

Irena ALPERYTĖ

Lithuanian Academy
of Music and Theatre

Symptoms of cost disease in Lithuanian state theatre

ABSTRACT. Lithuania is celebrating its 25th anniversary of independence and entrance to the free market zone. However, the country is showing the first signs of the so-called Baumol's *cost disease*. The term was coined to indicate that certain spheres of activities will always need external support and facilitation. Although some data is generally available on the theatre ticket sales or other fiscal information needed for the research, what is lacking is an understanding of the link between the 'popularity' of artwork and financial success. The author raises the hypothesis that the existing system of the Lithuanian state-run theatre is not encouraging theatres to strive for financial success, thereby endangering their creators. The reasons for this 'cost disease' in the arts are the main concerns of the author. The existing legal basis of Lithuanian performing arts organisations has remained unchanged since the beginning of independence and needs improvement, provided society wants to see changes in the managerial, financial and artistic prosperity of the arts.

KEYWORDS:

Lithuanian state
theatre, popularity,
cost efficiency,
repertoire.

Introduction

The author of the study aimed to figure out, after a successful 2015 season manifested by increasingly greater theatre attendance, which performing arts productions in modern Lithuanian theatre attracted the largest influx of visitors, and what the reasons for their popularity were. To achieve this, series of qualitative interviews were conducted. The survey questions covered reasons for theatres' creative success, and the correlation between productivity, production costs and artists' salaries. The economic dilemma that Baumol and Bowen touched upon in their book back in the 1960s closely relates to performing arts funding in modern Lithuania, which is inevitably confronting rising production costs and non-increasing remuneration. The author diagnoses and applies Baumol's cost disease concept that stems from the so-called productivity lag in the arts economy.

Baumol's cost disease

Cost pressure in the social sciences is now recognised as Baumol's *cost disease*. The productivity defined by the economists is the 'physical' volume of the production per hour. Productivity growth over time can occur for the following reasons: (1) increase of the capital generated per employee, (2) an improvement in technology, (3) enhanced employee skills, (4) improvement in management, (5) production volume growth in large-scale economies.

As the work of an artist is the input and the output at the same time – a singer is singing, a dancer is dancing, and a pianist is playing – it is barely possible to increase the volume of production per hour. Consecutively, today, as in the past, it still takes four musicians the same amount of time to perform Beethoven's String Quartet as it did in 1800.

I am not suggesting that artists should be paid the same hourly wage as employees working in other jobs; rather, due to the different working conditions and job origins, the so-called non-monetary satisfaction varies between professions. Moreover, we must recognise that all activities, including art, need to be integrated in the labour market, therefore, artists' salaries should increase over the time in the same proportion as the wages of the overall economy, in order to enable the arts sector to hire employees of the highest level who are adequate to continue in their field. The five mentioned rising productivity sources of productivity growth could be the case in large-scale economies because of a more productive (longer) work cycle, in other words – continuity versus seasonality. These factors referring to the performing arts, as Baumol and Bowen pointed out, prove that one cannot expect a significant contribution to the global economy from the arts because of the high costs of product development compared to slow economic productivity growth in the mass context (1966, p. 165). As a result, the rising cost of unit production in the performing arts is destined to occur regularly, compared to the economy as a whole. That, in a nutshell, is the inevitable consequence of the mentioned 'productivity lag' phenomenon.

The Lithuanian situation

The year 2015 has seen armies of the increasing numbers of theatre viewers, often requiring a lot of effort to get tickets to popular performances in Lithuania. The author attempts to find out which of the country's shows received the largest influx of visitors and what the reasons for their popularity were. For research purposes, the author examined data on the previous (2015) season's shows.

The results were used to construct a map of the competitive situation in the performing state-run arts (Table 1).

Table 1. The most competitive state-run drama theatres in Lithuania in 2015

Market leader Lithuanian National Opera House	Market challenger Lithuanian National Drama Theatre
Market follower Kaunas State Musical Theatre	Market nicher Panevėžys Juozas Miltinis Drama Theatre

After seeing the data, the author sought to find an answer on the relationship between productivity, production costs and the remuneration to the artist. Further on we shall look at production costs as related to production popularity. A qualitative study is required to distinguish the key statements.

The series of interviews were completed to analyse the trends of the current performing arts market.

The interviewed respondents were introduced to the situation: Lithuania is celebrating its 25th anniversary of independence and its entrance to the free market. However, the country is currently showing the first signs of the so-called Baumol's cost disease, namely, huge competition for funding. Although in general data on theatre ticket sales and other fiscal information can be retrieved from the Ministry's portal, what is lacking is an understanding of the link between the 'popularity' of a particular show and financial success, and consecutively – remuneration for the artists. The author raises the hypothesis that the existing system of the Lithuanian state-run theatre does not encourage theatres to seek financial success, thereby endangering their creators' economic status. The reasons for this 'cost disease' are the author's main concerns.

Identifying the leaders

The survey respondents were as follows: 1) state government representatives: Senior Specialist of the Professional Art Division Jelena Charlap, Accountant Dalia Babickaitė and Senior Advisor of the Lithuanian Ministry of Culture Janina Krušinskaitė; 2) NGO representatives: the Director of the Arts Printing House Jolita Balandytė, and 3) a representative of both sectors – Audronis Liuga, former Artistic Director of the National Drama Theatre and the newly-elected State Youth Theatre Director. The interviewees commented on theatres budgets, stating that mainly they received state government funding only for salaries and maintenance, whereas they had to apply for annual grants

to the Council for Culture in order to fund their activities, while the so-called 'free' funds could only be generated from ticket sales. According to the respondents, the Minister's idealistic vision is a combination of financial and artistic success of state-run performing arts entities. The author of the article states that Lithuania is currently developing the late symptoms of the mentioned 'cost disease' and demonstrates the first exposure of its clinical signs. The cost of productions exceeds box office returns by four times. Based on Liuga's research conducted in two parts and published as research material (in 2010 and 2014), as well as his insights (interview on May 20, 2016), the author argues that the current system of subsidising Lithuanian theatre requires serious amendments.

According to Jelena Charlap, state-run theatres are financed the following way: financing of art institutions is based on national budget allocation and goes towards salaries and operational costs (building maintenance). The money for activities comes from box office sales that first need to be returned to the state treasury office, whereupon it is redistributed back to the theatres for their needs. An alternative funding source is the Lithuanian Council for Culture, which operates as an arm's length institution that distributes money to the theatres based on applications and the quota designated to fund the activities of the applicants. Notice that the state's designated amount for each state-run theatre (with small adjustments) has remained more or less unchanged for about a decade, and only enables theatres to pay salaries to employees, return taxes, and maintain buildings. The basis for this payment was fixed upon the founding date of the theatres, and remains rather stable, which is the first observation where an amendment is needed. The only possible increase is when legal acts foresee adjustments to minimal wages, according to the overall economical processes in society.

Another observation by the Ministry's representative is that salaries are calculated on the basis of certain national programs, namely, the Program of the Remuneration of the Work of Cultural Operators. This particular program starts its calculation from July 1 each year. For instance, the planning of the budget for 2017 had already commenced when this article was on its way.

As for the National Opera, it is funded directly from the Ministry of Finance and a different funding scheme applies.

In addition to what was identified as basic rules for the management and funding of state-run theatres, the author also learned that the budget of state-run theatres depends on the Ministry of Finance: namely, the first step in the management of theatres is to find out whether the budget is going to increase the coming year or not. The starting amount is always the basic budget fixed for a particular theatre many years ago. This aspect poses a difficult question – when and who confirmed this initial amount. The article's author

tried to find official documentation regarding initial basic budgets, but failed to find the appropriate papers. As for the number of employees, each theatre sets this figure in line with its annual strategic plan. The Ministry collects data on each state theatre, including expenses, revenues, etc. This information is provided by the chief accountants of each theatre. Every quarter of the fiscal year, the Ministry develops a blueprint of every state-run theatre that is under their jurisdiction. What was emphasised several times during the research is the requirement that theatres *were not supposed to generate income*.

When trying to identify leaders in terms of current performing arts revenue generation, the National Drama Theatre (Vilnius) appeared to come out on top, showing high attendance and box office returns. The National Opera also had its heyday: in 2015, the overall attendance figures exceeded 1 million, given the total population of 2.7 million.

When examining the reasons for this increase in attendance, the respondents usually accentuated the issue of social status more than anything else, to be exact – going to the theatre has become a matter of prestige. Performance quality also matters. However, the key reason why attendance is highest at the National Opera (one of the last examples was the London Symphony Orchestra's concert on May 26 in 2016, when an average ticket price in the balcony was around 150 Euros, which is a half of the average national living standard) is the importance of attendance itself as a social act. If we examine the reasons for the renaissance of the National Drama Theatre, we will see that it coincided with the period of the managerial period of Art Director Audronis Liuga. The repertory that he had formed and the awards received (The Golden Stage Crosses) demonstrated the theatre's obvious time of triumph. Taking into consideration the role of the other managers and CEOs, thanks to Liuga, the theatre really did deserve the title of 'national theatre'. If we examine so-called peripheral theatre, in the town of Panevėžys (Northern Lithuania) the appointment of a new leader, L. Zaikauskas, saw him bring many new ideas. Experts gave a very progressive assessment of his annual plan (for instance, the show based upon the play by Svetlana Alexievich, the Nobel Prize winner from Belarus) and saw great promise, despite the 'scattered' repertory. As opposed to the National Opera, the National Drama boasts a 'heavy' repertory; however, the quality of the shows (such as *Išvarymas* [Expulsion] by Marius Ivaškevičius or *Didvyrių aikštė* [Square of the Heroes] by Krystian Lupa) is the number one reason for its high attendance, or so specialists suggest.

Trying to identify the difference between national and state theatres concerning their budgeting, it was proven that national theatres are the assigned budget owners and they are directly accountable to the Ministry of Finance. State theatres (a total of 8) receive funding from the Ministry of Culture. If we speak about the competition

and competitive advantages of each theatre, there is evidence of a strong trend towards development of a special niche for each of them. Experts agreed that even small non-governmental theatres have their special niches.

Another curious aspect that we discovered by doing our research was the fact that although state-run theatres cannot generate profit, the popularity of shows is important and desired by the Ministry.

If we consider theatres as non-income driven creators, and recall one of the aims of the research where the purpose was to question whether society was striving to be a welfare state supporting both successful and non-successful shows in terms of the economy, we revealed the minister's standpoint that theatres should keep a balance between their quality and financial success. As we mentioned earlier, they receive funding from the Ministry for salaries and building maintenance; subsequently, they address the Council of Culture for financial support for their activities. The box office is also very important, as a type of guarantee for future projects, in other words – sustainability. Box office ticket sales constitute the 'freest' money ever. The only source for extra bonuses or other forms of encouragement comes from ticket sales.

When trying to examine the role of the specific legal status of theatre as a form of activity, we discovered that so-called public or non-profit institutions needed to receive the status of a professional theatre with the Ministry. Then these non-profit theatres receive partial compensation for rental of a venue if they do not have their own premises, whereas so-called 'private' theatres currently cannot get any help from the Ministry. What is more, the law on theatre and concert organisations is currently under revision. The question remains as to whether the existing system can be improved, whether public or non-profit theatres can receive extra funding for better results, and specific clarification of theatre statuses is still needed.

When speaking about state-run theatre, one inevitably needs to deal with modern NGOs. The Arts Printing House is an example of a theatrical NGO and a residence space. For the time being, although the status of not-for-profit theatres is being promoted, there is no evidence or research to suggest any benefit from a change to legal status. Even though the Minister is encouraging theatres to generate additional revenue, those theatres that rely only on turnover might lose out in terms of professionalism.

The research that we conducted suggested that commercialisation has the effect of pushing out high quality. This is something of an oxymoron, because returning to the issue of repertory development, the head of an institution and a theatre's artistic board needs to provide arguments for a new production, and the decision on whether to pursue new productions is made based on its creativity, followed by the Ministry board's approval or veto.

Therefore, the research demonstrated that whilst economic injections for state-run theatre are being decreased, if compared to the Soviet times (when 2 per cent of the annual budget went towards culture), the Minister still emphasises the role of culture and the role of efficient management of the current budgets. This is a paradox, because without a new budgeting system, the existing system can hardly be revamped. This is why some theatres strive to become public institutions rather than budget-run theatres. There are two types of public company (limited liability company, henceforth PC) – when the stakeholder is the state, and when it is not. This distinction does make a difference. If we examine companies such as the “Keistuoliai”, “Meno fortas” or Koršunovas theatre, they are all PCs but have different stakeholders, whereas the Ministry stands behind professional theatre, yet without clear identification of what that is.

To conclude, the Ministry envisions the National Drama Theatre as the prototype of the ideal model, however, as we noted, it is a model of a ‘national’ rather than a state-run institution.

Space completion versus sales

As we stated earlier, theatres receive financial assistance for their activities, but the scale of this assistance is so meagre that it would suffice for only one show. There is another source of revenue that theatres earn, but since they are budgetary institutions, they need to return this money to the state first. Upon the start of the new fiscal year, the earned money is returned. *The research revealed that the variable that counts is not ‘revenue’ but the ‘completion’ of the theatre house.* The main issue, it appears, is not the commercial aspect but the theatre building to be attended. This is the main criterion for the Board of Theatre and Concert Organisations that approves their creative programs. If a theatre undertakes only commercial activities, the Board would not approve their program because they must demonstrate an ambitious repertory and high quality. The ideal is *high attendance*. The ultimate goal is a combination of high artistic value and high attendance. The current minister’s vision deals with investment in *education*.

The research attempted to identify who determines the budget for one particular theatre and in what way. There is a document based on which this amount can be calculated. The money for building maintenance is comparatively stable. There is an average bulk of money for theatres, and in the case of an emergency (breakdown, damage or something similar), the required amount is taken from this ‘basket’. All these numbers are provided in the Ministry’s current strategic plan.

While seeing the signs of Baumol's cost disease, we also need to admit the fact that according to the research by KEA (<http://www.keanet.eu/about-us/team/>), culture provides 5 per cent to nation's GDP. If you take dairy farmers or the army, they are much more non-productive, the interviewees said. Pure art will never be productive, but there are creative industries that significantly contribute to the state budget.

As for coming up with a repertory that could be more inviting, there is a lack of creative staff in theatre in the peripheral areas. Moreover, the National Opera has separate divisions – choir, ballet, or orchestra. This is also an issue – reliance on the genre under the umbrella of the performing arts.

The research also questioned the need of having the status of a PC. The respondents confirmed that as a PC it was easier to receive funding in a roundabout way from the National Council of Culture than from the Ministry itself directly. Theatres could also be municipal organisations, in which case their support comes from the particular city's council. Under this model, administration is more flexible when a municipal theatre has PC status, yet budgetary financing remains rigid, not to mention competition from the private sector to participate as an audience. However, our research proved that the Ministry is not as rivalry-oriented as a private entity, although some benchmarking techniques would be rather advisable.

When asked about the mechanism of funding that comes from the Council of Culture, experts say that a tender procedure has to be followed, whereas the Ministry supports everyone. This is why many consider the PC more progressive. *Competition is very healthy*. Therefore, the theatre community believes that a PC would be more competitive and their USPs (unique selling points) would improve.

Incidentally, among other topics this research revealed that the Ministry receives numerous complaints about the activities of the Council of Culture, which it founded. When asked what theatres complain about, the interviewees emphasised that although the budget of the Council was increasing, budgetary institutions found that financial management and expertise violated applicant's rights and eligibility. However, the Ministry cannot affect their [the Council's] decisions directly. Regardless the fact that the head of the Council for Culture is appointed by the government, however, it is independent of political influence. Among other issues, the research also unveiled that there are other arts that are more viable in the Lithuanian arts scene. The visual arts appeared to be more advanced because all the progressive initiatives were private there. There is one national museum, many state museums, municipal museums, and numerous private galleries. The system is similar, but the style of management is different. One exhibition is given 30,000 Euros, which equals one annual budget for the museum. Of course, it

is not enough. However, the gallery has a shop. They sell works of art with the aim of making a profit. Theatres need to have a professional status because they need to cover their building maintenance. This is the most significant difference.

When trying to identify the greatest difference between theatre management and the visual artist, the research concluded that (visual) artists cannot afford to manage themselves. They need to choose. Art or business.

Therefore, the role of the new law on theatre and concert organisations needs amendments. The new law on theatre and concert organisations could help to improve the theatre sector, but resistance is very strong. A sense of social insecurity prevails.

When trying to compare the systems of culture management – Soviet (authoritarian) and independent (market-driven) – experts consider them both to be erratic. A holistic model would be the best, they think. Janina Krušinskaitė believes that, most likely, the welfare states of the Nordic countries would be our desired future. Whereas our GDP is adequate, however, the priorities of the national budget remains a core issue. The experts say that as far as the ‘cost disease’ is concerned, we are stuck between the two extremes.

An interesting topic arose while examining the taxation system and tax avoidance trends. The experts heard that today tax avoidance goes under a new term – they call it tax planning.

PC versus state-run status

When addressing the issue of how the Arts Printing House is being managed as a PC, the institution’s management is handled under a ‘two in one’ arrangement: number one is the buildings, and number two is the products they offer. Their largest concern is how to maintain the buildings. The Arts Printing House has two financial sources: one is the Vilnius City municipality, and the other is a commercial business entity (‘Vilniaus Energija’). Fifty per cent of the PC budget goes towards building maintenance, which equals 300,000 Euros. The rest of the money needs to be generated. In this case, some money is earned from the rental of arts activity spaces; also, rehearsal space and equipment rental, while a cafeteria and info-room (library) are their safety belts. The mentioned sources of revenue help the PC make ends meet. The Arts Printing House has their own products (festivals), which are funded through applications made to the Council of Culture. All the revenue goes back into the buildings, as no profit is allowed.

In terms of revenue distribution, the Arts Printing House strongly depends on space rentals. Calling themselves a centre for contemporary arts, their products deal with the contemporary arts scene. They have two international festivals, one of them for children (KITOKS); the other project is a Modern Circus weekend; and finally – their producing program – New Space, tailored for young artists who are given the opportunity to try themselves out in the arts scene. The format is rather simple: after submitting an application, the board selects the short-listers. The short-listers are invited to present their ‘pitch’; the PC board takes part in the decision making.

Concerning the financial side of this activity called Open Space, the selected candidates receive full service from the residence – access to a stage, infrastructure, equipment, and then they get the Arts Printing House’s assistance in promotion. When they create performances, the Arts Printing House pays salaries. It also does the lighting. Usually, three opening nights are held. Scenario one – they adopt the project and demonstrate it under the Arts Printing House umbrella. They pay the artists, and help them with ticket sales. If they reject the project – then the short-listed team can try to have their offering produced elsewhere, or it can simply be closed. The only condition the PC specifies is to keep the name of the residence institution in the posters as the show’s main producer. The newest initiative is international residencies. The Arts Printing House needs to apply for them to the Council of Culture and receive funding. Then international residents apply for a residency and they create their art in the building. The Arts Printing House pays for their travel, boarding and rehearsals. Then their final work-in-progress needs to be presented to the local community. The other option is a paid residency. However, it is not for everyone. Not everybody can afford it. The last record was 45 applications. The Arts Printing House’s residency prices are differentiated. They differ for long-term and short-term residents. And then they have foreign guests, Lithuanian professional theatres, academies and the rest. The slogan of this PC is – as few empty stages as possible.

When asked about the project that they consider their success story, the Arts Printing House says that the best reward for them is the Golden Stage Cross award ceremony, when they produce and premiere debutantes. The Arts Printing House is happy to have many Golden Crosses. The best of them are the Daddy’s Fairytale (Open Space project) and the Contemporary Golden Cross award. In addition, their street dance company is rather vibrant. Also, the New Circus and KITOKS festival are emblematic to the Arts Printing House. They consider themselves as a greenhouse for future stage artists. At the time of this interview, they were considering serving as a greenhouse for the Academy of Music and Theatre. Currently, they were selecting a repertory (under the auspices of LATGA program).

One of the ultimate goals of this research was to find out about PC status – in what ways is it useful. We were told that there are two types of PC. One of them is when the founder is the state. The other type is an NGO. The Arts Printing House has more than one founder, namely four: the Vilnius City municipality; the Open Society Fund; the Centre for Theatre and Film Education and Information; and the Lithuanian Dance Information Centre. Therefore, they consider themselves an absolute NGO. Every year they have to provide reports to their stakeholders on their financial and artistic activities. Having NGO status is a very strong position when it comes to a specific project, for instance, take the Skalvija Cinema: when they founded the LGBT movie festival, they became incredibly visible. One founder means political influence is expressed by one dominant body.

The research also inquired why the theatre community was nevertheless worried about the changes due to be introduced. The Arts Printing House responded that they probably lacked an understanding of the opportunities PC status could offer. As a PC, money can be ‘manipulated’ more freely. In the National Drama Theatre, money would first need to be returned to the Ministry and then refunded for your activities.

When trying to confirm whether the public sector is better than the state, the Arts Printing House said both ‘yes and no’. State-run entities have subsidies. However, PCs are more flexible in terms of management. However, they cannot be a Joint Stock Company as they cannot have income. Nevertheless, their point of view is that the state should support the arts. Lithuania lacks this tradition. We need to invest in future generations.

Searching for the ‘Golden Middle’

When we addressed the manager of the National Drama Theatre, we asked who takes financial responsibility for the activities of the National Drama Theatre and received a firm answer – two thirds of responsibility goes to the director.

We also learned that the responsibility of the artistic director is the creative program: the interviewee shared that it was the first experiment in Lithuanian state-run theatre when the repertory was developed very sequentially and thoroughly during the last period of management under Liuga. The Ministry of Culture required the theatre present its fully developed strategic program. The 5-year program had its beginning, its prospective and an end, or envisaged achievements. This kind of prospective planning where a theatre could plan what would happen in a year or one and a half years ahead was indeed a rarity. It was an example of long-term planning. Liuga said that plan-

ning helped enormously regarding the managerial and economic aspects, especially for expensive productions and costly directors. Earned revenue makes up from 70 to 80 per cent of the theatre's budget. Since some of the shows were running very successfully (let us mention *Išvarymas* [Expulsion] here as No. 1), it was easier to stream the earnings towards the new projects. Also, provided you plan carefully, it was easier to apply for alternative funding (from the Council of Culture). For some shows the national theatre received funding from the private sector, like for the drama *Katedra* [Cathedral] where there was a partial funding sponsor. Other productions were funded from previously earned revenue. In Liuga's view, planning is crucial in state-run theatres. While this is obvious to theatres abroad, here in Lithuania, we have inherited a rather spontaneous way of managing theatrical productions. If there is no way of planning far in advance, the situation is really unfavourable.

To summarise all that we heard, we tried to work out the difference between national, state, municipal and PC theatre funding. As he conducted his own research on theatres in 2010 and 2014, Liuga thinks that the difference lies in the owner. The National Drama Theatre is funded by the parliament, while state theatres are by default under the jurisdiction of the Ministry. The National Drama Theatre representative says that he would not agree that the 'norms' set by the Ministry are stable. He joked that one should go and organise a detective story to uncover who could detect the starting point for the standard amounts of funding for culture. Liuga's guess is that it was based on the conditions and salaries of the existing theatre community. State subsidies are larger for national theatres, and smaller for state-run theatres, but the amount fixed by the state (and this is the phenomenon that is impossible to change) cannot be changed. This amount is designated for activities, but it is an oxymoron, because the state does not support the creative process directly. The state only creates *conditions* for engaging in creative activities. This inadequacy returns as a boomerang when the state has *no mechanism to encourage* successful theatres. Regardless of the ideal sales indicators, touring and attendance, the state has no methodology to motivate theatre and remunerate success. Because of this, many speculations arise. Liuga belongs to the steering committee of the revision of the Law on Theatre and Concert Organisations, and he confronts a lot of manipulation in this context. Correlation of the results of successful theatres' activities and their financial reward is still an open question. Maybe there are some techniques as to how to encourage successful companies in the municipalities. One thing is clear – if the state subsidises all theatres equally regardless to their results, motivation of theatres satisfies some ambitions of the management.

While doing our research, we were faced with a certain lack of data. There is no possibility for benchmarking. We asked one respondent what he thought about this, and he believed that this is where the newly developed version of the Law has some room for improvement. The question here is about how to create more favourable economic conditions for theatres. The existing system requires theatres to return the revenue they earn to the government (and then make a claim for its return) and – additionally – the theatre **MUST SPEND** all the money by the end of the fiscal year. The theatre community is well aware that the most profitable period is before the New Year. Theatres are obliged to immediately return the money, then get the money back and immediately spend it again. Experienced theatre managers learn how to handle this situation, but it is remarkably absurd nonetheless. As for the secrecy of data, Liuga confesses that he managed to retrieve data for his research, but information about theatres should be more widely published. Monitoring must be conducted constantly.

One of the last questions of the research was about box office returns. The interviewee agreed that even in the National Opera, the money never returns. He would estimate that a 30 per cent return is very good. Twenty per cent is average. Liuga says that we have to be realistic. Ticket prices depend on the cost of living.

When asked to comment on the position of the Minister regarding theatres having to be entrepreneurial, Liuga suggested that first and foremost, theatre needs to produce a good product. Among his best products he mentions *Išvarymas* [Expulsion] and *Didis blogis* [The Great Evil] by Marius Ivaškevičius, *Didvyrių aikštė* [Square of Heroes] by Thomas Bernhard, Pushkin's *Boris Godunov*, *Katedra* [The Cathedral] by Justinas Marcinkevičius, *An Enemy of the People* by Henrik Ibsen, etc. Liuga is convinced that they were born out of successful collaboration with the director. Everything starts with the right creative idea.

When asked about an optimal number or model for the theatre, Liuga thinks that it all depends on tradition. He considers the German theatre model as an ideal.

Besides, in order to guarantee actors are employed, the respondent is convinced that creative people need to show initiative.

Finally, when consulted about which aspect is the most crucial in theatre – artistic, financial or legal – the expert said there can be no theatre without creative ideas. Moreover, theatre creativity should be rewarded.

Conclusions

1. Theatre representatives' opinions differ in their understanding of the reasons for popularity of shows and their correlation between popularity and sales returns, along with the number of shows.
2. The criteria determining repertory planning are also scattered in various theatres, and there is no one methodology to be able to benchmark the data.
3. The hypothesis that theatres are being run mainly based on intuition and empirical 'feeling' rather than a fiscal policy, with some exceptions in having a clear vision among theatre managers, proves to be true.
4. Although in general some data is available on theatre fiscal activities, however, there is an evident absence of methodology on how theatres measure their productivity and the reasons behind their decision-making.
5. The hypothesis that the existing managerial system of Lithuanian state-run theatre does not encourage seeking financial success as an addition to the artistic image proves to be true, and mostly because of the outdated legal *heritage* from the Soviet times.
6. The existing legal basis of Lithuanian performing arts organisations has remained unchanged since the beginning of independence and needs improvement, provided society wants changes in the managerial, financial and hence – artistic prosperity of the arts. The existing governmental expectations and actual managerial situation in the state-run theatre sector needs a new generation of creative people to cure Baumol's disease, or to prevent it in a way suitable or specifically tailored for a given country.

Submitted 2016 09 28

Accepted 2016 11 07

LIST OF REFERENCES

- Baumol, W. J., and Bowen, W. G. 1966. *Performing Arts – the Economic Dilemma*. New York: Twentieth-Century Fund.
- Baumol, W. J. 2002. *The Free-market Innovation Machine. Analyzing the Growth Miracle of Capitalism*. Princeton University Press: New Jersey.
- Baumol, W. J., Litan, R. E., Schramm, C. J. 2007. *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity*. Yale University Press: New Haven & London.
- Liuga, A. 2008. *Laiko sužeistas teatras. Baltos lankos: Vilnius*. [In Lithuanian]

BIBLIOGRAPHY

- Baumol, W. J. 1995. "The Case for Subsidizing the Arts." *Challenge*, 1995, 38 (5), 52–56.
- Baumol, W. J., and Batey Blackman, S. A. B. 1983. "Electronics, the Cost Disease, and the Operation of Libraries." *Journal of the American Society for Information Science*, 1983, 34 (3), 181–191.
- Baumol, W. J., and Bowen, W. G. 1965. "On the Performing Arts: The Anatomy of Their Economic Problems." *American Economic Review*, 1965, 55, 495–502.
- Baumol, W. J., and Bowen, W. G. 1966. *Performing Arts – the Economic Dilemma*. New York: Twentieth-Century Fund.
- Bergonzi, L., and Smith, J. 1994. *Effects of Education and Arts Education on Americans' Participation in the Arts*. Washington, D.C.: National Endowment for the Arts.
- Bourdieu P., 2013. *A Social Critique of the Judgement of Taste*. Routledge.
- Cobb, N. K. 1995. *Looking Ahead: Private Sector Giving to the Arts and Humanities*. Washington, D.C.: President's Committee on the Arts and Humanities.
- Cornes, D., and Sandler, T. 1986. *The Theory of Externalities, Public Goods and Club Goods*. New York: Cambridge University Press.
- Felton, M. V. 1994. "Evidence of the Existence of the Cost Disease in the Performing Arts." *Journal of Cultural Economics*, 1994, 18, 301–312.
- Frank, R. H., and Cook, P. J. 1995. *The Winner-Take-All Society*. New York: Free Press.
- Frey, B. S. 1996. "Has Baumol's Cost Disease Disappeared in the Performing Arts?" *Ricerche Economiche*, 1996, 50 (2), 173–182.
- Gray, C. M. 1995. *Turning On and Tuning In: Media Participation in the Arts*. Carson, Calif.: Seven Locks Press.
- Heilbrun, J., and Gray, C. M. 1993. *The Economics of Art and Culture: The Lives, Times, and Ideas of Great Economic Thinkers*. New York: Cambridge University Press.
- Kushner, R., and King, A. E. 1994. "Performing Arts as a Club Good: Evidence from a Nonprofit Organization." *Journal of Cultural Economics*, 1994, 18, 15–28.
- Kushner, R., and Poole, P. P. 1996. "Exploring Structure-Effectiveness Relationships in Nonprofit Arts Organizations." *Nonprofit Management and Leadership*, 1996, 7 (2), 119–136.
- Oster, S. 1995. "Program Evaluation." In *Strategic Management for Nonprofit Organizations*. New York: Oxford University Press.
- Ostrower, F. 1995. *Why the Wealthy Give: The Culture of Elite Philanthropy*. Princeton, N.J.: Princeton University Press.

- Peacock, A. T., Shoesmith, E., and Millner, G. 1982. *Inflation and the Performed Arts*. London: Art Council of Great Britain.
- Pincus, A. L. 1998. *Tanglewood: The Clash Between Tradition and Change*. Boston: Northeastern University Press.
- Rubinstein, A., Baumol, W. J., and Baumol, H. 1992. "On the Economics of the Performing Arts in the USSR and USA: A Preliminary Comparison of the Data." In R. Towse and A. Khakee (eds.), *Cultural Economics '92*. Berlin: Springer-Verlag.
- Schwarz, S. 1996. "Long-Term Adjustments in Performing Arts Expenditures." *Journal of Cultural Economics*, 1986, 10, 57–66. *Statistical Abstract of the United States*. (116th ed.) Washington, D.C.: U.S. Bureau of the Census.
- Throsby, C. D. 1994. "The Production and Consumption of the Arts: A View of Cultural Economics." *Journal of Economic Literature*, 1994, 32, 1–29.
- Throsby D., Throsby C. D. 2001. *Economics and Culture*. Cambridge University Press.
- Tiongson, E. R. 1997. "Baumol's Cost Disease Reconsidered." *Challenge*, 1997, 40 (6), 117–122.
- Towse, R. (ed.). 1997. *Baumol's Cost Disease: The Arts and Other Victims*. Cheltenham, UK: Edward Elgar.

ONLINE SOURCES

- Lietuvos dramos teatrų sistemos efektyvumo tyrimas ir modernizavimo gairės. 2010. (The analysis of Lithuanian drama theatre system performance and guidelines for modernization) http://www.theatre.lt/TEATRU_TYRIMAS.pdf Available online. Retrieved on 2016-05-31
- Nevyriausybinų scenos menų organizacijų veiklos efektyvumo tyrimas. 2014. (The efficiency survey of non-governmental performing arts organizations) http://www.ltkt.lt/userfiles/NVO%20TYRIMAS_Teatro%20ir%20kino%20informacijos%20ir%20edukacijos%20centras.PDF Available online. Retrieved on 2016-05-31

INTERVIEWS

- Ministry of Culture. 2016 04 26. Professional Art division. Senior Specialist Jelena Charlap and Accountant's Office Senior Specialist Dalia Babickaitė.
- Ministry of Culture. 2016 04 29. Professional Art Division. Senior Advisor for Visual Arts Janina Krušinskaitė.
- Jolita Balandytė, Director of Arts Printing House, PLC. 2016 05 14
- Audronis Liuga. The newly-appointed head of the Lithuanian State Youth theatre. 2016 05 20

„Kaštų ligos“ simptomai Lietuvos valstybiniuose teatruose

SANTRAUKA. Savo nepriklausomybės ir įsiliejimo į laisvosios rinkos zoną 25-metį atšventusioje Lietuvoje šiuo metu matyti pirmieji vadinamosios Baumolo sąnaudų ligos požymiai. Nors apskritai duomenų apie pardavimą ar kitą fiskalinę teatro informaciją netrūksta, bet koreliacijos tarp spektaklių „populiarumo“ ir finansinės sėkmės išvelgti ir apibendrinti dar nesiseka. Autorė kelia hipotezę, kad esama Lietuvos valstybinė teatro valdymo sistema nedžiugina ir nepadaeda teatrams greta meninių aukštumų siekti finansinės sėkmės. Šios „kaštų ligos“ priežastys autorei kelia didžiausią susirūpinimą. Lietuvos scenos menų organizacijų teisinis pagrindas nesikeičia nuo nepriklausomybės pradžios, todėl akivaizdu, kad įstatymų paketą reikia tobulinti, jeigu visuomenė nori teigiamų pokyčių valdymo, finansų ir menų srityse.

REIKŠMINIAI

ŽODŽIAI:

Lietuvos valstybiniai teatrai, populiarumas, meno produkcijos kaštai, repertuaras.