processes. However, it treats independent musicians and singers differently, classifying them in 7111 with performing arts companies. The rationale, according to the Census Bureau, is that pop music companies and independent pop musicians are harder to distinguish because "these establishments tend to be more loosely organized." Many classical soloists, including stars like Itzhak Perlman and Renee Fleming, generally work as independents, not employees, and are thus also counted with

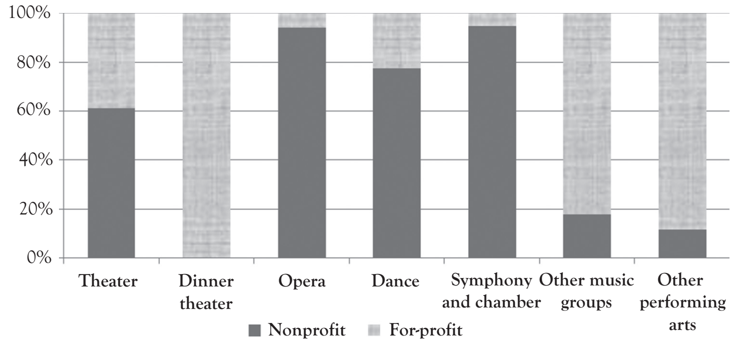


Figure 5.7 Nonprofit and for-profit performing arts companies by discipline, 2007

Source: Census Bureau's 2007 Economic Census.

"other music groups." Curiously, NAICS makes a further exception by classifying independent conductors, composers, songwriters, and arrangers in 7115, apart from the rest of the music profession.

By tax status, for-profit companies roughly account for 60 percent of industry revenue and not-for-profits account for 40 percent. Opera and symphony orchestra companies are almost entirely nonprofit (see Figure 5.7). In dance, nonprofits comprise 80 percent of the companies and 90 percent of the revenue. Dinner theaters, "other music groups," and "other performing arts," in contrast, are largely for-profit. (Freelancers by definition are for-profit.) Theater companies are split, about 60 percent nonprofit and 40 percent for-profit. The 2007 Census did not report theater industry revenue by tax status for disclosure reasons, but Broadway and touring Broadway are each billion-dollar businesses and mostly for-profit, which suggests that on a revenue basis, the split is closer to 50–50. (We discuss the for-profit and nonprofit theater segments further in Chapter 7.)

Segmentation by Size

Most firms in the industry are small, reflecting its geographic diversity, variety of genres, and ease of entry. Revenue per firm averaged $1.5 million in 2007 and $1.6 million in 2012. Opera companies are fewest in number and highest in average revenue at $5.5 million; opera is inherently the most expensive art form with high barriers to entry, at least as traditionally performed. "Other music groups" are at the other end of the spectrum, the most numerous and with the lowest average revenue per firm.

Most firms are considerably smaller than the arithmetic average; 62 percent of firms had less than $500,000 in revenue and only 3 percent exceeded $10 million. This pattern is reflected in every segment except opera (see Figure 5.8). Earlier, we cited the $800,000 Jackson (Michigan) Symphony as a contrast to big-city orchestras such as Los Angeles and Chicago, but in fact, most performing arts firms are considerably smaller than Jackson, and even larger ones are relatively small compared to other industries. (The Small Business Administration's size thresholds in 2014 were $20.5 million for theater companies and $11 million for music and dance.)

Revenue concentration, consequently, is low compared to related industries such as sports, movie theaters, film production, and broadcasting. The four largest companies accounted for 10.7 percent of industry revenue and the 20 largest for 19.7 percent (see Table 5.7). Most industry segments follow this pattern except for opera, which is significantly more concentrated largely due to the New York Metropolitan Opera, an industry giant with revenue of $325 million in FY2013 (and about $260 million in 2007).

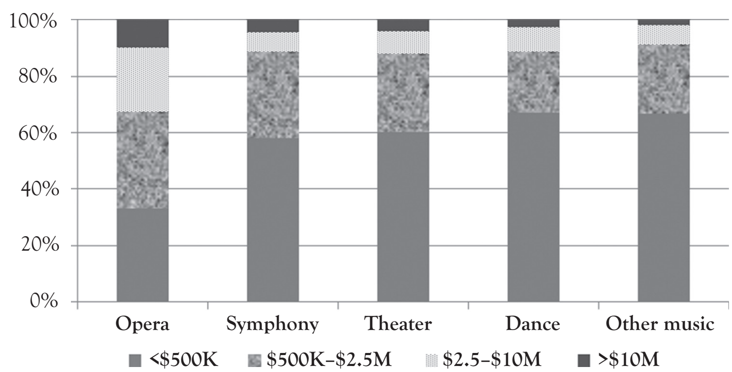


Figure 5.8 Distribution of performing arts firms by type and revenue size, 2007

Source: Census Bureau's 2007 Economic Census.

Table 5.7 Performing arts company concentration, 2007

	Revenue ($ millions)	Market share (%)	
		Top 4 firms	Top 20 firms
Theater	5,377	14.1	30.0
Dinner theater	613	14.0	33.0
Opera	900	56*	75*
Dance	597	23.1	54.6
Symphony and chamber	1,746	20.1	51.7
Other music groups	3,372	5.9	18.8
Other performing arts	969	7.0	23.0
Total	13,574	10.7	19.7

*Author's calculations; not reported in Economic Census to avoid disclosure of individual firms (New York Met Opera alone accounts for about 30 percent).

Source: Census Bureau's 2007 Economic Census.

The largest firms have greater market reach and can draw audiences from farther distances. Broadway, where visitors account for 66 percent of tickets sold, is a particular magnet for arts tourism (the Met Opera also draws many out-of-towners). But most companies play in a local or regional market, which limits size but can dramatically increase concentration. While the four largest theater companies have only 14 percent of the national market, most geographic markets only support a few professional theater companies. Local concentration is especially substantial among orchestras, where, as we saw earlier, a single professional company typically dominates on a revenue basis. Given the ease of entry and availability of substitutes, however, antitrust is not an issue for performing arts companies. (However, control over venues, ticketing services, and copyrighted material have been antitrust issues in other parts of the industry, as we saw earlier with the Shubert Organization.)

The largest U.S. firm in 7111 is Feld Entertainment, with about $900 million in revenue. It runs Ringling Bros. and Barnum & Bailey Circus, Disney on Ice, and other shows in the "other performing arts" category, but some of its businesses include monster truck rallies and motocross events, which fall under spectator sports. Cirque du Soleil, a highly successful industry disruptor, is also in the "other" category and has nearly $1 billion in revenue. But it is headquartered in Montreal and hence excluded from Census reports, although most of its revenue is generated in the United States.

Other Industries in the Live Entertainment Subsector

Identifying the live entertainment portion of the **promoter**, **agent and manager**, and **independent artist** industry groups as defined by Census data is difficult. Promoters include companies that promote wrestling, rodeos, air shows, county fairs, and beauty pageants (to name a few) as well as those that promote performing arts. The independent artist industry includes writers, painters, sculptors, and other nonperforming artists. Agents can represent athletes, celebrities, and motivational speakers, as well as actors and musicians. While there is economic logic in combining the different areas, it poses constraints on data analysis.

Promoters operate venues, present events, or both. Presenting events involves creating a concept, booking talent (which can be performing arts companies or independent performers), organizing logistics, and marketing. NAICS distinguishes promoters with and without venues, but whether the promoter presents events is also a key variable. Promoters that operate venues and present events in them assume greater financial risk; promoters that operate venues but rent them out take lower risk and return. Promoters that present events but do not operate a venue need to rent or have a joint venture with venue operators.

The promoter industry is more concentrated than performing arts companies, particularly among the for-profits. The four largest for-profit promoters with facilities had 52 percent revenue share, and the top 20 had 70 percent (see Table 5.8). The largest U.S. concert promoter and venue operator is Live Nation Entertainment, a $6.5 billion giant and one of the few publicly held companies in the industry. A big fish in a smaller pond is the Shubert Organization, which runs 17 of Broadway's 40 theaters, produces and invests in shows, and operates Telecharge, which provides ticketing services for 90 New York theaters. Another player is privately held SMG, a property management company specializing in large municipally owned event facilities, such as arenas, stadiums, performing arts

Table 5.8 Concentration in live entertainment industries, 2007

	Revenue ($ millions)	Number of establishments	Market share (%)	
			Top 4 firms	Top 20 firms
Performing arts companies (7111)	13,574	8,838	10.7	19.7
For-profit	8,002	4,899	16.3	27.9
Nonprofit	5,572	3,939	10.1	24.8
Promoters with facilities (71131)	9,785	2,613	37.6	52.9
For-profit	6,977	1,331	52.2	70.4
Nonprofit	2,808	1,282	15.1	36.3
Promoters without facilities (71132)	6,337	4,034	24.8	37.2
For-profit	5,236	2,770	30.1	45.0
Nonprofit	1,101	1,264	9.0	25.6
Agents and managers (7114)	4,919	3,534	16.8	32.5
Independent artists, writers, etc. (7115)	12,755	20,612	3.1	8.5

Source: Census Bureau's 2007 Economic Census.

centers, and convention centers (note that promoters that operate venues do not necessarily own them).

Nonprofit promoters are generally smaller and less concentrated and include community performing art centers, societies, and foundations. Some are affiliated with the local government. For example, the Los Angeles Music Center, one of the largest performing arts centers in the United States, is operated by a private nonprofit organization with support from Los Angeles County, which owns the land. Schools and universities host numerous arts and entertainment programs and are therefore important nonprofit promoters too, but their activities are not usually included in the Census statistics for industry 7113.

Agents represent performing artists and groups, typically on an exclusive basis, and seek to book jobs for them in return for a 10 to 20 percent commission on successful placements. Agents need to constantly communicate and network with promoters, performing arts companies, and other employers to get information about auditions, casting calls, and anything else that may lead to work. Individual agents tend to specialize in different parts of the talent market. Several states, including New York and California, have regulations regarding artistic intermediaries and require talent agents to be licensed as a form of employment agency.

There are some big talent agencies and some effective solo players as well. A giant company like Live Nation, with relationships throughout the industry, operates its own talent agencies. Some of the largest booking agencies for performing artists are IMG Artists, Columbia Artists Management Inc. (CAMI), and Opus 3, all U.S. based, and International Classical Artists (ICA), based in London and formerly known as Van Walsum Management. All are privately held, so their financials are not public, but recent merger and acquisition activity suggests that these businesses are quite profitable.[17]

Managers are more involved in artists' careers and business results and also handle everyday affairs such as touring arrangements and logistics (making sure the truck is loaded, the hotel rooms are booked, the backstage amenities are right, and so on). Some managers may get involved in finding work opportunities, just as agents may offer advice on career planning and repertoire, blurring the line between agents and managers.

California law recognizes the blurring and defines talent agencies as

> ... a person or corporation who engages in the occupation of procuring, offering, promising, or attempting to procure employment or engagements for an artist or artist … . Talent agencies may, in addition, counsel or direct artists in the development of their professional careers.[18]

However, the law does not make a similar allowance for personal managers who might incidentally help a client find work, which has led to ongoing legal challenges. (In addition, owing to historical precedent, the law has different provisions for bookings that involve recording contracts.)

The terms *talent agent* and *booking agent* are used interchangeably and can be confusing. When an agent books an artist in a production or venue, there is a **talent buyer** (or booker) on the other side of the transaction. The talent buyer may also be an independent agent, but since booking talent is a core competency of a promoter with venue, it is typically an in-house function. The talent buyers may also be **casting agencies**, which play an important role in theater and film. Casting agents work for producers and performing arts companies, not talent, and are classified elsewhere in NAICS with employment placement agencies (industry 56131).

Ticketing is an integral activity in the industry value chain but is also classified elsewhere in NAICS, with industry 5615, Travel Arrangement and Reservation Services. Ticketing services fall into three groups depending on their economic function: (a) Primary outlets like Ticketmaster and Telecharge are contracted by the presenter and provide phone and online box office services and fulfillment; (b) online discount outlets like Groupon and Goldstar are used by presenters to move slow-selling inventory; and (c) independent brokers, also called scalpers, buy blocks of tickets to popular events on their own account and resell them on a secondary market.

Recent Trends

Performing arts companies have been the fastest-growing component of the Arts, Entertainment, and Recreation sector since 2002, just as live entertainment has been the fastest-growing category of recreation spending. However, total revenue appears to have peaked in 2011 and subsequently declined slightly in 2012 and 2013. In addition, preliminary results from the 2012 Economic Census suggest that even these estimates may be overstated (see endnote 7). Despite some uncertainty about the absolute level of revenue, however, we can still make some observations about trends using a combination of Census reports.

First, while industry revenue grew from almost $11 billion in 2002 to more than $15 billion in 2011, all of the net growth was in the for-profit sector (see Figure 5.9). Nonprofits rose in the early 2000s, peaking at $6.3 billion in 2006, but then fell in 2007, before the official start of the Great Recession, and continued to fall through 2010. Nonprofit revenue has since stabilized, reaching almost $5 billion in 2013. But given the growth of for-profits, the nonprofit share of industry revenue in 2013 was only 32 percent, a decrease from 47 percent in 2006.

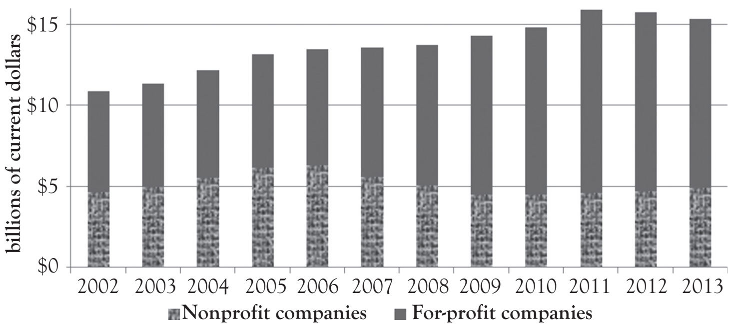


Figure 5.9 Performing arts company revenue by tax status, 2002–2013

Source: Census Bureau's 2013 Annual Services Report (November 2014), employer companies only.

Second, revenue versus expense has differed starkly between for-profits and nonprofits. It is no surprise that for-profit firms would have higher profit margins, but the Census's services reports show nonprofits going well into the red in 2006—before the Great Recession—and running significant deficits until 2010 (Figure 5.10). This reflects the overexpansion of the not-for-profit sector that started to become evident in the 1990s, as discussed in Chapter 4. Nonprofit capacity and expenses have been more or less in balance since 2010, however, resulting in modest but life-saving annual surpluses.

The recent decline in for-profit performing arts company revenue is consistent with the flattening of live entertainment PCE as reported by the BEA. The underlying causes are not clear (see endnote 5). It is worth noting that in terms of revenue versus expense, the for-profit sector has maintained margins in the 16 to 20 percent range, only falling below that in 2008.

Given the long-term pattern of for-profit growth and profitability compared with nonprofit shrinkage and breakeven, one might expect an increase in the number of for-profit firms and a decrease in the number of nonprofit firms. In fact, the Census data consistently show just the reverse: The overall number of performing arts companies has been falling, but the sharpest decline is among for-profits (see Table 5.9). Some of the for-profit decline has been in the "other" segment (circuses, ice skating, magic shows, etc.). But the numbers are also down in theater and music, so perhaps we are seeing something of a shakeout.

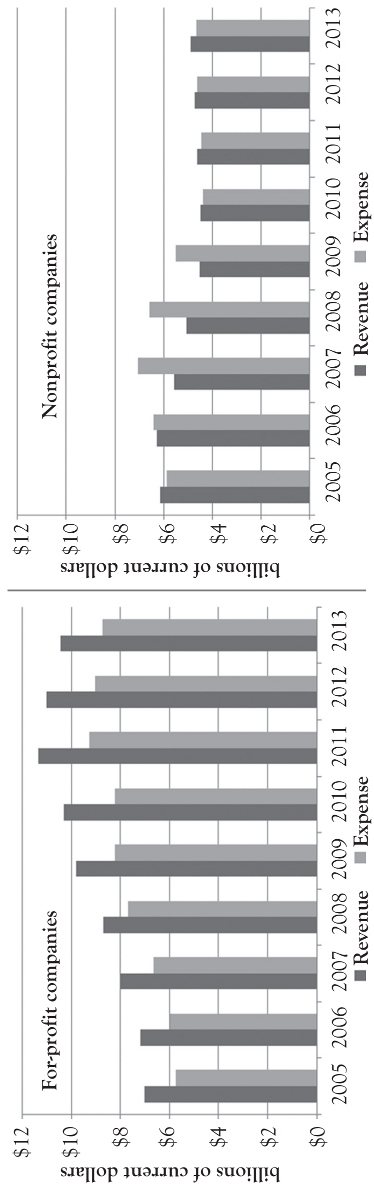


Figure 5.10 Revenue and expense of U.S. performing arts companies, 2005–2013

Source: Census Bureau's 2013 Annual Services Report (November 2014), employer companies only.

Table 5.9 Number of performing arts companies by tax status

	Number of establishments					% Change 2002–2012
	2002	2007	2010	2011	2012	
For-profit	5,236	4,899	4,733	4,766	4,608	−12.0
Nonprofit	4,067	3,939	3,916	3,945	3,941	−3.1
Total	9,303	8,838	8,649	8,711	8,549	−8.1

Source: Census Bureau. Data for 2002, 2007, and 2012 from Economic Censuses of those years; data for 2010 and 2011 from County Business Patterns (released May 2014).

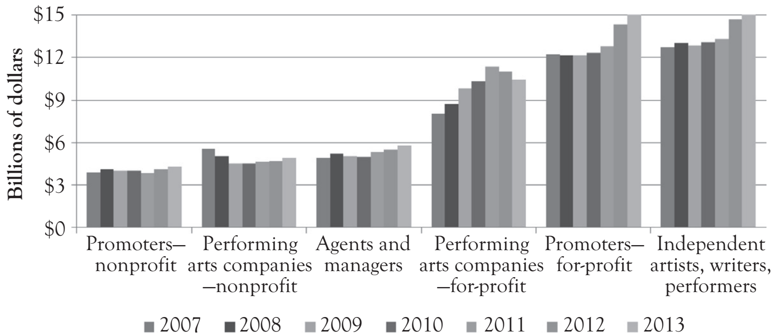


Figure 5.11 Revenue trends: performing arts companies, promoters, agents, and independents, 2007–2013

Source: Census Bureau, 2013 Annual Services report, Table 2, Estimated Revenue by Tax Status for Employer Firms, November 19, 2014.

Promoters, agents, and independent artists, meanwhile, seem to be doing the best among the live entertainment industries. Census sources consistently show ongoing growth since the early 2000s in number of firms, revenue, employment, and other metrics (Figure 5.11 shows revenue trends of major industry groups by tax status). The data on promoters and agents include sports and other fields, making it difficult to draw conclusions about the performing arts component. However, we will return to the independent artist industry group in our discussion of the performing arts workforce in Chapter 6.

CHAPTER 6

Performing Artists and Their Unions

In most industries, a discussion of the workforce might look at labor-management relations, compliance issues, and adequacy of supply in numbers and training. In the performing arts, artistic labor is not only central to the product—in most respects, it *is* the product. So a look at the nature of the performing arts workforce is important in understanding the industry. Given the prominent role of organized labor in this industry, we will also examine the development and activities of the major performers' unions.

Studying the workforce requires defining it, which is not always obvious for performing artists. Who is a musician, for example? People who make a living as instrumentalists or singers are obviously musicians. But what about part-timers who have regular, paying gigs and who may or may not be looking for full-time work? Churches are a major employer of music directors, but it is rarely a full-time position. We might set a threshold in terms of percentage of total income from music, but data would be limited, and some people consider themselves musicians even if they depend on income from other sources. What about music-related occupations that are not about performing, such as songwriters, arrangers, and music teachers? There are about 50,000 music teachers in public secondary schools alone, and no doubt many perform on the side. There are also employees of performing organizations who have purely administrative duties.

We could raise similar questions for actors and dancers. The answer depends on what and how one is measuring and, practically speaking, what data are available. For example, the U.S. Bureau of Labor Statistics (BLS) uses an occupational classification system that defines occupations largely by observable activities. It includes 840 occupations grouped hierarchically like the industries in the North American Industry

Classification System (NAICS). To pursue our example, two groups pertain to music:

27-2041 Music Directors and Composers: Conduct, direct, plan, and lead instrumental or vocal performances by musical groups, such as orchestras, bands, choirs, and glee clubs. Includes arrangers, composers, choral directors, and orchestrators.

27-2042 Musicians and Singers: Play one or more musical instruments or sing. May perform on stage, for on-air broadcasting, or for sound or video recording.[1]

There are similar pairs of occupations for theater and dance. There are also many nonperforming and backstage occupations, including agents and business managers of artists, performers, and athletes; audio and video equipment technicians; sound engineering technicians; ushers, lobby attendants, and ticket takers; costume attendants; and makeup artists, theatrical and performance. However, our focus here is on performers and directors. Toward the end of the chapter we will also take a brief look at creators and copyrights.

Characteristics of Performing Artists

This section examines the size and demographics of the workforce, the types of employment available, salaries, the audition process, and the experience of working in this industry. Using data from the Census, BLS, and other sources, we expand on characteristics that were introduced qualitatively in Chapter 2:

- Powerful, noneconomic motivations—substantial investment in training and personal commitment to the work (*"what I did for love"*)
- Many more applicants than openings, but healthy incomes for a few at the top (*steep, stratified pyramid*)
- Large numbers of occasional and potential entrants, including teachers, semiprofessionals, and talented amateurs (*part-time and volunteer performers*)

Industry Data on Workforce Size and Composition

We begin with Census data, which classifies performing artists by NAICS industry and employment status. Performing arts companies (industry group 7111) had 118,732 **paid employees** in 2012, payroll expense of $3.9 billion, and average payroll expense per employee $32,818, as shown in Tables 5.3 and 6.1. In addition, there were 67,984 nonemployer performing arts companies with no paid employees (Table 6.1). Almost all of these were **sole proprietorships** that perform as contractors and receive 1099 income. Adding the performing arts company employees and the self-employed proprietors with no employees suggests an industry workforce in 2012 of almost 187,000.

This figure of 187,000 includes freelance instrumentalists and singers, who are classified with performing arts music companies in industry group 7111. But it does not include freelance actors, dancers, choreographers, music directors, composers, and arrangers, who are classified as independent artists, writers, and performers in industry group 7115. This group, in total, had 41,117 employees in 2012, plus a staggering 749,000 nonemployer firms, which had more revenue—$16 billion—than performing arts companies.

However, industry 7115 also includes writers, painters, photographers, sports announcers, fashion models, and a long list of other professionals. Unfortunately, for our purposes, the Census does not get more granular. If we assume that the performing artist component of industry 7115 is only 10 percent, it adds another 75,000 to our previous estimate, bringing the total workforce to over 260,000. Although the Census industry data does not distinguish managers and administrative staff from performers, other data sources suggest that 260,000 is a reasonable ballpark number.

Table 6.1 yields two other insights about the performing arts workforce. It can be calculated from the data that nonemployer revenue averaged $21,710 in 2012, which was significantly less than the average payroll expense of $32,818 for employer firms. This suggests that many nonemployers only had part-time work. Between 2007 and 2012, moreover, the number of nonemployers increased 27 percent, while the number of employees fell by 7 percent. This suggests that job cuts by

Table 6.1 Employer and nonemployer workforce size and compensation, 2007 and 2012

	Employers			*Nonemployers*		
A. *Workforce size*	**Number of employees**			**Number of firms**		
	2007	**2012**	**% change**	**2007**	**2012**	**% change**
Performing arts companies (7111)	127,648	118,732	−7.0	53,446	67,984	27.2
Promoters (7113)	121,395	130,207	7.3	39,790	51,826	30.2
Agents and managers (7114)	18,676	17,491	−6.3	33,757	38,440	13.9
Independent artists, etc. (7115)	48,321	41,117	−14.9	698,856	748,921	7.2
B. *Compensation*	**Payroll ($ millions)**			**Income ($ millions)**		
	2007	**2012**	**% change**	**2007**	**2012**	**% change**
Performing arts companies (7111)	3,980	3,897	−2.1	1,132	1,476	30.3
Promoters (7113)	2,957	3,128	5.8	1,584	2,081	31.4
Agents and managers (7114)	1,694	1,871	10.4	1,294	1,517	17.2
Independent artists, etc. (7115)	5,072	5,844	15.2	14,299	16,186	13.2

Source: Census Bureau. Employer data from 2007 and 2012 Economic Censuses; nonemployer data from County Business Patterns and Nonemployer Statistics.[2]

performing arts companies during the Great Recession forced many into self-employment as well as part-time work. Both groups—those who kept their jobs and those who became self-employed—more or less held their own against inflation (e.g., among employer firms, payroll costs fell 2 percent, while the number of employees fell 7 percent, so payroll per employee went up).

The longer-term trend in performing arts company employment can be seen in more detail in Figure 6.1, which breaks out theater, music, and dance companies, going back to 1998. The industry enjoyed strong job growth into the early 2000s, but most of the gains were lost after 2007. For music and dance, the decline actually began earlier. Theater

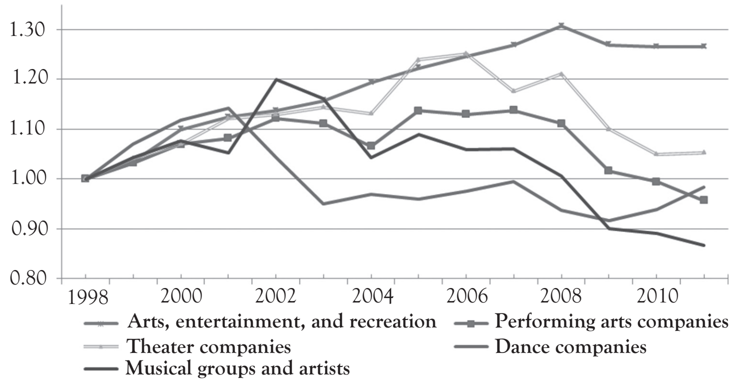


Figure 6.1 Employment trends in performing arts industry segments, 1998–2011 (index 1.00 = 1998)

Source: Census Bureau's County Business Patterns.

employment has been relatively stronger, but other entertainment industries, such as sports, have done better. Promoters have also had strong employment growth, probably due to increased staffing for venue operations, when average pay is relatively low. Overall employment in the arts, entertainment, and recreation sector, consequently, has grown faster than performing arts companies, especially since 2007.

Census data also permit calculation of common metrics of industry analysis such as labor intensity and revenue per employee (see Table 6.2). As might be expected, performing arts companies (industry 7111) are relatively labor-intensive, with payroll at about 30 percent of revenue, and independent artists (industry 7115) are even higher, at 40 percent. Some anomalies also result, which require further examination; for example, revenue per employee for "other music groups" is higher than other performing arts company segments mainly because they are staffed by owners and have few employees; revenue per establishment (Table 5.6) is quite low.[3]

Household Data on Employment and Demographics

A second source is the BLS's Current Population Survey (CPS), a monthly sample survey of about 60,000 households conducted for BLS by the Census Bureau. Respondents are asked about members of their

Table 6.2 Labor intensity in performing arts and related industries, 2007

	Revenue ($ millions)	Number of employees	Revenue per employee ($)	Payroll as % of revenue
Performing arts companies (7111)	13,574	127,648	106,338	29.3
Theater (7111102)	5,377	49,890	107,773	27.9
Dance (71112)	597	8,614	69,295	36.1
Symphony and chamber (7111301)	1,746	24,312	71,818	40.4
Other music groups (7111309)	3,372	16,721	201,672	23.8
Promoters with facilities (71131)	9,785	98,816	99,023	20.5
Promoters without facilities (71132)	6,337	22,579	280,676	15.1
Agents and managers (7114)	4,919	18,676	263,361	34.4
Independent artists, writers, etc. (7115)	12,755	48,321	263,958	39.8

Source: Census Bureau's 2007 Economic Census.

household, their job market participation, and other variables, and classified by the interviewer, based on standardized criteria. Households roll in and out of the sample according to a structured schedule that provides for comparability over time.

BLS classifies performing artists in a major group called Arts, Design, Entertainment, Sports, and Media Occupations. This approximates the "creative sector" discussed earlier and provides a high-level benchmark, although it includes fashion designers and broadcast engineers as well as jobs found in NAICS 711. Among performers, stage, screen, and television actors are reported together as a single group, given their relatively small number; directors and producers in stage, film, and TV are similarly aggregated; and music directors are reported with musicians.

The CPS data add up to about 330,000 performing artists in 2013, counting employed and unemployed. Consistent with the steep pyramid, unemployment rates are considerably higher than the U.S. average of

7 percent, especially for actors, with a 32 percent unemployment rate in 2013, and dancers at 17 percent. Performing artists are also much more likely to be self-employed. This is consistent with the large number of nonemployers and independents in the industry data, and suggests that they are, by necessity, fairly entrepreneurial. Musicians were highest, at 49.5 percent—that is, half of all musicians with jobs in 2013 were self-employed—compared to 11 percent for the workforce overall and 30 percent for the major group of creative occupations (see Table 6.3; some live entertainers such as comedians are not shown). Some self-employers are incorporated, for example, as a limited liability corporation (LLC), but most are not.

For purposes of comparison, employment in professional sports (athletes, umpires, and coaches) was 288,000 in 2013, slightly less than the number of performing artists, but with lower rates of self-employment (17 percent) and unemployment (8 percent). Sports company revenue growth was generally faster and smoother than that of performing arts companies.

CPS also provides demographic information. With the notable exception of dance, performing artists are more likely to be male and have higher education degrees than average (Table 6.4). Among musicians, for

Table 6.3 Employment characteristics of performing artists, 2013

	Employment		Unemployment	
	Total number (in thousands)	Self-employed (% of total)	Number (in thousands)	Rate (%)
Total U.S. workforce age 16 and above	143,929	10.9	10,212	6.6
Arts, design, entertainment, sports, media	2,879	29.6	216	7.0
Musicians, singers, composers, etc.	202	49.5	20	9.0
Actors	46	26.1	22	32.4
Dancers and choreographers	19	31.6	4	17.4
Producers and directors	150	24.0	8	5.1

Source: BLS, Current Population Surveys.[4]

Table 6.4 Demographic characteristics of performing artists, 2013

	% women	% white	% higher education
Total U.S. workforce age 16 and above (for higher education, age 25 and above)	47	80	38
Arts, design, entertainment, sports, media	47	85	65
Musicians, singers, composers, etc.	30	81	61
Actors	41	81	55
Dancers and choreographers	71	54	31
Producers and directors	37	89	72

Source: BLS, Current Population Surveys.

example, 30 percent are women versus 47 percent for the overall workforce; 61 percent have bachelor's degrees versus 38 percent overall, and 29 percent have postgraduate degrees. Producers and directors are even more likely to be white and have college degrees (although they have fewer postgraduate degrees than musicians).

Dance is an exception on all three dimensions: Dancers are predominantly women, racially diverse, and less likely to have finished college. Far more girls take dancing lessons than boys, so the gender divide starts early. Ethnic dance is an important genre, with high representation among blacks and Hispanics; Asians are highly represented too, especially in ballet. Regarding education, the physical demands of dance favor young bodies—most dancers peak in their 20s—so many skip college and go right into professional dance companies if they have the opportunity. (Boston Ballet recently began a special degree program for its dancers to study at Northeastern University, which has long experience in work–study programs.)

In terms of job growth over time, performing arts employment has been growing faster than the overall work force since at least the 1980s, according to CPS statistics. From 2000 to 2013, total performing arts employment was up 20 percent versus 5 percent for the overall U.S. workforce and 8 percent for the larger category of creative occupations. However, although performing arts jobs have made a relatively fast recovery since the Great Recession, they are still below their prerecession peak in 2005 (see Figure 6.2). Creative occupations overall also recovered

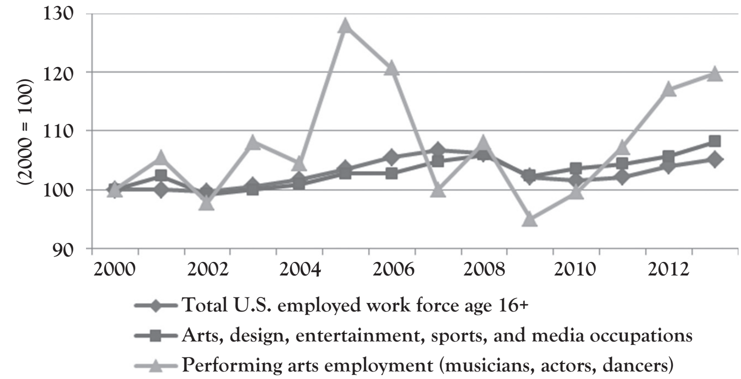


Figure 6.2 Changes in employment levels, 2000–2013

Source: BLS, Current Population Surveys.

Table 6.5 Performing arts employment (number in thousands)

	2000	2005	2010	2013
Musicians, singers, composers	164	213	182	202
Actors	24	41	25	46
Dancers and choreographers	35	31	15	19
Producers and directors	135	124	152	150

Source: BLS, Current Population Surveys.

faster than average but, curiously, they had lagged the average before the recession.

CPS time series data by art form is limited. Jobs for actors and dancers grew faster than those for musicians in the 1990s. From 2000 to 2013, the number of actors and musicians rose 32 percent, though with significant swings up and down in between, while the number of dancers declined (see Table 6.5).[5] The variability in reported performing arts employment is partly explained by the large number of self-employed and semiprofessionals who take performing arts jobs when available and find other work when not. However, the volatility in the employment data at the art form level suggests issues with sample size and standard error as well.

In addition to surveying households, BLS surveys employers through the Occupational Employment Statistics (OES) program, which reports on wages and the hiring outlook. (Self-employed people are excluded, so OES

Table 6.6 Wages and projected job growth

	Median hourly wage, 2012 ($)	Job growth 2012–2022 (%)
All occupations (bachelor's degrees and above)	29.10	14
Performing arts occupations		
Musicians and singers	23.50	5
Music directors and composers	22.77	5
Actors	20.26	4
Dancers and choreographers	15.87	13
Producers and directors	34.31	3

Source: BLS, Occupational Outlook Handbook, 2014.[6]

job counts generally run lower than CPS.[7]) OES data in Table 6.6 confirm that performers earn less than other jobs with comparable education; dancers, who are less likely to have a college degree, are at the bottom, and only producers and directors earn above-average wages. Job growth is projected to be much slower as well, except, interestingly, for dancers, perhaps to make up for the decline in employment since 2000 (shown in Table 6.5).

Professional Training and Higher Education

An amateur can have good and bad days, but a professional is expected to perform flawlessly day in, day out. Even for the naturally gifted, a serious investment in training is necessary, especially in music and dance, where most professionals started taking lessons and showing aptitude at an early age. For example, the Metropolitan Opera orchestra's 96 full-time musicians started music lessons at age seven, on average, although some later changed to a different instrument. The prodigy Yo-Yo Ma, whose parents were professional musicians, started on the violin at age three, settled on the cello a year later, and gave a public concert at age five. In acting, on the other hand, it is rare for child stars to continue successful careers as adults; child and adult actors apparently require different skills and are judged on different scales.

Only a fraction of children who take music or dance lessons move to the next step and undertake professional training, consistent with the steep, stratified talent pyramid. The choice to pursue professional training is increasingly made in high school, but a performer's career direction can take longer to unfold, depending on talent, ambition, and circumstance. For physical reasons, as we have noted, dancers start earliest, while singers take longer. The conventional preparation for opera singers is daunting. In addition to years of training in vocal technique and repertoire, they need to study acting, movement, and languages—at a minimum, phonetics and Italian, German, and French diction. On the other hand, the popular crossover tenor Andrea Bocelli started music study at age six and won a singing competition in his teens, but he trained to be a lawyer first before trying to sing professionally in his 30s.

Formal professional training through degree programs has become the norm, supplemented by certificate programs, workshops, coaching, and learning from experience at amateur and semiprofessional levels. In the Met orchestra, 92 percent have bachelor's degrees and 68 percent also have master's degrees, all but one of them in music. This institutionalization of professional training is relatively recent. Training in performance was formerly gained in private studios and apprenticeships. Only a handful of American music conservatories and universities had degree programs in the early 20th century, and the universities initially focused on music history and composition, not performance. Many Americans would go to Europe to study music. Degree programs in dramatic performance or dance were even rarer, but all are well established today.

In 2011–2012, U.S. colleges and conservatories awarded 29,244 bachelor's degrees in the core performing arts disciplines of music, theater, and dance, plus about 8,086 master's degrees and 1,422 doctorates (see Table 6.7). The relative proportions of undergraduate degrees by discipline are roughly parallel to the job market. Music accounts for more than 50 percent of the performing arts bachelor's degrees, theater arts are second, and dance a distant third. Postgraduate study is much more skewed. Music accounts for 75 percent of the master's and 95 percent of the PhDs. (Some critics of modern music claim that classical music lost its mass appeal in the 20th century because it became too academic.)

Not all performing arts degrees are in performance and not all fine arts graduates aspire to be performing artists, but the number that do is still large. About 40 percent of the 21,857 music degrees awarded in

Table 6.7 U.S. higher education degrees in performing arts, 2011–2012

	Bachelors	Masters	PhD	Total
All degrees	1,791,046	754,229	170,062	2,715,337
All visual and performing arts	123,788	25,417	3,150	152,355
Music	14,588	5,960	1,309	21,857
Theater	11,260	1,883	100	13,243
Dance	2,143	243	13	2,399
Music management	1,253	0	0	1,253
Performing arts subtotal	29,244	8,086	1,422	38,752
Music teacher education	3,780	1,253	55	5,088

Source: National Center for Education Statistics, U.S. Department of Education.[8]

2011–2012—9,000 in total, counting bachelors, masters, and PhDs—were in instrumental or vocal performance. General music, history, theory, and composition accounted for the rest. There were an additional 5,088 degrees in music education and 1,253 in music management. Relative to the existing workforce—102,000 earning wages, 100,000 self-employed, and 20,000 unemployed in 2013 (see Table 6.3)—the increasing supply coming out of schools is enormous.

The proportion of performance degrees among theater arts majors is less clear. Government statistics report fewer than 600 acting degrees out of 11,260 bachelor's degrees in theater or drama in 2012, but this appears to omit a large number of bachelor of fine arts (BFA) students majoring in drama performance. At New York University's Tisch School of the Arts, one of the nation's largest arts school, the drama department's BFA program alone graduates about 300 actors each year. (Note that while film studies and cinematography are separate fields, acting programs typically cover film and TV as well as live theater.) In addition, Tisch has hundreds of graduates each year in dramatic writing (plays and screenplays), design, production, dance, recorded music, and graduate programs, in addition to its undergraduate actors.[9] Professional training at the bachelor's level has expanded across all these theatrical disciplines since the 1990s, and there are more than 200 other drama schools besides Tisch with comparable degree programs competing for students.

Despite the institutionalization of professional training, one-on-one lessons and coaching are still critical to artistic development. In many departments, particularly classical music, the faculty's reputation is critical, and schools compete for top-flight teachers, such as principal players in a major orchestra. Conveniently, most established professionals in classical music also teach—it is almost part of the musician job description. Dancers are more likely to teach when their performing career is waning. Teaching by actively performing actors varies, in part because there are fewer theater companies with long-term predictable jobs that could be a platform for teaching, and when actors do have jobs, they are often too busy to teach.

Until the Great Recession, the number of performing arts graduates was growing substantially faster than average. From 1995 to 2009, for example, the number of bachelor's degrees in music, theater and drama, and dance increased at 4 to 5 percent annually versus 2.5 percent for all degrees (see Table 6.8). The recession, however, appears to have put a damper on such study, especially in music, although dance continues to grow from a smaller base. Even with a slowdown, there are thousands of new performing arts graduates each year, which undoubtedly puts pressure on the large existing supply of employed and unemployed performers.

Table 6.8 U.S. bachelor's degrees in performing arts and related fields

	Number of degrees granted			CAGR (%)	
	1995–1996	2008–2009	2011–2012	1995–1996 to 2008–2009	2008–2009 to 2011–2012
All degrees	1,164,792	1,601,368	1,791,046	2.5	3.8
All visual and performing arts	49,296	89,140	123,788	4.7	11.6
Music	8,713	15,481	14,588	4.5	−2.0
Theater	6,217	10,374	11,260	4.0	2.8
Dance	925	1,818	2,143	5.3	5.6
Music management	0	1,632	1,253	NA	−8.4
Performing arts subtotal	15,855	29,305	29,244	4.8	−0.1
Music teacher education	2,786	3,595	3,780	2.0	1.7

Source: National Center for Education Statistics, U.S. Department of Education.

Given the difficult job market, schools increasingly emphasize on career planning, teaching as an option, creating performance opportunities entrepreneurially, cultivating an audience using the Internet and social media, and so on. Technical and business training and commercial opportunities in the recording studio and sound stage are also important. Berklee College of Music in Boston, for example, is built around contemporary music and offered some of the first programs in areas such as electric guitar, film scoring, songwriting, electronic production, hip-hop, and video game music. In a city with significant musical and academic competition, Berklee graduates about 1,000 annually, more than the next three music schools combined.[10]

Finding Work in the Performing Arts

Performers are *interpretive* artists, and artistic mastery is more than playing the notes or reciting the lines correctly. There is the hard-to-define quality of imbuing the notes or lines with meaning, character, and audience appeal. Given the supply–demand imbalance, achieving a level of artistic mastery is necessary for finding a job, yet even that is no guarantee. It takes time, persistence, and often a bit of luck to break into the business. For every Edwin Barker, principal double bass of the Boston Symphony since 1976, who won the job at age 22 shortly after graduating from New England Conservatory, there are hundreds of performers who are glad to find small, paying gigs with lesser-known groups and many who go no further.

Performing arts companies offer different kinds of job opportunities. Large music and dance companies are likely to have permanent artistic payrolls, while theater companies typically cast from show to show. Job openings (with W-2 income) fall into four main categories:

- **Permanent** position at a standing, resident company. The job can be full-time and salaried or part-time and paid per service, but typically extends from year to year. Companies include most professional symphony orchestras and dance companies, larger opera companies that have their own chorus and orchestra, church choirs that pay their soloists and section leaders, and some chamber music groups.

- **Seasonal** position with a group formed for a limited series of performances, such as a tour, a summer concert series, a festival, or the run of a theatrical show. Large regional theater companies present five to seven shows a year, each with a different cast; very few maintain a permanent acting staff. A Broadway show that may run for years also falls into this category, because there is no expectation of permanence for the show or the performers. (Television offers similar positions, such as *The Tonight Show* band.[11])
- **Substitute**, extra, or swing position with a standing or seasonal company. Subbing is a standard practice in orchestras, given schedule conflicts, illness, and so on. Getting on a sub list may require auditioning, but can lead to ongoing and extended work, such as replacing a player on a leave of absence. Orchestra extras are typically hired on a more ad hoc basis to fill unusual requirements of a piece, such as a symphony calling for eight horns (even the largest orchestras only have five or six on staff). Theater is somewhat different: Understudies are designated cast members, often in the chorus, who are responsible for covering principal roles; extras appear on stage in nonspeaking background roles and have less responsibility; swings understudy chorus parts and are not otherwise on stage.
- **Casual** position with a one-off ensemble (or "pickup group") formed for a single event, such as a wedding, graduation, special church concert, the reading of a new playwright's play, and so on. Contractors or casting agents may be charged with assembling personnel, or the author or lead performer may handle it, and the hiring process may be formal or informal.

In addition to performing arts company jobs, there are **commercial employment** options, mostly involving studio or sound stage recording rather than live performance. Advertising and industrial video shoots generate thousands of casting needs, although each call is typically for a few days or, at best, weeks. Theme parks, resorts, and cruise lines hire thousands of actors, dancers, and musicians, many on a permanent basis. Most jobs are far from what was studied in school—playing character roles such as Mickey Mouse or Marilyn Monroe for passers-by, say—but there are staged performance events too.[12]

Aspiring performers have another alternative—**self-employment**, working on a freelance basis from gig to gig, as an individual or in an organized group such as a comedy troupe, singing group, garage band, or chamber group that stays in business as long as it can find bookings. This option is most common in music, as noted earlier (see Table 6.3), and for some, it may be more lucrative than working for a paycheck. Singer-songwriters and other nonstandard job descriptions are particularly likely to be self-employed.

Auditions are the most common route to winning a job. Jobs at most large performing arts companies are covered by union contracts with the Actors' Equity Association or the American Federation of Musicians (discussed in the next section). These contracts typically stipulate formal audition procedures, although there are variations by company and position.

Acting and dancing jobs, whether as principal, chorus, understudy, or swing, are announced and filled through casting calls and auditions. Since most theatrical productions are cast one show at a time, actors need to audition frequently. Employers with Actors' Equity contracts are required to conduct first-come-first-serve auditions for Equity members before taking talent agent submissions or the general public (an exception is made for preselected superstars). Larger producers often outsource the audition and selection process to independent casting agencies, some of which handle film, TV, and new media, as well as theater (an audition for film entails a screen test). The Casting Society of America, founded in 1982, is the main professional organization and boasts 600 members.

For aspiring orchestral musicians, auditions are also a way of life. The members of the Metropolitan Opera Orchestra, for example, took nine auditions on average to reach their positions; one member had 50 auditions. Unlike actors who have to try out show by show, most professional orchestra positions are tenured, even in part-time orchestras, and personnel turnover is slow. Orchestras typically have only three or four vacancies up for audition in a given year, and openings outside of the string section are infrequent. Since there is a hierarchy of pay and status, however, an opening in a big-budget, full-time orchestra can have a domino effect as players in smaller orchestras try to move up.

The number of permanent positions has been slightly declining as orchestras downsize, while the supply of applicants has grown. Anecdotal evidence suggests that openings that drew 50 to 100 applications in the 1980s are getting 100 to 200 today.

Orchestra auditions are typically advertised nationally, but unlike Equity theaters, they are by invitation only. Some candidates are invited based on a resume screen, but many are asked to submit a CD first. Those invited to audition are given a list of orchestral excerpts and solo material for their instrument to prepare. Sight-reading may also be required. First- and second-round auditions are generally conducted blind, behind a curtain or scrim; some orchestras even use padding to muffle candidates' footsteps so their gender cannot be guessed. A first-round candidate has no more than 10 minutes to perform flawlessly, and in a way, that stands out from other excellent players in order to get to the semifinals, which can run 20 or 30 minutes. Given the substantial preparation required, the high personal investment of self, and the relative infrequency of opportunities, an orchestra audition can be a harrowing experience.

Unlike theater casting directors, an **orchestra audition committee** is composed of musicians as well as the music director or his designee. The musician members include principal players from the section involved (strings, woodwinds, etc.) plus some section players. In some orchestras, the members are elected by the entire orchestra according to a ranking scheme (a certain number of principals, a certain number of players from the section, etc.). Each round entails a balloting procedure, with one vote each for the musicians and an equal number of votes for the music director. The winner is on probation for a year, after which the committee meets again and decides whether to grant tenure and a permanent contract. Given the time and expense of auditions (the musicians on the committee get extra pay), a winner is the ideal outcome, but audition committees are not obliged to select one if they are not happy with the turnout; the company can hire a substitute on a one-year contract and reaudition at a later date.

A striking example of the process occurred at the Boston Symphony in 2012. The orchestra needed to replace two of its four percussion players, one who was retiring after 30 years and another who had been denied tenure after playing three years on probation. Most probationary players win tenure after a year and a retirement is rare, so having two openings was extremely unusual and attracted 294 resumes. Most applicants were asked to first submit a video recording of 14 percussion excerpts, which had to be recorded in the order listed, in one unedited take without breaks and with the candidate visible throughout.[13] (The video portion was for the audition proctor; the committee, in keeping with blind preliminaries, heard only the audio.) Of 74 applicants who sent in DVDs, 35 were invited to audition, suggesting a high-caliber field of applicants.[14]

Aspiring soloists in classical music and opera enter **solo competitions** as well as auditions. Perhaps the most famous was the first International Tchaikovsky Competition in Moscow in 1958, at the height of the Cold War, when the 23-year-old Texas pianist Van Cliburn won first prize in a contest that was designed to showcase Soviet talent. The Van Cliburn piano competition in Fort Worth was established in his honor a few years later and continues to have a high purse and profile. There are scores of competitions around the world, mostly for piano, violin, and voice. In addition to a cash prize ($50,000 for first place in the Cliburn), winners get early exposure, career management assistance, and opportunities to perform. However, the system and its juries have been criticized for failing to identify talent or selecting winners whose careers later fizzled.

The Metropolitan Opera's National Council Auditions is the gold standard in opera. Designed to "discover exceptional young talent" and assist in their career development, its structure is comparable to a national athletic tournament. There are 50 district competitions, 13 regionals, and national semifinals that winnow the field to 9 or 10 for the Grand Finals, which typically selects 5 winners. Since the 1960s, some of the biggest names in opera have come out of the Council Auditions, including Renee Fleming, Deborah Voigt, and Benjamin Heppner.[15]

Salary Scales

Median salaries in the performing arts are below average (Table 6.6), and significant dollars hinge on auditions and competitions. Permanent jobs at large companies can pay solid middle-class incomes, but such positions are scarce. Given the steep, stratified talent pyramid, moreover, compensation ranges widely even near the top.

Orchestra

There are about 50 full-time orchestras employing about 4,000 musicians with a median salary of about $60,000 (author's estimate). Base salaries in 2012–2013 were between $27,449 at the Virginia Symphony (with a 35-week season) and $148,720 at the Los Angeles Philharmonic (52 weeks). Additional pay for doubling, overtime, recording, per diems, and other extras, plus the value of benefits such as health insurance and pension funds, can raise effective compensation by 50 percent or more. Principals earn contractual premiums of 25 percent and often negotiate side deals for additional overscale pay. Concertmasters generally have 100 percent premiums (i.e., double pay) and those at the largest orchestras can earn much more (e.g., about $500,000 at the Los Angeles Philharmonic).

The next tier of the pyramid includes another 200 or more part-time orchestras that pay wages on a piece-rate or **per-service** basis.[16] A permanent job at such an orchestra might pay $5,000 to $10,000, depending on the number of services and rate. Players consequently need to stitch together several of these positions, plus freelancing, subbing, teaching, and other activities, to making a living. California has given rise to a "Freeway Philharmonic" of musicians based in the Bay or Los Angeles areas who drive around the state to work at its many regional orchestras.

A mostly online survey of more than 5,000 musicians and composers in 2011 provides additional (albeit self-selected) data points. The average personal gross income of survey respondents was $55,561, of which $34,455 was from music; 40 percent said they spent 36 hours or more per week doing music, which suggests that 60 percent were less than full-time; more than half said they earned money from three roles or more; and 80 percent had a four-year college degree or higher. The sample self-identified as 35 percent classical, 16 percent jazz, 12 percent rock and pop, and the balance as folk, country, indie, singer-songwriter, and other designations.[17]

Theater

Broadway is the top of the pyramid in theater, and actors in Broadway theaters, which are all under Equity contract, earned a minimum of $1,754 in 2012–2013 in a standard eight-performance week, or about $90,000 if they had the work all year. The minimum for Broadway theater musicians was a comparable $1,636 per week, with extra pay for doubling, appearing on stage, appearing in costume, and so on. Actors' Equity scales for eight performances outside of Broadway were $908 per week for the larger companies and, going down the pyramid, $583 for the smallest, with a sliding scale for fewer than eight performances (e.g., $583 drops to $364 if there are only six performances). This would suggest annual salaries of between $30,000 and $45,000, but few actors find 50 weeks of work each year, and few regional theaters do 8 shows a week.

Actors' Equity reports that during the 2012–2013 season, only 42.8 percent of its 44,000 members had any theatrical employment at all, which averaged a total of 17 weeks. Fewer than 14 percent of its members had a paying acting job in a given week. Median theatrical earnings were $7,100; 79 percent of Equity members earned less than $25,000 from theater, and only 10 percent earned more than $50,000.[18]

Dance

There are less than 2,000 full-time dance positions, and all but the largest companies perform less than 26 weeks a year. As the youngest and smallest art form, dance pays the least; principal dancers in the largest ballet companies generally make less than principal players in the largest orchestras. Weekly salaries in ballet are scaled by position in the hierarchy (corps, soloist, or principal) and years of experience. In 2013, San Francisco Ballet, the second-largest U.S. dance company, paid 55 dancers for 42 weeks; minimum salaries ranged from $1,113 for first-year corps to $1,590 for third-year soloists and $2,000 for principals. Comparable rates at Houston Ballet, which paid 53 dancers for 44 weeks, were $887, $1,249, and $1,389.

These ballet jobs are near the top of the pyramid—most dancers earn considerably less. A 2012 study of 1,231 dancers in New York City age 21 to 35 (the prime dancing years) found that the average dancer had four dance jobs and one nondance job (typically in restaurants) and earned an average income of $28,000, of which only $15,400 was from dance. Two-thirds earned less than $30,000; only 10 percent earned more than $50,000. The average respondent was aged 28; 84 percent were female and 90 percent had a four-year college degree or higher.[19]

These findings reflect the "what-I-did-for-love" feature of the performing arts. Performers tend to pursue the field for its nonmonetary rewards and are willing to forgo the cash compensation available elsewhere. The image of artist as impractical dreamer or happily starving Bohemian hardly fits performers today—they need to be entrepreneurs.

Soloists and Stars

The economic payoff for the soloists and stars at the top of the pyramid is many times that of the middle, let alone the bottom. A featured part on Broadway might pay $3,000 per week, almost twice the Equity scale, and an established principal might earn $10,000. Superstars Matthew Broderick and Nathan Lane, on the other hand, each earned $100,000 per week in *The Producers* (2004) and *The Odd Couple* (2005). Al Pacino reportedly earned $125,000 per week for a 10-week revival of *Glengarry Glen Ross* (2012) plus 5 percent of profits; the other six actors in the play together earned about $30,000 per week (and the production was profitable largely due to Pacino's name on the marquee). Hugh Jackman and Daniel Craig earned similar amounts for *A Steady Rain* (2009), but took a smaller weekly base salary in return for a percentage of the box office gross. (While these amounts are extraordinary by live stage standards, they are small compared to potential earnings from film.)

Classical music has a similar pyramid. Music directors at the largest orchestras, such as Chicago Symphony's Riccardo Muti and San Francisco Symphony's Michael Tilson Thomas, are paid more than $2 million per year, 10 times what a regional orchestra might pay its music director. A typical soloist with a major orchestra might earn $10,000 to $20,000 for three performances, but is likely to accept half that amount or less at a regional company. A superstar such as Itzhak Perlman might command $100,000 or more for the same work. Top opera soloists can earn $15,000 to $20,000 per performance at the Metropolitan Opera for 4 to 10 performances. (It should be noted that stars and soloists have expenses, such as the 10 to 20 percent commission that goes to talent managers and booking agents.)

More aggregate data are not available, but rock and pop music concerts provide an interesting comparison. According to one study, the share of concert revenue taken home by the top 1 percent of performers more than doubled between 1982 and 2003, rising from 26 percent to 56 percent. The top 5 percent took home almost 90 percent of all concert revenues.[20]

Performers' Unions

Some people associate organized labor with blue-collar or public sector occupations, but it also dominates the performing arts. In fact, the industry is one of the oldest and strongest bastions of unionism in the nation. Unions represent employees throughout the business, whether performing on stage, moving scenery backstage, or ushering front of house. Four unions account for the large majority of professional live performers:

- The American Federation of Musicians (AFM), founded in 1896, represents professional musicians, including symphony and opera orchestra players, musical theater players, studio musicians who record for film, TV, advertising, and other electronic media, and local club date musicians who play weddings, dances, and nightclubs.
- The Actors' Equity Association (AE or Equity), founded in 1913, represents most professionals in live theater, including actors, chorus members, and stage managers. (A sister union, SAG-AFTRA, covers film and broadcasting and represents the 2012 merger of the Screen Actors Guild and the American Federation of Television and Radio Artists.[21])
- The American Guild of Musical Artists (AGMA), founded in 1936, represents soloists and chorus members at all the major opera companies, members of a few independent professional choruses (there are not many), the dancers at most of the major dance companies, and some choreographers, directors, and stage managers.
- American Guild of Variety Artists (AGVA), founded in 1939, represents variety performers in circuses, theme parks, Las Vegas shows and cabarets, comedy and dance revues, magic shows, and auditorium extravaganzas such as the Rockettes at New York's Radio City Music Hall.

In addition to performers' unions, there are unions for directors, authors, and various production crafts and trades. The largest production union is the International Association of Theatrical Stage Employees (IATSE). The Metropolitan Opera, for example, has agreements with 16 unions, and six are with different IATSE locals that represent stagehands, costume, hair and makeup artists, broadcast technicians, box office and treasurers, and scenic artists.

A primary function of unions is to negotiate and enforce **Collective Bargaining Agreements** (CBAs) with employers. Compensation and benefits are key topics, but CBAs also cover work rules, workplace conditions, communications, and many other issues. CBAs can be with a single employer, like the Met, or a group representing many employers, such as the Producers' Association of New England Area Theatres; they can be a one-page letter or 200 pages of rules, procedures, and appendixes. Union membership is mandatory for anyone covered by a CBA except in the seven right-to-work states (Arizona, Florida, Georgia, Oklahoma, Louisiana, Texas, and Virginia).

A **union local** is a branch of the national union that serves as a collective bargaining agent with its own contracts and bylaws. The AFM has 240 locals with assigned geographic jurisdictions. IATSE has 375 locals based on a combination of geography and craft. (For example, IATSE Local 829, also known as United Scenic Artists, represents scenic designers nationwide; Local 28 represents stage and wardrobe workers in Portland, Oregon.) Equity, AGMA, and AGVA operate nationally without locals, although they have field offices to serve members.

For example, the Dallas-Fort Worth Professional Musicians Association, Local 72-147 of the AFM, negotiates multiyear master agreements with regional employers ranging from the $34 million Dallas Symphony Orchestra, with 82 full-time musicians, to Casa Mañana, a $4 million nonprofit theater with a 15-player pit orchestra. Each agreement needs to be approved by a vote of the members covered. Within the terms of the master agreement, the employer then sends individual annual contracts to each covered employee. Groups of employers, such as symphony orchestra companies like Dallas, may also be signers to national agreements negotiated with the AFM regarding issues such as live recording and electronic media (sometimes leading to jurisdictional conflicts between a local and its national union).

Since each AFM local is a bargaining agent, orchestra CBAs tend to be company specific. Actors' Equity more often negotiates with groups of theaters. In the case of Broadway theaters, both Equity and AFM Local 802 in New York have agreements with the Broadway League, which represents Broadway theaters as a group. But CBAs across the industry cover a lot of common ground. There are tables of salary scales by employee category, which are minimums, since employers are always free to pay more (and sometimes do). The employer usually provides a guarantee of employment to a minimum number of employees for a minimum length of employment. In addition, CBAs include **conditions of employment,** such as the scheduling process, rehearsal and performance hours, breaks, overtime provisions, safe and sanitary work conditions, travel policies, audition procedures, and vacations and sick leave. CBAs also include termination, arbitration, and grievance procedures and provide for employer-funded health insurance and pensions.

Some CBA content varies by art form. All types have temperature requirements, usually a minimum of 65°F and a maximum of 85°F (hot weather can be brutal on instruments, although, curiously, ballet contracts often allow up to 90°F). Orchestras often include a provision for sound barriers (players sitting in front of the brass or percussion can get hearing problems), procedures for reseating players (moving someone may imply a demotion), or dividing the orchestra into smaller ensembles (a section player may then be performing as a principal or assistant principal, which pays more). Theater rules may include items such as dressing room requirements (adequate space, lighting, privacy, proximity to the stage, etc.), billing, the use of a raked stage or inclined playing surface (actors could fall), creating smoke and haze effects, staging fights, stunts, and acrobatics, and requesting actors to appear nude.

Directors and authors' unions tend to be more focused on intellectual property rights than working conditions or scheduling. The Stage Directors and Choreographers Society (SDC) broke away from Equity to form their own union in 1959 (film directors have been represented by the Directors Guild of America since the 1930s). SDC has contracts with many of the same theater groups as Equity (such as the Broadway League), but they are shorter and primarily cover fees, royalties, and billing credits. A key requirement is that members receive royalties when their original direction or choreography is used in tours or other spin-off activities. (Touring Broadway productions are generally exact artistic replicas of the original.) Some producers resisted, but when one of Broadway's top choreographers, Bob Fosse, withheld his services on a production of *Little Me*, they were forced to recognize the union.

As shown in Table 6.9, the largest performing arts union today is the backstage employees in IATSE. AFM has lost 30,000 members since 2000, but Equity has held relatively steady and, interestingly, SDC has almost doubled.

American Federation of Musicians

The earliest major musicians' union was the Musical Mutual Protective Union (MMPU), formed in New York in 1863 "to unite the instrumental portion of the music profession for the better protection of its interests in general, and the establishment of a minimum rate of prices to be charged by members of said society … ." By "instrumental portion," the union excluded singers and most pianists. Carl Bergmann of the former Germania Music Society was one of the original incorporators, and more than half of the early members were of German origin.

Table 6.9 Membership in major performing arts unions

	2000	2011	2012	% change 2000–2012
Actors Equity Association	44,000	42,549	42,392	−3.7
American Federation of Musicians (AFM)	110,000	85,039	79,700	−27.5
American Guild of Musical Artists (AGMA)	5,835	7,149	7,071	21.2
American Guild of Variety Artists (AGVA)	3,900	2,800	2,800	−28.2
Stage Directors and Choreographers Society (SDC)	1,326	2,506	2,569	93.7
International Association of Theatrical Stage Employees (IATSE)	100,000	112,461	114,542	14.5

Source: Kushner and Cohen[22] and UnionFacts.com, 2014.

Two key union goals were to establish contract terms that would insulate members from employers' business problems—so theater owners could not fire musicians when business was slow—and to protect members from out-of-town competitors, who were mostly newer immigrants or touring groups from Europe.[23] In 1865, with about 1,200 members, the MMPU struck against New York theater owners and won their contracts.

By 1872, there was a loose national federation and eight locals, each claiming different geographic jurisdiction and publishing detailed **price lists** covering concerts, funerals, picnics, torchlight processions, soirees, watering places, and every other possible musical event. By the 1880s, all the major cities had unions, and by the 1890s, even smaller cities like Butte, Montana, and Cripple Creek, Colorado, were organized. The MMPU in New York was by far the largest, not only because of the size of the New York market but also because touring was a big business and most touring companies operated out of New York.

Along with the price list, another key feature was the **closed shop**. A union's power to compel employers to deal with it depends, in part, on compelling qualified workers to be in the union. Under the closed shop, every member of a group that played for money had to be a member of the local; outsiders had to meet a six-month residency requirement to become eligible for membership; and members were not allowed to play in groups with nonunion members. There were almost no exceptions (sometimes members of other locals were given permission to play, and some locals allowed members to play for money with amateur groups). The French composer Jacques Offenbach conducted the New York Philharmonic Society while on tour in 1876 and encountered the MMPU. He marveled at a union presence unknown in Europe:

> The musicians here have a vast and powerful organization, and have constituted a society, outside of which there is no salvation. Anyone who wishes to join an orchestra must first become a member of the society. There is no exception to this rule; from the leader to the drummer inclusively, all must belong to it.[24]

Offenbach noted a unique feature: The leaders who organized and conducted the orchestras had to be union members themselves (and were often prominent ones). In effect, the early musicians' unions created a **leader system** that incorporated the conductor-manager into the union. The leader found the job, got a contract, hired a band, provided (and often arranged) the music, rehearsed the group, conducted, paid them—and made sure that union rules were upheld. Prominent conductors of the period such as Theodore Thomas, Walter Damrosch, and Victor Herbert were all union members.

The union's power was cemented in an extraordinary incident in 1893. Damrosch had hired a nonunion Danish cellist into the New York Symphony despite the union's objections. Damrosch knew the rules—the cellist had not met the union's residency requirement—but insisted on his prerogative. But when he brought down his baton at a concert in the new Carnegie Hall, the players on stage did not move. They refused to play and held firm despite calls from the audience, and the concert had to be canceled. Damrosch initially resigned from the union in protest, but later backed down and paid his fine. The union, in turn, allowed the Danish cellist to stay as a guest soloist until he met the residency requirement and joined the union. The union made its point, and it emboldened unionizing efforts in Britain and France.[25]

Competition between locals still needed to be addressed. The MMPU claimed jurisdiction over the tour business, as it was dominated by New York–based companies, which meant lost work for musicians in other cities. In 1896, representatives of locals with about 3,000 members met at the invitation of the American Federation of Labor (AFL), and a majority voted to form the AFM to coordinate locals and manage on a national basis. Eventually the MMPU agreed to join, adding several thousand more members. Some outsiders questioned how artists would treat themselves as workers, like cigar makers and longshoremen, but to working musicians, the distinction was (and is) moot; they are both.

By the 1920s, there were more than 100,000 AFM members. The union successfully lobbied the federal government to restrict competition from U.S. military bands and the importation of competing European ensembles. But the union's heyday did not last—a fifth of its members played in silent movie theaters and most were soon out of work. The AFM and its locals fought bitterly against the replacement of theater musicians by talkies. They waged a public relations campaign on the superiority of live music over "canned" and, when that evoked little support, went on strike and picketed movie theaters. But the union could not win a war against technology, and the strikes were ended in 1937.

Striking to share the benefit of technology was a different matter. In 1942, the AFM banned commercial recordings by union members until the record companies agreed to pay musician royalties on each unit sold. The strike went on in the midst of World War II for almost two years. Even President Roosevelt's request to end it in the interest of public morale was rebuffed by the AFM's colorful leader James Petrillo. Early in the strike, the Boston Symphony finally conceded to the union. Eventually the record companies went through their inventory of recordings made before the strike and gave in too. However, the music world changed. The strike had prohibited instrumentalists from recording, but not vocalists. Before the strike, big bands and bandleaders like Tommy Dorsey dominated popular music; afterward, it was vocalists like Frank Sinatra who dominated, and the age of big bands faded away.

In symphony orchestras, the leader system requiring the music director to be a member of the local was at odds with the nonprofit board governance model increasingly prevalent. Symphony music directors, even if they have a union card, have their own separate contract with the board today. In musical theater, on the other hand, most conductors and associate conductors remain members of the bargaining unit.

The AFM still maintains the manager part of the unionized conductor-manager system. All employers are typically required to hire a union member as **music contractor** or personnel manager to recruit players and handle their contracts and logistics. The contractor acts as hiring agent for employer, but also represents the union. He is paid a premium over the base rate and may be a player himself, in which case he is paid for both roles. Unlike casting agents in theater, a music contractor does not hold auditions, but has to select players based on an understanding of their capabilities and what the music director is looking for.[26]

Actors' Equity Association

Actors were somewhat less vulnerable to foreign competitors than musicians, but theater had plenty of risk too. Actors had little or no job security and there was no recourse if a show failed or a producer reneged on commitments. They had no say about schedule and working conditions, were not paid for rehearsals or travel costs, were usually responsible for their costumes, and could lose pay anytime a producer decided to cancel a performance because of poor ticket sales. Touring companies were a particular concern. If a tour failed, actors could find themselves stranded far from home. With the sharp decline in the number of road companies in the face of film competition, this was apparently happening with some frequency.

By 1913, there were unions for stagehands, variety and vaudeville actors, dramatists, and of course, musicians. But forming an actors' union proved to be more difficult. Actors viewed themselves as artists and were more reluctant than musicians to be seen as workers. There were big disparities in actors' incomes from star to journeyman, which weakened a community of interest, and many were on the road much of the time, which made organizing difficult. At the same time, ironically, actors had more bargaining power precisely because of film, which created more job opportunities.

After a few unsuccessful starts, a committee of influential actors rallied about a hundred of their colleagues in 1913 to approve a constitution for what became Actors' Equity. The goals in its Preamble have not changed:

> We hereby constitute ourselves as a voluntary association to advance, promote, foster and benefit all those connected with the art of theatre and particularly the profession of acting and the conditions of persons engaged therein; to protect and secure the rights of actors; to inform them as to their legal rights and remedies; to advise and assist them in obtaining employment and proper compensation; to procure appropriate legislation upon matters affecting their profession.[27]

Producers and theater owners initially resisted and tried to break the union. After some debate, Equity asked to join the AFL in 1916 to gain additional resources. However, the union of variety actors had already been chartered by AFL to represent actors. Equity pressed the distinction between legitimate theater and vaudeville, and eventually an arrangement was made in 1919 that chartered Equity as well. The producers still resisted, however; so with more than 3,000 members, Equity surprised them with a strike. It closed dozens of theaters starting in New York and spreading to other cities, forcing the producers to refund tickets and try to find nonunion actors. Chorus members formed their own union, Chorus Equity (which merged with Actors' Equity in 1955) and joined the strike. After 30 costly days, the producers gave in and agreed to negotiate standardized contract terms through their trade group, the Producing Managers Association.

Compensation and working conditions improved in the 1920s, and the number of Equity members rose to 14,000. Equity did not fight film technology the way musicians fought talkies. In fact, the lines between stage and screen acting have been relatively fluid, and their unions are affiliated under the Associated Actors and Artistes of America (known as the 4 As), an umbrella organization chartered by AFM in 1919.[28] It is worth noting that Actors' Equity took outspoken positions against racial discrimination in theaters and against the blacklisting of alleged communists during the McCarthy period—unlike the Screen Actors Guild.

Comparisons Among Unions

Membership Eligibility

Performers' unions tend to be open and welcoming, unlike some unions in other industries that protect their members by restricting the supply of new workers. Although AFM members are predominantly instrumentalists, almost anyone who likes music can join. Its bylaws state that "all performers on musical instruments of any kind and vocalists, dancers, and support crew or other individuals who render musical services of any kind" are eligible for AFM membership.[29] In practice, musical service jobs such as librarian, orchestrator, arranger, and copyist are usually AFM; singers and dancers at opera and dance companies are mostly AGMA; and chorus members and dancers in musical theater are mostly Equity.

While AFM membership has no prerequisites, Equity requires 50 weeks of experience (tracked as points) working in an Equity theater in any capacity. Membership can be accelerated by winning a role at a theater that is already under an Equity contract or for actors who are members of a sister union (AGMA, AGVA, and SAG-AFTRA).

Closed Shop

Equity and AFM both have a closed shop, although the level of enforcement and reporting varies. Playing with nonprofessionals is allowed in some AFM locals and not others. The logic is that being paid to bolster an amateur group might seem okay, but in some instances, the amateur group may be taking work away from professionals, and even devaluing the work of professionals by performing for free. Equity members can appear with nonprofessionals only if they plan to join Equity, are students, or are "local jobbers" who do not intend to make a career in professional theater. Those who plan to join must register as Equity Membership Candidates (EMCs) and accumulate the required 50 points. A local jobber must be a nonprofessional local resident (living within a 50-mile radius of the theater) and can take only a handful of jobs before being required to join Equity. AGMA, in contrast, allows its members to take nonunion work on the view that performers need all the work they can get.

Dues

A union member making $50,000 a year is likely to pay roughly $1,500, plus or minus, in annual dues to the union. Union expenses include the legal and administrative costs of negotiating and enforcing contracts, managing health insurance, pension, and other member benefits and services, providing for emergency relief funds, scholarship funds, rainy-day strike funds, and so on.

Actors' Equity members pay a one-time initiation fee of $1,100 (over a two-year period), annual dues of $118, and working dues of 2.25 percent of their gross earnings under Equity contracts up to $300,000 per year. AFM dues vary with the local, but are usually around $100 for initiation, $200 for the fixed annual amount (some of which goes to the local and some to AFM), and working dues of 2 to 4 percent of gross income. For example, Local 6 in Chicago collects 2.25 percent for live performance and 4.1 percent for film scores; Local 802 in New York collects

3.5 percent for live performance, but cuts it to 2 percent for educational concerts.

Balance of Power

Measuring the performing arts workforce can be elusive, but among performers who depend on the high arts for their livelihood, union membership probably exceeds 75 percent. This compares to 11 percent for overall U.S. union membership in 2013, down from 20 percent in 1980 and a peak of 35 percent in 1954. How have performers' unions bucked this trend? Clearly, these unions provide a valuable service to their members. But the answer appears to lie more in the nature of the industry. Silent movie musicians could not beat talkies because the main attraction for film audiences was on screen, and the complete synchronization of audio and video was a superior experience. The main attraction for performing arts audiences—so far, at least—has been experiencing the live performers, who are not easily replaced.

Mutual aid among unions should not be overlooked, which helps offset the deeper pockets of theaters and producers. Members of one union are not only reluctant to cross another union's picket line, they are often prohibited. For example, in March 2003, AFM Local 802 went on strike at 18 Broadway theaters on the issue of minimum orchestra size following deadlocked contract negotiations with the Broadway League (then called the League of American Theatres and Producers). Minimums date from the era of house orchestras and are a longstanding issue as more music is electronic and amplified (another case of new technology, but quite different from musicians versus talkies). Recognizing that canceled performances were in no one's best interest, Actors' Equity heard presentations from each side before voting to support the strike. IATSE, the stagehands union, also joined the strike. It lasted four days, brought the positions of both sides much closer, and ended in a compromise after an all-night negotiating session facilitated by New York's Mayor Bloomberg.[30]

Similarly, in 2007, IATSE Local One struck the Broadway League after three months of failing negotiations, the first strike in its history, which AFM, Equity, and other IATSE locals all honored. The union wanted to maintain requirements to employ a prenegotiated number of stagehands at each theater, while the League wanted more flexibility to hire stagehands based on the actual needs of each production. Local One declined Mayor Bloomberg's offer to mediate, and the strike had dragged on for 19 days before a settlement was reached, although the terms were not disclosed to the public.

Creators, Copyrights, and Royalties

The work of playwrights, composers, lyricists, and other creators is the cornerstone of the performing arts, and it is also copyrightable intellectual property. U.S. copyright law, which tries to harmonize with foreign laws, protects works for 70 years after the death of its author or, in some instances, for 95 years after the date of its first publication or performance. Works written before 1923 are in the public domain and may be used or performed freely (occasionally, a new edition is published that extends protection). Much of the high performing arts are public domain—Shakespeare, Beethoven, Ibsen, and Verdi, for example—but a substantial portion of the industry still depends, as it did historically, on new works.

To be protected by copyright, dramatic and musical works "must be fixed in a tangible medium of expression from which the work can be performed," meaning that the work must be preserved or recorded on media such as paper, film, audiotape, or digital storage. There are two kinds of copyrights here: the work itself and a recorded performance of it. When Andrea Bocelli records Irving Berlin's "White Christmas," the record label pays the Berlin estate's publisher for the rights and pays Bocelli a royalty for each recording sold. A live improvisation by a comedian or jazz musician is not copyrightable unless it was recorded in some tangible way. Choreography was not explicitly protected in copyright law until 1976. Stage direction is still not mentioned, but industry practice, legal precedent, and the efforts of the SDC generally give it intellectual property status too.

Creators are represented by talent agents, publishers, performing rights organizations, and professional associations. Creators have two sources of income. They may be engaged by producers, performing arts groups, or other sponsors for a flat fee or commission, and they can earn royalties when their work is performed. Sometimes the fees are treated as an advance on expected royalties.

The blockbuster musical *Wicked*, which opened in 2003, illustrates the potential upside for creators. After a one-month tryout in San Francisco and a substantial rewrite, it opened on Broadway at a cost of $14 million. Through 2011, profits to producers and investors were more than $300 million, counting international and touring productions. Royalties to the three creators were also rich. The composer, the scriptwriter, and the author of the 1995 novel upon which the show is based together earned more than $95 million in royalties through 2011, with composer Stephen Schwartz, who also wrote the lyrics, taking the biggest share. In addition, the production staff earned royalties of $38 million, with the stage director taking more than half and the set designer, choreographer, and costume designer splitting the rest.[31]

Creators usually assign the copyright to a publisher, letting it handle the business end of things in return for a share of the royalties. The largest theatrical publisher is Samuel French Inc., built by an entrepreneur who started in New York in the late 1800s and expanded to London. All four Broadway productions mentioned earlier in connection with star salaries—*The Producers*, *The Odd Couple*, *Glengarry Glen Ross*, and *A Steady Rain*—are Samuel French properties. Other major theatrical publishers are Tams Witmark and Music Theatre International (MTI), both specializing in musical theater. Music publishing differs from theater and has long been associated with recording and record labels. The largest music publishers, both the result of considerable merger and acquisition activity, are Sony/ATV and Universal Music Group. The largest independent publisher is Netherlands-based Imagem, which got its start in 2008 by buying properties Universal had to divest for antitrust reasons.[32]

The Dramatists Guild of America is the closest thing playwrights, composers, lyricists, and librettists have to a union. [33] It began as part of the Authors League of America, which included book and magazine writers, and split off to focus on the live stage. The Dramatists Guild does not negotiate with employers or sign collective agreements, unlike the Writers Guild of America, which represents film and TV writers—theater companies treat playwrights as contractors rather than employees—but it does provides model contracts, legal advice, and advocacy on intellectual property issues.[34]

Mechanical and Performance Royalties

Works that are under copyright protection generate different types of royalties to the copyright holder. **Mechanical royalties** apply when music under copyright is reproduced onto physical media such as CDs, DVDs, digital downloads, digital storage on disk, tape, or flash, and so on. The reproducer—the record label or iTunes, for example—pays these royalties to the copyright holder, usually the music publisher, who then pays an agreed amount to the songwriter. Something similar is when copyrighted music is reproduced on a film or TV soundtrack; this is called synchronization (the term originated with the first talkies) and requires the film or TV producer to pay "sync license" fees to the copyright holder.[35] **Nonmechanical royalties** apply to sheet music and are paid by the publisher to the composer.

Performance royalties apply whenever music is played publicly in any way, whether live, recorded, broadcast, online, in a store, nightclub, or any other public place, as hold music on the phone or Muzak. Again, under copyright law, the royalties go to the publisher and songwriter, not the performer.

Mechanical and sync royalties are relatively easy to track (e.g., Universal Music's CD sales and iTunes' downloads can be audited). Because music is played so often and in so many outlets, however, for performance royalties, the industry relies on two organizations, the American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music Inc. (BMI), known as **performance rights organizations** (PROs).[36]

ASCAP was founded in 1914 by a group of composers and songwriters including Victor Herbert and Irving Berlin and is owned by its members. **BMI** was founded in 1939 by the National Association of Broadcasters, representing the radio industry, as a way to break ASCAP's monopoly. BMI is run as a nonprofit and claims to represent more than 8.5 million musical works created and owned by more than 600,000 songwriters, composers, and music publishers. ASCAP's list is slightly smaller, but generates slightly more revenue.

PROs set blanket licenses and rates depending on the type of outlet and its use of music; for example, an all-music radio station might pay 2.5 percent of gross revenue while a TV station would pay less. Venues are responsible for paying license fees, not performers, and the PROs periodically conduct audits and threaten legal action. BMI's annual rates for eating and drinking establishments, for example, are based on the number of occupants: $2.85 per seat to play recorded music from CDs or MP3 players, $4.35 per seat for live music one night a week, higher rates if live music is more frequent, and additional rates for karaoke, dancing to live or recorded music, and other items. In 2013, ASCAP and BMI each collected about $950 million in revenue, of which about 85 percent was paid out in royalties. ASCAP and BMI compete for member songwriters, who can have only one PRO representative, but most licensees need to contract with both to be legally safe.[37]

Performers' protection under copyright law depends on what they negotiate with the company that owns their recordings, as when the AFM forced the record companies to pay royalties in the 1940s. In orchestral music, the burden is usually shifted to the musicians' employer. Most professional orchestras have both national and local union contracts covering permissions, restrictions, and fees for various types of recording and electronic distribution. Thus, an orchestra may have an agreement with a record company or broadcaster on one side, and with its musicians on the other.

The Internet is creating intellectual property issues besides the well-known problems of piracy and illegal file sharing. **Online music streaming** services such as Pandora and Spotify are the fastest-growing segment of the industry and are governed by different rules than traditional broadcasters and publishers. While terrestrial radio stations can broadcast recorded music without paying royalties (radio stations argue that record labels benefit from the airtime), online services must pay—the question is how much. ASCAP and BMI are constrained by consent decrees with the U.S. Department of Justice, which regarded blanket license requirements as an antitrust violation. But streaming services are free to bypass them and contract directly with music publishers, who have threatened to leave ASCAP and BMI. Many performers feel the rise of streaming is leaving them worse off financially. The complexities of intellectual property are beyond the scope of this book, but it is having a major impact on the industry.

CHAPTER 7

Theater, Orchestra, Opera, and Dance Companies

So far, our discussion of performing arts companies has been at an aggregate level in the context of the industry's historical development in America (Chapter 4) and the larger live entertainment ecosystem of promoters, venues, agents, artists, unions, and other players (Chapter 5 and 6). This chapter takes a deeper look at performing arts companies and their business models and competitive dynamics by art form. We focus on theater and orchestra companies, the two largest segments, followed by briefer reviews of opera and dance.

Performing arts companies come in four basic business types:

- The simplest is a **single production** that performs in a single venue for some length of time, fixed or indefinite. Examples range from a one-off like the Woodstock Festival of 1969, to a Las Vegas show that is booked for a fixed number of weeks and performances, to a Broadway show that could run indefinitely if the weekly box office covers operating costs and the venue and cast are available. (Single-production companies may in turn have owners and investors with multiple interests.)
- A **touring company** takes a single production on the road to multiple venues and markets according to a fixed schedule of bookings, often in business partnerships with local promoters that help handle logistics and marketing. The most common examples are touring Broadway companies and pop and rock concert tours, either of which may be owned by larger corporate entities that operate several such touring businesses.

- A **resident company** has a primary venue and comes back every year with a new season of varied productions; it may also have secondary venues. Resident companies are typically nonprofit and include most repertory theater companies, symphony orchestras, dance companies, and other perennial performing groups. Resident companies may also tour, but it is secondary to their main business.
- A **festival company** is a perennial resident company that has a short, concentrated season measured in days or weeks. Summer is the most common time, when resident companies are dark and their performers and patrons are both available. In keeping with summer, festivals are typically in rural or suburban areas, away from the hot city.

Theater Overview

Theater is the biggest performing arts business; professional theater companies number in the thousands, while professional orchestra, ballet, and opera companies are in the hundreds. Competitive rivalry is highest in theater and barriers to entry lowest.

Legitimate theater has three well-reported segments that correspond to three of the four business types, each with roughly $1 billion in box office receipts (Table 7.1):

- **Broadway**, which is mostly for-profit, refers to a specific group of theaters in Manhattan and the productions that appear in them, which are staged mostly by single-production companies.
- **Touring Broadway**, which is entirely for-profit, licenses the rights to recent Broadway productions and presents fairly exact copies in cities across North America.
- **Nonprofit or regional theater** includes hundreds of resident theater companies in all 50 states that reach a broad audience with a variety of recent works and classics. Nonprofit theater also takes in about $1 billion in contributed income, so by revenue, the for-profit and nonprofit sectors are roughly equal at $2 billion each.

Table 7.1 U.S. live theater box office, 2012–2013 season

	Receipts		Attendance		Receipts per attendee ($)
	$ millions	% of total	Millions	% of total	
Broadway	1,139	36	11.6	19	98.44
Touring Broadway	877	28	13.7	22	64.01
Nonprofits	1,136	36	34.9	57	32.55
Total	3,152	100	61.7	100	51.06

Source: Broadway League, Theater Communications Group (TCG).
Note: Nonprofit receipts = earned income (excludes contributed income).

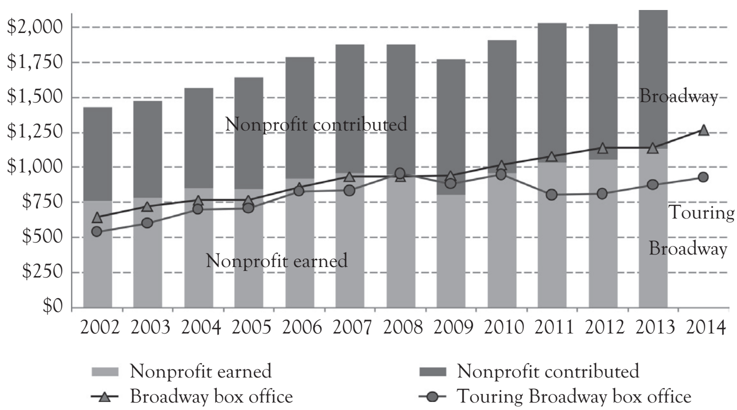


Figure 7.1 Broadway, touring Broadway, and nonprofit theater revenue, 2002–2014 ($ millions)

Source: Broadway League, TCG, U.S. Statistical Abstract.

Revenue for all three segments grew strongly through the 1990s. Although the upward trend continued after 2000, growth has been slower and was clearly set back by the recession in 2009 (see Figure 7.1). Much of the revenue growth, moreover, has been due to ticket price increases, which may not be sustainable.

The number of professional legitimate theater companies is probably under 2,500, although estimates vary. Single-production companies are inherently transient, and many resident companies are small and easy to overlook. The Census Bureau reported 3,260 theater and dinner theater establishments in 2012, virtually identical to the more detailed figures reported in the 2007 Economic Census (Table 5.6). However, the Census uses the North American Industry Classification System (NAICS) 71111 classification, which includes comedy, improvisation, mime, puppet, and other genres. In addition, some companies operate multiple establishments. The Theatre Communications Group (TCG), the trade association for professional nonprofit theater, counted 1,782 such companies in 2012 based on its own membership and Form 990s submitted to the Internal Revenue Service (IRS).[1] On the commercial side, there are probably 200 to 300 Broadway and touring Broadway companies at any given time, and about 100 traditional dinner theater companies, which have been in decline (although interactive and improvisational variants, such as murder mystery dinner theater, have become popular in some cities).[2]

Broadway and Off-Broadway

Broadway is America's theater capital if not the world's; only London's West End is comparable.[3] New works and productions are often incubated in regional theaters or Off-Broadway (or London), but a Broadway run is the arbiter of U.S. industry success. Las Vegas has a huge show business and even more lavish productions, but it tends to follow Broadway. Four observations characterize the state of Broadway today:

- Broadway is dominated by **musicals**, which account for the vast majority of shows and ticket sales.
- Only about 20 percent of Broadway productions recoup their investment costs. A 75 to 85 percent **flop rate** has been fairly consistent for a century, although license fees from touring and international productions can sometimes offset losses.
- The **cost of new productions**, including revivals, has been rising faster than inflation. Risk is endemic and the stakes keep growing.
- Producers have several options to **manage risk**, such as sharing it with coproducers, lining up follow-on revenue streams to augment the Broadway run, modifying the product to reduce production costs, and selecting works and actors with strong brand recognition and appeal.

The Broadway industry defines itself on the basis of physical venues in a designated area, not the companies that perform in them. Specifically, Broadway consists of **40 professional theater buildings** in Manhattan. All have 500 seats or more, ranging from the Gershwin Theater at 1,933 seats to the more intimate Helen Hayes with 597 seats. The average is 1,244 seats and the median is 1,115 seats. All are in midtown Manhattan's theater district, between Sixth and Eighth Avenues from 42nd Street to 54th Street, plus the Vivian Beaumont Theater 11 blocks uptown at Lincoln Center. This definition is used in labor agreements with Actors' Equity and other unions, and in determining eligibility for the Tony Awards, which is Broadway's version of the Academy Awards (or Oscars) in film.

The Broadway League is the national trade association for the Broadway industry, which includes those 40 theaters in Manhattan and the touring companies that take Broadway shows on the road. It was created in 1930 as the League of New York Theatres and Producers mainly to negotiate collective bargaining agreements (CBAs) with theatrical unions. While that is still a major function, the League also conducts marketing and audience development programs, research, lobbying, and other activities to promote the industry. Its 700 members include theater owners and operators, tour operators, producers, presenters, and suppliers.

There are two other groups of professional theaters in New York City that are small in revenue terms but important because they are in the industry capital, where actors and creative types go to be noticed. **Off-Broadway** refers to Manhattan theaters that are smaller than Broadway, with between 100 and 499 seats, and which negotiate with Equity through the League of Off-Broadway Theaters and Producers. According to a trade listing, there are 15 commercial and 17 nonprofit Off-Broadway theaters in Manhattan. In addition, there are several hundred **Off-Off-Broadway** theaters, which are even smaller in size and budget but still pay Equity scales, adjusted for size. Outside New York, such small theaters might be called fringe professional, but being in New York commands both attention and credibility. (Companies, wherever they perform, are considered **semiprofessional** if they pay only a few people and **community** if they pay no one except possibly an honorarium for the director.)

Musicals account for more than 80 percent of Broadway attendance and a greater share of revenue due to higher ticket prices (Table 7.2).

All the long-running productions are musicals. At any given time, 30 of the 40 Broadway theaters are showing musicals. New plays and revivals of existing plays outnumber musicals each year, but they typically have shorter runs in smaller theaters with lower ticket prices. Touring companies are almost exclusively musicals. Nonprofits, in contrast, also perform musicals and have originated some of Broadway's biggest hits, but their main offerings are plays.

The power of long-running musicals can be seen in Table 7.3, with *The Lion King* (opened in 1997) and *Wicked* (2003) still holding the top

Table 7.2 Broadway musicals versus plays in 2008–2009, 2012–2013, and 2013–2014

	Musicals			Plays		
	2008–2009	2012–2013	2013–2014	2008–2009	2012–2013	2013–2014
Attendance (millions)	9.64	9.08	10.07	2.27	2.40	2.04
Gross ($ millions)	775.8	933.9	1,072.5	149.8	186.1	189.5
Playing weeks	1,065	978	1,123	452	437	355
Average paid admission ($)	80.50	102.45	106.50	65.98	82.54	92.99
New productions	14	15	16	24	26	25

Source: Broadway League.

Table 7.3 Top six Broadway shows by box office gross ($ millions)

2008–2009	2012–2013	2013–2014
Wicked ($77M)	*Wicked* ($96M)	*Lion King* ($98M)
Lion King ($63M)	*Lion King* ($96M)	*Wicked* ($97M)
Jersey Boys ($58M)	*Book of Mormon* ($87M)	*Book of Mormon* ($88M)
Mama Mia ($48M)	*Spider-Man* ($68M)	*Kinky Boots* ($67M)
Mary Poppins ($42M)	*Phantom* ($50M)	*Motown the Musical* ($56M)
Phantom ($41M)	*Jersey Boys* ($48M)	*Matilda* ($54M)

Source: Broadway League.

two spots in 2013–2014, and both selling out capacity. Five of the top 10 in 2013–2014 had also been in the top 10 in 2008–2009. The top six shows, all musicals, accounted for 36 percent of total Broadway gross ($460 million of $1.27 billion). In 2012–2013, which was a relatively soft season overall in which several theaters were dark for much of the year, the top six accounted for 40 percent of total.

Production Costs

The **start-up investment** in a new Broadway production averaged about $12 million for a musical and $3 million for a play in 2014. The major capital costs are:

- Creative and design fees (book, script, music, arrangements, set design, costume design, etc.);
- Physical production, such as building scenery and costumes, loading in sound, lighting, and other equipment;
- Rehearsals and fine-tuning, including artistic and tech salaries and rent; and
- Preproduction advertising and publicity.

Production costs have increased 100 to 200 percent since the mid-1990s, compared to general inflation of less than 50 percent. There are three logical reasons for the differential: faster input price increases (such as rent and advertising media), changes in the nature of the product (such as more elaborate sets, costumes, and special effects), and greater use of advertising. A new show has a short window to establish name recognition, and ad and promo budgets can be comparable to film studios, where advance marketing can come to one-third of total cost. In addition, more shows seem to be opening on Broadway with limited or no Off-Broadway tryouts, which raises the stakes and may be pushing costs higher.

Consider *My Fair Lady*, perhaps Broadway's greatest book musical. It opened in 1956 on an investment of $400,000 and ran for a record-breaking six years. At general inflation rates, the original investment would be equivalent to $2.7 million in 2014 dollars (Table 7.4). But plans for a Broadway revival in 2014 were expected to cost $12 to $14 million! In

Table 7.4 Investment cost of selected Broadway productions

Show	Year	Current dollars ($ millions)	2014 dollars ($ millions)
My Fair Lady	1956	0.40	2.7
A Chorus Line	1975	1.15	4.0
Cats	1982	3.9	8.2
Les Miserables	1987	4.5	8.1
Phantom of the Opera	1988	8	14.0
Beauty and the Beast	1994	11.9	17.5
Rent	1996	3.5	4.9
Mamma Mia!	2001	10	12.9
Wicked	2003	14	17.5
Shrek the Musical	2008	26	27.9
Spider-Man	2011	75	78.6

Source: Downs, Wright, and Ramsey;[4] Vogel;[5] Healy;[6] Las Vegas Shows;[7] Flynn and Healy.[8]

1975, *A Chorus Line* reinterpreted the Broadway musical on a modest budget and ran for 15 years, setting records as the longest-running show (until passed by *Cats* in 1997). But big-budget blockbusters imported from London, led by *Cats*, *Phantom*, and *Miss Saigon*, became the norm in the 1980s. The budgets got even bigger in New York, where production costs have been persistently and significantly higher than in London.[9]

Rent was an exception; it opened in a 150-seat theater Off-Broadway at a cost of $240,000 and moved to Broadway two sold-out months later at a relatively modest cost, where it ran for 12 years. But despite such exceptions, the overall trend is up, hopefully capped by *Spider-Man: Turn Off the Dark* at a stunning $75 million (its physical production costs alone, such as scenery and flying equipment, were about $20 million).

Larger investments require longer runs to recoup. Average runs from the 1920s to the 1980s were measured in the hundreds, and most hit shows ran for fewer than 1,500 performances. Reaching the 2,000 and 3,000 mark (*My Fair Lady* in 1962, *Fiddler on the Roof* in 1973, *Grease* in 1980) was considered a major achievement. *Phantom* is by far the long-run leader, with more than 11,200 performances as we begin 2015. The 1996 revival of *Chicago* is second at 7,500 and still counting, followed by *The Lion King* and *Cats*.[10]

Running costs for payroll, occupancy, advertising, royalties, and other items have also gone up. Musicals average $600,000 to $700,000 per week; plays average $250,000 to $300,000. Shows like *Wicked* and *Phantom* approach $1 million in running costs, but their weekly grosses are far higher. Occupancy and royalty arrangements vary by theater and production. Theater costs may entail fixed and variable rent elements, a share of profits, and reimbursement for house personnel such as stagehands, box office staff, front-of-house staff (ticket takers and ushers), and sometimes musicians. Royalties are usually based on a percentage of the box office gross, which can be high enough to make the difference between a show's profit or loss. To balance the interests of royalty participants and investors and share the risk, many shows establish **royalty pools** where royalty participants as a group split the show's weekly operating profits (if any) with investors according to an agreed formula.

Given high running costs and low odds of success, theaters and producers with apparent flops are pressed to pull the plug relatively sooner. Broadway is an enduring example of Professor Caves' "nobody knows" principle—despite sophisticated research and polling tools, it is very difficult to predict audience response to a new work.[11]

There are potential **post-Broadway revenue streams** that can sometimes turn a flop into a sound investment. These include national tours, overseas productions, and licensing for regional, amateur, and school productions (some publishers rent condensed versions for schools). *Seussical*, a 2001 musical based on the children's books by Dr. Seuss, closed after six months with an $11 million loss, one of the worst in Broadway history, but it has been more than offset by two profitable U.S. tours and an ongoing stream of community and high school productions. A one-act version was even created for middle schools. *Legally Blonde*, a 2007 musical based on the 2001 film, had a more positive Broadway run but still lost money, while it has been a huge success on tour, in the West End, and in a dozen other overseas productions.[12]

Commensurate with the risk, success can be wildly profitable. A smash hit can return 80 percent per year. Andrew Lloyd Webber's *Cats* earned its initial investors a 5,566 percent return. The return on investment for *The Fantasticks* has been 240:1 and still counting. As of August 2014, the top four cumulative grosses for all shows ever on Broadway were *Lion King* at $1.1 billion, *Phantom* $970 million, *Wicked* $857 million, and *Mamma Mia* $585 million. Even with high running costs, these productions have netted hundreds of millions, and there are more profits beyond Broadway. Counting U.S. tours, international productions, merchandising, and other license revenue, for example, *Lion King*'s gross is more than $6 billion.

Several recent trends reflect producers' efforts to balance risk and reward.

- Fewer new productions: After World War II and through the blockbuster period of the 1980s, there were, on average, 60 to 65 new productions mounted on Broadway each season. While this was far below the hundreds produced in the 1920s, the number fell below 40 between 1990 and 2010, and has stabilized in the low 40s since then.
- Revivals of the tried and true: One drama critic in 2013 complained that "high-profile Shakespeare seems to arrive with the speed of pies on an assembly line."[13] There were two *Richard III*s in consecutive years on Broadway, for example, and three *Macbeth*s in a 12-month period.[14]
- Dependence on film and TV stars: One study found that during the 13 years from 1987 to 2000, about 50 Broadway productions featured at least one film star, but during the next 12 years, from 2000 to 2012, that number almost tripled.[15] Daniel Radcliffe of *Harry Potter* and Scarlett Johansson of *The Avengers* have won critical acclaim, as have Al Pacino, Julia Roberts, and Tom Hanks. While such names on the marquee limit the downside, they tend to sign on for limited runs and, given their compensation, they limit the upside too.

Broadway Producers and Investors

A show needs creative, artistic, production, and marketing talent working in tandem and backed by investors. It is the producer's role to bring this all together. Despite the popular image of a cigar-chewing show biz impresario, the function has become somewhat corporatized. As finding resources and spreading risk become more important, the producer's role includes building a team. When a production receives a Tony award these days, one often sees a small army of people with above-the-title billing go onstage to share credit. Most Broadway productions are incorporated as one-off limited partnerships, although the principals are likely to have ongoing working relationships.[16] Broadway is a relatively small community, although it overlaps with other entertainment fields. For example, Scott Rudin is a leading producer in both film and theater and has won an Oscar (film), Emmy (television), Grammy (music), and five Tony (Broadway) awards.

A producing team typically includes financial people charged with recruiting **qualified investors** (who must understand the odds against them) and selling shares in units of $25,000 or $50,000. New works are often marketed by conducting staged readings; Actors' Equity allows two-week contracts to rehearse and present a reading for prospective partners and investors. More recently, some producers have turned to online crowdfunding. Some Broadway investors have dreams of hitting the jackpot, but nonfinancial motives are more common, such as social cachet, being around theater celebrities, or a good feeling about the work or its creators. (The hit musical *The Book of Mormon*, with no expensive stars or special effects, was mounted for a remarkable $2 million less than its $11 million budget. The lead producer Scott Rudin had to return money to investors, who grumbled at seeing their stakes reduced in light of the show's profitability.[17])

Out-of-town promoters and venues sometimes invest early to secure licensing or touring rights and get producer credit. *The Addams Family*, a musical that ran on Broadway for two years, had two lead producers plus 15 others with production credit, including Five Cent Productions, a consortium of five nonprofit performing arts centers (the Kimmel Center in Philadelphia among others); Elephant Eye Theatricals, comprising Five Cent Productions and 10 other performing arts centers; the Weinstein Companies, a large film producer that also dabbles in stage; James L. Nederlander of the Nederlander Organization, which provided the theater; and many more.[18] International interests also invest, particularly from South Korea, where Broadway shows in translation—even some that flopped—are very popular.

While the producers manage resources, the artistic side is often the initial inspiration and motivating force. For example, composer and lyricist Stephen Schwartz (*Pippin*, *Godspell*, film and TV credits) read Gregory Maguire's retelling of the wizard of Oz story in the 1995 novel *Wicked: The Life and Times of the Wicked Witch of the West* and saw its potential for the stage. Maguire, however, had released the rights to Universal Pictures, which contemplated making it a feature film. Schwartz had to convince first Maguire and then Universal producer Marc Platt that there was a musical in the story. Platt ultimately agreed to join Schwartz's project as a coproducer and brought Universal along as the main investor. They are still planning to do *Wicked* as a movie, but in the meantime, *Wicked* the musical has become the most profitable property in Universal Pictures' entire history, eclipsing *Jurassic Park* and *E.T.*[19]

Hollywood's influence is powerful. Film studios recognized the intellectual property value of plays and musicals early on and have been buying rights to scripts and investing in productions since the 1930s. Most successful musicals and many plays have been turned into movies, although what works on stage does not always succeed on screen. The Walt Disney Company's 1993 musical *Beauty and the Beast* began a reversal of the intellectual property transfer, basing the live musical on the animated film released two years earlier. With *The Lion King*, Disney and director Julie Taymor took the concept to a new level, reimagining the animated film for the stage using puppets and stylized masks. Since then, Disney has made a stream of musicals from animated and live action films (*Tarzan*, *Aida*, *The Little Mermaid*, *Mary Poppins*, *Newsies*, etc.), and while none of them has matched the success of the first two, some have done quite well.

Following Disney's lead, **"pic-to-legit" musicals** have become an important Broadway genre. Every major film studio has a Broadway division that invests in theater and particularly in making musicals based on movies. The results include such hits as *The Producers* (2001), *Hairspray* (2002), and *Kinky Boots* (2013), and relative disappointments such as *Rocky* (2012) and *Bullets Over Broadway* (2014).

Disney also played an important role in restoring the 42nd Street end of the Broadway district, which had become run-down and full of seedy porno stores and movie houses. After the success of *Beauty and the Beast* and desiring to control its own venue, Disney agreed to refurbish the New Amsterdam Theatre under a 49-year lease. The theater, one of Broadway's oldest, reopened in 1997 with *The Lion King* after a $34 million renovation with substantial state and city support. Two more live theaters and a big multiplex were subsequently renovated on 42nd Street, making it among the most desirable real estate in the world.

Broadway Theater Owners

While most Broadway productions are organized as transient show-specific partnerships, the theaters, all privately held, provide continuity as producers and investors as well as landlords. The largest owner is **Shubert**, with 17 Broadway theaters. Shubert owned or managed hundreds of theaters across the country before World War II, but had to give them up under antitrust rulings; it was enjoined from producing for a time as well. The company has remained intact in part by reorganizing in 1980 and moving all the assets into the nonprofit Shubert Foundation while still maintaining family control by descendants of the original Shubert brothers. In addition to its theaters and philanthropy, Shubert owns Telecharge, which is the main ticketing agency for New York theaters, and in late 2014 was in the process of buying a five-theater Off-Broadway chain.

Nederlander, the second largest with nine Broadway theaters, also began in the early 20th century and remains family controlled and based in Detroit. It has long been Shubert's smaller competitor. Less constrained by antitrust history, it has also remained active outside New York and owns 20 theaters in other U.S. cities and three in London's West End. In August 2014, Disney was renting two Broadway Nederlander theaters for *Lion King* and *Newsies*, while running *Aladdin* in its own New Amsterdam.

Jujamcyn is the newest chain, with five theaters. It was founded in the 1980s by a chief executive officer of Honeywell who had family interests in theater and who named the company after his three children, *Judith*, *James*, and *Cynthia*.[20] Other Broadway theater owners include the Ambassador Group, the United Kingdom's largest theater and ticketing company, with one; two independent owner groups with one each; and three nonprofit companies, the Roundabout Theater, with three, and Lincoln Center and the Manhattan Theater Club with one each. Roundabout and Manhattan also own theaters Off-Broadway.

Touring Broadway

Touring, which once dominated American theater, is still a big business, but attendance depends on the stock of Broadway hit shows available, which can be erratic (Figure 7.2). Hit shows such as *Wicked* and *The Book of Mormon* do very well, and some shows that did poorly on Broadway do well on tour too, as we have noted. Once a market has been visited, however, several years usually need to pass before a return visit is warranted. A touring business generally has few options to counter a lackluster season on Broadway. Extending the tour incurs additional cost; raising ticket prices may hurt attendance; and squeezing local presenters has limits, since they will be hurting as well.

Major tours typically play in large venues of at least 2,000 seats, such as the Academy of Music in Philadelphia (2,500 seats), Orpheum Theater in Minneapolis (2,600), Pantages Theater in Los Angeles (2,700), and Aronoff Center in Cincinnati (3,300). A hit show in a major city might run for more than a month, but runs of about a week are more common. Touring can be profitable over the long term and does not have the same uncertainty as a new Broadway production. But net margins are thin and

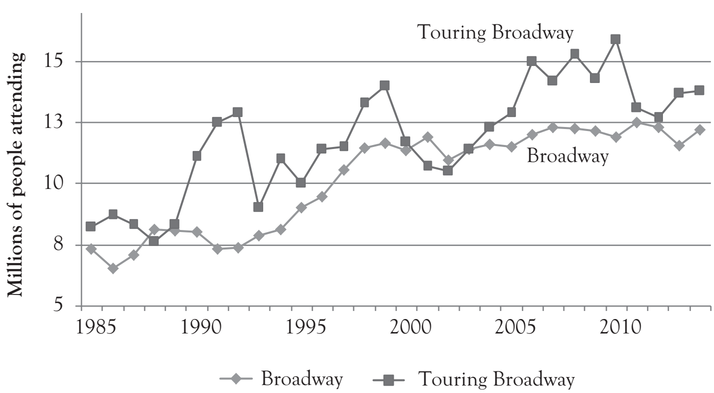


Figure 7.2 Broadway and touring Broadway attendance, 1985–2014 (millions)

Source: Broadway League.

must be split with the local presenter, and much of the total value capture goes to the producers and creators of the original.

Tour attendance averages one or two million higher than Broadway theaters and even more in strong years. But real revenue since 2000 has fallen behind (Figure 7.3), mainly because touring ticket prices have not increased at nearly the pace on Broadway. Average Broadway ticket prices were up 96 percent between the 1999–2000 and 2013–2014 seasons (rising from \$52.99 to \$103.93 in current dollars), while touring prices were up only 38 percent (rising from \$48.89 to \$67.46). General inflation during that period was 30 percent.

An ongoing conflict over actors' salaries reflects the thin margins. The Broadway League negotiates on behalf of tour producers, but not all sign on. To encourage tours to use union casts, in 2004, Actors' Equity introduced discounted rates for tours where the average local engagement is one week or less (which covers most tours). The rates are tiered, depending on the weekly guarantee or fixed fee given by the local presenter or theater operator. Salaries ranged from \$872 down to \$538 in 2012–2013, which were comparable to regional theater salaries but considerably below Broadway levels.

The **economics of touring** are different from Broadway in that (a) the market for the product is somewhat better known, given its Broadway run; (b) the investment required is much less, but there are significant transportation costs instead; and (c) there is a local promoter or presenter sharing the financial risk. The Broadway theater owner assumes risk too,

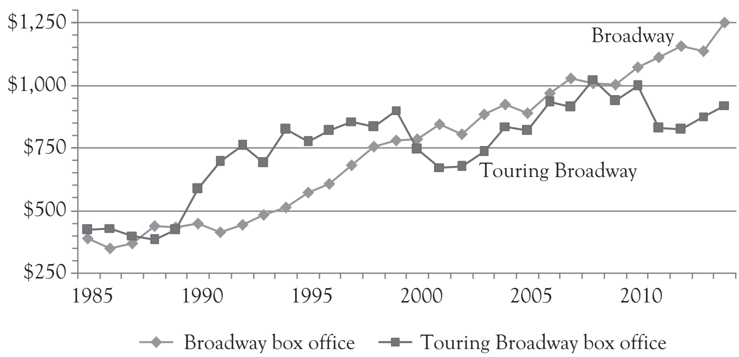


Figure 7.3 Broadway and touring Broadway revenue, 1985–2014 (millions of constant 2013 dollars)

Source: Broadway League.

but, unless it has taken a major investment stake, the risk is more the potential opportunity cost of tying up scarce theater capacity with a loser.

First, the tour producer needs to calculate **production and running costs**. Even with specifications from Broadway in hand, there are still the upfront production costs for casting, rehearsal, sets, costumes, and so on. Running costs include salaries, travel, and per diems for actors, crew, musicians, and managers (some crew and musicians may be hired locally); transportation and load-in/load-out of equipment, including rentals; and royalties and license fees. A tour aims to replicate the Broadway production, but often with some downsizing (e.g., *Motown: The Musical* had 41 actors and 18 musicians in New York, but 33 actors and 15 musicians on the road). Improvements in theater technology have made it easier to duplicate lighting, sound, and scenery in different venues around the country, but many venues can pose challenges. The show's technical requirements for the venue to provide are specified in a "tech rider" to the contract, which may also specify perks and backstage amenities for the stars.

The producer typically hires a **booking agency** that specializes in booking events with local presenters and venues. Established tour companies usually have long-term booking and comarketing arrangements with venues. The presenter is interested in filling out a season with shows that will sell well in the local market, including at least one headliner show, and scheduling to maximize use of the facility. The booking agent negotiates a **guaranteed weekly fee** the presenter will pay, regardless of ticket sales, which is meant to cover the tour's running costs and recoup some of the production cost. In addition to the fixed fee, the guarantee may include a variable component (sometimes called a royalty), calculated as a percentage of net adjusted gross. The arithmetic is typically as follows:

> (1) Gross box office sales minus (2) variable sales-related charges such as credit card fees, ticketing fees, sales commissions, sales tax, and theater restoration fund equals (3) net adjusted gross, which goes to pay (4) the tour producer's variable guarantee, (5) the tour's fixed guarantee, and (6) the presenter's costs, including venue expense such as rent, maintenance, and insurance, venue personnel such as box office and front-of-house staff, stagehands

and other crew, catering, limos and backstage amenities for stars, marketing and public relations, and management and administrative expense. (7) After the presenter's costs are covered, any remaining balance is profit (sometimes called overage) and split between producer and presenter.

It is worth noting that **risk-sharing arrangements** like these are common in rock concerts and other for-profit events. Nonprofit orchestra and dance companies that perform in conjunction with a third-party presenter more often take bookings for a **fixed fee**. This insulates them from the market risk of poor ticket sales but also removes the potential upside. For all performers, there is also the risk that the promoter is unable to pay the full guarantee due to financial or legal problems, or even bankruptcy; this risk is often avoided by requiring the promoter to post a surety bond. (Some jurisdictions require promoters to be licensed and bonded to ensure refunds to ticket buyers if the event is canceled.)

While the Broadway League releases detailed weekly statistics on each Broadway show, providing enormous transparency, only aggregate figures are available for tours, which are all privately held. In part, this may reflect the role of local presenters, who control most tour venues. The largest tour operator is **Broadway Across America**, which probably accounts for 30 percent or more of the national touring audience. Broadway Across America is owned by **Key Brands Entertainment**, which acquired it along with several large theaters from Live Nation in January 2008 for $90 million. Since then, Key Brands has acquired Broadway.com, which publishes online content and sells tickets, and BroadwayBox.com, which sells discount tickets online.

Other touring production companies include Troika Entertainment (Gaithersburg, MD), Jam Productions (Chicago), Work Light Productions (Summit, NJ), Phoenix Entertainment (Frederick, MD), and NAC Entertainment (Binghamton, NY).

Regional Nonprofit Theater

Nonprofit companies have become a pillar of American theater. The number of nonprofit theaters grew from less than a dozen pioneers in the early

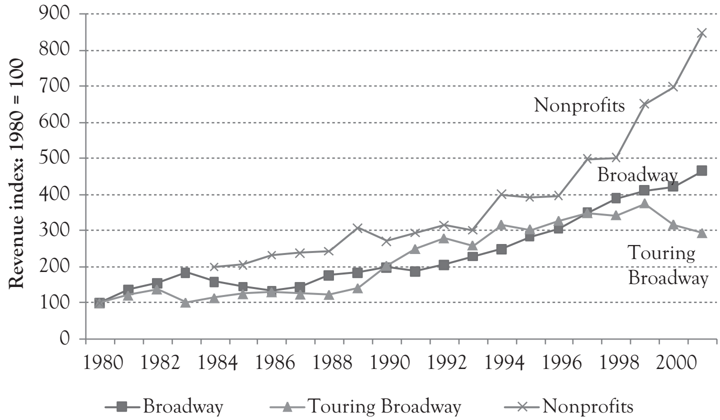


Figure 7.4 Index of Broadway, touring Broadway, and nonprofit theater revenue, 1980–2001 (1980 = 100)

Source: Broadway League, TCG.

1950s to several hundred by the 1980s, spurred variously by foundation and National Endowment for the Arts (NEA) grants, local government support, and university affiliations. As the early ones established themselves (or closed) and new companies continued to sprout up through the 1990s, the revenue curve, counting both ticket sales and contributions, became almost exponential (Figure 7.4). New entrants continued to appear in the 2000s, too; the number of nonprofits filing Form 990 with the IRS increased 67 percent between 2002 and 2008, from 1,146 to 1,919.

The continued expansion of supply in the 2000s, however, was not matched by demand. Despite a record number of companies, productions, and performances, attendance plateaued at about 32 million. The industry was overextended, and most indicators show a contraction with the recession in FY2009 (Table 7.5). There has been a general recovery since then, particularly in attendance and ticket sales, but also some notable bankruptcies.

Five key observations help characterize the state of nonprofit theater:

- Companies are **numerous**, **ubiquitous**, and mostly **small**. Venues are considerably smaller than Broadway or touring Broadway—fewer than 100 seats for most companies and greater than 1,000 for only a handful.

Table 7.5 Professional nonprofit theater indicators, FY 2002–2012

	2002	2005	2008	2009	2010	2011	2012
Companies reporting	1,146	1,490	1,919	1,825	1,807	1,876	1,782
Revenue ($ millions)	1,436	1,647	1,884	1,779	1,912	2,040	2,026
Productions	10,000	12,000	15,000	17,000	16,000	14,600	18,500
Performances	157,000	169,000	202,000	187,000	163,000	177,000	211,000
Total attendance (millions)	32.2	32.5	32.0	30.0	31.0	34.0	36.7

Source: TCG (extrapolated from surveys and Form 990s).

- Nonprofit theater, by definition, is **mission-driven**, which can mean serving a certain community or audience, performing certain types of works, authors, styles, and so on. They also tend to offer educational and community outreach activities in addition to professional stage performance.
- As **resident companies**, nonprofits offer a set of multiple shows each season, are strongly associated with a particular venue, and seek to build a permanent local base of patrons and donors.
- **Contemporary plays** are the dominant offering, in contrast to Broadway's musicals, but there is frequent overlap. Many Broadway shows are first developed and incubated on nonprofit stages, blurring the line between nonprofit and commercial.
- The industry operates close to **financial breakeven** and depends on contributions and investments to cover almost half of expenses. It is vulnerable to a weak economy and declines in attendance, but management also has levers to control costs.

Size Distribution

Of about 1,800 nonprofit theater companies in total, 514 are members of the TCG, the sector's main trade association, which groups them into six categories based on expense budgets (Table 7.6). The size hierarchy generally

Table 7.6 Number of TCG member theaters by budget group, 2014

Group 6	$10 million and over	27
Group 5	$5–$9,999,999 million	37
Group 4	$3–$4,999,999 million	28
Group 3	$1–$2,999,999 million	122
Group 2	$500,000–$999,999	113
Group 1	$499,999 and under	187

Source: TCG.

corresponds to venue size and scale of activities and closely matches performers' salaries. The largest companies generally work under union contracts, and the smallest companies generally do not. The 1,300 companies that are not TCG members are on the small end of the spectrum.

The **League of Resident Theatres (LORT)** represents 74 of the larger nonprofit companies (equivalent to TCG Groups 6 and 5 and some of 4 and 3) and administers collective bargaining agreements with Actors' Equity, the Stage Directors and Choreographers Society, and United Scenic Artists (part of the International Association of Theatrical Stage Employees [IATSE]). LORT also supports members on personnel and management issues. LORT theaters are located in 29 states and the District of Columbia and collectively issue more Equity contracts to actors than Broadway and commercial tours combined.

The larger companies (Table 7.7) typically operate a main stage theater of between 600 and 1,000 seats plus several smaller ones. Roundabout, the largest, owns three Broadway-class theaters totaling more than 2,700 seats and two Off-Broadway spaces totaling about 400. At the other end are LORT companies in the $4 million range, such as Arkansas Repertory Theatre in Little Rock and George Street Playhouse in New Brunswick, New Jersey, both of which have venues of about 380 seats. Given the steep, stratified pyramid, a $4 million theater company is a sizeable operation and a $20 million company is a giant.

To match labor costs with theater size and ability to pay, the Actors' Equity–LORT agreement establishes five size levels based on actual weekly box office gross (averaged over a three-year period) to determine minimum salaries and personnel requirements. Other regional agreements

Table 7.7 Ten largest nonprofit theaters, FY2012 ($ millions)

	Revenue ($)	Expense ($)	
Roundabout Theater Co.	64.7	66.3	New York
Lincoln Center Theater	59.7	41.8	New York
Center Theater Group	50.9	51.9	Los Angeles
Oregon Shakespeare Festival	37.4	30.7	Ashland, OR
Guthrie Theater	26.9	32.1	Minneapolis
Public Theater/NY Shakespeare Festival	26.2	22.7	New York
Arena Stage	24.3	31.5	Washington, DC
American Conservatory Theater	22.0	19.4	San Francisco
Goodman Theater	21.3	20.6	Chicago
Old Globe Theater	20.4	22.2	San Diego

Source: GuideStar, Charity Navigator.
Note: Revenue figures may include one-time gifts.

for smaller theaters have similar gradations. For example, the New England Area Theaters (NEAT) include 14 nonprofit companies within a 100-mile radius of Boston with fewer than 350 seats, among other conditions. They do not include Boston's two largest nonprofit companies, the Huntington Theater and American Repertory Theater (ART), both LORT members with main stages of 890 and 540 seats, respectively.

Competition can be significant, as suggested by the number of Boston-area theaters with Equity contracts. Large markets have many smaller companies as well. San Francisco, for example, has 51 theater companies registered with the city's Grants for the Arts program (among hundreds of arts organizations). Since most markets are fairly well served, there is little incentive for touring, although some nonprofit theater companies have educational troupes that visit outlying areas.

Mission and Repertoire

Many nonprofits, especially in large markets, were explicitly founded as alternatives to commercial theater, committed to developing new talent or performing less popular work, or work more suitable to small venues. Second Stage Theatre in New York, for example, was founded to produce "second stagings" of contemporary American plays that deserved a wider audience (although it later expanded to produce new plays as well). Other companies focus on social issues, new works by women or minority groups, children's theater, experimental theater, or simply bringing live theater to an underserved market. The largest companies' mission statements emphasize quality, breadth, community roots, and American themes.

- Roundabout Theatre in New York is "committed to producing the highest quality theatre with the finest artists, sharing stories that endure and providing accessibility to all audiences."
- Center Theatre in Los Angeles presents "the highest quality and broadest range of theatre: groundbreaking new works, explosive productions of the classics and hit Broadway plays and musicals."
- The Arena Stage in Washington, DC, "is alive as a center for American Theater in our nation's capital" and focuses on American artists.
- The Guthrie Theater in Minneapolis "illuminates the common humanity connecting Minnesota to the peoples of the world" by presenting "both classical literature and new work from diverse cultures."
- The Oregon Shakespeare Festival "reveals our collective humanity through illuminating interpretations of new and classic plays," inspired by Shakespeare "and the cultural richness of the United States."

Shakespeare remains overwhelmingly the most popular playwright, with more than a hundred professional productions each year (120 in 2012–2013). When TCG reports the top 10 works performed by its roughly 500 members each year, Shakespeare is omitted; his works would swamp the list. The Bard aside, nonprofit theaters mount thousands of different productions each year by a broad variety of authors, with **contemporary American plays** the most common genre. Despite the immense diversity of offerings overall, however, the most frequently performed plays generally had an earlier run on Broadway.

For example, the most frequently performed work over the 10 seasons from 2004–2005 through 2013–2014 (excluding Shakespeare) was *Doubt* by John Patrick Shanley. *Doubt* was number 1 on TCG's top 10 list in 2007–2008, with 34 theater companies mounting productions, and again number 1 in 2008–2009 with 14, for a total of 48 (there were subsequent productions, but not enough to make the top 10). An ambiguous moral drama about a priest suspected of sexual misconduct, *Doubt* was developed Off-Broadway, transferred to Broadway after several months, and won the 2005 Pulitzer Prize for drama and the Tony Award for best play. After a strong Broadway run and a national tour, it was licensed to nonprofit theaters. Since only one license is given per market, nonprofit theaters in major markets will typically compete for local licenses to successful shows like *Doubt*.

The 12 most frequently performed works, culled from TCG's top 10 lists over 10 seasons, are shown in Table 7.8. All of the works are plays, all but one was written since 2000, and all but two are by American authors.[21] The number 1 work each season had an average of 18 productions and number 10 had an average of 7 (often with several plays tied for the 10th place).

Older works are clearly underrepresented. Top 10 lists fail to capture classic plays that may have only a few productions each year but stay in the repertory for decades or longer. Tennessee Williams' *The Glass Menagerie* made the top 10 in 2008–2009 and 2009–2010 and would be number 16 in the cumulative rankings; works of Thornton Wilder, Oscar Wilde, and Moliere made the list once each over the 10-year period. But professional revivals of classics, from Sophocles to Chekhov to Arthur Miller, are relatively scarce.

What about musicals? The children's musical *A Year with Frog and Toad* would be number 14 on the list and *The 25th Annual Putnam County Spelling Bee* would be number 26. But musicals are more important to nonprofits than the top 10 lists would suggest. The larger nonprofits, in particular, not only present musicals—which are often their best attended and highest grossing shows each season—but also originate them, as discussed in the next section.[22]

Table 7.8 Most frequently produced works in U.S. nonprofit theater (cumulative number of productions of the top 10 over 10 seasons)

Doubt	by John Patrick Shanley	48	2007–2009
The Santaland Diaries	adapted by Joe Mantello from David Sedaris	47	2004–2009
Red	by John Logan	41	2011–2014
Clybourne Park	by Bruce Norris	38	2011–2014
God of Carnage	by Yasmina Reza	38	2010–2014
The 39 Steps	adapted by Patrick Barlow from Alfred Hitchcock	34	2010–2012
Rabbit Hole	by David Lindsay-Abaire	33	2006–2009
Good People	by David Lindsay-Abaire	31	2012–2014
I Am My Own Wife	by Doug Wright	26	2005–2007
Intimate Apparel	by Lynn Nottage	25	2005–2007
The Mountaintop	by Katori Hall	25	2012–2014
To Kill a Mockingbird	adapted by Christopher Sergel from Harper Lee	25	2008–2012

Source: TCG top 10 lists over 10 seasons, 2004–2005 to 2013–2014.

One notable trend both on and Off-Broadway is **smaller casts**. The plays written since 2000 in Table 7.8 require an average of four actors each, and two are one-actor shows. *To Kill a Mockingbird* requires some two dozen people on stage, which is on the high side, but casts of 8 to 12 are common in works from the 1960s and earlier. Since then, play casts have been shrinking more or less steadily. Contemporary playwrights are aware of the cost pressures faced by theater companies. Small casts mean lower cost and risk, which makes them more attractive to produce.

Collaborations with Commercial Theater

Collaboration between nonprofit and commercial theater is increasingly common. Although most of the top plays in Table 7.8 ran on Broadway before being licensed to regional nonprofits, all but one were first developed on a nonprofit stage.[23] Producers have long viewed Off-Broadway, in particular, as a convenient, low-cost way to try out new productions. The nonprofit Public Theater in lower Manhattan, led by the late producer and director Joe Papp, originated *Hair* in 1967 and *A Chorus Line* in 1975, both of which went on to long Broadway runs. More recently, in February 2015, the Public Theater introduced the hip-hop musical *Hamilton* on its main stage, a 299-seater in Greenwich Village; after a sold-out run that was extended three times, *Hamilton* will move to a 1,380-seat Nederlander theater on Broadway in July.

Collaboration is facilitated by personal relationships that cross the commercial/nonprofit divide, as illustrated by the musical *Big River: The Adventures of Huckleberry Finn*, which premiered in 1984 at ART in Cambridge, Massachusetts, and went on to 1,005 Broadway performances and seven Tony Awards. *Big River*'s lead producer, Rocco Landesman, was a friend of ART artistic director Robert Brustein and was also connected to Jujamcyn. Its director, Des McAnuff, was also artistic director of the nonprofit La Jolla Playhouse (LJP) in California. When *Big River* still needed work after its ART run, they took it to LJP for fine-tuning. It was then produced in a Jujamcyn theater on Broadway by Dodger Properties, a commercial firm where Landesman and McAnuff were partners. *The Who's Tommy* and *Jersey Boys* were likewise developed at LJP and produced by the Dodgers in Jujamcyn theaters. (Landesman later had stints as president of Jujamcyn and chairman of the NEA.)

Collaboration can be an attractive source of revenue for nonprofits. ART reportedly earned $300,000 for originating *Big River*, and the amounts have grown since then. Producers will help underwrite the cost of new productions with **enhancement funds**, which can be 30 to 40 percent of the budget. This enabled ART's 2011 production of *The Gershwins' Porgy and Bess*, a musical theater version of the opera, to hire an expensive cast and a Broadway-size pit orchestra.[24] Originating theaters can also negotiate a royalty on gross receipts and a share of profits (sometimes 1 percent and 5 percent, respectively).

Some collaborations start as coproductions by nonprofit theaters, which also spreads the risk. ART and Oregon Shakespeare Festival coproduced *All the Way*, about Lyndon Johnson, which won Tony awards for best play and best actor in 2014. Relatively smaller companies can also play the game. *Intimate Apparel*, for example, was a coproduction and co-commission by two Group 5 TCG theaters (Center Stage of Baltimore, Maryland, and South Coast Repertory of Costa Mesa, California).

In TCG's FY2013 report, 14 theaters reported enhancement income, which ranged from $26,000 to $4.2 million and averaged $845,000 per theater. Twice as many theaters reported coproduction income, which averaged about $130,000 per theater. There are concerns that nonprofit theater is undercutting its mission by its collaborations with commercial theater. Some feel that the pursuit of enhancement dollars creates a "legal and moral slippery slope for nonprofits" and that nonprofit theater in recent years has focused too much on "taking shows to New York, not necessarily serving communities."[25]

Planning and Organization

Regional nonprofit theater companies generally follow the governance model established by orchestra companies in the early 20th century. They are organized around a **season**, a perennial schedule of works and performances that corresponds to budgets, board terms, subscription packages, contracts, and so on. They are governed, like all nonprofits, by a **board of directors** that has ultimate legal and fiduciary responsibility.

Depending on company size, a season consists of 5 to 10 shows, mostly plays and possibly 1 or 2 musicals, that are performed 10 to 20 times each between September and June over rolling five- to eight-week periods. A customer can subscribe to the entire offering (six Saturdays at 2 p.m., for example) or select a subset. Many companies schedule nonsubscription events as well, which can be short-run specials and one-offs, experimental, educational, and so on. The largest regionals operate multiple stages and theaters and have the capacity to mount two or three events daily, with the complex scheduling and logistics this entails.

Organizationally, the board typically hires and oversees two executives: an **artistic director** (AD) responsible for what is shown on stage and a **managing director** (MD) (or executive director [ED]) responsible for management and administration.

The AD, as artistic leader and public face of the company, is responsible for articulating a vision regarding long- and short-term programming and artistic development goals. Such a vision is as much about competitive positioning and marketing as about art, so there are important business implications. Within that vision, the AD selects what shows will be produced, who will direct them, and any star performers. ADs of resident companies typically direct two or three shows per season themselves—the number is often in their contract—and hire outside or freelance directors for the rest. Production and technical functions such as scenic design and lighting usually report up the artistic chain of command.

The MD handles business and financial functions, such as marketing and communications, ticket sales, patron services, development, finance, and information technology. The MD will weigh in on key programming decisions from a marketing and business standpoint, with varying influence, depending on his or her working relationship with the AD. The MD is also responsible for preparing the annual budget for board approval. Although boards are not directly involved in selecting repertoire, to the extent the budget reflects specific programming decisions, it can be a critical tool and checkpoint to ensure board oversight.

There are variations in leadership structure. Some companies have a single chief executive, called a **producing artistic director**, who leads both the artistic and business sides. Some companies that run their own venues have three leaders, where the production and technical functions (scenic, lighting, sound, costumes, etc.) and venue operations are put under a **producing director**. The AD can focus on programming and talent, while the MD can focus on marketing, fund-raising, financial management, and general administration.

Financial Model and Challenges

Nonprofit theater's financial model is also similar to orchestras. Revenue consists of **earned income**, primarily from ticket sales, and **contributed income**, primarily from private sources. Table 7.9 shows aggregate industry averages based on TCG's annual fiscal survey.[26] It is important to note that averages do not reflect the full range of business types; there are some theater companies, for example, that depend on ticket sales for 80 percent of total income.

Other earned income includes contract fees received from presenters, food and beverage concessions in the lobby, rental of scenery and costumes to other theater companies, educational income, program book advertising, enhancement income, merchandise (DVDs, souvenirs,

Table 7.9 Nonprofit theater sources of revenue as a (%) of expense, FY2012

Earned income (%)		Contributed income (%)	
Ticket income	41.2	Government support	4.9
Other earned income	10.9	Foundations and corporations	13.4
Net investment income	1.1	Individual gifts	17.4
Total	53.2	Events and other gifts	10.5
		Total	46.2

Source: TCG (178 profiled theatres).

branded gift items), and other revenue associated with theatrical activities. **Net investment income** is also counted as earned income and includes interest and dividends, endowment earnings, and capital gains and losses, which can be significant for well-endowed companies. **Events and other gifts**, on the contributed income side, include fund-raising galas, auctions of donated items, funds raised by volunteer groups (a ladies' auxiliary was a common vehicle when few women worked), and gifts in kind, which under nonprofit accounting rules can be recognized at market value.

The industry generally operates just above breakeven and depends on earned income for slightly more than half of revenue (Figure 7.5). Fiscal 2009 (the '08–'09 season) was an exception due to the recession: The industry's earned income tumbled 15 percent and total revenue failed to cover expenses. However, there is more to the story than poor ticket sales. In most years, average investment income is within plus or minus 2 percent of total, depending on the stock market. However, the market's losses in 2008–2009 drove net investment income to –7.5 percent. Industry ticket sales and other revenue from operations still exceeded 50 percent despite the recession, but investment losses brought total earned income below 50 percent.

One of the most significant revenue trends is the decline of **subscription sales**. The original nonprofit business model called for a large cadre of subscribers who bought season tickets year after year (even in recessions), attended many events, provided a cash cushion to begin the season by paying in advance, and often made donations as well. As recently as the late 1990s, subscriptions accounted for a quarter of the budget (Table 7.10). The industry has so far managed to grow single ticket sales to offset the decline of subscriptions, but the effort is far more marketing-intensive

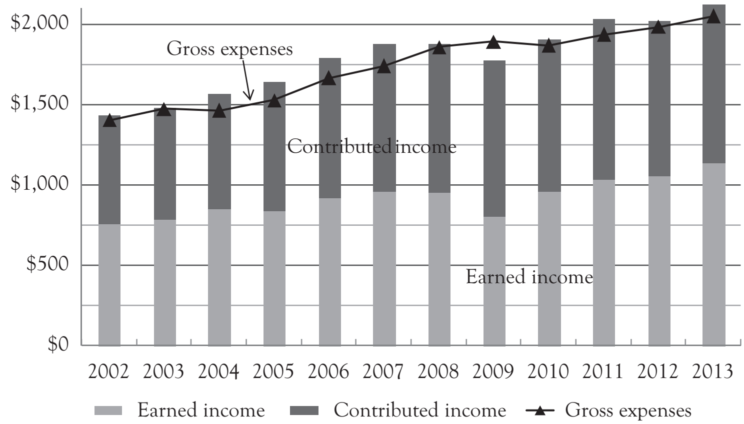


Figure 7.5 U.S. nonprofit theater revenue and expense, 2002–2013 ($ millions)

Source: TCG, U.S. Statistical Abstract.

Table 7.10 Nonprofit theater ticket income as percent of expense

	1998	2000	2008	2009	2010	2012
Subscriptions (%)	24.4	22.8	18.4	18.3	17.2	15.9
Single tickets (%)	21.7	23.3	23.3	21.5	25.2	25.4
Total (%)	46.1	46.1	41.7	39.8	42.4	41.3

Source: TCG (trend theatres in 2000 and 2012).

and uncertain. According to TCG surveys, marketing expense, including both personnel and nonpersonnel costs, are now equal to 30 percent of ticket income, which is not dissimilar from the advertising expense of Broadway shows.

Company size affects the balance between earned and contributed. Large companies offer more performances in larger venues at higher ticket prices and consequently make a higher proportion of earned income from ticket sales (Table 7.11). Small companies, conversely, depend more on government aid, gifts in kind, and contract fees. (Note that Group 6 companies on average are 50 times larger than Group 1.)

Table 7.11 also details **payroll expenses**, accounting for 53.7 percent of total expense. Administrative payroll was about 21 percent across all size groups (except for Group 1). But production and artistic payrolls varied with size. Artistic payroll was about 18 percent of total for Groups

Table 7.11 Nonprofit theater financial characteristics by size, FY2012

	All Groups	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Companies in sample	178	31	33	22	55	24	13
Average total expense ($ millions)	5.89	19.61	7.00	3.87	1.84	0.79	0.35
As a percentage of total expenses:							
Ticket income (%)	41.2	45.5	36.7	33.7	35.2	25.8	25.7
Total earned income (%)	53.1	55.4	50.5	50.4	49.9	42.9	41.3
Contributed income (%)	46.1	42.0	47.7	54.3	57.7	55.3	63.3
Artistic payroll (%)	19.0	17.8	17.9	21.6	24.2	25.6	35.7
Production payroll (%)	14.0	14.6	16.0	10.9	10.0	7.7	5.0
Administrative payroll (%)	20.7	19.9	22.6	21.9	20.3	21.4	12.0
Total payroll (%)	53.7	52.3	56.6	54.5	54.6	54.8	52.7

Source: TCG (178 profiled theatres).

5 and 6, versus 25 percent for Groups 2 and 3. Large companies hire more expensive performers—this is required in contracts with Actors' Equity—but at some point, these costs top out, the cast is complete, and payroll becomes a fixed cost spread over a larger volume. Small companies, conversely, still need to hire four actors to perform *Doubt*, for example, regardless of theater or company size. Production payroll runs in the opposite direction, accounting for 14.6 percent of Group 6 expense versus 7.7 percent for Group 2. Again, large companies spend much more on production values and stage technology, but, more importantly, their scale and utilization of facilities allows them to bring more production staff in-house and on the payroll.

Nonpayroll items account for the remaining 46 percent of expense. The largest categories are marketing and customer service (averaging about 12 percent), occupancy, equipment, and maintenance (9 percent), physical production (7 percent), and depreciation (5 percent). Most cost items are similar across size groups with two exceptions: Group 6 companies spend relatively more on physical production (higher production values and technology again) and depreciation (they own more property to depreciate).

Orchestras and Chamber Music

Symphony orchestras generated about $2 billion in total revenue in 2013 and are the dominant form in classical music. There are between 300 and 400 professional orchestras, according to the League of American Orchestras, the industry's service organization (formerly called the American Symphony Orchestra League). Though fewer in number than the roughly 2,500 professional theater companies, the orchestra is more labor-intensive, typically requiring 60 players or more, while theatrical productions rarely need more than 6 or 8 performers.

Professional orchestras, moreover, sit at the top of a larger pyramid. There are also 800 to 900 volunteer and community orchestras engaged in public performance, 150 to 200 college and conservatory orchestras, and 400 to 500 youth orchestras, for a total of about 1,800, a number that has held fairly steady since the early 2000s.[27] The League further estimates that these institutions engage 3,500 conductors, 150,000 instrumentalists, and 8,000 staff members, supported by several hundred thousand board members and other volunteers. Not bad for what some have called a dying art form!

Five key observations help characterize America's symphony orchestras today:

- Professional orchestras are relatively homogeneous: They are governed by nonprofit boards of directors, employ similar complements of musicians under union contracts, and perform similar repertoires featuring masters such as Beethoven and Tchaikovsky.
- Performance income from ticket sales has never been enough to support the costs of operating a permanent orchestra.

Substantial philanthropy has been essential since the days of Major Higginson, and financial stress has been endemic.

- Performance income has been declining as a percent of total, forcing even greater dependence on philanthropy and endowment income. Attendance and subscribership in particular are flat or down, and price increases have approached a ceiling.
- It takes more staff work to maintain ticket sales and donations in this environment. Artistic labor is still the largest cost item in this business, but costs such as marketing and fund-raising have been growing faster.
- Although the core subscription concerts are dominated by the canon of great masters, orchestras have diversified into pops, education, new music, crossover music, new formats, and other efforts to stay relevant.

Size, Growth, and Concentration

The orchestra industry grew through most of the 20th century, with a particular spurt from the late 1960s, when grant money was flowing, to the late 1980s. This growth had two aspects: **number of ensembles** and **scale of activities**. From less than a dozen permanent orchestras in 1910, the number grew to about 70 in the mid-1950s, 200 in the mid-1970s, and 300 in the late 1980s. At that point, most of the 250 largest metropolitan areas, accounting for more than three-quarters of U.S. population, supported local orchestras, including small cities such as Erie, Pennsylvania; South Bend, Indiana; Roanoke, Virginia; and Odessa, Texas.[28]

The growth in activity levels affected length of season, number of concerts, and number of players under contract. For example, the top 20 orchestras were largely unchanged during this period, but their average number of performances increased from 146 in 1966 to 195 in 1991. Among medium and smaller companies, the growth in activity was even greater.[29] Extending the season increased musician salaries by making orchestra work a more full-time job, which was a key goal of the Ford Foundation and other grantors in this period (discussed in Chapter 4).

During the expansion, the industry's compound annual growth rates (CAGRs) in total revenue and expense exceeded 12 percent from 1970 to 1985, but slowed to half that in the late 1980s (Table 7.12). Attendance

Table 7.12 Orchestra summary financials, 1970–1994 (current dollars in millions)

							CAGR (%)	CAGR (%)
	1970	1975	1980	1985	1990	1994	1970–1985	1985–1994
Earned revenue* ($)	43.1	70.9	141.2	252.4	377.5	442.5	12.5	6.4
Contributed revenue ($)	30.2	53.6	105.1	188.1	257.8	293.1	13.0	5.1
Total revenue ($)	73.3	124.5	246.3	440.5	635.3	735.6	12.7	5.9
Total expenses ($)	76.4	129.5	252.1	426.1	621.7	710.0	12.1	5.8
Net surplus or deficit ($)	(3.1)	(5.0)	(5.8)	14.4	13.6	25.6	NA	6.6
Attendance (millions)	12.7	18.3	22.6	24.0	24.7	24.4	4.3	0.2

*Includes endowment income as well as revenue from operations.
Source: League of American Orchestras, U.S. Statistical Abstracts.

doubled in the earlier period but then plateaued. Interestingly, the summary financials show surpluses between 1985 and 1994, which runs counter to contemporary reports of financial difficulties. Earned revenue growth during those years was boosted by endowment income, which swelled with the rising stock market.

Growth has slowed further since the mid-1990s (CAGRs of 4 percent for earned revenue, 5 percent for contributed), and there were more collective deficits in recent years (Figure 7.6). The reason for breaking the time series between 1994 and 1995, it might be noted, is a change in the League's methodology: Through 1994, it tracked only about 300 professional orchestras, but since 1995, it has included semiprofessional and community orchestras too, expanding the universe to 1,200. These additional groups have small budgets and do not increase dollar measures dramatically, but the number of concerts jumped from roughly 18,000 per year to 29,000.

Concentration in the orchestra industry is greater than in nonprofit theaters. Both industries are similar in size—about $2 billion each, counting contributed income—but the 10 largest orchestras have almost double the revenue of the 10 largest nonprofit theater companies. The top 10 orchestras account for about 30 percent of industry revenues; the top

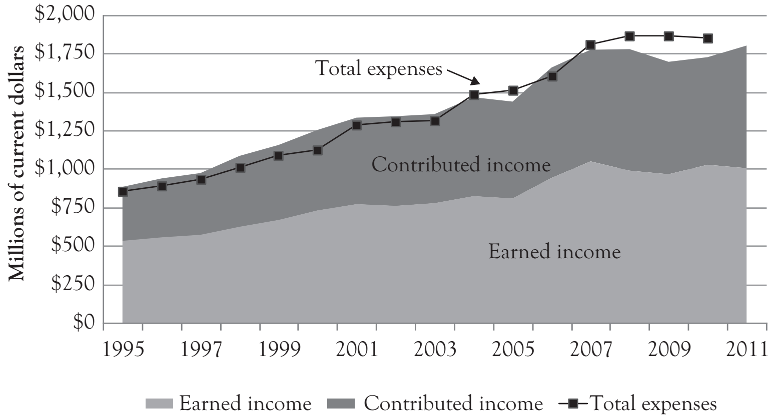


Figure 7.6 U.S. orchestra revenue and expense, 1995–2011 ($ millions)

Source: League of American Orchestras, U.S. Statistical Abstract.

20 have about 50 percent; and the top 50 more than 70 percent. These concentration ratios have been fairly stable since the industry's expansion slowed in the late 1980s.[30] Most U.S. metropolitan areas have a professional symphony orchestra—but only one (which is arguably as much as the market can support). Even in major centers such as New York or San Francisco Bay, each with more than a dozen professional ensembles, one company consistently dwarfs the others in revenue terms.

Like TCG, the League of American Orchestras uses budget size to assign members to meeting groups, where orchestras of similar size can benchmark and share best practices. However, as shown in Table 7.13, the League's Group 1 has the largest companies, while TCG's Group 1 has the smallest.

The group budget parameters are updated periodically to reflect inflation and balance group size. In 1964, Group 1 started at $250,000. In 2014, it started at $16.4 million, reflecting a CAGR of 9 percent, compared to the GDP deflator's 4 percent and the Federal Reserve's live entertainment price index CAGR of 5 percent.[31] Revenue is growing faster than inflation, but many costs, such as salaries and marketing, have been growing just as fast—and in some years, faster.

Measures of size vary. Los Angeles has the largest operating budget, more than six times the Group 1 threshold (Table 7.14). The

Boston Symphony's endowment is the largest of any performing arts company ($475 million in FY2014), followed by the Chicago Symphony ($315 million) and the San Francisco Symphony ($258 million).[32] Boston also owns Symphony Hall and its summer home at Tanglewood. The Chicago Symphony has the largest number of musicians under contract (111), followed by the New York Philharmonic (106). Chicago musicians also had the highest base salaries in FY2012 ($144,000), followed by Los Angeles ($143,000); the lowest among the top 10 is Atlanta ($73,859).

Table 7.13 Number of League orchestras by budget group, 2014

Group 1	$16.4 million and over	27
Group 2	$7.2–$16.4 million	22
Group 3	$2.7–$7.2 million	29
Group 4	$2.0–$2.7 million	30
Group 5	$975,000–$2.0 million	55
Group 6	$520,000–$975,000	87
Group 7	$170,000–$520,000	110
Group 8	Less than $170,000	155

Source: League of American Orchestras.
Note: Includes seven Canadian orchestras.

Table 7.14 Top 10 orchestras by budget size ($ millions)

1	Los Angeles Philharmonic (2013)	109
2	Boston Symphony Orchestra (2013)	84
3	San Francisco Symphony (2012)	79
4	Chicago Symphony Orchestra (2013)	74
5	New York Philharmonic (2012)	69
6	Philadelphia Orchestra (2012)	57
7	Cleveland Orchestra (2013)	48
8	Atlanta Symphony (2013)	45
9	Cincinnati Symphony (2012)	38
10	Pittsburgh Symphony (2013)	31
	Top 10 total	634

Source: Boehm;[33] von Rhein;[34] Lewis;[35] Clymer;[36] Jepson;[37] Sanders and Nogi.[38]

The technical quality of orchestras has gone up significantly in the past 30 years, as schools and auditions attract more talented musicians from around the world. In contrast to the steep revenue and compensation pyramid, quality differences require a discerning ear. The notion of a "Big Five" ended long ago, and what were considered regional orchestras, such as Baltimore, Dallas, or Seattle, can play on a national stage as well. A few critics complain about "homogenization," that orchestras that had a distinctive style are sounding more and more alike, although this says as much about conductors as orchestra players.

Mission, Organization, and Governance

Orchestra companies have relatively similar activities and organization, and there is also great similarity in their **mission statements**:

- St. Louis Symphony: "To enrich people's lives through the power of music."
- Houston Symphony: "To inspire and enrich the lives of our diverse citizenry through outstanding symphonic music performed by our great orchestra."
- Chattanooga Symphony & Opera: "To inspire, engage, and enrich the greater Chattanooga community through music and music education."
- New Jersey Symphony: "To enrich lives through a passion for musical excellence and a commitment to New Jersey, its people and its communities."
- Grand Rapids Symphony: "To bring the enjoyment and rewards of great music to citizens of the Grand Rapids area and the State of Michigan."

Governance structure is similar to regional theater. The board of directors has legal and fiduciary responsibility and oversees two parallel functions; an artistic head responsible for programming, artistic personnel, and performance (the music director[39]) and an administrative head responsible for operations, marketing, development, and finance (the executive director or ED).[40] However, while some theater companies

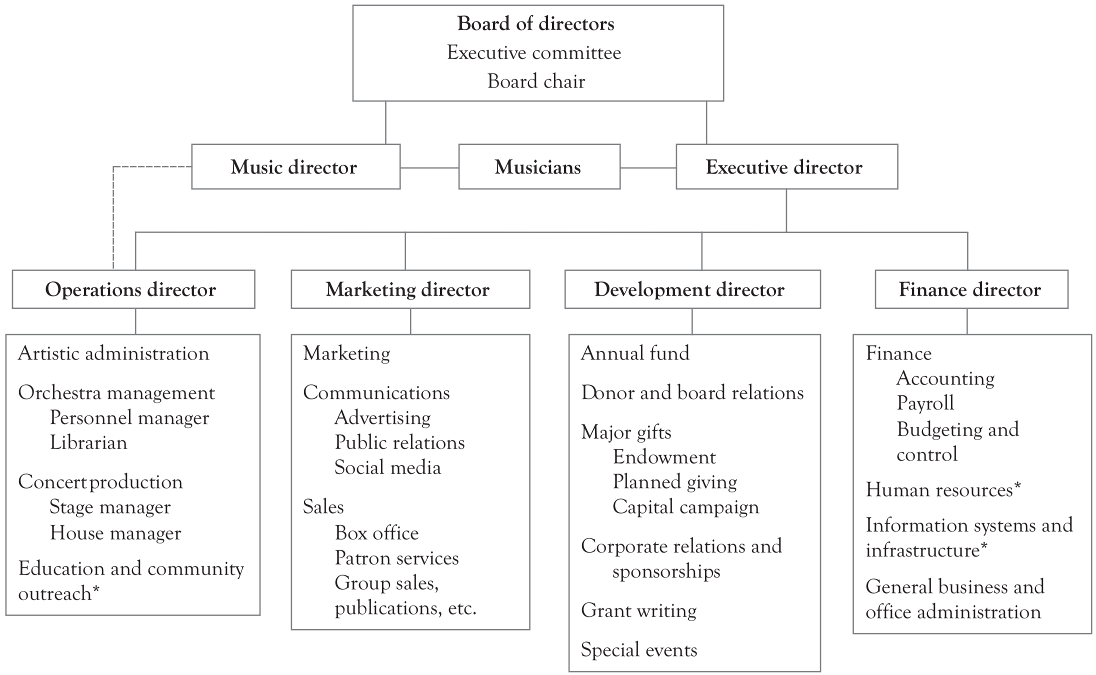


Figure 7.7 Sample orchestra organization structure

* In larger organizations, these functions may account for significant resources and report directly to the ED.

depart from this model (as discussed previously), it is almost universal in orchestras and sometimes referred to as the "three-legged stool."

A sample organization chart is shown in Figure 7.7. The lower half represents functions, not necessarily positions, since staff members in a small company wear many hats. The music director is the public face of the organization and does more than conduct concerts. The music director has artistic oversight of the musicians and is responsible for selecting repertoire and guest artists and planning programs. The ED is responsible for the entire staff and for CBA administration with the musicians, but the music director will typically have a dotted-line relation to operations, particularly for artistic administration, which includes booking guest artists and tracking repertoire history.

In practice, the music director usually focuses on the core classical subscription series and may be out of town much of the time, since most major conductors juggle multiple responsibilities and do a lot of guest-conducting. In a typical regional that does 10 programs a year, six may be classical subscription concerts, two or three pops, one educational or for kids or family, and possibly some one-off chamber concerts. The music director may only lead five or six of the classical concerts, leaving the ED and operations manager, and possibly an assistant conductor, to manage the rest. Table 7.15 indicates the range of activities and types of concerts.

Given artistic ambitions, marketing and educational ambitions, differing musical tastes, and scarce resources, there is natural tension among

Table 7.15 Number of reported orchestra concerts by type

	2005–2006	2008–2009	2010–2011
Classical	7,481	9,544	9,187
Chamber/ensemble	1,818	1,779	1,754
Pops	2,055	1,612	2,371
Education	17,852	13,417	10,694
Community engagement	2,375	1,288	4,309
Other performances*	6,531	5,173	7,654
Total	38,112	32,813	35,969

*Includes choral, opera, ballet, summer, family, and festival events.
Source: League of American Orchestras.

the three legs of the stool (and the musicians, who could be considered a fourth leg). The budget, prepared by management based on artistic and business plans and approved by the board, is the critical adjudicator. The organization's effectiveness therefore depends on a sound and inclusive planning process that gives voice to all key stakeholders.

Pops Orchestras

Most resident orchestras perform pops music, sometimes under a second brand. For example, the Cincinnati Symphony and the Cincinnati Pops have the same personnel and staff but different music directors and programs. Pops repertoire is eclectic and runs from Mozart's *Eine kleine Nachtmusik* and Bizet's *Carmen* overture to Leroy Anderson, Henry Mancini, and Broadway show tunes to backing up Beatles tribute bands, Cirque de Soleil, and the Texas Tenors.

In the 19th century, when high culture and popular culture were not so far apart, lighter pieces were often mixed on classical programs. But this changed as classical concert behavior became more formal—no applause between movements and respectful silence at all times, for example—and pioneering music directors such as Theodore Thomas focused on serious work.

The Boston Pops Orchestra has been an industry model, like the Symphony. It was founded by Major Higginson to present lighter fare in 1885, only four years after he founded the symphony. The Boston Symphony Orchestra (BSO) principals generally do not do pops and there are many freelancers, but the members mostly overlap and both use Symphony Hall. The Boston Pops performs during the holiday season in December (when ballet companies are doing *Nutcracker* and the BSO is dark), in the spring, and several summer concerts, notably for Boston's annual July Fourth celebration, when Tchaikovsky's *1812 Overture* ends the concert and begins the fireworks.

The Los Angeles Philharmonic takes a different approach with its Hollywood Bowl Orchestra. The Bowl has hosted outdoor orchestra concerts since it was built in the 1920s, with frequent appearances by the Phil and common management. But in 1990, the Phil created a separate Bowl Orchestra composed entirely of freelancers and studio musicians, with no overlap. One reason was to relieve the Phil of having to play weekend Bowl concerts during the summer. Another was the chance to sign a record contract with Phillips Classics, which had just lost its contract with the Boston Pops after Boston decided to switch to Sony Classical.

Pops concerts are an opportunity to generate incremental revenue, reach new audiences and, for full-time companies, keep their musicians busy. Although pops and classical audiences have similar demographics—both are older, for example—there tends to be little crossover. The role of pops in the organization mission can be unclear; board members sometimes think it is a way to cultivate new audiences for classical concerts, which is usually central to the mission, but that type of conversion is not very common.

The film scores of John Williams, who directed the Boston Pops from 1980 to 1993, have been a boon to orchestras. Movie soundtracks were commonly orchestral into the 1950s, but they began shifting more to jazz and smaller ensembles. The unabashed symphonic sound of Williams's scores to blockbusters like *Jaws* and *Star Wars* in the 1970s helped make the full orchestra popular in Hollywood again. They also provide crowd-pleasing repertoire for pops concerts.

Orchestra Musicians' Unions

Attracting and keeping good players is critical to the mission, and the industry's labor contracts make it heavily supply-driven. Union contracts specify the minimum number of musicians to be hired for given events, the number of services they will perform, minimum pay scales, overtime rules, grades, and seniority. Principals are paid more, and extra pay is also given for doubling (playing a related second instrument, such as a bass clarinet in addition to the standard A/B-flat clarinet in a symphony orchestra, or saxophone and clarinet in a pit band).

Orchestra musicians are organized into two conferences within the American Federation of Musicians (AFM) based on orchestra size. The International Conference of Symphony and Opera Musicians (ICSOM) was formed in 1962 to represent musicians in full-time orchestras, who felt that AFM was less responsive to their needs and more oriented to club date and studio players. Its members are the 52 largest orchestras in the country, representing about 4,000 musicians and including all of the

League's Groups 1 and 2. It is a mark of status to join ICSOM. Membership requires at least 60 musicians under contract with annual minimum guaranteed salaries of $25,000. The most recent additions were the Grand Rapids Symphony in 2013 and Fort Worth in 2001.[41]

The Regional Orchestra Players' Association (ROPA) was formed in 1984 for musicians in smaller or part-time orchestras. It has 85 members representing about 6,000 musicians and includes most of the orchestras in the League's Groups 3 through 6.

Labor relations tend to be more adversarial than in theater, for a variety of reasons. Unlike Actors' Equity, which is a national union, each orchestra contract is negotiated separately with the appropriate union local, one at a time. Contracts do not give explicit consideration to a company's ability to pay, unlike Equity, and musicians' desire for parity with other orchestras can be at odds with local market conditions and the cost of living. Among other issues, contract terms for recording, broadcasting, and online distribution can lag economic reality (such as the decline of recording sales and the availability of free music), although progress is being made.[42]

Financial Structure and Deficits

Resident orchestras have run deficits from their very beginning, as the *New York Times* reported in 1903 (quoted in Chapter 4). Reporting in 1940, Grant and Hettinger found no improvement:

> While the interest in symphonic music has been growing rapidly, most symphony orchestras lead a precarious financial existence. In the majority of cases the revenues from ticket sales amount to little more than half of operating expenses, and the remaining deficit must be met either by income from endowment, public contribution, or government subsidy.[43]

Baumol and Bowen found the performance gap getting worse in 1966.[44] A 1970 study called the symphony orchestra an economic anachronism and forecast the demise of 25 regional orchestras (almost all are still in business). The Wolf Report in 1992, which was commissioned by the Orchestra League and funded by the Mellon Foundation and NEA, concluded:

> Many financial approaches have been tried over the past 50 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 by several objective measures. Unless changes are made in the way orchestras do business—changes that are substantial and systemic—the future health of the orchestra industry is in serious jeopardy.[45]

Robert Flanagan conducted another study for the League 20 years later. He tracked the finances of the 63 largest orchestras, representing more than 70 percent of industry revenue, from 1987–1988 through 2005–2006.[46] His analysis found structural as well as cyclical challenges facing even the strongest orchestras. While cyclical downturns reduced ticket sales and contributions, when business conditions returned to normal, the orchestras were still worse off than before the downturn due to adverse structural trends. He also found that as the number of concerts increased during the period, attendance per concert declined—but that even if every seat were filled, the vast majority of orchestras would still face big performance deficits.[47]

Despite almost perpetual crisis, however, longevity among the largest orchestras is better than corporations in the Fortune 500. Every one of the original 18 U.S. members of ICSOM in 1963 is still in business and full-time.[48] Another 35 U.S. orchestras joined ICSOM during the expansion period from 1963 to 1980. Of these, four later downsized and joined ROPA; three folded but were reborn under new leadership and continue as ICSOM orchestras; and two others folded and were reborn as full-time musician-operated orchestras (neither ICSOM nor ROPA). Out of 53 in total, only three are completely out of business. Since 1980, 12 more orchestras joined ICSOM, and 11 are still going, for a total survival rate of 61 out of 65. In contrast, more than half of the 1980 Fortune 500 companies are gone or unrecognizable.

While financial crisis seems to have been perpetual, there has been significant change in financial structure. Concert income is a shrinking component of revenue, while dependence on private contributions and endowment income has grown (Table 7.16).

Table 7.16 Historical change in orchestra revenue structure, 1938–2011

	1938	1964	1985	2004	2011
Concert income (%)	57	52	38	37	31
Other earned income* (%)	7	5	11	8	10
Endowment income (%)	11	7	8	12	15
Private support (%)	25	36	33	39	41
Government support (%)	<0.5	<0.5	10	4	3

*Includes electronic media, education, merchandise sales, hall rental, concessions, and other.
Sources: Grant and Hettinger,[49] Baumol and Bowen,[50] and League of American Orchestras.

Table 7.17 Historical change in orchestra cost structure, 1938–2004

	1938	1964	1985	2004	2011
Artistic personnel (%)	74	64	54	45	NA
Production (venue, etc.) (%)	8	15	16	17	NA
Touring or travel (%)	4	6	NA	NA	NA
Advertising or promotion (%)	2	4	8	10	NA
Development (%)	1	1	5	5	NA
Administration and other (%)	10	10	17	23	NA

Sources: Grant and Hettinger,[51] Baumol and Bowen,[52] and League of American Orchestras.

Similarly, artistic personnel are a shrinking component of cost, despite the common focus on labor contracts (Table 7.17). Administrative and other indirect costs have burgeoned, suggesting that managing these institutions has become enormously more difficult. A Big Five orchestra in 1964 gave about 140 concerts a year and had about 30 people on the administrative staff. In 2013, the largest orchestras gave perhaps 200 concerts each, a 40 percent increase, but needed 125 to 150 on staff, a 300 to 400 percent increase (budgets, meanwhile, went from about \$2 million per year to \$75 million or more in current dollars).

Composers and Repertoire

Four composers dominate orchestral programming and probably account for a quarter of all works performed: Beethoven, Mozart, Tchaikovsky, and Brahms. For many listeners, these four essentially defined what an orchestra should sound like. They also set a very high bar—it is hard to equal Beethoven. (Audiences for rock concert tours tend to prefer the rock "oldies" too.)

Year-to-year composer rankings can change due to anniversaries, which can justify special programming and marketing (see Table 7.18). Mozart's 250th birthday was celebrated in 2006, pushing him into first place in 2006–2007; Liszt's 200th birthday was in 2011, pushing him into the top 15 for the first time in generations; the 200th anniversary of Haydn's death was in 2009; and Benjamin Britten's centenary was in 2013.[53]

Programming is not stuck in the 18th and 19th centuries, however. Although Beethoven, Mozart, Tchaikovsky, and Brahms have been long dominant, rankings below the top four have changed significantly.[54] Of the top 10 composers in the late 1940s, numbers 5 through 10 were literally off the chart in 2010–2011, as shown in Table 7.19. Most of their

Table 7.18 Most frequently performed composers in 2010–2011 and their rank in prior seasons

	2010–2011	2009–2010	2006–2007	2002–2003
Ludwig van Beethoven	1	1	2	1
Wolfgang Amadeus Mozart	2	2	1	2
Piotr Ilyich Tchaikovsky	3	3	4	3
Johannes Brahms	4	4	3	4
Maurice Ravel	5	9	10	6
Antonin Dvorak	6	8	7	7
Jean Sibelius	7	12	14	
Sergei Prokofiev	8	13	8	10
Igor Stravinsky	9	5	9	
Sergei Rachmaninoff	10	10	13	
Gustav Mahler	11	14	15	
Richard Strauss	12	6	6	5
Franz Liszt	13	–	–	
Felix Mendelssohn	14	11	11	
Franz Joseph Haydn	15	7	12	9

Source: League of American Orchestras.

Table 7.19 Most frequently performed composers in 1945–1950 and their rank in 2010–2011

	1945–1950	2010–2011
Beethoven	1	1
Brahms	2	4
Tchaikovsky	3	3
Mozart	4	2
R. Strauss	5	12
Richard Wagner	6	17
Mahler	7	11
Robert Schumann	8	20
Hector Berlioz	9	18
Johann Sebastian Bach	10	24

Source: Data for 1945-1950 from Muller;[49] data for 2010-2011 from League of American Orchestras.

replacements have been 20th century composers such as Ravel, Stravinsky, and Prokofiev. However, music by more recent composers (of the past 50 years, say) is still relatively scarce.[56]

There has been even more change in composers and repertoire if one counts period instrument, church, and chamber groups that may not be reporting into the League. According to Bachtrack, which claims to be the largest classical event finder online, romantic and 20th century music each accounted for about a third of all North American concert listings in 2013, followed by baroque (11 percent), classical (8 percent), and contemporary (7 percent). J.S. Bach, one of the hallowed "three Bs," came out as one of the most performed composers, counting these smaller groups and ensembles.[57]

Survival and Revival Initiatives

For most of the 20th century, the resident orchestra was central to American cultural life and a source of civic pride. "The symphony may be held to be the grandest work of man," as Charles Edward Russell wrote in 1909 (mentioned in Chapter 3).[58] The nature of the orchestra as art form has not changed much, but its position in social life has.

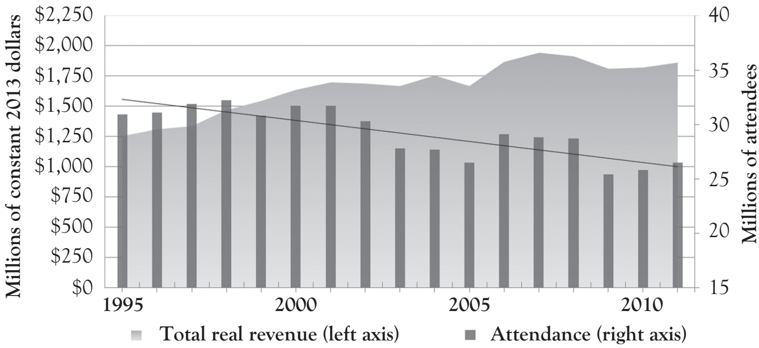


Figure 7.8 Orchestra inflation-adjusted revenue versus attendance and attendance trend line, 1995–2011

Source: League of American Orchestras, U.S. Statistical Abstract.

In the long term, restoring relevance and audience appeal will be critical to financial viability (see Figure 7.8). We discuss audiences in more detail in Chapter 8.

Despite their financial tribulations, regional orchestras have proved remarkably resilient. Denver Symphony came back as the Colorado Symphony; San Jose Symphony came back as Symphony Silicon Valley. In some cases, the musicians have taken the lead. Syracuse Symphony went into Chapter 7 liquidation in April 2011. After several unsuccessful attempts by community leaders to revive it, the musicians launched their own symphony in January 2013, called Symphoria (modeled after the Louisiana Philharmonic, which is musician-owned and operated and replaced the defunct New Orleans Symphony in 1991). Likewise, the New Mexico Philharmonic was started by musicians after New Mexico Symphony's Chapter 7 filing in 2011, and the Hawai'i Symphony was started by musicians in 2012 after the demise of the Honolulu Symphony.

Opera

Opera is the most concentrated of the performing arts. The top 10 firms account for more than 60 percent of the industry's $1 billion revenue, and one firm, the Met, dwarfs them all and the rest of the performing arts industry as well (since the Met is in a class by itself, Table 7.20 shows the top 11).

Table 7.20 Top 11 opera companies by budget size, FY2012 ($ millions)

1	New York Metropolitan Opera		325.0
2	San Francisco Opera		70.0
3	Lyric Opera of Chicago		67.5
4	Los Angeles Opera		35.7
5	Houston Grand Opera		22.9
6	Seattle Opera	298.1	21.8
7	Santa Fe Opera		20.8
8	New York City Opera*		16.9
9	Dallas Opera		14.9
10	San Diego Opera		14.8
11	Michigan Opera Theatre		12.8

*Filed for bankruptcy; last performance September 2013.
Source: OPERA America.

How did the Met Opera become such a giant? New York's leading orchestra, theater, and ballet companies have nowhere near the dominance in their respective areas. One reason is that opera is the costliest art form with the highest barriers to entry. Although opera houses were ubiquitous in the 19th century, few other companies survived into the next century. Another reason is that the Met has been an aggressive competitor.

The Met was founded in 1880 when New York's *nouveaux riches*—the Morgans, Goulds, and Rockefellers—could not get into the city establishment's house, the Academy of Music. They built their own hall, a place to see and be seen, with opulent box seats (which limited the working space backstage), and brought in the best talent available. The Academy's business dried up and within a few years, it abandoned opera and switched to vaudeville. Another opera company led by Oscar Hammerstein (father of the famous Broadway librettist) entered the market in 1906, but the Met fought back and ultimately bought him out.

The Met began touring other cities early on with the aim of establishing itself as a national company. It made a second home in Philadelphia and developed local support in a dozen other cities, to help pay the cost of touring, which it continued into the 1980s. Its radio broadcasts also reached a national audience. It essentially had the American market to itself for half a century. Except for San Francisco, all the companies listed in Table 7.20 were founded in the 1950s or later. Some actually grew out of the local volunteer groups that hosted the Met's visits.

The industry developed further in the 1970s and 1980s as new entrants started dozens of regional companies. Opera attendance rose around the country, from 5 million in 1970 to more than 20 million by 1990. The 2007 Economic Census counted 164 opera establishments (Table 5.6). Opera America, the industry's service organization, currently has 131 professional company members, more than half of which have budgets under $1 million (Table 7.21).

Costs

Opera's high costs derive from its input requirements (expensive international soloists, an orchestra, sets, costumes, scores of chorus members and extras, etc.), and the performance practices and conventions of the 19th century, which were established when these inputs were relatively cheap, but which we continue to follow and expect.[59] Opera's vocal demands, which singers are expected to meet without amplification, add to costs, since singers typically need a day off between performances.[60]

Although most opera fans say the music and great voices are the main attraction, the fantastic aspects of opera encourage imaginative but often costly reinterpretations (castles in the sky, trees hanging in midair, transpositions in time, etc.). The investment costs of a new production can be comparable to Broadway.

Table 7.21 Number of Opera America members by budget level, 2014

Level 1	More than $10 million	13
Level 2	$3–$10 million	21
Level 3	$1–$3 million	21
Level 4	Less than $1 million	76

Source: OPERA America.

Scheduling

Most regional companies offer three to five productions each year. Larger companies such as San Francisco and Los Angeles might offer eight or nine. The Met puts on 25 or more. There are two approaches to scheduling: *stagione* ("season"), where productions are performed in a block, sequentially, and some nights are dark to rest the singers; and repertory, where multiple productions are alternated. The Met uses a hybrid between stagione and pure repertory: There is a different opera every day, but performances are clustered together so that productions rotate. In the course of a season, which runs from late September to mid-May, there might be 25 different operas, including 4 to 5 new productions, each performed in repertory an average of 8 to 10 times over a rolling two-month period.

One reason to vary the shows each day is to maximize facility utilization. If only one opera is run at a time, stagione-style, the house will be dark half the time (unless there is double casting). Managing the set, cast, and costume changes every day requires masterful logistics and a big staff to keep track of everything. Saturday at the Met is a particularly challenge, with different matinee and evening shows on the same stage, keeping backstage crews very busy.

Live in HD

The Met broadcasts 10 performances of Live in HD each year, shown on some 2,000 screens in 64 countries to more than 3 million ticket holders. Since it began in 2006 under General Manager Peter Gelb, other companies have followed suit, including San Francisco, Milan's La Scala, and London's Royal Opera House, although the Met continues to have the widest distribution. Each HD opera costs roughly $1 million to produce and distribute, but the Met takes half of the ticket price of around $23 and more than makes back its investment.[61] The program has been a mixed blessing for regional companies, building new audiences for opera but probably cannibalizing local sales.

Repertoire

As with orchestras, the opera repertoire is dominated by old masters, particularly Verdi and Puccini (Table 7.22). Nonetheless, the industry as a whole has been fairly active in featuring new work. For example, Opera Philadelphia and Santa Fe Opera have a partnership that is commissioning a new American opera each year for 10 years. Contemporary composers such as John Adams, John Harbison, and John Corigliano are not likely to overtake Verdi anytime soon, but they are getting a hearing on many opera stages.

Table 7.22 Most frequently performed operas in Metropolitan Opera's history

	Opera	Composer	No. of performances	First performance	Most recent season
1	*La Bohème*	Giacomo Puccini	1,259	11/9/1900	2013–2014
2	*Aida*	Giuseppe Verdi	1,132	11/12/1886	2012–2013
3	*Carmen*	Georges Bizet	985	01/05/1884	2012–2013
4	*La Traviata*	Verdi	984	11/05/1883	2012–2013
5	*Tosca*	Puccini	937	2/4/1901	2013–2014
6	*Rigoletto*	Verdi	863	11/16/1883	2013–2014
7	*Madama Butterfly*	Puccini	855	2/11/1907	2013–2014
8	*Faust*	Charles Gounod	752	10/22/1883	2012–2013
9	*Pagliacci*	Ruggero Leoncavallo	712	12/11/1893	2008–2009
10	*Cavalleria Rusticana*	Pietro Mascagni	671	12/04/1891	2008–2009
11	*Il Trovatore*	Verdi	637	10/26/1883	2012–2013
12	*Lohengrin*	Richard Wagner	618	11/07/1883	2005–2006
13	*Il Barbiere di Siviglia*	Gioachino Rossini	607	11/23/1883	2012–2013
14	*Lucia di Lammermoor*	Donizetti	591	10/24/1883	2010–2011
15	*Don Giovanni*	W. A. Mozart	538	11/28/1883	2012–2013

Source: New York Metropolitan Opera. Most recent season is through 2013–2014.

Dance

Dance is the youngest art form. There are two main types: ballet, which builds on European tradition and favors an established body of works from a century ago or more, and modern or contemporary dance, which was developed in America and chooses more eclectically. Ballet dancers wear pointe shoes, modern dancers mostly do not; ballet favors long, clean lines in body position and ensemble movement, modern dance positions may be a bit more sinuous.

Dance/USA tracks dance companies with expense budgets over $100,000 and found 353 companies with combined budgets of $660 million in FY2012, versus 359 companies and $630 million in FY2011 (Table 7.23). Revenue is relatively concentrated. The 50 largest companies accounted for more than 75 percent of total (#50 in FY2012 was Dallas Black Dance Theatre, at $2.6 million); of these, 39 were ballet companies and 11 were modern/contemporary.

Dance companies tour much more than other types because they need to augment the limited available revenue from their home market

Table 7.23 Top 10 American dance companies by budget size ($ millions)

	FY2011 ($)	FY2012 ($)
New York City Ballet	57.3	66.2
San Francisco Ballet	43.9	47.4
American Ballet Theatre	40.1	40.2
Alvin Ailey American Dance Theatre	33.5	34.6
Boston Ballet	27.9	28.4
Pacific Northwest Ballet	20.4	22.3
Houston Ballet	20.3	20.9
Miami City Ballet	15.0	15.1
Joffrey Ballet of Chicago	13.5	14.4
Pennsylvania Ballet	10.3	10.4
Top 10 total	282.3	299.9
All companies with budget > $100,000	629.7	659.5
Top 10 share (%)	44.8	45.5
Top 50 share (%)	75.1	76.9

Source: Dance/USA.

and they usually have less control of their halls and may need to move more often anyway. Performance fees can become as important as ticket revenue.

Dance companies have several important human or organizational considerations. First, the physical demands are best met by a 20- to 25-year-old body, so although experience is a teacher, dancers can expect limited career spans. Second, the choreographer has a particularly central role—companies are built around them and often liquidate when they retire. In theater and music, the director or conductor has considerable control but is still working within the playwright's or composer's creation. In dance, the choreographer is the creator, using human movement the way the others use notes or words, moving to the music he selected. Third, dance companies are closely associated with and often own their own dance schools, in part because dance students need to start young and because the choreographer has certain artistic goals for the ensemble.

The Nutcracker has been immeasurably important to the industry. The growth of professional ballet companies since the 1950s was catalyzed by the pairing of community dance schools and Balanchine's *Nutcracker*; which gives a prominent role to children. Russian audiences of the 1890s objected to so many children on stage, but Balanchine's staging makes good use of the children, tying them to the story and giving them movements they can do well. *Nutcracker* typically accounts for about 50 percent of a company's ticket sales and 25 percent of total revenue. There were 27 different productions in December 2013 in New York City, up from 16 in 2010.

There are other genres besides ballet and modern dance, such as aerial, tap, and liturgical, but ballet companies are the most numerous and dominate in revenue terms (Table 7.24).

Production Differences by Art Form

Art forms differ in choice of venue and scheduling. Opera typically uses the largest venue, theater the smallest, and symphony in between. Dance companies vary because they tour more often and are in less control of a home venue (New York City Ballet is an exception). Theaters schedule many performances of a few different productions, while orchestras

Table 7.24 Dance companies with over $100,000 budgets by genre, 2012

	Companies		Budgets	
	Number	% of total	$ millions	% of total
Ballet	144	40.8	489	74.2
Modern/contemporary	123	34.8	136	20.6
Culturally specific	40	11.3	15	2.3
Multidisciplinary and other*	46	13.0	19	2.9
Total	353	100.0	660	100.0

*Others include aerial, tap, jazz, liturgical, ice, hip-hop, and historical.
Source: Dance/USA.

perform many different programs only a few times each. For example, consider four premier companies in Chicago:

The **Chicago Symphony** has a 2,500-seat hall and typically performs 30 different concert programs during the main subscription season, giving three or occasionally four performances of each over a one-week period, for a total of about 100 main season performances.

The **Goodman Theater**, Chicago's largest not-for-profit theater company, offers an eight-show subscription season, five shows in its 856-seat Albert Theater and three in its 400-seat Owen Theater. A production typically runs eight times a week for about five weeks, for a total of about 40 performances, sometimes giving two performances a day (matinee and evening) and often running both venues simultaneously, for a total of more than 300 main season performances.

The **Lyric Opera of Chicago** has a 3,563-seat theater and offers about 65 performances of eight different operas in its subscription season, plus, in the past few years, about 15 performances of a musical in the "post-season." Productions roll out sequentially but with some overlap, like the Met's hybrid model, so two operas may run during the same week (the Met, with 25 or more operas each season, will have five or six different operas running in a given week). Extra performances are scheduled for the more popular offerings (e.g., 11 performances of *Porgy and Bess* versus seven for Strauss's *Capriccio* in 2014–2015).

The **Joffrey Ballet** performs in the 3,800-seat Auditorium Theatre of Roosevelt University, built in the 1880s and the original home of Chicago's opera and symphony. It offers a three-concert subscription season, 10 performances each, plus several add-ons, most notably 24 performances of *The Nutcracker*. Like other dance companies, the Joffrey travels frequently, so over a season, there may be 60 performances at home and another 20 or more on tour. Its year-round dance school is also a major part of the business.[62]

Festivals

Festivals belong more in the category of promoter with venue than performing arts company, but they play an important role in the industry. They date back to the post-Civil War period with Patrick Gilmore's jubilees, which matched giant middle- and upper-class audiences to giant choral, operatic, and symphonic performances. The growth of resident companies did not end festivals. Today there are hundreds, ranging from contemporary classical to period instrument to jazz and rock.

Music festivals come in all lengths, genres, and business forms. They can run for days, such as the Newport Jazz, Ojai (classical), and Bonnaroo (eclectic pop), or months, such as Aspen or Tanglewood. Longer festivals tend toward classical and can be independently run with resident performing groups (Aspen, Grand Teton). Some are independent, but with a strong orchestra presence and an eclectic mix of other performers (Wolf Trap, summer home of the National Symphony; Ravinia, summer home of the Chicago Symphony). Some are part of a bigger entity (Tanglewood, run by the Boston Symphony, and Hollywood Bowl, run by the Los Angeles Philharmonic, which does not bill itself as a festival but operates only in the summer months). The Saratoga Performing Arts Center is a year-round nonprofit facility partly funded by State of New York, which serves as the summer home of New York City Ballet and Philadelphia Orchestra and also presents pop and rock concerts booked by Live Nation.

CHAPTER 8

Audiences and Tastes

Although some companies can fill the house, declining attendance rates and aging audiences are serious industry concerns. Art may aspire to more than commerce, but empty seats are bad for art and business. The live experience is a central feature of the performing arts for people on both sides of the footlights. The declining relevance of the live artistic experience in contemporary life presents an enormous challenge. This chapter examines performing arts audiences by art form from three perspectives:

- The level of participation as measured by trends in audience size and attendance rates, and how these compare to other leisure activities;
- Audience composition, including demographic and psychographic features; and
- Key factors that affect attendance and demand, including management decisions.

Major data sources are the National Endowment for the Arts (NEA), which conducts the Survey of Public Participation in the Arts (SPPA), and industry associations such as the Broadway League, which gather and analyze data from their members. To compare performing arts audiences with those of other leisure activities and the general population, we also draw on the Census Bureau, Bureau of Labor Statistics (BLS), advocacy groups, and other market research sources.

Overall Participation: Audience Size and Attendance Rates

NEA calls the SPPA "the nation's largest and most reliable survey on how American adults (ages 18 and older) engage with the arts." The Census

Bureau has conducted the survey on behalf of NEA six times between 1982 and 2012. Detailed results for 2012 (sample size of 37,266) have not been published at this writing, but preliminary figures are available. Respondents were asked if they attended a performing arts event in the preceding 12 months and if so, how often they went; a summary comparison of attendance rates by genre is shown in Table 8.1.

Note that NEA defines participation broadly. The surveys do not distinguish between professional and amateur productions; only elementary and high school performances are excluded, and a free reading of Shakespeare in the park counts equally with $300 seats on Broadway. NEA has also broadened its definition of performing arts beyond high culture, as discussed in Chapter 2 (e.g., Latin, Spanish, and salsa music was added in 2008).

Participation is in single digits for all genres except musical theater, although the absolute numbers run into the tens of millions. In terms of trend, participation rates by most measures have been falling across the performing arts, as discussed in Chapter 1 (see Figure 1.1). Musicals were 15.2 percent in 2012, down from18.6 percent in 1982. Plays, despite gains in the 1990s, ended the period with an even worse decline, falling from 12 percent to 8 percent. Likewise, classical music fell from 13 percent to 9 percent.

Table 8.1 Percent of adults who attended a performing arts event (from 2012 SPPA)

	% of U.S. adults	Number (millions)	Events per participant
Musical theater	15.2	35.7	2.01
Nonmusical theater (plays)	8.3	19.5	2.16
Classical music	8.8	20.7	2.62
Jazz	8.1	19.0	2.81
Latin, Spanish, or salsa music	5.1	12.0	2.42
Ballet	2.7	6.3	1.53
Dance other than ballet	5.6	13.2	2.04
Opera	2.1	4.9	2.04
Any live music performance	31.6	74.2	NA
Any live performing arts event	37.0	86.8	NA

Source: NEA.[1]

These declines are corroborated by Scarborough Research, which conducts annual surveys for the advocacy group Americans for the Arts (AFTA). Scarborough reaches 215,000 respondents through interviews and questionnaires in 77 metropolitan areas, accounting for about 75 percent of U.S. population. They show steady year-on-year declines in participation rates for theater and dance since 2003 (Figure 8.1). Classical music is also down overall, although surveys since 2009 show possible signs of recovery. (The NEA and Scarborough methodologies differ somewhat, but the results are similar; see the endnote for a detailed comparison.)[2]

How are declining attendance rates affecting ticket sales? Revenue in both the for-profit and nonprofit sectors has been growing long term, despite the recession, but that is partly the result of ticket price increases. What about physical attendance (or as some say, "butts in seats")?

The industry associations' attendance estimates measure total admissions, not unique individuals; someone who went to 12 shows counts as 12 admissions. Attendance by industry segment is shown for five segments in Figure 8.2 (comparable data for dance were not available). Nonprofit theater led with reported attendance of 36.7 million in 2012, which was the sum from 211,000 performances (these figures were cited earlier in Table 7.5). Total attendance for the five segments was 90 million, up about 3 percent over 2002. The U.S. population grew 9 percent during

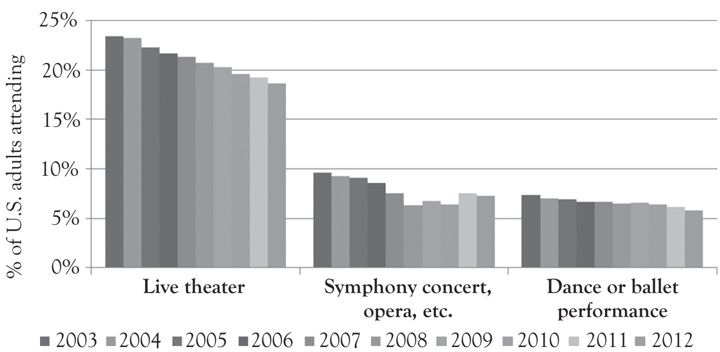


Figure 8.1 Annual participation rates at theater, symphony and opera, and dance, 2003–2012

Source: Scarborough Research surveys of 77 U.S. metropolitan areas as reported by Americans for the Arts.[3]

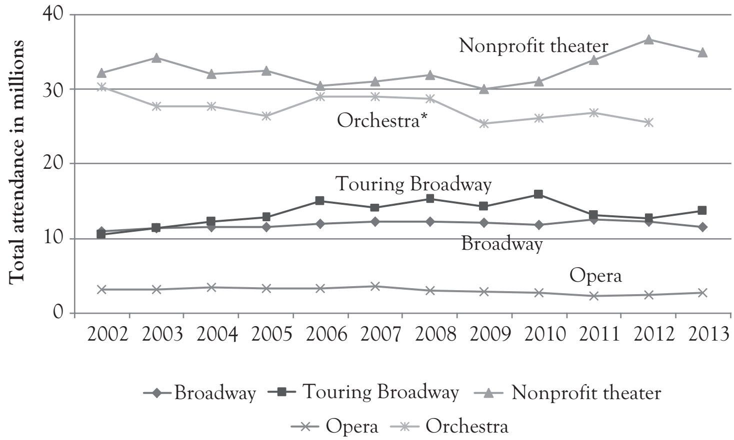


Figure 8.2 Estimated attendance by industry segment, 2002–2013

Source: Broadway League, TCG, Opera America, League of American Orchestras.

*Note: Orchestra attendance for FY2013 not available.

the period, so market share would appear to be declining, consistent with a decline in participation rates.

Total attendance (or admissions) is a useful starting point, but each industry association counts differently. Among nonprofits, the Theater Communications Group (TCG) tracks professional theater companies, while the League of American Orchestras includes community and youth groups. Both include education and outreach programs, which can be substantial (they account for almost half of all orchestra concerts, as shown in Table 7.15). Opera America members are also heavily engaged in outreach, but its attendance figures are for main-season productions only, and Broadway League members, which are mostly for-profit, conduct outreach on a much smaller scale.

Indexing the attendance figures provides a more comparable trend indicator (Figure 8.3). The three theater segments ended the period with attendance up about 10 percent over 2002, despite an initial decline for nonprofit theater and a falloff in 2013. Orchestra and opera, in contrast, ended down about 15 percent. Even if fewer Americans are going to live theater, as the surveys indicate, apparently there are enough frequent users to compensate, while this may not be true of orchestra and opera.

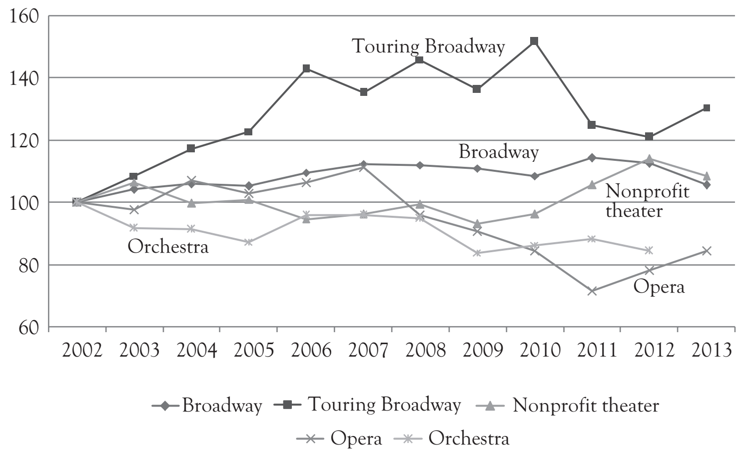


Figure 8.3 Index of estimated attendance by segment (2002 = 100)

Frequency of Attendance

Frequency is a key variable, since total attendance is a function of the number of participants and the number of events they attend (audience size = attendance rate × population × frequency). Performing arts participants in the 2012 SPPA averaged about two events per year (Table 8.1), but averages conceal a wide range between occasional users and aficionados.

According to the Broadway League, for example, the average Broadway theatergoer went to four performances in 2013–2014. But 5 percent of the audience attended 15 or more and accounted for 35 percent of all tickets.[4] This is a variation on the 80/20 rule (or Pareto distribution), where a small fraction of causes is responsible for a large portion of results.

Frequency, like participation, varies by genre. Nationally, half the audience for both musicals and plays goes but once a year, but the tail of the distribution is higher for plays: 10 percent of playgoers attended 5 or more times and accounted for 32 percent of ticket sales, versus comparable figures for musicals of 7 percent and 22 percent (Table 8.2).[5] Ballet, on the other hand, drew the highest proportion of one-time attendees (72 percent), reflecting the large audiences for *The Nutcracker*, and the fewest five-plus repeat attenders (4 percent).

Table 8.2 Occasional and frequent performing arts attenders, 2012

	Attended one time		Attended five or more times	
	% of attendees	% of tickets sold	% of attendees	% of tickets sold
Musical theater	50	25	7	22
Nonmusical theater	51	24	10	32
Classical music	45	17	13	42
Ballet	72	47	4	15

Source: Data from NEA's SPPA 2012, distributed online by Inter–university Consortium for Political and Social Research.[6]

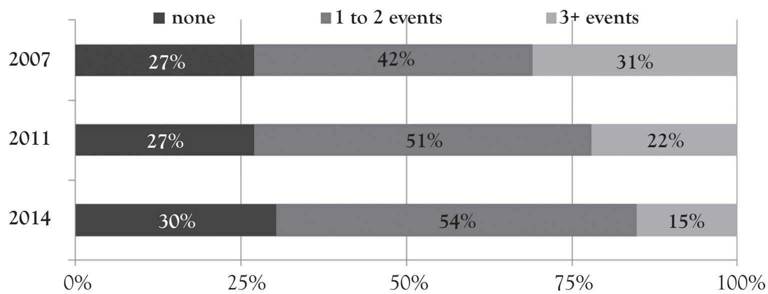


Figure 8.4 Number of cultural activities attended per month (U.S. adults aged 18 and above with some cultural involvement)

Source: LaPlaca Cohen/Campbell Rinker, Culture Track 2014.[11]
Note: n = 4,000 in each year.

Frequency rates have also been declining along with participation. Heavy-user groups, in particular, are shrinking or cutting back or both. A tracking survey of cultural participants called Culture Track, including visual as well as performing arts, found a dramatic decline in the proportion of people attending three or more events per month—from 31 percent of participants in 2007 to only 15 percent in 2014 (Figure 8.4).[7] The 2014 survey also found that, for those who do attend, "cultural participation" was becoming more broadly defined to include zoos, science museums, living museums, botanical gardens, parks, and other attractions.[8]

The combination of declining participation and frequency appears to have hit classical music hardest. Another consumer-tracking survey,

Table 8.3 Frequent participants attending once a month or more—change in number and share of all participants

	2006		2012		2006–2012
	Number	**%**	**Number**	**%**	**Change**
Live theater	5,022,000	18.4	4,499,000	16.7	−10.4
Classical music or opera	1,780,000	16.8	1,126,000	14.1	−36.7
Dance performances	868,000	11.5	770,000	8.1	−11.3

Source: GfK Mediamark Research as reported in U.S. Statistical Abstracts.[12]

conducted by the market research firm GfK Mediamark, suggests that the number of people attending classical music or opera once a month or more fell by 37 percent between 2006 and 2012—a loss of 650,000 customers (Table 8.3).[9] Presumably some attend less often and some, perhaps for reasons of age, have stopped going entirely. This helps explain the steeper decline in orchestra and opera admissions in Figure 8.3.[10]

Competing Uses of Leisure Time

Declining participation is affecting a variety of cultural activities, as the Culture Track surveys suggest. Participation rates at parks, historic sites, and arts and crafts festivals are down in the SPPA. Art museums and galleries, which had significant gains in the 1992 and 2002 SPPAs, were also down, as was the number of people who read at least one work of literature in the prior 12 months.[14] (The SPPA also tracks gardening, and that is down too.)

Changing participation patterns are a broader phenomenon, affecting sporting and entertainment events generally. The BLS's American Time Use Survey (ATUS) asks respondents ages 15 and older to describe their activities on the previous day. Among leisure activities, TV watching is steady, participating in sports and exercise is up, and community cultural participation, while small, is steady or possibly up. But attendance at sporting, recreational, and entertainment events and the arts is down (Table 8.4).

Real per capita spending on spectator sports and movie theaters has been relatively flat, as we saw in the personal consumption expenditures

Table 8.4 American Time Use Survey—trends in leisure time

Percent of population engaged in the average day	2003	2008	2011	2012	2013
Watching TV (%)	78.8	80.9	78.3	80.1	79.4
Participating in sports, exercise, and recreation (%)	17.3	17.9	18.6	19.3	18.6
Attending sporting or recreational events (%)	1.5	1.2	1.1	0.9	0.9
Attending arts and entertainment (excluding sports) (%)	3.8	3.2	2.9	3.1	2.9
Volunteering in performance and cultural activities (%)	0.4	0.4	0.4	0.4	0.6

Source: BLS, American Time Use Survey, Table A-1, 2014.[13]

(PCE) data (Figures 5.2 and 5.3). Movie theaters, in particular, seem to have resumed a long-term decline. Peak attendance was in 2002, with 1.58 billion tickets and 5 tickets per capita (the blockbuster that year was *Spider-Man*); since then, the participation rate has been holding at about 67 percent, but frequency was down to 4 tickets per capita in 2014.[15]

Live performance of popular music, in contrast, is doing well despite the ubiquity of low-cost digital recordings (and the resulting decline of the record business). Popular music concerts had strong volume growth in the early 2000s as tours proliferated and ticket price hikes failed to deter fans. Year-to-year attendance since then has fluctuated depending on what tours and stars are big, and the recession took its toll, but participation rates continue at high levels.[16] Box office data show that pop music concerts in 2013 and 2014 were especially strong.[17]

Corroborating data from the GfK Mediamark surveys are shown in Table 8.5. Classical music, theater, and other high-culture activities generally show falling participation. But three genres of popular music have been relatively steady.

If Americans are giving less time to so many leisure activities, it is possible that the absolute amount of leisure time has fallen (typically defined as time outside of work, school, eating, sleeping, housekeeping, shopping, and so on). Indeed, it is a common perception that people are busier than ever. Americans are taking less and less vacation time, for example.

Table 8.5 Participation rates in concerts and other leisure activities (U.S. adults participating one or more times in prior 12 months)

	1998	2006	2010	2012
Rock music performances (%)		9.3	11.0	9.6
Country music performances (%)	22.0	5.0	4.9	5.5
Other music performances* (%)		10.9	11.6	10.0
Classical music or opera (%)		4.8	4.3	3.4
Live theater (%)	14.5	12.5	13.4	11.6
Dance performances (%)	6.1	3.5	4.4	4.1
Go to museums (%)	15.2	11.6	14.5	12.8
Concerts on radio (%)	5.5	3.4	2.8	2.6
Play musical instrument (%)	7.6	7.7	7.9	6.6

*Includes pop, easy listening, blues, gospel, folk, and international.
Source: GfK Mediamark Research as reported in U.S. Statistical Abstracts.[18]

Nonetheless, studies show that, contrary to perception, leisure time is level or growing.

- Since the 1980s, respondents to the Harris Poll have reported a fairly stable 19 to 20 hours of leisure per week, except for a dip to 16 hours in 2008. While reported leisure time declined four hours, work time in 2008 only increased one hour, leading Harris to theorize that people were spending more time in a gray area, such as checking e-mail, that does not feel like work or leisure.[19]
- Two economists studying data from 1965 to 2003 found that "leisure for men increased by 6–8 hours per week (driven by a decline in market work hours) and for women by 4–8 hours per week (driven by a decline in home production work hours)."[20]
- ATUS data since 2003 show the average hours of leisure inching up (Figure 8.5).[21]

So where is leisure time going? One logical growth area is online. ATUS includes this under "relaxing and leisure" time, defined as "watching television; reading; relaxing or thinking; playing computer, board,

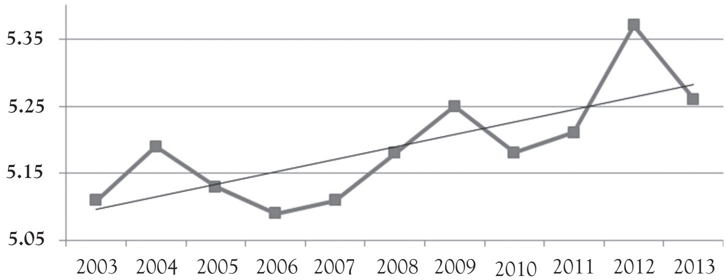


Figure 8.5 Average daily hours of leisure time, 2003–2013

Source: BLS, American Time Usage Survey, 2014.

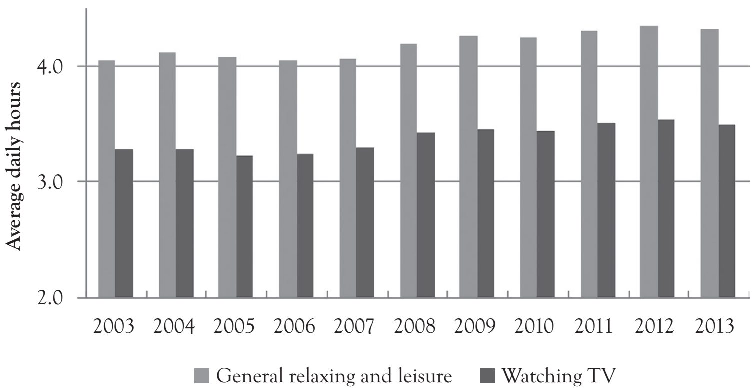


Figure 8.6 Watching TV as a component of general leisure time

Source: BLS, American Time Usage Survey, 2014.

or card games; using a computer or the Internet for personal interest; playing or listening to music; and other activities, such as attending arts, cultural, and entertainment events." TV accounts for most of this category (Figure 8.6), but it is very possible that the many new activities spawned by online connectivity are not fully captured in the ATUS diaries. The number of adults who use social networking sites and upload or post videos online, for example, more than doubled between 2009 and 2013.[22] Mobile and social media have created entirely new entertainment categories, such as spectator videogames.[23]

Beyond questions of survey methodology, the structure of leisure time itself may be changing. The line between work and nonwork may be blurring as more people stay connected 24/7, work flexible hours or telecommute, and use smartphones and tablets for both business and personal purposes. This is especially true at higher income and education levels. In addition, the home is increasingly capable as an entertainment center, with the profusion of large-screen TVs, home theater systems, and broadband access.

All three trends—living online, blurring of work–life time, and home-centered entertainment—create challenges for the traditional, schedule-driven performing arts company.

Characteristics of Participants

Performing arts audiences are wealthier and more educated than the general population. This has a long precedent, since for centuries, the best artistic talent performed for kings and courts. It was also documented as far back as 1964–1965, when the Baumol and Bowen study included a questionnaire survey of performing arts audiences, with some 30,000 usable responses. They found a median income twice the national average and seven times more college degrees.[24]

Audiences are also older today, but this is a more recent development. Baumol and Bowen found a median age of 38, and only 9 percent of the audience was over 60 years of age versus a national average of 13 percent. "In a word, audiences are young," they wrote.[25] Today's aging of audiences is a critical issue for the industry and is discussed further in the next section.

Participation rates by age group and highest level of education are shown for musical theater in Figure 8.7, based on preliminary 2012 SPPA results. Among 18 to 24 year olds, 12.9 percent said they had attended a musical theater event, similar to the 25 to 34, 35 to 44, and above 75 age groups.

Participation by income is not yet available for the 2012 SPPA, so we make do with 2008 (Figure 8.8). Note that participation in musicals fell from 16.7 percent in 2008 to 15.2 percent in 2012, which is statistically significant at the 95 percent confidence level. In effect, the entire curve shifted down as participation fell in almost every demographic segment, so while both surveys show similar relationships, the absolute values are not directly comparable.

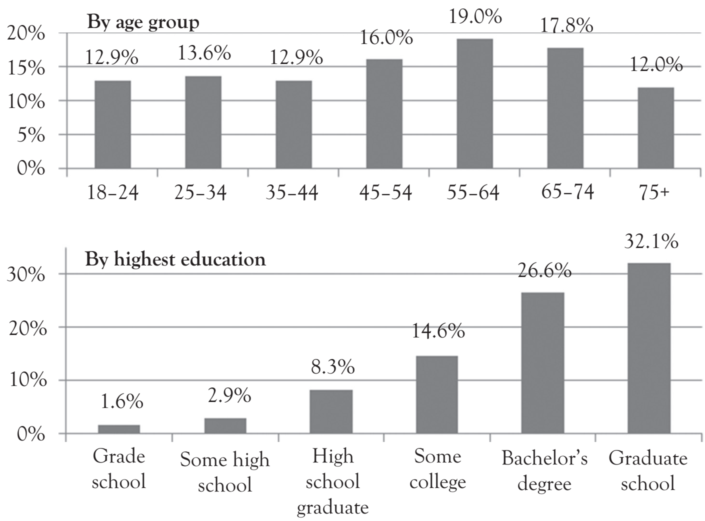


Figure 8.7 Percentage of U.S. adults attending musicals, 2012

Source: NEA.[26]

It is evident in Figure 8.7 that education is a much stronger predictor of arts attendance than age. Attendance rates between grade school, high school, and college graduates differ by 10, 20, and even 30 points, while attendance rates among different age cohorts are at most 7 points apart and in some brackets do not increase with age. Income tends to correlate with education, and Figure 8.8 shows a smoothly rising relationship between participation and income. However, when income is segmented down to $10,000 increments, the relationship is not as linear as with education (e.g., there are instances where a lower-income segment attended as much or even more than a higher-income segment, while the pattern by educational level is smooth).[28]

By gender, women are about 52 percent of the adult population but were 55 percent of performing arts attenders in 2008. Female attendance rates for musicals, opera, and dance (especially ballet) are higher than males. Frequency among those who do attend did not vary much by gender, except for classical music: Men were only 44 percent of unique attenders in the 2008 SPPA, but accounted for 52 percent of classical music admissions or "attendances."

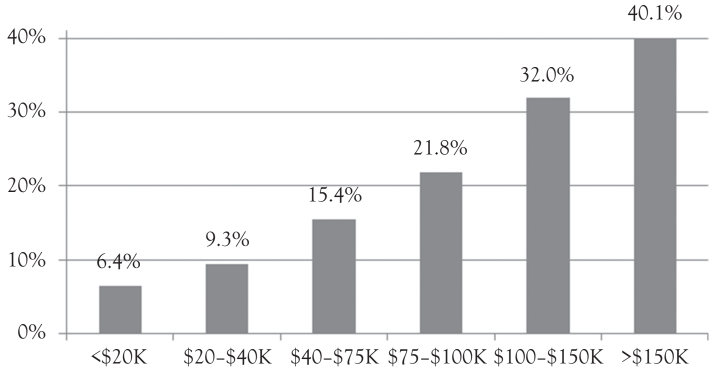


Figure 8.8 Attendance at musicals by income, 2008 ($ thousands)

Source: NEA.[27]

All the audience data discussed so far is national, but there are substantial variations by geography. The 2008 SPPA reported on nine regions. New England and the Pacific states had the highest participation levels in NEA benchmark activities, at about 42 percent each. The East South Central and West South Central were lowest at 25 percent and 27 percent, respectively.[29]

Some of this regional variation can be explained by access and availability: The number of performing arts companies and employees per 100,000 population vary substantially by state (Table 5.4). There is a chicken-and-egg aspect here, since companies are more likely to form where the market can support them.

Variation can be seen, however, even among cities with relatively similar cultural profiles. A household survey in 2002 compared 10 communities with a strong performing arts presence and found notable differences. For example, 62 percent of Boston respondents had attended theater in the 12 months prior to the survey versus 42 percent in Pittsburgh. Residents of Washington DC (14 percent) and Austin (13 percent) were nearly twice as likely to have attended an opera as residents of Cincinnati, Minneapolis–St. Paul, and Pittsburgh (7 percent each).[30]

It is worth noting that consumer behavior varies geographically for everyday activities that are independent of cultural infrastructure. The NEA analyzed ATUS data for leisure activities, such as watching

Table 8.6 Daily participation rates in leisure activities and range by state (participation on an average day, age 15 and above, 2006–2010)

	United States (%)	High state and rate (%)		Low state and rate (%)	
Watch TV	80.2	North Carolina	84.6	Idaho	72.4
Play sports or exercise	18.0	North Dakota	29.9	West Virginia	11.8
Use computer for leisure	10.4	District of Columbia	17.0	Mississippi	4.3
Listen to or play music	2.5	Colorado	4.0	Nebraska	0.8
Go to movies	1.4	Maine	3.0	Mississippi	0.1
Attend sporting events	1.1	Nebraska	2.6	New Hampshire	0.2
Attend performing arts	0.6	Virgina, Maryland	1.1	Mississippi, Indiana	0.1
Go to museums	0.2	Massachusetts	0.4	New Jersey	0.1

Source: NEA.[31]

TV and going to the movies, and found a wide range of participation (Table 8.6).[32]

The most up-to-date audience research is from the Broadway League, which conducts annual season surveys and publishes results within months. The 2013–2014 Broadway audience confirms the skew to high incomes and education. It is also increasingly female and dominated by tourists from outside the New York areas, including international (see the following box).

The Aging Problem

In the 1990s, some performing arts advocates viewed the correlation with higher income, age, and education as potential advantages, because education and real income levels were rising and the population was getting older. The nation's current socioeconomic outlook is no longer so positive, and it is also apparent that people's entertainment choices do not necessarily evolve with age. The industry today is increasingly concerned

Broadway Audience Demographics, 2013–2014

- Average household income: $201,500, up from $148,000 in 2007–2008 (the U.S. average was about $75,000 in both years)
- Average age: 44 overall, up from 41.5 in 2007–2008, although the small minority of playgoers averaged 53 (U.S. median was 37.5 in 2013)
- Of those above age 25, 78 percent completed college and 39 percent had a graduate degree (versus about 30 percent and 15 percent for the U.S. population overall)
- Seventy percent were tourists—49 percent domestic and 1 percent international, the balance from the New York area (tourism fell after 9/11 but has rebounded)
- Sixty-eight percent female, up from 66 percent in 2007–2008 and 55 percent in 1980
- Almost 80 percent of tickets were purchased by Caucasians, up from 75 percent in 2007–2008 (reversing an earlier trend toward greater diversity)
- Fifty-four percent of tickets were purchased online, up from 40 percent in 2007–2008

Source: Broadway League.[33]

about the audience age profile, its relative lack of diversity, and the different attitudes and behaviors seen in younger age groups.

To dispel the gloom over aging, the NEA published "A Case Against Demographic Destiny" in 2011, arguing that age is not necessarily determining, since, among other things, education is a much stronger predictor of attendance. Rocco Landesmann, then NEA chairman, prefaced the report with another argument:

> [T]he report on age shows that it's not the audiences who are graying, it's our country: the age distribution of audiences generally mirrors the adult population of the United States. Baby Boomers continue to dominate audiences, just as we did in the 1980s, when we were among the youngest audience members.[34]

Indeed, the aging of the United States (and other developed countries) is inevitable and has been going on for decades. The number of Americans aged 65 and above increased by almost 12 million since 2000, to almost 15 percent of the population (see Table 8.7). Driven by the Baby Boomers, the above-65 age group will reach 21 percent by 2030.

As Mr. Landesmann wrote, arts participants in each succeeding SPPA survey have largely reflected the general population. Dividing respondents into three age groups, for example, musical and play audiences aged 55 and above in 2012 exactly matched the population, while the 18-to-35 age group was slightly more represented per capita than those aged 35 to 54 (Table 8.8). The 18-to-35 age group was even more disproportionately involved with opera and ballet, according to survey data. Classical music is the one genre that clearly skews to people in their 50s and up, while opera seems bimodal.

How well do the SPPA age distributions describe professional productions, where the vast majority of economic value is created? Under the

Table 8.7 Aging of the U.S. population

	1940	1970	2000	2010	2015
U.S. median age	29.0	28.1	35.3	37.2	38+
Age 65 and above					
% of population	6.8	9.8	12.4	13.0	14.9
Number (millions)	9.0	20.1	35.0	40.3	46.8

Source: Census Bureau.[35]

Table 8.8 Age distribution of performing arts attenders, 2012

	U.S. adult population	Musicals	Plays	Classical music	Opera	Ballet
18–35 (%)	24.8	27.5	26.4	24.3	30.6	30.2
35–54 (%)	36.0	32.9	34.3	29.2	24.6	31.9
55 and over (%)	39.3	39.7	39.4	46.5	45.0	38.1
Total (%)	100.1	100.1	100.1	100.0	100.2	100.2
Median age	48	49	49	53	51	47

Source: Calculated from preliminary 2012 SPPA data distributed by Interuniversity Consortium for Political and Social Research.

NEA methodology, any performance counts except for elementary and high school events. Since frequency is not considered, once a year counts as much as once a week. SPPA data are commonly used in performing arts research, so finding the same numbers in other sources risks mistaking repetition for confirmation.

Other primary research suggests that audiences for professional companies have gotten older, but not by much. A multiyear study of eight major orchestras, called the Patron Growth Initiative, found median age going down, from 57.5 in FY2006 to 53.4 in FY2011.[36] A 2010 dance survey of about 7,500 ticket buyers commissioned by Dance/USA found an average age of 51.[37] The Broadway audience averages 44 for musicals and 53 for plays (see the box on "Broadway Audience Demographics, 2013–2014"), while the average for touring Broadway runs between 51 and 54.

Nonetheless, industry concerns are real, especially in classical music. While the population may be aging, performing arts audiences have aged faster because participation rates among younger generations have fallen. As Baumol and Bowen observed in 1965, audiences used to be young. According to surveys in 1940, the Los Angeles Philharmonic audience had a median age of 33, and the Grand Rapids Symphony, with a large student following, had a median of 27;[38] the U.S. median, including all ages, was 29. An audience survey in 1955 by the Minnesota Orchestra (called the Minneapolis Symphony until 1968) found that 54 percent were under age 35, versus 46 percent for the overall U.S. population if we exclude children under age 5.[39]

As late as 1982, the live classical music audience was younger than average: People aged 45 and above were 40 percent of the classical audience versus 42 percent of all U.S. adults. By 2008, the above-45 age group had jumped to 59 percent of the audience versus 51 percent for the U.S. overall.[40] In the 2012 SPPA, the difference was 63 percent versus 58 percent. This might suggest the gap is closing (five-point difference versus eight), but that is only because per capita participation in classical music in the 45-to-54 age group shifted from above average to below average.

The failure to replace loyal arts lovers as they age is the heart of the issue. Table 8.9 shows classical music participation rates by age group since 1982. The 35-to-44-year-olds in 1982 had the highest level of participation and still did 30 years later, when they were aged 65 to

Table 8.9 Percentage of adults attending classical music in past 12 months, by age group

	1982 (%)	1992 (%)	2002 (%)	2012 (%)
All groups	13.0	12.5	11.6	8.8
18–24	11.0	10.3	7.8	6.6
25–34	13.0	10.1	9.0	7.3
35–44	**16.4**	12.4	10.7	6.4
45–54	14.8	**16.8**	15.2	8.2
55–64	12.8	15.3	**15.6**	11.0
65–74	12.1	14.0	12.5	**14.0**
75 and over	7.1	8.4	9.5	11.0

Source: NEA.[41]

74, in 2012. This age cohort, born between 1938 and 1947, roughly corresponds not to Baby Boomers but to a group sometimes called the "Late Silents" (for Silent Generation).[42] The same group also had the highest level of participation in musical theater, plays, and ballet, and was a close second in opera; all these genres show a diagonal pattern similar to Table 8.9.[43]

Aging has a magnified negative effect on revenue for nonprofits because more engaged audience members also donate more—much more. The multiorchestra Patron Growth Initiative found that 33 percent of patrons aged 65 to 74 were regular donors versus only 6 percent of patrons aged 35 to 44. Overall, it found that households aged 55 and above accounted for 88 percent of total revenue and households 65 and over accounted for 64 percent.

All the performing arts have a similar pattern, but the changes are most acute for classical music. Aging is descriptive, not causal. Many orchestras are doing well in diversifying their audiences. But those that do not are at serious risk as the Silents and Boomers fade away.

From Subscribers to Single Ticket Buyers

The decline of subscription sales is different from aging. Subscriptions had been a cornerstone of the nonprofit business model. The patron makes an upfront commitment to a fixed schedule of performances and in return gets preferred seating, free exchange privileges, and a discount from the list single ticket price. The company benefits from a more predictable revenue stream and a lower cost of marketing, which can amount to 10 percent of ticket sales for subscriptions, including renewals, versus 25 percent for single tickets. As a hybrid option, most companies now offer flexible "create your own" or "choose your own" (CYO) packages, typically with second call on seating.

How patrons buy tickets and the nature of their commitment has changed dramatically with the fall of subscription sales. The San Francisco Opera's budget more than doubled in real terms between 1980 and 2015, but the number of subscribers fell from 165,000 to 93,000.[44] At the New York Philharmonic, subscriptions accounted for 83 percent of ticket sales in 1984, 70 percent in 1994, and only 54 percent by 2014.[45] Among TCG professional theater companies, which generally depend less on them, subscriptions fell by a similar order of magnitude even faster, from 53 percent of ticket sales in 1998 to 38 percent in 2012 (Table 7.10).

On average, younger attenders buy fewer tickets than older ones, so aging plays a role here, but aging does not explain the decline.[46] Older groups (Silents and Boomers) have reduced their season ticket purchases even more than younger groups (Generation X and Millennials). Some older subscribers "age out" and drop down to single tickets or stop going entirely. Some younger patrons are put off by the high costs of subscribing. But our behavior has also been affected by the changes in leisure time discussed earlier. People of all ages increasingly choose when and where to enjoy movies or music, at home or on mobile devices. There is greater emphasis on flexibility and control, leading to "commitment-phobia," as one writer put it. "The idea of committing yourself to a regularly scheduled night at your local orchestra hall can seem antiquated, even to hear a program you're very interested in."[47]

The Patron Growth Initiative mentioned earlier studied eight large orchestras' ticket sales over a six-year period, providing a significant longitudinal sample. Fixed schedule subscribers declined from 38 percent of buyer households in FY2006 to 26 percent in FY2011. At that rate of change, the study projected, subscriber households could be as little as 4 percent by 2020.

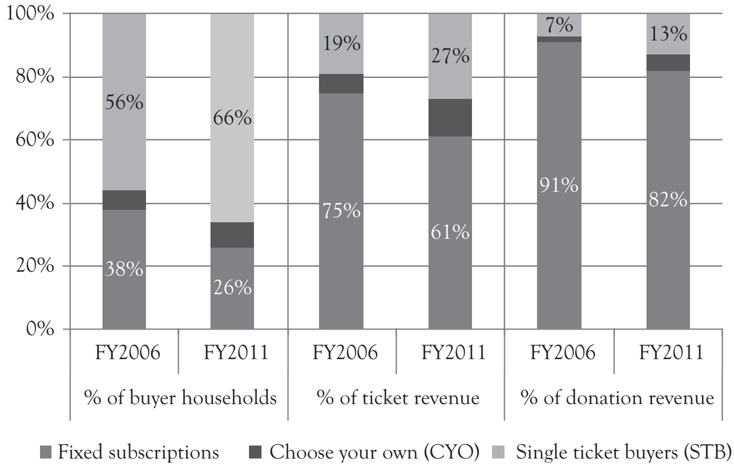


Figure 8.9 Subscriber, single ticket, and CYO revenue trends, FY2006 vs. FY2011

Source: Prescott & Associates.[48] Data from Patron Growth Initiative of eight major orchestras.

The financial repercussions are serious, even if lost subscribers are replaced by single ticket buyers (STBs). The shrinking number of fixed subscriber households in the study still accounted for 61 percent of ticket revenue in FY2011, averaging 8.0 concerts per year (versus 5.1 for CYO buyers and 1.4 for STBs). Equally important, they gave 82 percent of donation revenue (Figure 8.9). CYO ticket and donation revenue have grown, particularly among older age groups, but not enough to offset the decline in fixed.

While the loss of subscribers is more than an aging issue, aging accelerates it. Patrons under age 35 (mostly Millennials and some Gen X) remained overwhelmingly STBs in FY2011. Only about 10 percent bought CYO packages, and a roughly equal but declining number bought fixed subscriptions. In the 1955 Minnesota Orchestra study, more than half of the patrons under age 35 bought fixed season tickets.

Loyalty, Churn, and Discounts

Given the changing audience profile, marketing concepts such as customer loyalty, repeat purchase, and lifetime value are getting much attention.

Performing arts companies, presenters, and industry advocates have commissioned numerous audience development projects in the past decade, often with private foundation sponsorship (e.g., Wallace, Knight, Mellon, Irvine, Pew, and Doris Duke). Like the orchestras' Patron Growth Initiative, the projects gather a fact base and analyze audience behavior to find factors that can provide marketing leverage. These include aspects of the customer experience well as basic product variables such as programming, venue, and ticket price.

Arts marketers often assumed that, as participation rates fell, getting people in the door and exposing them to the art would expand the audience ("try it, you'll like it"). Such efforts enabled the New York Philharmonic, for example, to double the number of households that bought tickets between 2003–2004 and 2011–2012 (to 66,000); on an average night, 20 percent of the audience were first-time buyers.[49]

Pro bono work by the management consulting firm Oliver Wyman for the League of American Orchestras found, however, that the problem was less about bringing in new listeners and more about getting them to come back. Orchestras in the study (including the eight largest) were losing 90 percent of first-time attendees and 50 percent of all attendees each year, a process known as *churn*. Patrons were segmented based on frequency, tenure, and churn, and first-time buyers who attended once and did not come back, called "unconverted trialists," were studied in depth.[50] While frequent attenders value the music above all, unconverted trialists emphasized a seamless end-to-end experience, including parking, ability to exchange tickets, and socializing at the bar. The study tested "killer offers" to lure trialists back and make them feel welcome, such as free companion ticket and free drink, and several successes in converting them have been reported.

Discounts and promotions have in fact become normal business practice even among the most established companies. E-mail, direct mail, and online offers are routine (telemarketing is most often reserved for selling packages and fund-raising). Companies also assign capacity to third-party brokers, online discounters like Goldstar, deal-of-the-day players like Groupon, and physical outlets like the TKTS booth in New York. A variant at the other end of the spectrum is dynamic pricing, where price

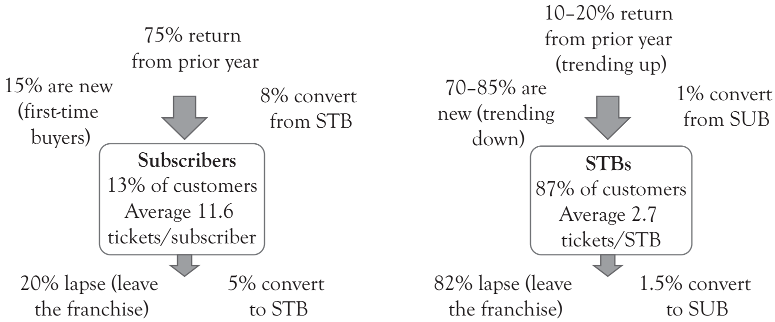


Figure 8.10 Subscriber and STB churn: New England regional theater example ($1.2 m sales)

can go up as well as down, but this is limited mainly to the biggest hits on Broadway (Disney has been a leader here).

Discounting in the performing arts is a tool, not a solution. As the churn studies show, marketing tactics and incentives need to build some level of loyalty among STBs, as well as trial. For example, a study for a New England regional theater that depended heavily on single tickets found that more than two-thirds were discounted under dozens of discount codes. The discounts helped fill the seats, but did not grow revenue or encourage repeat purchase (Figure 8.10). Based on churn analysis, the study recommended rationalizing the process and using discounting more strategically—to encourage early and multiple ticket purchases, and ultimately to convert STBs to repeat purchase at full price and perhaps becoming subscribers.

Rebuilding Demand

It seems unlikely that the number of buyers who value a seamless experience can offset the loss of frequent attenders who value the art. Service and incentives are important, but the industry's long-term challenge is rebuilding demand for the product. Surveys consistently show that, for most people in the audience, the strongest motivations are about the content—to see the programming or the performers and to be inspired and uplifted by their live performance. There is an educational component of seeing something new and a social component of going out with family and friends, but the programming—the performing art—is the key experience.

We saw earlier that level of education is a strong predictor of arts participation. But an even stronger predictor is arts education in childhood—being exposed to art at home and in school. In recent Broadway League surveys, 65 percent of Broadway theatergoers said that their parents or other family members took them to the theater as children or teenagers. Going back to the 1940 orchestra surveys in Los Angles and Grand Rapids, almost 90 percent had some music education, 74 percent had studied an instrument, and many started attending concerts while in grade school. At an industry level, promoting early arts education and early exposure to live performance should be priorities.

At the same time, technology is providing more ways to enjoy the performing arts electronically rather than in live performance. Even before the advent of Internet streaming, RAND's 2001 study concluded that "the live performing arts appear to be losing out as the American public increasingly chooses to experience the performing arts through recorded and broadcast media."[51] A study of classical music consumer segmentation by the Knight Foundation in 2002 announced:

> Radio is the dominant mode of consumption of classical music, followed by recordings and then live concerts .... Only half of those who express the very highest levels of preference for attending classical music concerts actually attend, even infrequently.[52]

Since then, electronic options have exploded, first with digital downloads (e.g., iTunes) and more recently with video and audio streaming (e.g., YouTube, Spotify). It is not clear how these new options are affecting the consumption patterns of the appreciative nonattenders identified in the Knight study. But there may be opportunities to leverage the new media to grow demand for live performance. Whether free companion tickets, drink chits, and other such offers can build demand, when targeted appropriately, is also worth exploring.

CHAPTER 9

Managing Performing Arts Companies

Strategic decisions in the performing arts are similar to other industries: (1) what **products** to present, (2) which **markets** to target and how to pursue them, and (3) what **resources** are required and how to mobilize them. These decisions must be made, however, in the context of some unique industry characteristics. Business goals are less straightforward, for example, and even for-profit companies usually have strong noneconomic motives. Cost management is unusually challenging, given the nature of the product and the central role of labor. Governance, managing revenue, and the market environment also present management challenges. This concluding chapter briefly reviews each of these factors.

Mission and Strategy

Most strategies start with the choice of art form. The stated mission may be to "enrich lives," but a symphony orchestra is likely to emphasize classical music, a ballet company is likely to feature classical dance, and the implicit target markets are people who might attend such performances. For example:

- "The central mission of the **Chicago Symphony Orchestra** Association is to present classical music through the Chicago Symphony Orchestra to Chicago, national and international audiences."[1]
- **"American Ballet Theatre's** mission is to create, to present, to preserve, and to extend the great repertoire of classical dancing, through exciting performances and educational programming of the highest quality, presented to the widest possible audience."[2]

An art form-based mission dictates many strategic consequences, particularly for symphony, opera, and ballet, where audiences tend to expect a core canon of great works. Shakespeare set a high bar and is by far the most frequently produced playwright, but theater today thrives on recent works, and contemporary playwrights account for the majority of productions. Beethoven and Tchaikovsky also set a high bar, but few contemporary composers get past it. Similarly, theater audiences accept one- and two-person plays, while traditional practices and expectations can limit the other forms.

Some companies stretch (or reinterpret) the mission for marketing reasons. For example, the Lyric Opera of Chicago's vision is "to be the great North American opera company for the twenty-first century."[3] But it also began a well-attended American musical theatre initiative that has included *Showboat* (2012), *Oklahoma!* (2013), and *The Sound of Music* (2014), attracting many first-time buyers. The Lyric distinguishes these from its regular opera season by scheduling them as extra "postseason" offerings.[4]

When is a mission accomplished? **Output measures** are not always obvious, especially in nonprofits. There can be tension between developing artists or advancing the art form versus maintaining a viable business. The number of performances is the most common metric. Other metrics include the number of seats available (theater capacity × number of performances), the number of tickets sold, and total attendance (including subsidized tickets, comps, and free performances). For resident companies, output measures can also include the number of different productions, length of season, nature of repertoire (including new or commissioned works), artistic quality and critical review, and the number of people reached in certain target groups, such as young people.

Product Decisions

Mission drives strategy, but the infinite variety of art poses a multitude of strategic choices. Product, market, and resource strategies are closely interrelated, and a change in one affects the others. One can start with market (e.g., "We'd like to target a young professional audience, what can we do to attract them?") or resources (e.g., "We have a budget of $100,000, what will give the biggest bang for the buck?"). But ultimately the product offering tends to define the company. There are four key product decisions:

- **Programming** scope and selection (e.g., *The Mountaintop* with 2 actors, *Clybourne Park* with 7, or *Hairspray* with 11 leads, 3 minor roles, chorus, and pit band)
- **Venue** location and capacity (e.g., a 2,000-seat auditorium downtown, a 600-seat hall at the community college, or a 150-seat black box theater)
- Selection of **performers** (e.g., Yo-Yo Ma or the orchestra's principal cellist)
- **Scheduling** and time horizon (e.g., a one-off, a festival, or an ongoing institution)

Programming usually falls under the purview of the artistic director in a resident company and gets the greatest attention. The former president of the Kennedy Center and respected arts consultant, Michael Kaiser, wrote, "There is one fundamental truth about arts management: the key to a healthy arts organization is strong, exciting, surprising programming."[5] Market and resource decisions are often made in this context—"Here's what we will perform next year, how can we pitch it and pay for it?" This may work for companies with loyal audiences and deep pockets, but is risky otherwise. Markets and resources cannot be assumed anymore.

The 2001 RAND study, *The Performing Arts in a New Era*, saw a trend for big companies to program "star-studded blockbusters," midsize companies to do more warhorses, and small companies to serve niche markets.[6] The blockbuster strategy is common among large Hollywood studios, which focus production and marketing resources on a few releases in the hope that one will take off and become a franchise (e.g., *Avatar*, *Pirates of the Caribbean*).

On the live stage, a small company in a big urban market has almost no choice but to find a viable niche. Large and midsize companies, however, usually need a mix of approaches beyond blockbusters and warhorses. Resident companies have a whole season to fill and cannot bank too much on a single show. A theater company might anchor a season with a big musical and offset its cost with several small-cast or one-set plays. A ballet season might include a mix of story ballets (e.g., *Swan Lake*, *Romeo and Juliet*) and contemporary programs, with *Nutcracker* sold as a nonsubscription special.

The choice of performers also defines the product. Broadway has superstars such as Nathan Lane and Audra McDonald, or crossovers from film and television, like Tom Hanks or Julia Roberts, although success on screen does not always translate on stage.[7] Top performers in classical music, opera, and dance, however, are less known to the general public.[8] Connoisseurs certainly have their favorites, but marketers at resident companies differ on how much to promote guest artists, who come and go, as opposed to the company itself. Given the conductor's unique role as performer, orchestras can try building the product image around a charismatic music director, as Philadelphia, Los Angeles, Seattle, and Boston have recently done.[9]

Growth Strategies

Vertical integration across the value chain (shown in Figure 5.6) provides greater control of product and market decisions, but requires greater resources. Some performing arts companies are primarily booked by promoters, but most self-present at least some performances. Many operate their own physical and online box offices. Only a few operate their own venues, however, whether through full or partial ownership or an exclusive lease. Renting entails negotiating dates and rates and possibly having to use the house staff and box office, which mean less control of the schedule and customer experience. Large, financially strong companies naturally have more clout in these negotiations.[10]

The Boston and Chicago Symphony Orchestras own their halls, which were built for them in 1900 and 1904, respectively (Boston's is an acoustical gem; Chicago's has needed remodeling.) The Los Angeles Philharmonic rents from the Los Angeles Music Center and the New York Philharmonic rents from Lincoln Center.[11] Instead of rent, the Metropolitan Opera, also at Lincoln Center, pays the expenses of maintaining and operating the Opera House plus its share of the expenses for common facilities on the campus. The nonprofit Roundabout Theatre owns five theaters in New York, three of them on Broadway. Boston's largest nonprofits, Huntington Theater and American Repertory Theater, rent their facilities from Boston University and Harvard University, respectively.

Geographic expansion is another classic business growth strategy. Adjacent or nearby markets are most easily served. Among orchestras, "run-out" concerts at venues within a two- or three-hour bus ride are common and well defined in union contracts.[12] Philharmonia Baroque visits three locations around the San Francisco Bay area with six programs a year. Virginia Opera presents four programs a year at three cities around the state.

Touring in more distant markets usually requires partnering with local presenters. The economics vary by art form. Dance companies tour most often in part because a single home market, even in New York, is usually not big enough to support the organization's artistic ambitions and budget. Orchestras tour for prestige; Carnegie Hall is the ultimate destination, and most major orchestras visit periodically, but unless there is a generous sponsor, most tours break even at best. Opera companies rarely tour, in part because of the form's intrinsic high costs. Theater touring is also limited; costs are generally lower, but most local markets are well supplied with resident companies. Touring Broadway only tours—the home base is just for rehearsals—and it usually has exclusive performance rights in the markets it visits.

Some companies expand their markets through summer homes like the Boston Symphony in Tanglewood. The Cleveland Orchestra created a second home market—and a second donor base—in Miami's Arsht Center for the Performing Arts, which opened in 2006. The Center was originally intended for the Florida Philharmonic, but construction was delayed for several years. The Philharmonic went bankrupt in the meantime, creating an opportunity for Cleveland, which does a four-week residency each winter.

Companies are increasingly exploring **institutional alliances** to expand markets and resources. Significant government or corporate sponsorship is unusual these days, so companies need to be creative. The New York Philharmonic began a four-year partnership with the Shanghai Symphony in 2013, involving two-week summer residencies, player and conductor exchanges, and a training program affiliated with the local conservatory.[13] Shanghai's municipal government, the symphony, and the conservatory are all providing funds. The Philharmonic has also announced residency partnerships with the Music Academy of the West in Santa Barbara, California, and the University Musical Society at the University of Michigan; both involve concerts, master classes, and workshops and, presumably, a positive return on investment.

Cost Models and Management

Each product decision—programming, venue, performers, and schedule—has direct and immediate cost implications and also affects revenue. As discussed earlier, many costs are intrinsically fixed. Scripts and scores call for certain labor and capital inputs, regardless of the number of performances or the size of the audience. For established works, there may be expectations on scale and production values. In practice, the artistic cost of new works is not quite so fixed where the creators are sensitive to costs and available to make changes.

Opportunities for productivity improvement in performance are limited. A Beethoven string quartet requires four string players and takes as long to play today as in Beethoven's time (interpretations can change, but the basic parameters were set by the creator). Most service businesses have a defined output (same-day dry cleaning, for example) and the consumer does not care much about the work process, except perhaps for safety or environmental reasons. But in the performing arts, the process is itself the product; the performers' labor is the prime output as well as a factor input—and gives performers a stronger bargaining position.

Baumol and Bowen argued in 1966 that this constraint on labor productivity has a pernicious effect when productivity is growing in other economic sectors, which they called the "cost disease." Since Beethoven's day, manufacturing and agriculture have enjoyed quantum gains in output per labor-hour through better science, technology, management techniques, and so on. Historically, this increasing productivity has led to increasing wage levels (less so in the past two decades, but that is another story), which creates cost pressure in the performing arts even though artistic labor productivity has not increased.

Fixed and Variable Costs

Recognizing the "cost disease" helps in understanding the industry, but product, market, and resource strategies need to be informed by careful cost analysis. It is necessary to distinguish **fixed and variable costs**—costs that do not vary with volume or output versus costs that do—and identify potential economies of scale, where per-unit costs go down with increasing volume or output. The experience curve, where efficiency improves with experience—the more you do something, the better you get at it—can also be useful.

In addition to cost behavior over time and volume, the absolute level of **input prices** is another dimension of cost. Although artistic judgment can be subjective, costs and quality move together. As in sports, performers' salaries go up when they are deemed of higher quality, and companies offering higher salaries can attract better talent. Of course, the biggest payroll does not always put on the best show. As in sports, leadership and other intangibles have an impact. An artistic performance can be judged on many levels (unlike sports, there is no final score) and even a student production can be electric. Nonetheless, the steep, stratified talent pyramid is generally reflected in steep, stratified compensation.

Beyond costs intrinsic to the art form, **contractual commitments** are the biggest driver of fixed costs. The resident company model usually involves commitments to performers and venues, which define the scale and quality of its offering. A union agreement sets work rules and minimum payrolls for the length of the contract, whether it is a full-time ensemble with a 52-week season or a part-time one that comes together only 10 weeks of the year.[14] The cost of any facilities a company owns or leases also tends to be contractually fixed. Given such forward commitments to performers and venues, resident companies have a *supply-driven* business model—build it and they will come.

In general, investment costs do not vary with volume while operating costs have both fixed and variable components. Rehearsal costs are fixed relative to output, for example, unless there is a gap in the schedule and a "touch-up" rehearsal is needed. But the absolute amount of rehearsal time varies with the familiarity of the repertoire, the caliber of the performers, and how well they work together. There is a major experience curve here; some pickup ballet orchestras can get away with two rehearsals for

The Nutcracker (e.g., an orchestra read-through and a dress rehearsal with dancers) since it is so familiar. In the case of a new work, the time required for set up, rehearsal, and fine tuning can be a major variable (the musical *Spider-Man* rented the Foxwoods Theater on Broadway for 2 years before it opened, at a cost of $4.4 million). Rehearsal efficiency is also a variable. Some directors can accomplish more in three hours than others, through better planning, clear priorities and instructions, and so on.

Theaters rent by the week or day, sometimes with a minimum or a percentage of the gross (time must be allowed for equipment load-in and load-out). The costs of noncontracted artistic personnel (extras and subs) and house personnel (backstage and front-of-house) vary with the number of performances. Sets, costumes, and props might appear fixed, but renting such items is common, in which case the length of run affects the price. Author royalties and music rentals also have a variable component, typically with a sliding scale based on size, so companies in small markets can afford to put on shows under copyright without paying the same rates as New York or Los Angeles.

Economies of scale have two main sources: adding more performances or performing in a larger space. Adding performances will increase variable personnel, venue, and marketing costs, but do not affect investment, which can be amortized over larger volume. Actors are often paid weekly salaries with a maximum of eight performances, so if the company is under the weekly cap, it may be able to add shows without paying the performers more. A larger venue will charge higher rent and likely require more house staff, a larger set, more sound equipment, a larger chorus, and so on, but most artistic costs will not change. Of course, there is no gain unless the added capacity can be sold for more than incremental cost.

Given a particular program, **cost-saving measures** include fewer rehearsals (potentially risky) or holding some rehearsals in a less expensive space (less risky). If the creator is amenable, cutting the length of a show can save money if it avoids overtime.[15] Theater and dance companies use recordings to avoid the expense of live musicians.[16] Where live performers are essential, it is still possible to cut their number with a smaller string section, chorus, corps de ballet, and so on. There may be reorchestrations of the score that require fewer instruments ("reduced instrumentation") or that replace some acoustical instruments with electronics. How noticeable such changes are can be a matter of debate. Amplification, for example, usually works better in the musical theater pit than on the concert stage. As discussed in Chapter 6, minimum numbers are also subject to union contracts.

Coproduction allows two or more companies to share the costs and risks of a new production and is common in theater, opera, and ballet; the analogue in music is co-commission, where two or more companies share the cost of commissioning a new work. Soloist fees are almost always negotiable, and volume discounts may also be available. A talent agency, for example, may offer a discount for using several of their clients, or using one client multiple times (e.g., a conductor with several different groups might book the same guest soloist for each one, saving on fees as well as moving down the experience curve).

Cost cutting through backstage and administrative improvements is also possible, just as in any other business. Although much of the low-hanging fruit may already be taken, there may be opportunities for improved ticketing processes, more online self-service, better control of advertising and direct mail expense, leaner staff, fewer meetings, less expensive offices, and so on.

Given the cost of artistic personnel, companies in dire financial straits will invariably try to rein in artistic salaries, pension fund contributions, and other personnel costs. Given the high level of unionization, this almost invariably leads to labor–management confrontation at contract time that can easily spiral into a lockout or strike, which is almost invariably a lose–lose situation. In other industries, management has options such as automation or offshoring to control labor costs. But in the performing arts, as we have discussed, labor is the output as well as input. A study of labor–management relations is beyond the purview of this book, but since the two sides depend on each other, it makes sense for their common and different interests to be recognized. Actors' Equity, for example, recognizes that tour producers have choices and has been aggressive in offering incentives for touring theater companies to use union actors.[17]

Nonprofit Management

Board Governance

Most resident companies are nonprofit corporations, which are legal entities with no owners except, implicitly, the general public. Nonprofits gain their tax-exempt status in return for providing public benefits. When a nonprofit closes its doors, any assets that remain after resolving liabilities must be transferred to another nonprofit with a similar mission, with state government approval.

The board of directors is legally responsible for the organization and selects and oversees its chief executive. In many companies, the board selects two leaders, an artistic director (AD) and an executive director (ED), and decision authorities may be divided (the "three-legged stool" mentioned earlier). The role of nonprofit boards can be quite different from for-profit boards. Both have governance and fiduciary responsibilities. But for-profit boards represent the interests of the shareholders; directors are paid, and activist directors are typically money managers looking to make more money (through higher dividends, stock repurchases, and the like). Activist nonprofit directors are generally volunteers who are committed to the company's mission and typically contribute much of its funding themselves. Among major nonprofit theaters, for example, the average trustee gift is $25,000 annually, and a minimum of $10,000 is typical. Many nonprofit arts organizations are only as strong as their boards.

Nonprofit boards thus have two functions: governance and support. Directors are expected to promote the organization and assist in fundraising. Some directors with limited personal capacity may have valuable business and social connection, reflected in the shorthand dictum "give, get, or get off" (i.e., give money, get money, or get off the board). There are two ways of selecting board members:

- **Self-perpetuating boards** elect their own successors and represent the ultimate seat of power; this is the most common model in companies that depend on a key group of wealthy donors, but it tends to be less transparent.
- **Voting membership boards** are elected by the organization's members, who theoretically have the ultimate authority; membership may come from buying season tickets and giving a minimal annual gift, such as $100.

There are some high-profile elected boards in other fields (e.g., the Sierra Club and Consumers Union), but it is less common in the arts.

Where arts groups offer memberships, they are more to promote ticket sales and fund-raising; the members get certain perks (free admission in the case of museums) in return for a gift, but have no role in electing the board of directors.

Large companies will have multiple boards to broaden the stakeholder group and encompass different roles and ways of contributing. There might be an inner board of trustees with legal authority and the highest commitment of time and money, a larger board of overseers who are not quite as involved, and a board of advisors that includes artists, academics, celebrities, and others who are not expected to give much but whose association still benefits the company.[18]

Nonprofit Accounting

Contributed income is unique to nonprofits and the main difference between nonprofit and for-profit accounting, which are both governed by the Financial Accounting Standards Board (FASB). Contributed income affects financial statements in three key ways:

- A donor can pledge to give money in the future, and it can be recognized as current revenue even though no cash has been received (e.g., a pledge to give $1,000 a year for five years). The timing of revenue recognition is therefore a variable.
- The donor can make the gift conditional on a particular event, such as programs for students, or an intended use, such as purchasing a set of timpani. By accepting the gift, the organization is accepting any donor restrictions. The existence of restrictions is therefore another variable.
- Gifts can take several forms, such as in-kind contributions, which can be booked as revenue, although no cash is received. The valuation of in-kind gifts is a third variable.

Nonprofit financial reports include a Statement of Activities, analogous to a for-profit's income or profit-and-loss (P&L) statement. Nonprofits also report a Statement of Financial Position, similar to a for-profit's balance sheet, except that "net assets" replaces "owners' equity" since there are no stockholders. Government and private funders typically require recipients to have an independent auditor validate these statements. In addition, most tax-exempt organizations are required to file Internal Revenue Service (IRS) Form 990 and a state equivalent.

On timing of **revenue recognition**, when a commitment or pledge is recognized, it is credited as income on the Statement of Activities (the P&L) and debited as a pledge receivable on the Statement of Financial Position (the balance sheet). The likelihood of collecting on the pledge—a function of the donor's means and commitment—obviously must be considered. Some firms have policies requiring a signed confirmation before recognizing any revenue. In addition, gifts in the future need to reflect the time value of money (the principle that cash today is worth more than cash tomorrow) and recognized at an appropriate discount rate.

Firms can get into trouble if there is a misunderstanding as to means or commitment. There is the cautionary case of Alberto Vilar, a high-flying investor and philanthropist who in the early 2000s was lionized for giving tens of millions to the Metropolitan Opera, the Royal Opera, the Salzburg Festival, and other companies. Unfortunately, the money was not all his to give. In 2008, Vilar was convicted of embezzlement and fraud, and these companies removed his name from their walls and had to write off millions in pledges.[19]

Restrictions on gift income also require special treatment. Assets at the end of an accounting period are categorized as unrestricted (management is free to use the funds to pay bills as necessary), temporarily restricted (the funds are held, pending a specified use), and permanently restricted (typically invested in an endowment that generates investment income). Similarly, the Statement of Activities during the accounting period will show newly acquired restricted assets, if any, and assets "released from restrictions" because the donor's requirements have been met.

Restrictions can obligate the recipient to new activities—special youth concerts, for example—that add net incremental costs, sometimes equal to the amount of the gift. Youth concerts are a good thing, but if the need is covering the operating costs of existing activities, such gifts can add costs, absorb management attention, and yield little net gain, at least in the short run.

Fund-Raising Appeals

"Ticket income only covers X percent of our costs" is a common refrain in fund-raising appeals (where X is typically 50 percent or less). In developing proposals to major funders for operating support, it is common to ascribe more specific purposes to contributed dollars. These can include:

- Subsidies to keep ticket prices affordable or to provide discounted or free tickets to students, the underserved, and other target segments;
- Sponsorship of additional or special performances to reach a broader population;
- Improved artistic quality by (a) hiring more expensive talent, (b) tackling more challenging, less frequently performed repertoire, or (c) mounting larger-scale productions in more expensive venues;
- Investing in institution-building and administrative capability through new hires, new computers, sophisticated marketing and development software;
- Improving development capability through challenge grants with matching requirements;
- Capital investment in venues, musical instruments, or other equipment (e.g., a nine-foot Steinway D grand piano capable of matching a large orchestra and filling a large hall costs over $100,000); and
- Pay off debt so that a new management or strategy can start with a clean slate.

Endowment gifts are more popular among some donors for their permanence, quite apart from any naming rights. Some donors value permanence so much that they will not give money for salaries, even though the performing arts are labor-intensive and salaries are the biggest cost.[20]

The importance of private philanthropy and wealthy individuals has increased. Public support (e.g., National Endowment for the Arts [NEA]) is small, corporate sponsorship (e.g., the old Texaco Met broadcasts) is falling, and private foundations (Irvine, Wallace, etc.) are increasingly selective. The arts are less and less a subject of national public policy. At the same time, the performing arts remain a much smaller part of the nonprofit sector than religious, health care, and social welfare organizations. Of $335 billion in total giving by individuals, foundations, estates, and corporations in 2013, barely 5 percent went to the entire arts, culture, and humanities sector.[21]

Cash Flow and the Annual Cycle

The performing arts are largely a cash business. Tangible long-term assets are mainly real estate for the few companies that own venues, and endowments, which have donor restrictions and limited use as debt collateral (the value of instruments, sets, costumes, music, etc. is usually not significant). It is also a highly seasonal business for most resident companies, so management needs to plan around the annual cycle and not be misled by pledges and in-kind gifts, which will not help meet payroll.

The season typically runs from early fall through late spring, and the fiscal year typically ends after May and before September to allow a clean start and finish for each season. The next season is typically announced around February or March. Most orchestras and operas have next season's programming locked down, but it is not uncommon for theater companies to announce with a TBD (to be determined) on the schedule because they are still negotiating for rights or leads for that slot.

The renewal campaign typically begins in March and can yield large cash inflows in the spring if the subscriber base is large. Renewals wrap up around May or June, and the campaign then attacks new or lapsed subscribers. Flex packs and "create your own" or "choose your own" (CYO) are actively promoted. Since preferred seating is a standard subscriber benefit, single tickets are not offered for sale until later in the summer, once most subscriptions have been processed. Contributed income typically rises at the end of the calendar year, which corresponds to the tax year and deductibility for most donors. It can also swell toward the end of a company's fiscal year as the development department makes year-end appeals.

Most subscription orders are prepaid before the season and treated as deferred revenue until the events occur. This practice is not unique to nonprofits and usually applies whenever payment is received in advance of product or service delivery. Prepaid subscription revenue is typically released through monthly accounting entries during the season (debit short-term liabilities, credit ticket revenue), but the cash was received months earlier and is not affected. Some companies hold prepaid revenue in an escrow account, but most use the cash for operations as it comes in. This requires disciplined cash flow management, especially during lean times. It is not unknown for a company to have spent its subscription revenue before the season has even begun—in which case bankruptcy is a real threat.

Efforts to Stay Relevant

Performing arts executives can become preoccupied with finances and growing revenue faster than expense, which often translates into fund-raising and cultivating donors. Financial viability is of course essential, but the longer-term issue for the industry is maintaining its relevance as a cultural force and an important part of the quality of life. Efforts to stay relevant can be grouped into five categories: better marketing, new formats and delivery systems, product redefinition, arts education, and community service. These categories are not mutually exclusive—every company is pursuing at least two and some have initiatives across all five.

Better marketing includes more effective communications, such as the use of social media, and more effective pricing and promotion, such as targeted discounts, free drinks, free parking, and so on, to encourage repeat visits by young people or unconverted trialists. Two examples:

- Boston's Huntington Theatre Company promotes an "exclusive club for the culturally curious aged 35 & under" called 35 Below. Members can buy $25 tickets to any Huntington performance (regular prices are $76 to $36) and receive access to special after parties with live music and drinks.
- Opera Philadelphia expanded its profile internationally in 2010 when it staged a flash event in Macy's Center City performing Handel's "Hallelujah" chorus; the video of this event had registered 8.8 million views on YouTube by the end of 2014. (YouTube has also been a springboard for individual performers, such as Valentina Lisitsa, the Ukrainian-born "Internet pianist."[22])

New formats and delivery systems come in many forms. The most common are scheduling performances at more convenient times and places, such as short, casual, midday concerts downtown to catch people at lunchtime, or late evening concerts for a social crowd. On a more intimate scale, Groupmuse is a nonprofit that matches up people who volunteer their home for a semipublic classical chamber music performance with musicians and guests; so far, it has websites for New York and Boston.

Another approach is "mini-festivals" with thematic programming, to move away from reliance on the fixed subscription season. In 2014, the New York Philharmonic began what it calls the NY Phil Biennial, which performed 13 contemporary programs and 21 concerts over an 11-day period, including a few chamber-size ensembles and venues. Critical and audience reaction was good, and a second Biennial in 2016 has been announced.

Electronic delivery is another option. Jesse Rosen, CEO of the League of American Orchestras, has stressed the need to experiment with alternatives to the two-hour subscription concert. He makes the analogy with newspapers and journalism in the Internet age—people still want news and commentary, but not from printed newspapers.[23]

The Metropolitan Opera's success with electronic delivery, Live in HD, is in its ninth season. Other opera companies followed, but Broadway has been slower to jump in, partly to avoid jeopardizing a long run. Broadway Worldwide, established in 1995, markets Theater in HD to performing arts centers, independent cinemas, art houses, and museums, although the showings are usually time delayed.[24] NBC broadcast a live performance of Rogers and Hammerstein's *The Sound of Music* from a soundstage on Long Island in December 2013, starring country singer Carrie Underwood. The one-off production cost $9 million and surprised critics with stellar viewership ratings (almost 19 million live viewers), but a production of *Peter Pan Live!* the following year did not do so well.

Redefining the product goes beyond format and puts on a different type of show, often featuring contemporary work or crossovers. San Francisco Symphony has offered several nontraditional programs, such as a concert with the heavy metal group Metallica in 1999, which became an album that reportedly sold 8 million copies. In 2013, the symphony performed with rock musicians in a tribute to the late Jerry Garcia of the Grateful Dead. Some critics question whether such efforts built loyalty to the orchestra or classical music, but they do bring in new audiences.

In a related vein, Seattle Symphony's Sonic Evolution project commissions serious composers to write new works inspired by Seattle musicians, who have included Jimi Hendrix.[25] In 2014, Gabriel Prokofiev, grandson of Sergei, wrote a piece around the rapper Sir Mix-a-Lot, who joined the symphony afterward and briefly danced onstage with women in the audience.[26]

Mixed media is another way to bring the arts up to date. American Repertory Theater's second stage, the Oberon, features nightlife and alcohol as well as theater. It opened in 2009 with Diane Paulus's *The Donkey Show*, billed as "the ultimate disco experience," inspired by Shakespeare's *A Midsummer Night's Dream*, and still running. In Montreal, a musical group called Party Like It's 1699 offers what it calls "digital baroque opera," revisiting the spectacle of baroque aesthetics through a postmodern lens, with digital scenography, trompe l'oeil, stop motion, nudity, and new music for period instruments and electronics.

Arts education and sustained exposure to the arts in childhood are immensely important to audience development. Almost every performing arts group of any size has an education program, and many small groups and individual performers also look for opportunities to reach students through school visits, special performances, and workshops. One of the most ambitious initiatives was San Francisco Symphony's multimedia effort "Keeping Score," led by music director Michael Tilson Thomas with more than $20 million in funding from the Haas Foundation. The project included PBS and radio broadcasts, a website, a series of nine DVDs that use orchestral classics as a jumping-off point to go behind the scenes with classical music, and teacher-training programs to put them to use in K-12 schools.

There is widespread belief in the arts community that children are receiving less exposure to the arts due to budget cutting in grade schools. While there is much anecdotal evidence, the statistical evidence is mixed. A major federal study in 2012 found no decline in the availability of music and visual arts instruction in elementary and secondary schools between the 1999–2000 and 2009–2010 school years. However, for theater and dance in elementary schools, the percentages of schools making these art forms available went from 20 percent to only 4 and 3 percent, respectively.[27]

Community service and outreach are more ways to demonstrate value and make friends than a reinvention of the product or format. It is a common mantra among orchestras and at League annual meetings, and even goes back to the 1940 study by Grant and Hettinger: "The only hope of improving the economic position of symphony orchestras is to increase operating income and to build the orchestra firmly into the life of the community as an integral cultural force."[28]

A few critics see a devaluation of the arts in attempting to prove their value through going into nursing homes, social halls, neighborhoods, and so on. Such efforts can make the company more a social services organization than an artistic one. "As they scramble to maintain audience share, orchestras lose goodwill among their traditional audience" and lose sight of their primary mission, according to one critic.[29] Such initiatives do indeed absorb resources, since they rarely cover their own costs, but it is not clear that they detract from core programming.

Arts Advocacy

Advocates for public support of the arts sometimes point to Europe, where public support has transitioned from kings and nobility to elected government. The French government, for example, provides roughly half the 200 million euro budget of the Paris Opera, although such largesse is under pressure in Europe's current economic climate. Critics respond that the tax deductibility of contributions in America represents an even greater subsidy.

Advocates need to parry three other objections to public support of the arts. (1) Economic efficiency might argue that willingness to pay in a free market should determine what is produced. (2) Social populism might argue that the high arts are elitist, and there is no reason the public should help wealthy snobs and culture vultures who want to hear opera. (3) Utilitarianism might argue that more serious social needs deserve greater attention. Why devote scarce resources to the arts when people are hungry, homeless, or disabled? Billionaire Bill Gates has questioned why anyone would donate money to build a new wing for a museum when money is needed to prevent illnesses that can lead to blindness.

Advocates for investment in the performing arts, private as well as public, mainly point to two areas of benefit, economic development and education:

- **Economic development:** Building an arts or cultural district is often seen as a way to revitalize downtown neighborhoods and increase tourism. The surging property values and crowds in the Broadway–Times Square area are a huge success case. Americans for the Arts has issued several studies titled *Arts and Economic Prosperity*, with detailed quantification of the economic impact of the nonprofit arts and their audiences. They find that audience spending on ancillary services such as travel, hotels, meals, and parking actually exceeds spending by performing arts companies, both of which are direct contributions to the economy.[30]
- **Education:** Exposing children to live performance and in-school programs support arts education, which, proponents say, has far-reaching benefits beyond art. They cite studies showing that learning to play an instrument, sing, or act builds self-confidence, self-discipline, teamwork, the ability to take direction, and other valuable traits. Other studies show cognitive benefits, for example, that music students have better math scores on standardized tests than nonmusic students.[31]

RAND Corporation, in a 2004 study called *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts*, was critical of advocacy approaches that implicitly devalued the intrinsic benefits of the arts in favor of what RAND called "instrumental" benefits.[32] This emphasis on collateral or instrumental benefits rather than intrinsic benefits started to appear during the "culture wars" of the 1980s and 1990s. Political and social criticism of public funding (e.g., attacks on the NEA's funding of photographer Robert Mapplethorpe) put arts advocates on the defensive. They could no longer assume the value of the arts as a given. Since then the social and economic environment has probably worsened. Public spending and education curricula are seriously constrained. In today's environment, the intrinsic benefit of enriching people's lives is no longer a sufficient case to support the arts.

Performing arts advocates should never lose sight of intrinsic value, but pragmatism can be an effective approach. In some communities, advocates have conceded the battle for public funding and seek opportunities for private funding of school programs instead.

Conclusion

Old masters such as Beethoven and Shakespeare will always be recognized, just as we appreciate Michelangelo and Rembrandt. So there will always be some level of economic demand for the performing arts at a professional level. However, the performing arts industry has a limited future if it only serves to showcase old masters. One problem is that old masters of theater and music are in the public domain, which means much less money at stake and hence less economic value. However, theater is booming with recent, copyrighted work that earns license fees and royalties. Theater can also bring in movie stars to do Shakespeare, which generates more money. These factors make commercial theater viable despite the flop rate. Orchestras and opera companies lack these opportunities today and thus must be nonprofit.

Addressing adverse demand trends, managing capacity, and demonstrating the value of the arts are industrywide challenges. But the key challenge at the company level is making product decisions that are supported by markets and resources. This may entail updating the customer experience with different formats and media, interactive online activities, pre- and postevent activities, and so on. It may also require deeper changes in the resident company business model itself.

Ultimately, the industry's future depends on content—appealing programs that people want to see and hear. This is made possible by sound decisions on programming, venue, performers, and schedule. But it also depends on current and future creators. Opera impresario Max Maretzek could have been speaking about all genres when he was asked about the future of Italian opera on the occasion of his golden anniversary in 1889:

> The future of opera? I think we have come to an interregnum in operatic matters. The latest work of Verdi, *Otello*, is a stupendous work, but it is neither old Verdi nor new Wagner. There can be no future for either Italian or German opera until there are new composers.[33]

Maretzek lived another eight years, long enough to hear two new composers, Giacomo Puccini and Richard Strauss, who were just coming into their prime. The potential for human creativity is endless. Let us hope that when the next Puccini or Strauss comes along, there are thriving performing arts companies and audiences that find him.

Notes

Chapter 1

1. Jazz developed out of a blending of African and African American music with the European tradition and is arguably a fusion of Western and African culture.
2. The Great Recession had a delayed impact on the rock-pop-country concert tour business; in part because of touring schedules, 2009 was a banner year (topped by U2 and Madonna) while 2010 and 2011 were soft.
3. Flanagan (2012).
4. NEA (2013). See also http://www.cpanda.org/data/a00249/trends.pdf
5. The NEA's benchmark activities, tracked since 1982, are attendance at jazz, classical music, opera, musical plays, nonmusical plays, and ballet performances, and visits to art museums or art galleries. The survey counts any performance, whether professional or nonprofessional, with the exception of high school and elementary school events.
6. A 2001 RAND study attributed the divergence between high culture and popular culture at least in part to the adoption of recording technologies in the early 20th century, particularly film, which provided a lower-cost alternative to live performance. See McCarthy et al. (2001).
7. Baumol and Bowen (2001).
8. Baumol and Bowen (2001).
9. Krueger (2013).
10. The Rolling Stones effectively reduced capacity and moved up the demand curve to a higher price point—before their 2012–2013 tour, they had not performed live in more than five years. Few performing arts companies and artists can afford this luxury.
11. McCarthy et al. (2001).
12. El Sistema is funded almost entirely by the Venezuelan government and treated more as a social service than as arts education, so using it as a model requires some adjustment.
13. Caves (2000).
14. Washington National Opera merged with the Kennedy Center in 2011; the Dayton (Ohio) Opera, Dayton Ballet, and Dayton Philharmonic all merged in 2012; the opera companies in Fresno and Modesto, California, merged in 2014.

Chapter 2

1. Kane and Gogliormella (2007).
2. U.S. Census Bureau (2012).
3. Kristeller (1951).
4. Americans for the Arts (2012).
5. Caves (2000).
6. Collins (2005).

Chapter 3

1. Augustine's *Confessions* (1961, Book 10, Chapter 33). Also in this passage: "I realize that when they are sung these sacred words stir my mind to greater religious fervor and kindle in me a more ardent form of piety than they would if they were not sung."
2. Theater was slower to develop elsewhere in Europe. Italy's *commedia dell'arte* set standards for professional comic improvisation that became popular for a limited time. Germany proved receptive to English actors, who, fed up with government regulation at home, relocated and helped develop Germany's love of Shakespeare. (Shakespeare may be more frequently produced in Germany, in both English and German translation, than in Great Britain today!)
3. *Show Boat* premiered in 1927 with music by Jerome Kern, book and lyrics by Oscar Hammerstein II, based on Edna Ferber's novel, and produced by Florenz Ziegfeld (of *Ziegfeld Follies* fame). It ran for almost two years and is frequently revived. An even bigger hit was the groundbreaking book musical *Oklahoma!* (1943) by Hammerstein and composer Richard Rodgers, which, among other things, tightly integrated modern dance into the story.
4. Orchestras exceeding 100 players were needed for Mahler's Symphony No. 8 (1910), called "Symphony of a Thousand" due to the instrumental and choral forces required, and Schoenberg's even bigger *Gurrelieder* (1911). Stravinsky's *Rite of Spring*, premiered in 1913 with 99 players, was another high-water mark. Mahler died soon after, but Stravinsky and Schoenberg went on to compose many more works and never wrote for such numbers again. Except perhaps to set a Guinness world record, neither did anyone else.
5. The alternative is performing baroque music with appropriately small numbers on stage. However, even regional orchestra labor contracts typically provide guarantees for 50 or more players, and orchestras are understandably reluctant to pay salaries and not receive services in return.
6. The term *grand opera* is sometimes used to refer to long, monumental productions and to contrast with light opera. Originally, however, the term

referred to a genre of Paris Opera productions with huge casts, lavish sets and costumes, and, most importantly, a big ballet at the start of Act II.

7. Pugliese (2005). Although dance partners are rarely combatants, many dance instructors also taught fencing and vice versa, even in early America.
8. The Russian dancer Rudolf Nureyev, who defected to the West in 1961 and is considered by many as the greatest dancer of the 20th century, was asked how he managed his spectacular leaps. He replied, "Well—I leap into the air—and when I reach the highest point—I just pause for a moment."
9. Petipa wrote the libretto to *The Nutcracker* and specified each scene in great detail for Tchaikovsky, even, reportedly, the tempo and number of measures for each dance. However, he fell ill before rehearsals began and the choreography was mainly done by his assistant.
10. Fokine later choreographed Stravinsky's *Firebird* and *Petrushka*, two story ballets that were commissioned and produced by Fokine's boss, the ballet impresario Sergei Diaghilev. Like Balanchine after him, Fokine left Russia and eventually immigrated to the United States.

Chapter 4

1. As quoted in Avalon Project (2008).
2. It is only fair to note that printed music books appeared in Spanish North America, in Mexico City, in the mid-1500s, long before the first English settlement at Jamestown.
3. de Tocqueville (1969).
4. In 1849, the renowned English actor William Charles Macready was playing the title role in *Macbeth* at the Astor Place Opera House, a swank new building that presented theater as well as opera and was favored by upper-class New Yorkers, who tended to be Anglophiles. The equally renowned rival American actor, Edwin Forrest, one of the country's first homegrown stars, was supported by crowds of mostly working-class Irish immigrants, who went to the Astor to heckle and throw eggs. When the crowd threatened to disrupt a second performance, the state militia was called out, but things spiraled out of control. The rioters threw stones, the militia fired, and more than 20 rioters were killed and hundreds on both sides were injured. The Englishman somehow got through the show, but fled America that night and never returned. The Astor could not live down its reputation as "Massacre Opera House" at "DisAster Place" and went out of business. Forrest continued to enjoy success, including an unprecedented four-week run on Broadway as Macbeth in 1853, but his popularity in England went to zero.
5. Stephen Foster came to a tragic end. He was only in his 20s when he wrote most of his hits. He had marital problems, became an alcoholic, and lost

his creative spark except for "Beautiful Dreamer," his last song, published posthumously. Living alone in a New York hotel after his wife left him, he became ill with fever, stumbled and fell, and died from complications in 1864 at age 37.

6. Handel and Haydn Society website (http://handelandhaydn.org/about/bicentennial/). As it celebrates its 200th anniversary in 2015, the Handel and Haydn Society is a $4 million, fully professional operation; its period instrument orchestra and chorus are both paid.
7. The Musical Fund Society still exists as a modest grant-making philanthropy. The shell of Musical Fund Hall also exists. After various incarnations and a period of neglect, it was converted into condominiums in 1981 as a way of saving it from the wrecking ball, although the auditorium was lost.
8. The Philadelphia Orchestra performed in the Academy of Music from its founding in 1900 until 2001, when it moved to the Kimmel Center. The Academy is still owned by the orchestra but managed by the nonprofit Kimmel Center for the Arts, which rents it to two resident companies, Opera Philadelphia and Pennsylvania Ballet, and also presents an annual touring Broadway series.
9. Maretzek illustrated both the strengths and weaknesses of the performer-manager system. He could stage quite a show but also assumed the financial risk, which could be brutal then as now. Lacking sufficiently deep pockets, Maretzek ended his impresario years after several setbacks in the 1860s, although he continued to be an esteemed conductor and teacher in New York.
10. During the Civil War, when Gilmore served as a Union bandmaster, he adapted an Irish folk tune and wrote "When Johnnie Comes Marching Home," which was popular in both the North and South.
11. According to *The New York Times*, June 27, 1869, receipts from the Peace Festival were $413,000 versus expenses of $312,000, which had been underwritten by the city of Boston, neighboring towns, and local businesses. Gilmore was paid $50,000, and the remaining surplus was distributed to Civil War widows and orphans from the subscribing towns. A grateful board of directors also presented Gilmore with a house in Boston valued at $25,000. The coliseum was used for several other events and then dismantled; the materials reverted to the builders, who were paid $80,000. Despite its success, the *Times* also noted that "the investment was a poor speculation as far as attracting trade to Boston was concerned."
12. U.S. Bureau of the Census (1975, 697).
13. Keith's name is associated with dozens of theaters and was posthumously the K in RKO Pictures, a major Hollywood studio in the 1930s and 1940s. The Boston Opera House, currently used by the Boston Ballet and touring Broadway shows, was built in 1928 as the B.F. Keith Memorial Theatre by

his former partner Edward Albee (great-grandfather of the playwright of the same name).

14. Broadway still has a Booth Theater, although not in the original location. Booth had enough talent and pro-Union credentials to prosper despite the criminal infamy of his younger brother, also an actor, John Wilkes Booth.
15. The term stock mainly exists today in "summer stock," which refers to any theater company that operates out of a permanent home in the summer. Stock is also a category of theaters for purposes of labor contracts. As defined by Actors' Equity, "[a] Stock Theatre presents consecutive productions of different shows with no lay-off or hiatus between the productions" *About Equity* (2010, 35). In practice, these are mostly summer theaters, represented by the Council of Stock Theaters and Council of Resident Stock Theaters in union negotiations.
16. Travis (1958).
17. The Philadelphia and Cleveland Orchestras were founded in 1900 and 1918, respectively. Together with Chicago, Boston, and New York, they were known as the "Big Five" orchestras for most of the 20th century.
18. In the early 20th century, Theodore Thomas was widely revered as the father of the American orchestra. For several years after his death, the Chicago Symphony was renamed the Theodore Thomas Symphony. A memorial was built in Chicago's Grant Park in 1923, including a 14-foot sculpture of a woman called "The Spirit of Music" and a 40-foot frieze of Thomas and the orchestra. The memorial fell into disrepair for many years, but was restored and rededicated with a garden in 1991, in time to celebrate the Chicago Symphony's centennial.
19. Aldrich (1903).
20. Russell (1909).
21. Muck spoke bluntly and suffered from unfortunate circumstantial evidence. His family moved to Switzerland when he was a boy, and he became a Swiss citizen, but his conducting career was mostly in Germany. He was personally acquainted with Kaiser Wilhelm and carried an honorary German passport signed by the Kaiser himself. He rented a summer cottage in Maine that had a nonworking wireless transmitter from a previous occupant, raising suspicions that he was sending messages to Germany. And he carried on a correspondence with an admiring young female violinist in Boston that became public, revealing pro-German sympathies and a lack of discretion. One other German-born conductor, Ernst Kunwald of the Cincinnati Symphony, was also imprisoned for the duration of the war; the others managed to avoid it, and none of them was ever charged or convicted of anything.
22. Other companies, including the Metropolitan Opera, readily played "The Star-Spangled Banner" (which was not officially designated the national anthem until 1931). The Met went further: It canceled all German-language

operas (mostly Wagner) in November 1917, effectively firing its German soloists, and maintained the ban till 1920; it later fired 20 German members of its chorus. (Patriotism affected both sides. When America entered the war, the German Stage Society in Berlin voted to ban singers from appearing in America as part of a general boycott.)

23. World War II did not have the same effect on programming, and Wagner continued to be performed. However, the Met's star bass, the Italian Ezio Pinza, was taken into federal custody in early 1942 as "an enemy alien of potentially dangerous character," along with hundreds of other Italian-Americans. Pinza was released after 11 weeks and resumed his career at the Met (*The New York Times* 1942). He later shifted to Broadway, winning a Tony for best actor as part of the original cast of *South Pacific* (his performance of "Some Enchanted Evening" became a hit record) and hosted his own TV show in the 1950s.
24. Boston's new trustees were not as generous as Higginson, and musicians' salaries stagnated after he left. When their bid for a raise was rejected, 73 of 105 musicians joined the union. The showdown was triggered by a personal dispute between Music Director Monteux and the concertmaster, who was a union leader. The concertmaster felt slighted regarding the use of dressing rooms and refused to stand for bows when Monteux gestured for the orchestra to rise. He was fired the next day, but 37 orchestra members also quit. Monteux spent much of his tenure replacing them with French and American players.
25. In 1942, the American Federation of Musicians struck the recording industry to make it agree to use union players and pay the union a royalty on every record sold. The BSO attempted to make its own recordings, but the effort went nowhere. It was also having difficulty booking guest soloists, who had been unionized. Music Director Serge Koussevitzky and key trustees held a confidential meeting with the AFM's long-time president, James Caesar Petrillo, and decided they could work together after all.
26. Edison invented the first phonograph player, but for many years, he saw it as a dictating machine. When confronted with competition from Victor and Caruso, Edison wrote in a memo: "It is not our intention to feature artists or sell the records by using the artists' names. We intend to rely entirely on the tone and high quality of the voice" (quoted in DeGraaf 1995).
27. The composer Aaron Copland praised the benefits of recordings in an article, "The World of the Phonograph," but warned against too much passive listening: "Not even the greatest masterworks can withstand endless repetition without finally surfeiting the listener" (Copland 1937).
28. Grant and Hettinger (1940).
29. Unit sales of acoustic pianos in the United States averaged about 175,000 per year in the 1960s and rose to about 250,000 in the 1970s as small uprights

(spinets) and lower-priced imports came into the market. Volume has been falling since then, to less than 100,000 in 2000 and less than 50,000 in 2012. On the other hand, sales of various types of digital keyboards are many times greater.

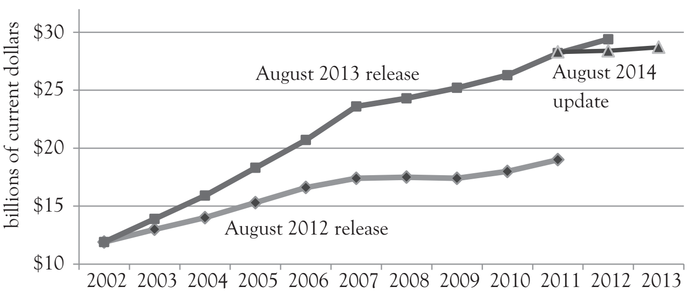
30. U.S. Bureau of the Census (1975), 401.
31. Socioeconomic forces were also at work. The upper classes by wealth and education traditionally set cultural standards. But in the 20th century, cultural phenomena, from jazz to rap, have increasingly originated lower in the class hierarchy.
32. It can be argued that talkies, while deleterious to live theater, were a boon to the symphony orchestra by increasing the available supply of trained musicians.
33. Grant and Hettinger (1940).
34. Grant and Hettinger (1940, 19–20).
35. The Chautauqua movement also brought culture to rural areas, especially music, but it primarily offered adult education and a Christian theme; lectures by William Jennings Bryan were especially popular on the Chautauqua circuit.
36. The Barter Theater's first show was the three-act drama *After Tomorrow*, about a couple in love and their families during the Depression. It was written by John Golden and Hugh S. Stange in 1932 and made into a not-very-successful Hollywood movie as soon as its Broadway run ended.
37. Barter Theatre and OSF had 2012 budgets of about $8 million and $35 million, respectively. Given their distance from population centers, each operates several stages and presents multiple productions and activities daily so it can be a significant audience destination. For example, one can go to OSF for a long weekend and see three or four different plays, which helps it draw 85 percent of its audience from more than 200 miles away.
38. There were three Christensen brothers in American ballet. William Christensen moved back to their home state of Utah in 1951, where he established the first ballet department in an American university, at the University of Utah, and later founded Ballet West. Harold was director of the San Francisco Ballet School for 33 years. Lew, the youngest brother and also the most celebrated as a dancer, became the company's artistic director until 1984.
39. The School of American Ballet had impressive beginnings. Balanchine choreographed his first full-length ballet, *Serenade* (music by Tchaikovsky), there. Aaron Copland's ballet *Billy the Kid* was conceived and commissioned by Kirstein, and premiered by students from the school, including Eugene Loring, who choreographed it and danced the title role. Both works are now standard in the repertory. There were also tours to South America. Kirstein was drafted during the war and became one of the U.S. Army's "monuments men," helping to recover art stolen by the Nazis.

40. The Rockettes began as the Missouri Rockets in St. Louis in 1925, one of many chorus kick lines popular in vaudeville and the early Hollywood movie musicals. They were brought to New York by the theater impresario S.L. “Roxy” Rothafel as the Roxyettes. When Rothafel was hired as producer at Radio City, the renamed Rockettes came with him.
41. Walter Terry, the dance critic for the *New York Herald Tribune*, wrote that Radio City’s “ballet dancers display an enviable mastery of classical technique and when it comes to precision and unity of action, they can shame any corps de ballet that I have ever seen” (1940).
42. Scott-Smith (2000).
43. CQ Online Almanac (1969, 113).
44. Criticism of federal arts funding as a wasteful use of tax dollars never went away after the NEA was established. But arts advocates were put on the defensive in the late 1980s and early 1990s by federal funding of controversial visual artists such as Robert Mapplethorpe and Andres Serrano, whose work was seen as offensive and obscene by many. Republican gains in Congress in 1994 provided the votes to drop the NEA budget to under $100 million. It recovered during the Bush II administration and has been about $150 million since 2008.
45. The guru of subscription marketing was Danny Newman, who managed public relations for the Lyric Opera of Chicago and consulted widely. His book *Subscribe Now!* was published by TCG in 1977 and is in its 11th printing. McNeil Lowry of the Ford Foundation, himself a legend in the industry, once said that Newman did “more for the performing arts in this country than 10 foundations.”
46. Baumol and Bowen (2001).
47. The Met’s issues were partly due to changes in the executive suite and the generally poor economic climate in New York City at the time. Its finances significantly improved in the 1980s.
48. The Wolf Organization’s “The Financial Condition of Symphony Orchestras” (1992), commissioned by the American Symphony Orchestra League.
49. Woronkowicz (2011).
50. NEA (2009, 2013).

Chapter 5

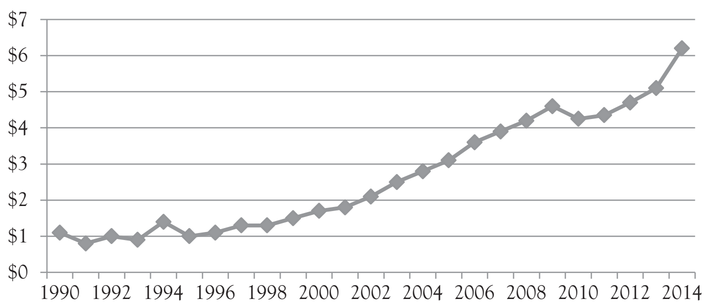
1. See http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=74
2. The reason that recreation spending was 9 percent of PCE and 8 percent of disposable income was primarily personal savings, which is the difference between income and consumption.

3. From the 1930s till after World War II, weekly cinema attendance was 80 to 90 million—more than half the entire U.S. population went to the movies every week. It was 27 million (less than 10 percent) in 2000 and about 24 million in 2013.
4. U.S. Bureau of the Census (1975).
5. It should be noted that the BEA significantly revised its estimate of Live Entertainment spending upward in August 2013. Estimated 2011 spending was $19 billion in the August 2012 release, but was raised to $28 billion a year later. The shift was attributed to a closer analysis of the 2007 Economic Census, for which final numbers were not released until 2013. However, in August 2014, the BEA reduced its estimate of spending in 2012 and found little growth in 2013 (shown in the following figure). The basis for the perceived slowdown is not clear.



BEA estimates of live entertainment spending

Interestingly, reports from the pop/rock concert circuit show a strong upward trend as it came out of recession in 2011 (see the following figure)—which might be reflected in the BEA's next update.



Live concert ticket revenue, North America, 1999–2014 (billions of current dollars)

Source: Pollstar, 2014 Year End Business Analysis, January 2015.

6. See http:research.stlouisfed.org/fred2
7. At this writing, there is a significant discrepancy in the Census Bureau's revenue estimates for industry group 7111 (employer companies only), as

indicated in the following table. The recent Economic Census uses a larger survey sample and is presumably more accurate. This may lead to a general downward revision that will lower the Bureau's 2013 estimate.

Census revenue estimates for industry group 7111 ($ millions)		
	2012	2013
2013 Annual Services Report (Nov 19, 2014)	15,745	15,366
2012 Economic Census preliminary release (Oct 31, 2014)	13,748	NA

8. See https://www.census.gov/services
9. Pop/rock groups also lag sports teams in generating ancillary revenue. The Census's 2013 Service Annual Survey reports admissions revenue and nonadmissions revenue of for-profits. Sports teams (NAICS 711211) had $8.6 billion admissions and $15.4 billion other; for-profit performing arts companies (7111) had $7.9 billion admissions and $2.5 billion other (See Table 4: Estimated Sources of Revenue for Employer Firms at https://www.census.gov/services/.)
10. Although creators are clearly artistic, the royalties and fees paid to creators and publishers for the use of copyrighted materials are typically booked under production for accounting purposes.
11. See http://www.census.gov/econ/isp/sampler.php?naicscode=7111&naicslevel=4#
12. See http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_71I1&prodType=table
13. See http://www.census.gov/econ/cbp/download/12_data/
14. See http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_71I1&prodType=table

15 See https://www.census.gov/popest/data/national/totals/2012/

16. See http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk
17. IMG Artists, originally known as the International Management Group, is first in total revenue, but its largest business is sports marketing. In 2014, IMG was acquired by WME for $2.3 billion (with private equity funding from Silver Lake Partners in Silicon Valley). WME is itself the result of a merger between William Morris Agency and Endeavor and is a major player in publishing, music, motion pictures, and television. CAMI was founded in 1930 as a merger of William Paley's new CBS radio network and Arthur Judson's concert management business. Opus 3 was formed in 2006 and represents the third incarnation of S. Hurok Presents, the firm of the legendary impresario Sol Hurok, who died in 1974. There are also many niche and solo agencies. The 1996 movie *Jerry Maguire*, with Tom Cruise as a sports agent, captures some of the dynamics of the solo business. (Film, TV, pop music, and sports get more agent attention than the arts in part because they offer more ancillary revenue opportunities such as licensing and sponsorships; digital content is also an emerging field.)

18. See http://www.dir.ca.gov/dlse/talent/talent_laws_relating_to_talent_agencies.pdf

Chapter 6

1. BLS (2013).
2. See http://factfinder.census.gov/faces/nav/jsf/pages/download_center.xhtml#none
3. For comparison, payroll was about 11 percent of revenue in movie theaters and 46 percent in spectator sports; revenue per employee was $94,000 and $251,000, respectively (professional athletes are paid more than movie ushers). Overall, health care tends to have the greatest labor intensity and wholesale the least, and the performing arts are much closer to the former.
4. See http://s3.documentcloud.org/documents/686263/2013-q1.pdf
5. BLS's occupational definitions were modified in 2000 (for example, before 2000, actors and directors were aggregated in one group), so a consistent historical time series is not possible.
6. See http://www.bls.gov/ooh/entertainment-and-sports/musicians-and-singers.htm
7. Curiously, OES reports almost twice the number of actors than CPS—71,000 in May 2012, for example, versus 37,000 in CPS for 2012. While this is likely statistical noise, one wonders if a Puritan view leads households to downplay the number of actors in their midst.
8. See https://nces.ed.gov/programs/digest/d12/tables/dt12_317.asp
9. In 2014, Tisch introduced a Master's in Fine Arts (MFA) program in Game Design, with plans to offer a BFA as well. Video games have become an important outlet for new music, although much of it is electronic.
10. The next three music schools in Boston, by class size, are New England Conservatory (about 300 graduates per year), Boston University's School of Music (about 200), and Boston Conservatory's School of Music (about 100).
11. Some seasonal runs are close to permanent, but change can come without warning. The live backing band for the hit TV show *Dancing with the Stars* was the Harold Wheeler Orchestra and Singers for 17 seasons. But just before the 18th season began in March 2014, Wheeler and his 28 performers were fired and replaced by Ray Chew, another well-regarded composer-arranger-bandleader who is 25 years Wheeler's junior.
12. Theme park music and dance positions require traditional skills, but the acting positions are wide-ranging. Disney hires "character actors" costumed as Mickey Mouse, Minnie, the seven dwarfs, and so on, "face characters" who play roles such as Snow White and interact with guests, and "nonmeetable characters" who appear in attractions like *Pirates of the Caribbean*. Universal

Studios casts for film star look-alikes, improvisational actors, puppeteers, costumed cartoon characters, and stilt walkers, in addition to stage performers.

13. The "tape" round of orchestra auditions, including the Boston Symphony's, usually requires only an audio CD. Percussion players, however, have to move among different instruments (snare drum, bass drum, marimba, chimes, cymbals, etc.), and Boston apparently decided that a visual check was important. The live audition involved preparing 50 excerpts on 10 percussion instruments.
14. A 2013 audition process for coprincipal clarinet at the Metropolitan Opera Orchestra brought in 208 resumes; about 75 were directly invited to the live audition, and others were asked to submit a CD; 42 CDs were submitted, of which only 3 were invited to audition; a total of 67 candidates came to auditions; 15 advanced to the semifinals, which the music director attended, 2 went to the finals, and 1 was hired.
15. The reality TV singing competitions such as *The Voice* and *American Idol* have even more elaborate procedures, with blind auditions, coaching, multiple rounds, and so on. They have produced only a few stars, such as Kelly Clarkson and Carrie Underwood, but the high viewer ratings and resulting ad revenue more than compensated during their heyday.
16. A service is a 2½- or 3-hour block of work time for rehearsal or performance, and workloads for most professional musicians are measured in services.
17. Future of Music Coalition (2011).
18. Actors' Equity Association (2013).
19. Dance/NYC Junior Committee (2012).
20. Krueger (2013, 1).
21. According to its website, "SAG-AFTRA represents more than 160,000 actors, announcers, broadcasters, journalists, dancers, DJs, news writers, news editors, program hosts, puppeteers, recording artists, singers, stunt performers, voiceover artists and other media professionals." (http://www.sagaftra.org/content/membership)
22. Kushner and Cohen (2013).
23. An oversupply of musicians apparently developed in Europe in the second half of the 19th century, stimulated by growing demand and a declining cost of instruments; wages in America were higher, attracting immigrants and tours.
24. Offenbach (1877, 58).
25. David-Guillou (2009, 288–304).
26. Symphony contracts today usually remove the orchestra personnel manager from the bargaining unit in his contractor capacity, but not in his capacity as a player.
27. Actors' Equity Association, Preamble to Equity's Constitution, adopted 1913.

28. The Association of Actors and Artistes of America, known as the 4A's, is a federation of the four main trade unions (Actors' Equity, SAG-AFTRA, AGMA, and AGVA). There is a fifth member of the 4A's, the Guild of Italian American Actors, which exists to promote Italian culture and a positive view of Italian Americans. There was controversy when GIAA refused to publish a list of its members who appeared on HBO's *The Sopranos*.
29. AFM 2013 Bylaws, page 44.
30. More recently, in December 2012, Actors' Equity joined a strike by IATSE Local 500 against the Kravis Performing Arts Center in West Palm Beach, which had fired its union stagehands and tried to go nonunion, despite court and National Labor Relations Board findings in favor of the union. Equity's initial position was that its members would still work because their contract was with the touring companies using the theater, not the theater itself, but it shifted in light of possible safety issues with nonunion crews. Also in 2012, Equity supported AFM Local 12's strike against Fresno Grand Opera in California.
31. Philip Boroff, "'Wicked' Writers Pay Tops $95 Million for Global Smash," Bloomberg.com, April 11, 2012. The royalties were undoubtedly higher, counting international productions, and the show was still a blockbuster in late 2014, filling the 1,933-seat Gershwin Theater, Broadway's largest-capacity theater. Given the original production's continued success, *Wicked* had not yet been published or licensed.
32. Imagem's catalogue also includes Boosey & Hawkes, the largest classical music publisher (Stravinsky, Copland, Britten, etc.), Rodgers and Hammerstein, Irving Berlin, and more.
33. A libretto (also called a book) is the text to an opera, musical, or other extended piece of music; it can also refer to the story line of a ballet. Lyrics are the words to a song.
34. The Guild has over 6,000 members, which have included luminaries from Eugene O'Neill and Arthur Miller to Stephen Sondheim and Tony Kushner. Full membership requires having a work professionally produced for a paying audience or published by a recognized publisher. Associate membership simply requires having written a script.
35. An example is when the 2010 film *The Social Network* plays the Beatles' original recording of their song "Baby You're a Rich Man" at the end of the film; both the song and the recording are under copyright and generated sync license fees. Presumably, Columbia Pictures, the lead producer and U.S. distributor, paid royalties to Sony/ATV, the publisher and copyright holder—and owner of Columbia.
36. A third, much smaller PRO in America is Nashville-based SESAC, founded in 1930 to represent European composers in the United States. The company

name was an acronym for Society of European Stage Authors & Composers, which has since been dropped; so today, it is simply SESAC. Unlike ASCAP and BMI, songwriters and publishers become members by invitation only.

37. Amendments to the copyright law provide exemptions for venues that play TVs or radio, depending on the size of the venue, the number and size of the TVs (less than 55 inches), and other factors. Part of the logic is that broadcasters have already paid license fees. Similarly, playing music at home or for a small private party is exempt, but a large event is usually not.

Chapter 7

1. Note that Census data are for calendar years, while the performing arts industry is more oriented to fiscal years that run from summer through late spring and correspond to a season.
2. Dinner theater involves a combination of three business models—theater, restaurant, and bar. The medium has declined since its heyday in the 1970s, when aging movie stars such as Mickey Rooney or Don Ameche might be seen. A few higher-end dinner theaters still offer popular musicals and comedies, such as *Fiddler on the Roof* or *The Odd Couple*, under Actors' Equity contracts. Variants are the murder mystery or wedding comedy plus dinner, often performed for group or corporate audiences in function halls with nonunion performers.
3. Reported attendance at London's West End was over 14 million in 2013, two million more than Broadway's. The West End also has 40 theaters, like Broadway, but they are more disparate in seating capacity (from 300 to 2,300 compared to Broadway's range of 600 to 1,930).
4. Downs, Wright, and Ramsey (2013).
5. Cats, Les Mis, Phantom, Beauty, Wicked, and Shrek from Vogel 2011, pages 499–501.
6. Healy (2011).
7. Las Vegas Shows (2010).
8. Flynn and Healy (2011).
9. Although London's cost of living is higher than New York's, its theatrical costs, including advertising, are lower. *Billy Elliot the Musical* opened in London in 2005 on a $10 million investment, but the New York production in 2008 cost $18 million (which was recouped in a mere 14 months). Similarly, the original London production of *Les Miserables* by Cameron Macintosh and the Royal Shakespeare Company in 1985 cost less than $1 million (and returned 167 percent to investors in the first 18 months), while the New York production in 1987 cost $4.5 million (and was also wildly profitable).

10. *Chicago* and *A Chorus Line* both opened in 1975, but *Chorus Line* was a much bigger success and swept the Tony awards that season; *Chicago* was ahead of its time.
11. *Spider-Man: Turn Off the Dark* was an unusual case. It initially set box office records once it got out of previews, in part due to interest in its technical ambition and well-reported internal difficulties. Over its three-year run (June 2011 to January 2014), it grossed a respectable $212 million and was one of the top four grossing shows each year. But attendance began to flag in mid-2013, and weekly grosses fell below the $1.3 million weekly running cost. Investors reportedly lost $60 million of the $75 million capitalization. Given the show's complex technical requirements, making up the losses with touring and overseas productions has not been a viable option.
12. *Legally Blonde*'s London costs were $4 million to mount and $300,000 a week to run, versus $15 million and $650,000 on Broadway. Its U.S. tours were aided by an attention-getting deal the producers made with cable channel MTV: The show was recorded and broadcast while still playing on Broadway (a first); MTV then ran a reality TV contest to select an actress to replace the Broadway lead, who had to leave, and the winner and three runner-ups all went on to perform on Broadway till the show closed.
13. Zinoman (2013).
14. The three New York *Macbeth*s in 2013–2014 were Alan Cumming in an unusual one-man production in the 1,096-seat Ethyl Barrymore Theatre, the well-known Shakespearean Kenneth Branagh Off-Broadway in the castlelike Park Avenue Armory, where audience members were assigned to Scottish clans as they entered, and Ethan Hawke, who is accomplished on stage as well as screen, at Lincoln Center.
15. Baruch (2014).
16. Until 1990, New York state theater law did not permit a pool of capital to be raised for the financing of multiple shows Vogel (2011, 501).
17. It might be noted that *Mormon* opened directly on Broadway in 2011 after Rudin observed that the creative team worked well under pressure and decided to cancel a planned Off-Broadway tryout. This was not an impulsive decision, though—the show gives credit to 10 producers and had been in development for 7 years by the creators of the TV show *South Park* and the musical *Avenue Q*.
18. *The Addams Family* survived negative reviews due to the star power of Nathan Lane and good word of mouth. While the initial Broadway run did not quite recoup the show's $15 million investment, there have been several national and international tours plus a stream of licensing fees from regional companies that have more than made up for it.

19. Healy (2013).
20. Jujamcyn has had several changes of ownership; the majority owner in 2014 is Jordan Roth.
21. *To Kill a Mockingbird* premiered as a play in 1990 (the novel was published in 1960 and a film adaptation appeared in 1962.) The playwright Yasmina Reza is French; *God of Carnage* is a translation of her *Le Dieu du Carnage*, which actually had its world premiere in Zurich in German translation. *The 39 Steps* as novel, film, and play all had British creators.
22. Some musicals do not work on Broadway. *A Year with Frog and Toad* was developed by Children's Theater in Minneapolis and had a successful New York run Off-Broadway. It then transferred to a Broadway house but closed after only 70 performances—the children's market could handle $30 Off-Broadway tickets, but was limited at $90 on Broadway.
23. The exception was *The Mountaintop*, which premiered in London before going to Broadway (although the author is American and the subject is Rev. Martin Luther King the night before his assassination).
24. ART under artistic director Diane Paulus has also originated revivals of *Pippin* and *The Glass Menagerie,* which went to Broadway and won Tony awards, and a new musical, *Finding Neverland*, based on the 2004 movie and produced on Broadway by film producer Harvey Weinstein.
25. Polly Carl, director of the Center for the Theater Commons (quoted in Collins-Hughes 2012).
26. Earned and contributed income in Table 7.9 totaled 99.4 percent of expenses; in other words, revenue fell short of expenses in TCG's sample of 178 member companies that provided detailed financial information for FY2012.
27. The 2007 Economic Census estimates of 845 symphony and chamber groups and $1.7 billion in revenue (Table 5.6) are not inconsistent with League figures. The Census count appears to include a combination of professional orchestras, larger community orchestras, which must file Form 990 with the IRS if their revenue is more than $50,000, and incorporated chamber groups, which include both for- or not-for-profits.
28. Youth orchestras appear to have expanded even faster than professional ones since the 1980s. The oldest youth orchestra dates to the 1920s, and a few more were established in the 1930s. There were about 350 college and youth orchestras combined in the late 1980s, according to League data, versus 600 to 700 in 2013.
29. Wolf Organization (1992, 17). The average number of performances by Group 2 orchestras went from 66 in 1966 to 141 in 1991; Groups 3–4 quadrupled, from 40 to 157.

30. There was obviously more concentration when there were fewer orchestras. In the 1930s, the three biggest orchestras—Boston, New York, and Philadelphia—accounted for 36 percent of industry spending, and the next eight accounted for not quite 45 percent.
31. Other data points: The symphony league's Group 1 threshold for the top 25 was $3.5 million in 1985 and $11 million in 2000, before hitting $16.4 million in 2014.
32. The Metropolitan Opera's endowment was $336 million in 2007, but during the recession, it transferred unusually large sums to plug operating deficits, just when stock market values were going down. Despite the rising market since then, continuing withdrawals left the Met endowment at $253 million at the end of FY2013.
33. Boehm (2013)
34. von Rhein (2013).
35. Lewis (2013).
36. Clymer (2014).
37. Jepson (2012).
38. Sanders and Nogi (2012).
39. The acronym MD can mean "music director" in the orchestra world and "managing director" in the theater world.
40. The orchestra has its own well-defined organization structure. Each section has a principal and assistant principal; the principal first violin is the concertmaster and has the highest rank of all.
41. A spin-off of AFM in Seattle, the International Guild of Symphony, Opera and Ballet Musicians, was formed as an independent union in 1985 and represents the musician employees of the Seattle Symphony, Seattle Opera, and the Pacific Northwest Ballet. The Organization of Canadian Symphony Musicians (OCSM) represents 20 Canadian orchestras of various budget sizes.
42. In one instance, a local cable TV station offered to rebroadcast a concert pro bono, but the orchestra could not accept because no money was involved and the musicians expected to be paid broadcast fees according to the contract. Only a few minutes of excerpts could be shown without charge.
43. Grant and Hettinger (1940, 11).
44. Baumol and Bowen (2001).
45. Wolf Organization (1992, vi).
46. Flanagan (2012). Flanagan's sample of 63 represented all orchestras that ranked among the top 50 for at least 2 of the 19 concert seasons from FY1988 to FY2006. Although some companies moved up or down in the rankings during that period, the overall stability of the top 50 is striking.

47. Flanagan suggested three possible strategies to cope, reflecting the arithmetic of the income statement: increasing the growth of performance revenues, decreasing the growth of performance expenses, and increasing the growth of nonperformance income.
48. There was originally a 19th charter member of ICSOM, the Toronto Symphony, which later left to form a separate group with three other Canadian orchestras.
49. Grant and Hettinger (1940).
50. Baumol and Bowen (2001).
51. Grant and Hettinger (1940).
52. Baumol and Bowen (2001).
53. Britten (1913–1976) also got a popularity bump from the success of the 2012 film *Moonrise Kingdom*, by Wes Anderson, which made extensive use of his *Young Person's Guide to the Orchestra* and *Noye's Fludde*.
54. As reported by Muller (1951), Mozart fell behind Wagner and Strauss in the early 20th century, but was back in the top four by the 1940s, where he has remained.
55. Mueller (1951).
56. A study of 21 major American orchestras found that composers still living accounted for about 11 percent of works performed in the 2014–15 season, although smaller companies may not be so adventurous (O'Bannon 2014).
57. Bachtrack.com, Classical Music in 2013: The Year in Statistics, based on a survey of 15,100 concert listings, 4,500 operas, and 2,600 dance performances.
58. Russell in "The Grand Orchestra in America" begins:

> Since the symphony may be held to be the grandest work of man and the power of music the greatest of all elevating influences, we may view with some pride this fact, that, whereas in America sixty years ago the symphony was a thing almost unknown, symphonic music has now a large and genuine following here.

59. As one regional opera producer said, "You do *Aida*, you need to have animals" in the triumphal scene in Act II, such as horses, elephants, even a giant boa constrictor.
60. Kristine Opolais, an exciting young soprano from Latvia, stood this convention on its head in April 2014: After debuting at the Met as Madame Butterfly on Friday night, she agreed to substitute as Mimi in *La Boheme* in the Saturday matinee the next day, with no rehearsal and virtually no sleep,

a performance that was also broadcast in the Met's Live in HD series—thus dying as two Puccini heroines in the space of 18 hours.

61. Despite the success of HD, the Met's finances have been troubled during the Peter Gelb era, which were aired publicly during its confrontational union negotiations in mid-2014. For example, after dipping into its endowment in 2007, the Met used its celebrated Chagall murals in 2009 as collateral to roll over a long-term loan previously backed with cash.
62. Joffrey Ballet was founded in the 1956 as a touring company based in New York and moved to Chicago as a permanent resident in 1995.

Chapter 8

1. Table 8.1 sources: Percent and number from NEA Research Report #57, "How a Nation Engages with Art, Highlights from the 2012 SPPA," September 2013. Events per participant calculated from data provided by Inter-university Consortium for Political and Social Research, accessed December 2014 at http://www.icpsr.umich.edu/cgi-bin/sdaterms.
2. NEA's SPPA and AFTA's Scarborough surveys have somewhat different methodologies—for example, Scarborough collapses six genres into three—but the results are similar:

Comparison of NEA and AFTA surveys: Change in attendance rates, 2002–2003 versus 2012

NEA SPPA	2002 (%)	2012 (%)	% Change	Scarborough/ AFTA	2003 (%)	2012 (%)	% Change
Musical theater	17.1	15.2	−11	Live theater	23.4	18.6	−21
Nonmusical theater (plays)	12.3	8.3	−33				
Classical music	11.6	8.8	−24	Symphony, opera	9.6	7.2	−25
Opera	3.2	2.1	−34				
Ballet	3.9	2.7	−31	Dance or ballet	7.4	5.8	−21
Dance other than ballet	6.3	5.6	−11				

3. See http://www.artsindexusa.org/2014-national-arts-index
4. Broadway League (2014).
5. In the Broadway market segment, the difference between plays and musicals is even more striking: Playgoers average eight performances a year, while those attending musicals average four, according to Broadway League surveys.

6. See http://www.icpsr.umich.edu/icpsrweb/ICPSR/studies/35168?q=2012+Survey+of+Public+Participation&searchSource=find-analyze-home&sortBy=
7. Respondents in the Baumol and Bowen survey averaged 8.4 theater performances in past 12 months, 5.1 symphony concerts, and 5.1 other serious music and dance events, or about 2 per month. (1966, 75–77)
8. The survey, called Culture Track and conducted by the market research firm LaPlaca Cohen, in 2011 introduced a segmentation scheme that included a heavy-user segment called "cultural omnivores," people who had a strong appetite for multiple visual and performing arts activities. This segmentation was dropped in the 2014 survey.
9. The frequency research from NEA's SPPA and GfK Mediamark differ in several areas. GfK Mediamark found more heavy users across most genres than SPPA, and a higher proportion in theater than classical music, the reverse of SPPA. GfK also finds enough heavy users to segment them into four groups, from monthly to two or more times weekly. The reasons for these differences are not clear; possibly the SPPA starts with a broader sample that includes more casual or occasional attenders.
10. The League of American Orchestras, working with NEA SPPA data and McKinsey consultants, estimated a loss of 3.3 million classical music attendees between 2002 and 2008, particularly among members of the Silent Generation (born between 1925 and 1944) and Early Boomers (born between 1945 and 1954). The Silents, they concluded, were mainly "aging out," while low-frequency attenders (1 to 4 times a year) among the Early Boomers were opting out.
11. See http://www.laplacacohen.com/culturetrack/
12. Published in 2008 (page 768) and 2014 (page 795). See also http://www.mri.gfk.com/en/gfk-mri.html.
13. See http://www.bls.gov/tus/home.htm#tables
14. NEA defines works of literature as novels, short stories, poetry, and plays. Participation was 46.9 percent in 2012, down from 50.2 percent in 2008; the rates are fairly similar across age and ethnic groups, but are heavily female (56.1 percent of women versus 36.9 percent of men) and go up significantly with income. The number of people reading books of any kind has similar demographics, but has stayed even at about 54.5 percent.
15. Motion Picture Association of America (2013). The population base is people aged 2+ in the United States and Canada. The heavy user segment, which goes once a month or more, has been fairly stable in recent years, accounting for 16 percent of moviegoers and 50 percent of ticket sales.
16. Published surveys, the Census Bureau, Pollstar, and other sources are curiously inconsistent on pop music concert revenue and attendance details.

Pollstar has ticket revenue peaking in 2009, down the next two years, then rising to a new record in 2014; participation rates in GfK Mediamark show no decline from the recession; the Census's services survey shows revenue of for-profit performing arts companies peaking in 2011 and then falling off.

17. Country singer George Strait drew 104,793 people in June 2014 in Texas and took in $18.2 million in ticket sales (an average of $174 per person), setting records for indoor concert attendance in North America.
18. Published in 2000 (page 264), 2008 (page 768), 2012 (page 764), and 2014 (page 795). See also http://www.mri.gfk.com/en/gfk-mri.html.
19. Harris Interactive (2013), (2008). Harris frames the question like this: "About how many hours each week do you estimate you have available to relax, watch TV, take part in sports or hobbies, go swimming or skiing, go to the movies, theater, concerts, or other forms of entertainment, get together with friends, and so forth?" In the 1970s, respondents averaged 24 to 26 hours of leisure time per week. Since then, they have typically reported 19 to 20 hours of leisure time per week, except for the dip in 2008.
20. Aguiar and Hurst (2006).
21. The BLS ATUS includes as leisure activities socializing, social communication, relaxing, arts and entertainment, sports, exercise, and recreation.
22. Pew Research Center's Internet & American Life Project (2014) has useful statistics on Internet behavior and demographics.
23. A championship videogame match for League of Legends in October 2013 attracted an online audience of 32 million and filled the 18,000-seat Staples Center in Los Angeles, where the tickets sold out within hours.
24. The 1964–1965 survey found that 78 percent of the men and 58 percent of the women over age 25 had completed college, versus U.S. averages of 12 percent and 7 percent, respectively; a majority of the college graduates had also completed graduate school (Baumol and Bowen 1966).
25. Baumol and Bowen (2001, 79).
26. NEA (2013).
27. NEA (2009).
28. The low-income segments, despite lower attendance rates, should not be ignored. Adults with under $40,000 income in 2008 were about 38 percent of the population and accounted for 18 to 20 percent of attendance at the NEA's benchmark arts activities.
29. East South Central defined as Kentucky, Tennessee, Alabama, and Mississippi; West Spouth Central defined as Texas, Oklahoma, Arkansas, and Louisiana.
30. Performing Arts Research Coalition (2004).
31. NEA (2012)—based on five years of ATUS data.
32. NEA (2012).
33. Broadway League (2014).

34. Stern (2011).
35. Data for 1940 and 1970 from Bureau of the Census 1975, pages 10 and 19. Data for 2000 and 2010 from http://www.census.gov/popest/data/intercensal/national/nat2010.html Data for 2015 from https://www.census.gov/population/projections/data/national/2014/summarytables.html
36. Prescott and Associates (2014). The eight orchestras participating in the Prescott-led Patron Growth Initiative were the Boston, Chicago, Cincinnati, Atlanta, Houston, and Pacific Symphonies, New York Philharmonic, and Philadelphia Orchestra. Data was collected on more than 600,000 households, with generational analysis on 16,000.
37. WolfBrown (2011).
38. Grant and Hettinger (1940, 226).
39. Mid-Continent Surveys, "In-Concert Survey of the Audience Attending the November 11th Symphony Concert at Northrup Auditorium, University of Minnesota," 1955. The concert was a regular Friday night subscription concert. Attendance was 3,100, questionnaires were placed in the program books, and 1,900 usable questionnaires were returned (60 percent response rate). Season ticket holders accounted for 61 percent of respondents and they attended, on average, 11 regular Friday night concerts each season. The age distribution in Minnesota at the time closely tracked the U.S. average.
40. League of American Orchestras (2009).
41. NEA (2013). See also http://www.cpanda.org/data/a00249/trends.pdf
42. There is no single system for defining and labeling age cohorts, but this is typical: Silent Generation born 1926–1945, Baby Boomers born 1946–1965, Generation X born 1966–1980, and Millennials born since 1981. Silents and Boomers can also be divided into early and late.
43. The only exception to this pattern among core genres is jazz, where Baby Boomers have consistently had the highest participation rates. (The early Baby Boomer group born 1948–1957 also edged out the Late Silents in musical theater in the 2012 SPPA, but the difference was marginal.)
44. Gereben (2014) Ticket sales cover 32 percent of the $75 million 2015 budget, down from 59 percent of an $11 million budget (about $31 million in today's dollars) in 1980.
45. Tommasini (2014).
46. The Patron Growth Initiative for orchestras found that Early Silents spent four times as much on tickets as Millennials—$578 versus $144 in FY2011.
47. Tommasini (2014).
48. Prescott & Associates (2014).
49. Midgette (2013).
50. Oliver Wyman (2009). The other study segments were core audience, high potentials, noncommitted, snackers, and special occasions.

51. McCarthy et al. (2001, xviii).
52. Audience Insight (2002, 2 and 8).

Chapter 9

1. Chicago Symphony website https://cso.org/About/PressRoom/FactSheets.aspx. Chicago's statement goes on to list four areas that support the mission: artistic excellence, audience development, education, and financial stability.
2. Ballet Theatre Foundation Inc. Form 990, 2012.
3. Lyric Opera of Chicago website: http://www.lyricopera.org/visionandmission/
4. The Lyric Opera of Chicago is the first opera company licensed to present Rodgers & Hammerstein (Imagen owns the rights) and will ultimately present five of their musicals. Other U.S. and European opera companies have presented musicals by Sondheim and Lloyd Webber. Similarly, orchestras have crossed art forms to attract new audiences with concert versions of operas (e.g., the Boston Symphony's *Porgy and Bess* in 2012) and musicals (the New York Philharmonic's *Sweeney Todd* in 2014). Crossovers can raise acoustical issues (e.g., musicals are usually amplified, which is anathema to classical audiences, but spoken dialogue, in particular, does not carry well in a large hall without amplification.)
5. Kaiser (1995).
6. McCarthy et al. (2001).
7. Hugh Jackman has been a perfect star, with film hits (playing Wolverine in the *X-Men* series), musical theater hits (including solo shows on Broadway), Tony and Emmy awards, and so on. Daniel Radcliffe and Emma Stone are two others who started in film and have done well on the live stage too.
8. The best-known performers today include Placido Domingo, Renee Fleming, Itzhak Perlman, and Yo-Yo Ma. But their name recognition probably pales beside 20th century stars such as Maria Callas, Vladimir Horowitz, Luciano Pavarotti, and, above all, Enrico Caruso.
9. The Frenchman Ludovic Morlot became music director of the Seattle Symphony in 2011 at age 38; the Venezuelan Gustavo Dudamel at the Los Angeles Philharmonic in 2009 at age 28; the Latvian Andris Nelsons at the Boston Symphony in 2013 at age 36; and the French Canadian Yannick Nezet-Seguin at the Philadelphia Orchestra in 2008 at age 33.
10. One reason New York City Opera failed was its secondary status at what became the David Koch Theater at Lincoln Center, which it shared with the larger and stronger New York City Ballet. Renovations to the theater in 2008–2009 were scheduled to accommodate the Ballet's season, prompting the Opera's unfortunate decision to go dark for a year.

11. The Los Angeles Music Center, which includes Walt Disney Concert Hall, is affiliated and supported by the county government, which owns the property. Lincoln Center owns most of its campus (the city owns the parking garage) and receives little government funding; it depends on rent, facilities service charges, its own program activities, and private giving. The Los Angeles Philharmonic's occupancy costs are about $3 million per year, while the New York Philharmonic, which is smaller, spent $5.7 million in 2013–2014.
12. Orchestra collective bargaining agreements (CBAs) define run-outs differently, such as by distance (e.g., between 50 and 125 miles from the home base) or elapsed travel time (e.g., no more than 12 hours from departure to return).
13. The Chinese market for classical music is booming—Mattel's Barbie doll for China plays the violin—and Western expertise is in demand. The Philadelphia Orchestra also has significant relationships in China and was the first U.S. cultural delegation to visit China during the communist era, in 1973.
14. Full-time work entails higher fixed costs but gives the company first call on its performers for scheduling rehearsals and performances. Part-time work is mostly limited to evenings and weekends, since the performers have other jobs, and must allow for more absences and use of subs.
15. In 2000, Broadway's *Les Miserables* was officially trimmed by 14 minutes to come in at 2 hours, 58 minutes, saving $23,000 per week in overtime costs, which kick in after 3 hours.
16. AFM Local 802 initially protested in 2012 when the Paul Taylor Dance Company moved its annual three-week New York City visit to the David Koch Theater in Lincoln Center (after New York City Opera folded) and used canned music. The musicians warned of declining standards; a Taylor spokesman pleaded lack of resources and said a live orchestra would have cost almost a third of its $1.5 million budget for the run.
17. Actors' Equity began a publicity campaign in 2014 to educate theatergoers on the difference, for example, saying that nonunion tours are not Broadway caliber. At any given time, there are roughly 25 Equity tours and 20 nonunion tours on the road, and Equity's share has been declining as producers try to cut costs.
18. Issues concerning nonprofit boards, such as officer and committee roles, term limits, and relations with staff, are beyond the scope of this book. A good general reference is BoardSource (www.boardsource.org).
19. It may also be reasonable to give the donor slack when the situation warrants. Virginia Symphony received a three-year, $150,000 pledge from Pat Robertson's Christian Broadcasting Network (CBN) to sponsor its *Messiah* in 2000, but the donor had to skip a year after 9/11, which hurt the finances of many nonprofits. The Symphony accepted the situation, and CBN resumed its sponsorship the next year.

20. The performing arts are at a fund-raising disadvantage compared to museums: investments in museum assets are permanent and typically appreciate; contributions to the performing arts are most needed for salaries and operating expenses, which disappear at the end of the accounting period.
21. Giving USA Foundation (2014).
22. Lisitsa made a DVD playing Chopin's 24 Études, which she and her husband released for sale on Amazon.com in 2007, hoping to distinguish herself in a sea of good young pianists. They discovered people illegally uploading sections to YouTube, and initially tried to remove them, until they realized that these people were her fans. They uploaded the entire DVD as a promotion, sales took off, and she now has concert bookings, record contracts, and a big online presence. See Schweitzer (2013).
23. "Maybe the concert is not what it's ultimately about … [O]ur core purpose, instead of delivering concerts, might be to grow the humanity of the people we serve and engage, through orchestral experiences" Rosen (2013).
24. Broadway Worldwide's 2013–2014 season included *Memphis*, *Smokey Joe's Café*, Duke Ellington's *Sophisticated Ladies*, and *Jekyll & Hyde*. In late 2014, it announced a partnership with a Chinese company to film and distribute Broadway performances globally.
25. The Seattle Symphony hedges its bets—it also commissioned "Become Ocean," by John Luther Adams, which won the 2014 Pulitzer Prize for music.
26. One should not overlook the efforts by new music advocates outside of the large institutions. There are dozens of new music programs and festivals, some with university affiliations. Bang on a Can was founded in 1987 by three American composers to advocate and commission new work and has influence beyond its under-$2 million budget. Other groups include Roomful of Teeth, a vocal octet "dedicated to mining the expressive potential of the human voice," and Mantra Percussion, "committed to expanding the future of percussion music," which includes a work for eight glockenspiels and organ and another for six wooden 2 × 4s cut into different sizes (giving each one a slightly different pitch).
27. Parsad and Spiegelman (2012).
28. Grant and Hettinger (1940, 278).
29. Kennicott (2013).
30. Americans for the Arts (2012).
31. The cause and effect of music study and math scores is unclear—perhaps kids who are better at math are also more likely to study music.
32. McCarthy et al. (2004).
33. "Max Maretzek's Career" (on the 50th anniversary of his work in music), *The New York Times*, February 10, 1889.

References

About Equity. 2010. Actors' Equity Association.

Actors' Equity Association. 2013. An Analysis of Employment, Earnings, Membership and Finance. 2012-2013 Theatrical Season Report. http://www.actorsequity.org/docs/about/AEA_Annual_12-13.pdf

AFM (American Federation of Musicians). 2013. "Membership; Eligibility, Application, Fees & Dues." *Bylaws* p. 44.

Aguiar, M., and E. Hurst. January 2006. "Measuring Trends in Leisure: The Allocation of Time Over Five Decades." Federal Reserve Bank of Boston Working Paper No. 06-2.

Aldrich, R. 1903. "'Permanent Orchestra' Season a Bad One." *The New York Times*, May 3. http://query.nytimes.com/mem/archive-free/pdf?res=F60C16FD34591B728DDDAA0894DD405B838CF1D3

Americans for the Arts. 2012. *Arts and Economic Prosperity IV*. Washington, DC: Americans for the Arts.

Audience Insight. October 2002. Classical Music Consumer Segmentation Study: How Americans Relate to Classical Music and Their Local Orchestras, pp. 2, 8. Commissioned by John S. and James L. Knight Foundation and 15 American Orchestras. http://www.polyphonic.org/wp-content/uploads/2012/04/2002_Classical_Music_Consumer_Report.pdf

Augustine, St. 1961. *Confessions*. London: Penguin Books.

Avalon Project. 2008. Journals of the Continental Congress, Articles of Association; October 20, 1774. Yale Law School. http://avalon.law.yale.edu/18th_century/contcong_10-20-74.asp

Bachtrack.com. 2014. "Classical Music in 2013: The Year in Statistics." http://bachtrack.com/files/1083-2-infographic_5.pdf

Baruch, J. August 17, 2014. "Exit Stage Left, Enter Stage Right: Theatre Trends Over the Past 25 Years." Sendroff and Baruch LLP. www.sendroffbaruch.com

Baumol, W., and W. Bowen. (1966) 2001. *Performing Arts: The Economic Dilemma*. Reprint, Farnham, UK: Ashgate Publishing.

Boehm, M. September 14, 2013. "L.A. Phil's Gustavo Dudamel, Deborah Borda See Compensation Increase." http://articles.latimes.com/2013/sep/14/entertainment/la-et-cm-dudamel-borda-salaries

Boroff, P. 2012. "'Wicked' Writers Pay Tops $95 Million for Global Smash." Bloomberg.com, April 11. http://www.bloomberg.com/news/articles/2012-04-11/-wicked-team-got-95-million-of-show-s-300-million-pie

Broadway League. November 2014. The Demographics of the Broadway Audience 2013–2014. http://www.broadwayleague.com/index.php?url_identifier=the-demographics-of-the-broadway-audience

Caves, R. 2000. *Creative Industries: Contracts between Art and Commerce*. Cambridge, MA: Harvard University Press.

Clymer, J. December 12, 2014. Annual Operating Budgets of Symphony Orchestras in North America. http://clymer.altervista.org/minor/orchbud.html

Collins, J. 2005. "Good to Great and the Social Sectors" (monograph). Jim Collins.

Collins-Hughes, L. 2012. "Are Nonprofit Theaters Too Closely Tied to Commercial Producers?" *The Boston Globe*, October 13. http://www.bostonglobe.com/arts/2012/10/13/new-report-are-nonprofit-theaters-too-closely-tied-commercial-producers/RG0KMxBwhqg995O4EHyTmM/story.html

Copland, A. 1937. "The World of the Phonograph." *The American Scholar* 6, no. 1, pp. 27–37.

CQ Online Almanac. 1969. Congressional Quarterly, Washington, DC, p. 113. http://library.cqpress.com/cqalmanac/document.php?id=cqal69-1248179

Dance/NYC Junior Committee. February 2012. Dance Workforce Census: Earnings Among Individuals, Ages 21-35. http://www.dancenyc.nyc/images/21_35_Report_web.pdf

David-Guillou, A. 2009. "Early Musicians' Unions in Britain, France, and the United States: On the Possibilities and Impossibilities of Transnational Militant Transfers in an International Industry." *Labour History Review* 74, no. 3, pp. 288–304. Maney Publishing/Society for the Study of Labour History. http://eprints.lse.ac.uk/30555

de Tocqueville, A. (1835) 1969. *Democracy in America*. Translated by G. Lawrence, 471. Garden City, NY: Anchor Books.

DeGraaf, L. 1995. "Confronting the Mass Market: Thomas Edison and the Entertainment Phonograph." *Business and Economic History 24*, no. 1, pp. 88–96

Downs, W., L.A. Wright, and E. Ramsey. 2013. *The Art of Theater: A Concise Introduction*, 430. Boston, MA: Wadsworth.

Flanagan, R.J. 2012. *The Perilous Life of Symphony Orchestras*. New Haven, CT: Yale University Press.

Flynn, K., and P. Healy. June 23, 2011. "How the Numbers Add up (Way up) for 'Spider-Man.'" *New York Times*. http://www.nytimes.com/2011/06/23/theater/spider-man-by-the-numbers-breaking-down-its-costs.html

Future of Music Coalition. September–October 2011. Artist Revenue Streams Survey. http://money.futureofmusic.org

Gereben, J. March 21, 2014. "S.F. Opera Looks to the Future, Eyes Wide Open." San Francisco Classical Voice. https://www.sfcv.org

Giving USA Foundation. 2014. Giving USA. http://www.philanthropy.iupui.edu/news/article/giving-usa-2014

Grant, M., and H.S. Hettinger. 1940. *America's Symphony Orchestras and How They Are Supported*. New York: W.W. Norton.

Harris Interactive Press. December 4, 2008. Leisure Time Plummets 20% in 2008. Rochester, NY. http://www.harrisinteractive.com/vault/Harris-Interactive-Poll-Research-Time-and-Leisure-2008-12.pdf

Harris Interactive Press. December 9, 2013. We Work Before We Play. New York. http://www.harrisinteractive.com/NewsRoom/HarrisPolls/tabid/447/ctl/ReadCustom%20Default/mid/1508/ArticleId/1345/Default.aspx

Healy, P. August 7, 2011. "Downsizing 'Rent' for a New Run." *New York Times*. http://www.nytimes.com/2011/08/08/theater/rent-is-to-open-off-broadway-at-new-world-stages.html

Healy, P. August 1, 2013. "Like the Movie, Only Different: Hollywood's Big Bet on Broadway Adaptations." *The New York Times*. http://www.nytimes.com/2013/08/04/movies/hollywoods-big-bet-on-broadway-adaptations.html

Jepson, B. October 10, 2012. "Can These Philadelphians be Fabulous Again?" *The Wall Street Journal*. http://www.wsj.com/articles/SB10000872396390443635404578036890677495144

Kaiser, M.M., and P.S. Engler. 1995. *Strategic Planning in the Arts: A Practical Guide*. NY: Kaiser/Engler Group. www.artsmanager.org

Kane, M., and S. Gogliormella. May 30, 2007. "Legitimate Theater' Incentives Promote Broadway Theater District Preservation." New York Law Journal. http://www.newyorklawjournal.com/id=900005482294/Legitimate-Theater?slreturn=20150621005816

Kennicott, P. August 25, 2013. "America's Orchestras Are in Crisis: How an Effort to Popularize Classical Music Undermines What Makes Orchestras Great." The New Republic. http://www.newrepublic.com/article/114221/orchestras-crisis-outreach-ruining-them

Kristeller, P. October 1951. "The Modern System of the Arts: A Study in the History of Aesthetics." *Journal of the History of Ideas* 13, no. 1. http://www.compilerpress.ca/Competitiveness/Anno/Anno%20Krislteler%20Modern%201.htm

Krueger, A.B. June 12, 2013. "Land of Hope and Dreams: Rock and Roll, Economics and Rebuilding the Middle Class." Cleveland, Ohio. https://www.whitehouse.gov/sites/default/files/docs/hope_and_dreams_-_final.pdf

Kushner, R.J., and R. Cohen. 2013. National Arts Index 2013: An Annual Measure of the Vitality of Arts and Culture in the United States: 2000–2011. Americans for the Arts. http://www.artsindexusa.org/wp-content/uploads/2013/09/2013-NAI-Full-Report.pdf

Las Vegas Shows. 2010. "Theater Business Costs & Earnings – How Much it Costs to Put on a Show Infographic." www.bestshowticketslasvegas.com/TheaterBusiness.asp

League of American Orchestras. December 10, 2009. Audience Demographic Research Review. http://www.americanorchestras.org/images/stories/knowledge_pdf/Audience_Demographic_Review.pdf

Lewis, Z. December 6, 2013. "Cleveland Orchestra Reports Balanced Budget, Larger Endowment and Growing Audiences in Fiscal 2013." http://www.cleveland.com/musicdance/index.ssf/2013/12/cleveland_orchestra_reports_ba.html

McCarthy, K., A. Brooks, J. Lowell, and L. Zakaras. 2001. *The Performing Arts in a New Era*. Santa Monica, CA: RAND.

McCarthy, K.F., E.H. Ondaatje, L. Zakaras, and A. Brooks. 2004. *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts*. Santa Monica, CA: RAND Corporation.

Mid-Continent Surveys. 1955. In-Concert Survey of the Audience Attending the November 11th Symphony Concert at Northrup Auditorium, University of Minnesota. http://www.gregsandow.com/BookBlog/minnesota_excerpt.pdf

Midgette, A. May 10, 2013. "American Orchestras: A Time of Crisis or Rebirth?" *The Washington Post*. http://www.washingtonpost.com/entertainment/music/american-orchestras-a-time-of-crisis-or-rebirth/2013/05/09/66b27afc-b292-11e2-9a98-4be1688d7d84_story.html

Motion Picture Association of America. 2014. Theatrical Market Statistics 2013. http://www.mpaa.org/wp-content/uploads/2014/03/MPAA-Theatrical-Market-Statistics-2013_032514-v2.pdf

Mueller, J.H. 1951. *The American Symphony Orchestra: A Social History of Musical Taste*. Bloomington, IN: Indiana University Press.

NEA (National Endowment for the Arts). November 2009. 2008 Survey of Public Participation in the Arts. Research Report #49. Washington, DC, NEA. http://arts.gov/publications/2008-survey-public-participation-arts

NEA. June 2012. An Average Day in the Arts: State Participation Patterns from the American Time Use Survey for 2006–2010. NEA Research Note #106. http://arts.gov/sites/default/files/106.pdf

NEA. September 2013. How a Nation Engages with Arts: Highlights from the 2012 Survey of Public Participation in the Arts. Research Report #57. Washington, DC: NEA. http://arts.gov/sites/default/files/highlights-from-2012-sppa-revised-jan2015.pdf

Newman, D. 1977. *Subscribe Now! Building Arts Audiences through Dynamic Subscription Promotion*. New York: Theatre Communications Group.

O'Bannon, R. 2014. "The 2014-15 Orchestra Season by the Numbers. Baltimore Symphony Orchestra." http://bsomusic.org/stories/the-2014-15-orchestra-season-by-the-numbers.aspx

Offenbach, J. 1877. *Offenbach in America: Notes of a Travelling Musician*, 58. New York: G.W. Carlton & Co.

Oliver Wyman. June 9, 2009. "Churn Revisited: Is Anyone Making Butter Yet?" Presented at League of American Orchestras Conference. http://www.americanorchestras.org/knowledge-research-innovation/audience-engagement/churn-presentation.html#butteryet

Parsad, B., and M. Spiegelman. 2012. Arts Education in Public Elementary and Secondary Schools: 1999–2000 and 2009–10. National Center for Education Statistics, U.S. Department of Education. http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2012014rev

Performing Arts Research Coalition. 2004. 2002 Household Surveys, Urban Institute Washington, D.C. http://www.cpanda.org/cpanda/studies/a00115?view=summary

Pew Research Center's Internet & American Life Project. 2014. Three Technology Revolutions. http://www.pewinternet.org/three-technologyrevolutions/

Prescott & Associates. June 2014. "Looking Forward - Acting Now." Presentation to League of American Orchestras Conference 2014. http://www.americanorchestras.org/conference2014/wp-content/uploads/2014/03/Presentation.pdf

Pugliese, P.J. April 30, 2005. "Parallels Between Fencing and Dancing in Late Sixteenth Century Treatises." Paper Presented at the Symposium on Historical European Swordsmanship at the Massachusetts Center for Renaissance Studies.

Rosen, J. 2013. "Imagining 2023." Keynote address at League of American Orchestras 2013 National Conference, June 18.

Russell, C.E. 1909. "The Grand Orchestra in America." *Cosmopolitan Magazine*, March. New York: Schlicht and Field, Publisher.

Sanders, M.A.E. September 26, 2012. Atlanta Symphony Orchestra and Atlanta Symphony Orchestra Players Association Ratify Two-Year Agreement. http://www.atlantasymphony.org/~/media/Sites/ASO2011/Newsroom/Press%20Releases/ContractRatificationReleaseFINAL92612_3.ashx

Schweitzer, V. October 11, 2013. "Concerto for Piano and YouTube." *The New York Times*. http://www.nytimes.com/2013/10/13/arts/music/valentina-lisitsa-jump-starts-her-career-online.html

Scott-Smith, G. May 2000. "The 'Masterpieces of the Twentieth Century' Festival and the Congress for Cultural Freedom: Origins and Consolidation 1947-1952." *Intelligence and National Security* 15, no. 1, p. 121.

Stern, M.J. February 2011. Age and Arts Participation: A Case against Demographic Destiny. National Endowment for the Arts Research Report #53. Based on the 2008 Survey of Public Participation in the Arts.

Terry, W. 1940. "Radio City Corps de Ballet." *New York Herald Tribune*, March 3. http://www.unruffled.org/radiocityballet/wtreview.html

The New York Times. June 27, 1869. "The Boston Peace Jubilee." http://query.nytimes.com/gst/abstract.html?res=9401E6DC103AEF34BC4F51DFB0668382679FDE

The New York Times. February 10, 1889. "Max Maretzek's Career." http://www.newspapers.com/newspage/20306445/

The New York Times. June 5, 1942. "Ezio Pinza Freed After 11 Weeks on Ellis Island as Enemy Alien."

Tommasini, A. October 10, 2014. "The Art of Wooing Commitment-Phobes." *The New York Times*. http://www.nytimes.com/2014/10/12/arts/music/as-subscriptions-fall-orchestras-aim-higher.html

Travis, S. March 1958. "The Rise and Fall of the Theatrical Syndicate." *Educational Theatre Journal* 10, no. 1. Johns Hopkins University Press.

U.S. Bureau of Labor Statistics. January 2013. 2010 Standard Occupational Classification (SOC) System Definitions. http://www.bls.gov/soc/

U.S. Bureau of the Census. 1975. Historical Statistics of the United States: Colonial Times to 1970. Washington, D.C. http://www2.census.gov/prod2/statcomp/documents/CT1970p1-01.pdf

U.S. Census Bureau. 2012. Industry Statistics Portal. http://www.census.gov/econ/isp/index.php

von Rhein, J. October 24, 2013. "CSO Reports Small Deficit, Record Ticket Sales and Fundraising." http://articles.chicagotribune.com/2013-10-24/entertainment/chi-cso-fiscal-report-20131023_1_investment-returns-symphony-center-deficit

Vogel, H.L. 2011. *Entertainment Industry Economics*, 8th ed. New York: Cambridge University Press.

WolfBrown. 2011. "How Dance Audiences Engage: Summary Report from a National Survey of Dance Audiences." Research Commissioned by Dance/USA, San Francisco, CA. http://www2.danceusa.org/uploads/EDA/DanceUSA_EDA_HowDanceAudiencesEngage.pdf

Wolf Organization. 1992. The Financial Condition of Symphony Orchestras Commissioned by the American Symphony Orchestra League, Washington, D.C.

Woronkowicz, J. December 2011. "An Overview of Cultural Building in the United States: 1994-2008." Working Paper, Cultural Policy Center, University of Chicago. https://culturalpolicy.uchicago.edu/sites/culturalpolicy.uchicago.edu/files/setinstone/pdf/overviewcultural.pdf

Zinoman, J. 2013. "More Revivals This Way Come." *The New York Times*, December 5. http://www.nytimes.com/2013/12/08/theater/shakespeare-dominates-american-stages.html?_r=1\

Index

OTHER TITLES IN OUR INDUSTRY PROFILES COLLECTION

Donald Stengel, California State University, Fresno, Editor

- *A Profile of the Electric Power Industry: Facing the Challenges of the 21st Century* by Charles Clark
- *A Profile of the Steel Industry: Global Reinvention for a New Economy* by Peter Warrian
- *A Profile of the United States Toy Industry: Serious Fun* by Christopher Byrne
- *A Profile of the Furniture Manufacturing Industry: Global Restructuring* by Susan M. Walcott
- *A Profile of the Oil and Gas Industry: Resources, Market Forces,Geopolitics, and Technology* by Linda Herkenhoff
- *A Profile of the Farm Machinery Industry: Helping Farmers Feed the World* by Dawn M. Drake
- *A Profile of the Automobile and Motor Vehicle Industry: Innovation, Transformation, Globalization* by James M. Rubenstein
- *A Profile of the Software Industry: Emergence, Ascendance, Risks, and Rewards* by Sandra A. Slaughter

Business Expert Press has over 30 collection in business subjects such as finance, marketing strategy, sustainability, public relations, economics, accounting, corporate communications, and many others. For more information about all our collections, please visit www.businessexpertpress.com/collections.

Business Expert Press is actively seeking collection editors as well as authors. For more information about becoming an BEP author or collection editor, please visit http://www.businessexpertpress.com/author

Announcing the Business Expert Press Digital Library

Concise e-books business students need for classroom and research

This book can also be purchased in an e-book collection by your library as

- a one-time purchase,
- that is owned forever,
- allows for simultaneous readers,
- has no restrictions on printing, and
- can be downloaded as PDFs from within the library community.

Our digital library collections are a great solution to beat the rising cost of textbooks. E-books can be loaded into their course management systems or onto students' e-book readers.
The **Business Expert Press** digital libraries are very affordable, with no obligation to buy in future years. For more information, please visit **www.businessexpertpress.com/librarians**. To set up a trial in the United States, please email **sales@businessexpertpress.com.**

THE BUSINESS EXPERT PRESS DIGITAL LIBRARIES

EBOOKS FOR BUSINESS STUDENTS

Curriculum-oriented, born-digital books for advanced business students, written by academic thought leaders who translate real-world business experience into course readings and reference materials for students expecting to tackle management and leadership challenges during their professional careers.

POLICIES BUILT BY LIBRARIANS

- *Unlimited simultaneous usage*
- *Unrestricted downloading and printing*
- *Perpetual access for a one-time fee*
- *No platform or maintenance fees*
- *Free MARC records*
- *No license to execute*

The Digital Libraries are a comprehensive, cost-effective way to deliver practical treatments of important business issues to every student and faculty member.

A Profile of the Performing Arts Industry

Culture and Commerce

David H. Gaylin

Attending a live concert or theatrical performance can be a thrilling experience. At their best, the performing arts represent the height of human creativity and expression. But the presentation on stage, whether it is Shakespeare, Beethoven, or *The Lion King*, depends on a business backstage.

This book provides an overview of both the product on stage and the industry that makes it possible. While the industry's product is unique—with unique supply and demand characteristics—it is still an industry, with economic inputs, organization structures, competitors, business models, value chains, and customers. We will examine each of the major segments (Broadway, regional theater, orchestra, opera, and dance) along these business dimensions.

This book will give lovers of the performing arts an understanding of the business realities that make live performances possible. Managers, board members, and performers will be better equipped to take on the strategic challenges their companies face. People contemplating any of these roles will have a better idea of what to expect. Business analysts and students of strategy will discover how economic frameworks apply in this unique setting where culture and commerce converge.

David H. Gaylin is an expert in arts management, business strategy, and executive development. He is a managing director of Con Brio Consulting LLC, a management-consulting firm, and combines a 25-year career in corporate strategy and development with eight years of CEO-level arts management experience. Gaylin earned his AB degree from Harvard College and MBA from Harvard Business School. An active clarinetist, his music study includes a Master's degree in conducting from the New England Conservatory of Music. He has written for the *Wall Street Journal*, *Management Review*, *Journal of Business Strategy*, *Human Resources Professional*, and other publications.

INDUSTRY PROFILES COLLECTION

Donald N. Stengel, *Editor*

ISBN: 978-1-60649-564-3

90000

9 781606 495643

BEP BUSINESS EXPERT PRESS