Distinction and Subsidy in the Arts: Case Study of the New York City Mayor's Office of Media and Entertainment

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Abstract

This research explores the rationales for and results of subsidies in the arts using the New York City Mayor's Office of Media and Entertainment as a case study. Although specifically about NYC MOME's film and television subsidy program, we hope that our method for critically analyzing the effects of arts subsidies may be more broadly applicable. We find that NYC film and television subisides result in redistribution upwards. For example in 2019 (the most recent data available) the average annual salary of those working for NYC MOME-subsidized productions in NYC is $121,000 whereas the average salary in New York City is $91,000, a 33% differential in higher salaries for those working on projects receiving subsidies than those who do not work on these subsidized projects (MOME 2021). This means that that those who earn less in New York City have to pay more in tax to subsidize those who earn more, all else being equal.

This redistribution upwards seems on the face of it regressive policy. The research question is how can these results, arts subsies with redistribution upwards, be seen as *equitable*? This is where Bourdieu (1984)'s notion of social consecration leading to distinction may cast light. Politicians and technocrats gain social distinction from being associated with the arts. Likewise those in the arts gain social distinction from their involvement in politics. The act of creating and awarding state subsidies in the arts is itself a form of consecration leading to social distinction. This signalling of virtue, of distinction, may be a more important act than the regressive empirical consequences of the art subsidies themselves. We discuss three canonical arguments for state subsidy to the arts made by cultural economists, illustrate why NYC MOME's screen media subsidy programs (and others like them) may not meet these requirements, and hypothesize that social distinction is more important in the political economy of electoral politics around the arts in New York City than is economic equity or equality.

Key words: cultural policy, economic development, screen arts, New York City, inequality

JEL Codes: D31, H42, R51, Z10

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[T]he film and television industry plays a leading role in New York City's economy and culture. Its ongoing strength will help New York City's creative sectors rebound and set the stage for an equitable recovery for all New Yorkers. – Anne del Castillo, NYC MOME Commissioner

New York City is the best stage in the world. – Independent Producer

Overall, MOME supports over $104 billion in economic activity and nearly half a million workers. – MOME Film and Television Industry Economic Impact Study 2021[1]

1.Introduction

This research explores the rationales for and results of subsidies in the arts using the New York City Mayor's Office of Media and Entertainment as a case study. Although specifically about NYC MOME's film and television subsidy program, I hope that our method for critically analyzing the effects of arts subsidies may be more broadly applicable. We begin by describing the MOME subsidy programs and then discuss the outcomes of the programs as regressive economic policy related to income distribution geographically. In the next section we analyze the MOME programs in terms of the paradigmatic rationales in cultural economics and find that these programs, and perhaps state subsidies to the "creative industries" in general, fail to meet the tests required for subsidy. Given these results we hypothesize that the main criteria for art subsidies are not necessarily for reasons of equity or economic growth, rather that of social distinction, or maybe even a form of national culture-making.

We question whether this is sustainable (cultural) policy for New York City in that the city is losing population. There is a trend in the United States before covid for migration from "Blue" states to "Red" states. This trend accelerates with the covid era (Weber et al. 2024) and has continued in the post-covid era especially relating to New York City.

Table 1: Population and changes in population, 2000-2022[2]

	2000	2020	2022
USA	281,421,906	331,449,520	333,287,557
		17.78%	0.55%
NYC	8,008,278	8,804,190	8,335,897
		9.94%	-5.32%

[1] Quotations from NYC MOME (2021).
[2] https://www.osc.ny.gov/files/reports/osdc/pdf/report-15-2024.pdf

From Table 1 we observe that during the 20 years before the covid era the US population is growing almost twice as quickly as the NYC population. During the 2020-2022 covid years the city loses almost 5% of its population relative to the rest of the country.[3] According to the live WorldPopulationReview.com, since 2020 through today (November 2024), NY state has lost 3% of its population, California 2% of its population, while Texas (6%), Florida (6%), South Carolina (7%) and Idaho (8%) gain in population. It is beyond the scope of this paper to make an argument for why this is occurring.[4] For whatever reason, people are voting with their feet.

2.Subsidy as regressive

We find that MOME film and television subsidies result in income redistribution upwards. In 2019 (the most recent data available) the average annual salary of those working for MOME-subsidized productions in NYC is $121,000 whereas the average salary in New York City is $91,000, a 33% differential in higher salaries for those working on projects receiving subsidies than those who do not work for these subsidized projects (MOME 2021). This means that that those who earn less in New York City have to pay more in tax to subsidize those who earn more, all else being equal. (We discuss the appropriate geographic unit of reference for benefit-cost analysis for the specific purposes of economic development in Section 4).

The film and television subsidy programs

The Mayor's Office of Media and Entertainment reports to the Deputy Mayor for Economic and Workforce Development.[5] The Mayor's Office has a budget of $103 billion for 2024[6], or about $13,000 per person for the 8 million people living in NYC.[7] As described below MOME administers tax subsidies of about $750 million per year or about $94 per person.

There are two main tax-subsidy programs which are utilized by NYC MOME in an (unnecessary?) attempt to attract screen media productions to NYC. Both of these are state-wide programs as part of the brand "Made in NY".[8] The first is the NYS Film Tax Credit Program

[3] The last time the NYC has had such an out-migration was during the city's fiscal crisis between 1970 and 1980 (from 8 to 7 million population), https://www.nyc.gov/assets/planning/download/pdf/planning-level/nyc-population/historical-population/nyc_total_pop_1900-2010.pdf.
[4] Economic freedom might explain some of it but not all of it, https://www.fraserinstitute.org/sites/default/files/economic-freedom-north-america-2021.pdf
[5] See the Appendix for the organizational chart of the Government of New York City
[6] https://www.nyc.gov/office-of-the-mayor/news/028-23/mayor-adams-releases-preliminary-budget-fiscal-year-2024#/0.
[7] $103 billion budget / 8 million population. $40 billion of this budget is for public schools, which will spend about $38,000 per student in 2024, https://www.schools.nyc.gov/about-us/funding/funding-our-schools
[8] The question remains, if NYC is the best stage in the world, why are subsidies and branding needed at all?

(Production) established in 2004 and now funded at $700 million annually as a budget request until 2034. The second is the NYS Film Tax Credit (Post Production) established in 2010 and funded at a $45 million budget request also through 2034.[9]

NYC MOME also has its own brand subsidy, the "Made in NY" Marketing Credit, established in 2005, which is an in-kind subsidy. Those who qualify receive free advertising in up to 500 subway trains and 40 bus shelters for a four week run on a first come, first served basis.[10] To qualify for the NYC marketing credit 75% of on-screen shooting must be made in NYC, and/or 75% of above-the-line or below-the-line costs must be expended in NYC.[11]

3. Entangled political economy

In this section we discuss the difficulty in determining the relevant geographic area or political jurisdiction for benefit-cost analysis. We revisit this topic in the context of economic development in the next section.

At the city level

So far we have shown that when NYC is used as the area for analysis the "wage premium", or how much greater is the MOME wage than the comparator wage, is 33%. This is the wage premium for both private and public employers in New York City. If we compare the MOME average salary with private employers only then the wage premium increases to 50%, Table 1. This implies that public employers in the city (including MOME) pay greater salaries than do private employers on average, whereas average MOME program direct wages and salaries are greater than both.

Table 2: MOME Salaries Compared with Differing Geographic Regions (See text for data sources)

	Average Annual Income (2019, in '000s)	MOME Wage Premium
MOME Program Recipients	$121	n/a
NYC Public and Private Employers	91	33%
NYC Private Employers	81	50%
NY State	66	83%
United States	55	120%

[9] We note the subsidy request amounts remain the same until 2034 despite the declining population.
[10] https://www.nyc.gov/site/mome/industries/marketing-credit.page. The NYC MOME marketing credit program is extended to include videogames as well as film and television, with the first award being made in 2023.
[11] The paperwork for the Made in NY process is copious. This is an example of the surplus losses due to rent-seeking as first illustrated by Gordon Tullock. The resources used to propagate and administer subsidy programs comes at the cost of more creative alternative uses of these resources.

At the state level

In that the funding for MOME's programs are state rather than city subsidies, a better geographical reference for analyzing the distributional effect of the subsidies would be at the state rather than city level. The 2019 per capita personal income in New York state is $66,415.[12] The average salary of those working on MOME productions is $121,000. This means those in New York state earning the per capita wage subsidize those who earn 80% more than they do by working for NYC MOME projects.

At the federal level

If we look at the United States as a whole as the relevant unit of geographic analysis, where the average income is $55,363, we find that the MOME wage premium is now more than 100%.

New York City receives between 23% and 29% of its revenues from federal and state transfers before, during and after the covid era, Table 3. We find as expected an increase in both federal and state transfers in the 2020-2022 covid era relative to other revenues.[13] We also see an increase in the federal percentage of transfers during this time which in 2022 are 14% of NYC's revenues, about half that of real estate taxes which the largest source of NYC's tax revenues. We also observe that the growth of government (as measured by revenues) is more rapid than that of the growth of Gross City Product during this period. We expect this rapid growth of the state during 'national emergencies' such as the covid era (Higgs 2013, Weber et al. 2024).[14]

Table 3: New York City Revenues including Intergovernmental Transfers[15]

	2023	2022	2021	2020	2019	2018	2017
1. Total City Revenues (in billions)	$110	$108	$104	$96	$94	$88	$85
Operating Grants and Contributions, of which:							
2. Federal Transfers (in billions)	10	15	12	9	7	8	8
3. State Transfers (in billions)	17	16	15	15	15	14	14
4. Total Federal and State Transers (in billions) (2.+3.)	27	31	27	24	22	22	22
5. % Intergovernmental Transfers (4./1.)	25%	29%	26%	25%	23%	25%	26%
6. Increase in Revenues Year-to-Year	2%	4%	8%	2%	7%	4%	
7. Increase in Transfers Year-to-Year	-13%	15%	13%	9%	0%	0%	
8. Yearly Change in Gross City Product	2%	2%	5%	-4%	3%	4%	
8. Federal % of Transfers (2./4.)	37%	48%	44%	38%	32%	36%	36%
9. Federal % of Total City Revenues (2./1.)	9%	14%	12%	9%	7%	9%	9%

[12] https://fred.stlouisfed.org/series/NYPCPI, for per capita income for the United States in 2019; https://fred.stlouisfed.org/series/A792RC0Q052SBEA for that in New York State.
[13] This analysis excludes pass-through grants from the federal government to NYS and then NYC.
[14] Never let a good crisis go to waste
[15] Data from each yearly NYC ACFR, https://comptroller.nyc.gov/reports/annual-comprehensive-financial-reports/

This is an example of entangled political economy. The varying levels of cross-subsidies and intergovernmental transfers makes a definite determination as to the relevant geographic unit for analysis perhaps arbitrary. It may be that the United State as a whole is the correct unit for benefit-cost analysis in that the federal government is the only state unit which can transfer funds under the condition of deficit spending with fiat money. Whereas other jurisdictions have hard budget constraints, the federal government does not.[16]

New York State Comptroller Thomas P. DiNapoli State Comptroller describes this situation in an April 2024 report about intergovernmental transfers.[17]

> The financial relationship between the states and the federal government is complex and has a significant impact upon the economic health of the State and the well-being of our residents. This has been especially true over the past several years due to the federal response to the COVID-19 pandemic that improved our State's, and indeed all states', financial standing and allowed us all to work toward recovery.
>
> In FFY 2022, New York State generated $361.8 billion in federal taxes and benefited from $383.0 billion in federal spending. For every tax dollar paid to Washington, our State received $1.06 in return – below the national average of $1.28. This is the third year in a row that New York has had a positive balance of payments. As we return to a pre-pandemic level of federal support, New York's balance of payments may again shift back to negative.

The report emphasizes that what is expected is that all states should receive the same amount of net gain in intergovernmental transfers from the central government. If the state national average is receiving $1.28 for every dollar in federal taxes this means that federal government is borrowing 28% of its budget. This borrowing appears to be accepted as long as this (deficit) spending is shared equally. This statement also has a subtext which is that federal transfers may be diverted to other geographies if the opposing party wins the Presidential election in 2024.[18]

Entangled political economy can lead to the tragedy of the fiscal commons. National debt per person in the United States increases from about $20,000 per person in 2000 to about $100,000 today. Debt as a percentage of GDP increases from about 36% in 1970 to about 122% today (April 2024).[19] The federal government has a soft budget constraint in that neither of the duopolistic parties are addressing the problem of US government deficit spending, which is both a moral issue in that debt is being passed along to those not voting for this debt[20] and an

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[16] Both the Mayor of NYC and the Governor of NYS are required to submit balanced budgets. Not so with the nation-state.

> As it stands, there is no effective budgetary discipline of government excess spending. Whatever the government spends is financed with the creation of new money, with its real resource cost subsequently extracted from the private product sector asset values through inflation. Government grows because it is restrained by no budgetary discipline. For those who want a wealth tax, you already have it (Smith 2024).

[17] https://www.osc.ny.gov/files/reports/budget/pdf/federal-budget-fiscal-year-2022.pdf
[18] Wagner (2019) describes the evolution of the national debt in terms of entangled political economy and finds that the budgetary process in the US leads to faction.
[19] Source: https://pfnyc.org/research/signs-of-progress/. See the annual GAO report 2024 about the unsustainability of the US welfare-state without fiscal reform, https://www.gao.gov/americas-fiscal-future. This is also exemplified by the Fitch downgrade of the US's long-term credit rating from AAA to AA+ in August 2023.
[20] See Meijers (2024) for a survey of issues considering intergenerational equity.

economic issue in that there is competition for the US dollar as the international reserve currency. The outlook is “higher for longer” interest rates for US government borrowings.

Regime uncertainty

One of the many problems with modern economic development based on corporate welfare is that the short-term political budget process creates additional uncertainty for longer-term projects. When the rule of law, in this case the tax subsidy scheme, is subject to change in the political cycle this regime uncertainty can attenuate otherwise planned projects. Lower long-term investment might be an unintended consequence of a sector based on subsidies. Again more resources are sucked-in to propagate the subsidy scheme.

> Industry professionals have expressed concern about the legislated sunset of the New York State Film Production, Post-Production, and Commercial tax credits in 2026. The current uncertainty as to whether the program will be renewed—and what its size and scope would be if renewed—is a factor that producers working on multi-year timelines weigh as they consider committing to future production in New York City (MOME 2021, 57).

The research question is how can these results, arts subsidies with redistribution upwards, be seen as *equitable*? If the goal is to increase equity in outcome as opposed to a meritocracy then the MOME program fails this test for two reasons:

1) Subsidies are net benefits to those that receive them, in this case those employed with MOME subsidized projects, and a cost to everyone else though increased tax or government debt incidence, and
2) Those employed in MOME projects gain more income than the rest of the population.

Both of these facts show that MOME programs in fact create inequity and do not reduce it.

Next I introduce the canonical arguments for state subsidy to the arts made by cultural economists and illustrate why MOME's screen media subsidy programs (and others like them) may not meet these conditions. Just as we find in this section that MOME subsidies do not bring equity, we also find that these programs do not meet the rationale for state subsidy as outlined in the cultural economics canon. In the final section of the paper we find that the category of distinction in the arts might help explain why art subsidies continue and continue to grow despite their regressive nature and with little economic rationale.

4. Subsidy in the arts

In this section of the paper I try to capture three of the most canonical arguments made for subsidies to the arts and use the NYC MOME case study to contextualize these arguments for today's socioeconomic realities. There are other arguments made for art subsidies, but they might be subsets of those that follow.[21]

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[21] In this paper we are exploring a fourth justification for state intervention in the arts: the use of art for nationalism and the reproduction and expansion of state power, something we call “art-statism” in Weber (2017). See Snowball

4.1 Baumol's cost disease

The first argument for state funding of the arts is that contained in what many see as the first text in cultural economics (Baumol and Bowen 1966). Here we find that labor-intensive industries such as the performing arts, in this case symphony, ballet and opera, need to be subsidized in that these labor-intensive artforms will not keep up with the technological efficiency advancements in non-labor intensive industries during the process of economic development. It still takes four musicians the same amount of time today to perform a Mozart quartet as it did in the 18th century, whereas today there are assembly plants and modes of transportation with little variable labor cost at all. The performing arts will increase in cost relative to other goods in the economy and these arts will therefore become unaffordable relative to other goods. State subsidy is needed to ensure that these artforms, declared as "fine art," are available to current and future generations as option and bequest values. More generally this is the famous *cost disease* which is used to argue for state subsidy of labor-intensive goods such as the arts, healthcare and education.

In the first instance, this argument may be outdated in that all of Mozart's quartets are available in recorded live performances for "free" in the digital economy. This is partly Tyler Cowen’s point in "everything has changed" in cultural economics (Cowen 2008) and has subsequently led some observers to say that we live today in an economy of "abundance" (Benghozi 2020) or “enrichment” (Boltanski and Esquerre 2020). The cost disease argument for subsidy to the performing arts has become obsolete due to technological change. Option and bequest values are being realized decentrally and inexpensively with digitization. There is unique experience value in attending a live performance in person with others of a like mind-set however it appears that subsidies are no longer needed for option and bequest values as formulated by the cost disease hypothesis for the performing arts. The corpus is available on the internet.

An important observation about the cost-disease argument is that it explicitly creates a category of "fine art" which deserves state subsidy.[22] This by definition creates "experts" with social distinction who then work with the state to pick and choose what is art and what is not. The cultural economist is torn between a pre-analytical vision that fine art deserves subsidy and the laws of economics which defines consumer sovereignty as a first principle (Weber et al. 2022). Further, agency capture theory describes how state actors get captured by those they regulate (or give subsidy to), creating special interest groups leading to a less dynamic economy and perpetuating a conservative status-quo bias instead of innovation (see, Lindsey and Teles 2017, Holcombe 2018).

We find this state-of-play in the MOME subsidy program.

(2019) for an excellent survey of the changing instrumental rationale for state funding of the arts from economic development to national culture-building.

[22] “Merit goods” or “public goods” arguments for state art subsidy might be the larger categories under which the cost disease argument falls in that they both over-ride consumer preference with the state or its agents choosing which art to subsidize. Whether or not the state should have this “paternal function” is debated in Buchanan and Musgrave (1997). Merit goods and the possibility for a social welfare function are the subject of a special issue of the *Forum for Social Economics* (Mann 2019).

> Much of New York City's motion picture and video production workforce is unionized, helping to ensure good wages, benefits, and safer workplaces for represented professionals. In 2019, the average annual wage in the motion picture and video production sector was $101,000, compared to a city average of $91,000. Despite having a higher average wage, the sector's wages have grown at an annual rate of 1 percent since 2004, slower than the city average of 2 percent. The sector's above-the-line occupations are represented by the Screen Actors Guild – American Federation of Television and Radio Artists (SAG-AFTRA), the Producers Guild of America (PGA), the Directors Guild of America (DGA), and the Writers Guild of America, East (WGAE). Below-the-line occupations are represented by the International Alliance of Theatrical Stage Employees (IATSE) (NYC MOME 2021, 30).

Labor unions in NYC are an important source of voter animation and campaign donations for political candidates supporting (unionization in) the arts. The unions gain distinction and power through the subsidy process, which as we have seen leads to above-normal profits (wages) and the normalization of inequality-creation in the name of "equity". This can only make sense from a cost-disease argument if we are defining fine art as that which is produced by labor-union labor. Its a tautology, it is art because the state subsidy process says it is.

This outcome may be based on as we suggest a notion of social distinction consecrated upon those in the state arts subsidy process. The voter gains virtue by supporting politicians who promise to create equity. By voting for politicians with social distinction the citizen is doing their part for the greater community in the hierachical-creating process of the administrative state. This triad of unions, art subsidy recipients and art technocrats is a strong iron triangle.[23] In our NYC MOME case the wage differential between the in-group (unions, subsidy recipients, art bureaucrats) and out-group (everyone else) may be itself evidence of rent-seeking (see Grampp 1989, Throsby 1994b).

In summary the NYC MOME subsidy programs do not meet the requirements of the cost disease for subsidy because NYC MOME productions do not support the live performing arts. Rather these programs subsidize the creation of (mostly labor union-produced) new screen media content at a higher cost of production than would have occurred had there not been these subsidies.[24]

4.2 The artist wage problem

Our second canonical argument for subsidies to the arts we might term "the artist wage problem". It is a common finding in cultural economics that artists earn less income than those in other occupations with the same level of education (Throsby 1994a, Towse 2001, Bille 2020). In a neoclassical equilibrium model of the labor market with artist as "worker" this means that there

[23] Other special interest groups in the MOME subsidy scheme involving discretionary power on behalf of art technocrats includes but is not limited to the need to use state-consecrated Qualified Production Facilities to be eligible for subsidies and the optional use of pre-approved CPAs to "facilitate" the grant approval process. In addition those receiving NYC subsidies are required to donate to cultural institutions on the NYC Department of Cultural Affairs "Approved List" or a community organization already receiving funds through the NYC budget process.

[24] We find that NYC MOME subsidies skew towards television, which may or may not be considered fine art and as noted MOME began offering in-kind promotion in 2023 for videogame creators as well.

is an under-supply of art because the equilibrium wage level is too low.[25] Following this logic then the state should subsidize artist wages to encourage production in the arts.

Here again we arrive at the public choice nexus of the critique of state experts and intended or unintended consequences of state subsidies in the arts. Who is to decide which art "workers" deserve wage subsidies? Is it one state expert, which of course is "undemocratic", or is it a committee of artists and academic experts advising the state, which as mentioned above leads to status quo perpetuation and less creativity in the arts. If we subsidize artists won't this create the unintended consequence of less production for the market? Leaving these questions aside which have been debated in cultural economics for decades, we do not have the "wage problem" in our NYC MOME case study because the wages for "cultural workers" in the subsidized projects are greater than the per capita wages in whichever geographical area we use to measure as the market. This would mean that there is an overproduction of (subsidized) screen media.

Studies of the digital revolution in music show that more and better music content is now available due to the cost reductions in digital recording and distribution technology, pointing to an age of super-abundance elongating the long-tail supply and demand for cultural goods.[26] These general observations about technological change also apply to screen media. The economic model calling for wage subsidies to artists (chosen by whom, why, and with what knowledge) in order to produce more art seems to be refuted in the internet age of super-abundance.[27] The models of social distinction and rent-seeking seem more accurate in order to explain the growth of state economic development corporations in the digital era than do those containing an economic argument around wage equity.

4.3 Economic development

The meaning of *economic development* has changed. Prior to the Keynesian revolution in economics of the mid-20th century, economic development meant the Great Enrichment of the classical liberal period of history, encompassing the specialization of labor, capital accumulation and an investment process leading to labor-saving innovations, increasing productivity and rising per capita income. This economic development was based on the gold standard and mostly free-trade and mostly balanced government budgets until World War One.

Today *economic development* means something else: the mandate of the state to help ensure full employment through discretionary fiscal and monetary policy. At the local level economic development means giving tax-breaks to firms who promise to 'create' jobs in the jurisdiction of those granting this special treatment under law. A jurisdiction has come unto its own when the polity creates the state Economic Development Corporation (and later the Mayor's Office of

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[25] There is a paradox in the work-preference model of artist behavior in the labor market (Throsby 1994a). On the one hand artists prefer to work for wages only to the point where this subsidizes their art production, yet on the other hand neoclassical economics tells us artists aren't being paid enough.
[26] For a survey of these results see, Weber and Green (2023).
[27] Throsby (1994a) discusses an "equitable payment for artists" in the context of a subsidy which "might simply be seen as a means of paying artists something closer to the social value, as distinct from the private value, of their work" (78). The concept of social value in the arts may be changing from a top-down determination with a normal distribution to a long-tail distribution of social media, sharing and crowd-sourcing in the internet economy.

Media and Entertainment) to coordinate this statist development and facilitate the ability to enumerate the state's success in "saving" or "creating" jobs and propagate this role image of the state in the public imagination. The economic development of the modern administrative state is almost the mirror image of the economic development of classical liberalism.[28]

Unlike the virtuous cycle of capital accumulation through trade and investment in productivity enhancements during the Great Enrichment, modern economic development is a beggar-thy-neighbor race-to-the-bottom policy as differing jurisdictions compete with each other to offer ever better terms (for the subsidy recipient, not for the median voter) than their neighbors to attract the new ‘investment’ project.[29] The "Made in NY" brand and NYS Film Tax Credit Programs are an example of this. The tax credits for 30% of pre- and post-production expenditures offered to those who qualify in the five counties (boroughs) of New York City become 40% or 45% for those qualifying in almost any other county in the state. Equity seems to mean unequal treatment *de facto*. This race-to-the-bottom for corporate welfare was made plain during the competition for Amazon's second corporate headquarters in 2018.[30]

The NYC MOME economic impact study uses the standard Keynesian economic development model to justify the bureaucracy’s existence and its role in the utilitarian economic development (job-creation) process.[31] It is MOME's programs which "coordinate" and "support" NYC film and television production, meaning MOME is the subsidy gatekeeper which allows these distinct jobs to be created.

> Countless classics have been filmed in the city, which itself provides unparalleled scenery, from gritty streets to breath-taking skylines, and fodder for diverse and compelling stories. An expansive range of industry players comprise New York City’s film and television ecosystem, making it one of the largest and most multifaceted in the world.[32]

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[28] The size of the state in the economies of the West grows from about 5% of the economy in 1900 to about 40% of the economy in 2000 (Higgs 2013, Weber 2015), and has only grown larger since the interventions of the 2008 financial crisis and the covid era.

[29] See Thomas (2024) for film subsidies internationally. Subsidies much like currency depreciations and trade barriers are beggar-they-neighbor, race-to-the-bottom, policies.

[30] Why would you want to or need to give subsidies to the then richest person in the world? We ask the same of EV subsidies today.

[31] Economic impact studies in general use a template to justify classifying projects as economic development deserving tax subsidies and to justify tax proceeds for the public or quasi-public bureaucracies administering these projects. The higher the multiplier the more is the activity a public good, though the multiplier usually stays below 2 to allow a semblance of credibility. In this template there are the 1) the “direct” jobs created by the project, 2) “indirect” jobs created with suppliers to the project 3) “induced” jobs created by consumer spending related to the project, and 4) the catch-all category of “related” jobs. There might also be an estimate that future taxes (once subsidies end) will cover the cost of the initial subsidies. The public can see the project and learn of the claimed results but does not see what might have occurred with these resources had the tax-subsidized project not occurred (Bastiat 1850).

[32] Brands recognized for consecration in MOME 2021, many of these of course produced before the tax credit programs begin in 2004, include: In the Heights, West Side Story, Clifford the Big Red Dog, Miracle on 34th Street, Broad City, 30 Rock, Saturday Night Live, 2 Dope Queens, Brooklyn Nine-Nine, Taxi Driver, Ghost Busters, The Deuce, The Get Down, Vinyl, Orange is the New Black, Boardwalk

> Indeed, in 2019, New York City's film and television industry supported over 185,000 total (*direct*, *indirect*, and *induced*) jobs in the city, accounting for over $18 billion in total wages and $82 billion in total economic output (business revenues and self-employment receipts) (MOME 2021, 9, *emphasis added*).

In our case study we begin by analyzing the multiplier for "jobs created" as it is listed first in order of importance in the economic impact study (MOME 2021). The economic impact study states that 100,200 *direct* jobs are created in 2019 by the subsidies, as well as 37,900 *indirect* and 46,900 *induced* jobs. This would mean that there is a multiplier effect of about 1.8 in "job creation" due to the indirect and induced jobs created by the subsidies granted by MOME.[33]

Using the same method we calculate a multiplier of 1.6 in wages received and 1.3 in induced and indirect output (business revenues and self-employment receipts). This shows that the income of those further down the subsidized value chain receive increasing lower returns, an honest assessment, and another example of the difference between classical liberal economic development and the modern kind in that there can be increasing returns to scale in the former.

The geographic 'multiplier'

The existence and substance of a fiscal multiplier for (modern) economic development is not without its critics, it is worth quoting Ruth Towse at length on this.

> **Keynesian multiplier and induced income**
>
> The question of the use of multipliers in estimating the economic impact of a cultural facility has been a fraught one; what is the size of the multiplier, and should it in any case be used in measuring the impact of a project? The multiplier is the number by which any additional income is increased once all the stages of induced consumption spending have been completed. To give an example: if a municipality spends €5 million on a new museum [$745 million per year in tax subsidies going to distinct special interests in film and television], the workers and suppliers of materials for the construction have additional income out of which they spend more, thereby increasing revenues in shops, and so on and so forth. Therefore the size of the multiplier depends upon the extra consumption elicited by an increase in consumers' income – the marginal propensity to consume; say that the marginal propensity consume is 0.75 (three-quarters of an increase in income is consumed and one-quarter saved and thus withdrawn from the flow of income), the value of the multiplier is four, and so the induced income would be four times the amount of the investment. This apparently wondrous increase would appear to justify any public works [screen media production tax breaks] financed by government! The lower the marginal propensity to consume, the smaller the multiplier, however; at the limit, if consumers were to save all the induced extra income, the multiplier would just be one and the only addition to income would be the amount spent on the project at the outset. In fact, many economists think that the national multiplier is indeed closer to one, and that claims for significant induced income are exaggerated. That may not be the case at the local level, however, especially in an economically depressed area, and this raises the question of what *the appropriate geographical unit* is for measuring the scope of the indirect impact. The problem for a regional or national government is what the impact is within their area of authority; if the project just displaces consumption from one place to another within that area, there is no overall net increase in income (Towse 2010, 284-285, *emphasis added*).

Empire, Fame, The Sopranos, Mad Men, Mr. Robot, The Tonight Show, Late Night, The View, The Wendy Williams Show, Good Morning America, Patriot Act with Hassan Minaj and Full Frontal.

[33] There are 100,200 direct jobs created plus 84,800 "multiplied" jobs (37,900 indirect plus 46,900 induced), for a multiplier of 1 + (84,800 / 100,200) or about 1.8.

One reading of Towse is that we should start at the national level for the analysis of policy effects given the fiscal and monetary realities in the US today. We can use the MOME case to further deconstruct this problem.

Corporate welfare or corporatism?

In Section 3 we found that the more appropriate geographical unit for analyzing the distributional effects of the MOME subsidies would be New York state instead of New York City in that the film and television tax credits are state programs and not city programs. We note that that in 2019 average per capita income is $80,724 in NYC and $66,415 in New York state, so it is difficult to argue that the subsidy (job creation) program is designed to target economically depressed areas. If that were the case the subsidy program would only apply to those counties which have below NY state-average per capita incomes, and even then it is difficult to imagine that the subsidies would not be distribution upwards in these specific geographical units as well.[34] The subsidies operate similar to what those skeptical of foreign aid say: the programs take from poor people in rich countries and gives to rich people in poor countries.[35]

There are other MOME programs which we can also classify as corporate welfare with the accompanying redistribution upwards. MOME has "workforce and education initiatives" which prepare people to work for for-profit firms and arranges their placement with these firms. Instead of having to spend corporate resources to recruit and train people, MOME (the taxpayer) will do this for them. Better connected, more entrenched firms with a greater resource base (those with social distinction[36]) can better afford the transactions costs needed to pursue these rent-seeking opportunities: again redistribution upward leading to status quo bias and corporatism in the arts. These programs include Made in NY Production Assistant Training Program, Made in NY Post Production Training Program, Made in NY Career Panels and the NYC MOME Finance Lab. MediaMKRS places SUNY undergraduate students with partner firms. These programs may be welfare transfers upward, as are the film and television subsidy programs, whose only justification can be distinction, a sociological and psychological rationale, not an economic one based on equity of results.[37]

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[34] Towse is being generous here. Even within a general equilibrium framework where redistribution is neutral there would still be the dead-weight loss of rent-seeking to realize these transfers both in terms of log-rolling and the costs of a larger administrative state.

[35] Corporate partners mentioned in MOME 2021 include, in order of appearance: Warner Bros. Entertainment, WNYC, HBO, Netflix, FX, Fox Corporation, Warner Media, The Walt Disney Company, A&E Networks, AMC Networks, BBC America, IFC Films, Hulu, ESPN, ABC, NBC and BET, and others. See the Appendix for the NYC media landscape illustration found in MOME (2021).

[36] Those firms which have received subsidies in the past are more likely to receive them in the future, which of course leads to monopolistic competition..

[37] For example college graduates earn 86% more than high school graduates, are less likely to be unemployed and earn $1,200,000 more over their lifetime, https://www.aplu.org/our-work/4-policy-and-advocacy/publicuvalues/employment-earnings/

5. Arts and distinction

This is where Bourdieu's notion of social consecration leading to distinction comes into play (Bourdieu 1984). Politicians and technocrats gain social distinction from being associated with the arts. Likewise those in the arts gain social distinction from their involvement in politics. The act of creating and awarding state subsidies in the arts is itself a form of consecration leading to social distinction. The symbiotic relationship between art and the state is complete. This signaling of virtue, of distinction, may be a more important act than the regressive empirical consequences of the art subsidies themselves. The structure of (arts) economic development subsidies is itself a form of Bourdieu’s concept of a technocratic aristocracy. Social spending is meant to perpetuate and enlarge the power of the elite, meaning those with more educational and therefore social capital.

Bourdieu on the cultural aristocracy and power-domination

Pierre Bourdieu’s *Distinction* (1984), the writing and research for which takes place from the early 1960s to the late 1970s specifically about France, helps inform our conceptions of the relationship between forms of capital and power. Bourdieu finds that those with more educational capital relative to economic capital become the elite or dominating class in the field of cultural production and therefore in society. This powerful in-group with educational capital is called by Bourdieu an ‘aristocracy’. The reason for this is that those with less educational capital are unable to understand political questions from a systemic foundation as provided by advanced (public) education. This educated dominating class (with high-brow or dominant taste) becomes a technocracy of experts duly anointed by the public (the middle-brow aesthetic).[38]

> Such a reading – overemphasizing the unequal distribution of political capital – which would be supported by all the appearances, would no more than record two contrasting and complimentary representations of the division of political labor: the technocratic representation, which makes technical competence (as defined by technocrats) the precondition for access to ‘political responsibilities’ or ‘responsible’ political choices, and the complementary representation, based on the sense of incompetence and impotence, which condemns the economically and cultural deprived to reliance on ‘experts’ or a belief in ‘cryptocracy’, another way of overestimating the other classes (1984: 409-10).
> ….
>
> ‘Technical’ competence depends fundamentally on social competence and the corresponding sense of being entitled and required by status to exercise this specific capacity, and therefore to possess it. In other words, to understand the relationship between educational capital and the propensity to answer political questions, it is not sufficient to consider the capacity to understand, reproduce, and even produce political discourse, which is guaranteed by educational qualifications; one also has to consider the (socially authorized and encouraged) sense of being entitled to be concerned with politics, authorized to talk politics, by applying a specific political culture, ie., explicitly political principles of classification and analysis, instead of replying ad hoc on the basis of ethical principles (1984: 410-11).

[38] Bourdieu (1984, 429) gives an example about fiscal policy, his survey question about “rationalization of the budget” might better be framed as “stop wasting money”.

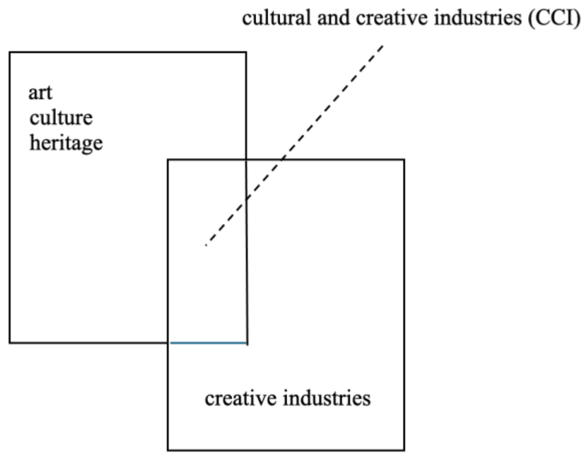
This elite with social distinction forms a structure propagating forms of idealism against which others compete.[39] For example states which are too elitist will face a populist backlash. (Bourdieu 1984: 453).[40]

Rethinking cultural economics

We might apply Bourdieu's observations to the field of cultural economics. Well-meaning cultural economists who believe that art brings distinct value may have encouraged regressive schemes like MOME by policy findings which more often than not encourage subsidies to the arts.[41] As discussed in the previous section cultural economics begins with Baumol and Bowen (1966) where the field is the performing arts as fine art deserving subsidy due to the cost disease. The institutions providing this fine art are usually found in the not-for-profit sector. The field is then expanded in the 1980s and 1990s to include almost any activity which is based on creativity or content which can be copyrighted, including the for-profit sector (see, Cunningham 2004). Cultural economics is now the study of the Cultural and Creative Industries (CCI).[42] The relationship between art and CCI is shown in Illustration 1.

Illustration 1: Heuristic of Relationship Between Art and Creative Industries (from ideas in Snowball 2019)

[39] "[The] field of ideological production which reproduces the structure of the political field in accordance with its own logic" (Bourdieu 1984, 432).
[40] Bourdieu (1984, 429-432) calls suffering the results of political choices you don't understand the "imposition effect".
[41] Just as labor economists seek special treatment for unions under law, development economists seek statist transfers from the 'developed' world to the 'developing' world, environmental economists promote subsidies for wind, solar energy, EVs and (sometimes) nuclear energy, and Marxists seek a class struggle. Schumpeter (1954) calls this the 'pre-analytical' vision of those who engage in the social sciences.
[42] See Weber et al. (2022) for a fuller treatment of the history of economics as a science of experts and how this relates to the development of the subfield of cultural economics.



This enlarged field is now better able to fit the Keynesian economic development model of 'job-creation' within industrial classification. With the consecutive crises of the 2008 financial crisis and the 2020-2022 covid era, the need for state 'stimulus' and 'relief' is engrained as is the use of the subsidy model for the arts. The arts may have become a question of providing "equitable" jobs though the state office of economic and workforce development as in the NYC MOME case.[43] One way to remove ourselves from the unfortunate situation of consecrating corporate welfare and regressive economic policy is to decouple analysis of art, culture and heritage, which are said to contain value different than that of exchange-value alone, from the analysis of the creative industries. This might suggest a move from advocacy to research (see, Snowball 2019).[44]

6. Conclusion

We have examined the New York City Mayor's Office of Media and Entertainment (MOME) programs funded by tax breaks (subsidies) and find that these programs are regressive economic policy, no matter at which geographic level we find best to make comparator analysis. We suggest that the USA as a whole may be the geographical standard by which to make analysis in that the nature of intergovernmental transfers in the US political system is based on the ultimate sovereign, the US government, which has a soft budget constraint relative to subsidiary jurisdictions. This leads to a tragedy of the fiscal commons and a debt to GDP ratio for the US government of over 120% today with higher for longer interest rates. We also find that people are voting with their feet and leaving NYC for geographies which are more 'business-friendly'.

[43] What should be the 'knowledge economy' becomes a 'knowledge problem economy' as the administrative state decides what should be subsidized or regulated with imperfect knowledge as to demand.
[44] Arjo Klamer in his Presidential Address to the Association for Cultural Economics International (ACEI) questions the value of the work of cultural economists. "Many of us tend to be critical of spending tax money on the arts. Some of us see sufficient externalities to justify public subsidies but we all are aware that the argument is problematic" (Klamer 2016, 367).

We observe how the status quo perpetuates and extends regressive deficit spending and creates ‘conservative’ art due to corporatism in the subsidy process. At the same time we note that an economy based on subsidies of a short-term political duration adds regime uncertainty for potential longer-term investment projects. When we ask why do policies continue which are economically regressive we draw insights from Bourdieu (1984) and find that social and educational capital and the distinction that this brings as applied in cultural policy is more important than the judgement of regressive economic policy outcomes. Cultural elites work to reproduce and expand their power as the dominant class and use cultural production in this process.

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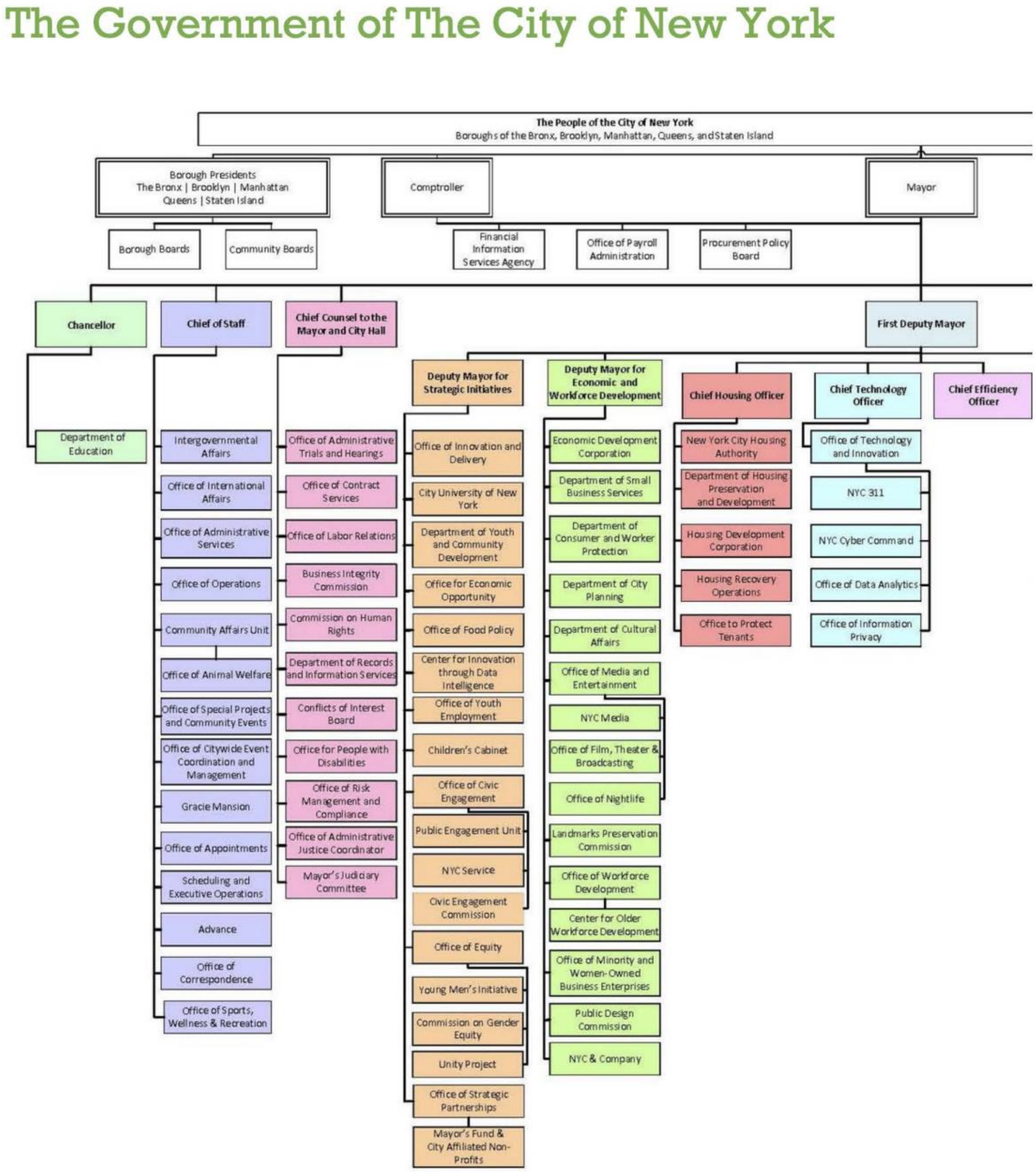
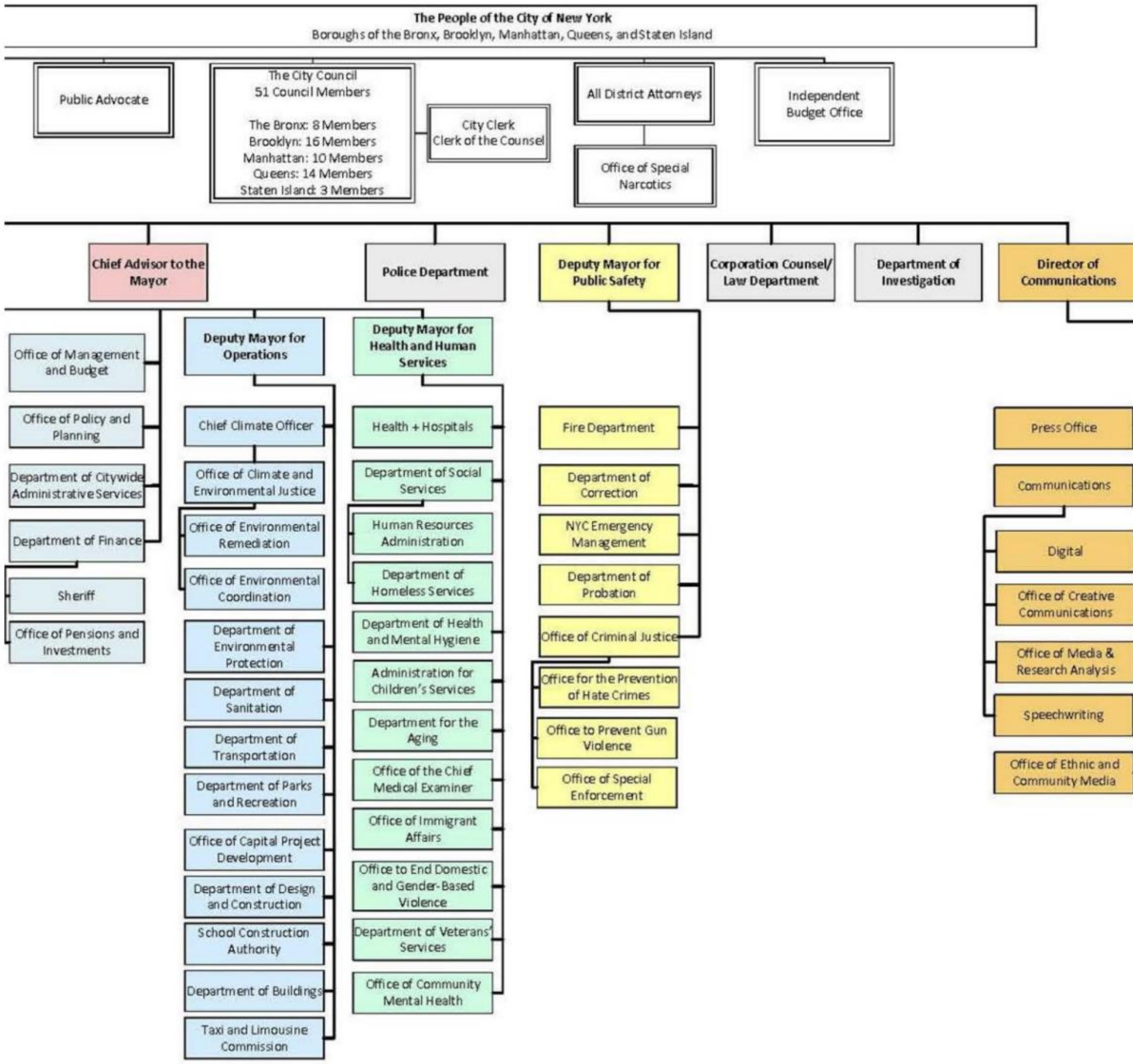
Appendix 1: Organizational Chart of the Government of NYC, including the Mayor's Office (MOME 2021)





The People of the City of New York
Boroughs of the Bronx, Brooklyn, Manhattan, Queens, and Staten Island
Public Advocate
The City Council
51 Council Members
The Bronx: 8 Members
Brooklyn: 16 Members
Manhattan: 10 Members
Queens: 14 Members
Staten Island: 3 Members
City Clerk
Clerk of the Counsel
All District Attorneys
Office of Special Narcotics
Independent Budget Office
Chief Advisor to the Mayor
Police Department
Deputy Mayor for Public Safety
Corporation Counsel/ Law Department
Department of Investigation
Director of Communications
Office of Management and Budget
Office of Policy and Planning
Department of Citywide Administrative Services
Department of Finance
Sheriff
Office of Pensions and Investments
Deputy Mayor for Operations
Chief Climate Officer
Office of Climate and Environmental Justice
Office of Environmental Remediation
Office of Environmental Coordination
Department of Environmental Protection
Department of Sanitation
Department of Transportation
Department of Parks and Recreation
Office of Capital Project Development
Department of Design and Construction
School Construction Authority
Department of Buildings
Taxi and Limousine Commission
Deputy Mayor for Health and Human Services
Health + Hospitals
Department of Social Services
Human Resources Administration
Department of Homeless Services
Department of Health and Mental Hygiene
Administration for Children's Services
Department for the Aging
Office of the Chief Medical Examiner
Office of Immigrant Affairs
Office to End Domestic and Gender-Based Violence
Department of Veterans' Services
Office of Community Mental Health
Fire Department
Department of Correction
NYC Emergency Management
Department of Probation
Office of Criminal Justice
Office for the Prevention of Hate Crimes
Office to Prevent Gun Violence
Office of Special Enforcement
Press Office
Communications
Digital
Office of Creative Communications
Office of Media & Research Analysis
Speechwriting
Office of Ethnic and Community Media

Appendix 2: NYC Media Landscape (MOME 2021)