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## **Toward a Twenty-First-Century Strategy for Grantmakers**

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# Toward a Twenty-First-Century Strategy for Grantmakers

Bill Ivey

*This essay is an updated version of an address presented at the Grantmakers in the Arts annual meeting, October 11, 2008.*

Nearly fifty years ago, in his influential critique of progressive thinking *The Liberal Mind*, political philosopher Kenneth Minogue explicated the common logical fallacy involved in “jumping from x is a necessary condition of y, to: x is more important than y. Examples of this would be: food is a necessary condition of maintaining a symphony orchestra. Therefore food ... is more important than music.... First one must make sure people are fed, clothed and housed. *Then* there will be time for us to be cultured.”<sup>1</sup> Doesn’t that sound familiar? In the United States this fallacious construct has dogged the arts in both government and philanthropic contexts for more than a half century. Today, with state revenues down by 30 percent, property-tax-based city income poised at the edge of a cliff, and our federal government increasingly committed to budget constraint, it is a certainty that advocates for cultural vitality will confront policy leaders who are more determined than ever to put “the basics” at the head of the line. In the foundation world the priorities of big, trendsetting leaders like the Gates and Clinton foundations certainly tilt this way, emphasizing education, health, and the environment; culture is either not on the list at all or it is subsumed as a sub-subheading of priorities like “community development.” Just as advocates for NEA funding will face skeptical congressional critics, arts program officers will likely face sharp questioning as senior management and boards adjust foundation priorities.

Most observers set the number of US cultural nonprofits as “in excess of one hundred thousand.” We all know that the equivalent figure from the early 1960s was something on the order of six thousand. I have argued for years that the sector is “overbuilt” and that conservative programming, difficulty in leadership recruitment, flattening attendance and salaries, and shrinking reserve funds are signs that the period in which supporting the arts meant building institutional capacity by funding supply-driven nonprofits in the fine arts is over. Symphonies across the country are in financial crisis, and nearly half of the eighty or so major dance companies in the United States — what the *Los Angeles Times* calls “the canary in the mine” of arts organizations — have downsized over the past

decade. The justification for government and philanthropic support for the arts is increasingly challenged at a time when the sector’s human and financial resources are spread thin.

For the past half century we have urged support for the nonprofit arts — mostly the fine arts — because they are a valuable and useful amenity. The arts claim a direct general intellectual and spiritual benefit, as well as secondary effects affecting student test performance, real estate values, job creation, and corporate relocation. “Intrinsic value” arguments have lost traction over the past few decades while secondary impact has increasingly been challenged by research and the competing claims of other sectors, like sports. We face shifting priorities and long-term shrinkage in the resources of both government and philanthropy. The nonprofit community must urgently develop an argument compelling enough to sustain the nonprofit fine arts as a societal priority through hard times.

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In 1957, economist Richard Musgrave was conducting research into the way US federal agencies prepared budgets, an analysis that ultimately appeared in his 1959 book, *The Theory of Public Finance*.<sup>2</sup> Economists had divided the marketplace into two kinds of “goods” — products or services that are exchanged or made available in the economy. There are private goods available for purchase — hamburger buns, automobiles, Caribbean cruises, theater tickets, and the like. There are also public goods that are either free (like sunlight) or provided at no cost by the government. Public goods are available to all and are nonrivalous; that is, consumption by one person doesn’t prevent someone else from enjoying the same good. For example, government-provided public goods are things like national defense, street lighting, and our judicial system.

In his research on public finance, Musgrave observed the hand of government actively manipulating the marketplace to influence the consumption of goods that would usually be considered private. Musgrave proceeded to define merit goods — parts of the economy where the government determined a public-interest need in interfering in markets, the preferences of individuals, and the availability of certain private goods: things like free public education, subsidized housing for the poor, or airports and a system of air traffic control. While on the one hand merit goods can generally be purchased like private goods (individuals can build and own airports, for example), government experts determine that the quantity or distribution provided by market forces alone falls short of satisfying public purposes, so subsidies are applied to increase availability.

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(Consider that the reverse is also true. Government also intervenes to restrict the availability of some goods, and by the 1960s Musgrave had expanded the merit good concept to include demerit goods: parts of the economy, like cigarette smoking, where government intervenes to reduce the consumption or availability of a product or service.)

A symphony concert is a private good: the performance exclusively benefits ticket buyers who, in effect, have for the short term rented seats in a performance hall. However, there exists a sentiment that the availability of classical music in a community affords widespread, generalized public benefits that justify interventions producing a greater presence of classical music than what ticket sales alone would provide. Grants and contributions to orchestras and opera companies lower barriers to consumption by nudging the classical music marketplace toward greater availability and increased participation. Symphony orchestras in particular and classical music in general would fit Musgrave's definition of merit goods.

In fact, the entire US nonprofit system can be characterized as an effort to institutionalize merit goods by endowing their purveyors with permanence and legal standing. By conferring nonprofit status on education, social services, and the fine arts, government is in effect saying that "even though your product may function to some extent as a private good that benefits a small group of individual purchasers, there exists sufficient diffuse public benefit so you will be relieved of the burden of taxation and will be afforded other advantages that will make your service or product widely available in the marketplace."

As nonprofit organizations that deliver the merit good of support (grants) to other purveyors of merit goods, foundations are doubly meritorious. In fact, had Musgrave studied foundations he would no doubt have described them as government surrogates — trusted private actors who apply expertise and judgment to marketplace interventions that advance the public interest. How is the government able to interfere in markets this way?

American merit goods — things like subsidized housing for the poor, free school lunches, and free counseling sessions for troubled teens — are justified by social norms: arenas of agreement among citizens or consumers that there exist sufficient public benefits to make government interference in the supply of certain goods and services acceptable. It is a norm that empowers government to intervene in the marketplace and justifies distortions in the give-and-take of choice and

investment that enable consumers to maximize satisfaction by consuming goods.

The term "norm" appears in sociology, economics, philosophy, and law, and each discipline defines the term somewhat differently. For my purposes I will rely on a general notion: a norm is an "arena of agreed-upon importance."

Our norms can be strong or relatively weak. For example, there exists a powerful norm that citizens should not take one another's property, and if you accidentally abandon a cell phone or pair of sunglasses on a restaurant table there's

a good chance it will promptly be secured in Lost and Found awaiting your return. Likewise, the norm against littering is strongly held and probably quite resilient; even if research demonstrated that strategies designed to prevent littering soaked up time and resources, you would still be unlikely to toss empty soda cans from your car window.

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Other norms are less substantial. For example, many people believe that foreign cars are better made or more economical than domestic equivalents; it is widely assumed that breastfeeding conveys health benefits to recipient infants. Though widely held, few could cite specific evidence or research that supports such assumptions. My Vanderbilt Law School colleague Steven Hetcher labels such norms "epistemic" — or knowledge based — and it is clear that while they are widely held, they are not as "thick" as norms that discourage theft or littering, or norms that encourage us to stop and help a fellow motorist in trouble. The foreign car norm, though widespread, is thin; the idea that Volvos are especially safe and therefore appropriate starter vehicles for teenage drivers would be readily abandoned if a consumer came upon credible research that clearly demonstrated otherwise.

Were I to assert at this point in my argument that "the nonprofit arts are a weak merit good supported by a thin epistemic norm," you would understand what I have in mind. And, of course, I believe that is exactly the case. To me, this formulation explains the conflicting reality we face all the time: the fact that budget levels for public and foundation support of the arts seem to continuously bump against low, glass-ceilinged limits; Gallup and other polls that report high percentages of citizen support for public funding of the arts and arts education even as, in practice, culture is inevitably subsumed beneath other priorities. The arts simply lose out to more-robust merit goods that are sustained by stronger norms.

During the Cold War the idea that American art — especially abstract painting and jazz — was a metaphor distinguishing our democracy from the authoritarian values of Soviet

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“Socialist Realism” provided the nonprofit community with an underlying norm strong enough to justify significant government investment in culture. Today our “national defense norm” is gone; nothing as strong has replaced it, but the sector has continued to expand. Thus, the “low-grade flu” experienced by the nonprofit arts can be interpreted as the inevitable condition that arises when a part of the marketplace expands beyond the level of intervention sustainable when the merit good is weak because its underlying norm is thin. And because today other merit goods backed by more-robust norms dominate public policy and foundation giving (think the Bill and Melinda Gates Foundation, Warren Buffett, health care, the environment, education), it is not sufficient for those who care about the arts to assume that a reconfigured status quo can be sustained. On the contrary, our norm has been jerked away and it’s easy to observe government and foundations reprioritizing art and culture down the merit-good, grantmaking food chain.

So leaders today — and I view program officers in art, media, and culture as key leaders — must find ways to advance culture and art as strong merit goods. Today, as never before, we need to justify our convictions with compelling arguments and evidence, expanding and deepening the norm that sustains public and philanthropic support.

I believe nonprofit leaders already sense that the arts lack status as a merit good. That’s why we’ve poached on the norms of others, adding value to the arts by claiming that arts engagement makes young people more capable in math, or that training students in a “hot box” glass studio prevents juvenile delinquency, or that paintings on hospital walls help patients heal more efficiently, or that strong nonprofit organizations are magnets attracting a “creative class,” and on and on. We embrace such claims because they offer the allure of a kind of merit-good “safe harbor.” The nonprofit arts are bigger and more important if they are part of education, health care, economic development, transportation, or other domains that benefit from the support of a widespread, deeply held norm.

The nonprofit sector was understandably dismayed when the Wallace-funded RAND study, *Gifts of the Muse: Reframing the Debate about the Benefits of the Arts*, and Harvard’s Project Zero deflated many of our arts-help-you-do-x-or-y claims. And the RAND literature review added insult to injury by offering up as a substitute argument “intrinsic value” — a proposal that produced plenty of eye rolling and “been there, done that” comments from nonprofit and foundation insiders. But these studies only add substance to our instinct that we can’t solve our problem by leaning on the strengths of education, health care, or economic development. It is tempting

to position the arts under the protective umbrella of strong merit goods like education and health care, but critics have confirmed that it’s a rare thing when the arts can offer up the hard evidence necessary to make our case within these highly evolved, strenuously researched policy domains.

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Do not misunderstand: there is nothing wrong with using every argument in our arsenal to maintain the standing of the arts in the pecking order of public policy and philanthropy. But I would argue that intrinsic value — as it

has been framed in the past — seems “soft,” and claims of secondary effects in education and the economy are too easily batted aside. Today leaders must step back to view the arts system as broadly as possible to craft a reconfigured set of merit goods around

culture — merit goods that are valued by a deeply held norm shared among a larger cohort of citizens.

My own recommendation, argued in my book *Arts, Inc.*,<sup>3</sup> is to advance cultural policy within public policy and public policy studies. That process will involve identifying compelling public benefits that derive from a healthy arts system by marking the connections within culture that define critical issues while advancing overarching theories that employ research to link key issues and theories, and applying new knowledge to major social problems.

This may sound lofty and inspiring, but it will not be easy. For one thing, it is clear to me that the nonprofit cultural sector is simply too small to be the object of a norm strong enough to sustain a high-priority merit good. The individuals who care passionately are too few, and the mass of society that shapes the norm around art and culture cares too little. I know that is a challenging assertion, but the condition of US fine arts increasingly bears this out.

To develop art and culture as an arena of public policy that engages major social issues requires that arts leaders expand their frame of reference, looking to the periphery of vision to embrace issues that we have historically ignored.

A cultural policy template will enable us to analyze and set priorities and a set of issues that used to seem unconnected, but are in fact importantly interconnected with the nonprofit arts and our fascination with cultural vitality. These issues include, but are not limited to, duration of copyright, scope of fair use, government support for artists and for cultural nonprofits, the character of trade in cultural goods, media regulation, an open and accessible Internet, the social and artistic effects of mergers in cultural industries, access to cultural heritage owned by corporations, equity in access to arts education

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and arts learning, access to art and artists of the world, and choice in the consumption of art products.

For those of us who live and breathe the nonprofit fine arts, this is new territory. And in fact, in the US arts system, authority and responsibility linked to these issues are scattered among such disparate agencies as the Copyright Office (Library of Congress), federal courts, the NEA, the Office of the United States Trade Representative, the Federal Communications Commission, the Federal Trade Commission, Department of Education, Department of Homeland Security, and Walmart. Although each issue is now treated separately in terms of the legislative language defining the work of different agencies, their true significance is linked because, in aggregate, the resolution of many individual issues produces the cumulative effect of defining the character of the system in which art is produced, distributed, preserved, and made available.

For example, four years ago the merger of Sony and BMG combined the century-old recorded-sound vaults of RCA and Columbia Records; late in 2010, the cable giant Comcast acquired NBC. The FTC assessed the impact of both mergers just like any other “four to three” or “three to two” corporate realignment by predicting their likely impact on consumer price. I would argue that such a merger should primarily be appraised in the light of potential cultural impact: how does the merger influence equity and access to heritage recordings or to variety in TV programming? Similarly, laws and regulations affecting copyright extension, media consolidation, Internet advertising, and Low Power FM broadcasting should be crafted to advance the public interest, and evaluated in relation to the impact of change on the system in which art and knowledge are created, distributed, consumed, and preserved.

If grantmakers and other nonprofit actors take the lead in elevating the role of cultural policy in legislation, regulation, and marketplace practice, we will strengthen our arts system, advance public purposes, introduce policy leaders (and policy students) to an exciting realm of theory and research, and begin to craft a sturdy norm that will justify support for, among other things, our nonprofit community.

Three years ago I presented a new idea that I hoped would help define a broader conversation about the value of an arts system that is aligned with the public interest. I had become disenchanted with the multiple meanings and implications of the term culture and substituted expressive life: the essential arena of human behavior where art and artmaking reside, in which identity is defined by a balance between heritage and individual voice. Within the lives of individuals and communities, cultural heritage gives us a sense of belonging, a sense of continuity, of connection to the past. Voice provides

autonomy, personal achievement, distinction, and freedom. When citizens have access to a cultural system that frames a healthy expressive life by providing access to both heritage and voice, our society exhibits cultural vibrancy — a public good in democracy.

Art is a gateway to heritage and community; art is a vehicle for voice and autonomy. The interests of the arts community are at the heart of efforts to advance vibrant expressive life as a public good, and the virtues of a cultural scene characterized by open pathways to heritage, tradition, and personal creative

practice can be linked to important new research on positive psychology, happiness, and quality of life.

The introduction of issues like intellectual property, media and ownership, and trade into the cultural sphere, and the development of new arenas of theoretical speculation

and research, can have real-world consequences as the United States deals with a number of immediate or looming social issues. Engagement with art, and the connections to heritage and voice that proceed from this engagement, can be an economical path to a high quality of life for older citizens, and for new immigrants and young citizens who are even now shaping lives in a challenging economy. Classical music can be a point of contact with tradition and heritage; orchestras a pathway to personal creativity through programs like El Sistema USA.

A strengthened and redefined engagement between government action and art can also shape a healthy twenty-first-century public diplomacy regime — one that provides a unique arena in which to identify overarching mutual interests that transcend policy conflict. And finally, by critiquing pending media, Internet, and IP legislation and regulation in the light of cultural impact we will initiate a much-needed pushback against the high-priced permission system that’s dismantling America’s cultural commons.

How can we proceed along this path?

First, we should advocate on behalf of the creation of a cabinet-level Department of Cultural Affairs. We will not have a meaningful, coordinated connection between government policy and the arts system until we develop a central “hub” around which to argue the public interest. Environmental policy flourishes in master of public policy programs in part because the EPA provides an arena for policy debate, research, and implementation. Foundations possess a distinguished history of nurturing policy domains around education, health care, and social services, and then handing off responsibility to government agencies. Richard Nixon created the EPA by reassembling components of many agencies into a new department; President Barack Obama has recently proposed

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the reorganization of government. Foundations can work with the White House and Congress to define a new department of government to reshape the fragmented and siloed connection between government and culture that today characterizes the frame of our nation's expressive life.

Second, on both the national and community level, we must argue on behalf of an open Internet, accessible to all. Cultural content is migrating to the digital realm, and all actors, including our longtime nonprofit partners, will be forced to navigate some elements of this emerging system. Further, full participation in access to the hardware, software, and Internet and cable services that link consumers to culture is increasingly available on a high-priced rental basis; foundations and their partners must be vocal proponents of equity and access in relation to the Internet, cable television, and new media. Technology will shape the future, including the future of art nonprofits, but we can deploy laws and regulations to ensure that the impact of the Internet and new media remains aligned with public purposes.

Third, funders can demonstrate the significance of cultural vibrancy by assessing the state of the arts system within our own communities, and by investing in and partnering with a wider range of actors than has been our habit. This will require the creation of community cultural studies and arts action plans that look beyond our usual cohort of nonprofit partners, to note the penetration of live music in nightclubs, foreign films at the multiplex, music learning in private studios and retail establishments, and the vitality of for-profit art galleries, as well as the availability and affordability of high-speed Internet and cable television services. Our colleagues at the Urban Institute have been steadily moving their analysis of art in communities in this direction, but we need to do much more.

This may mean making a new case to your board or your president, an action that will not be entirely comfortable. After all, I doubt there are many program officers who got into the business of arts grantmaking in order to worry about bar bands, Net Neutrality, and Comcast. Foundation boards take

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on faith the legitimacy of the environment, public education, and health care as critical arenas of engagement — as critical merit goods. In contrast, the arts are often budgeted (at a relatively modest level) mostly because two or three foundation board members overlap on the boards of orchestras, dance companies, and art museums — a justification for arts grantmaking that is itself a symptom of our weak norm within the philanthropic community.

But if we together create a central federal hub dedicated to advancing the public interest in a vibrant cultural system, and if we actually demonstrate value by pursuing a broad agenda of public purposes around art in our own communities, we can maintain, and even advance, art and culture as a merit good grounded in a widely shared and deeply held norm.

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**NOTES**

1. Kenneth R. Minogue, *The Liberal Mind* (New York: Alfred A Knopf, 1963), 106.
2. Richard A. Musgrave, *The Theory of Public Finance: A Study in Public Economy* (New York: McGraw-Hill, 1959). Although Musgrave's work was considered groundbreaking in the 1960s, the term merit good (or "merit want," as the author first framed it) is little used by economists today. As a contemporary economics graduate student wrote, "Due to mainstream economists' reliance on consumer sovereignty, Musgrave's merit goods concept has fallen by the wayside as a notion that does not fit the framework of normative analysis." This trenchant comment tells us more about the reliance of economics on statistical models than about the value of Musgrave's frame.
3. Expressive life and its relationship to heritage and voice are addressed in the introduction to my 2008 volume, *Arts, Inc.: How Greed and Neglect Have Destroyed Our Cultural Rights*. The concept was also the subject of a one-day conference hosted by the London-based think tank Demos in the summer of 2009. That meeting generated a publication, *Expressive Lives*, edited by Samuel Jones. I also expanded the expressive life argument in an essay titled "Freedom of Expression" published in the spring 2010 issue of the *RSA Journal* in the UK. The US online arts publication *Artsjournal* also hosted a five-day blog in January 2010 on the issue of expressive life as a replacement for culture. This interesting blog can be read at [artsjournal.com/expressive](http://artsjournal.com/expressive).