BUILDING CREATIVE ASSETS

New Ways for the Entertainment and
Not-for-Profit Arts Industries to
Work Together

NOVEMBER 12, 1998
SKIRBALL CULTURAL CENTER
LOS ANGELES, CALIFORNIA

AGENDA

8:30 A.M.
Coffee

9:00 A.M.
Welcome and Introductions

Michael H. Jordan, Chairman, Americans for the Arts National Policy Board
Robert L. Lynch, President and CEO, Americans for the Arts
Dr. Uri Herscher, President, Skirball Cultural Center

9:15 A.M.
Presentations

Americans for the Arts: Robert L. Lynch
National Endowment for the Arts: Bill Ivey
The American Assembly: Frank Hodsoll
President's Committee on the Arts and the Humanities: Harriet Fulbright

10:00 A.M.
Roundtable Dialogue

Moderated by Valsin Marmillion, President, Pacific Visions Communications

11:30 A.M.
Questions and Answers

12:00 NOON
Closing Remarks

Michael H. Jordan

AMERICANS FOR THE ARTS

WELCOME

Americans for the Arts is pleased to welcome you to **BUILDING CREATIVE ASSETS**, examining ways in which the entertainment and nonprofit arts industries can work together to maximize creative potential in the U.S. This forum is part of an ongoing effort by Americans for the Arts' National Policy Board to stimulate dialogue about how to build a stronger, more financially secure future for the arts in America. By engaging arts and business leaders from the entertainment and nonprofit communities, we can thoughtfully and thoroughly inform both sectors, government leaders on all levels, educators and decision makers who can, in turn, work with us to advance these ideas.

We hope that today's discussion of entertainment-nonprofit arts partnerships will draw on our collective expertise and experiences to formulate sound, and specific, policy recommendations that we can all apply to our ongoing work.

MICHAEL H. JORDAN
CHAIRMAN, NATIONAL POLICY BOARD
AMERICANS FOR THE ARTS

ROBERT L. LYNCH
PRESIDENT AND CEO
AMERICANS FOR THE ARTS

SPECIAL THANKS

Special thanks to the lead sponsor of Building Creative Assets, **THE DAVID AND LUCILE PACKARD FOUNDATION**. Americans for the Arts would also like to thank **THE AMERICAN ASSEMBLY, THE CBS CORPORATION, THE GETTY CENTER, THE JAMES IRVINE FOUNDATION, THE MUSEUM OF TELEVISION & RADIO** and **THE NATIONAL ENDOWMENT FOR THE ARTS** for supporting today's event.

Presenters and Panelists

Michael H. Jordan
National Policy Board Chairman
Americans for the Arts

Americans for the Arts National Policy Board Chairman Mike Jordan has been Chairman and CEO of The CBS Corporation since December 1, 1997 when Westinghouse Electric Corporation became The CBS Corporation. Jordan had been Chairman and CEO of Westinghouse since June 1993, leading one of the most comprehensive transformations of a major U.S. corporation. Before joining Westinghouse, he was a partner with Clayton, Dubilier and Rice, a private investment firm based in New York City. Prior to that, he spent 18 years with PepsiCo, which he joined in 1974 as Director of Planning and later held senior management positions with PepsiCo International, PepsiCo Food International and the Frito Lay Division. He was also CFO and President of PepsiCo, Inc. Jordan is a graduate of Yale University (BS, chemical engineering, 1957) and Princeton University (MS, chemical engineering, 1959).

Patti Stolkin Archuletta
California Film Commission

Appointed seven years ago by Governor Pete Wilson, Patti Archuletta is Executive Director of the California Film Commission, working with the entertainment industry, community and government leaders to create a film-friendly environment throughout the state and to increase awareness of the film industry's important economic contribution to California. Under her leadership, the Commission has increased film and video production nearly 50 percent, and entertainment industry revenues have risen more than 69 percent to $27 billion while the number of Californians employed by the entertainment industry has climbed to 600,000. She has lectured for the University of California, Academy of Television Arts & Sciences, Alliance of Motion Picture and Television Producers, Association of Independent Commercial Producers, California Arts Council and California League of Cities, among others.Previously, Archuletta served as Deputy to former State Assemblyman and Minority Leader Paul Priolo and Los Angeles City Councilman and former Council President Joel Wachs. She holds a BA from Depauw University in Indiana.

Raymond A. Boyce
Joseph E. Seagram & Sons, Inc.

In August 1996, Ray Boyce was appointed Vice President, Corporate Communications and Public Relations of Joseph E. Seagram & Sons, Inc., a U.S. subsidiary of The Seagram Company Ltd., where he is responsible for the worldwide corporate communications of The Seagram Company Ltd. Prior to joining Seagram, he worked for nearly a decade at Viacom Inc., serving as both a consultant and as Senior Vice President, Corporate Relations, responsible for media relations, employee communications and corporate philanthropy. Prior to this position, Boyce was Vice President, Public Relations for The Coca-Cola Company's Entertainment Sector (1982 – 1987) and V.P., Corporate Relations for Columbia Pictures Industries, Inc. (1978 – 1982). He is the Chairman of the National Corporate Theater Fund and a Board Member of Americans for the Arts, where he chairs the organization's Public Relations Committee.

Elizabeth Monk Daley
USC's School of Cinema-Television
Elizabeth Daley was appointed Dean of University of Southern California's School of Cinema-Television in May 1991, having joined the school in 1989 as Chair of the Film and Television Production Program. From 1982 to 1987, Daley served as Director of the film and television subsidiary of the Mark Taper Forum, later becoming a producer for MGM/UA Television. Before joining Taper Media, Daley was an independent television producer in Washington, D.C., where she founded a media consulting group and taught theater, television and film at American University. Daley has consulted for organizations including National Endowment for the Arts; National Organization for Women; National Center for Economic Journalism; International Television Association; and the John D. and Catherine T. MacArthur Foundation. Daley earned a PhD from the University of Wisconsin and MA and BA degrees from Tulane University and Newcomb College.

Nicholas DeMartino
American Film Institute
Since January 1995, Nick DeMartino has been Director of Strategic Planning for American Film Institute (AFI), where he is responsible for AFI's continuing expansion into digitally based information and education. DeMartino was the founding director of AFI's online publishing activities, and manages relationships with companies like Intel and Apple. He sits on AFI's Entrepreneurial Committee, which develops new private-sector revenue models to support the Institute's programs. DeMartino holds a BA from the University of Louisville and a Master's degree in media studies from Antioch College.

Jean Picker Firstenberg
American Film Institute
Jean Picker Firstenberg became Director and CEO of American Film Institute (AFI) in January 1980. During her tenure, AFI has received increased recognition as the only national cultural organization devoted to advancing and preserving the art of the moving image. Prior to joining AFI, Firstenberg's four years at the John and Mary R. Markle Foundation in New York City were marked by dozens of grants that encouraged new ideas in film and television. She joined the administration at Princeton University in 1972 to develop new organizational systems, publications and programs for the University's communications office. In 1974, she was named Director of the publications office where she served until joining the Markle Foundation.

Harriet Mayor Fulbright
President's Committee on the Arts and the Humanities
Harriet Mayor Fulbright has spent the majority of her adult life in the fields of education and the arts. Since 1997, she has been Executive Director of the President's Committee on the Arts and the Humanities. She previously served as "Unofficial Ambassador" for the 50th anniversary of the Fulbright Program. Her teaching experience ranges from Seoul, Korea to Moscow, and has taught art at several U.S. institutions, including the Maret School and American University. She served as President of the Center for Arts in the Basic Curriculum, and as Executive Secretary of the Congress of International Historians of Art at the National Gallery's Center for Advanced Study in the Arts. From 1987 to 1989, she was Executive Director of the Fulbright Association. She has a BA from Radcliffe College and an MFA from The George Washington University.

NANCY L. GLAZE
THE DAVID AND LUCILE PACKARD FOUNDATION
Nancy Glaze has been with the Packard Foundation since 1983, first as a Program Officer and now as Director of the Arts Program, where she oversees a grant budget of $9 million. Prior to joining the Foundation, she was Executive Director of the Community School of Music and Arts in Mountain View, worked in marketing in the solar energy field and was a professional actress and singer. Glaze is active in local and national organizations, as a member of the Americans for the Arts National Policy Board, the Los Altos Chamber of Commerce and a founding member of the Los Altos Community Foundation. She received undergraduate degrees in business administration and education from the University of Puget Sound in Tacoma, Wash.

MICHAEL GREENE
NATIONAL ACADEMY OF RECORDING ARTS & SCIENCES, INC.
Michael Greene, President and CEO of the National Academy of Recording Arts & Sciences, Inc. has spent a lifetime in the entertainment and communication industries. Greene entered the industry as a recording artist for Warner Brothers' Bizarre Records and later recorded as an artist and producer for GRC and Mercury Records before assuming the post of President and CEO of Apogee Recording Studios, where he managed five publishing companies containing over 5,000 song titles. Greene was previously President and CEO of The Cable Marketing Group, Ltd. and also ran one of the nation's first national video music networks, the Video Music Channel, directed WVEU Television in Atlanta, Georgia and was Executive V.P. of Crawford Communications, Design and Effects; Interactive Services and International Teleport. At the Recording Academy, Greene has served as Chapter President, a National Trustee, Chairman of the Board of Trustees and, in 1988, became the Academy's first full time President and CEO. Greene also serves as President of the NARAS Foundation and MusiCares Foundation.

THOMAS HALL
OLD GLOBE THEATRE
Under the leadership of Managing Director Tom Hall, the Old Globe Theatre has grown from a modest performing arts institution with a $1.3 million annual budget in 1981 to one of America's largest professional theatres with a current budget in excess of $9.5 million. In that time, Hall has expanded the theatre's base of community support, strengthened all areas of management and worked to create a stable support system for many of the country's most esteemed artists. He has produced more than 225 productions, including the Sondheim/Lapine musical "Into the Woods," Neil Simon's "Rumors" and August Wilson's "Two Trains Running." Prior to joining the Olde Globe, he held management positions with the California and Oregon Shakespeare Festivals, the Los Angeles Music Center/Ahmanson Theatre, the Arizona Theatre Company and the Santa Fe Opera. Hall has served on the California Arts Council since 1992, and was reappointed in 1998 after a term as Chairman. He has worked as a management consultant for the Foundation for the Extension and Development of the American Professional Theatre, and has been a guest lecturer at the Yale School of Drama, San Diego State University and the University of California, San Diego. Hall holds a BA in theater arts from the University of California.

FRANK HODSOLL
HODSOLL & ASSOCIATES
Frank Hodsoll is Principal of Hodsoll & Associates, providing consulting services to government and private interests on federal policy and management. He is also a speaker and adviser on the arts and arts education, Co-chair of the American Assembly on the Arts and the Public Purpose and Commissioner of Ouray County, Colo. A lawyer and long-time public servant, Hodsoll was Deputy Director for Management of the U.S. Office of Management and Budget, Chief Financial Officer of the U.S. Government (1989-93) and Chairman of the National Endowment for the Arts (1981-89). He serves on a variety of boards and has received numerous management and arts awards. Hodsoll has degrees from Yale, Cambridge and Stanford, and honorary doctorates from the University of Massachusetts and Pratt Institute.

MURRAY HORWITZ
NATIONAL PUBLIC RADIO
In October 1996, Murray Horwitz was appointed Vice President of Cultural Programming at National Public Radio's (NPR), where he had been Director of Jazz, Classical Music and Entertainment Programming. He was also co-writer with Wynton Marsalis of a 26-part radio series, "Wynton Marsalis: Making the Music," which won a 1996 Peabody Award. His own performing arts experience includes originating and co-writing "Ain't Misbehavin'," the hit Broadway musical based on the music of Fats Waller, which won Tony, Obie, Emmy, Grammy and New York Drama Critics' Circle awards. Horwitz has directed and written scripts for many events including the 90th Anniversary of Carnegie Hall, the first annual Mark Twain Prize ceremony and several White House performances. His written works include television, film and theater projects for studios and networks including HBO, ABC, 20th Century Fox, MGM/United Artists, Universal and Paramount. Before joining NPR, Horwitz was Acting Director of the National Endowment for the Arts' Opera-Musical Theater Program, and also served as Deputy Press Secretary for the New York State Assembly Speaker's office. A graduate of Ohio's Kenyon College with a BA in English and drama, Horwitz received an honorary doctorate of fine arts from his alma mater in 1992.

WILLIAM J. IVEY
NATIONAL ENDOWMENT FOR THE ARTS
In Spring1998, Bill Ivey was confirmed by the U.S. Senate as the seventh Chairman of the National Endowment for the Arts. He is the first NEA Chairman who has developed and run a nonprofit cultural organization prior to his appointment. During his 25-year professional career in both private and public sectors, Ivey forged strong and productive relationships between nonprofit and commercial arts. From 1971 to 1998, he was Director of the Country Music Foundation in Nashville, Tenn., which operates the Country Music Hall of Fame and Museum. From 1994 until his appointment earlier this year, he served on the President's Committee on the Arts and the Humanities. A folklorist and musician, Ivey is recognized for his national leadership in preserving historic recordings of popular and classical music. He was a Senior Research Fellow at the Institute for Studies in American Music of Brooklyn College and taught at Vanderbilt University's Blair School of Music. A national trustee of the National Academy of Recording Arts & Sciences, Ivey served two separate terms as Academy Chairman. Educated at University of Michigan and Indiana University, Ivey has degrees in history, folklore and ethnomusicology.

GARY KNELL
CHILDREN'S TELEVISION WORKSHOP
As Executive Vice President, Operations, Gary Knell is responsible for the day-to-day operations of Children's Television Workshop's (CTW) business divisions including Global Television, Film and Video, Product Licensing, the International Television Group and Publishing and New Media. Knell also serves as a key member of the CTW executive team, identifying new business opportunities and areas for expansion into the global media marketplace, including overseeing NOGGIN, CTW's new joint venture with Nickelodeon. Knell joined CTW in 1989 as Vice President of Legal Affairs, handling all of the not-for-profit's business and legal matters. Previously, Knell was Managing Director of Manager Media International, a print and multimedia publishing company based in Bangkok, Hong Kong and Singapore, and worked in the California Governor's office and the California State Assembly, as well as served as Counsel to the United States Senate Judiciary and Governmental Affairs Committees. He held the post of Senior Vice President and General Counsel at WNET/Channel 13 in New York, America's largest public television station. Knell is a graduate of the University of California at Los Angeles and Loyola University School of Law.

STEVEN D. LAVINE
CALIFORNIA INSTITUTE OF THE ARTS
Steve Lavine has been President of the California Institute of the Arts since 1988. Previously, he had served for eight years as a Program Officer for arts and humanities at The Rockefeller Foundation, and from 1974 to 1981 he was an Assistant Professor of English literature at the University of Michigan. Lavine's current affiliations include Los Angeles Philharmonic Association, Endowments, Inc., KCRW-FM National Public Radio and KCET-Public Broadcasting, Asia Society California Center and Center for Arts and Culture. He has served on the boards of The Operating Company of the Music Center of Los Angeles and the American Council for the Arts, and on the Visiting Committee of The J. Paul Getty Museum, and co-directed of The Arts and Government Program for The American Assembly at Columbia University. In 1991, he co-edited with Ivan Karp *Exhibiting Cultures: The Poetics and Politics of Museum Display*; in 1992, the Smithsonian Institution Press released their second co-edited volume, *Museums and Communities: The Politics of Public Culture.*

RUBY LERNER
ASSOCIATION OF INDEPENDENT VIDEO AND FILMMAKERS
Ruby Lerner is currently the Executive Director of the Association of Independent Video and Filmmakers (AIVF), and Publisher of *The Independent Film and Video Monthly*. In January 1999, she will become the Director of The Creative Capital Foundation, a new foundation that will provide financial and promotional support to innovative projects in the media, performing and visual arts. Prior to her arrival at AIVF, she was the Executive Director of both IMAGE Film/Video Center in Atlanta and Alternate ROOTS, a coalition of Southeastern performing artists. In the late 1970s, Lerner was the Audience Development Director at the Manhattan Theatre Club, one of off-Broadway's most respected theaters. She has written numerous articles, served on many panels, been involved on the boards and steering committees for numerous organizations and consulted with hundreds of arts organizations during her 20 year career in the arts.

ROBERT L. LYNCH
AMERICANS FOR THE ARTS
Bob Lynch is the President and CEO of Americans for the Arts, created in 1996 following the merger of the American Council for the Arts and the National Assembly of Local Arts Agencies (NALAA), where he was President and CEO for 12 years. Under his leadership, Americans for the Arts has helped 4,000 local arts agencies serve 250 million Americans, supported 59 united arts funds in raising more than $83 million, worked with mayors and county leaders to increase local government arts giving to more than $675 million, helped obtain $7.5 million for state and local arts education planning and collaborated with media partners such as CBS and Bravo to reach millions of Americans with powerful messages about the value of the arts. Lynch is the Founding Chair of the Cultural Advocacy Group, a consortium of 60+ national organizations dedicated to raising awareness about the role and value of federal funding for the arts. Prior to his position at NALAA, he was Executive Director of the Arts Extension Service at the University of Massachusetts in Amherst. For more than 25 years, Lynch has been a speaker on subjects including leadership, management, creativity and community cultural planning.

VALSIN A. MARMILLION
PACIFIC VISIONS COMMUNICATIONS, INC.
Val Marmillion is the President of Pacific Visions Communications, Inc. (PVC), one of the nation's premier marketing and communications firms. Founded by Marmillion in 1989, PVC's current and recent clients include the National Endowment for the Arts, the National Association of Counties, the American Psychological Association, The Kennedy Center, IBM and Public Technology, Inc., among others. Marmillion was a Founding Partner in the public relations and public affairs consulting firm of Hunt/Marmillion Associates based in Los Angeles, and prior to that was Manager of Public Information for the Atlantic Richfield Company (ARCO) in Los Angeles. Active in politics, Marmillion worked on the 1980 National Democratic Convention, and for nine years before joining ARCO, worked on Capitol Hill in Washington, D.C. A writer and speaker, Marmillion was the Executive Producer of three programs for The Discovery and Learning Channels, and recently won the Pollie Award recognizing top political documentaries. A native of Louisiana, Marmillion is a graduate of Northwestern State University, Louisiana.

MERYL MARSHALL
ACADEMY OF TELEVISION ARTS & SCIENCES
Meryl Marshall is the President of the Academy of Television Arts & Sciences, an organization dedicated to promoting creativity, diversity, innovation and excellence in the advancement of the telecommunications arts and sciences. Marshall has spoken at conferences for Children NOW; the Commission on the Status of Women, San Francisco; the North American National Broadcasters Association; and the Board of The Association of Junior Leagues International. Marshall began her entertainment career as Senior Counsel for NBC after working as a criminal defense attorney. Following promotions at NBC to Vice President of Compliance and Practices and a member of the NBC West Coast Senior Executive Management Team, she joined Group W Productions as Vice President of Development/Production. Marshall is currently the President of Two Oceans Entertainment Group, an independent production company that creates, sells and produces original television programming.

ROGER L. MAYER
TURNER ENTERTAINMENT CO.
Roger Mayer has been President and Chief Operating Officer of Turner Entertainment Co. (TEC) since August 15, 1986. In late 1996, TEC was acquired by Time Warner. Before joining TEC, he was Senior Vice President, Administration for Metro-Goldwyn-Mayer, Inc. and President of MGM Laboratories, Inc., an association spanning 25 years. Mayer's start in the industry came in 1952 as a lawyer with Columbia Pictures, where he later became a general studio executive. In 1961 he joined MGM as Assistant General Manager of the studio and progressed through a variety of executive positions before becoming Senior VP of Administration and President of the Laboratory. Mayer is Chairman of the Board of the Motion Picture Television Fund and a Board Member of its Charitable Foundation. He is a member of the National Film Preservation Board of the Library of Congress and Chairman of the National Film Preservation Foundation. He also serves on the Board of Governors of the Academy of Motion Picture Arts and Sciences and on the Board of the Academy Foundation. Mayer was born in New York City, and received a BA from Yale University and his LLB and JD from Yale Law School.

CORA MIRIKITANI
THE JAMES IRVINE FOUNDATION
Cora Mirikitani was named Program Director for the Arts at The James Irvine Foundation in 1997. She came to that position from The Pew Charitable Trusts, where she had served as Program Officer for Culture, in charge of national grantmaking activities, since 1991. Previously, Mirikitani worked for 16 years in the not-for-profit arts sector, as Executive Director of the Greater Philadelphia Cultural Alliance, Managing Director for programs at the Japanese American Cultural and Community Center in Los Angeles and Director of Performing Arts and Film at The Japan Society in New York. Among her many professional activities, she has served on grants and advisory panels in the arts on the federal, state and local levels, and has had extensive experience producing and presenting the work of international artists in the United States. Mirikitani is on the board of Grantmakers in the Arts, the national organization for foundations interested in the arts.

MARC SCORCA
OPERA AMERICA
Marc Scorca joined OPERA America in 1990 as Executive Vice President. In 1996, he was promoted to the position of President and CEO, responsible for the overall operation and development of the association. Under his leadership, OPERA America consolidated with the former National Opera Institute and Central Opera Service, which expanded OPERA America's membership from 110 opera companies to nearly 2,000 organizations and individuals. Scorca serves as Vice Chairman of the American Arts Alliance, a member of the Executive Committee and Board of Directors of the National Coalition for Education in the Arts, Board Member of Opera Guilds International and Consulting Editor of the *Journal of Arts Management and Law*. He has previously worked with the Metropolitan Opera, Opera Company of Philadelphia, New York City Opera and Chicago Opera Theater in various capacities. Scorca has been a panelist for the National Endowment for the Arts, Illinois Arts Council and Chicago Office of Fine Arts. He graduated from Amherst College magna cum laude with a BA in history and in music.

HAROLD M. WILLIAMS
J. PAUL GETTY TRUST
Harold M. Williams is President Emeritus of The J. Paul Getty Trust in Los Angeles, a charitable trust devoted to the arts and humanities with an endowment of more than $4.4 billion. He was President and CEO of the Trust from May 1981 until January 1998, and under his leadership, six operating programs and a grant program dedicated to the visual arts and humanities were established and the Getty Center in Los Angeles was created. Previously, Williams served four years as Chairman of the U.S. Securities and Exchange Commission in Washington, D.C., having been nominated to that position in 1977 by President Carter. Williams also served as Dean and Professor of Management of the Graduate School of Management at UCLA, during which time the school achieved ranking within the top 10 graduate business schools in the U.S. and as the leading school at a public university. Williams has served as a member of the President's Committee on the Arts and the Humanities and received a Doctor of Humane Letters degree from Johns Hopkins University. A native of Philadelphia, Williams received his BA from UCLA, where he graduated Phi Beta Kappa, and his JD from Harvard Law School.

WHITE PAPER AUTHORS

DAVID BOSCA
AMERICANS FOR THE ARTS
David Bosca is Director of Americans for the Arts' National Arts Policy Clearinghouse, started in 1993 as a centralized source information about research publications on arts policy, management and education. Bosca joined Americans for the Arts in 1989 to create and manage the Arts Resource Consortium Library and the Visual Artist Information Hotline. Previously, he managed public libraries including the Cultural Center in downtown Chicago and the Queens Central Library in New York City. A native of Michigan, Bosca has an undergraduate degree from the University of Notre Dame and graduate degrees from the University of Michigan and Mississippi College.

RANDY COHEN
AMERICANS FOR THE ARTS
Randy Cohen is Director of Research and Information for Americans for the Arts, where he has overseen studies and projects that include *Jobs, Arts, and the Economy*, an economic impact study of the nonprofit arts industry; the Institute for Community Development and the Arts; Americans for the Arts' *Monographs* series; and numerous reports about local arts agencies, united arts funds, arts education and public and private sector support for the arts. Prior to joining Americans for the Arts in 1991, Cohen worked as a Policy and Planning Specialist for the National Endowment for the Arts and was Managing Director of the San Diego Theater for Young Audiences.

TYLER COWEN
GEORGE MASON UNIVERSITY
Tyler Cowen is Professor of Economics at George Mason University and General Director of the Mercatus Center and the James M. Buchanan Center for Political Economy. His most recent book, *In Praise of Commercial Culture*, was published in 1998 by Harvard University Press. He is currently working on a book entitled *Faustian Bargains: Modern Culture and the Economics of Fame**. His work has been covered by the *New York Times, Wall Street Journal, Financial Times* and the *Times Literary Supplement*, among others. Last year, he appeared on "One on One with John McLaughlin" with Sonny Bono, to discuss his work.

BARRY HESSENIUS
CALIFORNIA ASSEMBLY OF LOCAL ARTS AGENCIES
After receiving his BA and his JD from from U.C. Berkeley, Barry Hessenius spent 16 years in private practice representing musicians, songwriters, performers, producers and executives in music and television industries. In 1982 he founded a telecommunications company which grew to an annual gross in excess of $7 million. He sold the company and embarked on a performance career after winning the first annual oxymoronic "Funniest Lawyer in San Francisco Contest." Hessenius has a screenplay, one-man show and freelance newspaper columns to his credit. Currently, Hessenius is the President and CEO of the California Assembly of Local Arts Agencies (CALAA), representing the state's 250 local arts agencies. He is Vice Chair of the United Statewide Community Arts Association, and prior Co-Chair and founder of the California Arts Advocates.

DAVID KAREM
POST TOOL DESIGN/CALIFORNIA COLLEGE OF ARTS AND CRAFTS
David Karam is a Co-founder of Post Tool Design and an Adjunct Professor at the California College of Arts and Crafts (CCAC). He studied computer science and music at the University of Texas at Austin and Graphic Design at CCAC. Post Tool's work has been collected by the Museum of Modern Art in San Francisco and exhibited at multiple galleries. Post Tool has been nominated three years in a row for the Chrysler Foundation's Innovation in Design, and is published in numerous books and magazines including *ID 40* and *Eye Magazine*.

MERYL MARSHALL
ACADEMY OF TELEVISION ARTS & SCIENCES
Meryl Marshall is the President of the Academy of Television Arts & Sciences, an organization dedicated to promoting creativity, diversity, innovation and excellence in the advancement of the telecommunications arts and sciences. Marshall has spoken at conferences for Children NOW; the Commission on the Status of Women, San Francisco; the North American National Broadcasters Association; and the Board of The Association of Junior Leagues International. Marshall began her entertainment career as Senior Counsel for NBC after working as a criminal defense attorney. Following promotions at NBC to Vice President of Compliance and Practices and a member of the NBC West Coast Senior Executive Management Team, she joined Group W Productions as Vice President of Development/Production. Marshall is currently the President of Two Oceans Entertainment Group, an independent production company that creates, sells and produces original television programming.

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DAVID B. PANKRATZ
CONSULTANT
David Pankratz, Ph.D., is a cultural policy consultant based in southern California. His recent work includes concept development and a briefing paper for "Exploring Intersections: Entertainment and the Arts," a public and online forum presented by ARTS,Inc., the Academy of Television Arts & Sciences and Americans for the Arts. Pankratz has published extensively on cultural policy issues; he is the author of one book, *Multiculturalism and Public Arts Policy*, and the co-editor of two others – *The Future of the Arts* and *The Challenge to Reform Arts Education*. As a Consulting Editor for the *Journal of Arts Management, Law, and Society*, he co-edited the Summer 1998 special issue on "The Arts Sector" with Joni Maya Cherbo. He will also serve as the Los Angeles site manager for "Profiles of Cultural Support," a research collaboration between Americans for the Arts, Ohio State University and The Pew Charitable Trusts. Pankratz has served in senior positions for the Independent Commission on the National Endowment for the Arts, The J. Paul Getty Trust and Urban Gateways: The Center for Arts in Education. He earned his doctorate in Arts Policy and Administration from The Ohio State University.

WILLIAM E. STRICKLAND
MANCHESTER CRAFTSMEN'S GUILD/BIDWELL TRAINING CENTER, INC.
Americans for the Arts National Policy Board Member Bill Strickland is the Executive Director of the Manchester Craftsmen's Guild in Pittsburgh, an arts training program for inner-city public school students that has resulted in the successful placement of minority students in undergraduate school programs. He also runs Pittsburgh's Bidwell Training Center, providing technology-based job training for dislocated and disadvantaged citizens of the region. He has developed programs in conjunction with IBM, Heinz USA, Bayer USA, PPG Industries and Alcoa, among other corporations. Strickland is a certified Airline Transport Pilot, having accumulated more than 2,800 hours of flight time in both air carrier and general aviation flying. A past member of the National Council on the Arts, Strickland is a practicing ceramic artist and lectures frequently on the subject of arts and economic development. In 1996, he was presented with the MacArthur Fellow Award for his leadership and ingenuity in the arts. He holds a BA degree from the University of Pittsburgh, where he is a candidate for a Master's degree in Diplomatic History.

PETER SWORDS
NONPROFIT COORDINATING COMMITTEE OF NEW YORK
Peter Swords is President of the Nonprofit Coordinating Committee (NPCC) of New York, an umbrella group of New York Section 501(c)(3) organizations devoted to improving and protecting the city's nonprofit sector. Currently, NPCC membership stands over 800. Prior to assuming his present position, Swords was an Associate Dean at the Columbia School of Law for 14 years; he continues to teach courses on nonprofit institutions at the law school, and at Teachers College. Swords lectures frequently in the area of nonprofit law and liability insurance. He serves on the boards of the Nonprofit Risk Management Center, the Center for the Study of Philanthropy (Graduate Center, CUNY), the Board of Advisors of the National Center on Philanthropy and the Law at the New York University Law School, the Correctional & Osborne Associations, the La Mama Theatre and the Human Services Council of New York City. Swords is Chairman of the Public Policy Committee of the National Council of Nonprofit Associations.

MARGARET JANE WYSZOMIRSKI
THE OHIO STATE UNIVERSITY
Margaret Wyszomirski is Director of the Arts Policy and Administration Program and Professor of Public Policy at The Ohio State University. After receiving her PhD in Government from Cornell University, she taught at Dickenson College, Rutgers University and Cornell University's Washington Program. She has also been Director of the Graduate Public Policy Program at Georgetown University, a senior faculty member of the Federal Executive Institute of the U.S. Office of Personal Management and, most recently, Director of the Arts Management Program at Case Western Reserve University. In 1990, Wyszomirski served as Staff Director for the bipartisan Independent Commission on the National Endowment for the Arts; from 1991 through 1993, she was Director of the NEA's Office of Policy Planning, Research and Budget. In 1997, she was the Chairman of the Steering Committee of the American Assembly project on "The Arts and the Public Purpose," and is co-editing a book based on the background papers for this project tentatively titled *The Public Life of the Arts in the United States*. Wyszomirski's other publications include *America's Commitment to Culture, Art, Ideology and Politics, Congress and the Arts: A Precarious Alliance?* and *The Cost of Culture*. She is a member of the Research Task Force of the Center for Arts and Culture, as well as the Research and Information Committee of Americans for the Arts.

The Entertainment Industry:
A Statistical Profile

By David Bosca, Americans for the Arts

The Entertainment Industry: A Statistical Profile

Preface

Harold Vogel states in his landmark study, *Entertainment Industry Economics: A Guide for Financial Analysis*, that Americans spend at least 120 billion hours and more than $150 billion on legal forms of entertainment.[1] In that book, he examines all segments of the entertainment industry: movies, television, radio, recordings and other aspects of music, publishing and new media, toys and games, and live entertainment including gaming and wagering, sports, performing arts and culture, and amusement/theme parks. His final remarks sum up well the importance of entertainment and the role of the entertainment industry in today's world.

> Entertainment has proven to be one of life's essentials -- perhaps just behind food, shelter, and clothing in its importance to many people. Indeed, once a society develops... discretionary income, a substantial portion of [it] can be expected to be spent on entertainment products and services.
>
> ..technology [has] spawned new art forms and vistas of human expression [that] have brought to millions of people around the world, at virtually the flick of a switch, a much more varied and higher-quality mix of entertainment than has every before been imagined feasible.
>
> Little or none of this, however, has happened because of *arts gratia artis* (art for art's sake) -- in itself a noble but ineffectual stimulus for technological development. It is *economic forces* -- profit motives... -- that are always behind the scenes, regulating the flows and rates of implementation. Those are the forces that shape the relative popularity and growth patterns of competing, usually interdependent, entertainment activities and products. And those are the forces that ultimately make available to the masses what was previously affordable only by upper-income classes.
>
> Current trends suggest that the entertainment industries will, in the aggregate, continue to grow faster than average rates and that they will continue in the process of integrating vertically and globally. But no matter how large or widespread the corporate entities become, entertainment industries will remain dependent on the vitality and creativity of individuals. In this respect, they will not have changed at all.[2]

This paper uses *Entertainment Industry Economics* [henceforth referred to as EIE] as its primary source and, although other sources are drawn on, relies on it for both its organization and analysis of data. There is no intention to present these ideas as other than a restatement of Mr. Vogel's work. Since this paper is intended as an internal document and not for publication, the usual rights and permissions have not been secured. Sources for the statistics and all other citations are to be found in the references section at the end of the paper.

Introduction

This paper presents a statistical "snapshot" of the overall entertainment industry with a focus on movies, radio and television, and recordings. The purpose is to serve as background information for a discussion of the common environment of and cooperation between the for-profit entertainment industry and the nonprofit arts and culture industry. No attempt is made to provide a total financial accounting or to cover all facets of a quite interdependent and complex industry. These statistics, presented in table format, focus primarily on size, structure and economic scope. Tables on pages 3-7 cover the entire industry followed by those which separately focus on movies, radio and television, and recordings.

Before looking at the statistics, it is worthwhile to examine several common elements, cited in EIE, which apply to the entire entertainment industry. While not in all cases directly applicable, many of these same elements relate to the nonprofit arts industry as well.

- Profits from a very few highly popular products are generally required to offset losses from many mediocrities – evident in movies, network television production, toys and video games and recordings – less prevalent in performing arts where even a few occasional hits cannot counterbalance chronic operating deficits.

- Many products or services have unique features that must continuously be brought to the attention of potential customers – the life cycle of a product may be very brief – per-unit marketing expenditures tend to be large relative to total unit costs of operation or production.

- Since revenue from products must first pay direct costs, they often derive a large proportion of their returns from ancillary or secondary markets – films on average now derive over half their revenues from cable and home video rather than theatrical release.

- High capital costs dictate that most segments come to be dominated by large companies with easy access to capital – evident in distribution of recordings and movies, and in the gaming, theme park, cable, video game, and broadcasting industries.

- With pure public goods, the cost of production is independent of the number of consumers; that is, consumption by one person does not reduce the amount available for consumption by another. Although delivered to consumers in the form of private goods, many products and services – including movies, records, television programs and sports contests – have public-good characteristics.

- Demand for entertainment cuts across all cultural and national boundaries and many cravings – for laughter, for music, or gambling – have deep-seated psychological roots. This means that many products have worldwide market appeal and the incremental revenues from international sources can have an important effect on profitability.

- Ongoing technological development makes it ever easier and less expensive to manufacture, distribute and receive products and services. Over the long-run, this leads to more varied and more affordable mass-market entertainment.

- Many products and services are not standardized which means that there is considerable freedom for the entrepreneurial spirit to thrive, although relative productivity is negatively affected, with the following consequences:

1. Opera, plays, movies, ballets, songs, and video games are uniquely produced and are normally originated by individuals working alone or in small groups and not by giant corporate committees. One can become rich and famous as a direct result of one's own creative efforts.

2. The entrepreneurial spirit, and thus the importance of the individual to the productive process, is accommodated by means of widely varying, uniquely tailored financing arrangements -- evident in movies, recordings and sports.

3. Where the production is the product itself, as in performance or music or dance, it is difficult to enhance productivity.

4. Under these conditions, the costs of creating and marketing products such as movies and television programs tend to rise at above-average rates.[3]

Statistics – Entertainment Industry

Leisure Time Spent on Entertainment

sports and cultural events may be due to the fact that the numbers were derived by averaging participants and nonparticipants. While a particular segment of the population may attend performances of live music quite often, for example, a much higher proportion do not, thus lowering the average for that activity.

Table 1. Time spent by adults on selected leisure activities, 1970 and 1995 estimates[4]

	Hours per person per year		% of total time accounted for by each activity	
Leisure activity	1970	1995	1970	1995
Television	1,226	1,575	46.5	46.2
--Network affiliates		836		24.5
--Independent stations		183		5.4
--Basic cable programs		468		13.7
--Pay cable programs		88		2.6
Radio	872	1,091	33.1	32.0
--Home		442		13.0
--Out of home		649		19.0
Newspapers	218	165	8.3	4.8
Records/tapes	68	289	2.6	8.5
Magazines	170	84	6.5	2.5
Leisure books	65	99	2.5	2.9
Movies: theaters	10	12	0.4	0.4
Movies: home video		45		1.3
Spectator sports	3	14	0.1	0.4
Video games: arcade		4		0.1
Video games: home		24		0.7
Cultural events	3	5	0.1	0.1
TOTAL	2,645	3,407	100.0	100.0
Hours per adult per week	50.7	65.5		
Hours per adult per day	7.2	9.3		

– Hours per person per year are averaged over participants and nonparticipants.
– Totals not exact due to rounding.

Consumer Spending on Entertainment

Statistics for spending on entertainment are reported along with other forms of recreation. Expenditures represent the value of purchases of good and services that are used or consumed during leisure time. Because of the aggregate nature of these statistics, not all the spending that relates specifically to movies, radio and television, and recordings can be separated out. However, it is clear that the total percent of personal consumption expenditures for all recreation has risen from 4.3% of all personal consumption expenditures in 1970 to 8.6% in 1995.

Table 2. Personal consumption expenditures for recreation in real (1992) dollars, 1970 to 1995[5]

Type of product or service	1970	1980	1985	1990	1995
Total recreational expenditure	93.8	189.7	215.8	291.8	395.5
Percentage of total personal consumption	4.3	5.3	6.1	7.1	8.6
Book and maps	12.8	12.5	13.9	17.6	19.4
Magazines, newspapers, sheet music	16.7	23.3	21.7	23.8	23.0
Nondurable toys and sports supplies	10.8	20.1	25.7	32.6	41.8
Wheel goods, durable toys, sports equipment	11.7	21.4	25.2	31.2	42.1
Radio and TV receivers, records, musical instruments	6.2	12.7	24.7	47.9	106.0
Radio and television repair	3.2	4.1	4.0	4.6	4.6
Flowers, seeds and potted plants	4.8	7.0	8.7	12.5	13.5
Admissions to specified spectator amusements	10.9	13.1	14.2	16.5	18.0
--Motion picture theaters	5.5	5.1	4.7	5.6	5.1
--Legitimate theaters and opera, and entertainments of nonprofit institutions*	1.7	3.5	4.7	6.1	8.1
--Spectator sports	3.7	4.5	4.8	4.8	4.8
Clubs and fraternal organizations	4.5	4.8	7.5	9.5	11.7
Commercial participant amusements	7.7	15.3	20.0	24.9	33.9
Pari-mutuel net receipts	3.8	4.8	4.1	3.7	3.0
Other	14.2	32.2	52.7	68.3	82.1

– In millions of dollars, except percentages. Represents market value of purchases of goods and services by individual and nonprofit institutions. Wheel good include boats and pleasure aircraft.
– *Except athletic.
– Clubs and fraternal organizations consists of dues and fees excluding insurance premiums.
– Commercial participant amusements consists of billiard parlors; bowling alleys, dancing, riding, shooting, skating and swimming places; amusement devices and parks; golf courses; sightseeing buses and guides; private flying operations and other commercial participant amusements.
– Other consists of net receipts of lotteries and expenditures for purchase of pets and pet care services, cable TV, film processing, photographic studios, sporting and recreation camps and recreational services not elsewhere classified.

Ranking of Consumer Spending on Entertainment

Recreation, of which consumer spending on entertainment is a major part, ranks significantly in the categories of personal spending on what otherwise are consider the "essentials" of daily life.

Table 3. Percent of all personal-consumption expenditures in selected major categories in 1996[6]

Medical care services	15.8%
Housing	15.1%
Food	15.0%
Transportation	11.2%
All recreation	8.3%
Clothing	6.5%

Financial Growth of the Entertainment Industry

The following information is based on groups of sample companies in various segments of the industry, representing an estimated 80% of the transactions volume. Vogel points out that, excluding publishing, the entertainment industries had wholesale revenue in 1996 of $125 billion and averaged annual growth at 7.7% between 1992 and 1996. He further points out that since assets have risen at a faster rate of growth, additions to assets have been made largely through borrowing or the sale of stock.[7]

Table 4. Entertainment industry composite, 1992-96[8]

Compound annual growth rates (%): 1992-96

Industry segment	No. companies in sample	Revenues	Operating	Assets	Operating cash flow
Broadcasting	76	8%	15%	19%	16%
Cable	35	12	1	17	8
Filmed entertainment	7	9	8	10	8
Gaming (casinos)	39	11	9	15	10
Publishing (books, consumer magazines, newspapers)	75	5	7	7	7
Recorded music	5	6	7	1	9
Theatrical exhibition	9	6	15	8	12
Theme parks	5	8	10	8	10
Toys	8	5	4	5	5
Total number of companies	259				

Total composite

	Pretax return on revenues	Pretax return on assets	Revenues ($ million)	Operating income ($ million)	Assets ($ million)	Operating cash flow ($ million)
1996	13.4%	11.5%	$171,222	$22,983	$200,708	$36,766
1995	13.7	13.6	153,917	21,067	155,002	31,318
1994	13.9	14.0	140,600	19,501	139,123	28,820
1993	13.6	13.4	126,754	17,241	128,401	24,968
1992	13.3	13.5	118,422	15,750	116,937	23,802
CAGR			7.7%	7.9%	11.4%	9.1%

CAGR = compound annual growth rate

Ranking of Entertainment Companies

In late August of each year *Variety* produces a list of the top fifty international entertainment companies [not necessarily the same group as analyzed in the above table]. Publishing companies without major holdings in film, TV or music do not qualify for this list. In the case of conglomerates that derive significant revenue from non-entertainment sources, the list breaks this out and includes only the entertainment and/or media assets. Earnings are net unless otherwise specified. For privately held companies estimates are made. Following is an excerpt of the top fifteen companies from the *Variety* list.

Table 5. Top international entertainment companies, ranked by 1997-98 revenue in $ billions [profit in $ millions][9]

97-98 rank	96-97 rank	Company	Headquarters	97-98 revenue	96-97 revenue	% change	97-98 profit	96-97 profit	% change
1	1	Time Warner	New York	$24.620	$20.925	+17.7%	($ 73.0)	($488.0)	+ 83.7
2	2	Walt Disney	Burbank	22.473	18.730	+20.0	1,960.0	1,200.0.	+ 63.3
3	4	Viacom	New York / Los Angeles	13.200	10.080	+ 9.3	733.6	118.0	+521.7
4	5	News Corp.	New York	12.800	11.216	+14.1	1,220.0	1009.0	+ 20.9
5	3	Bertelsmann	Guetersloh, Germany	12.580 est.	12.300	+ 2.3	573.0 est.	520.0	+ 10.2
6	6	Sony [music, film, TV divs.]	Tokyo / Los Angeles	10.000	8.400	+19.0	679.0	534.0	na
7	8	Tele-Communi-cations Inc.	New York	7.570	8.022	- 5.6	(626.0)	243.0	na
8	10	Granada Group	London	6.710	6.260	+ 7.2	781.0	486.0	+ 60.7
9	9	Universal Studios - div. of Seagrams	Los Angeles	6.400	6.500	- 1.5	*712.0	* 242.0	+194.2
10	12	Polygram	London / Netherlands	5.530	4.730	+16.9	393.0	361.0	+ 8.9
11	11	EMI Group	London	5.430	6.300	-13.8	391.0	273.0	- 43.2
12	24	Organizacoes Globo	Rio de Janeiro	5.400	4.800	+12.5	541.0	491.0	+ 10.2
13	17	CBS	New York	5.363	4.143	+29.4	549.0	95.0	+477.9
14	15	Cox Enterprises	Atlanta	5.200 est.	4.600 est.	+13.0	na	na	na
15	na	MediaOne	Englewood, Colorado	5.040	4.660	+ 8.2	(480.0)	(513.0)	na
16	13	NBC-div. of General Electric	New York	5.153	5.200	- 0.9	1.025	950.0	+ 7.9

Key: ( ) losses / *operating income / div. division of larger corporate parent

Statistics – Movies

The following four tables about the movie industry report a variety of statistics, primarily financial in nature. While technology is perhaps the biggest factor making for change in the industry, Vogel point out several other underlying key factors in understanding it:

- Even after a history of over 100 years, the business remains entrepreneurial and capitalistic.
- Films are by nature research-and-development products; they are perishable and cannot be test marketed in the usual sense.
- The film industry manufacturers an art form for the masses.
- Seasonal change in theatrical attendance are radical, but domestic attendance over two decades has fluctuated within a fairly narrow range.
- Despite long-standing trade restrictions, a fairly stable domestic market is reinforced by a strong export market.
- From acquisitions of literary properties to final theater bookings, virtually every phase of the industry's operations is negotiated...[implying] high standards of professional integrity....[10]

Updating the information in the first table, *Variety* reported in early 1998 that the movie industry had a box office gain in 1997 of 8.3% over the previous year with a record $6.24 billion domestic gross income. Twelve Hollywood movies grossed more than $100 million each domestically and 17 did so internationally.[11]

Table 6. Motion picture theater industry statistics, 1965-96[12]

	Total U.S. B.O. revs ($million)	MPAA U.S. rentals ($million)	MPAA Canadian rentals ($million)	MPAA U.S. rentals % of B.O.	U.S. + Canadian rentals % of B.O.	Worldwide U.S. + foreign rentals ($million)	Foreign rentals ($million)	Foreign as a % of total (%)
1996	5,911.5	2,417.5	146.7	40.9	43.4	4,921.5	2,504.0	50.9
1995	5,493.5	2,393.7	110.2	43.6	45.6	4,609.6	2,215.9	48.1
1990	5,021.8	1,829.0	148.3	36.4	39.4	3,478.4	1,649.5	47.4
1985	3,749.4	1,109.1	76.8	29.6	31.6	1,829.0	619.9	35.9
1980	2,748.5	1,182.6	91.5	43.0	46.4	2,093.7	911.2	43.5
1975	2,115.0	628.0	63.2	29.7	32.7	1,232.2	604.2	49.0
1970	1,429.0	381.3	27.4	26.7	28.6	741.7	360.4	48.6
1965	1,042.0	287.2	23.3	27.65	29.8	630.7	343.5	54.5
Compound annual growth rate 1965-96	5.8%	7.1%	6.1%			6.9%	6.6%	

–Totals may be affected by rounding.

– Motion Picture Association of America (MPAA) rentals are assumed to be about 95% of total U.S. rentals. Remainder is from non-MPAA-member companies.

– Rentals percentage for U.S. is understated by 1%--2% because state admissions taxes are not deducted from box office figures.

Table 7. Motion picture theater industry statistics, 1965-96[13]

	U.S. admissions (billion)	Avg. ticket price ($)	Number of MPAA releases	Total domestic screens	Indoor screens	Drive-in screens	Avg. per screen - Domestic B.O. ($)	Avg. per screen - Admissions	Screens per MPAA release
1996	1.339	4.42	240	29,690	28,864	826	199,107	45,086	123.7
1995	1.263	4.35	234	27,805	26,958	847	197,572	45,409	118.8
1990	1.189	4.23	169	23,689	22,774	915	211,989	50,175	140.2
1985	1.056	3.55	153	21,147	18,327	2,820	177,302	49,941	138.2
1980	1.022	2.69	161	17,590	14,029	3,561	156,254	58,073	109.3
1975	1.033	2.05	138	15,030	11,402	3,628	140,719	68,729	108.9
1970	0.921	1.55	185	13,750	10,000	3,750	103,927	66,982	74.3
1965	1.032	1.01	210	12,825	9,240	3,585	81,248	80,468	61.1
CAGR: (%)									
1965-95	0.7	5.0		2.6	3.6	-4.7	3.0	-1.9	
1980-96	1.7	3.1		3.3	4.6	-8.7	1.5	-1.6	

– In traditional industry parlance, the term *domestic* includes U.S. and Canadian rentals. In this table, *foreign* includes Canada.

Table 8. Film industry sources of revenue estimated, 1980 and 1995[14]

	1980 $ million	%	1995 $ millions	%
Theatrical-Domestic	1,183	29.6	2,600	14.4
Theatrical-Foreign	911	22.8	2,300	12.8
Home video	280	7.0	7,300	40.6
Pay cable	240	6.0	1,400	7.8
Network TV	430	10.8	250	1.4
Syndication	150	3.8	750	4.2
Foreign TV	100	2.5	1,200	6.7
Made for TV films	700	17.5	2,200	12.2
TOTAL	3,994	100.0	18,000	100.0

Table 9. Ranking of movie studios based on gross income ($ millions), 1997[15]

Distributor	Releases	Gross Income $millions	Market share	% change over 1996
Sony	38	$ 1,271.1	20.4%	+112.5%
Buena Vista	34	890.7	14.3	- 25.9
Paramount	27	734.9	11.8	+ 1.3
Warner Brothers	27	680.3	10.9	- 24.6
Fox	20	651.3	10.4	- 9.5
Universal	13	613.3	9.9	+ 26.4
Mirimax	33	421.0	6.7	+ 68.2
New Line	31	389.6	6.2	+ 36.5
MGM	13	158.5	2.5	- 46.9
DreamWorks	3	89.4	1.4	na
Gramercy	13	76.0	1.2	- 10..0
Fox Searchlight	9	49.4	.8	+139.8
Polygram	1	48.3	.8	na
Other*	137	166.6	2.7	+ 39.1
Total	339	$6,250.4	100.0%	+ 8.3

* none greater than .5%

Statistics – Television and Radio

Vogel sees that "broadcasting is a multifaceted, regulated industry now entering a period of maturity in which expansion will be slower and the challenges greater."[16] The recent challenges to the preeminence of broadcasting has been the growth of cable and cable-related services and competition from videocassette recorders and video games. New challenges on the horizon include the expansion of cable systems to provide up to 500 channels, the Internet as an alternative entertainment medium, and the growth of such digital formats as DVD. The tables in this section focus primarily on the following areas: the number of broadcasting facilities, advertising revenue, the market share between network and cable television, and the size of the cable industry. For revenue statistics on radio and television, see the first set of tables on the overall entertainment industry.

Not all broadcasting facilities have the same capacities for reaching the same size audience. Audience size is one of the major factors upon which advertising rates are based. Advertising is the major source of income for commercial outlets. Although there are some AM-radio stations with "clear channels" that can reach major portions of the country, and there are some networks of radio stations, radio is primarily a local medium.

Table 10. U.S. broadcasting facilities, 1997[17]

Service		Total
Commercial AM		4,811
Commercial FM		5,477
Educational FM		1,889
	Total radio	12,177
Commercial VHF TV		588
Commercial UHF TV		637
Educational VHF TV		124
Educational UHF TV		241
	Total TV	1,560
VHF LPTV		555
UHF LPTV		1,466
	Total LPTV	2,001
FM translators and boosters		2,800
VHF translators		2,270
UHF translators		2,721
	Total translators	7,791

–LPTVs are low-power television stations using a system of satellite earth stations and high-gain antennas to serve a local area with a signal that can extend 18 miles form the transmission point.
–Translators and booster are facilities for relaying or boosting broadcast signals.

Table 11. Annual U.S. advertising expenditures, 1970-95 (in $ billion)[18]

	1970	1975	1980	1985	1990	1995
Newspapers	5,704	8,234	14,794	25,170	32,281	36,317
Magazines	1,292	1,465	3,149	5,155	6,803	8,580
Farm publications	62	74	130	186	215	283
TV--total	3,596	5,263	11,469	21,022	28,405	37,828
Four networks+	1,658	2,306	5,130	8,060	9,863	11,600
Cable networks	---	---	45	594	1,860	3,535
Syndica-tion	---	---	50	520	1,109	2,016
Spot-nat'l	1,234	1,653	3,269	6,004	7,788	9,119
Spot-local	704	1,334	2,967	5,714	7,856	9,985
Radio--total	1,308	1,980	3,702	6,490	8,726	11,338
Network	56	83	183	365	482	480
Spot-nat'l	371	436	779	1,335	1,635	1,959
Spot-local	881	1,461	2,740	4,790	6,609	8,899
Yellow pages	---	---	2,900	5,800	8,926	10,236
Direct mail	2,766	4,124	7,596	15,500	23,370	32,866
Business publications	740	919	1,674	2,375	2,875	3,559
Outdoor	234	355	578	945	1,084	1,263
Misc.	3,848	5,506	7,558	12,107	16,237	20,660
Total/nat'l*	11,350	15,200	29,815	53,355	73,380	95,360
Total/local*	8,200	12,700	23,735	41,395	56,210	67,570
Grand total	19,550	27,900	53,550	94,750	129,590	162,930

+Three networks prior to 1990
*Total is sum of major categories.

Table 12. U.S. advertising expenditures -- all media, 1996-97[19]

	1996 $millions	% of total	1997 $millions	% of total	% of change
Daily Newspapers					
Total	$38,075	21.8	41,341	22.1%	8.6%
National	4,667	2.7	5,322	2.8	14.0
Retail	18,344	10.5	19,257	10.3	5.0
Classified	15,065	8.6	16,762	9.0	11.3
Magazines	9,010	5.2	9,975	5.3	10.7
Broadcast TV	36,046	20.6	37,145	19.9	3.0
Cable TV	4,472	2.6	5,275	2.8	18.0
Radio	12,269	7.0	13,180	7.1	7.4
Direct Mail	34,509	19.7	36,925	19.8	7.0
Yellow Pages	10,849	6.2	11,470	6.1	5.7
Miscellaneous	22,263	12.7	31,575	16.9	41.8
Total-National	103,307	59.1	110,432	59.1	6.9
Total-Local	71,597	40.9	76,454	40.9	6.8
Total -All Media	$174,904	100.0%	$186,886	100.0%	6.9%

– 1996 revised data.
– 1997 preliminary data.
– Miscellaneous includes weeklies, shoppers, pennysavers, bus and cinema advertising.

Table 13. Network and cable television -- percentage of viewers, January 1 - July 31[20]

Service	1997	1996	% change
ABC	8.1	9.1	-11
CBS	8.8	8.9	- 1
NBC	9.7	11.6	-16
Fox	6.6	6.4	+ 3
UPN	2.9	2.8	+ 4
The WB	2.4	2.4	--
PBS	2.1	2.1	--
Pay cable	3.7	3.2	+16
Indie TV	8.1	8.1	--
Basic cable	19.8	17.8	+11

Table 14. Top 15 cable networks[21]

Rank	Cable network	Start-up date	Systems	Subscribers (million)*
1	Cable News Network	June 1980	11,411	65.8
2	ESPN	September 1979	12,017	71.0
3	TBS Superstation	December 1976	11,378	65.7
4	USA Network	April 1980	12,500	68.2
5	Discovery Channel	June 1985	10,683	69.4
6	TNT	October 1988	10,586	65.5
7	Nickelodeon	April 1979	11,788	66.8
8	C-Span	March 1979	6,114	62.4
9	The Family Channel	April 1977	13,213	59.0
10	Nashville Network	March 1983	13,932	69.0
11	MTV	August 1981	8,927	64.2
12	Lifetime	February 1984	6,556	62.7
13	Arts & Entertainment	February 1984	11,436	61.6
14	Weather Channel	May 1982	6,500	61.6
15	QVC Network	September 1986	6,202	61.2

*The subscriber number does not represent the actual viewing audience, but rather the total universe that can receive the network in question.

Table 15. U.S. cable systems by subscriber size and channel capacity, 1996[22]

	Systems	% of total	Subscribers	% of total
Size by subscribers				
50,000 & over	263	2.40%	28,714,598	46.69%
20,000-49,999	446	4.07	3,557,866	22.04
10,000-19,999	507	4.63	7,258,235	11.64
5,000-9,999	666	6.08	4,788,959	7.62
3,500-4,999	401	3.66	1,676,587	2.72
1,000-3,499	1,968	17.97	3,730,537	6.07
500-999	1,457	13.31	1,045,512	1.70
250-499	1,494	13.65	536,941	0.87
249 & under	3,322	30.34	399,056	0.65
Not available	419	3.88	---	---
Total	10,943	100.00%	61,708,291	100.00%
Channel capacity				
54 & over	1,724	15.75%	33,582,395	54.420%
30-53	6,410	58.58	26,064,547	42.238
20-29	1,067	9.75	806,017	1.306
13-19	337	3.08	98,079	0.159
6-12	456	4.17	190,714	0.309
Not available	937	8.56	964.412	1.563
Total	10,943	100.00%	61,708,291	100.00%

Statistics - Recordings

The recording industry, as of 1998, is dominated by five large worldwide conglomerates, formerly six. The second table shows the tremendous change brought out by the introduction of the compact disc in the early 1980's. The final table is a profile of the recordings consumer. Vogel sees technology as being the primary factor in the potential for growth in the music area. He points out that until the early 1980's, with the introduction of digital technology, the recording industry had really only embellished the processes discovered by Edison 100 years earlier.[23]

Table 16. Multinational music conglomerates ranked by global revenue, 1997[24]

Company	Revenue ($billions)	Percentage of total
Seagram *	$6.2	28.4%
Sony Music	5.3	24.3
EMI	4.4	20.2
Warner	3.7	17.0
BMG	2.2	10.1
	$21.8	100.0%

*Before the 1998 merger into Seagram, Polygram had 1997 revenue of $4.7 and Universal had $1.5 billion.

Table 17. Recordings -- unit shipments and dollar value, 1982-1996[25]

		1982	1986	1990	1994	1995	1996	% change 1995--96
CD	units shipped	na	53.0	286.5	662.1	722.9	778.9	7.7%
	dollar value	na	$930.1	$3,451.6	$8,464.5	$9,377.4	$9,934.7	5.9%
CD single	units shipped	na	na	1.1	9.3	21.5	43.2	100.9%
	dollar value	na	na	$6.0	$56.1	$110.9	$184.1	66.0%
Cassette	units shipped	182.3	344.5	442.2	345.4	272.6	225.3	-17.4%
	dollar value	$1,384.5	$2,499.5	$3,472.4	$2,976.4	$2,303.6	$1,905.3	-117.3%
Cassette single	units shipped	na	na	87.4	81.1	70.7	59.9	-15.3%
	dollar value	na	na	$257.9	$274.9	$236.3	189.3	-19.9%
Vinyl LP/EP	units shipped	243.9	125.2	11.7	1.9	2.2	2.9	31.8%
	dollar value	$1,925.1	$983.0	$86.5	$17.8	$25.1	36.8	46.6%
Vinyl single	units shipped	137.2	93.9	27.6	11.7	10.2	10.1	-1.0%
	dollar value	$283.0	$228.1	$94.4	$47.2	$46.7	47.5	1.7%
Music video	units shipped	na	na	9.2	11.2	12.6	16.9	34.1%
	dollar value	na	na	$172.3	$231.1	$220.3	236.1	7.2%
	Total units	577.4	618.3	865.7	1,122.7	1,112.7	1,137.2	2.2%
	Total value	$3,641.6	$4,651.1	$7,541.1	$12,068.0	$12,320.3	$12,533.8	1.7%

Note: dollar values (in $millions) are calculated at suggested list.

Table 18. Recordings -- consumer profile, 1987-1996[26]

		1987	1990	1993	1996
Type purchased	Rock	45.5	36.1	30.2	32.6
	Country	10.6	9.6	18.7	14.7
	R&B	9.0	11.6	10.6	12.1
	Pop	13.5	13.7	11.9	9.3
	Rap	3.8	8.5	9.2	8.9
	Gospel	2.9	2.5	3.2	4.3
	Classical	3.9	3.1	3.3	3.4
	Jazz	3.8	4.8	3.1	3.3
	Oldies	0.7	0.8	1.0	0.8
	Soundtracks	0.2	0.8	0.7	0.8
	New Age	na	1.1	1.0	0.7
	Children's	0.5	0.5	0.4	0.7
	Other	4.8	5.6	4.6	5.2
Format purchased	Full-length cassettes	62.5	54.7	38.0	19.3
	Full-length CDs	11.5	31.1	51.1	68.4
	Vinyl LPs	20.1	4.7	0.3	0.6
	Singles (all types)	5.7	8.7	9.2	9.3
	Music videos	na	na	1.3	1.0
Age of purchaser	10-14 years	7.3	7.6	8.6	7.9
	15-19 years	24.2	18.3	16.7	17.2
	20-24 years	19.1	16.5	15.1	15.0
	25-29 years	14.5	14.6	13.2	12.5
	30-34 years	10.8	13.2	11.9	11.4
	35-39 years	8.2	10.2	11.1	11.1
	40-44 years	4.8	7.8	8.5	9.1
	45+ years	10.7	11.1	14.1	15.1
Place of purchase	Record store	65.0	69.8	56.2	49.9
	Other store	21.7	18.5	26.1	31.5
	Tape/record club	10.2	8.9	12.9	14.3
	Mail order	2.6	2.5	3.8	2.9
Sex of purchaser	Female	44.8	45.6	49.3	49.1
	Male	55.2	54.4	50.7	50.9

References

The primary source for this paper is *Entertainment Industry Economics: A Guide for Financial Analysis*, by Harold L. Vogel [4th edition, New York, NY: Cambridge University Press, 1998]. At the time he wrote this book, Vogel was Managing Director and Senior Entertainment Industry Analyst at Cowen & Co. He has been on Wall Street for 30 years and has been rated as one of the top analysts of the entertainment industry.

All references to *Entertainment Industry Economics* in the list below are indicated as EIE. Since most of the statistical information in EIE is from other sources, the original source is given first followed in brackets with the page numbers from EIE. When no brackets follow, EIE was not the source of the information.

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[1] EIE, p. xvii.

[2] EIE, p. 319.

[3] EIE, p. 314-315.

[4] Table 1. Time spent by adults on selected leisure activities, 1970 and 1995 estimates. Source: CBS Office of Economic Analysis, Wilkofsky Gruen Associates, Inc. [EIE, p. 9].

[5] Table 2. Personal consumption expenditures for recreation in real (1992) dollars, 1970 to 1995. Source: U.S. Bureau of Economic Analysis. *The National Income and Product Accounts of the United States, 1929-1976*; and *Survey of Current Business*, July Issues. [EIE, p. 19].

[6] Table 3. Percent of all personal-consumption expenditures in selected major categories in 1996. Source: U.S. Bureau of Economic Analysis. *Survey of Current Business*, July Issues. [EIE, p. 20].

[7] EIE, p. 25-27.

[8] Table 4 . Entertainment industry composite, 1992-96. Source: Company reports, Veronis, Suhler & Associates, Inc., Wilkofsky Gruen Associates, Inc. [EIE, p. 25].

[9] EIE, p. 88. Vogel is quoting from "21 Fundamental Aspects of U.S. Theatrical Film Biz" by A.D. Murphy. *Daily Variety*, October 26, 1982.

[10] EIE, p. 88. Vogel is quoting from "21 Fundamental Aspects of U.S. Theatrical Film Biz" by A.D. Murphy. *Daily Variety*, October 26, 1982.

[11] *Variety*, January 5, 1998, p. 1.

[12] Table 6. Motion picture theater industry statistics, 1965-96. Source: *Variety* and *Daily Variety* as based on MPAA-MPEAA data. [EIE, p. 46-47].

[13] Table 7. Motion picture theater industry statistics, 1965-96. Source: *Variety* and *Daily Variety* as based on MPAA-MPEAA data. [EIE, p. 48-49].

[14] Table 8. Film industry sources of revenue estimated, 1980 and 1995. Source: EIE, p. 55. [no other source indicated].

[15] Table 9. Ranking of movie studios based on gross income ($ millions), 1997. Source: *Variety*, January 5, 1998, p. 96.

[16] EIE, p. 176-177.

[17] Table 10. U.S. broadcasting facilities, 1997. Source: *Broadcasting and Cable*, August 11, 1997. [EIE, p. 158].

[18] Table 11. Annual U.S. advertising expenditures, 1970-95 (in $ billion). Source: Robert J. Coen, McCann-Erickson, Inc., New York. [EIE, p. 162].

[19] Table 12. U.S. advertising expenditures -- all media, 1996-97. Source: Newspaper Association of America (newspapers), McCann-Erikson, Inc. (all other media). Special advertisement supplement, *The New York Times*, September 14, 1998.

[20] Table 13. Network and cable television -- percentage of viewers, January 1 - July 31. *Electronic Media*, August 25, 1997, p. 18.

[21] Table 14. Top 15 cable networks. Source: *Cablevision*, June 30, 1997. [EIE, p. 186].

[22] Table 15. U.S. cable systems by subscriber size and channel capacity, 1996. Source: *Television Factbook*, No. 65. Washington DC: Warren Publishing, Inc., 1997. [EIE, p. 187].

[23] EIC, p. 153.

[24] Table 16. Multinational music conglomerates ranked by global revenue, 1997. Source: *Variety*, May 25, 1998, p. 71.

[25] Table 17. Recordings -- unit shipments and dollar value, 1982-1996. Source: *RIAA Top Ten Fact Book*. Washington DC: Recording Industry Association of America, 1997.

[26] Table 18. Recordings -- consumer profile, 1987-1996. Source: *IRA Top Ten Fact Book*. Washington DC: Recording Industry Association of America, 1997.

Nonprofit Arts in America:
A $37 Billion Industry

By Randy Cohen, Americans for the Arts

The Nonprofit Arts in America: A $37 Billion Industry

Question: What do these diverse types of arts organizations have in common?
The Metropolitan Opera, the Miami City Ballet, the Los Angeles Philharmonic, folk music societies, Minnesota Public Radio, weaving societies, historical museums, choral groups . . . even arts service organizations.

Answer: They are all nonprofit arts organizations and are distinct from for-profit arts organizations and unincorporated arts organizations.

What is a nonprofit organization?

In *Managing A Nonprofit Organization*[1], author Thomas Wolf defines the term nonprofit organization as the following: those legally constituted, nongovernmental entities, incorporated under state law as charitable or not-for-profit corporations that have been set up to serve some public purpose and are tax-exempt according to the IRS. All must have the following five characteristics:

1. Have a public service or mission.
2. Be organized as a not-for-profit or charitable corporation.
3. Governance structures must preclude self-interest and private financial gain.
4. Be exempt from paying federal tax.
5. Possess the special legal status that stipulates gifts made to them are tax deductible.

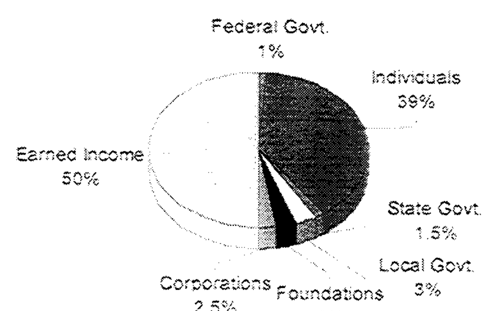
40,000 Nonprofit Arts Organizations in the U.S. (and Growing)

According the National Endowment for the Arts' 1992 report, *Arts in America 1992*, the number of nonprofit arts organizations in the United States increased from 7,732 in 1965 to 33,544 in 1992. Today it is estimated that there are more than 40,000 nonprofit arts organizations in the United States (more than 500 percent growth in 33 years).

Sources of Revenue

While there is no single study that documents the sources of revenue for the entire nonprofit arts industry, estimates can be made based on existing data. In the American Assembly's *The Arts and Public Purpose*[2], it was noted that, "Not-for-profit organizations cannot 'earn' all the money it takes to sustain their operations; they have to raise on the order of half of their revenues through contributions and grants."

Estimated Sources of Revenue
Nonprofit Arts Industry



The chart to the right was developed by Americans for the Arts to accompany Michael Jordan's white paper to the National Policy Board in 1997.

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[1] Wolf, Thomas, *Managing a Nonprofit Organization*, Prentice Hall Press, New York, NY, 1990.
[2] The American Assembly, *The Arts and the Pubic Purpose*, The 92nd American Assembly May 29-June 1, 1997, Columbia University, New York, NY, 1997.

Growth of Professional Nonprofit Arts Organizations: 1965 to 1995
Since 1965, there has been significant growth in the numbers of arts organizations in the United States. One can now see dance, theater, or scores of other art forms in almost every city in the country. The following data from the National Endowment for the Arts' Research Division describe the growth of professional arts organizations.

	1965	**1995**
Theaters	56	420
Large Orchestras	100	230
Dance Companies	37	400
Opera Companies	27	120
Local Arts Agencies	400	4,000

A $37 Billion Industry
According to Americans for the Arts' 1994 report, *Jobs, the Arts and the Economy*[3], total 1994 expenditures by nonprofit arts organizations in the United States were estimated to be $36.8 billion. This spending had the following economic impact:

- Supported 1.3 million full-time-equivalent jobs
- $3.4 billion to federal government (income taxes)
- $1.2 billion to state governments (taxes and fees)
- $790 million to local government (taxes and fees)
- $25.2 billion paid in salaries and wages

This estimate includes:

- Nonprofit arts organizations
- City owned/operated arts organizations (*e.g.*, state museum or a presenting program managed by a university)
- Organizations in small communities that may not possess a 501(c)(3)

This estimate does not include:

- Unincorporated arts organizations (often amateur groups or temporary ensembles that have not sought legal status)
- For-profit arts organizations (*e.g.*, Broadway or professional art galleries)
- Individual artists
- Motion picture and television industry (with the exception of public TV/radio stations)
- Expenditures by arts audiences

It is important to remember that **nonprofit is a legal designation, not an economic philosophy**. That is, most nonprofit arts organizations are lean organizations and aggressive marketers endeavoring to end their fiscal year with a profit.

Entertainment and Arts Roundtable

By Barry Hessenius, California Assembly of Local Arts Agencies

Entertainment and Arts Roundtable

This paper posits a plan for the creation of an entertainment industry/arts roundtable for ongoing cooperation and collaboration. It assumes that the entertainment industry is a key economic engine in modern global economics and that it has a direct interest and symbiotic relationship with the arts.

The Challenge

The single most fundamental issue facing the nonprofit arts community is the public perception of the arts as a nonessential luxury. This undervaluation of the arts obviates against public and private funding, bars the arts from being a part of the core education curriculum and marginalizes the contribution of the arts to business and the economy. The failure of the public to appreciate the positive impact of the arts across communities prevents systemic change in the stabilization in, and inhibits the growth of, the arts in America.

This misperception is ingrained in the very communities outside of the arts which have a direct stake in the success of the arts —the education, government and business arenas (specifically, the entertainment and high-tech sectors).

The historic failure of the arts community itself to correct erroneous public perceptions has fueled the perception of the arts as elitist.

Background

The misperception of the arts as a "frill" took decades to become ingrained in the American psyche. It will take nothing short of a massive and sustained education, public relations and marketing campaign to correct that false impression; but the arts have neither the skills nor the resources to launch, let alone sustain, such an effort. While arguably all attempts to involve the media and industry in increasing public awareness of, and appreciation for, the value of the arts is a good thing, a true fundamental shift in public opinion must first be built on a foundation of change within the systemic mindset of the individual cultures of business and industry, the education community – including teachers, parents and administrators at *every* level (K-university) – and local, state and federal layers of government officials, elected and bureaucratic.

Before any massive educational and re-marketing campaign aimed at the general public can be designed and implemented, the arts need to address each of the stakeholder constituencies that currently share the public misperception. Only after those communities understand the value and impact of the arts *to them* and that new perception is an accepted maxim within the culture of those communities, can the arts enlist and win the support needed to launch the public campaign. Scatter-gun attempts to ameliorate the problem do no harm, but are no more than band-aids. The arts must adopt a comprehensive, strategic plan which will approach the problem over a five to ten year period; one built on a logical step-by-step foundation of change in the basic attitudinal structure of the component parts of American society

Thesis
The arts need to address three issues which taint the relationship of the arts to the entertainment community: first, the arts need to establish that they are not simply again playing the Oliver Twist card – hand out begging for money, but expressing no interest in the advice, counsel or ideas of the industry; second, the arts must denounce the elitist connotation as antiquated, and send a strong message that the entertainment industry product output is valued as *art* as much as traditional fine arts; and third, that the arts understand that the entertainment industry is not a bottomless pit of money, and appreciate that the industry has no moral fiduciary duty to support and sustain the arts.

The arts must seek ways to partner with the industry in mutually-beneficial for-profit ventures – both as a means to forging a win-win element to a new relationship, and as an indication that the arts are seriously committed to pursuing an earned income strategy and reducing the dependence on public and private subsidies.

Changing the focus of discussion away from the arts to the more encompassing and inclusive concept of *creativity* will reduce the problems in crafting a new relationship.

A permanent mechanism to enable and facilitate ongoing conversations between leaders in the entertainment industry and the nonprofit arts community is necessary to support and coordinate a number of specific arts initiatives being launched by individual arts organizations and constituencies.

Proposal: Creation of the Arts and Entertainment Roundtable (EAR)

<u>What:</u> An ongoing forum for the serious discussion of issues of relevance to the Entertainment Industry and the Nonprofit Arts Community, providing the opportunity for these two mutually-complementary sectors of the American Creative drive to understand and appreciate the needs and objectives of each other.

<u>Why:</u> To promote and foster a strategic alliance facilitating cooperative joint ventures and partnerships to advance shared goals in areas of mutual benefit, including the promotion and education of the public as to the value and positive impact of *creativity* on the economic, educational, social and corporate sectors of community life.

<u>Who:</u> Senior management and individual members of the motion picture, television, cable and recording segments of the entertainment industry, together with senior leaders from the Los Angeles, California and national nonprofit arts sector.

When &
Where: Biannual meetings in Los Angeles; possible smaller periodic "Think Tank" sessions addressing specific issues.

How: Creation of a pool of members from the Entertainment Industry and Arts sectors, with each major entertainment entity (e.g. each studio, each agency, each network, each record company et. al) and each major arts entity (e.g. CALAA, the National Endowment for the Arts, Americans for the Arts, Symphony Board, Museums, local arts agencies, multicultural groups, Theater, Dance et. al) assigning a senior representative to the Roundtable.

The Role of Philanthropy
In the Intersection Between Culture and Commerce

By Cora Mirikitani, The James Irvine Foundation

The Role of Philanthropy in the Intersection Between Culture and Commerce

When I accepted this invitation to submit a discussion paper on "The Role of Philanthropy" in helping to find new ways for the commercial and not-for-profit sectors to work together, it was not without some trepidation. My concern was not based on the fact that the philanthropic community is so large – represented by over 40,000 foundations in the United States with combined assets of more than $226 billion making total grants exceeding $12 billion annually – but rather that philanthropies, in my experience, rarely behave as a "community" at all.

The fact of the matter is that foundations come in a variety of shapes and sizes, and behave in as many different ways, as well. They represent the sum of many individually functioning entities, each with its own mission statement, program interests, funding guidelines and relationships with grantees.

The Foundation Center, the national service organization for private philanthropic giving, helps to clarify this issue by categorizing foundations in this way: They can be considered "independent" (typically deriving its endowment from a single source, such as a family); "company" (legally independent, but with close ties to the profit-making corporation providing its funds); "operating" (conducting research or providing direct services, but generally making few, if any, grants); or "community" (foundations that are publicly-sponsored, using funds from many donors to serve the needs of a specific community or locale). The James Irvine Foundation, where I work as a Program Director, is an example of an "independent" foundation – part of the largest and fastest-growing segment of the foundation universe that represents close to 90 percent of all grantmakers today.

I begin with idea of foundations as idiosyncratic entities to underscore the point that philanthropy can rarely be counted on to work in "lock-step" on any problem. I would even go so far as to suggest that if we are trying to find new ways to connect the entertainment and non-profit industries we would be better served by finding, and placing our bets on, the most promising individual efforts. Fortunately, the very idiosyncratic nature of foundation work has already encouraged a few innovators to begin exploring some possibilities in earnest. Others will have to be encouraged in a more proactive way.

This new breed of creative philanthropic investor ("philantropreneurs," if you will) might be characterized as having a generally high tolerance for risk and uncertainty, an interest in learning, and the flexibility to find, and act on, the best talent, ideas and programmatic opportunities available in the field. They may be thought of as coming from more specialized "silos" of expertise, but would also understand that the cross-fertilization of ideas can be a new source for problem-solving solutions. They would not only appreciate that the lines are blurred between culture and commerce, or art and entertainment, but would see real value in supporting strategic connections between

them.
One example representative of this approach is Project 180, a non-profit "idea factory" based in New York. The individuals running this organization, Rachel Newton Bellow and Amy Larkin, see themselves as being in the business of discovering promising ventures and innovative partnerships between commercial and non-profit interests, to the benefit of both. They hypothesize that many arts and cultural non-profits have control over valuable, but underutilized "creative assets" (which may be contacts with emerging artists; access to culturally-specific traditions or commodities; etc.), and that the value of these assets is understood by, but not easily accessible to, commercial enterprises. In return, these enterprises can secure alternative financing and the expertise required to take a "non-profit" idea to scale, or into a larger marketplace.

By aggressively seeking such "win-win" situations through preliminary investigations (made possible, at this phase, largely through philanthropic support), Project 180 believes that non-profits can eventually have access to new income streams that will sustain their mission-driven identity and purposes. On the other side, the commercial partner will have found its way to more interesting and important artistic and cultural content for their work – which may range from media centers to shopping malls – that might not have been otherwise possible. While the jury is out on this particular experiment, still in its developmental phase, the underlying idea continues to seem promising.

Another example might be The Creative Capital Foundation, a "venture capital" fund for artists, that is also currently under formation through a funding partnership of private foundations (of which the Irvine Foundation is one), and individual donors. This fund, capitalized at a level of roughly $1 million per year for the first three-to-five years, is aimed at making direct investments in the work of individual artists who are pursuing innovative approaches to developing the form or content of their work.

An innovative element of this creative capital plan would provide artists with access to a body of expertise (possibly including producers, publicists, financial analysts or others) who would help artists to build business skills and personal knowledge. These advisors would also provide advice on ways to bring the artists' work to new marketplaces and audiences. To help replenish and perpetuate the fund, specifically negotiated agreements would be developed with participating artists, at the point of initial investment, that would allow for the sharing of a portion of future financial proceeds received by the artist, if any are realized.

I cite these two examples not necessarily to endorse them over others, but rather to illustrate that there are a number of interesting innovations already occurring – others of which will undoubtedly be introduced by colleagues at this Forum. The formative nature of these explorations might suggest that the interdependence between the non-profit and entertainment sectors is a relatively recent trend, but critic Edward Rothstein, in an article for *The New York Times* (April 27, 1998), tells us that this is nothing new. Rothstein observes that there is much historical and intellectual evidence to suggest that art flourishes under the influence of capitalism, and that this has given the public access to an unprecedented variety of "artistic" products and ideas today. The question, he concludes, is not whether further intersection between art and commerce will occur. It is whether we can find ways to ensure that this new "cultural marketplace" will not only be about building consumer trade, but also reflect the *cultural values* that are necessary to create a context (and greater societal "worth"), for the work of the artists involved. This, as I see it, is where we should set our sights as we think about the possibilities for collaboration in the future.

So what role can philanthropy play in promoting these kinds of connections, and how do we proceed from here? In the spirit of my assignment, to stimulate further thinking and discussion on these issues, let me offer the following suggestions for your consideration:

1. We could begin by <u>broadening the national leadership discussion</u> on these issues. There are bound to be many more examples of promising thinking and work being done on the question of how the non-profit and entertainment sectors can better work together, and we should have these individuals join in this discussion as soon as possible. Grantmakers in the Arts (GIA), the national membership organization for primarily private sector grantmakers interested in the arts and arts-related activities, might play a lead role in identifying and facilitating the foundation component of interested participants, and work with counterparts in the entertainment industry to develop and help sponsor the appropriate forums and recording mechanisms for these discussions.

2. Similarly, we could <u>facilitate issue-related meetings and informational gatherings for concerned individuals</u> in the entertainment industry and non-profit arts fields. These meetings might not necessarily be limited to the arts, but could also allow exploration of other important issues being addressed in the non-profit arena, such as AIDS, welfare-to-work, adult literacy or the environment. A similar idea is already being tested by our colleagues at the California Assembly of Local Arts Agencies (CALAA) in the form of luncheons between Silicon Valley entrepreneurs and non-profit leaders. The idea, in both cases, would be to provide opportunities for individuals from different backgrounds and with different experiences to begin building personal relationships and understanding through face-to-face meetings and interactions that may lead to future collaboration.

3. We should consider whether to <u>create new financing mechanisms</u> to test some of these new ideas. One approach might be to establish a national partnership fund involving cross-sector contributors and advisors (representing government, private foundations and the entertainment industry), who would be willing to contribute like

amounts of time and money to make grants that advance projects or ideas representing common interests between the non-profit and entertainment fields. Alberta Arthurs, while at The Rockefeller Foundation, pioneered the establishment of a similar cross-sector fund, the Fund for U.S. Artists at International Festival and Exhibitions, which was the first such "public-private partnership" between the NEA, USIA and private foundations. The Creative Capital Fund, described earlier, is another possible model. We might also consider a more locally-based approach by undertaking a brokerage function that helps to match entertainment and foundation partners around their common interests in funding specific projects, communities or ideas.

4. It would also be appropriate for foundations to play a communications and learning role that captures information on the grantmaking and evaluation activities related to arts and entertainment issues, ranging from descriptions of new grantmaking initiatives to summaries of research findings on cross-sector trends in the field. A special newsletter might be developed for this purpose or, alternatively, a communications channel could be established using the World Wide Web.

5. Finally, foundations could play a significant role by identifying and supporting leaders who are thinking about cross-sector collaboration or who are actively engaging in the development of new ideas in the field. In addition to those individuals who may already be working on issues related specifically to the intersection between the arts and entertainment, these leaders could come from a variety of other fields -- as technology experts, venture capitalists, scientists or educators. To this end, we might establish some kind of national Fellowship for Innovation and Change that would permit talented individuals to both deepen their exploration of these issues through independent investigation, and access the group as a whole as a sounding board for new ideas.

It seems clear to me that there is great potential for philanthropy to play a role in building creative assets for America, in partnership with the entertainment industry. The only question is whether we, ourselves, possess the creativity to do it.

R & D and the Arts Sector:
Components and Criteria for Development

By David B. Pankratz, Ph.D.

R&D and the Arts Sector: Components and Criteria for Development

The nonprofit arts have long served as sources for nurturing much of the talent, creativity, and content for our America's internationally successful commercial arts and entertainment industries. (1)

– National Endowment for the Arts

I've always done not-for-profit, which is the only reason I'm here and able to do what I do. We must support not-for-profit institutions, because where else is an artist given the ability to learn your craft, develop it, to make mistakes in the research and development stage of your career? I would hope Broadway, the commercial producers would see by Disney's example that you must still support experimentation even when you're in the commercial arena. (2)

– Julie Taymor, Director/Designer, *The Lion King: The Broadway Musical*, Walt Disney Theatrical Productions

The statement by Julie Taymor provides vivid, credible evidence of the claim made by the NEA – that the not-for-profit arts provide essential R&D (research and development) to the commercial entertainment industry. Her statement also verifies that R&D in the arts sector is more complex than is often portrayed, in this case, that the entertainment industry can also support experimentation and artistic development.

This paper will not document the full extent to which one segment of the arts sector provides R&D for the other. Data and detailed case studies on the topic are not available, and personal examples only go so far. But the paper will explore a broad range of questions regarding arts sector R&D. These questions are both conceptual and practical in nature, and center on interactions between the not-for-profit and commercial segments of the arts sector as well as relationships with new technologies industries.

The paper makes several key points:

1) R&D in the arts is similar to, and different from, R&D in other fields. Arts sector R&D has three components: Talent Preparation, Artistic Development and Product Development and Dissemination.
2) To date, most R&D involving cross-over between the not-for-profit and commercial arts has been informal in nature, yet also extensive and often significant.
3) Formal approaches to R&D across the arts sector can serve many purposes, and often utilize new media and technologies.
4) The most promising R&D collaborations across the arts sector are those that meet a range of criteria.
5) There are legal, financial and cultural issues that future R & D collaborations must address, some of which have been experienced in other sectors.

Information and ideas supporting these five points follow.

R&D in the Arts Sector: Distinctions and Components

The practice of R&D often differs between fields. For example, R&D in science and engineering entails basic inquiry, applied experimentation and testing in the development of new products. These products can be patented, produced, and then sold to target markets worldwide, a process that can benefit the patent holder, the producing and distributing companies, and the general public. This description applies, in many ways, to R&D in the entertainment industry and, in some instances, to the not-for-profit arts as well, where new scripts, scores, and images can be copyrighted and used by for-profit enterprises, both in and out of the arts sector.

But R&D in the arts sector is special in several respects. Basic inquiry and experimentation can be found both in the work of individuals (artists and designers) and that of arts and entertainment organizations. Processes of imagination and skill yield special products – works of art and entertainment that provide meaning, satisfaction, and identity to those who engage them. Further, the products of scientific R&D depreciate, while those in the arts appreciate over time. Modern experimental science has long since displaced Greek deductive science while, in art, "King Tut, Shakespeare, and Bach still sell [and] Hollywood film libraries are multi-million dollar assets". (3) The results of our heritage of artistic R & D are a renewable source of meaning across generations and cultures. They also provide "continuing inspiration to contemporary creators…and establish standards of excellence against which new works can be judged." (4).

Finally, R & D in the arts is characterized by three key functions:

1) Talent Preparation – acquisition of the basic knowledge and skills required to create, interpret, and/or perform works of art, both individually and in artistic groups, at a professional level;

2) Artistic Development – professional growth over time through the exploration of and experimentation with new techniques, methods, styles, media, settings, personnel, and subject matter, by both individuals and institutions, which yields a body of work reflecting identifiable styles of creation and interpretation; and

3) Product Development and Dissemination – the preparation and marketing of works of art and entertainment for public presentation, either individually, in a series of live performances or in a public exhibition, or via the media of television, radio, film, video, recordings and the Internet, to either targeted or mass audiences.

As will be seen, These components involve both individuals and organizations, require resources to commence and sustain them, and involve sectors beyond the commercial and not-for-profit arts, most notably, colleges and universities and new technologies industries.

Informal, Cross-Sector R&D in the Arts

Formal data on how talent preparation, artistic development and product development and dissemination build on each other over the careers of artists and the work of arts and entertainment organizations is not gathered, nor is information on how these components entail interactions between the not-for-profit and commercial arts. Yet given anecdotal evidence of cross-over activity by artists and the organizations they work with, it does seem possible to offer one preliminary conclusion about these questions: that not-for-profit/commercial cross-over activity in the three components of arts R & D, when it has occurred, has largely been informal in nature (5).

Informal, Cross-sector R&D: Talent Preparation

According to the 1990 Census, more than 75% of professional artists had formal education beyond high school and more than 40% earned a bachelor's degree or higher and over 10% had a graduate degree. (6) The annual awarding of degrees in the visual and performing arts has risen dramatically between 1971 and 1995: Bachelor's degrees (30,394 to 48,690), Master's degrees (6,675 to 10,277), and Doctoral degrees (621 to 1,080). (7) Graduate degree programs offered in colleges, universities, arts colleges and conservatories, are numerous, and, of special note here, tend to focus on traditional disciplines: Music (360 programs), Fine Arts (330), Theatre (192), Art History (150), and Dance (51). (8). As the Executive Director of the National Association of Schools of Art & Design, Dance, Music, and Theatre states, most arts degree-granting institutions do not focus on student preparation for roles in the nonprofit or commercial arts, instead offering students basic skills that can be applied in diverse professional contexts. (9) Film stars such as Meryl Streep (Yale) and Gary Sinise (Illinois State), for example, were well-served by their university theatre education. That said, graduate programs which prepare students for careers in the commercial arts are increasing. Programs in Film/TV/Video and programs in Illustration now number 54 and 15 respectively. (10)

Informal, Cross-sector R & D: Artistic Development

Artistic development occurs in many contexts. College/university-based artists and performers enjoy the academic freedom that tenure provides to explore new methods, techniques, and subject matter. Artistic development also occurs on the job for working professionals in the nonprofit and commercial arts. The Academy of Television Arts & Sciences, for example, regularly highlights the creativity, knowledge, and craftsmanship involved in producing programs for television. (11) Symphony musicians and conductors, during the course of seasons of performing, broaden their knowledge of standard and new repertory and their powers of interpretation.

Many not-for-profit arts organizations, in the face of pressures to maximize audience numbers and contributed income, continue to face problems of "artistic deficit". But the relative freedom to experiment that not-for-profit status affords arts organizations, has further afforded many artists the opportunity to work in the commercial sector.

The not-for-profit work that Julie Taymor did with Jessie Norman in Stravinsky's "Oedipus Rex," a production of Edgar Allan Poe for PBS, Shakespeare's "Titus Andronicus" off-Broadway and Lincoln Center's "Juan Darien" brought her to the attention of Walt Disney Theatrical Productions and the chance to direct and design for "The Lion King: The Broadway Musical." Similarly, Kenny Leon, the Artistic Director of Atlanta's Alliance Theatre Company and co-producer, along with Walt Disney Theatrical Productions, of "Elaborate Lives: The Legend of Aida," was sought out by Disney officials who saw his staging of "Blues for an Alabama Sky," one of many Leon-directed plays by African-American playwright Pearl Cleage. In dance, the work of choreographer Lynne Taylor-Corbett has led her from pieces for the Pennsylvania Ballet and the Miami City Ballet to the movie *Footloose* and the Broadway musical *Titanic*. Artistic development through cross-sector experiences is, of course, not one-way. Paul McCartney writes oratorios that are performed on PBS, Michael Bolton records operatic arias and then performs one on "Live With Regis and Kathie Lee," and Bobby McFerrin conducts the St. Paul Chamber Orchestra.

<u>Informal, Cross-sector R & D: Product Development and Dissemination</u>
The R&D processes of Product Development and Dissemination, as they apply to the not-for-profit and commercial arts, are too complex to examine here. Examples of fortuitous, cross-over production of artistic properties will be the focus.

The National Endowment for the Arts reports that over the past 20 years, 44 percent of the new plays produced by Broadway's commercial theatres originated in nonprofit regional theatres. Some of this cross-activity has been by design; while much has been accidental. (12) Hollywood movie-makers have also drawn on scripts first developed in not-for-profit theatres, including *Driving Miss Daisy, Gin Game, On Golden Pond, Children of a Lesser God, Glengarry Glen Ross,* and *Prelude to a Kiss.* Television has also used its capacities to promote artistic products that otherwise might have limited audience reach. Oprah Winfrey's television "Book Club" is a notable example. Finally, classical music recordings experience a complex, cross-sector journey, from, e.g., a not-for-profit symphony orchestra to a commercial recording to playings on National Public Radio to, perhaps, a live performance on PBS.

These examples of cross-over activities in the arts R&D processes of talent preparation, artistic development and product development are noteworthy and, in some cases, represent a significant contribution from one arts segment to another and to the general public. Some have become important parts of our cultural heritage. Yet the majority of these examples occurred largely by accident, the result of a chance meeting, or as a result of artists' exploring new ground or favored genres in-depth. Still, given the many notable outcomes, these informal dimensions of R&D and the systems supporting them are to be valued and nurtured, even when they do not yield "cross-over" outcomes.

But R&D is largely thought of as a formal process, even if it sometimes leads to surprises and coincidences. The 1997 American Assembly recommended that partnerships among the commercial and nonprofit parts of the arts sector should be developed and expanded. It is to those kinds of partnerships that we now turn.

Formal R&D Partnerships Between the Not-For-Profit Sector, the Commercial Arts, and New Technologies Industries
Considerable debate is emerging over whether arts R&D partnerships across sectors are increasing at a dramatic rate or simply whether awareness of existing relationships is increasing. The examples of formal R&D in the arts sector listed below could support both points of view. Some are new; others have a long history. But it does seem that the

pace to establish new, multi-sector partnerships is quickening, and for the following reasons:

1) Not-for-profit arts organizations, facing financial challenges and, in some instances, "artistic deficit", are seeking partnerships to enhance their mission, to disseminate their work through new distribution networks, to generate visibility, and to increase earned revenues and donations;

2) Commercial arts organizations, in the face of an explosion of new distribution networks that has outpaced the production of new content and the growth of interactive, "pull" technologies of the Internet, are seeking ways to produce new content for niche and mass markets;

3) New technologies companies, in a highly competitive market where distinctions between entertainment, communications, and information industries are blurring in the face of mergers, acquisitions, and consolidations, seek partnerships which promote corporate visibility and the increased use of software and Internet services and the hardware, microprocessors, and operating systems that support them; and

4) Colleges and universities, in light of economic pressures and a mission to prepare students for meaningful careers while maintaining traditional values of general education and service, are seeking partnerships in the creation of majors and programs which attract students seeking leadership roles in the growing industries of entertainment, new media, and new technologies.

The partnerships listed here do not represent a catalogue of all such relationships that can be identified. They are presented here because each is a significant indicator of collaborative R&D. An analysis of these examples, as will be seen, yields an array of mechanisms that can be explored to foster future relationships and sets of criteria that could inform their development. The examples are arranged by the components of R&D discussed above.

<u>Formal, Cross-sector R&D: Talent Preparation</u>
1) The Entertainment Industry Development Corporation (EIDC) is a Los Angeles-based not-for-profit corporation that develops programs designed to enhance career preparation throughout the commercial arts industry. One such program is Hollywood "EnTRE", a workforce development program consisting of: a) New Media/Entertainment Academies in seven Los Angeles area high schools, b) the "Digital Connection", an ongoing effort to identify common workforce issues in visual effects, animation, interactive digital media; and c) "SkillsNet", a service that aggregates Industry information on occupational needs and trends and communicates it to the educational community. The EIDC is a coalition of government and entertainment industry leaders founded in 1995. Supporters include the State of California Employment Training Panel, the City of Los Angeles Private Industry Council, and the James Irvine Foundation.

2) The Berklee College of Music in Boston, founded in 1945, is the world's largest independent institution for the study of contemporary music. Its academic programs seek to prepare students for careers in performance, songwriting, music production and engineering, music synthesis, film scoring, music business management, tour and road work, and record company administration.

3) The California Institute of the Arts (CalArts) offers a number of degree-granting programs which address current and emerging needs in the commercial arts and new technologies industries. Programs in Character Animation and Experimental Animation have distinguished histories. A new example is the Graduate Program in Integrated Media, geared toward the creation of non-linear, interactive works, and new forms through the manipulation and integration of various media and new digital technologies. The program aims to improve the conceptualization, aesthetics, and craft of work done with new media. CalArts programs receive philanthropic support from numerous and diverse sources, including many in the commercial arts and new technologies such as Intel, The Walt Disney Company, DreamWorks, Nickelodon, Silicon Graphics, 20th Century Fox, Intergraph, Softimage and Warner Brothers.

4) The School of Cinema-Television at the University of Southern California (USC) trains new talent in all creative and technical aspects of the television and film industries. The School has strong ties with the entertainment industry offering internships with high-profile film and television companies, seminars on the changing nature of the industry, and "First Look", a festival of USC projects held twice each year and attended by industry representatives searching for new talent. Direct industry support to the school has included faculty endowments, scholarships, and donations of facilities and funds, such as patronage from Sony Pictures Entertainment, Silicon Graphics, Warner Brothers, Apple Computer, Hanna-Barbera, and Eastman Kodak.

5) The Program in Media Arts and Sciences at the Massachusetts Institute of Technology (MIT) explores the technical, cognitive and aesthetic bases of human interaction as mediated by technology. One of the Program's three clusters, the Information & Entertainment Section examines intersections between expression and engineering in areas such as holography and 3-D imaging, scene representation, interactive cinema, sociable media, toys of tomorrow, tangible media, Micromedia, media and networks, hyperinstruments, and aesthetics and computation. While the copyrights and patents on all work created in the Program are retained by MIT, research results are made available for use by all student authors/inventors and Program sponsors. Sponsors range from Sun Microsystems, AT&T, Hewlett-Packard, SONY, and Walt Disney Imagineering to the Corporation for Public Broadcasting, Mattel, Nickelodeon, and SEGA.

These programs in talent preparation pay varying attention to short-term and long-term needs for talent preparation in the commercial arts and new technologies industries. But the prospects for each of these types of partnerships seem promising because they address the respective interests of the entertainment industry, new technologies companies, and universities, as outlined above, for new content providers, increased use of technologies, visibility, and funds. The primary means to foster similar collaborations would be philanthropy by foundations and by companies in entertainment and new technologies industries, plus in-kind donations of time, equipment, and access.

Formal, Cross-sector R & D: Artistic Development

A great deal of artistic development, as noted above, occurs in the course of creating and interpreting works of art and entertainment over time within projects and with arts and entertainment organizations. Many artists seek out additional classes, training programs, or formal education to foster artistic development, while others seek support for artistic development through fellowships, awards, and grants. (13) This section, however, focuses on several examples of institutionalized artistic development, some of which entail not-for-profit/commercial partnerships.

1) The Sundance Institute, founded in 1981, is a not-for-profit corporation dedicated to the support and development of emerging screenwriters and directors and to the national and international exhibition of new, independent dramatic and documentary films. The annual Sundance Film Festival serves as an international showcase for the exhibition of independent cinema. The Sundance Film Channel, a partnership with the cable TV network Showtime, presents features, documentaries, shorts, and foreign cinema in support of the Sundance Film Festival.

2) The American Film Institute (AFI), a not-for-profit organization, fosters artistic development opportunities for emerging and experienced professionals in film, television, video, and the digital arts. Through its Professional Training Division, AFI offers learning opportunities in screenwriting, digital production, previsualization, directing, producing, editing, motion graphics, 3D and visual effects, and interactive media. AFI also offers Computer Media Salons, sponsored by Compaq, where the entertainment and high technology communities learn about the creative and business opportunities presented by the digital revolution.

3) Walt Disney Imagineering, a division of the Walt Disney Company, offers a unique kind of "artistic development" as part of its R & D activities. The Imagineering Team consists of a wide range of artists, engineers, technicians, and administrators who create, design, and build Disney theme parks and attractions. Its Creative Technology headed by Bran Ferrin, is also exploring the World Wide Web as a means of storytelling. He argues, for example, that the Web is in great need of storytellers, including writers, painters and poets.

The prospects for these types of partnerships seem promising because they too address the respective interests of the entertainment industry, new technologies companies and not-for-profit organizations for new content providers, increased use of technologies, visibility and funds. The primary means to foster similar collaborations would be philanthropy by foundations, public arts and economic development agencies, and by companies in entertainment and new technologies industries, plus in-kind donations of time, equipment and access.

Formal, Cross-sector R & D: Product Development and Dissemination

Current examples in this category of arts sector R & D, especially those which involve formal collaborations between the not-for-profit arts, the entertainment industry, and high tech industries, abound. Types include a single, profit-sharing co-production, use of new distribution mechanisms, long-term, profit-sharing ventures, and creation of a new organization. A representative of examples is presented here, in brief.

1) "Elaborate Lives: The Legend of Aida" a co-production of the not-for-profit, Atlanta-based Alliance Theatre Company and Walt Disney Theatrical Productions, from which the Alliance stands potentially to earn income via a Broadway run and/or touring;

2) "Dead Man Walking", an opera commissioned for the 2000-1 season by the San Francisco Opera, based on the book by Sister Helen Prejean and following the 1995 commercial film of the same name;

3) A collaboration between Intel Corporation and the Public Broadcasting Service to broadcast Ken Burns' documentary on Frank Lloyd Wright and companion data via Digital TV, so that viewers can also use their PCs to interact with video and audio material on Frank Lloyd Wright;

4) "Filmharmonic", a series of original short films directed by Paul Verhoeven, Tim Burton, and Renny Harlin, scored by film composers David Newman, Jerry Goldsmith, and Danny Elfman, and performed in concert by the Los Angeles Philharmonic under the direction of Esa-Pekka Salonen;

5) A two-year commitment of $240,000 by Showtime Networks, Inc. to the not-for-profit Center Theatre Group/Mark Taper Forum in Los Angeles to do a series of commissions, readings, and workshops that will generate projects for production as quality television films to be presented on Showtime;

6) "Smithsonian Showcase," a franchise of television movies based on stories gathered from the resources of the Smithsonian (such as the first three movies highlighting the African-American experience), to be produced by Mandalay Television and shown by Showtime Networks, Inc.;

7) An agreement between "Ovation", a commercial cable network devoted to arts programming and with investors such as Time Warner Cable and The New York Times Company, and five PBS affiliates to air selected Ovation arts programming on Thursday evenings;

8) "Open Studio: The Arts Online," a three-to-five-year project launched in 1996, designed to empower artists and cultural organizations to participate in a linked electronic environment, sponsored by the Benton Foundation, the NEA, and Microsoft, the first national grant to the arts made by Microsoft;

9) A collaboration between the Whitney Museum and Intel around "The American Century," an exhibition of more than 1,400 works which will also encompass an array of traditional and new Internet educational tools to complement the visitor experience within the museum and extend access to "The American Century" worldwide;

10) Microsoft co-creation of the virtual museum version of Museum of the Americas, with on-line, distance learning activities, in collaboration with the Smithsonian and the Organization of the American States; and

11) "Noggin," a 24-hour, commercial-free educational television network for children developed as a joint venture between Children's Television Network, a not-for-profit organization and Nickelodeon, one of Viacom's MTV Networks.

While the ultimate success of some of these cross-sector collaborations is not yet clear, they each seem promising because they attempt to address mutual interests cited above:
1) Not-for-profit arts organizations – to enhance their mission, to disseminate their work through new distribution networks, to generate visibility, and to increase earned revenues and donations;
2) Commercial arts organizations – to produce new content for emerging niche and mass markets; and
3) New technologies companies – to promote corporate visibility and the increased use of software and Internet services and the hardware, microprocessors, and operating systems that support them.

The mechanisms to support arts sector R&D in the area of product development and dissemination are numerous and varied. They include:
1) Grants and program-related investments (14) by foundations and public arts and economic development agencies;
2) Corporate sponsorships by entertainment and new technologies companies; and
3) Legal and business partnerships between not-for-profit, entertainment, and new technologies organizations: sub-contracts, royalties/licensing agreements, joint ventures, limited partnerships, parent corporations, and even mergers. (15)

Some of these kinds of partnerships could also receive seed monies from foundations and public arts and economic development agencies.

Conclusion: Future Considerations
This paper has addressed a variety issues regarding R & D in the arts sector, illustrated examples of cross-sector partnerships, and articulated criteria for the future development of cross-sector R&D relationships. I conclude with several general observations about such future relationships, arguing that they should be based upon:

- Recognition that support for R&D talent preparation and artistic development within a segment of the arts sector, e.g., the not-for-profit arts, is important and may yield significant cross-over results in the long term;

- Mutual understanding of the different cultures, styles, interests, and objectives that representatives from not-for-profits, entertainment and new technologies companies, and colleges/universities bring to potential partnerships;
- Targeted market research on the potential audiences for cross-over products;
- Sound business and legal plans, which protect the rights and interests of artists and designers and the arts and entertainment organizations they work with (16);
- Realistic expectations of income and visibility that new product partnerships can yield;
- Mutual appreciation for the intellectual capital resources each partner brings, plus respect for the financial vulnerability of not-for-profits and the market volatility for-profit enterprises face;
- Awareness that not-for-profit leaders' focus on partnerships with for-profit businesses may create a conflict of commitment regarding the not-for-profit's mission and priorities; and
- Sensitivity to the potential that partnerships may benefit some not-for-profit organizations and not others, leading to a stratified system among not-for-profits of those with commercial partners and those without. This scenario can be addressed by associations and alliances for the not-for-profit and commercial arts. (17)

Endnotes

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Creative Assets and Cultural Development:
How Can Research Inform Nonprofit-Commercial Intersections?

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Creative Assets and Cultural Development:
How Can Research Inform Nonprofit-Commercial Intersections?

The general subject of this paper – how research can/might inform nonprofit-commercial intersections in the arts fields and cultural industries –is an expansive, segmented and scarcely explored terrain. Questions about the intersections of the nonprofit and the commercial arts do not confront a virgin territory as far as research goes. Numerous building blocks do exist, but their utility for this purpose is limited. Most have been acquired in the pursuit of other questions and concerns. Most tend to focus on either the nonprofit or the commercial realm rather than on comparisons or interactions of the two. In addition, there is also a reservoir of executive experience, journalistic reporting, anecdote and folk wisdom that has not been systematically gathered or analyzed – and which may be considered by some to confer a competitive advantage on its holders.

A full attempt to address the subject is beyond the scope of so short a paper. Therefore, this should be considered only an introduction to the subject. For a scholarly audience, one might focus such an introduction on an abbreviated literature review. However for this more diverse group, a more conceptual overview might be more useful and appropriate. Therefore, what follows are some structured comments on the research task and process itself as it relates to our current state of knowledge about the question at hand – intersections between the nonprofit and commercial arts.

What is research?
In a narrow construction, let us take research to involve the process of making observations, identifying assumptions, gathering information, discerning patterns and categories from what is observed and forming ideas (hypotheses and propositions) about how we think things work. More broadly construed, research also involves analysis – that is, formulating theories and models that explain connections, causality and processes. Together research and analysis have a number of applications – from theory-building to coalition-building, from understanding the past to anticipating the future, from guiding practice to informing policy. Unlike some scientific research, social science research – including economics, politics, survey analysis, historical analysis and sociology – seldom makes precise predictions or establishes general laws of behavior. Instead, social science research tends to be highly contextualized ("it depends..."), conditional ("if this, then that...") and dynamic (varies with time and case). It may be useful to think of a three-tiered general research system as outlined below:

RESEARCH: ASSUMPTIONS – OBSERVATIONS – EXPERIENCES – INFORMATION GATHERING – THEORY-GENERATION

ANALYSIS: CATEGORIZATION – PATTERNING – MODELING – PROPOSITION-TESTING

APPLICATION: PROJECTIONS – POLICY AND ADVOCACY – MANAGEMENT AND INVESTMENT – THEORY-BUILDING

As mentioned above, research can take a number of forms. The information and ideas generated at the research phase provide the grist for the next stage, analysis, which again can take a number of forms. Finally, the combination of research and analysis produces knowledge that may be applied to a variety of functions ranging from management and investments to policy and advocacy, to projection as well as theory-building. Finally, it should also be noted that research and analysis are also influenced by factors outside the basic research system itself. These additional explanatory variables would include

- Basic definitions and key assumptions – in other words, the dominant policy and/or business paradigm;
- Market/public demographics;
- Political and policy context;
- General economic conditions; and
- Effects of technological developments on production, delivery and creation systems.

Clearly, research systems have long been in use within both the commercial and nonprofit art worlds. However, today some of the specific application questions are changing. Although market research has long been used in the commercial realm for both test-marketing and product development, now it is also concerned with identifying and marketing potential cross-overs and product transfers. Similarly, policy development and advocacy strategies have long made use of research and analysis in each cultural sub-sector. However, a current challenge is to also use research and analysis to devise coalition-building strategies, to influence agenda-setting and to establish policy linkage (e.g., between arts issues and other types of issues such as education or trade). Myriad management and investment decisions involve the use of research but entire new areas of research and analysis are opened up as the two sub-sectors seek more opportunities to effectively work together – since each is a relative stranger to the other, operating norms and assumptions need to be clarified, models of interaction need to be developed and assessed and the feasibility of different arrangements needs to be explored.

Finally, while theory-building may sound rather esoteric, these applications may be among the most interesting because they may help shape key elements of the emerging new paradigm. For example, what is the relationship between the commercial and nonprofit arts? Is it, as some have suggested, one in which the nonprofit arts serve an R&D function for the commercial arts? Or is it the reverse? Or interactive? What is the role of the unincorporated arts: do they perform an implicit audience development function for both the nonprofit and commercial arts? Are they a source of talent incubation for either? both? Alternatively, will globalization exert a converging or diverging influence on the content or quality of the arts? commercial arts, nonprofit or both? Will globalization exert a converging or diverging force on the production and distribution systems of the arts?

What Effects What Research Can Tell Us?

Generally, research operates within the reigning paradigm of the times. Research can also help us perceive when and how a paradigm may be shifting. Presently, one can argue that we live in a time of paradigm shift regarding cultural production and policy (Wyszomirski, 1995). In other words, how we think about the production, financing, marketing, distribution, operation, consumption and social role of the arts and entertainment is undergoing fundamental change. Research itself must also adjust to such dramatically changing perceptions and thinking. The following sections try to outline some of the possibilities and the difficulties that attend research in a time of paradigm shift.

New Definitions and Assumptions

Until relatively recently, the nonprofit arts and the entertainment industries in the United States were perceived to be two distinct and different categories of phenomenon. To use a biological metaphor, one might say that the nonprofit arts and commercial entertainment were generally regarded as being of different genus. Although the two genus do seem to bear a superficial structural similarity (each tends to assume a corporate structure), these corporations exhibit important differences in operating norms, assumptions and practices. Policy also tends to treat them differently (with regulation and tax write-offs common with the commercial sector, while distributive policies and tax exemptions are generally used with the nonprofit sector). Only recently has public discourse begun to reconsider this separate categorization, positing instead that the nonprofit arts and commercial entertainment are two distinct but related, species of a common cultural genus. (It is also likely that other cultural species would include the applied arts as well as amateur activities, various unincorporated arts, and folk arts and crafts.)

In 1997, two reports seemed to crystallize this new perspective. The report from an American Assembly on *The Arts and the Public Purpose* offered an inclusive definition of the arts sector – one that spans commercial, nonprofit and (what it called) unincorporated activity. In the same year, the *Creative America* report of the President's Committee on the Arts and the Humanities noted that "In the United States, amateur, non-profit and commercial creative enterprises all interact and influence each other constantly"(p.3). This new sectoral, and more inclusive, definition has opened many new avenues of discussion, including this meeting. Certainly, the exact dimensions of this inclusive arts sector have not yet been established. For example, the size and composition of the sector is the subject of considerable debate, particularly among economists. At the 1997 American Assembly, a conservative estimate put consumer spending on the arts in 1995 at roughly $180 million or 2.5 percent of the GDP. A more expansive estimate raises the figure to $292 billion. If all copyright industries are included, the dollar figures increase to over $300 billion (*The Arts and the Public Purpose*, p. 14).

Similarly, the character and scope of the "unincorporated" subsector is still murky with some arguing that it actually encompasses more than one species – such as professional but informally organized artists (such as chamber music ensembles or jazz combos), folk or community-based arts (such as church choirs or folk dance groups) and amateur (nonprofessional) arts activities (whether community theater or garage rock bands). Both Peters and Cherbo (in a recent JAMLS article) and the 1998 White Oak symposium grappled with finding a working definition for this term and questioning the very term itself.

Whether expanding the scope to the commercial sector or the unincorporated activities, an inclusive arts sector perspective challenges many of the premises upon which we have based business and investment decisions, public policy making and professional norms and practices. As of yet, research can provide few answers, models or explanations because the questions are so recent. However, research can help us frame what kinds of questions will get at issues we think are important.

The point for research is that the "old" separate genus perception of the nonprofit arts and the commercial cultural industries shaped how we gathered information, about what and from whom. Most of the information we have on organizations that produce and present the arts (broadly defined) is premised upon the nonprofit-commercial distinction and further subdivided by specific art fields (e.g., dance, theater, music, museums, etc.) or industries (e.g, movies, broadcasting, cable, recordings, commercial theater, publishing, etc.).

If we are now to examine questions about the intersections and interrelations between the commercial and nonprofit arts, we confront some basic informational problems: existing information has been gathered for different purposes and upon different assumptions, using differing methods and categories. For example, when it comes to financing, the entertainment industries think in terms of common-stock offerings, limited partnerships and tax shelters, bank loans, inventory amortization and depreciation, cross-collaterizations, syndication fees and franchising. In contrast, the nonprofit arts think in terms of earned and donated income, tax deductions and exemptions, cash reserve funds and endowments, collections as appreciating assets and unrelated business income taxes. The commercial arts think in terms of return on investment; the nonprofit arts think in terms of maintaining the integrity of their organizational mission.

Even access to existing information across fields and industries can present problems. Some information is proprietary and held in confidence by professional membership organizations including service and trade associations; other information is proprietary and confidential because it is the property of private businesses operating in a highly competitive environment. Government data tends to be inadequate and problematic: either it is premised on the commercial-nonprofit distinction, lacks the necessary detail to be capable of making such comparisons or reflects general workforce, industrial or economic assumptions that are not characteristic of the arts. As Galligan and Alper have recently observed with regard to the specific case of artistic workforce information, "Present systems for obtaining information about artists and their labor market experiences are woefully limited in both scope and focus" (1998, p. 157).

Furthermore, much of the anecdotal information, case examples and personal experiences of executives and organizations in both the nonprofit and the commercial art worlds needs to be collected and sifted to transform what is essentially folk wisdom and insider-information into usable data and analysis. Thus, before much of the existing information can be really useful in addressing questions about intersections, it must first be obtained, "translated" to make it comparable and gaps and inconsistencies addressed.

Blurring the Line Between Commercial and Nonprofit

Although institutional (or sub-sectoral) divisions have dominated our thinking about the arts for decades, in actuality the lines between the nonprofit and the commercial genuses have been blurring and overlapping for quite some time. We can all produce examples of arts activities that blur the line between art and entertainment (such as the "three tenors" concerts) or that cross over between the two (e.g., theatrical works such as "a Chorus Line" or "Driving Miss Daisy" and dance works such as "Billboards" or "Riverdance"). While this phenomenon is not new, we at least seem to be more aware of it; perhaps it is increasing in frequency. Perhaps blurring and crossovers are being prompted by the number of mediums and venues (e.g., cable, internet and performing arts centers) that are in search of content. We don't really know because, again our preconceptions established premises for research and information collection. Since previously we assumed separate cultural genuses, questions of cross-over and blurring were regarded as aberrations or anomalies, if noted at all.

Beyond specific cultural products, the subsectoral location of the production of entire categories of programming has also become blurred. For example, both nonprofit public television stations and cable networks such as Bravo and A&E produce cultural programming for television (Gray and Heilbrun, 1993: 332-6). Thus, commercial cable networks now produce types of programming that were previously a niche of public television. Similar developments can be seen not only with regard to cultural programming but also children's, news and documentary programming as well. As such commercial television production activities increase, they typically can draw upon a faster growing set of resources than can public television. For example, a 1993 report on public television from the 20th Century Fund reported that between 1989 and 1991 public television production budgets remained relatively static at approximately $260 million/year. In comparison, from 1990 to 1992, the combined production budgets of just four cable services (Nickelodeon, A&E, The Discovery and The Learning Channels) increased from $133.9 million to $217.7 million, or 62.6 percent (Quality Time?, 1993, p. 148).

Blurring can also be seen in the incidence of common or similar issues facing both the nonprofit and the commercial subsectors such as changing audience/market demographics, the effects and opportunities of globalization, the need and ability to customize (as distinct from mass or guild produce) and policy concerns like copyright and intellectual property, cultural trade and content concerns leading to labeling, rating and screening systems. We can also point to instances where policy has tried to stimulate new product development in either the nonprofit sector (e.g., NEA support for new opera works or co-production of new ballet choreography) or in the commercial sector (e.g., the Broadway Initiative in New York City). However, our case analyses of such instances is either sparse or still in the development stage.

From a research standpoint, there are many open and new questions. What are the effects of such blurring and crossovers for individual producing organizations or for the sector as a whole? Are the effects different in the nonprofit and the commercial sub-sectors? How common is this blurring phenomenon? Is it occurring across the entire sector or only in certain fields? Does the blurring lead to product homogenization or diversity? Beyond the particular instances of blurring, is the process prompting creative cross-fertilization in each sub-sector or is it draining resources away from other activities? At present, we simply don't have enough shared information about specific cases, about a large enough number of cases, nor about the consequent comparative analysis to be able to answer such questions. Obviously, blurring and cross-over activity do not wait on research. However, if such activity is increasing and/or if there is interest in more activity, then a better information base upon which to project likely outcomes would seem useful.

Inter-Mixed Cultural Subsectors

Perceiving the entertainment (or cultural) industries as part of a common spectrum of arts activities along with the nonprofit arts and the unincorporated arts marks a major change from the old separate and different mindset. However, even this new, common spectrum approach muddies the fact that the various arts subsectors are not only interrelated but also variously intertwined.

For least a decade, occasional reports and articles asserted that the nonprofit and commercial arts were not as separate as we presumed. In 1988, the first "Arts in America" report issued by the National Endowment for the Arts under the chairmanship of Frank Hodsoll identified "commercial/not-for-profit linkages" as a key issue, and called the broad range of cultural offerings "one of the singular strengths of American culture" (pp.7-8). The report went on to suggest that the two worlds were "more complementary than competitive" and that together they made for "a fluidity of inspiration and intention, even of audience and art form, that ultimately resists labels and categories"(p.10).

In a 1987 book chapter focussed on the nonprofit arts, Paul DiMaggio attempted a brief survey of the percentage of producers and distributors that were nonprofit, commercial and public for several cultural industries including music, theater, visual arts, broadcasting, publishing and presenting. Notably, he found that some combination of nonprofit, public and commercial organizations coexist is each cultural industry, although the proportion of the mix varies from one art form/industry to another (p.200). Peters and Cherbo (1998) assert that there is "substantial fluidity of movement among the unincorporated and the other two sectors, though it is relatively undocumented"(p.116). Indeed, this becomes evident as they point out that the unincorporated rubric currently includes not only self-employed artists who often freelance in both the nonprofit and the commercial subsectors, but also avocational activities and groups as well as arts service organizations and professional associations.

In their 1993 book, cultural economists Heilbrun and Gray presume an inherently competitive relation between the nonprofit, live, performing arts and the mass media popular culture. Yet they also recognize that the mass media popular arts may not only satisfy demand and therefore reduce interest in the nonprofit arts, but may also stimulate demand for the live arts (p.351). Heilbrun and Gray argue that the ability of the nonprofit arts to compete with popular culture depends on two factors: how powerful the effect of technological innovation is for non-live production (e.g., through advances in recording and sound equipment, broadcasting, video and now internet) and how well the live nonprofit arts are in using artistic innovation to build and hold an audience. Research on arts participation tells us that non-live involvement is greater than attendance at live performances by factors of two, three or more for most benchmark arts (NEA, 1998). Thus, media technology is used to distribute both the arts and popular culture in non-live formats to local, national, and global audiences. In the process, broadcast, media, recording and internet systems are undermining the "...previous status hierarchies among the arts and their institutional bases..."(Balfe and Peters, 1999 forthcoming).

In a comparative sense, it is worth noting that if the commercial arts industries tend to drive technological innovation then these carry across the cultural sector (commercial and nonprofit as well as unincorporated). Meanwhile, it is sometimes argued that the nonprofit sector faces less risk in experimenting with artistic innovation (e.g, in theater, see Cherbo, 1998) and therefore serves as a kind of R&D for the commercial sector. Furthermore, since even the largest nonprofit arts producer (e.g., the Metropolitan Opera with an annual operating budget of appx $170 million/yr) is small by comparison to entertainment corporations, then the nonprofit subsector as a whole (and any specific organization within it) seldom has the financial risks or the bottom-line concerns of the commercial subsector. Therefore the nonprofit arts sector might seem more hospitable to artistic innovation . Conversely, if larger markets lead, by way of competition, to increased innovation (or creativity) (Heilbrun & Gray, p. 124), then given the typically national and international markets for American popular culture and the typically local and regional markets of most nonprofit arts organizations, then the commercial subsector would seem to be better positioned to pursue artistic innovation. Research and experience can help us explore this apparent paradox and set of relationships. More research might help us better understand if both are "true," under what conditions or in what fields, and whether the current pace of technology is changing the competitive equation between popular culture and nonprofit live arts. Clearly, as virtual reality and internet interactivity become more sophisticated, familiar and available, the line between live and media participation will become even more indistinct and art and entertainment will become more intertwined as a result of common media-based distribution mechanisms.

What Kinds of Intersections? Next Questions?
To begin asking about productive intersections and partnerships between the commercial and the nonprofit arts is to begin to think of all these activities and organizations (as well as the unincorporated) as part of one interrelated cultural eco-system. Replacing the old perception of separate genus composed of separate fields and industries is a key element of the emerging cultural paradigm. Shifting to a more eco-systemic understanding will make it easier to identify possible points of overlap and intersection, to see where policy interventions are likely to be most effective, to identify obstacles that could be constructively reduced/removed and where common interests and opportunities may lay. Let me conclude by raising three sets of next questions that could help guide research and analysis efforts to contribute to productive interactions between the nonprofit and the commercial arts sub-sectors.

1. **What kinds of partnerships, collaborations or alliance can be forged will depend on what task or function is in question.** Cost sharing may take different forms and involve different considerations than joint marketing. Cost sharing may, itself, take different forms such as co-financing, facility and/or equipment sharing or discounting or even cost containment. R&D partnerships may be formal or informal, may involve talent development, product development, use incubators or defacto organizational laboratories (e.g., currently Disney is partnered with the Alliance Theater Company in

Atlanta on the development of anew musical, "Elaborate Lives," which is an adaptation of the opera "Aida"). Revenue enhancements may involve cause-related marketing, ancillary product and service development, tie-ins or touring companies (as seen in both Broadway and nonprofit theater and ballet). Political action may involve advocacy coalitions, joint campaign fundraisers, *amicus curiae* briefs and public service campaigns. There will be various modes of interaction and different kinds of relationships – one model will not facilitate all types of intersections.

2. **Where and how to secure additional resources is a frequent incentive for interaction. However, the currency of resources is variable: it could be money, talent, expertise, distribution systems, market access, publicity/visibility, or policy influence.** Different resources are necessary to meet different challenges, whether those are escalating costs, policy challenges or global opportunities and competition. Strategically, one may try to cope with existing problems, to anticipate and prepare for potential problems or anticipate and avoid future difficulties. Securing additional resources might involve merging organizations (e.g., Americans for the Arts and the National Assembly of Local Arts Agencies into Americans for the Arts), acquiring organizations (e.g., Disney's purchase of ABC), forming consortia (such as the Dance 2000 Conference that brings together 16 national and international dance organizations of performers, choreographers, notators, critics, therapists, scholars, etc), partnerships (e.g., Disney and Atlanta theater on "Aida") or international alliances (e.g, both publishing companies and unions/service organizations are seeking international connections (Carvajal, 1998). Depending both upon what currency, what problem and what strategy is involved, the form of the intersection is likely to vary. Research can help clarify the patterns and models for such resource-differentiated intersections. It can also help model the overall system that would better allow us to anticipate future developments and to see interconnections between apparently disparate elements.

3. **What issues are of common concern to the nonprofit and the commercial arts sub-sectors? Where are their interests compatible and where are they divergent?** Although both the nonprofit and the commercial realms have an interest in intellectual property protections, these may not be the same interest. For example, individual copyright holders supported an extension of the period of copyright protection so that they and their heirs could realize the benefits of their creativity, while some commercial distributors were more interested in having copyright protection expire so that particular cultural works would enter the public domain (Chartrand 1998; Smith, 1998). Commercial arts industries are more interested in enforcing copyright protections internationally from piracy than are nonprofit arts organizations. A common concern does not necessarily mean a common set of interests. Not only could we learn much from mapping this terrain but also from developing ways to recognize and manage differences as a loosely-joined policy network.

Risk management is another concern for both commercial and nonprofit arts organizations (Arthurs and Hodsoll, 1998:104-5). However, each sub-sector has different ways of underwriting risk and of benefiting from risks that succeed. Risks can have financial, artistic, organizational and personal/professional consequences. What can we learn from each other about risk management techniques, coping with its consequences and molding reasonable expectations?

Clearly, at this juncture, research and analysis have more questions than answers about nonprofit-commercial arts intersections. However, if we start thinking about how research can help us to understand what is currently being experimented with and to clarify our planning about what we would like to accomplish and how, then research will prove to be an essential element of intellectual capital in the process of developing cultural assets and partnerships.

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Mass Produced Art

By David Karam, Post Tool Design

Mass Produced Art

Graphic design is in service of a client. The clients usually want what they know and think they know what they want. It is almost impossible to experiment with a client's money and time. The typical process of developing a designed solution is to conceptualize an end product and work towards that end. Artistic discovery allows the process to lead the development and the results to evolve organically.

As a designer, I am not always satisfied with a preconceived solution, I must allow time to create self-initiated, experimental or self-promotional work.

Graphic design sets a context for a message. The context could be a book and the message a work of non-fiction. This form of delivering information has been explored and developed thoroughly and still designers are finding ways to reinvent the form, to manipulate the context, which in turn, manipulates the message.

Technology is a virtually undiscovered territory which we are now using to transmit messages. Its boundaries are undefined and grow daily. The implications of this formless, instantaneous medium are still unknown. It is important to explore the possibilities of the medium, to reflect on it as it develops, to find uses for it which seem impossible or impractical.

Pre Post Tool
I met Gigi Biederman in design school about the time the computer was gaining acceptability as a tool for typesetting and page layout. Gigi came from a background of fine art and art history. I was a computer scientist and musician. Together we merged the disciplines, and created multimedia.

Our first collaborative venture involved Adobe Photoshop. I had been using the software as a doodle program. Gigi and I met at the California College of Arts and Crafts where we were both taking classes in graphic design. Gigi had found that a commercial art was a way to use her background and make a living. I had found more work as a 'desktop publisher' than a programmer. Both of us returned to school to extend our education in the profession that had selected us.

We exchanged our backgrounds. As Gigi learned the software and I learned about art, we explored issues such as surface and layering as they applied to an intangible space. We also explored appropriation and collage. These experiments helped us to establish a method and style of working. We also began to compile our work in interactive presentations.

Post Tool specializes in multimedia since 1993.
Our formal business began when Gigi and I created a digital invitation for the American Institute of Graphic Artists. There was no budget and we did the project in our spare time. The invitation had no real precedent, and so it was necessary to experiment. We made reference to the media which had impacted us in our lives. Video games and television were strong cultural forces. Science fiction, turn of the century film, techno music, and Warner brothers cartoons were all montaged in this multimedia presentation. The invite had a life of its own. Because it fit on a floppy disc, it reproduced like a virus and traveled the world in a matter of weeks (even though the event was a small local lecture).

There was still no real commercial market for multimedia presentations, so we continued to create works in the 'fits-on-a-floppy' format. Using the 'Moving Design' invitation as a building block, Gigi and I wanted to try something similar in form but abstract in content. We wanted to refine the ideas we had formed regarding animation and user interface and stream-of-conscious associations. A project called 'Questions and Answers' which represented our interests in (and the intersection of) art and science initiated a format the music industry now calls the Interactive Press Kit (IPK).

Jeri Heiden from Warner Records received a printed promotional piece from us which claimed that Post Tool specialized in multimedia. We showed her the two presentations on floppy discs and within one month she called us to create something like this for Warner Records to promote a new compilation album. The floppy disc became a standard part of press kits for all the major record labels. We developed many of these promotions for Warner Records over the next year.

We started to get work extending these ideas for other companies. We created a permanent installation (kiosk) for the Rock and Roll Hall of Fame in Cleveland. There were fewer constraints to this project because the hardware and software were developed for one purpose only. Full motion, full screen video and touch screen capabilities were available for our design consideration. But even though there were no technical limitations to this project, we had little change in opinion about the media.

Our real breakthroughs came in ways which did not stretch the technical possibilities, but did challenge conceptual models. One of our first major developments was relating the movement and behaviors of objects on screen to physical models. Images might take the properties of gravity and mass, attracting each other based on their density. The representation of the mouse might float as if it had momentum. A word might burn and produce a smoke which is in turn a fleeting message. In the physical world, all objects have meaning and substance. In the virtual, the same is true but instead of the relationship being a fact, it can be poetic, forged by a meaning.

Another innovation was seeing the computer as an iterative engine. It is able to generate multiple possible solutions for every problem, much like the human brain. We developed a program which generated layouts possibilities automatically. We could feed this engine a series of elements and rules and it would arrange the information in seemingly sophisticated ways. Sometimes based on pure accident, it could combine image and text exquisitely. And in the same respect we generated programs which generate random word combinations based on language rules.

Using these ideas, we developed a series of installations for Post Masters, a Soho art gallery. One installation we designed asked a series of artists to make art from some form of obsolete technology. A colleague, Theodore Terbo Terbolizard, developed an automated doodle and sound program which was as much a video game as it was a sketch pad. It de-emphasized the importance of a specific mark while allowing a user to completely manipulate the information environment he created. Gong Szeto of IO360 developed a virtual machine connected to a homemade robot. The on screen interface could be manipulated which in turned directed the robot. I created an artificial intelligence with many moods which it navigated like rooms of a building. As well as responding to typed questions, the project recorded input for use later.

Then the Internet became popular and 'multimedia' was abandoned in favor of the World Wide Web.

We were hired to design a few web sites and after about 6 months realized that again there was no precedent for this type of communication. Our clients were asking for print-style solutions and literal icons to represent categories of information. There was no consideration of the possibilities of this new medium.

So in 1996, we began to experiment with the web by creating 'The Play Page' (http://www.posttool.com/playpage). There were many hindrances with the internet: speed, compatibility, interactivity were all incredibly limited. The concepts we had developed creating multimedia were applicable conceptually, but not practically. We were forced to reduce these ideas to their essence.

The Play Page was an attempt to bring what we had learned from multimedia to the Internet in a streamlined form. Because of the interconnected nature of this medium, it also seemed appropriate to collaborate on projects with colleagues and media experts who had been developing their own opinions about the new media. Tom Bland created sound loops which were small and practical. Terbo Ted contributed artwork for an Atari Space Invaders variation. As users visited the site, they were able to alter it in a regulated form of digital graffiti. This site was a tribute to the earliest introduction of technology to the public: video games and home computers.

We had little luck selling these ideas to clients because we were using technologies that were not wide spread. So we extended the concept of our web site by creating a comparison to a television station or network.

We created Post TV (http://www.posttv.com) with the hopes that corporations would one day understand that an on-line corporate brochure is a useful presence, but that consumers would not visit that site regularly if the information there did not change frequently. We thought that serialized content which leveraged the power of the internet would appeal to companies wanting to advertise on-line. So we developed a series of 'shows' in collaboration with artists, Tom Bland, Margaret Crane, Todd Hido and local gallery, Four Walls, to exhibit the variety of possibilities. This was an attempt to try our narrative skills and promote ourselves as more than designers.

This idea never caught on in the way we had imagined. The advertisers were looking for popular sites to place their banners, not creative ones. They chose the search engine and game download sites as advertising sources.

In the process of making Post TV, we developed a style of animation and 3d modeling which attracted the attention of David Jensen at the Getty Information Institute. He saw one of our cartoons (a monkey which answered email using streaming audio) and approached us about creating a 10 minute animation and interactive installation for the Getty Center.

Adventures in Cyberspace was a short film we created with script writers Behar and Sackner about a girl, Nettie and her dog, Fetch who live in cyberspace. It is intended to instruct Internet novices about the nature of the web. The film was broken into multiple parts, some linear and some interactive. It is designed to accommodate up to fifteen people at a time. This was a real combination of traditional storytelling and interactive multimedia. It integrated many of the skills and ideas we had developed over the years about the new media in a way designed for children and is installed at the Getty in a room called the Digital Experience.

Post Designing
There is a reciprocal nature between what we do for ourselves and what clients want. Clients reference our self-initiated work to describe their project. So we must continually evolve our work to demonstrate our interests and development.

There is, however, a disconnect in the content. When we develop our projects, the style, content and technology are related, they all come from the same source. When we represent a client with style and technology we have developed and try to integrate their content, occasionally the finished work is not complete. Our most successful projects happen when our clients ask us to become involved in the content development as well.

We were approached by Edward Leaman at Marketing Mind to develop an inspiration piece for the employees and franchise owners of the Body Shop. He explained that the employees there were not buying into the corporate communication pieces that were being internally generated by the company and that using cd-rom and the internet could be more effective than the standard video. Edward came to us because we had a reputation for creating inventive solutions in the new media. In this case we were allowed to make our first attempt at generating the content based of a set of fundamental business objectives.

We wanted our solution to grow organically. Edward had presented us with a set of mission statements: Customers are guests in our homes, People are storytellers, Listen. Body Shop franchises are located in 46 countries representing 22 languages. With these directives in mind, we made structural analogy to the visible and invisible spectrums and a (sine) wave became the navigation metaphor. We worked with historian Barry Katz to write a series of essays on hospitality, language, service, the senses and intersubjectivity. We then created an automatic non-linear movie engine from original categorized video clips directed by the user interface which could be accessed in all of the 22 languages.

There was a bit of confusion when this project was first introduced to the franchise owners. 'What is this and how does it relate to the Body Shop' was a typical reaction. It was not a quick read. But as it was distributed to shops around the world, a general interest formed and the message was unlocked by many and appreciated. It respected the employees. This was, after all, what it asked them to do with their customers.

Post Post
Just as corporations fund research and development in artistic grants, they must do more in the age of technology than ask for predetermined solutions to problems which have not yet been solved. We must recognize the collaborative relationship between design and the corporate message and fund the development of technologically driven experiments. We as technology designers are moving beyond the stage of 'art for art's sake.' This is the new shift in art history where our work does not need to fit itself inside of an institution like a museum or gallery but has free reign for mass consumption. Granted we must take projects and serve a client to survive, but we must also satisfy our creative vision. We must explore and enhance our newly founded medium to survive.

Guarding the Tax Status of Arts Groups in the 21st Century

By Peter Swords, Executive Director, Nonprofit Coordinating Committee of New York

<u>Guarding the Tax Status of Arts Groups in the 21st Century</u>

This paper provides a brief canvas of what its author believes are the principal issues that bear on the tax status of nonprofit arts groups.[1] It is divided into three parts. Part I identifies those issues that might be thought of as global, e.g., the elimination of the charitable contribution deduction.[2] Part II concentrates on collaborations between the entertainment industry and nonprofit arts groups (particularly theater productions) and Part III surveys some issues relating generally to corporate support of the arts.

Part I

For a number of years now, there has been talk in Washington of fundamental tax reform – a scrapping of the federal income tax system as we know it. Many proposals would replace the income tax with some sort of consumption tax. There are a number of such proposals. For the lay person they can be complicated and often confusing. However, since they may have a significant impact on arts funding, they merit attention. We will broadly describe two[3] – the value-added tax and the flat tax – and hope that some idea of their relevance will be provided.

We begin with the value-added tax (VAT), which is a pure consumption tax. A VAT is a tax on the value added by each business as one business sells to another along the production line with the final tax being imposed on the ultimate consumer.[4] Put another way, the tax is on the sales price minus the cost of inputs purchased from other vendors in producing the goods or services sold. The final sale collects in effect all the taxes that have been imposed along the way. Note that under this system there would be no income tax either on individuals or businesses.[5] Thus, there would be no charitable contribution deduction, but no deduction would be warranted or even needed since there would be no tax on income.[6] However, if a VAT is adopted it will be in the interest of the charitable sector to have the system structured in such a way that charitable organizations would not have to pay VAT tax on their purchases and sales.[7]

We now turn to the flat tax. A leading authority describes the tax as follows:

> The flat-tax proposal of presidential candidate Steve Forbes and House Majority Leader Dick Armey essentially splits the collection of a single-rate subtraction-method value-added tax between businesses and individuals. Rather than denying businesses any deduction for wages, as is usual under a subtraction-method value-added tax, the flat tax allows businesses to deduct wages in addition to purchases from other businesses. This type of consumption tax is collected at each stage of production, as under a typical value-added tax, except for the tax on wages that is paid by individual wage earners.[8]

Dividends, rents, interest and capital gains would be exempt from the tax on individuals and individuals would not be allowed the many personal deductions currently available such as the deduction for home mortgage interest or the charitable contribution deduction. There are some variations on the Forbes-Armey flat tax, however, that would allow the charitable contribution deduction and because of the importance of the charitable deduction[9] to many arts groups it may be in the interest of the arts community to support such a variation.

The subject of fundamental tax reform is complicated and vast and it has been possible only to briefly indicate its contours but, as suggested, it is clear that it could have a significant impact on arts funding. Consequently, while it is far from certain that there will ever be fundamental tax reform[10] this is a development that arts advocates should carefully watch.[11]

Before ending this part, brief mention should be made of another type of proposal that could be quite damaging to the arts. Since the 1994 Congress there has been a flurry of proposals that would give donors, in addition to their charitable contribution deduction, a tax credit for gifts they make to social service groups. While the conservative impulse behind these proposals may be for the eventual substitution of private funding for government funding of social services, they have the effect of beginning a potentially pernicious redefinition of exempt purposes to include only social services and to leave out, among others, arts and cultural groups.[12] This is an issue the arts community should track carefully.

Part II

This part examines ways in which the entertainment industry can support nonprofit activities that are mutually beneficial to both for-profit and nonprofit participants without threatening the tax exemptions of the nonprofits. For the most part we will be looking at theater productions. To begin we set out a basic maxim of tax exemption, namely, that nonprofits cannot be run so as to benefit private or for-profit interests other than incidentally.[13] In cases of a nonprofit/for-profit venture where the issue of whether a nonprofit is impermissibly benefiting private for-profit interests is raised, a key question is whether the for-profit can exercise control over the nonprofit's activities and resources in ways that would commercially benefit the for-profit to the detriment of the nonprofit achieving its tax-exempt purposes.[14]

There are a number of ways that nonprofit and for-profit production companies form relationships that are designed to be mutually beneficial. First there is the license agreement pursuant to which a nonprofit theater licenses a for-profit production company to produce a play that the nonprofit has successfully produced in its initial run. Typically the nonprofit transfers to the for-profit company all of its production rights in the play in return for a royalty and other payments. This arrangement does not jeopardize the nonprofit's tax exemption.[15] The nonprofit theater has finished with the production and has presumably realized all of its artistic/nonprofit goals. In effect it is merely selling in an arms length transaction its interest in an asset for which it no longer has use.[16] The arrangement is entered into after the nonprofit production is over, so obviously the for-profit was not able to exercise any control over the nonprofit production or the nonprofit organization.

More recently arrangements have been made between nonprofit and for-profit production companies pursuant to which the for-profit production companies give an "enhancement payment"[17] to the nonprofit in return for an option to take all the transfer rights from the nonprofit production when it is finished.[18] In these cases for-profit involvement comes in at the start so the control question is raised. If, however, the arrangement is one that gives the for-profit production company no control over the artistic and business concerns of the nonprofit production then from the standpoint of the nonprofit company it is similar to the license relationship. The for-profit merely takes the production after the nonprofit has achieved its artistic/nonprofit goals without in any way influencing the realization of those goals.

At the frontier of nonprofit/for-profit undertakings are joint ventures between nonprofit and for-profit production companies entered into in order to produce an originally nonprofit production in a commercial venue (e.g., Broadway).[19] Such arrangements obviously raise serious control problems. A simple partnership with both joint venturers having equal rights to control the production would almost certainly put the nonprofit company's tax exemption in jeopardy. However, if the deal is structured in a way that gives the nonprofit sufficient control over the production so that it is able to pursue its artistic/nonprofit goals without having to compromise them to satisfy its commercial partner's wishes, it may be sufficient for tax purposes.[20]

Part III

A large number and variety of arts groups receive payments from commercial companies and in return for such payments display the companies' names or logos in their playbills, at the start of their television programs, in materials publicizing an art museum's exhibitions such as banners and brochures and the like. The question arises as to whether these payments should be treated as unrelated business income and so be subject to the unrelated business income tax (UBIT).[21] This question in turn depends on whether the displays are permissible acknowledgments (non-taxable) or advertisements (taxable). As a preliminary matter it should be emphasized that there is nothing wrong with having unrelated business income. It hardly ever jeopardizes your tax exemption and paying a little unrelated business income tax might well be worth the price of having the additional income generated from the unrelated business.[22]

The payments described in the preceding paragraph are sometimes referred to as corporate sponsorship payments. About a year ago the Congress amended section 513 of the Code (which imposes a tax on unrelated business income) to exclude many of such payments from UBIT.[23] The legislation had the effect of codifying proposed income tax regulations on the subject that had been proposed for a number of years but never finalized.[24] As the legislative history on the bill mirrors these proposed regulations, it would appear safe to look to them for help in interpreting the new law. The new law provides in effect that payments made by a company to a nonprofit shall be considered exempt "qualified sponsorship payments" where the company receives no substantial benefit from the nonprofit other than the use or acknowledgment of its name or logo or product line in connection with an event of the nonprofit.

So as suggested the usual question raised is whether material published or displayed by the nonprofit is advertisement or merely an acknowledgment of support. The statute gives a good idea of what is meant by advertising:

> [U]se or acknowledgment does not include advertising such [company's] products or services (including messages containing qualitative or comparative language, price information, or other indications of savings or value, an endorsement or inducement to purchase, sell, or use such products or services).[25]

Help on what is meant by "acknowledgments" is provided by the proposed regulations that describe the term as follows:

> Acknowledgments are mere recognition of sponsorship payments. Acknowledgments may include the following, provided the effect is identification of the sponsor rather than promotion of the sponsor's products, services or facilities: sponsor logos and slogans that do not contain comparative or qualitative descriptions of the sponsor's products, services, facilities or company; sponsor locations and telephone numbers; value-neutral descriptions, including displays or visual depictions, of a sponsor's product-line or services; and sponsor brand or trade names and product or service listings. Logos or slogans that are an established part of a sponsor's identity are not considered to contain comparative or qualitative descriptions.[26]

UBIT only applies to business activity that is "regularly carried" on. Whether an activity is regularly carried on is evaluated in terms of the "frequency" and "continuity" with which it is conducted and the manner (commercial vs. non-commercial) in which it is pursued.[27] For example, if the material is published or displayed in connection with a single event that lasts only a short time or an event that recurs only occasionally or sporadically (e.g., an annual fundraising event), even if the material constitutes advertisement it will not be subject to UBIT since the activity will be considered an irregular one. Where, however, the underlying activity (e.g., a television program or art exhibit) recurs regularly payments from supporting companies for advertisements generally would have to be classified as qualified sponsorship payments to avoid UBIT.[28]

Conclusion

Over 30 years ago William Baumol and William Bowen explained that because of advances in productivity brought about by technological developments many companies are able to increase the compensation levels of their employees as their output per person hour increases.[29] This development is not available for many arts groups. It took four musicians to make up a string quartet in 1800 and it still does today. Thus the arts face ineluctable cost pressures as they fight to keep their salaries competitive. Making things worse has been the recent devastating cutbacks in government funding for the arts. It is little wonder then that a number of enterprising nonprofit arts groups push the envelope of what they can do thus reaching areas where questions about their tax exemption may be raised. As they do so they should proceed prudently and be aware of what the limits are.

Endnotes

[1] Nonprofit arts groups are those organizations exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (hereinafter "Code") whose contributors are eligible for the charitable contribution deduction under section 170 of the Code. They include such groups as theater companies, dance groups, museums, symphony orchestras and the like.

[2] Some of these issues will involve all section 501(c)(3) organizations (i.e., for example social service and educational groups as well as nonprofit arts groups) and some only nonprofit arts groups.

[3] There are numerous proposals for VATs and flat taxes. Thus, it should be understood that descriptions offered are only roughly suggestive of how these taxes work. Other consumption taxes include a national sales tax (a sales tax collected only on the final sale) and something called the USA Tax (a proposal put forth by Senators Pete Domenici and Sam Nunn that would be a combination of a VAT on businesses and a progressive tax on individual consumption).

[44] For example, a VAT would be imposed on the sale of raw material to the manufacturer and then on the sale by the manufacturer to the retailer and then finally on the sale to the consumer. The idea is that the tax is imposed on the value added at each stage of the process.

[5] Consequently businesses would be denied any deduction for wages. The relevance of this point will become clearer when we discuss the flat tax.

[6] It is unclear whether the "income effect" of such a tax, namely, that taxpayers would have more income as a result of its enactment and thus be more inclined to give will dominate over its "substitution effect," namely, that the price of giving will go up since there will no longer be a deduction or vice versa.

[7] This could be done by exempting sales by nonprofits from VAT and providing them with a refund for the VAT paid on items they have purchased. There are other methods that could be devised depending in the actual details and design of the tax.

[8] Michael Graetz, *The Decline (and Fall?) of the Income Tax* (W.W. Norton & Company, 1997), p. 218. Graetz defines a subtraction-method value-added tax as follows: "This kind of VAT taxes the difference between the total receipts from a business's sales of goods or services and the total amount of the business's purchases of goods and services from other businesses. The difference between sales and purchases is the business's value-added and the tax rate is applied to that amount." Id. at p. 217.

[9] It is roughly estimated that arts groups receive 3 billion dollars a year in individual gifts for which the donors receive a charitable contribution deduction. The charitable contribution deduction is particularly valuable for those who give assets that have greatly appreciated since the time they were first purchased, for example gifts of equities. No gain is realized by the donor and in many cases she is able to deduct the full fair market value of her gift thus sheltering a portion of her other income equal to that amount from taxation.

[10] A few years back few thought fundamental tax reform would move very far. Today people are less sure and a large gain in Republican membership in the U.S. Congress would make such changes all the more likely.

[11] The negative impact of tax reforms of the kind described in the text in so far as they threaten to alter today's charitable contribution deduction might fall hardest on those high-end arts and cultural groups which receive gifts in appreciated assets (e.g., works of art or appreciated securities). There are a number of other aspects about fundamental tax reform that may impact the arts. Space limits prohibit doing more than merely flagging some of the changes that might be made. Some proposals would exempt interest income and thus 501(c)(3)

organizations would no longer be able to attract buyers of bonds, the interest of which is today tax exempt. Other proposals would eliminate the tax-free treatment of fringe benefits, including health insurance, provided to employees. Finally, the arts community should be aware that one "reform" would repeal the federal estate tax.

[12] As an example, on October 15 the President signed into law the Coates Human Services Reauthorization Act of 1998. This bill allows states to use a portion of their Community Services Block Grant to set up, administer and finance a state charitable tax credit program pursuant to which individuals would receive a state tax credit for their gifts to public housing authorities, community action agencies and charities that primarily serve the poor. Arts and cultural groups are left out. Another aspect of this proposal that is troublesome is that it would exclude from its benefits groups that engage in advocacy. This is part of a recent movement that attempts to gag nonprofits from engaging in advocacy that is primarily associated with Representative Ernest Istook (R-OK). While all nonprofits are aimed at by these restrictive proposals, they have obvious interest for arts as well as social service groups.

[13] Obviously nonprofits must make a number of purchases and engage in services to carry out their missions and when they do they necessarily benefit private individuals. However, these benefits are incidental to nonprofits achieving their goals and do not jeopardize their tax exemptions.

[14] In the context of this Part's discussion, an organization's tax-exempt purpose is essentially identical with its artistic/nonprofit goals. Thus, references in the text to organizations pursuing their artistic/nonprofit goals are meant to describe those purposes that would be found to be educational under section 501(c)(3) of the Code. Generally arts groups are exempt from federal income taxation under section 501(c)(3) of the Code as organizations which are pursuing educational purposes. (Briefly, section 501(c)(3) exempts organizations that are organized and operated for charitable educational and religious purposes.) Internal Revenue Service regulations and rulings have established that fostering the appreciation of the arts on a nonprofit basis is an educational purpose.

[15] The royalty payments in most cases will also be exempt from the unrelated business income tax. See section 512 (b)(2) of the Code.

[16] The transaction is analogous to a museum as part of its deaccession program selling a painting to a private person or a school selling buildings it no longer needs to private interests.

[17] These support payments are called "enhancement payments" because they are thought to enable the nonprofit to add to its production in ways it would otherwise not be able to afford. In fact they are usually what may be called "but for" payments for without them the productions would not be possible.

[18] Typically, the option must be exercised within thirty days. In most cases all the nonprofit receives is the enhancement payments. In some cases they also receive a royalty payment in return for the transfer of the production rights.

[19] These arrangements are attractive to the nonprofit partner since if they are successful the nonprofit partner will realize much higher amounts than if it had licensed the production.

[20] There follows a provision for an agreement establishing the kind of joint venture described in the text that is designed to give a nonprofit production company the kind of control needed to protect its tax exemption: "Not-For-Profit Corp ("NFP") is a not-for-profit education and tax exempt organization. As such, NFP is obligated to, and shall, act exclusively in furtherance of its not-for-profit exempt purposes, and actions so taken in good faith by NFP shall not be deemed a breach of NFP's obligations as Managing Member."

[21] UBIT is imposed on income generated by tax exempt nonprofits from activities that are unrelated to the pursuit of their exempt purposes. See section 511-514 of the Code.

[22] If an organization has generated in excess of $5,000 in unrelated business income, it must file a Form 990T in addition to the Form 990, but this is hardly a reason not to engage in an unrelated business is if it is able to generate helpful funds.

[23] Section 513(i).

[24] Prop. Treas. Reg. section 1.513-4.

[25] Section 513(i)(2)(A). The proposed regs give the following example of advertising. It entails a noncommercial broadcast station that airs a program sponsored by a local record shop (Record Shop) which broadcasts the following message call to action: "'This program has been underwritten by the Record Shop, where you can find all your great hit music. The Record Shop is located at 123 Main Street. Give them a call today at 555-1234. This station is proud to have the Record Shop as a sponsor.'" Prop. Treas. Reg. Section 1.513-4(c)(2).

[26] Prop. Treas. Reg. Section 1.513-4(c)(1).

[27] See, Treas. Reg. Section 1.513-1(c).

[28] There are special rules applicable to calculating UBIT on income from advertising placed in the periodicals of exempt organizations. See, Treas. Reg. Section 1.512(a)-1(f).

[29]See, W.J. Baumol and W.G. Bowen, *Performing Arts: the Economic Dilemma* (New York: Twentieth Century Fund. 1966).

Venture Capitalism:
Investment Ideas for Mixed For-Profit, Non-Profit Partnerships

By Tyler Cowen, Department of Economics, George Mason University

Venture Capitalism: Investment Ideas for Mixed For-Profit, Non-Profit Partnerships

The symbiosis between for-profit and nonprofit enterprises is a recurring theme in the history of the arts. We should take a cue here from artists, who know they must plunder the past for new ideas.

Most of the great artists of the past were entrepreneurs and capitalists, including Rembrandt, Rubens, Haydn, Mozart and Beethoven, among many others. They knew that aggressive marketing supported their creativity, not hurt it. Mozart wrote: "Believe me, my sole purpose is to make as much money as possible...." Paul Gauguin and Picasso are two painters of many who were ceaseless self-promoters and publicity hounds.

We should drop the view that there is something necessarily "dirty" or unaesthetic about making money through art. The history of the Western cultural tradition is the history of the growth of markets and marketing, as I have argued in my recent book *In Praise of Commercial Culture*. Most of the great eras for the arts—ancient Greece, ancient China, medieval Islam, the Italian Renaissance, the Enlightenment and 20th century America, to name a few examples—have come in relatively wealthy and commercial societies.

One advantage of a wealthy society is its greater scope for foundations, charitable giving and nonprofit organizations. Ironically, it is a wealthy, commercialized society that creates the most room for non-commercial values. Most artistic revolutions have relied on efficacious mixes of for-profit and nonprofit institutions.

Mixed Partnerships in History

Few eras combined the for-profit and the nonprofit more effectively than did the Italian Renaissance, especially in Florence. Renaissance art was essentially a business, run by creative entrepreneurs, but it was a joint enterprise with nonprofit participants.

Nonprofit churches in Florence, for instance, served as important customers and middlemen for art. These churches sold space to wealthy merchant families; in essence, the families gave money to the churches and the churches set up artistic displays in their names. Chapels, tombs and altarpieces were funded in this manner, which gave employment to many painters, sculptors and artistic craftsmen. Prestigious families competed against each other to see who could fund the most beautiful or most impressive church spaces, thus stimulating artistic creativity.

We still rely on the status-seeking of wealthy merchant families, although museums are now more likely recipients of artistic largesse than are churches. The non-wealthy post cultural creations on the Internet, hoping it will augment their prestige, win them acclaim or perhaps bring them market access. This extension of artistic status-seeking to the on-line environment is a promising development for the future.

The Florentine guild system was another fruitful mixed partnership. We typically think of guilds as monopolistic medieval institutions that regulated prices and quality, but Florentine guilds were much broader in their activities. The Florentine economy was organized into seven primary guilds, which held a quasi-public, quasi-private status. These guilds sat on ruling governmental councils and competed among themselves for status and political influence. In this rivalrous environment, the guilds financed high-quality artworks to promote their prestige.

Many of the best Florentine artworks, including Ghiberti's Baptistry Doors, Brunelleschi's Dome and many of Donatello's sculptures, were funded by guilds in this manner. Large-scale sculpture was very expensive and even most of the wealthy could not afford it, thus the role for the mixed partnership. The guilds allowed Florentine artists, who were essentially commercial craftsmen, to turn their attention to larger projects. Florence combined the best of both worlds: the seasoned judgment and long time horizon of non-profit institutions and the competitive edge and motivation of the for-profits.

Many late 20th century artists have started as craftsmen, just as the Florentines did. Pop artists used commercial society as a training ground. Andy Warhol started in fashion illustration and commercial art. He created advertisements, arranged window displays at department stores and designed record jackets, stationery and Christmas cards. James Rosenquist worked in publicity graphics and billboards, which he made for Hollywood movies as well as for Hebrew National Hot Dogs. Robert Rauschenberg and Jasper Johns designed shop windows for Tiffany's.

Some of the most innovative models for artistic partnerships come from abroad. In Japan nearly half of all art exhibits are held in department stores, to bring in customers. Some golf courses attract players with sculpture gardens. In Germany some hotel proprietors hang contemporary art in their rooms and lobbies, again to attract patrons for some other service, in this case the rooms.

How Music Differs

Of all the major art forms, popular music relies least on mixed partnerships and is the most heavily commercial. We do not ask the wealthy to fund the next album by REM or U2. It is not necessary and, besides, no one would bite.

Mixed partnerships are most important for the non-reproducible arts, such as painting and sculpture, where prestige can be most easily sold. There can be considerable prestige from funding or owning a unique work of art, but not from a reproducible piece of music. As a result, music usually must reach out to a broader audience than art.

Classical music relies heavily on mixed partnerships and always has. Bach marketed his music through churches. Today, classical music is sold through nonprofit symphony orchestras and nonprofit opera companies. Unfortunately, the for-profit component in classical music is weaker today than it was in the 19th century.

On the bright side, today's classical scene is moving away from its earlier indifference or even contempt towards audiences. Arnold Schoenberg, the founder of atonal music, wished to ban audience applause (and booing), believing that the performer should be insulated from spectator reaction. Nowadays Nigel Kennedy is promoting the opposite approach; he opined: "I think if you're playing music or doing art you can in some way measure the amount of communication you are achieving by how much money it is bringing in for you and for those around you."

I view the current "malaise" in the classical CD market as enormously healthy. Listeners do not need or want to buy another set of Brahms symphonies or another Nutcracker Suite. So the music companies have been forced to look for new ideas. Slowly but surely, new music has been creeping onto the classical charts. Who would have predicted the success of Arvo Part or Gorecki 15 years ago?

These developments will, in part, corrupt contemporary composition (I do not want the next generation of composer to mimic Gorecki, for instance), but they also will give it a fighting chance. My local Tower Records chain, firmly ensconced in American suburbia, aggressively markets a wide variety of contemporary compositions.

Fame and Art

Fans and consumers have an avid interest in fame. They often find stars and celebrities more interesting than their creations. The David Helfgott phenomenon is clear evidence for this point. If nothing else, many fans are looking for somebody to talk about, laugh about or perhaps even criticize.

Rather than fighting this tendency of consumers, why not try to turn it in favor of high quality art? The American Film Institute list of the 100 Greatest Movies has stimulated many worthy video rentals. The Random House list of the 100 Greatest Books has caused sales of James Joyce's *Ulysses* to skyrocket. Customers simply like the idea of a "best," "most renowned" or "greatest." They like rivalry and tournaments, as evidenced by the immense popularity of sports. The movie "Amadeus," with its feud between Mozart and Salieri, exploits this kind of audience reaction very effectively, and toward the end of supporting first-rate musical culture.

Whether we like it or not, our modern culture is built around fame and celebrities. If we are wondering why a sector of culture is struggling, we should start by asking why it has failed to produce its own celebrities. Therein lies the answer to our question.

The Outlook for the Future

The greater efficiency of the modern world brings both positives and negatives. On one hand, efficiency boosts wealth, which makes art easier to afford.

On the other hand, corporate efficiency can lead to cutbacks in arts giving and cultural investment. Does it really make sense for the shareholders of *Reader's Digest* to be financing art holdings? Probably not, which is why those works are being placed on the auction block. Did the wonderful "Tools as Art" collection increase the profits of

Hechinger's hardware store? Again, I doubt it. Efficiency tends to eliminate cross-subsidies, which can damage culture and the arts.

We see the same tendency to eliminate cross-subsidies in the contemporary university. For whatever reason, voters have shown less interest in funding state universities in current years. We all know that contemporary classical music and fiction rely heavily upon indirect university subsidies. Without teaching posts, many artists, writers and composers would have less time and energy to pursue their craft.

For-profit higher education has increased in recent years, as evidenced by the spectacular growth of Phoenix University and DeVry. These institutions train individuals effectively to be accountants and computer programmers, but they do little to support the arts, unlike the traditional liberal arts university.

No particular cross-subsidy can be expected to last forever, however beneficial it may be. By its very nature, a cross-subsidy implies that somebody or something is getting a free ride.

I expect, however, that beneficial cross-subsidies will increase over time. Wealthy societies typically create cross-subsidies more rapidly than they destroy them. This may be scant comfort to the anxious artist, who often cannot see where the new set of cross-subsidies will be coming from, but it is true nonetheless. The university cross-subsidy, for instance, was not significant in the 19th century but grew rapidly in the 20th century, especially after World War II. Perhaps for-profit Internet sites will provide future support to artistic creativity through some kind of cross-subsidy.

The "day job" has been one of the most important forms of cross-subsidization for the arts. T.S. Eliot worked in Lloyd's bank, James Joyce taught languages, Charles Ives and Wallace Stevens worked as insurance executives, and William Carlos Williams was a physician, all while producing great works. Philip Glass drove a taxi in New York City, even after composing some of his most creative pieces. (Glass relates that one woman, after climbing into his taxi, told him that he shared the same name with a famous composer.)

We may feel that preventing artists from having to seek "day jobs" is precisely what this conference is about, but the realities remain. Not all successful artists will earn riches. And there will be many more aspiring artists than successful artists, no matter how much government decides to spend on the arts. A society therefore needs a large number of relatively comfortable, low-stress jobs if it is to support artists and give aspirants a chance to hone their skills. In this regard the modern world is improving continually, especially given the rise of flexible and part-time work.

Unfortunately, the debate over government arts funding has focused on only a few issues, such as some highly visible National Endowment for the Arts grants. Whether we approve or disapprove of the NEA, it is a relatively unimportant component of government support for the arts. Far more important is the fact that state colleges and universities teach 80 percent of all students in American higher education. Or the tax breaks for nonprofit organizations and charitable donations. These policies create or prolong cross-subsidies for the arts.

Nor should we forget that the bureaucratization of society can favor creativity in some regards. Washington, D.C. has an especially active group of choral societies, which sing and perform in the evenings. It is especially easy to coordinate these individuals, since most government employees know they can leave by 5 p.m. It is no accident that Goethe, Melville and Adam Smith—all fabulously creative individuals—spent significant portions of their life working in bureaucracies.

Nonprofit and for-profit institutions are becoming more like each other. Nonprofit museums are turning to commercial marketing to increasing degree, with blockbuster exhibitions, larger restaurants and more elaborately equipped gift stores. In essence, the museum creates a mixed partnership within its own boundaries. The shop and restaurant take after for-profit institutions, while the museum itself continues as a nonprofit.

We are rapidly approaching the point where it is hard to even define a for-profit/nonprofit partnership due to its ubiquity and due to a blurring of the basic forms. I consider this a step forward, not a step backwards.

Many current artistic nonprofits were once for-profits at earlier times in history. Until the late 19th century, the Metropolitan Museum of Art was a for-profit. Up until this century, most Italian opera houses were for-profits, not nonprofits.

These shifts are poorly understood by cultural historians. Since many of the changes in corporate status predate personal and corporate income taxes, the tax benefits enjoyed by nonprofits do not provide a sufficient answer. In any case, cultural institutions seem to be moving back in the for-profit direction. Given the tax breaks enjoyed by nonprofits, I do not expect them to change their legal status, but they will ape for-profits to increasing degree, just as universities have been doing. Again, rather than fighting this trend, which I view as inevitable, I suggest we turn it toward high quality culture as much as possible.

Television as an Art Form

By Meryl Marshall, Academy of Television Arts and Sciences

Television as an Art Form

A flickering light in the center of the living room. A series of carefully created images using hues and shades of color, natural and invented settings, combined with original music composed and conducted, and special visual effects applied to convey meaning and context for dialogue and movement. These elements transform the written word into the unique collaborative art form known as television.

Directors, cinematographers, animators, production and costume designers, composers, musicians, graphic artists and makeup artists generate original ideas every day which construct thousands of hours of daily, weekly and one of a kind programming on what is fast becoming the 500 channel universe. Some of the designs and musical compositions can be performed or exhibited without the program for which they are created. Other elements exist only within the context of the production. However talent and mastery must be applied to evoke a memory, emotion, or response, convey an experience, a point of view, perspective or intention.

To appreciate and understand television, we need to be familiar with our visual legacy as well as our literature. We need to learn to decipher and interpret music.

Television must be recognized as the work of artists. Trained in design and composition, the pictures designed and collected are constructed using a combination of traditional and newly acquired skills and mediums. Although ultimately, each telecast may reach millions of viewers, television is watched by individuals alone in their homes or with one or two other individuals present. The nature of the small at home screen creates an intimate viewing experience different from the large format public experience of feature films. The use of video as well as film with different aspect ratios, the emergence of high definition affects the variety and qualities of the medium.

These unique considerations result in the creation of distinct elements throughout the development and production process as highly trained and inspired artists work to entertain, inform and impact an audience. As technology provides more accessible, less expensive, more capable tools, our ability to create, duplicate, re-purpose and transmit these images will also increase.

The environment of children and most adults includes the conscious and unconscious exposure to an enormous volume of images. To encourage study and analysis, to ensure the advancement of the arts and sciences and to recognize and encourage the most artistic and literate use of this powerful medium, television must be recognized as an art form created in the 20th century.

The Arts and Community Development

By William E. Strickland, Executive Director, Manchester Craftsmen's Guild

The Arts and Community Development

This paper has been developed as an overview or talking paper designed to encourage legislative action on the development of a policy position by Americans for the Arts. The subject is The Arts and Community Development. *The thoughts articulated in these pages are being offered as beginning points to support a substantial future discussion on the subject.*

I strongly believe that if the arts are to have a future in this country, the arts must position themselves as a growth industry and that our ability to align ourselves with the future of communities will be critical to this determination. I believe that part of the reason we have been unable to increase funding for the National Endowment for the Arts or make significant leaps in state and local level arts funding has to do with the need for the arts, and arts organizations in particular, to define themselves as integral to the life of communities.

I believe that arts organizations should learn to define their role within communities as deliberately addressing issues of violence, housing, economic development, racial and ethnic prejudice, nutrition, public safety, etc. As the public begins to "see" our activities, we need to define our organizations' behavior as not exclusively concerned with the promotion of the arts and the amount of grant money and contributed income we are able to acquire, but rather the service to community that is being realized. That is not to say that basic organizational purpose and financial well being needs to be reduced in importance, but that the mission of the institution begins to be thought of in the deepest of terms relative to community well-being and the responsibilities of good organizational citizenship.

Arts organizations, both small and large, are members of the community and public money is often allocated for their continuation. The public generally benefits from access to these institutions, and in many cases, arts education and arts exposure programs have created unique and innovative programs that actively involve many constituencies in their art focus and work. As a result, arts organizations that effectively integrate themselves into their communities are often able to attain financial support at the local level.

I would, however, argue that future growth will be directly affected by our ability to be identified as institutions actively involved in the destiny of where we are located and where we live. For example, I believe that artists and arts administrators need to become much more deliberate in making themselves available for service as board members of other nonprofit and for-profit institutions outside of the immediate jurisdiction of the arts. Our visibility as members on community boards, such as hospitals, banks, public schools, insurance companies, technology companies, venture capital firms, start-up entrepreneurial ventures and the Goodwills and Salvation Armys of the world, will make a major difference in how we are perceived in our communities. The actual behavior of artists and arts administrators relative to broad public service will only serve to enhance the view of our industry as one able to go beyond its immediate self interest needs and to see its destiny as one entwined with the destiny of communities. The best practitioners of this point of view, in my opinion, have been programs such as Folk Arts, Expansion Arts and Craft Organizations at the National Endowment for the Arts and their equivalents at the state and local level. I would argue that these wonderful program traditions offer much to learn as we reconfigure ourselves in the months and years to come. Organizations like Appalshop, Philadanco, Henry Street, Harlem School for the Arts, Chicago Children's Choir, The Jazz Hall of Fame and my own organization, Manchester Craftsmen's Guild, are but a tiny example of the kind of organizations that have their organizational artistic mission deliberately intertwined with the destiny of the communities in which they live.

I believe that elevating the experience of these organizations to the level of national discussion, which I believe they deserve, will add immeasurably to this national discussion of the role to be played in repositioning the arts for the future. As small examples, I would like to offer two different communities who have engaged Manchester Craftsmen's Guild in discussions that I believe may serve to illustrate my point.

San Francisco
San Francisco Mayor Willie Brown, through the city's Redevelopment Authority, has contracted with Manchester Craftsmen's Guild to lead a year-long community-wide, arts and technology planning process. The city, along with two San Francisco based foundations, has provided funding that will allow for an ambitious program of research and investigation designed to test the suitability of a major, multi-million dollar, state-of-the-art arts and technology center being located in one of the poorest sections of San Francisco, the community of Bay View-Hunter's Point. A survey of 30 leaders from the community were selected, from welfare mothers to the Dean of the Stanford Business School and world famous jazz musician Herbie Hancock. The survey clearly indicated both a need for developing such a center and a climate receptive to an arts and technology education. Plans are currently underway to establish a nonprofit board of directors, identify corporate partners for the technology based training and develop an arts curriculum that represents strong educational application to "at-risk" children presently enrolled in the San Francisco Public School System. The center will be located on San Francisco Bay and represent a symbol of all that is possible for the future of arts and economic revitalization in that area.

Baltimore
In Baltimore, the Hoffberger Foundation has selected Manchester Craftsmen's Guild to lead a development team to plan and facilitate the building of a community-based arts and technology center modeled on our program in Pittsburgh. As in San Francisco, a community-wide survey was performed, a cross-section of leaders has been selected for the Board of Directors and a year-long planning process is underway to determine the proper scope, size and program for a major arts and technology/economic development center for the City of Baltimore.

These are just two examples representing opportunities for Americans for the Arts to learn from such laboratories in terms of development and to issue a call for a national policy and, eventually, specific federal legislation designed to fund and operate community-based arts organizations capable of this magnitude of work; centers that can become vehicles for the implementation of change in subjects as far ranging as school reform, welfare reform, community economic development, violence reduction and improved physical and mental health at the community level. I believe that the constituency represented by Americans for the Arts has the potential to become the unifying force that is presently missing in the field of urban and rural revitalization. The arts and Americans for the Arts can offer both the glue and the conceptual framework for galvanizing this conversation.

AMERICANS FOR THE ARTS: BUILDING A BETTER AMERICA THROUGH THE ARTS

Americans for the Arts is the national organization for groups and individuals dedicated to advancing the arts and culture in communities across the country. To this end, Americans for the Arts works with cultural organizations, arts, business and government leaders and patrons to provide leadership, research, visibility, professional development and advocacy that will advance support for the arts in our nation's communities. Among Americans for the Arts' programs and initiatives:

- **NATIONAL ARTS POLICY CLEARINGHOUSE**, the nation's leading arts policy information resource.
- **INSTITUTE FOR COMMUNITY DEVELOPMENT AND THE ARTS**, researching and documenting model programs that use the arts to affect local change.
- **YOUTH ARTSUSA**, a three-year research and public awareness effort on the value of the arts to kids.
- **NATIONAL ARTS AWARDS GALA**, recognizing the extraordinary achievements of artists, business leaders and educators dedicated to the arts in America.
- **ARTS ADVOCACY DAY**, a grassroots initiative to raise Congressional awareness of the importance of public support for the arts.
- **NANCY HANKS LECTURE ON ARTS AND PUBLIC POLICY**, annual forum for national discourse on cultural policy issues.
- **MONOGRAPHS**, a series of in-depth papers on topics such as arts education, community development and cultural planning.
- **NATIONAL ARTS AND HUMANITIES MONTH**, celebrating community cultural life during the month of October.
- **THE CULTURAL ADVOCACY GROUP**, a consortium of more than 60 national organizations working to send a strong public message about the role of the arts in building communities.
- **ANNUAL CONVENTION**, the largest gathering of arts administrators in the U.S.
- **THE GOVERNMENT LEADERSHIP IN THE ARTS AWARDS**, honoring public officials on the local, state and national levels for outstanding contributions to the arts.

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