

# RSA

## **Rethinking Cultural Philanthropy** Towards a More Sustainable Arts and Culture Sector

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## Rethinking Cultural Philanthropy

### Towards a More Sustainable Arts and Culture Sector

Last year, when I moved from the US to the Netherlands, I encountered renewed interest in the ‘American model’: the indirect subsidy policy for arts and cultural nonprofits, which (through tax incentives) encourages giving by private foundations, corporations and individuals. In the Netherlands, as in Britain, there are government cuts on the horizon and great hope appears to be pinned on private support to fill the anticipated gap. It has been bewildering for me to encounter interest in the American model as over the past several years (if not longer) the phrase uttered *ad nauseam* by arts leaders in the US has been “the model is broken”.

At a session on ‘new business models’ at an Americans for the Arts Conference in Maryland in 2010, the president and CEO of Nonprofit Finance Fund, Clara Miller, remarked, “There is one business model: reliable revenue that meets or exceeds expenses. Any questions?” Everyone chuckled. In a word, the American model feels unstable to those inside the system.

A staggering 41% of nonprofit arts organisations in the US were unable to balance their budgets in 2008 (up from 36% in 2007) and, within this, larger arts organisations were particularly likely to report deficits. These statistics makes it clear why there is a growing sentiment that the American model is failing.<sup>1</sup> ‘The model is broken’ is shorthand for a range of frustrations and concerns surrounding the chronic undercapitalisation of nonprofit arts organisations in the US. This is leading many to question whether the fundamental assumptions and beliefs underpinning the American model are still valid.

In order to create a more sustainable arts sector in the US, I propose we need to see three shifts, or changes in conditions, in the realm of cultural philanthropy. Once more, I believe that these conditions may be necessary for those in Britain and elsewhere facing the difficult reality of pending government cuts and the necessity to raise funds from other sources.

#### *Shift I: From mattering to a few to mattering to many...*

I recently met with the director of a philanthropic foundation in the Netherlands (a generous supporter of the arts), who astutely suggested that attracting significant resources from the private sector to replace the pending loss of government funding in the Netherlands would require developing a “culture of asking and a culture of giving.” Similarly, a recent article in *The Guardian* quoted UK culture secretary Jeremy Hunt saying, “It is not just about tax but about attitudes to asking and attitudes to giving. We are trying to change the whole culture of giving.”<sup>2</sup>

Without a doubt, these two capacities, both deeply engrained in the culture of America, appear to be significant factors in the persistence of the nonprofit arts sector in the US. As difficult, wearying and hyper-competitive as it can sometimes be, there is rarely shame in asking in the US. If anything, there may be shame in failing to ask. Motivated by their friends and social networks, their hearts, family traditions and values, civic duty, the tax code, entrepreneurialism, religious beliefs that encourage charity, and other forces, Americans give, and many give quite generously.

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<sup>1</sup> Americans for the Arts, *2009 National Arts Index*, available at [http://www.americansforthearts.org/information\\_services/arts\\_index/001.asp](http://www.americansforthearts.org/information_services/arts_index/001.asp).

<sup>2</sup> Higgins, Charlotte. “Jeremy Hunt Launches £80m arts match-funding scheme,” *The Guardian*, December 8, 2010. Available at: <http://www.guardian.co.uk/culture/2010/dec/08/jeremy-hunt-arts-funding-match>

In 2009, 83% of philanthropic dollars totaling \$307.75 billion came from individuals, who gave most generously to their churches (\$100.95 billion) and to their alma maters and other educational institutions (\$40.01 billion). Notably, the arts, culture and humanities receive a relatively small percentage of philanthropic dollars (4% or \$12.34 billion in 2009) and that small percentage is declining.<sup>3</sup>

According to the *National Arts Index*, the arts and culture sector has been losing its market share of philanthropy to other charitable areas since well before the current economic downturn. While this is worrying, it is hardly surprising given that there have been double digit rates of decline in participation for most fine arts disciplines in the US since 1982.<sup>4</sup> In many respects, some arts organisations now appear to be paying the price for having long ago hitched their wagons to an upper middle class cultural elite and, in essence, disregarded the rest of their communities. Aiding and abetting this disconnect has been the evolution of the role of the governing boards of many arts institutions from ‘representatives of community’ to ‘banks’, leading them to see the world through the lens of a very narrow demographic of society.

There is no stronger argument for the value of the arts than an engaged public. Only with an enthusiastic and loyal base of patrons can an organisation cultivate long-term relationships and sustained support. Many organisations face deficits because they simply do not have a sufficiently loyal, broad, or deep base of patrons to support their current operations. It may be possible for Britain to launch major initiatives with the largesse of a few wealthy patrons, and to compel private support for the arts with such strategies as advancement campaigns, matching schemes, or even future adjustments in the tax code. But these methods are not a substitute for, and are not sustainable without, patronage that stems from a sincere desire to see the perpetuation of individual arts organisations and the sector as a whole. People give to support what they value and believe in. It is relevance that fuels the ‘culture of giving and asking’.

## *Shift 2: From preserving tall trees to fostering a healthy ecosystem...*

Without a doubt, the characteristics and preferences of foundations and individual donors have influenced not only the missions and programs of individual organisations but also the current shape of the arts and culture sector in the US. Just as arts organisations risk declining relevancy if they disregard large segments of society, funders and influential donors risk perpetuating that irrelevancy and creating homogeneity or instability in the sector, if they disregard the impact of their investments on the arts community-at-large.

Apocryphal as it now seems, in the 1960s and 1970s the US government – the National Endowment for the Arts (NEA), in combination with grants from state and local arts agencies – provided significant direct support to many nonprofit arts groups. This enabled artists and organisations to take artistic risks and encouraged, amongst other things, the development of diversity, preservation, access and education initiatives.

Not all organisations fared equally in the fallout from cuts and shifts in priorities at the NEA and other foundations in the 1980s and 1990s. In particular, community-based, grassroots, artist-led, folk/traditional and culturally-specific organisations – as well as smaller, alternative ones that

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<sup>3</sup> The Center on Philanthropy at Indiana University, “Giving USA 2010: The Annual Report on Philanthropy for the Year 2009,” available at [http://www.givingusareports.org/products/GivingUSA\\_2010\\_ExecSummary\\_Print.pdf](http://www.givingusareports.org/products/GivingUSA_2010_ExecSummary_Print.pdf).

<sup>4</sup> National Endowment for the Arts, “Arts Participation 2008: Highlights from a National Survey,” June 2009. <http://arts.endow.gov/research/NEA-SPPA-brochure.pdf>

support emerging artists and produce challenging works – have often struggled to develop and sustain a sufficient base of individual donors to support their institutions.

In part this is because these groups often serve a constituency that is not able to make large contributions (which is one of their primary values to society). But it is also because support from private foundations has tended, on average, to gravitate to larger, high profile, ‘fine arts’ institutions. In the US, the median foundation grant to art organisations is (and has been for many years now) \$25,000. However, large grants (of \$500,000 or more), which captured nearly 64% of total grant dollars for the arts in 2008, were concentrated in a relatively small share (4.3%) of the total number of grants.<sup>5</sup>

It has long been assumed that the plurality of the American model would result in a diverse arts community. However, the reality that it has become increasingly difficult for certain groups (for example, black theatre companies and single choreographer modern dance companies) to remain competitive in the battle for private charitable dollars would seem to indicate that when the government cuts funding to the arts and culture sector, it cannot assume that society will dutifully and equitably fill all the gaps. There will be winners and losers. Just as organisations cannot afford to disregard their communities-at-large, arts funders and donors need to recognise the potential for unintended negative consequences if they fail to consider the impact of their actions on the arts community-at-large.

### *Shift 3: From projects to people and short-term to long-term cycles...*

In the *Harper's* article, “Dehumanized: When Math and Science Rule the School,” author Mark Slouka describes the drama of American education today:

*“It’s a play I’ve been following for some time now. It’s about the increasing dominance - scratch that, the unqualified triumph - of a certain way of seeing, of reckoning value. It’s about the victory of whatever can be quantified over everything that can’t. It’s about the quiet retooling of American education into an adjunct of business, an instrument of production.”*

Discussing the challenges facing one of the victims in this drama – the humanities – Slouka references poet, classicist and former dean of the humanities at the University of Chicago, Danielle S. Allen. Slouka writes that Allen, “patiently advances the argument that the work of the humanities doesn’t reveal itself within the typical three- or five-year cycle, that the humanities work on a fifty-year cycle, a hundred-year cycle.”<sup>6</sup>

In the US and elsewhere there is a similar push for short-term successes and measurable outcomes in the arts and culture sector, a field that, arguably, exists to support the lifelong development of artists and people’s long-term relationship to the arts. In recent years we have experienced a renewed interest in ‘strategic’ grant-making, this time with a ‘venture philanthropist’ spin. While such a model may be appropriate and effective for those seeking to efficiently create and distribute mosquito nets in the Third World, it seems ill-suited to building

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<sup>5</sup> Grantmakers in the Arts, *Vital Signs: Snapshots of Arts Funding*, available at <http://foundationcenter.org/gainknowledge/research/pdf/artsfunding2010.pdf>

<sup>6</sup>Slouka, Mark. “Dehumanized: When Math and Science Rule the School,” published by *Harper's Magazine*, September 2009 issue. Available at: <http://www.harpers.org/archive/2009/09/0082640>.

and sustaining institutions that are meant to develop the capacity of human beings to both create and find meaning in the arts.

Few funders and donors in the US appear to have the trust, lack of ego, and long-term vision to patiently support organisations and seek results not in one year, or five, but 50. Because there is very little long-term ‘sustaining’ support for the arts, and because ticket revenue is also a critical source of income for most US arts organisations, the American model encourages a focus on short-term gains (often measured in terms of box office success) rather than the achievement of longer-term cultural and social goals.

What often get lost are valuable broader and long-term objectives such as sustaining investments in artists, developing repertoire and advancing particular art forms. Likewise, preservation, critical discourse and documentation of work for the benefit of current and future audiences, artists, and scholars tends to be neglected within this model, as are programs aimed at providing hands-on education and arts experiences and those which seek to foster aesthetic, cultural, or socio-economic diversity.

It takes time for artists to mature, time to create great works of art and time for the value of the arts to society to be realised. For the arts to do the work that only the arts can do, both organisations and those that would fund them must keep their sights on meaningful measures and nurture initiatives long enough for them to yield fruit.

### *Rethinking Cultural Philanthropy*

I have argued that three shifts that may be necessary in the US if we are to begin to find something approaching a sustainable arts and culture sector. While the US model may be failing, I remain optimistic, largely because of the emergence of a new ‘civic space’ made possible by the internet. As concerns the realm of cultural philanthropy, in particular, we have barely scratched the surface in exploring the potential of internet-based tools and strategies to enable new approaches to emerge.

This provides new ways for organisations and funders to collect and share data in the interest of better understanding the arts landscape and means they can focus their efforts on what is missing. The internet allows broader collaborations to be forged amongst organisations and donors to support artists, projects, large-scale initiatives, or the preservation and advancement of particular art forms. It enables grassroots approaches to constituency building, increasing engagement in the volunteer sector and critically, new ‘crowd funding’ approaches based on securing thousands of small gifts in lieu of, or alongside, a few very large donations. While not cost free, done properly these things can be achieved at the same time as reducing administrative burdens related to fundraising and help to level the playing field for smaller organisations.

Perhaps most importantly, used imaginatively, new technologies could begin to change governance; securing transparency, responsiveness and broader representation of the community’s interests by the governing boards of arts institutions, and enabling new methods for capturing and conveying the value and longer-term impacts of the arts.

A Stanford business school professor once gave me the following definition: a model is a representation of your beliefs about causality. If the US model is failing it may be because the beliefs underpinning it must be reexamined in light of changes in the culture at large.

The three shifts I have proposed are intended to respond to the US model; these ideas may or may not be entirely relevant to the situation in Britain (to the degree that there is

expectation that private support will save the day, they may be more relevant). However, even if these particular shifts are not entirely germane, I would suggest that Britain might take the larger lesson: to look carefully at the beliefs about causality underpinning its current and proposed models to ensure that they are (still) valid today.

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## **State of the Arts**

This essay will be published to coincide with the second annual [State of the Arts conference](#) on 10 February 2011, organised by the [RSA](#) and [Arts Council England](#). This brings together a wide range of creative voices to debate issues around resilience, audience and the value of arts and culture and seeks to explore some of the key questions facing the arts sector: in a time of austerity, what are the priorities now? What is our vision for the long term? What imaginative and practical approaches are needed to sustain the arts through this period? What new opportunities are there to deepen the value of the arts to individuals, to society and to the economy? The other provocations include:

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