

New Systems for Theater Management in Japan:

Problems and Prospects

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ABSTRACT

Western culture was introduced to Japan more than 150 years ago, and since then many cultural facilities, including theatrical venues, have been constructed. In the 1980s in particular, theater construction by local governments was accelerated by financing using local bonds, due partly to the growing demand for culture, but primarily as a measure to stimulate the local economy and create jobs. Most public theaters do not have a clear mission or appropriate staff and have been criticized as being merely expensive “empty boxes.” Currently the “Designated Manager System (DMS)” has been introduced to public theaters as part of a series of reforms of public management. Under the new system the mindset of managerial personnel has evolved towards placing more emphasis on customer service. Our CVM results suggest that public theaters should probably not expect funding increases from governments but that theaters provide large benefits even to non-attendees such as bequest values, educational values and thus make a large contribution to the city’s image, which might appeal to a diversified group of stakeholders. Also the untapped potential market is estimated to be relatively large. Theaters should explore ways to increase attendance and to attract non-governmental support, which might alleviate the effects of further budget cuts of public funding.

Keywords:

Theater
Management
Designated management system
Market
Values

Introduction

There are currently more than 1,800 theatrical venues¹ (hereafter referred to “theaters”) available for artistic performances throughout Japan; over 92% of them were established by local governments². Public theaters were originally constructed as gathering spaces for local residents while in large cities a few private venues presented commercial theatrical performances. However, due to the growing demand for quality of life, cultural infrastructure including theaters has been increasingly established³, and theater construction was accelerated by financing using a type of local bonds that was abolished at the start of the 21st century.

For these public theaters, there had been no specific legal framework⁴ relating to the mission, function or required specialists⁵, and theaters are diversified, ranging from production-oriented theaters featuring specific facilities and equipment⁶ to halls which just rent space. In 2012, the Theater Management Law (authors’ translation rather the official English title of the Law) was enacted, delineating the cultural functions of theaters in general. The national government (the Agency for Cultural Affairs) will probably increase the budget to support activities of theaters. However it does not include significant concrete measures, and its impact will probably not be very significant.

Many of theaters, without a clear mission or appropriate staff⁷, have been criticized as expensive “empty boxes”.⁸ Under the present socio-economic conditions of population shrinkage and economic stagnation in Japan⁹, the Policy Evaluation Law was enacted in 2001, aiming at implementing quantitative and objective policy evaluation of government activities. Public theaters are not immune from this trend and now they are required to show the results and outcome of their activities supported by public funds.

Public theaters can play an important role, as they provide opportunities for cultural participation and artistic creation to local residents and artists,

especially in non-urban areas where market-based cultural activities are difficult to sustain. They do not generally feature any resident art companies or artists, but they host performances by professional artistic companies, including international ones, rent space for amateur activities, and increasingly produce their own artistic performances. This paper discusses the problems and prospects of new systems for theater management in Japan from a cultural policy perspective¹⁰.

There have been detailed studies in other countries on public intervention to aid arts and culture, including theatrical performances. Classical research by Baumol & Bowen (1966) proposed the so called income gap theory based on “cost disease.” They argued that productivity gains in the arts industries cannot offset wage rises in the economy as a whole, which leads to an ever widening gap between costs and earned revenue in arts organizations. In other words, as time goes on, it becomes difficult for them to continue their activities on a pure market basis. However, live performance in particular, might have some externalities, which provides a rationale to justify government support. Throsby (1991) noted that the arts have values which are not necessarily reflected by the market and that without government intervention the private market would undersupply artistic goods and services. This approach was followed by some Contingent Valuation Method (CVM) studies (such as Hansen, 1997). Also, if arts and culture are experience goods (Greffe, 2010), it might be the responsibility of the government to provide opportunities to experience arts and culture. Thus, cultural intervention has been expanded. This expansion, taking a broad view, can be said to be deeply rooted in the so called welfare state doctrine (Menger, 2010), where governments actively intervene in the market and provide not only pure public goods but also mixed goods for improving social welfare.

However this approach is now strongly criticized by small government advocates, and the New Public Management (NPM) paradigm has emerged in response to the financial pressures that are limiting

¹ Only counting facilities with stages for performances and more than 300 seats, according to the definition of the Social Education Survey.

² Social Education Survey (2008). There are five national theaters; four theaters staging traditional performances such as Kabuki, Noh, Bunraku etc., and one theater for opera and ballet performances.

³ Traditional performances such as Noh, Kabuki, Bunraku, and other various forms of entertainment in Japan were historically performed at stages affiliated with temples, shrines, palaces, and private houses. Since the end of feudalism and the start of modern Japan in 1868, many live performances have also been held in private playhouses. However most of these playhouses disappeared in the 1960s due to the introduction of radio, TV and other media for such entertainment. On the other hand, newly introduced western-style performances such as classical music concerts in the 19th century, required stages that differ significantly from traditional stages. Therefore theaters for western-style performances had to be purpose-built.

⁴ Legally theaters are defined just as “public facilities” of gathering spaces for local residents, according to the Local Autonomy Law.

⁵ Museums are regulated by the Museum Law, while libraries are regulated by the Library Law. Both museums and libraries are categorized as special institutions for education with qualified specialists such as curators and librarians.

⁶ For example, there are several theaters which can be used for opera performances featuring four-faced movable stages.

⁷ Just as other public facilities, public theaters were formerly managed only by local governments or public organizations in which the local governments have equity of 50% or over and to which they second their staff, such as public foundations. In the case of direct management, these officials would be transferred to other sections of government after they worked at theaters for several years as a part of their normal career progression, and it was therefore difficult for them to develop specialized skills in theater management. Even in the case of commissioned management by public foundations, retired or seconded officials are still in charge of management.

⁸ Dugmore (2007).

⁹ Population growth stopped in 2004, and economic recession has continued since the 1990s.

¹⁰ According to the traditional definition (Dye, 1972), public policy is anything a government chooses to do or not to do.

government expenditures. NPM theory, largely based on the introduction of competition, outcome orientedness, and market based operation, has influenced public policies in many countries, despite some variations (Hood, 1995) and criticism¹¹. Today there is no doubt that the role of government has to be reshaped in the face of increasing demand for accountability to show the results/outcomes of public funding and improve the efficiency of public activities.

In light of the studies cited above, in this paper, we consider some empirical studies in Japan and their policy implications to examine the fundamental changes taking place in theater management: the shift from public funding to more plural funding. How can these publicly built and funded theaters survive under the present circumstances and contribute to society as expected? In order to answer this question, we discuss such issues: who are the beneficiaries and what are the benefits of theaters? Is public funding justifiable, to what extent, and why? How large is the potential market? We start with a historical overview of the development of theaters in Japan, including the socio-economic background, in section 2. We then analyze statistical data to examine fundamental changes in the arts funding system, from government subsidies to more plural funding in section 3. The impact of the newly introduced Designated Manager System (DMS) as a driver of NPM reform is considered in section 4. Empirical studies using CVM, visitor surveys, and market size estimates are discussed in section 5, and a foreseeable and feasible support system for theaters which includes non-governmental support is discussed in the final section.

Evolution of cultural policy system and theaters

Introduction of western arts and culture - Foundation for arts policy in Japan

The modern era in Japan started in 1868, when the Meiji restoration ended several hundred years of national isolation and opened the nation to international society. In order to avoid colonization by western powers, the Meiji government took strong measures to help Japan emerge in terms of civilization and military power. The concept of “civilization and

enlightenment,” a political slogan of the Japanese government at that time, was regarded as nearly equivalent to “westernization.” For this purpose, introducing western arts and culture was one of the major areas to be promoted while Japan’s own traditions were also kept and protected. Since then, there have been two mainstreams of cultural policy in Japan: arts policy mainly focusing on promotion of western-rooted arts, and heritage conservation policy. These two streams have been gradually integrated, but still remain separate, even now.

Arts policy has two main targets: music and fine arts. In the field of music, “western classic music”,¹² was eagerly imported, and the government established schools to train teachers (for elementary schools) and artists¹³. As for the other performing arts such as drama and theatrical performances, strong censorship was imposed by the government, especially during World War II¹⁴.

Post-war period - Building a “Cultural Nation”

After World War II, building a “Cultural Nation” became a national goal. The Constitution of Japan renounced war, and placed priority on peace, aiming at building a “cultural nation,” in which culturally developed citizens would play an important role in nation building. However, limited resources were used mainly for education rather than culture. Also, in general, Japan placed a strong focus on economic development. In addition, the government did not take strong measures on cultural promotion, as they recognized the fact that the strong censorship during the war had distorted cultural activities severely. The then Ministry of Education only started to subsidize arts companies in 1959.

Economic growth and arts support

In the 1960’s and 70’s, the government took several policy measures for economic development¹⁵, and Japan experienced rapid economic growth. On the other hand, serious social problems such as disorderly development, public nuisance, and depopulation of rural areas became part of the political agenda. In order to tackle these problems, the Japanese

¹¹ For example, Change (2008) pointed out that NPM does not work as expected due to corruption.

¹² There are more than 30 professional orchestras performing western classical music on a regular basis in Japan now (Association of Japanese Symphony Orchestras <http://www.orchestra.or.jp/>), and more than 1,000 amateur orchestras, operating at schools, companies, and local areas throughout the nation (The Federation of Japanese Amateur Orchestras Corp <http://www.jao.or.jp/>, <http://www2s.biglobe.ne.jp/~jim/freude/>). As music classes are taught in all elementary and secondary schools, all Japanese can read the music scores of classical music such as Beethoven, Bach, Mozart, and others.

¹³ Tokyo Fine Arts School and Tokyo Music School were founded by the national government in 1887, and they were merged into the Tokyo University of Arts in 1949.

¹⁴ Under the National Mobilization Law, only registered performers could perform, and only films and stage performances that supported government propaganda were allowed.

¹⁵ The National Income Doubling Plan in 1960 aimed at doubling GDP within a decade, a goal which was successfully attained. In 1964, the Shinkansen (bullet train) service was inaugurated, which greatly improved transportation in Japan. The Tokyo Olympic games were held, and Japan joined OECD.

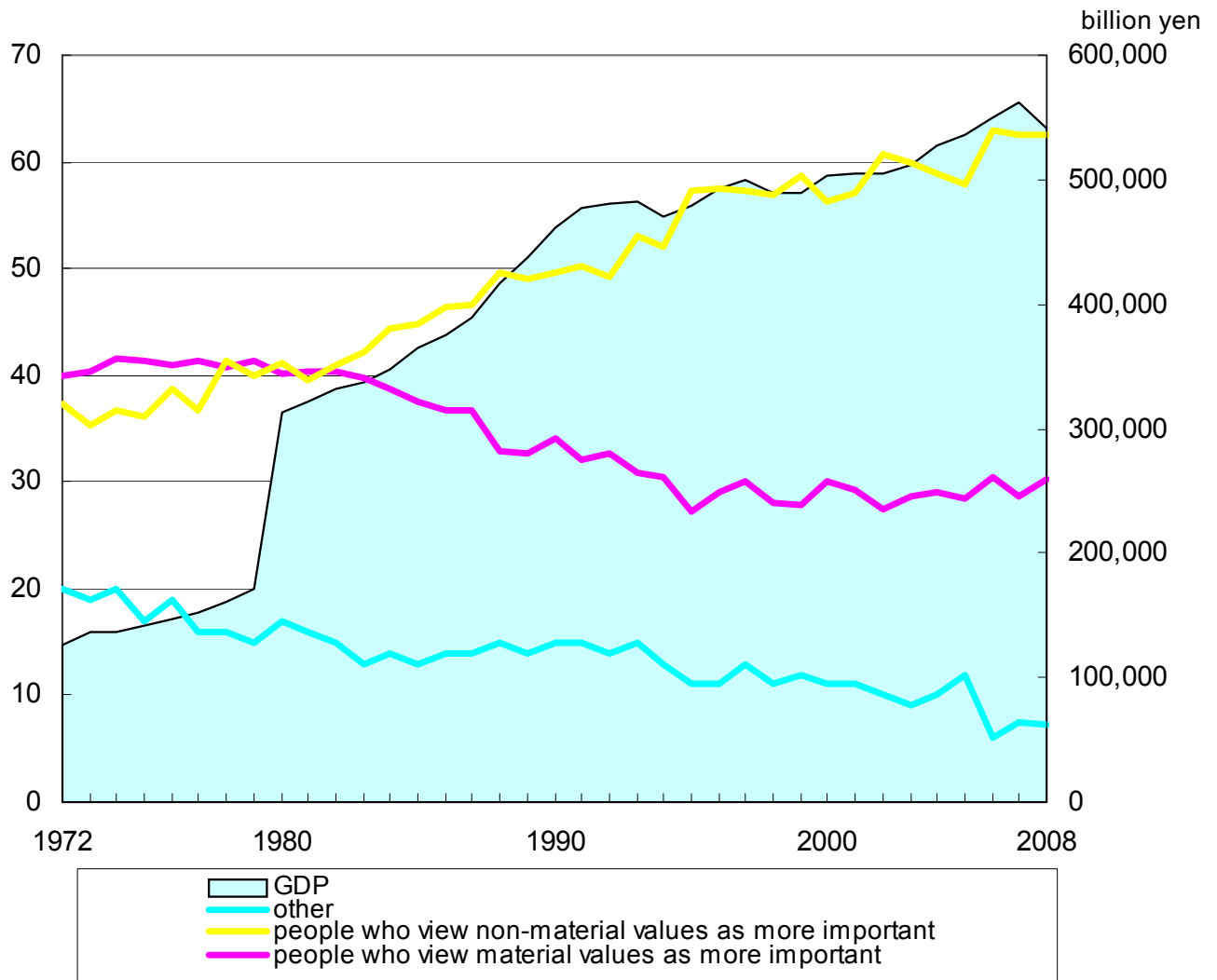


FIGURE 1. NATIONAL SURVEY ON VALUES AND TREND OF NOMINAL GDP

(CABINET OFFICE, “PUBLIC OPINION SURVEY ON THE LIFE OF THE PEOPLE.”, AVAILABLE AT <http://www8.cao.go.jp/survey/index-ko.html>)

government launched a series of national development plans whose main element was large public investment in local communities, with the goal of attaining balanced land development throughout the nation.

With these socio-economic changes, people came to consider non-material satisfaction more important than material satisfaction in this period (Figure 1). Based on this changing set of values, people sought better quality of life, which led to a growing demand for access to arts and culture in daily life. In response to these demands, local governments

started to establish artistic and cultural facilities, mainly museums and theaters.

At the national level, the Agency for Cultural Affairs (ACA) was established¹⁶. It extends subsidies to arts companies and theaters, and it also supported construction of theaters during the period from 1967 to 1995¹⁷.

Impact of the bubble economy

In the 1980s, with a large trade surplus due to export drives mainly to the US market, a credit relaxation

¹⁶ The Agency for Cultural Affairs (ACA) was established in 1968 as a part of an administrative reform that required every ministry to eliminate one section. The Ministry of Education complied by integrating its arts section and heritage section into the ACA.

¹⁷ “The Administrative Review on Promotion of Arts and Culture” (1995) recommended the elimination of ACA subsidies for theater construction, suggesting that enough theaters had already been constructed.

policy was introduced by the Japanese government. This led to the bubble economy, characterized by soaring land and stock prices. At the same time, strong measures to increase domestic demand, rather than depending on overseas markets, proceeded mainly by implementing large-scale public work projects. In order to remedy the shortage of social and cultural infrastructure, the category of “local comprehensive project establishment bonds (chiso-sai)”¹⁸ was introduced, and since the mid-1980s, in particular, greatly expanded¹⁹. A large number of infrastructure facilities such as expressways, dams, railways, and also cultural facilities in non-urban areas were constructed under this system, including theaters²⁰.

The “lost decade” in the 1990s and arts support

The economic downturn started in 1990. In order to stimulate the economy, large public works projects continued, which partially led to the huge government debts that now exist. Maintenance of public facilities is largely supported by local governments, but due to debts and financial constraints it is difficult for them to cover operating costs at previous levels. Therefore, these public facilities are now being forced to become more efficient, and in some cases are being privatized.

On the other hand, the bubble economy had some positive effects on cultural promotion. First, many profitable private companies started to support culture during the bubble economy. With some fluctuations, this corporate support continued even after the bubble burst. The increase of companies' profits led to an increase in government budgets, a part of which established the “Japan Arts Fund” in 1990. The fund's interest income is used to support a wide range of artistic activities, including those at theaters.

In 1994, the Japan Foundation for Regional Arts-Activities (JAFRA)²¹ was also established by funds from local governments. In addition, a more positive legal environment for non-profit activities evolved²²,

partly as an outcome of the Great Hanshin-Awaji earthquake in 1995²³. Thus it can be said that plural supporters for arts and culture emerged.

21st century-new trends

The 21st century is characterized by an increase in the number of attendees at cultural events and the total amount spent by the attendees²⁴, and also by the adoption of a legal framework²⁵. At the same time plural funding proceeded due to the emergence of various sponsors. At the same time, under financial constraints, government support has been diminishing and more efficient management is required. In light of this necessity, quasi-privatization of public cultural facilities is ongoing.

At the national level, all of the former national museums and theaters were transformed to “independent administrative bodies”²⁶ in 2001. At the local level, the Local Autonomy Law²⁷ was revised and the DMS was introduced in 2004. In the past, public facilities including theaters established by the local governments were managed only by governments or public organizations. But due to the relaxation of the Local Autonomy Law, not only public organizations but also non-profit organizations (NPOs), and even private companies are now eligible to manage public facilities.

Present support for theaters

Overview of theaters

The number of private theaters, most of which are located in large cities, increased from 43 to 142 in the period from 1965 to 2008 (Figure 2), and the number of musicians and actors²⁸ increased threefold in the period of 1965 to 2010. Thirty thousand musicians and twenty-seven thousand actors in 1965 increased to more than one hundred thousand and more than seventy-five thousand now, respectively. On the other hand, the number of public theaters increased by roughly 19 times, from 92 theaters in 1965 to 1,741 in

¹⁸ This local bond system of funding for social infrastructure development, unlike the previous subsidy system where the national government set strict standards and criteria, allowed local governments more discretion to decide what kind of social infrastructure to develop in their area (Hirashima & Ueda, 2001).

¹⁹ Under this system, most of the costs of the local bonds for construction of infrastructure were borne by the national government, depending on the financial capability of the local government. This means that financially stretched local government could raise funds for construction of public facilities, and create jobs in their area.

²⁰ According to “the Administrative Review on Promotion of Arts and Culture” (1995), 29 out of 35 randomly sampled public theaters were constructed in 1980s and 1990s using this local bond system.

²¹ JAFRA aims to promote local development through artistic activities.

²² The Law for Promotion of Specified Nonprofit Activities was enacted in 1996.

²³ NPOs' important contribution to recovery from the disaster was socially recognized, and welcomed by financially squeezed governments.

²⁴ White Paper on Leisure Activities, Japan Productivity Center, Tokyo 1989-2009

²⁵ The Fundamental Law for Promotion of Arts and Culture was enacted in 2001. This law calls for policy efforts of not only the national but also local governments, and culture was authorized as an important policy area.

²⁶ These bodies are somewhat akin to “quangos” (quasi-autonomous non-governmental organizations) in the U.K., such as the “Next Step Agency.” These independent administrative bodies are required to be more independent financially.

²⁷ The Local Autonomy Law, enacted in 1947, is a basic law concerning the organization and operation of local public entities.

²⁸ In the National Census, occupation refers to work undertaken by individuals with or for compensation, and is classified on a self-declaration basis. Musicians are those individuals who are engaged in composing or performing music, or conducting performances, and actors are those individuals who act in film, theater, television and other media.

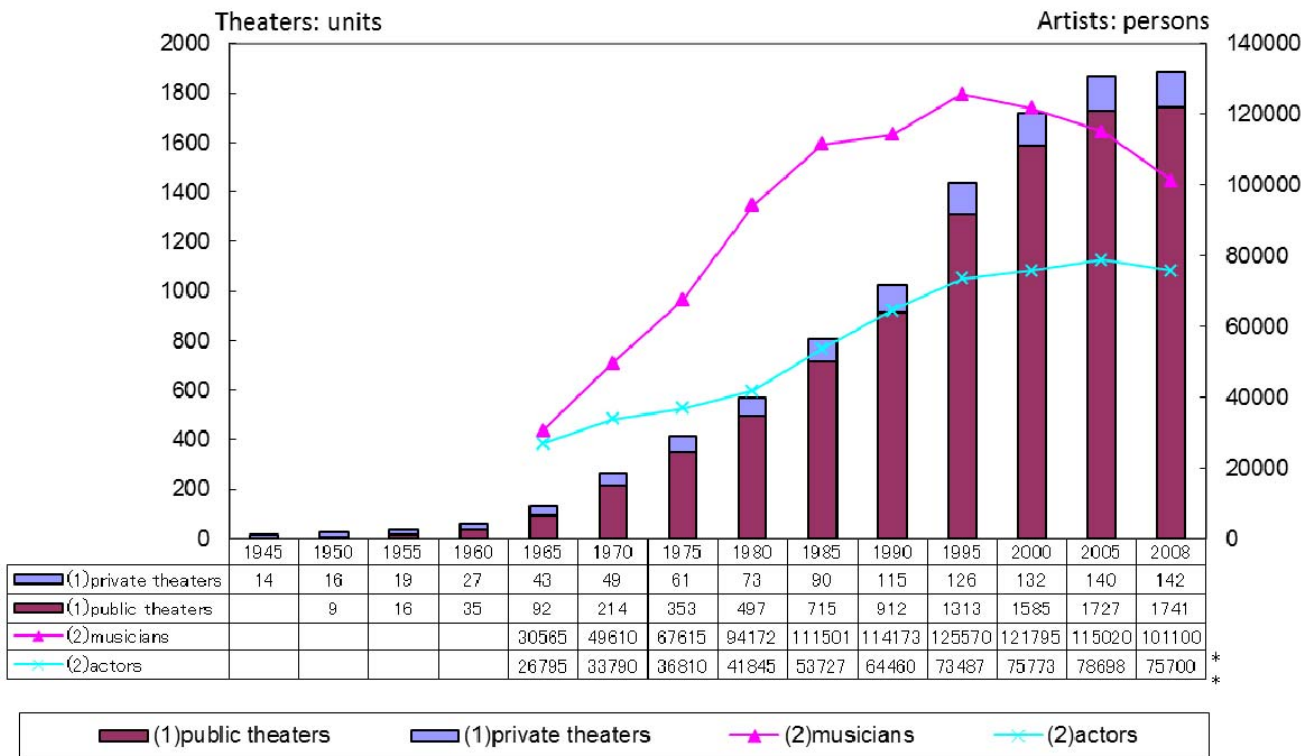


FIGURE 2. NUMBER OF THEATERS, MUSICIANS, AND ACTORS

(1) SOCIAL EDUCATION SURVEY, AVAILABLE AT <http://www.e-stat.go.jp/SG1/estat/List.do?bid=000001026002&cycode=0>

(2) NATIONAL CENSUS, AVAILABLE AT <http://www.stat.go.jp/data/kokusei/2010/index.htm>

* ESTIMATES OF THE NUMBER OF ARTISTS IS 2010 INSTEAD OF 2008.

2008. These public theaters, established by local governments where the arts market is not necessarily large enough, now comprise more than 90% of total theaters in Japan and they require public funding.

According to the Social Education Survey²⁹ (Table 1), in the decade from 1998 to 2007³⁰, around 80% of public theaters (1,300) were in operation³¹, providing more than 21,000 stage performances with roughly 12 million attendees per year in average, while roughly 70% of private theaters (100) provided more than 5,300 stage performances with 10 million attendees. In the same period, less than half of the public and private theaters (800 and 50 respectively) provided other activities such as lectures, workshops, classes and other activities, with attendance of 4.5 million and 1.6 million, respectively. In addition to productions organized by initiatives of theaters³², theaters rent their facilities to residents and artists³³.

The number of staff slightly increased in this decade, with an average of roughly 10 staff members working at each theater now. However, full time staff is gradually being replaced by part timers³⁴ (Table 2).

Public funding for theaters

The main support for public theaters has come from local governments. Local expenditures for arts (excluding heritage conservation, which is quite small compared to arts) fluctuate according to financial conditions. In the late 1980s, local expenditures for arts jumped, when local governments eagerly constructed cultural facilities. Immediately after the bubble economy burst, local expenditures for arts reached its highest level (around 850 billion yen) in 1993, while it has decreased to around 300 billion yen

²⁹ http://www.e-stat.go.jp/SG1/estat/GL08020101.do?_toGL08020101_&tstatCode=000001017254&requestSender=dsearch

³⁰ Statistics for Figure 2 and Table 1 in this section are based on the same Social Education Survey (each year) but the survey year differs slightly and thus the data differ slightly.

³¹ Those not in operation were closed due to renovation work, etc.

³² These performances are produced by theaters jointly with other organizations and artists in most cases.

³³ Data on the number of users who rent theatrical halls are not available in the official survey.

³⁴ Social Education Survey, each year.

	a) Public theatres				b) Private theaters			
Year	1998	2001	2004	2007	1998	2001	2004	2007
1)	1,565	1,662	1,736	1,730	162	155	135	140
2)	1,248	1,364	1,341	1,350	116	103	90	83
3)	19,210	24,138	20,650	22,014	6,055	5,567	5,286	4,540
4)	11,180,883	12,283,425	11,435,070	13,094,884	10,083,064	9,403,194	12,427,847	9,213,788
5)	798	862	821	803	50	58	39	47
6)	11,437	15,890	13,587	13,644	3,067	2,430	1,716	2,293
7)	5,064,950	5,483,310	3,928,467	3,612,906	1,601,927	1,866,148	1,788,489	1,268,185

TABLE 1. STATISTICS ON THEATERS

1) total number 2) number of theaters providing stage performance
 3) number of stage performances 4) number of attendees of stage performances 5) number of theaters providing other activities 6) number of other activities 7) number of attendees of other activities
 (SOCIAL EDUCATION SURVEY, AVAILABLE AT <http://www.e-stat.go.jp/SG1/toukeidb/GH07010101Forward.do;jsessionid=L17nP9CCnM9NQFJDgsBLC0K64g434FT1jBL7ypL9pQbP964lQr6V!1415150557!-1684695639>)

Year	total	full time	joint appointment	part time
1987	8.5	6.4	0.2	0.4
1990	9.4	6.7	0.3	0.5
1993	10.4	7.1	0.2	1.0
1996	10.2	6.2	0.3	1.4
1999	10.4	6.1	0.3	1.5
2002	9.9	5.7	0.3	1.5
2005	9.8	5.0	0.3	2.2
2008	10.6	4.7	0.3	3.0

TABLE 2. AVERAGE NUMBER OF STAFF PER THEATER

UNIT: PERSONS
 (SOCIAL EDUCATION SURVEY, EACH YEAR)

now. Total local expenditures followed almost the same trend until 1995, but this drop is not as sharp as the drop in local expenditures for arts.

Taking a closer look, we see that the major part of local expenditures for arts was made for the construction and operation of cultural facilities in the 1980s and 90s. Expenditure for “arts and culture” projects was moderate at best. The maintenance cost of cultural facilities (facility operation) now comprises a large part of local expenditures for arts (Figure 3).

At the national level, the main support is provided by the ACA. However the budget of the ACA has been at the level of 0.11% of the total general budget of the national government for several decades (103 billion yen in 2012), which is much smaller than the total of local budgets for arts. A breakdown of the ACA budget shows that roughly 60% has been allocated to heritage and the rest to arts support (Figure 4). Among arts support, roughly 1.5 billion yen was allocated to support theaters in 2012. In 2013, the support for theaters will be increased in order to facilitate the

newly enacted Theater Management Law, focusing more on empowerment of staff as well as activities.

Another major public institution, JAFRA, allocated 1.3 billion yen in 2012 for local cultural promotion, of which 0.9 billion yen was allocated to theaters and museums³⁵. The Japan Arts Fund also extends financial support to culture, and 0.2 billion yen was allocated to specifically for performances at theaters in 2012³⁶.

Other supporters

The scale of corporate support for culture was estimated to be 25.4 billion yen as of 2009³⁷, most of which supported artistic activities in the field of music and fine arts. This corporate support aims mainly to fulfill corporate social responsibility through supporting arts and culture, and the results of this support are evaluated mainly based on the response of participants and attendees.

³⁵ JAFRA, <http://www.jafra.or.jp/j/about/summary/>

³⁶ Japan Arts Fund, <http://www.ntj.jac.go.jp/kikin/results.html>

³⁷ Association for Corporate Support of the Arts, Mecenat White Paper, <http://www.mecenat.or.jp/%E8%AA%BF%E6%9F%BB%E7%A0%94%E7%A9%B6/%E8%AA%BF%E6%9F%BB%E7%B5%90%E6%9E%9C%E3%81%AE%E6%A6%82%E8%A6%81-%E3%83%A1%E3%82%BB%E3%83%8A%E3%83%AA%E3%83%9D%E3%83%BC%E3%83%88/>

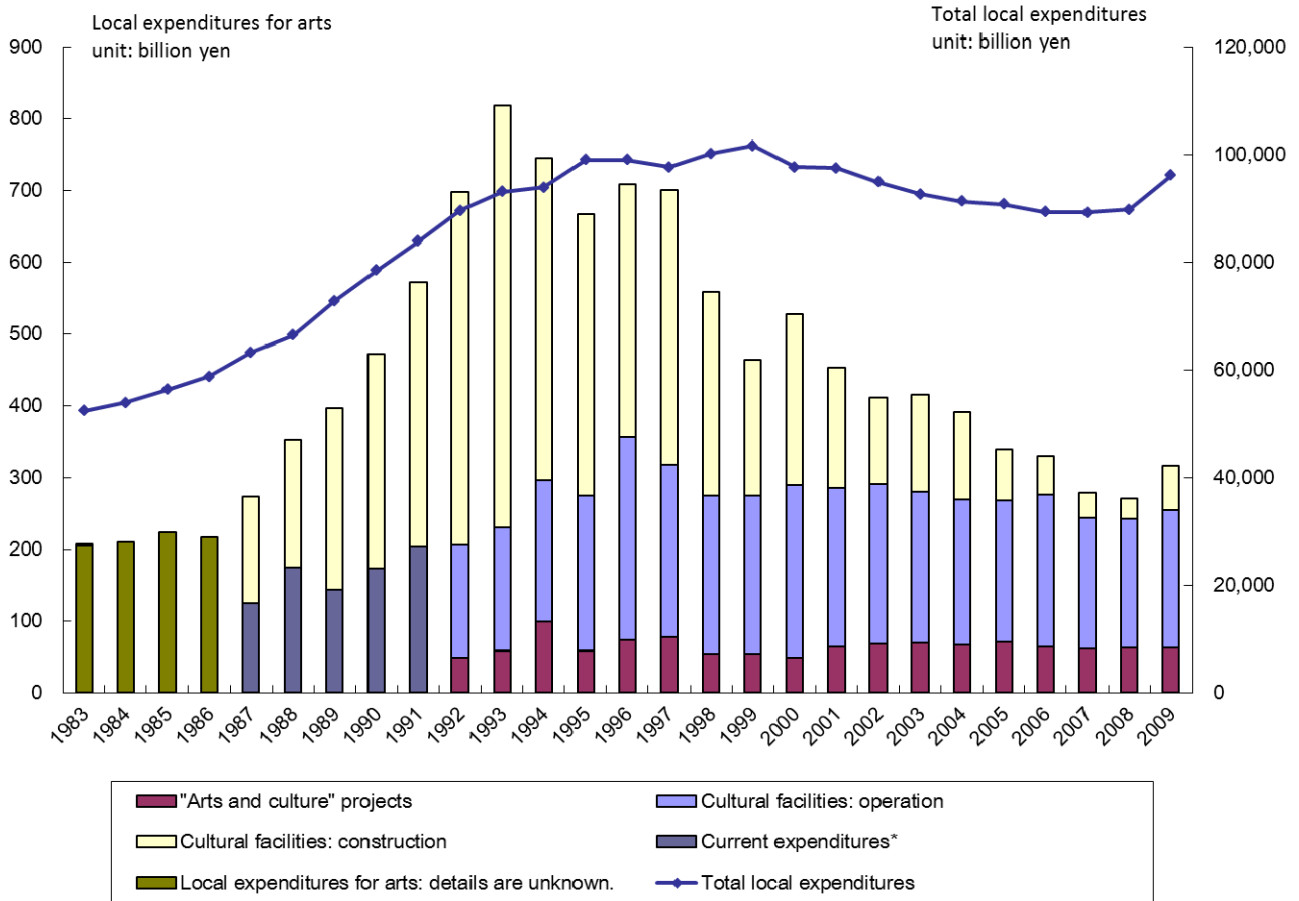


FIGURE 3. LOCAL EXPENDITURES FOR ARTS 1983-2009

(“INVESTIGATIVE REPORT OF LOCAL ART CULTURE ADMINISTRATION”, THE AGENCY FOR CULTURAL AFFAIRS, http://www.bunka.go.jp/bunka_gyousei/chihou/index.html)

TOTAL EXPENDITURES FOR ARTS 1983-2009

(“WHITE PAPERS ON LOCAL PUBLIC FINANCE”, MINISTRY OF INTERNAL AFFAIRS AND COMMUNICATIONS, http://www.soumu.go.jp/menu_seisaku/hakusyo/chihou/23data/index.html)

* CURRENT EXPENDITURES = “ARTS AND CULTURE” PROJECTS +CULTURAL FACILITY OPERATION; DETAILS ARE UNKNOWN

There are 43,630 organizations legally authorized as NPOs, of which 14,715 (33.7%) are engaged in science, arts, culture and sports³⁸. The number of volunteers is estimated to be 29.7 million persons, of whom it is estimated that 4.2% are engaged in education, culture and sports³⁹. The number of NPOs and volunteers has been increasing, with diversified missions and motivations.

The application and impact of DMS

Application of the DMS

The DMS was introduced to Japan in 2004, and since 2006 all public facilities established by local

governments are either managed by local governments directly or by designated managers. This is a part of NPM, as mentioned in section 2, in order to reduce operating costs and provide better service. Before the introduction of DMS, local governments could have an administration entrustment agreement with only limited types of public organizations such as public foundations, and only administrative management could be entrusted. Now all competent organizations, including private corporations, are eligible to become designated managers, and these designated managers have a general mandate over all of the operations of the public facility that they manage.

In general, designated managers are selected by a public competition, and successful candidates contract with local governments to operate the public

³⁸ Cabinet Office; about Non Profit Organization, <https://www.npo-homepage.go.jp/>

³⁹ Survey on Time Use and Leisure Activities, 2006, http://www.e-stat.go.jp/SG1/estat/GL08020101.do?_toGL08020101_&tstatCode=00000000322&requestSender=search

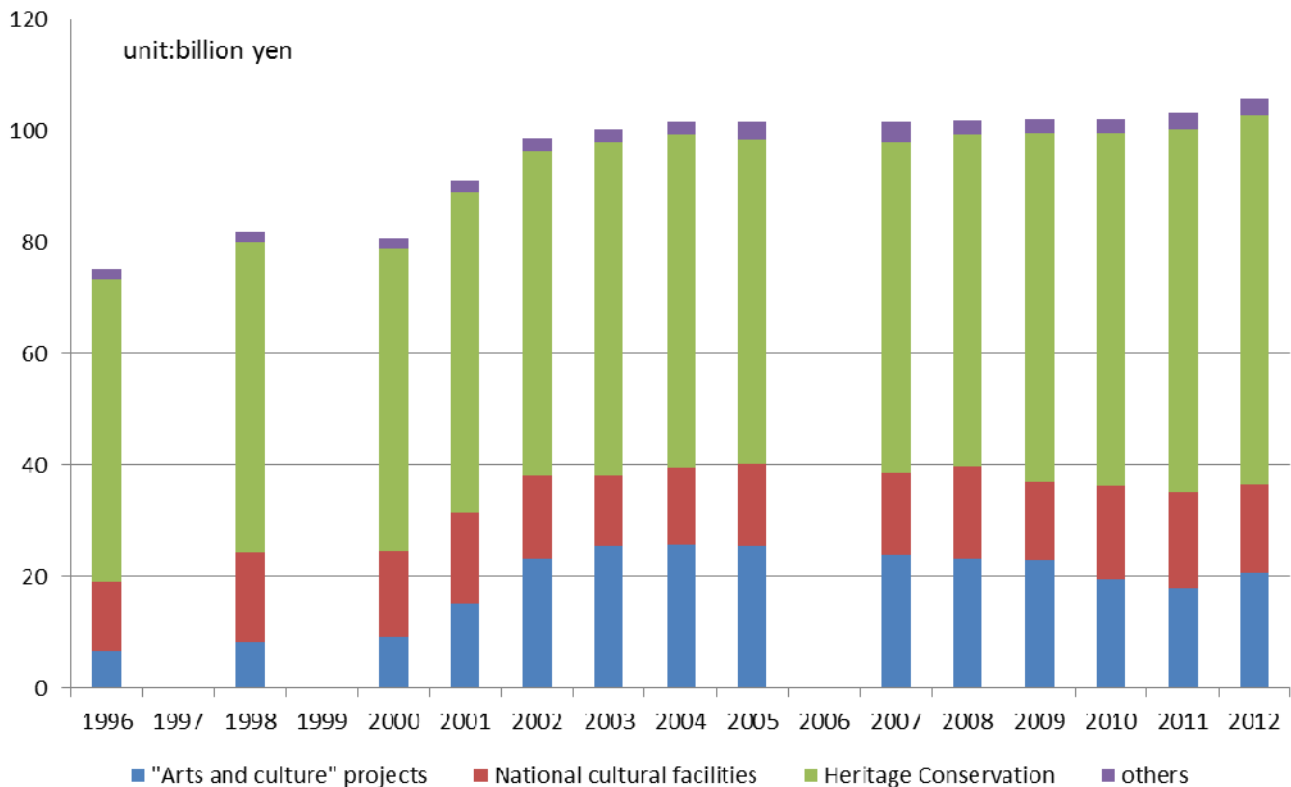


FIGURE 4. TREND OF ACA BUDGET

(THE AGENCY FOR CULTURAL AFFAIRS, http://www.bunka.go.jp/bunka_gyousei/pdf/bunkacho2010_ver04.pdf)

*DATA FOR 1997, 1999, AND 2006 IS NOT AVAILABLE.

facilities. In actual implementation, they are asked to make an operational plan of 3-5 years duration, indicating objectives and targets. The progress of these plans is checked by the government every year. As of 2009, there were more than 400,000 public facilities⁴⁰ (recreation and sports, industrial promotion, social infrastructure, medical, and cultural and educational facilities) throughout Japan, and among them 70,000 facilities have introduced the DMS⁴¹.

Cultural facilities

Cultural and educational facilities amount to 95,000 (roughly 65,000 sports facilities, 17,000 community learning centers, 6,000 museums, 3,000 libraries, 1,900 theaters and others). Among them, 56,000 are public and DMS has been introduced by a total of about 13,000 as of 2008 (23.4%)⁴². DMS was introduced by 874 public theaters, 50.2% of the total, as of 2008⁴³ (Figure 5), which is an increase from 626 in 2005 (35.8%).

The proportion of DMS in public theaters is quite high compared to other types of public facilities. This might be partly because public theaters had been already managed by public foundations rather than directly managed by local governments before the introduction of the DMS. According to the same Social Education Survey, roughly 53 % of public theaters had been managed directly by local governments while the remaining 47% were managed by public foundations in which the local governments have equity of 50% or more and to which they second their staff⁴⁴. This proportion of entrustment was quite high compared to other cultural facilities. In other words, many theaters had already experienced entrusted management before DMS.

In detail, 582 former managers (public foundations) were selected as designated managers (66.5%) in 2008 (Figure 5). The number of private corporations serving as designated managers is 175 (20%), which has increased from 43 in 2005.

⁴⁰ Fire and Disaster Management Agency http://www.fdma.go.jp/neuter/topics/houdou/2312/231209_1houdou/01_01.pdf

⁴¹ Ministry of Internal Affairs and Communications, Survey on Introduction of DMS to Public Facilities (2009) http://www.soumu.go.jp/main_content/000156595.pdf

⁴² Social Education Survey (2008), <http://www.e-stat.go.jp/SG1/estat/List.do?bid=000001023462&cycode=0>
http://www.mext.go.jp/b_menu/toukei/chousa02/shakai/kekka/k_detail/_icsFiles/afiedfile/2010/04/01/1268528_2_1.pdf

⁴³ Social Education Survey (2008), <http://www.e-stat.go.jp/SG1/estat/List.do?bid=000001023462&cycode=0>

⁴⁴ Social Education Survey (2002), <http://www.e-stat.go.jp/SG1/estat/List.do?bid=000001012340&cycode=0>

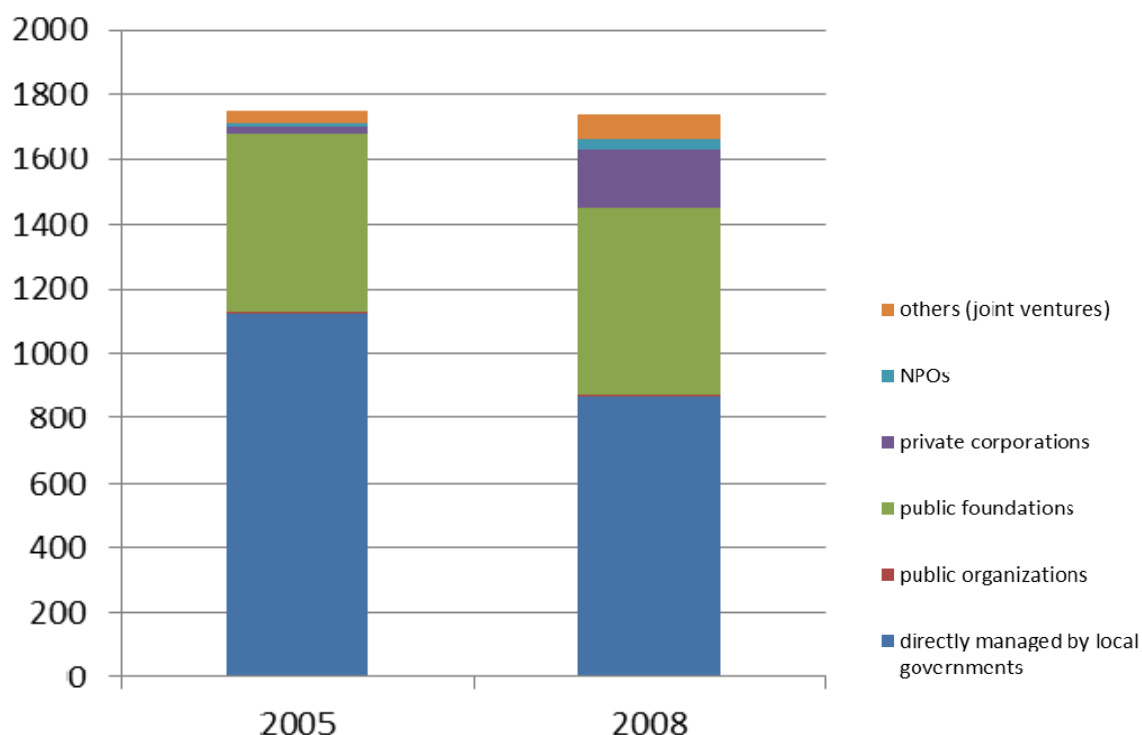


FIGURE 5. THE NUMBER OF THEATERS MANAGED BY VARIOUS SYSTEMS

(SOCIAL EDUCATION SURVEY 2009, http://www.mext.go.jp/b_menu/toukei/chousa02/shakai/kekka/k_detail/_icsFiles/afieldfile/2010/04/01/1268528_2_1.pdf)

Impact of DMS-cost reduction

DMS has two major purposes; cost reduction and service improvement. There has been some criticism of the DMS, mainly claiming that it is difficult to simultaneously attain these seemingly contradictory goals, and that DMS will have a negative impact on artistic quality due to cost reduction. It may still be too early to fully assess the impact of DMS in the decade since its introduction. However it is possible to see some trends engendered by the introduction of DMS.

As for the cost reduction, local governments, the main supporters of public theaters, are allocating smaller budgets for culture in general (Figure 3). In detail, a sharp drop was observed in construction expenditures (compared to the peak of 1993, a drop of more than 90% in 2008), while the facility operation expenditures dropped by roughly 40% from the peak in 1996. After the introduction of DMS, both expenditures for “arts and culture” projects and facility operation dropped by roughly 10%. These local expenditures include not only those for theaters but also for museums and subsidies to cultural organizations, and there are no detailed official data about the percentage of these local expenditures which were made specifically to theaters. However assuming that the proportion of local expenditures

made to theaters has remained constant, it is quite likely that expenditure for theaters has not been reduced greatly due to introduction of DMS.

This tendency was also observed in a sample survey of the local hub theaters⁴⁵ (Kakiuchi et al., 2010, Table 3). During 2003-2007, annual revenues and expenditures of local hub theaters, even after the introduction of DMS, show relative stability at the level of one billion yen per theater. Local governments’ subsidies comprised more than 80% of all subsidies to cover the deficits in 2007, although business sponsors and other resource decreased. However it should be noted that more funds have been allocated to operating costs such as maintenance of theatrical venues, while production expenditures dropped by 20% since 2003. In other words, the increased local government subsidies were not used for artistic creation by theaters, but to keep the venues open to be available for rental.

Impact of DMS-service not degraded

Many factors should be considered in evaluating the service improvement, while cost reduction could be easily measured in numerical way. However in this

⁴⁵ In this survey supported by the ACA, a study was conducted of around 60 major theaters which were designated by the ACA as regional centers with specialized staff which actively “produce performances” and receive national subsidies for their activities.

	Expenditures		Subsidies		
	production	Operation		local government	companies
2003	502.5	449.4	598.6	462.8	13.8
2004	515.2	430.2	598.6	475.9	18.6
2005	450	548.6	678.7	524	16.1
2006	384.6	571.7	731.6	591.3	17.4
2007	413.6	516.6	700.5	568.6	11.3

TABLE 3. ANNUAL EXPENDITURES AND SUBSIDIES
PER THEATER IN AVERAGE

UNIT: MILLION YEN
(BASED ON THE SURVEY BY KAKIUCHI ET AL., 2009)

	Operation (days)	Attendees (persons)			
		Total	Rent hall activities	Produced performances	outreach programs
2003	226	302,027	250,942	46,572	4,513
2004	235	348,708	294,396	47,848	6,464
2005	238	312,621	263,582	43,857	5,182
2006	244	325,303	273,709	45,298	6,296
2007	260	316,979	271,441	38,382	7,156

TABLE 4. AVERAGE DATA FOR OPERATIONS
OF LOCAL HUB THEATERS

(BASED ON THE SURVEY BY KAKIUCHI ET AL., 2009)

paper we assume that total attendance is one of the main factors representing service quality, as, if service degraded the number of events and attendance would decrease. Theatrical attendance, according to the Social Education Survey (Table 1), has stayed basically at the same level in the 21st century, perhaps with a slight increase as far as stage productions are concerned.

Stage performances provided by public theaters have remained at roughly the same level in this decade from a quantity perspective, despite a worsening working environment (Table 2). Considering that DMS requires detailed annual reports of the manager's activities, this check system might have had a positive effect on improvement of service quality in general.

According to a sample survey of the local hub theaters (mentioned above in subsection 3), the average number of attendees per theater increased, especially performances that rented the halls (Table 4). On the other hand, the number of attendees for productions staged by theaters themselves (as opposed to those for productions that rented the facilities) has been proportionately small and decreasing.

Summary

The direct impact caused by the introduction of DMS and pre-existing issues revealed by the introduction of DMS should be discussed separately. As for the direct impact, it is difficult to say that DMS caused a significant decrease of expenditures for theaters, considering that local expenditures for arts were already decreasing before DMS was introduced. On the other hand, service can be said to be mostly the same, according to total attendance. Thus there is no clear evidence that the DMS successfully attained either cost reduction or service improvement.

However it seems relatively clear that DMS has shifted the priority and focus of activities of theaters from artistic creation by theaters to rental of space to external users. As already mentioned above in section 2, theaters have been increasingly producing more performances according to their artistic consideration. However this trend might be reversed by the introduction of DMS, which caused criticism of DMS by those who have been involved in these artistic creations⁴⁶. Now if theaters want to create their own productions according their artistic consideration, they must seek resources other than public funding, such as ticket sales or other sponsorship.

Also some indirect impacts should be pointed out. In general DMS requires each local government to clearly and quantitatively specify the mission, goals and expected achievements of the bidders as part of

⁴⁶ For example, the Japan Council of Performers' Organizations and the Association of Public Theaters and Halls in Japan are among those who criticized the DMS.

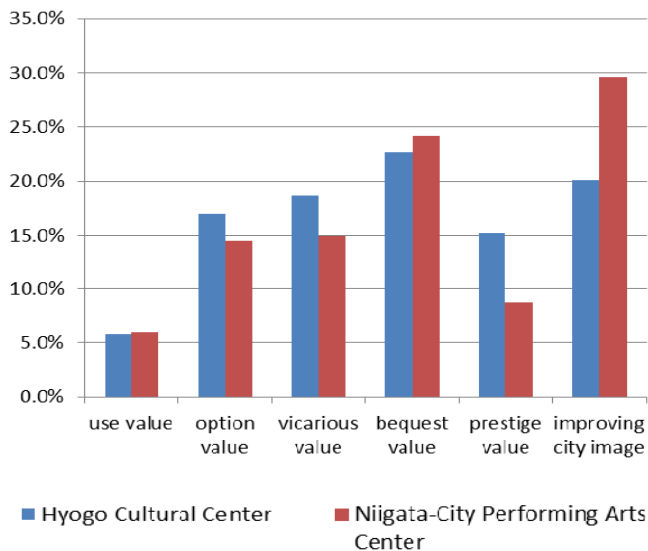


FIGURE 6. VALUES OF THEATERS
(OKUYAMA & KAKIUCHI, 2007;
KAKIUCHI & OKUYAMA, 2011)

the document soliciting bids from candidate managers. Thus the expected role of these theaters in local cultural policy is clarified, which is certainly a positive outcome of DMS. Also, in actual implementation, evaluation and assessment is required and accordingly many theaters have started to take feedback from users and audience. Thus the impact of the DMS is not only the change of the managers but also the change of the mindset of incumbent managers, thereby leading to cost consciousness and customer consideration.

As mentioned above, in many cases, public foundations who managed theaters before the DMS was introduced continue to be designated as managers. Although private corporations have started to become active in theater management, the penetration of private initiatives is still low. Even including joint ventures, private corporations comprise less than 30 % of designated managers (Figure 5).

In fact, theaters located in non-urban areas of small markets are difficult for private companies to operate. At the same time, the former managers have some advantages due to local networks and knowledge about the local environment accumulated through their previous activities. It should be noted that public foundations, with retired and seconded officials from local governments, have a strong

advantage of human network, good knowledge about how governments work, and budget negotiations in particular, which might lessen the anticipated effectiveness of DMS in cost reduction.

Potential market and benefits of theaters

Let us now come back to the original questions: who are the beneficiaries and what are the benefits of theaters? Is public funding justifiable, to what extent, and why? How large is the potential market?

Values of theaters

Detailed CVM surveys of regional theaters⁴⁷ indicated that theaters provide relatively large social benefits⁴⁸ to the respective community and that these social benefits derived from not only use values of theaters but also non-use values such as bequest value, vicarious value and prestige value which are reflected by the WTP (Willingness-to-Pay) (Figure 6), which is slightly different from the results of European case studies⁴⁹. One of the major elements correlating with WTP is the recognition that theaters improved the city image, which can be interpreted as showing that regional theaters enhance the attractiveness of cities by contributing to cultural diversity. These non-use values are much larger than use value.

Residents' WTP is correlated with age and household income in both cases, as well as the number of visits to theaters. In other words, increasing the visitors to theaters certainly increases non-use values and their social benefits. From this point, increase of the number of users, which could potentially increase the social benefits, might be crucial to maintain the present level of public support. Also non-use values, including bequest value, vicarious value, prestige value, icon of the city and so on, would appeal to various segments of the society, and it would become much easier for theaters to gain support from various entities which emerged as arts supporters, as mentioned in section 2.

It should be noted that there is a large difference between the mean WTP and the median WTP. The median WTP, which indicates the level that half of the population would agree with, can be interpreted as the appropriate level of resource allocation for the governments to justify funding under a democratic

⁴⁷ Taking the case of Hyogo Cultural Center which opened in 2005, and the case of Niigata-City Performing Arts Center Ryutopia which opened in 1996, we conducted CVM surveys of citizens to estimate the social benefits of theatrical activity (Kakiuchi & Okuyama, 2011; Okuyama et al, 2007).

⁴⁸ The total amount of aggregated individual WTP (Total Willingness-to-Pay: TWTP) can be interpreted as indicating the volume of social benefits derived from activities of theaters. TWTP of the citizens of both local areas was estimated to be large enough exceeding the present annual budget allocated by respective local governments. (At least 5.6 billion yen of annual TWTP of residents for Hyogo Cultural Center which receives around one billion yen subsidy from the prefectural government per year, and 1.5 billion yen for Niigata-City Performing Arts Center Ryutopia which receives 0.9 billion yen subsidy from the city government).

⁴⁹ (Hansen, 1997) shows that the option value is the most important element for WTP and (Heilbrun et al, 1993) indicated the importance of option values, bequest values and educational value.

decision making process⁵⁰, while the mean WTP, which indicates the social benefits, can be interpreted as an appropriate level of resources to be allocated for the activities of theaters. In the case where the median WTP is significantly smaller than the mean WTP, governmental support will never be sufficient to cover the cost of theaters.

Visitors and users

There is no detailed official information about visitors to theaters in Japan. However, according to our survey on regional theaters⁵¹, attendees to classic music concerts were statistically more aged, more educated and with higher income, as compared to non-visitors. The same survey indicated that only age had a statistically significant correlation with repeated visits. Once attendees experience performances, regardless of their education and household income, they will decide whether or not to visit the theater again based on their evaluation of the value of the performances.

Potential market

According to a nationwide internet survey we conducted in 2007 (GRIPS Cultural Policy Program, 2009), the potential market⁵² for theatrical attendance can be estimated as roughly half of the total population (over 20 years old, 51.3%), around 50 million people. However those who had attended stage performances in the past (41.2%) number around 40 million people, and 10 million people were not motivated to visit theaters, although they were aware of their existence. Those who have visited so called major theaters in the past are estimated to be 34.8%, around 35 million, which means that these major theaters failed to gain 5 million potential visitors (Figure 7).

At the same time, considering that theaters in Japan attracted roughly a total of 20 million attendees per year, as discussed above in section 2, it can be said that the potential market is still reasonably large.

Summing up-future directions

Theaters, public theaters in particular, have been constructed to improve cultural access for residents throughout Japan. Facing population shrinkage, economic stagnation, and the necessity for efficient management of public expenditures, a series of reforms has been ongoing. As a part of this, DMS has

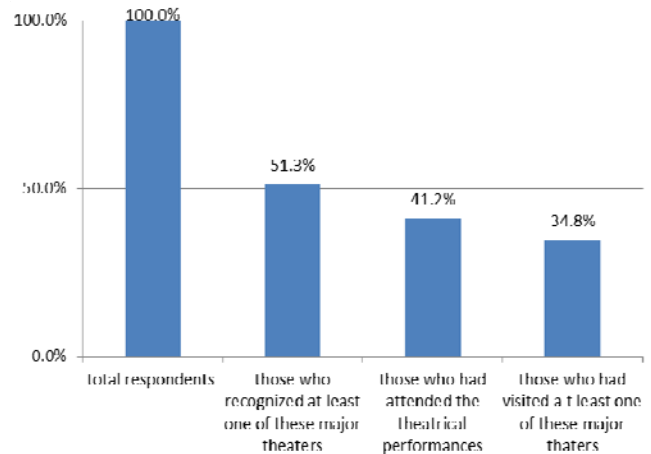


FIGURE 7. POTENTIAL MARKET FOR THEATRICAL PERFORMANCES
(GRIPS CULTURAL POLICY PROGRAM, 2009)

been introduced to theaters in this decade. At present, despite criticism and concerns about DMS degrading artistic quality for the sake of cost reduction, DMS so far has not caused catastrophic damage to theatrical performances service due to the moderate budget cuts; nor has it led to dramatic improvements in efficiency. Instead the most important impact of DMS may be not the change of the system but the change of the mind-set of managers as well as local government officials from government-dependent management to a more customer-oriented approach. Customers are not only viewed as the audience but also as stakeholders.

This observation can be supported by our CVM results based on benefit analysis. The findings suggest that government will not be able to provide sufficient support to theaters. Also, if our survey results for the attendee profile can be generalized, the income and education of attendees differs from the average, and government funding might thus be criticized as supporting only a portion of the population using tax revenues from all of the residents. Therefore public theaters should probably not expect funding increase from either local government or the national government.

On the other hand, our estimates show that theaters provide large benefits even to non-attendees such as bequest values, educational values and large contribution to the city image. These values and benefits might appeal to a diversified group of stakeholders and certain segments of the society. Theaters should take more initiatives to gain better

⁵⁰ (Asano & Kodama, 2000; Yoshida, 1999).

⁵¹ We conducted visitors surveys in the Hyogo Cultural Center and Niigata-City Performing Arts Center (Kakiuchi & Okuyama, 2009; Kakiuchi, 2012).

⁵² We presented a list of major theaters (about 60 theaters) which are regarded as the representative theaters in Japan to respondents, and most of them are public theaters established by local governments. It is difficult to imagine that respondents who did not recognize even one of these theaters would be interested in theater attendance.

understanding of the impact of their activities, and at the same time, to actively introduce various measures to mobilize potential support. The untapped potential market might be relatively large. Although the present audience might be unrepresentative in terms of income and education, these factors might not be decisive factors, as once they experience high quality theatrical performances, attendees might make repeated visits. In conclusion, theaters should make every effort to increase the number of visitors and users, even if this does not immediately increase their revenues. Such efforts might also alleviate further budget cuts of public funding and attract additional supporters.

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