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## A Prolegomenon for Any Future Cultural Policy

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The *Oxford English Dictionary* tells us that "entrepreneur" is from the French *entreprendre*: to undertake. The OED's first definition of the word is "a director of a musical institution;" secondly, "a person who undertakes or controls a business or enterprise and bears the risk of profit or loss;" then, "a contractor who acts as an intermediary." While the meaning of entrepreneur is most familiar in the sense of an innovative, risk-taking business owner, it is noteworthy that the first meaning has a distinct cultural association. Most interesting is the even lesswellknown sense of entrepreneur as a contractor acting to bring together various interested parties. It is this sense of entrepreneur-an arts administrator who serves as a contractual intermediary ("a person who acts between others, a mediator, a go-between") that brings together government, the private sector and the public to best realize a general cultural good-that will be employed herein. This is not to belie the more familiar connotation of entrepreneurship as profit maximization, but to broaden our understanding of this aspect of cultural management to include leadership activities that go beyond a reductionist obsession with the "bottom line."

In the American system of cultural patronage, the arts administrator, whether in a public agency or a private, not-for-profit enterprise, has always had to be an entrepreneur, mediating the funding triad of earned income, philanthropic giving and governmental subvention. These matters will be described and discussed and particular emphasis placed on the role of private philanthropy in the American system and the associated perils of privatization. This paper also suggests a conceptual framework for relating the activities of a cultural entrepreneur to broad issues of cultural policymaking. Finally, some rhetoric will be proposed to better communicate the value of the arts and how the cultural sector promotes general societal values. To anticipate a concluding argument: one of the key elements in a new wave of cultural entrepreneurship is to move off a defensive/reactive leadership style to one that is confident and positive in communicating the incontestable value of the arts and culture for society as a whole.

### 1. Tax Exemptions and Private Philanthropy

The persistent notion that the United States lacks a significant public commitment to culture must be adjusted to take into account the role of the non-profit sector. Cultural activities in the United States are not as directly subsidized as in other nations, but the government's role is hardly negligible given its provision of tax exemptions for cultural organizations and their benefactors. Whether such a highly privatized system of patronage best promotes the public interest in cultural affairs is a highly debatable issue. For example, are the often cited merits of philanthropy without any problems for the work of 501(c)(3)s? As not-for-profits, these institutions receive special privileges in order to be able to realize a public good that would otherwise be exclusively a governmental responsibility; not be provided at all or only in a very reduced fashion. Certainly, the financial significance of charitable giving, approximately \$200 billion overall, cannot be underestimated.

Table 1 provides a summary of the most recent data on philanthropy by sources, amount given and percentage by source of the total amount of charitable giving.

Contributions by individuals have always accounted for the largest part of philanthropic support for the arts and culture. In 1993, approximately 8% of American households contributed to the arts. On the other hand, this proportion was essentially the same

**Table 1: Charitable Giving by Source (in \$US Billions and percent)**

| Source       | \$US Billions | % of Total    |
|--------------|---------------|---------------|
| Individuals  | 143.71        | 75.6%         |
| Foundations  | 19.81         | 10.4%         |
| Bequests     | 15.61         | 8.2%          |
| Corporations | 11.02         | 5.8%          |
| <b>Total</b> | <b>190.15</b> | <b>100.0%</b> |

Source: *Chronicle of Philanthropy*, January 9, 2001; <http://philanthropy.com/premiumarticles/v12/1216charitable1.htm>.

as in 1987. Moreover, represents a decline from the 9.6% and 9.4% reported in 1989 and 1991 respectively. Simultaneously, the average household contribution to the arts has decreased, almost by half (from \$260 in 1987 to \$139 in 1993), while the number of average household contributions to charities increased considerably (from \$1376 in 1987 to \$2101 in 1993). Clearly, there are grounds for skepticism about any future growth in cultural giving by individuals.

Foundations have been another important philanthropic actor in cultural activities. Among all program areas supported by foundations, arts and cultural projects represented about 14% of the total throughout the 1980s and into the 1990s. However, this proportion fell to 12% in 1995 and to about 10% in 2001. The performing arts have received about a third of this foundation support; museums have been a close second with about 32% of the total. In contrast to these largely institutionalized art activities, support for the humanities (4.5%), historical preservation (5%) and the visual arts (3%) has been much smaller (Wyszomirski, 1998:2-4).

Philanthropy can support different types of activities; among these are general operating expenses, capital expenses, programming, professional development, research, or technical assistance. Operating support, in particular, has experienced a major decline between 1983 and 1992, falling from 31.3% of the total to only 16.4%. This has been a cause for great concern among cultural organizations. Contributions for operating expenses are difficult to raise from individual donors (given the difficulty of providing concrete recognition), but are essential to institutional maintenance. On the other hand, funding for capital-support and program-

support, which provides possibilities for "naming opportunities," has increased.

Table 2 summarizes the categories of recipients of charitable giving, representing both the amount received and the percentage of the total of \$190.15 billion represented.

It should be noted that while the data compiled by the *Chronicle of Philanthropy* showed percentage increases of about 6% in charitable giving from 1998-1999 (when adjusted for inflation), the arts, culture and humanities sector showed the smallest increase of only 2.8%.

**Table 2: Charitable Giving by Category of Recipients, Amount Contributed (in \$Billions and percent)**

| Recipient                 | \$Billions    | Percent of Total |
|---------------------------|---------------|------------------|
| Religious Organizations   | 81.78         | 43.0%            |
| Education                 | 27.46         | 14.5%            |
| Health                    | 17.95         | 9.4%             |
| Human Services            | 17.36         | 9.1%             |
| Foundations               | 14.98         | 7.9%             |
| Public/Social Benefits    | 11.07         | 5.8%             |
| Arts, Culture, Humanities | 11.07         | 5.8%             |
| Environment, Wildlife     | 5.83          | 3.1%             |
| International Affairs     | 2.65          | 1.4%             |
| <b>Total</b>              | <b>190.15</b> | <b>100.0%</b>    |

Source: *Chronicle of Philanthropy*, January 9, 2001.

Overall, it would appear that there are a lot of pious people giving to religious institutions; wealthy people making contributions as part of estate planning and personal altruism; and foundations and corporations engaging in philanthropy as an institutional activity. Most important, American philanthropists appreciate their religion, schooling, health and personal well-being. On the other hand, while the least favored philanthropies in rank order, the environment and international affairs have shown the greatest increases in giving. This trend may reflect the values of a new generation of benefactors. What would appear to be less favorably placed for the future are public/social activism (seemingly dormant at present) and the arts, culture, and humanities.

Of course, another way to judge the effects of philanthropy is to question the concentration of decisionmaking about matters of public consequence in the hands of private individuals and institutions. This is not fundamentally an issue of the quality of the culture subsidized, nor of the goodwill of the benefactors, but of the public accountability for the resulting cultural policy. A recent example of the problems that can arise with the most

well-intentioned philanthropy can be found in the Smithsonian Institution's receipt of a \$38 million donation by a single individual. The donation was for a Hall of Fame of American Achievers in the Museum of American History that was to be named in the donor's honor. The "naming opportunity" was not so much the problem as was her right to nominate a majority of the trustees responsible for selecting the individuals to be included in the Hall. Among those proposed for commemoration were Oprah Winfrey and Martha Stewart, as well as Martin Luther King and Jonas Salk. There were also questions raised about whether such an installation might be more appropriate in a Disney venue, rather than in the nation's premier public cultural institution, and in its celebration of famous individuals rather than recognition of the collective contributions of the less celebrated.

The generalizability of this example may be questionable given the Smithsonian's status as a public museum (that is, 70% federally funded) and the degree of curatorial decisionmaking accorded to a private individual. In effect, the Smithsonian is experiencing the same conundrum facing private arts institutions that have long had to balance the need for philanthropy (often with strings attached) and earned income (often involving corporate sponsorships and predictable "blockbusters") against traditions of curatorial independence and the advancement of scholarship and connoisseurship.

As the *New York Times* editorialized, "What is the curatorial rationale for a permanent exhibit that seems to open the door for commercial corporate influence?... At best, a celebrity hall of fame will simply echo the devotion to personal achievement that already permeates every aspect of American culture" (May 31, 2001). Citing studies of recent trends in museum activities, cultural sociologist Vera Zolberg (2000) observed in a similar vein that, as public support wanes, "these institutions are obliged to change their character: they organize blockbuster shows, enlarge their gift shops, and emphasize activities for fees that they hope may increase their profits" (23). It should be noted that the \$38 million gift to the Smithsonian was withdrawn in February 2002 because of the negative publicity associated with the general concept of a "hall of fame" and the degree of curatorial decisionmaking recorded to the donor.

Clearly, an ever escalating demand for earned income—for example, pops concerts, blockbuster shows, revenues from ancillary activities such as gift shops—cannot help but divert public cultural institutions from their primary purpose to serve the public's aesthetic needs. Typically, this mission is realized through a commitment to artistic excellence and aesthetic diversity without an exclusive concern for profitability and popularity. Furthermore, it should always be remembered that there is a need for a public commitment to culture in order to insure not only the promotion and preservation of the arts and culture, but also to enhance their accessibility and inclusiveness.

In sum, a public cultural policy exists to compensate for the distortions in representation and deficiencies in availability associated with an exclusively market-determined cultural system. To complement the commodification of culture, cultural valuation is publicly addressed through policies of cultural democracy and the democratization of culture. These are policy concerns that will be discussed in detail forthwith.

## 2. The Perils of Privatization

It is instructive to remember at the start that there are a number of overly optimistic assumptions about the benefits that are supposed to accrue from the introduction of a more businesslike or, as is often put, entrepreneurial approach to the administration of the arts and culture. Certainly, there are unquestioned advantages to be gained by cultural enterprises from the adoption of private-sector models for better budgeting and institutional marketing. However, what will be highlighted here are a few "worst case" examples of an uncritical approach to privatization.

*First, the strong presence of philanthropy in the American system of cultural patronage is not necessarily replicable elsewhere.*

A recent study of patterns of private giving in Australia points to a more widely observed phenomenon that the degree of philanthropy is not simply a matter of the tax code. It involves more generalized attitudes concerning private philanthropy versus public spending in supporting the public good. In Australia, not-for-profit organizations received about \$AUS 2.8 billion in donations in 1999. This is about \$US 1.4 billion and is dwarfed by the philanthropic giving of \$US 190 billion that was noted earlier. In looking at philanthropic contributions by different nations as a percent of GDP, the US leads at just over 1%, followed by Spain at about .89%, Canada and the U.K. at .6%; Australian giving was .32% of GDP. [See Table 3 (Fishel, 2002:11).] As in the United States, religious organizations received the largest share of charitable donations (43%); arts and cultural groups placed last with 1.4% charitable donations. (See Table 4)

*Second, averaging about 12% of the revenues of Australian cultural organizations, the limited potential for a significant increase in philanthropy suggests the maintenance of all parts of the funding triad.*

Table 5 presents the sources of revenue for cultural organizations in Australia by percentages for each category—government spending, philanthropy/sponsorship, and earned income—for museums and the performing arts respectively. The most important sources of revenues are government spending for museums and earned income for performing arts groups, 50% and 60% respectively, although the importance of earned income for museums (35%) and government support for the performing arts (30%) must be emphasized. Clearly, there is a strong relationship between the public sector and the cultural milieu.

**Table 3: Philanthropic Contributions, Excluding Religious Organizations (in percent of GDP, 1995)**

| Recipient     | Percent of Total | Recipient | Percent of Total |
|---------------|------------------|-----------|------------------|
| United States | 1.00%            | Australia | 0.32%            |
| Spain         | 0.89%            | France    | 0.26%            |
| Canada        | 0.64%            | Brazil    | 0.16%            |
| Britain       | 0.63%            | Japan     | 0.14%            |
| Hungary       | 0.59%            | Germany   | 0.12%            |
| Netherlands   | 0.42%            | Mexico    | 0.04%            |
| Argentina     | 0.36%            |           |                  |

Source: Johns Hopkins Comparative Nonprofit Sector Project (Australian and Canadian data added from available statistics).

**Table 4: Charitable Giving by Category of Recipients in Australia, Amount Contributed (in SAUS Millions and percent)**

| Recipient                    | \$AUS Millions | Percent of Total |
|------------------------------|----------------|------------------|
| Religious Organizations      | 1,175          | 40.9%            |
| Community Services           | 500            | 17.4%            |
| International Aid            | 325            | 11.3%            |
| Private Schools              | 300            | 10.4%            |
| Sporting Clubs               | 280            | 9.8%             |
| Research Groups              | 160            | 5.7%             |
| Environmental/Animal Welfare | 90             | 3.1%             |
| Arts and Cultural Groups     | 40             | 1.4%             |
| Total                        | 2,870          | 100.0%           |

Source: Australian Bureau of Statistics, and Mark Lyons, UTS, Sydney.

**Table 5: Sources of Support for Arts Organizations in Australia (in rounded percent)**

|                 | Government | Philanthropy/<br>Sponsorship | Earned Income |
|-----------------|------------|------------------------------|---------------|
| Performing Arts | 30%        | 12%                          | 58%           |
| All Museums     | 48%        | 19%                          | 33%           |

Source: Entrepreneurship: From Denial to Discovery in Nonprofit Art Museums? Ruth Rentschler, Deakin University, Melbourne, Australia.

It can also be noted (as seen in Table 6) that in the museum sector, the smaller organizations are more dependent on public spending than are the larger. For example, larger museums, which are often tourist destinations and located in big cities, have a competitive edge in maximizing opportunities to engage in profitable activities (e.g., high-volume gift shops, private receptions). Absent public support, it is the smaller museums, which are often concerned with local and community heritages, that would suffer the most. It is also of interest that, in revenues from philanthropy, museums in general—more the larger (22%) than the smaller (17.5%)—receive philanthropic support well over the 12% revenues that is

average for all cultural organizations. It may be that museums are able to present themselves as symbols of community heritage and/or venues for widely held communal values. This issue will be addressed in greater detail.

*Third, if earned income becomes an end in itself, there is the decided risk that commercialization will dictate the aesthetic decisions of non-profit cultural enterprises.*

**Table 6: Total Average Source of Income for Large and Small Art Museums in Australia, 1998 (in rounded percent)**

|               | Government | Philanthropy/<br>Sponsorship | Earned Income |
|---------------|------------|------------------------------|---------------|
| Large Museums | 35%        | 22%                          | 43%           |
| Small Museums | 61%        | 18%                          | 21%           |

Source: Entrepreneurship: From Denial to Discovery in Nonprofit Art Museums? Ruth Rentschler, Deakin University, Melbourne, Australia.

There are obvious limitations that come from an over-emphasis on income generation in the non-profit cultural sector. In the United States there has been an emerging number of blockbusters that are heavily concentrated on Impressionism/Post-Impressionism, and Egyptology, or that have a "Treasures Of..." approach. Such exhibitions can unquestionably accommodate first-rate art but within a decidedly entertainment-oriented mode. Similarly, the performing arts rely on "war-horse programming"—that is, traditional works beloved by subscribers—to please the regular audiences and philanthropic contributors. (McCarthy, 2001: 96)

In his study of opera repertory over the last decade in North America, cultural economist Richard Heilbrun found evidence of a significant decline in the diversity of American opera company repertory, but not in the Canadian repertory. (Heilbrun, 2001) "Although several explanations are possible, Heilbrun's results are consistent with the view that American opera companies have been shifting their programmatic resources toward a more popular, less demanding repertory in response to changing funding patterns. In Canada, where public support for opera is far more generous, no such shift has occurred." (McCarthy, 2001:96)

*Fourth, corporate sponsorship is advertising, not philanthropy.*

When a company makes a charitable gift, it is acting as a socially responsible member of the community in granting some of its profits as philanthropy to a cultural organization. A corporate sponsorship, on the other hand, comes from marketing and advertising budgets as corporate public relations. (Dorfman, 1998:51) A philanthropic gift is made to a cultural organization as an institution. Sponsorship associates itself with a particular production, series, or exhibition. In the former case, grateful acknowledgment is made by the cultural organization in its programs, signage and announcements. In the latter case, the placement, size and color reproduction of corporate logos are a central consideration. Corporate sponsorships are really

earned income for a cultural institution rather than philanthropy since there is a quid pro quo involved.

Not surprisingly, corporations like to be associated with “popular” productions and exhibitions, that is, those with wide audience appeal. To the extent their budgets permits, arts organizations are increasingly pursuing a strategy featuring predictable, “bankable stars” and guaranteed “blockbusters” that can be heavily promoted community-wide. (McCarthy, 2001:95) Of course, the potential corporate sponsor is interested in reaching a wide audience with desirable marketing demographics, which will be pleased by seeing familiar favorites. This audience satisfaction will presumably rebound to the sponsor’s benefit. In the search of mega-success, the safe and familiar is pursued and the risky and innovative eschewed (an example might be more Impressionism, less Mannerism; more *La Bobeme*, less *Lulu*).

The following is an example of how pushing for increased corporate, as well as individual, support can lead to what would be risible decisionmaking by cultural institutions if its reality were not so persuasive in the United States.

In recent years, American public radio stations have dropped classical music in the face of marketing surveys indicating that news and information “is what draws audiences and contributions, and that classical music tends to drive potential listeners away” (*New York Times*, February 5, 2002). The Denver public radio station KCFR used audience research to discover ways to retain morning-news listeners for the classical-music programming. It was found that classical programs should “place pieces from the ‘pastoral’ mode—light, airy, melodic selections—in heavy rotation while shunning the screechier stuff. Playlists are often filled with upbeat symphonic excerpts, while vocals and strings—and sometimes even standard works like Beethoven quartets or Bach sonatas—are made scarce” (*U.S. News and World Reports*, April 6, 1998).

*Fifth, Cultural Darwinism is inevitable without public support.*

Cultural organizations are increasingly hard-pressed to develop innovations that will enhance non-governmental revenue without compromising aesthetic standards. Indeed, for most cultural organizations aesthetic compromises are inevitable in market-driven environments. Even then, only the strongest organizations will be able to make the investments in casting, production values and marketing to succeed in the “entertainment business.”

In order to attract large audiences, organizations must spend heavily on marketing and promotions...But this increased reliance on the market bears a cost; more money spent on marketing, splashy shows and star-studded programs. This strategy in turn requires an even bigger audience to support the resulting cost increases, and so on—creating an upward spiral of audience and budget growth. Like the for-profit firms, in such an environment only the biggest firms can survive. (McCarthy 2001: 95)

As befits the organizational Darwinism being suggested here, the Rand study of the performing arts in the U.S. quoted above recognized that a certain species can probably adapt without a significant diminution of mission. These are small, amateur groups that rely almost exclusively on volunteers. These amateur organizations do not have a salaried staff or offices and perform in donated venues such as schools and churches. Moreover, many volunteer-sector performing arts groups are committed to experimental art forms or those that draw on non-majoritarian cultures and “are strongly opposed to ‘mainstreaming’ their program in ways that might be required to attract larger and more diversified audiences”(McCarthy, 2001: 102).

It is the mid-sized performing arts organizations that would seem to have the bleakest future. The Rand study observes that declines in public-sector funding and philanthropy are “likely to push many of them toward traditional programming and fairly mainstream artistic endeavors in order to build audiences and grow organizationally. However, because most lack the resource to put on blockbusters...it is not clear how well they can compete with respect to world-famous and celebrity-heavy institutions located in major metropolitan areas” (McCarthy, 2002, 105).

It must never be forgotten that these mid-size institutions make up the essential building blocks of a nation’s cultural infrastructure. As the guarantors of cultural diversity, the training ground for future artistic leaders, the venues for aesthetic experimentation and developments, centers of community pride and symbols of cultural excellence, mid-size arts organizations have a vital role to play in any nation’s artistic mosaic. With the possibilities of further earned-income limited, or actually counter-productive in the long run, the medium-size cultural institution must argue for increased, or at least stabilized, public and private largesse if they are to survive as community assets.

Despite the pessimism expressed by David Fishel in his assessment of the ability of small and medium-size arts institution to build up private giving, he identifies a central truism of philanthropy. “People give to causes which touch them directly or indirectly or which relate to their most strongly held values and beliefs. Until arts organizations focus on the emotional and value based appeal of the arts, they cannot maximize philanthropic giving.” (Fishel, 2002:14) This same touchstone of value added for the money given can be argued to governments in making their decisions concerning funding of the arts and culture. The theatre critic Michael Phillips urges one to remember: “It’s simply money well-spent, this notion of funding our nation’s cultural pursuits, generously. It’s part of any reasonable notion of a good society.” (*Los Angeles Times*, July 15, 2001) Considered as providing opportunities for civic dialogue, investing in the arts makes political sense.

### 3. Cultural Entrepreneur As Advocate of Culture

Remembering the sense of entrepreneur as “contractual intermediary,” there is a clear role to be filled for the cultural manager as “advocate of culture.” Of course, there is nothing new

about arts advocacy. On the other hand, the tone of much of this advocacy has been supplicant/mendicant rather than celebrator/benefactor. The suggestion here is that arts administrators should follow the advice previously cited about creating emotional bonds between the donor and recipient by emphasizing the personal impact that the arts and culture can have and by underscoring the values that are enhanced by investing in the arts and culture. In effect, the marketing strategy for enhanced public giving should be relational and value-added, rather than defensive and subsidy-seeking. After all, culture is a good product with very few negatives and many positives including the utilitarian nature of its economic impact, the broad-base of its popular appeal, and its educational value in fostering creativity and innovation.

In an effort to schematicize a typology of administrative leadership in the arts, Figure 1 suggests four types of roles. The conceptualization is heavily based on Ruth Rentchler's study of the administrative behavior of museum directors in Australia, although certain liberties have been taken to extend its scope into the notion of entrepreneurial intermediacy suggested herein. The dimension of "coalition building" and "skillful use of rhetoric and symbols" comes from Jameson Doig and Erwin Hargrove's edited collection of biographical studies of bureaucratic leadership: *Leadership and Innovation: A Biographical Perspective on Entrepreneurs in Government*. Finally, there are some passing references to Max Weber's ideal types of political leadership as "traditional," "charismatic," rational-legal."

Figure 1: Typology of Administrative Leadership in Cultural Institutions

|                    |      | Skillful Use of Rhetoric and Symbols |                             |
|--------------------|------|--------------------------------------|-----------------------------|
|                    |      | High                                 | Low                         |
| Coalition-Building | High | ENTREPRENEUR<br>"advocacy"           | IMPRESARIO<br>"charismatic" |
|                    | Low  | MANAGERIALIST<br>"rational-legal"    | INTENDANT<br>"traditional"  |

**The Intendant**—focuses in the museum world on the traditional activities focused around research and collection; in the performing arts; the intendant preserves and presents the classical works of the aesthetic canon.

**The Impresario**—engages in creative programming to further the financial survival of the institution or company. The goal is short-run success and popular appeal to forestall the impending collapse of the organization.

**The Managerialist**—looks for creative ways to raise funds to ensure the financial well-being of the organization. The emphasis is more on accountancy than on creativity or symbolic rhetoric as the vehicle for success.

**The Entrepreneur**—sees fundraising to further organizational goals as a consequence of articulating a cultural vision for the community. Working as an intermediary, the entrepreneurial leaders seeks to mobilize symbolic rhetoric to forge broad coalitions of stakeholders ready to protect and promote the individual and societal values of the arts and culture.

Some of the characteristics of the entrepreneur as a contractual intermediary (or creative manager) would include the following: (Rentchler, 2002: 201)

- (1) speaks to outside groups;
- (2) schedules events and exhibits for maximum feasible participation;
- (3) develops programs to encourage visitors to become members and donors;
- (4) personally contacts major donors and political decision-makers;
- (5) is active in cultural tourism and regional development.

The skills required to leverage continued, and especially increased, public funding for cultural institutions would involve some of the following "coalition-building skills."

- (1) focus on one or two visible, community-wide issues to justify a large-scale funding increase in the cultural budget;
- (2) link these primary issues to particular segments of the cultural constituency capable of mobilizing an effective lobbying effort with the political decision makers;
- (3) offer suggestions of other possible benefits that the new programs that come from increased funding might also realize;
- (4) follow a distributive policy strategy of offering more cultural benefits to all constituents in a community (avoiding a redistributive strategy that would reward some constituents only at a cost to others);
- (5) build a grassroots/ business/political coalition in support of the proposed budget increase; and
- (6) deliver immediate "rewards" to the community in the form of at least a few, large, celebratory events.

In mobilizing symbolic rhetoric to explain the values of the arts and culture, it is necessary to dispel effectively three persistent myths that hobble support for a public cultural policy.

- (1) Support for the arts is a "handout." In fact, the arts and culture make a substantial impact on the local economy.
- (2) Support for the arts is a "frill." In fact, the arts and culture make essential contributions to a community's quality-of-life.
- (3) Support for the arts is "elitist." In fact, the arts and culture address a number of social problems and enjoy broad community participation.

### Myth #1: "Supports for the Arts is a Handout"

The findings from the study *The Arts in the Local Economy in the U.S.* should dispel any lingering doubts about the economic impact of the arts. This study provides compelling evidence that the nonprofit arts industry is a significant business in the United States, supporting jobs and stimulating economies. Overall, the arts are a more important activity than anyone may have imagined. The study shows that nationally, nonprofit arts organizations alone (a fraction of the total arts industry) generate \$46.8 billion of business within their communities, resulting in \$25.2 billion in personal income to local residents. Nonprofit arts spending supports 1.3 million fulltime-equivalent jobs, generates \$2 billion in state and local tax revenue, and \$3.4 billion in federal income tax revenue. The nonprofit arts sector represents about .94 percent of the total US workforce and is a bigger employer than legal services (.84 percent) or police and firefighters (.71 percent).

*Arts in the Local Economy* sends a strong message to communities that, when they invest in the arts, they not only enhance the quality of community life, but also contribute to its economic well-being. There may be a tendency to exaggerate the findings of economic impact studies, as this data can often be more the occasion for self-congratulation and self-promotion than for careful analysis. Nonetheless, what may be noted, despite the difficulties in demonstrating economic causality and sectoral superiority, is that arts activities yield benefits that are measurable and of a decidedly modest cost to the taxpayer.

### Myth #2: "The Arts are a Frill"

The true significance of the arts may not be in their direct or indirect economic impact as much as in their qualitative benefits. In the case of cities, the arts add a dimension of attractiveness that, while difficult to quantify, is very real. These effects may be particularly important to older cities because they involve urban revitalization. The arts, for example, have been found to contribute toward changing a city's image, retaining what downtown trade remains, encouraging the tourist industry, stimulating commercial development, and fostering community pride and spirit. Indeed, the arts have been increasingly noted as a standard for defining the uniqueness of urban living. A few can be highlighted.

First, arts organizations are important to a city's self-worth, enhancing its attractiveness to residents, visitors, and businesses. Cities are particularly desirable for firms that have highly-educated and well-paid personnel. Other things being equal, a culturally vibrant city is likely to improve its economic health because businesses are attracted to locations with strong urban amenities.

Second, an overwhelming number of urban residents cite the proximity to cultural institutions as a major reason for living in a center city. Indeed, culture is generally important as part of the popular perception of a good "quality of life." According to the National Research Center for the Arts, 93 percent of the population judged arts organizations to be personally important for their lives

and as necessary for making their communities attractive places in which to live and work.

Third, certain industries such as publishing, advertising, broadcasting, and fashion depend on the concentration of artists in urban areas. Cultural institutions also have a unique importance for cities as they employ people with valuable skills who like metropolitan life. Cities are home to 88 percent of Americans who consider themselves artists and a sizable number of cultural consumers who serve as an audience for what is painted, written, sculpted, composed, or otherwise artistically conceived.

### Myth #3: "The Arts are Elitist"

Whether in small rural towns or crowded inner cities, the complexity of today's society has forced individuals and organizations to approach community issues in new ways. By necessity, new connections are being made that have resulted in previously unheard of public services and investments in the future. For example, these innovations have meant that small business owners now see the local public library as a competitive advantage, while neighborhood groups fight crime through job creation in arts industries and historic preservation. Educators in many localities have employed arts practitioners to help at-risk youth learn job skills through murals and design projects. Arts and education initiatives are good examples of "working relationships" with the public's the collective realization that the community—including the arts—has a vital part to play in improving education, and that education—including arts education—has a vital part to play in building communities.

The misconception that the arts are a "frill"—that is, an unnecessary expenditure of scarce public funds—stands in the face of a factual record that demonstrates the high degree of involvement by local arts agencies in community development. In the U.S., sixty-one percent of local arts agencies have arts programs that address social issues within their communities. Local arts agencies are taking a strong leadership role in using the arts to address the key issues facing America's cities and counties. Local arts agencies help their local elected leaders better understand that, by funding the arts, they are supporting more than just culture and quality of life; they are also supporting an industry that spurs community redevelopment, improves education and the labor force, and promotes, understanding between different cultures and ethnicities.

Finally, and somewhat surprisingly perhaps for cultural advocates and skeptical funders alike, participation in live arts and cultural events is, at least in the U.S., greater than for sporting events. Ironically, American cities are willing to offer huge incentives, such as tax forgiveness and building a new stadium with highway access to induce major league sports teams to remain or to relocate without a real return on the investment. Cultural organizations, on the other hand, are often judged to be a waste of the taxpayers' money, in spite of the comparatively small funding involved, and the degree of public participation involved.

**Table 7: Annual Participation Rate for Various Leisure-Time Activities**

| Activity                  | % Participation | Frequency/Year |
|---------------------------|-----------------|----------------|
| Attended live performance | 42.2            | 5.4            |
| Visited museum            | 34.9            | 3.3            |
| Went to movie             | 65.5            | 9              |
| Went to sporting event    | 41.2            | 7              |

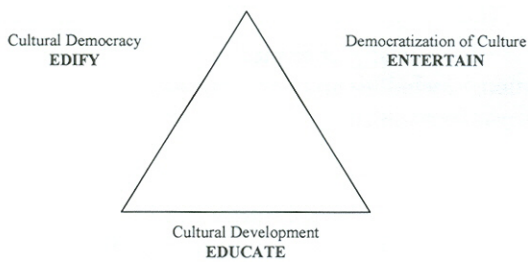
Source: *Survey on Public Participation in the Arts, 1997.*

### 3. A New Configuration of a Cultural Policy

The three elements of a public cultural policy that would satisfy individual aesthetic concerns, promote community values and justify public support can be schematized in a triangular fashion. (See figure 2) It should be noted that, while this triangle is represented as equilateral, the arms could be reconfigured to reflect the relative weight accorded to each element in particular cultural policy.

Admittedly, the elements of this proposed policy require extensive

**Figure 2: Model of a Cultural Policy**



- **Democratization of Culture** recognizes the capacity of the arts and culture to entertain, especially with what is not simply the broadest common denominator of taste. The goal is to support a spectrum of non-commercial cultures, amateur activities, local fairs and festivals and heritage sites.
- **Cultural Development** provides for widely available programs to educate the youth, young adults, and adults of all ages in the appreciation and techniques of cultural expression. This would be realized through elementary, secondary, and university courses in art/music/cross-cultural appreciation; training in musicianship, studio and media arts; lifetime learning and participation; the local library could be important as a cultural center and youth center.
- **Cultural Democracy** allows works of cultural distinction to edify the beholder through programs that facilitate greater access to the community's museums and performing arts companies and that guarantee ongoing operating support for the spectrum of arts and cultural organizations. It also provides opportunities to develop and maintain a community's standard-setting institutions: both museums and performing-arts companies.

time sector." Acknowledging the memorable "crossovers," the commercial entertainment business is primarily concerned with profitable commodities that appeal to the broadest possible spectrum of those with the optimal demographic consumption characteristics. As Alan Horn, president of Warner Brothers, pronounced with refreshing directness: "Our job is to make money for our shareholders. I like to think we are producing entertainment. These are not teaching tools. We're providing mass entertainment for mass consumption." (*New York Times*, February 11, 2002)

Museums, the "high arts" and public broadcasting should position themselves with other non-commercial institutions such as universities, libraries, heritage sites, science centers, zoos and aquariums, parks and arboretums. The commonalities are their non-commercial character, which allows them not only to entertain without the necessity of commercialization, but also to educate and, on the most extraordinary occasions, to edify.

Figures 3a and 3b represent a model for conceptualizing the arts and culture along a non-commercial and educational continuum.

**Figure 3a: Arts and Culture on the Entertainment-Business Continuum**

| Commercial                          | Quasi-Commercial         | "Money-Losing"                      |
|-------------------------------------|--------------------------|-------------------------------------|
| Broadway                            | Musical Theater          | Opera                               |
| Theme Park                          | Heritage Site            | Historic Preservation               |
| Rock Concert                        | Folk Music               | Classical Music                     |
| Action Movie                        | Art House Movie          | Documentary                         |
| Network Television/<br>Top 40 Radio | Listener-Supported Radio | Educational/<br>Public Broadcasting |
| "Riverdance"                        | "A Chorus Line"          | Dance Theatre of Harlem             |
| "Evita"                             | "Rent"                   | "Wozzeck"                           |

**Figure 3b: Arts and Culture in a Non-Commercial and Educational Sector**

| Academic                            | Aesthetic                | Scientific        |
|-------------------------------------|--------------------------|-------------------|
| Universities                        | Fine Arts Museums        | Botanical Gardens |
| Libraries                           | Ballet/Dance             | Arboretums        |
| Heritage Sites                      | Opera/Musical Theater    | Zoos              |
| Archives                            | Theatre/Media Arts       | Science Museums   |
| Public Broadcasting                 | Symphonies/Chamber Music | Planetariums      |
| Historical and Ethnographic Museums | Sculpture Gardens        | Parks             |

### Conclusion

There is a strong movement in almost all countries to privatize the governing structures of the mostly state-run high-cultured institutions and to reconstitute state museums, theaters, and orchestras as nonprofit organizations along American lines. The cultural sector is increasingly counseled to put more emphasis on the management and marketing aspects of their operations such as fund-raising, corporate sponsorship, expanded giftshop and restaurants operations. The market-based approach to financing the arts is strengthened as municipalities shift from the traditional practice of deficit subsidization to giving public cultural organizations fixed budgets on which to operate with the shortfall to be realized through their own efforts.