

**Funding the Arts, Sustaining Culture:
The role of philanthropy and public policy in the arts**
FA 360 (TBA); FA 381 (TBA); TD 357T (25337)

Fall, 2005
Thursday 2:00-5:00 p.m.
College of Fine Arts
Winship 2.136
Professor Douglas Dempster (475-7024; ddempster@mail.utexas.edu)

This course examines the respective roles of private philanthropy and public subsidy in sustaining a well-balanced, well-integrated cultural life in American communities.

Emphasis will be placed on the unavoidable dependency of non-profit arts organizations on “unearned” support from the private and public sector. A major portion of the course will be devoted to studying the size, history, and changing nature of private philanthropy in the U.S. and the ways in which that philanthropy has affected and will continue to affect the arts. Private philanthropy will be examined in light of the smaller, but equally important tax-supported subsidies, their interaction, and the affect of regulation and tax policy on private philanthropy for the arts and culture. Ultimately, students should come to understand the delicate funding ecology that has fueled the “arts boom” in post-WWII United States.

A secondary thread of the course will examine community arts planning and the ways in which it does and should direct private and public funding resources for the arts. Too few communities give enough attention to planning arts and cultural development and underwriting with a regional focus and a long time frame. Most communities would not think of taking a laissez faire approach to education, business and residential development, transportation, or health care issues, this is largely the approach to managing the cultural “infrastructure” of most communities.

The underlying, modest polemic of the course is that cultural policy and policy making is not and cannot be confined to the public sector because of the complex interaction of public arts policy, private philanthropy, and the marketplace for arts and culture.

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William Baumol and William Bowen, in their seminal, 1964 study of the economics of the performing arts (Performing Arts: The economic dilemma, The Twentieth-century Fund, 1966) made a compelling case for two sobering conclusions about the economics of the arts: first, they argued that various traditional art forms would never be able to earn enough income to be independent of “unearned” private and public subsidies, and second, that artists and arts organizations would unavoidably suffer from accelerating costs for the very artistic talent they presented to their communities. This in turn, they forewarned, would lead to increasing dependency on unearned sources of income.

There is no question that the arts have been unable to escape their very heavy dependency on unearned subsidies from both private and public sources, even given the promising possibilities brought by new technologies. According to the 1997 Economic Census various performing arts organizations are able to earn, through performance and other services, in the range of 40-50% of total expenditures. Museums, which formerly were much more dependent on public subsidies of various kinds, are generating significantly more earned income than in previous years, but still, typically, earn not more than 40% of operating budgets.

The balance of unearned funding comes from three sources: i) private donors, including corporations, foundations, and individuals, ii) public sources at all levels of government, federal, state, county, and municipal, and iii) and endowment income. The striking fact, however, is that all sources of public funding make up a comparatively small percentage of the budget of performing arts organizations and museums, approximately 5%. (Museums and art galleries, for various historical reasons, have been more dependent on public subsidies.) The same is true for endowment income. After earned income, private subsidies from all sources constitute the largest form of patronage for non-profit arts organizations, constituting approximately 30% of total budgets for typical organizations.

The non-profit arts sector has experienced virtually continuous, rapid growth throughout the post-WWII period in spite of suffering from what Baumol and Bowen called the “cost disease.” Among many other considerations, two important factors have made this growth possible: first, the willingness of consumers to pay for rapidly increasing costs through the box office, and second, the willingness of private donors to contribute at an accelerating rate to keep pace with the widening gap between earned income and total expenses. According to the Business Committee on the Arts, corporate donations to arts organizations grew by 34% in just three years between 1997 and 2000. According to the Foundation Center, the giving of private foundations to the arts and cultural organizations more than doubled to \$3.69 billion in four years between 1996 and 2000. Individual giving to non-profit arts organizations is twice the size of corporate and foundation subsidies combined and is growing just as rapidly.

(That consumers have been persuaded to pay for the rapidly increasing “price” of the arts, either through direct payment or philanthropic subsidy, represents form of increased “productivity” in the arts “industry” that would seem, on its face, inconsistent with Baumol and Bowen’s theory. A conundrum for cultural economics worth contemplating.)

Required Texts

James Heilbrun and Charles Gray, The Economics of Art and Culture.

Charles T. Clotfelter and Thomas Ehrlich, ed.s, Philanthropy and the Nonprofit Sector in a Changing America.

Course grading

Organization Presentation	10%
Course Project	
Course-project prospectus (grads: 5 pages; undergrad: 2 pages)	10%
Twenty-minute class presentation on course project	20%
Term paper (grads: 20-25 pages; undergrads: 15 pages)	40%
General class preparation and participation	20%

Attendance policy The course meets only once per week; students are expected to miss not more than one class during the semester. (Please note that there is no class on Thursday 11 March; I will be away at a conference.) You should notify me in advance by email if you must be absent from class. I will discuss possible grading penalties with students who find it necessary to miss more than one class during the semester.

Course Schedule (REVISIONS FOR FALL 2005 TO FOLLOW)

January 22

Course Introduction, preliminary discussion

January 29 A Crash Course in Cultural Economics

Heilbrun and Gray: Part II, Chaps. 4-8, pp. 55-146.

February 5 The State of the Arts in the U.S.

Heilbrun and Gray: Part I, Chaps. 1-3, pp. 3-51.

NEA Research Notes #81 & #83 (Blackboard: Documents.)

The Performing Arts in a New Era (Pew) (Blackboard: Documents.)

All students: Chaps. 1-3, 8.

Group A: Summary and discussion of Chap 4.

Group B: Summary and discussion of Chap 5.

Group C: Summary and discussion of Chap 6.

Group D: Summary and discussion of Chap 7.

February 6 Performance as Public Practice Distinguished Speaker Series: Maria Rosario Jackson, Director, Culture, Creativity and Communities Program, the Urban Institute, "The Artist in Urban USA"

February 12 The Nonprofit Sector & the Scale of Public and Private Subsidies for the Arts

Elizabeth T. Boris, "The Nonprofit Sector in the 1990s," in Clotfelter and Ehrlich, pp. 1-33.

Texas Association on Nonprofit Organizations, "Texas Nonprofit Sector 2002." (Handout.)

NASAA (National Assembly of State Arts Agencies), "Legislative Appropriations Annual Survey, Fiscal Year 2004" (October 2003) (Blackboard: Documents.)

NEA Research Note #73 "International Data on Government Spending in the Arts," (Blackboard: Documents.)

The Economist, “Hands in their pockets,” Special Report: Private money for the arts (August 18, 2001) (Electronic reserve.)

Nina Kressner Cobb, “Looking Ahead: Private Sector Giving to the Arts and the Humanities,” (President’s Comm. on the Arts and Humanities) (ca. 1995) (Handout.)

Margaret J. Wyszomirski, “Philanthropy and Culture: Patterns, Contexts, and Change,” in Clotfelter and Ehrlich, pp. 461-480.

February 19 The Who and Why of American Philanthropy

“Philanthropy in the American Economy: A report of the Council of Economic Advisors,” (The White House) (Blackboard: Documents.)

Edward Wolf, “The Economy and Philanthropy,” in Clotfelter and Ehrlich, pp. 73-98.

Eleanor Brown, “Patterns and Purposes of Philanthropic Giving,” in Clotfelter and Ehrlich, pp. 212-230.

Roy W. Menninger, “Observations on the Psychology of Giving and Receiving Money”, (Electronic reserve.)

Francie Ostrower, Why the Wealthy Give: The culture of elite philanthropy, (1995) Intro (pp. 3-27); Chap. 4 (pp. 86-99), Conclusion (pp. 132-142) (Electronic reserve.)

CPANDA “Quick Facts” “Motivations for Giving to the Arts” (Blackboard: Links.)

February 20: Performance as Public Practice Distinguished Speaker Series: Jan Cohen-Cruz, Associate Professor, Drama and Art & Public Policy, NYU, “The Motion of the Ocean: Creating performances in community contexts”

February 26 The Relationship between Private Philanthropy and Public Policy

Heilbrun and Gray: Part IV, Chap. 11 & 12, pp. 199-249.

Karla Simon, “Tax Legislation and Funding,” (Handout.)

Leslie Lenkosky, “Reinventing Philanthropy,” in Clotfelter and Ehrlich, pp. 122-138.

Bruce A. Seaman, National Investment in the Arts, Center for Arts and Culture, (Electronic reserve.)

March 4 Foundation Giving to the Arts and Culture

Vartan Gregorian, “Report of the President to the Carnegie Corporation of New York” (Electronic reserve.)

Loren Renz, “2002 Arts Funding Update” (The Foundation Center) (Blackboard: Documents.)

Grantmakers in the Arts, “A Snapshot: Foundation Grants to Arts and Culture, 1999” (Blackboard: Documents.)

“Arts Funding IV” (2003) by Foundation Center and Grantmakers in the Arts (Electronic reserve?)

March 5: Performance as Public Practice Distinguished Speaker Series: Roberta Uno (Program Officer for Arts and Culture, Ford Foundation) “The Mainstream and Other Rivers: The arts in a changing America”

March 11 (No class)

March 18 (Spring Break)

March 25 The Individual Donor and the Ethics of Philanthropy for the Arts and Culture
(Guest Speaker: Curtis Meadows, Executive Director of the RGK Center for Philanthropy and Community Service and Director Emeritus of the Meadows Foundation)

Teresa Odendahl, "Culture Generosity, and Power," (Chap. 1) from Charity Begins at Home: Generosity and Self-Interest Among the Philanthropic Elite, (pp. 3-18) (Electronic reserve.)

Noel Carroll, "Can Government Funding of the Arts be Justified Theoretically?" (Electronic reserves.)

Edward Banfield, "Art and the Public Interest," (Electronic reserves.)

Christine Ahn, et al., "Foundation Trustee Fees: Use and Abuse," (National Committee for Responsive Philanthropy) (Blackboard: Documents.)

Five-page course project prospectus due.

April 1 Corporate Philanthropy for the Arts and Culture

(Guest Speaker: Pat Porter, Executive Director of the Dallas Business Committee for the Arts)

Reynold Levy, "Corporate Philanthropy Comes of Age," in Clotfelter and Ehrlich *Something on the history of the Business Committee for the Arts (Rockefeller) BCA reports on corporate giving to arts*

April 8 Funding for the Small and the Rural

(Guest Speaker: Abby Abernathy, actor, producer, founder of the Royal Theater in Archer City, TX, and Commissioner on the Texas Commission on the Arts.)

April 15 Funding and Regional Arts Planning

(Guest Speaker: Robert Freeman, Dean, College of Fine Arts, UT at Austin)

The Boston Foundation, "Funding for Cultural Organizations in Boston and Nine Other Metropolitan Areas," (2003?) (Blackboard: Documents.)

William Fulton and Morris Newman, "The Arts and Smart Growth: A translation paper" (Grantmakers in the Arts) (Blackboard: Documents.)

April 22 "The New" Philanthropy or "Venture" Philanthropy

Student course project presentations.

Jane Culbert and Thomas Wolf, "Will Venture Philanthropy Revolutionize the Arts?" (Electronic reserve.)

Nina Kressner Cobb, "The New Philanthropy: It's impact on funding the arts and culture," Journal of Arts Management, Law and Society, 32:2 (2002) (Electronic reserve.)

Cora Mirikitani, "The Role of Philanthropy in the Intersection between Culture and Commerce," JAMLS (29:2) (1999). (Electronic reserve.)

April 29

Student course project presentations.

May 6

Student course project presentations.

Friday 14 May: Term Paper Due