PHILANTHROPIC INVESTMENT IN CULTURAL CAPITAL
THROUGH THE NONPROFIT ARTS

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Phialnthropic Investment in Cultural Capital through the Nonprofit Arts

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Introduction

The present circumstances of nonprofit arts organizations in the U.S. are fiscally precarious and seemingly paradoxical. On the one hand, the nonprofit arts\(^1\) face declining donative revenue from foundations. Since the 1950s foundations have served as the traditional source of revenue for starting and sustaining nonprofit arts, which Kreidler terms the “Ford” system in reference to the Ford Foundation, the system’s originator (Kreidler, 1996, 2000). In retrospect, Kreidler observes that the Ford system of behemoth foundations financially supporting the nonprofit arts was doomed to fail: “A fundamental tenet of systems studies is the ‘free lunch’ principle: no system can depend on the unlimited growth of resources. The leveraged funding strategy of the Ford era can be likened to a chain letter, a Ponzi scheme, or any other pyramidal growth system” (2000, p. 158). Now, in the post-Ford era, the nonprofit arts “will have no choice but to adapt to the circumstances of less discounted labor and contributed income, and, in some instances, flat or declining consumer demand as well” (Kreidler, 2000, p. 164). The inevitable result, according to Kreidler, “will be an overall decline in the number of nonprofit arts organizations, along with a reduction in the production of program services: exhibitions, performances, and so forth” (2000, p. 164).

On the other hand, in an environment of declining \textit{donative} revenue, the nonprofit arts increasingly are also encountering public resistance as they attempt to close the gap with \textit{earned} revenue. The federal government also is increasingly skeptical of nonprofits generating their own revenue because, arguably, nonprofits are profiting from the productions on and sales of goods and services yet remain exempt from federal taxation. Earned revenue thus also threatens

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\(^1\) In this paper, “the nonprofit arts” principally means art museums, theatres, and performing arts centers that are exempt from federal income tax.
nonprofit federal tax status. Toepler (1999, 2001a, 2001b) has observed this paradox as the central problem of the nonprofit arts:

The perceived growing commercialization of nonprofit organizations, which is brought about by increasingly insufficient donative revenue (whether public or private), has the potential to shake the foundations the sector stands on: public trust and the justification for the privileges it enjoys (Toepler, 1999, p. 3).

Therefore, with declining donative revenue as well as public and governmental resistance and skepticism of their earned revenue, the nonprofit arts seem to be trapped in impossible circumstances.

New Philanthropy might very well offer the nonprofit arts exit from these circumstances. Old Philanthropy is characterized by “centralization,”2 “monopoly,”3 and “professionalization”4 (Ealy et al., 2001). In the context of the funding for the nonprofit arts, the Ford Foundation and the other very large foundations during Kreidler’s Ford era might be examples of Old Philanthropy in their creation and maintenance of the nonprofit arts. By contrast, New Philanthropy is characterized by decentralization, individualism and freedom, and democracy. Its premise is that “new analyses of complex, self-ordering systems suggest that self-governance through more democratic, less hierarchical structures is a necessary and potentially effective component of positive social change” (Ealy et al., 2001, p. 3). New Philanthropy also emphasizes accountability through transparency and assesses “value creation in non-monetary terms” (Ealy et al., 2001, p. 3). In the context of the nonprofit arts, New Philanthropy would be more individualized and more localized philanthropy dedicated to the creation and maintenance

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2 “Decision-making had to be centralized whether in firms or other social institutions or the nation as a whole” (Ealy, Smith, & Wise, 2001).
3 “A resource could only be employed rationally if all of it was controlled centrally. While monopoly was considered efficient but dangerous in ‘private’ hands” (Ealy et al., 2001).
4 “New social, economic, and political complexities were incomprehensible to ordinary people and required the intervention of specialized, paternalistic professionals to guide them in their work, in the care of their health, in the education of their children, and the exercise of their community responsibilities” (Ealy et al., 2001).
of community nonprofit arts. Since the Old Philanthropy has failed the nonprofit arts, the New Philanthropy might offer the promise of rescuing the nonprofit arts.

The main purpose of this paper is to conceptualize the New Philanthropy enterprise for the nonprofit arts. Specifically, the purpose of this paper is to construct a model of the New Philanthropy enterprise for the nonprofit arts as *philanthropic investment in cultural capital through the nonprofit arts* (hereafter, referred to as the PICKNA model).

To construct the PICKNA model, the paper is organized in four parts. In the first, the concept of cultural capital is discussed and developed. After current conceptions of cultural capital are surveyed, the concept of cultural capital is refined and augmented with ideas drawn from Austrian capital theory. In the second part, the extended concept of cultural capital developed in the first part is applied to the United States today, emphasizing the vital role of the nonprofit arts have played in the production of American cultural capital. In the third part of the paper, trends in philanthropy and in the funding of nonprofit arts are discussed and evaluated with respect to New Philanthropy and Old Philanthropy as well as Fordism and post-Fordism in the nonprofit arts. In the final part of the paper, the concepts developed in the three prior sections are integrated into the PICKNA model of philanthropic investment in cultural capital through the nonprofit arts.

**The Concept of Cultural Capital**

The concept of cultural capital lies at the heart of the PICKNA model. The concept has appeared in academic discourse only during the past few decades. Its scholarly genesis might be traced to the work of late French sociologist Pierre Bourdieu in the 1970s\(^5\) (see Bourdieu, 1984, 1986, 1992). The American sociologist Paul DiMaggio can be credited with adapting and

\(^5\) Many of his major works were translated into English in the 1980s and 1990s
applying Bourdieu’s cultural capital in the late 1980s and early 1990s (see DiMaggio, 1986b, 1991). However, from the mid-1990s to the present Australian economist David Throsby has appropriated and extended the notion of cultural capital for the field of cultural economics (see Throsby, 1995, 1999, 2001). One of Throsby’s most important extensions of the concept is his articulation of the “investment metaphor” in relation to cultural capital:

It can be suggested that cultural capital makes a contribution to long-term sustainability that is similar in principal to natural capital…Neglect of cultural capital by allowing heritage to deteriorate, by failing to sustain the cultural values that provide people with a sense of identity, and by not undertaking the investment needed to maintain and increase our stock of intangible capital, will likewise cause cultural systems to break down, with consequent loss of welfare and economic output. (Throsby, 1999, p. 9)

The present paper adopts the investment metaphor in the context of American philanthropy to demonstrate how philanthropic investment creates and maintains cultural capital through the nonprofit arts.

**Throsby’s Cultural Capital**

Throsby contrasts four different types of capital (1995, pp. 202-203, 1999, pp. 3-4, 6-7): physical capital, which is the “stock of real goods;” human capital, which is the “embodiment of skills and experience in people;” natural capital, which is the “stock of renewable and nonrenewable resources provided by nature;” and cultural capital, which is the “asset that contributes cultural capital” or “stock of cultural value embodied in an asset” that better captures “their influence on human progress generally and economic transactions specifically.” Throsby’s last type of capital is the most useful for the PICKNA model.

Throsby expands the concept of cultural capital by distinguishing between two types of cultural capital. First, there is tangible cultural capital, such as “buildings, structures, sites and locations endowed with cultural significance, and artworks and artifacts existing as private
goods, such as paintings, sculptures, and other objects.” Second, there is intangible cultural capital, which is the “set of ideas, practices, beliefs, traditions and values which serve to identify and bind together a given group of people...together with the stock of artworks existing in the public domain as public goods.” (1995, pp. 202-203, 1999, pp. 3-4, 6-7)

It should be emphasized that Throsby’s conceptions of cultural capital are distinct from other popular concepts of capital. Two of the more well-known concepts of capital that could be confused with Throsby’s are Bourdieu’s cultural capital discussed earlier and Coleman’s social capital (see Coleman, 1988, 1994). Throsby himself (1999) distinguishes his ideas from theirs. While these other capital concepts must be distinguished from Throsby’s conceptions of cultural capital, they are nevertheless compatible, as should be evident later in this paper.

Throsby’s conceptions of cultural capital seem consistent with many common notions of the value of cultural objects and artifacts to a particular society. At the founding of the NEA in 1965, for example, the essayist Hyde refers to cultural property as a “commons,” that is, “the ‘creative wealth of the past’ that now ‘exists in the present’ and on which we continue to build artistically and intellectually” (quoted in Campbell, 1999, p. 5). Similarly, in 2001, the Center for Arts and Culture conceived of America’s culture as “a national resource, the accumulated capital of America’s ingenuity and creativity” (CAC, 2001, p. 180). Related to these notions of cultural capital are systems-oriented views of art. Becker (1982), for example, articulates the “patterns of collective activity we can call an art world”: “All artistic work, like all human activity, involves the joint activity of a number, often a large number, of people. Through their cooperation, the art work we eventually see to hear comes to be and continues to be.” (Becker, 1982, p. 1) Similarly, Luhmann (2000 [1995]) sees that “communication through art tends
toward system formation and eventually differentiates a social system of art” (Luhmann, 2000, p. 49).

Other commentators have recognized the value of cultural capital to nationhood. “Art, architecture, literature, theatre, dance and music provide some of the most translatable and permanent media for the expression of national identity” (Radbourne & Fraser, 1996, p. 9). Cultural capital can contribute to such areas as international prestige, the preservation and reinforcement of cultural identity, education of the young and the “worthy poor,” and the preservation of cultural evidence to foster culture (Shubik, 1999). DiMaggio also observed the following with respect to the U.S.: “Equally important was the institutionalization of cultural capital at the national level, which entailed both near-universal apprehension (and acknowledgment as legitimate) of the scheme of classification of symbolic goods and the emergence of institutions with the cultural authority to sustain and regulate the currency” (2000, p. 42).

Moreover, Throsby’s conceptions of cultural capital conform to both conventional and non-conventional definitions of capital. For example, intangible cultural capital could be viewed as the classical Hicksian “Value of Capital” position associated with derivative capital, advocated by the “Fundists” (Hicks, 1974). Throsby’s cultural capital could also be extended to non-mainstream theories of capital, such as a Neo-Austrian theory of capital that generalizes the idea “that a time flow of inputs produces current output” (Burmeister, 1974, p. 415). The current output of cultural capital, therefore, could be viewed as being produced from a time flow of inputs. This insight stimulated by Throsby’s work is a fundamental concept on which the PICKNA model is constructed.
Austrian Capital Theories

Throsby’s conceptions of cultural capital in their present state have a few theoretical vulnerabilities. First, as implied above, Throsby’s conceptions of cultural capital lack an explicit time dimension. Second, Throsby does not address the whether the relationships between different forms of cultural capital is one of complementarity or substitutability. Third, and most problematic, Throsby makes a crucial assumption that ultimately cannot be sustained: “Let us assume,” Throsby writes, “that cultural value can be measured according to a unit of account that plays a role comparable to a monetary scale in measuring economic value” (Throsby, 1999, p. 6). This is a grand assumption that, it must be admitted, is largely quixotic. In general, there still is no consensus among economists on the measurement of physical capital, as the Cambridge controversy and the Hayek-Knight debate demonstrate. If even physical capital cannot be convincingly measured, how might cultural capital be measured with something like a monetary scale? As Girdard (1973) suggests: “What needs quantification is not culture, but facilities and resources” (p. 125). And the quantification of facilities and resources is precisely one of the main, if not the main, objectives of the PICKNA model.

Insights drawn from Austrian capital theory⁶ might be able to address some of these weaknesses in Throsby’s conceptions of cultural capital. First, Austrian theories of capital recognize the time dimension of capital. Böhm-Bawerk in the nineteenth century articulated the time structure of production:

The production process is viewed as a series of concentric circles, with time progressing outward from the center. The outermost ring represents the value attained by consumption goods, while the center represents the origin of the production process. The

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⁶ In this paper, the phrase “Austrian capital theory” is used to apply to any Austrian economist’s insight into capital theory. No distinction is made, for example, between classical Austrian and neo-Austrian capital theories; they are all used at parity in this discussion.
respective rings, starting at the outside and progressing toward the center, thus correspond to Menger’s first, second and higher order goods. (Lewin, 1994, p. 211)

Thus, “Böhm-Bawerk recognized, and neo-Austrians have adopted, the idea that capital formation is a process, not a function” (Faber, Proops, & Speck, 1999, p. 8). Another fundamental concept in the PICKNA model is that cultural capital is produced through processes.

Austrian capital theory also postulates the notions of the “Order of Capital” and “capital structure” and contrasts them with the traditional concept of a “capital stock.” Lachmann offers the following syllogism to describe the concept of capital structure: “Heterogeneity of Capital means heterogeneity in use; Heterogeneity in use implies Multiple Specificity; Multiple Specificity implies Complementarity; Complementarity implies Capital Combinations; Capital Combinations form the elements of the Capital Structure” (Lachmann, 1978, p. 12). The “Order of Capital” signifies the forms that capital assumes in the “network of capital relationships” in the capital structure (Lachmann, 1978, p. 4).

Related to the notion of capital structure is the distinction between capital substitutability and complementarity. If capital resides in a homogeneous fund, then “each unit is a substitute for the others;” however, if capital resides in a complex capital structure, then “each unit is a complement to every other unit” (Lachmann, 1977, p. 199). Lachmann also integrates the time dimension of capital with capital complementarity: “Böhm-Bawerk’s chief contribution to the theory of capital was not the introduction of time, but of complementarity over time…Time is relevant here as a dimension of processing, the medium of complementarity” (Lachmann, 1977, p. 205). Therefore, the third fundamental concept of the PICKNA model is that the complementarity of discrete cultural goods in the stock of cultural capital results from the variable processes that each is subjected to over time.
Finally, Austrian economists recognize the immense difficulties in measuring capital theory. Kirzner (1966) suggests the absurdity of attempting to measure capital:

Careful reflection on the matter will, it is believed, reveal that the aggregate concept of capital, the ‘quantity of capital available to an economy as a whole,’ is, for a market economy, a wholly artificial construct…When using this construct one is in fact viewing the economy in its entirety as if it were not a market economy but instead a completely centralized economy over which the observer himself has absolute control and responsibility. (Kirzner, 1966, p. 120)

Hayek also suggests the impossibility of attempting to centrally control the levels of capital (see Hayek, 1934, 1935, 1936). For example: “We want to avoid an unintentional temporary ‘splashing’ or ‘stinting’ which would have the effect of later reducing income below or raising it above the level at which we aim” (Hayek, 1935, p. 249)

In sum, Austrian capital theory not only supplements Throsby’s conception of cultural capital by fortifying at least a few vulnerabilities, but it also extends Throsby’s conception. First, Throsby’s both tangible and intangible cultural capital should be viewed as containing a time dimension as well as being highly complementary as opposed to substitutable. “Buildings, structures, sites and locations endowed with cultural significance” and sets of ideas, beliefs, and practices are not disposable and easily manufactured like consumer goods; rather, they are irreplaceable and appreciate in value over time. Moreover, cultural capital should be viewed as residing in a structure, not in a fund. Whereas the value of cultural capital in a fund, in which units are substitutable, would derive from something like a monetary scale, the value of cultural capital in a structure derives from the complementarity and relationships between the units. A “cultural capital structure” thus renders Throsby’s assumption of a monetary scale moot.

Therefore, supplemented by Austrian theories of capital, Throsby’s concept of capital theory has three dimensions:
1. The current output of cultural capital could be viewed as being produced from a time flow of inputs.
2. Cultural capital is produced through processes.
3. The complementarity of discrete cultural goods in the stock of cultural capital results from the variable processes that each is subjected to over time.

These three dimensions define the concept of cultural capital is employed in this paper.

**Cultural Capital in America: The Role of the Nonprofit Arts**

In this part the extended concept of cultural capital developed above is applied to the U.S. today. There are two subsections. In the first, the accumulation of a stock of cultural capital in America is briefly described. In the second subsection, the vital role of the nonprofit arts have played in the accumulation of American cultural capital is detailed.

**The Accumulation of Cultural Capital in America**

Accumulating a stock of cultural capital in America historically has been a fitful process and continues to be so in the twenty-first century. First, there has always been an uneasy relationship between cultural goods and the capitalist market processes in the U.S. In the early nineteenth century, Tocqueville (1972 [1839]) observes: “[Americans] will habitually prefer the useful to the beautiful, and they will require that the beautiful should be useful” (p. 48). Tocqueville thus pessimistically imbues Americans desire for cultural goods with their primary preference of practicality. However, in the very late twentieth century, Cowen (1998) looking back over the history of artistic production and consumption optimistically *equates* the beautiful with the economically useful in America:

Markets give producers the greatest latitude to educate their audiences. Art consists of a continual dialogue between producer and consumer; this dialogue helps both parties decide what they want. The market incentive to conclude a profitable sale simultaneously provides an incentive to engage consumers and producers in a process of want refinement. (Cowen, 1998, p. 24)
In short, Cowen argues: “Capitalist wealth supports the accouterments of artistic production” (p. 19). Nevertheless, America has accumulated a stock of cultural capital:

Thus, it happened that by 1930 a particular selection of European artworks and styles was constituted as cultural capital in the United States—that is, it became hierarchically differentiated from other kinds of culture, symbolically potent, and universally acknowledged. (DiMaggio, 2000, p. 44)

Today, however, the accumulation of cultural capital in the U.S. has been impeded by politics. Specifically, the Culture Wars of the late 1980s and the 1990s demonstrated the persistent suspicion of the arts that Americans harbor. Art critic Robert Brustein observes:

Works of art have occasionally been known to transform consciousness and alter individual destinies. They have rarely been known to change society. Culture is not designed to do the work of politics, nor will inspirational role models even begin to compensate for the unconscionable neglect of arts education in our schools. (Brustein, 2000, pp. 219-220)

Therefore, historically, economics has exerted the strongest influence on the accumulation of cultural goods, perhaps negatively, perhaps positively. Today, however, politics generally is the main obstruction in the accumulation of cultural capital. The consequence for the stock of cultural capital has been dramatic:

… changes in social structure and the rise of an open market of cultural goods have weakened institutionalized cultural authority, set off spirals of cultural inflation, and created more differentiated, less hierarchical, less universal, and less symbolically potent systems of cultural classification than those in place during the first part of this century (DiMaggio, 2000, p. 39).

Nevertheless, a substantial stock of cultural capital remains in America. The question at hand, then, is: How is America’s stock of cultural capital productively employed?

**The Role of the Nonprofit Arts**

The nonprofit sector has been described as “the civil society sector, an ebbing and flowing and ever-changing collection of entities engaged in largely uncoordinated, privately
generated activities for multiple public purposes” (Boris, 1999, p. 24). In the subsector of the nonprofit arts, nonprofit organizations have been the *sine qua non* of cultural capital accumulation in the U.S. Since the early twentieth century, and almost exclusively since the 1950s, the nonprofit arts have been the primary producers of cultural goods in the U.S. DiMaggio has articulated, supported, and developed this thesis for the better part of twenty years (see DiMaggio, 1984, 1986a, 1986b, 1991, 2000, 1986c).

As was described in the introduction above, however, the nonprofit arts seem to be trapped in impossible circumstances: in the face of declining donative revenue the nonprofit arts encounter resistance in generating more earned revenue. And, based on these paradoxical circumstances, predictions on the future of the nonprofit arts are often dire. Below are two examples:

- The most likely result will be an overall decline in the number of nonprofit arts organizations, along with a reduction in the production of program services: exhibitions, performances, and so forth (Kreidler, 2000, p. 164).
- Many small nonprofit arts organizations will survive, as will larger ones; however, some middle-sized organizations will perish (McCarthy, Brooks, Lowell, & Zakaras, 2001, p. xxiii).

In sum, the nonprofit arts have been and continue to be the primary producers of cultural goods in the U.S. In other words, the nonprofit arts productively employ America’s stock of cultural capital. If the number of nonprofit arts organizations dwindles, or if the nonprofit arts are rendered less capable in their utilization of cultural capital, then the America’s stock of cultural capital will deteriorate. What can be done? New Philanthropy might very well be the solution to the impossible circumstances in which the nonprofit arts are mired.
Philanthropic Investment and the Nonprofit Arts: Inputs

In this part of the paper, the first half of the PICKNA model is specified. The main purpose of this part is to model the relation between philanthropy and the production from nonprofit arts. Specifically, the nonprofit arts are conceptualized as organizational systems that receive inputs and produce outputs. In the PICKNA model, philanthropy is the primary input and the creation and maintenance of cultural capital is the primary output. Since a nonprofit arts organization receives philanthropy with the intention of producing cultural capital output, it is appropriate to rename the input *philanthropic investment*.

**Nonprofit arts organizations as organizational systems**

The first step in developing the PICKNA model is conceiving of the nonprofit arts as productive processes that receive specific inputs of philanthropic investment. Thus nonprofit arts organizations must be conceptualized as systems. “The basis of any input-output analysis is the identification of the system to be studied, that is, the environment in which it operates, its internal components, and the interdependencies among themselves and with the environment” (Correa, 2002, pp. 115-116). The system to be studied here is the creation and maintenance of cultural capital; the internal components are philanthropic investment, the nonprofit arts, and cultural capital; and their interdependency is that philanthropic investment through the nonprofit arts creates and maintains cultural capital. *Therefore, the nonprofit arts are productive systems that transform philanthropic investments into cultural capital. Essentially, this is the PICKNA model.*
Conceptualizing the nonprofit arts as productive systems is not as original as it might seem. In fact, the nonprofit arts are often modeled in this way. For example, museums have been described as processes, firms, systems, and rituals:

- **A museum is a process**: “To control a museum means precisely to control the representation of a community and its highest values and truths. It is also the power to define the relative standing of individuals within that community. Those who are best prepared to perform its ritual—those who are most able to respond to its various cues—are also those whose identities (social, sexual, racial, etc.) the museum ritual most fully confirms.” (Duncan, 1995, p. 8)
- **A museum is a firm**: “Museums may be viewed as productive units—‘firms’—which, in order to achieve certain objectives, engage in the transformation, via a production technology, of inputs into a mix of outputs that are values by others” (Johnson & Thomas, 1998, p. 75)
- **A museum is a system**: “Thus there is a very clear connection between external force (funder) and organizational output (exhibition)” (Alexander, 2000, p. 178)
- **A museum is a ritual**: A museum generally displays three ritualistic dimensions: the special quality of and attention demanded by museum time and space; the performative aspect of the museum; and the transformative aspect of the museum (Duncan, 1995, p. 13)

In this paper, museums and all other types of nonprofit arts organizations are conceived of as productive systems.

**Philanthropy as Philanthropic Investment**

*Philanthropy*

Almost half a century ago, Curti asserted that American philanthropy is at once both “an index of the national character” and “an agent of [national character]”: “American experience in philanthropy has both expressed American character and at the same time has helped to shape it” (Curti, 1958, p. 437). Generally, three components to philanthropy can be identified: (1) incentives, (2) outcomes, and (3) devolution and decentralization. Incentives are discussed first.

Incentives, including disincentives, are essential to philanthropy. Of course deductions for charitable giving allowed for in the U.S. federal income tax code is one of the oldest and most effective incentives for stimulating philanthropy for the nonprofit arts. In developing a
theory of “rational philanthropy” for the nonprofit arts, Ulibarri (2000) explores other incentives directly or indirectly affected by the federal government and concludes that private philanthropy increases with lower returns on capital investments and cuts in public funding (i.e., fewer matching grants). Rational incentives, however, need not be entirely based on narrow financial self-interest. Sugden, for example, would discard utility maximization in the calculus of philanthropy to allow philanthropy to be motivated by self-interest and moral principles (Sugden, 1982, p. 349). Nevertheless, incentives, be they financial, moral, or something altogether different, represent an important component in the relationship between philanthropy and the nonprofit arts.

Related to incentives is the so-called “outcome” movement: large and small philanthropists increasingly want specific outputs when they contribute financial support to any nonprofit organization. “In short, the priority focus of a philanthropic concern about outcomes in the late 1990s needs to be on improving the strategy, substance, and quality of what is being funded” (Walker & Grossman, 1999, p. 476). Wolpert (1999) concludes with respect to incentives and outcomes: “The ceiling has probably been reached for contributions and volunteerism that cross communities, that are true ‘gifts’ and ask nothing in return in the form of tax incentives or benefits donors themselves can use” (p. 245).

Perhaps the most important new development in philanthropy and the nonprofit arts is devolution and decentralization (hereafter referred to collectively as “localization”). The nonprofit arts have always benefited from the “entrepreneurship-philanthropy nexus” in which “much of the new wealth created historically has been given back to the community to build up the great social institutions that have a positive feedback on future economic growth” (Acs &
Phillips, 2002, p. 3). The current localization movement, however, is much more democratic, representing a fundamental social change:

Among the most important and distinctive of these functions [that philanthropy and the nonprofit sector are performing for society] is the role that philanthropy and the nonprofit sector play in providing vehicles for the expression, cultivation, conservation, and development of civic and public values (AA, 1999, p. 523).

And these localized values rarely if ever are shared by the rest of the nation: “Devolution is not just a financial or administrative change…It is potentially a political shift as well, where local goals and values may bear on policies in ways that will seem wrongheaded, catastrophic, distasteful, or worse to those with a more cosmopolitan perspective” (Lenkowsky, 1999, p. 129).

The Nonprofit Arts

Funding of the nonprofit arts in the U.S. is a uniquely complicated system. “The American arts economy can be likened to a Rube Goldberg contraption in which a cat, lured by a mouse, jumps on a seesaw that tosses a fish into the beak of a stork. The stork thereby gets fed, but the method leaves something to be desired” (Meyer, 1979, p. 64). However complicated the system is, a considerable research body of research over the last decade has established the direct effect of philanthropy on the nonprofit arts. Much of the best research in this topic, once again, focuses on museums.

Alexander (1996a, 1996b, 2000) approaches the topic from a perspective of new institutionalism in organizational analysis. Her basic premise is that “funders have goals that shape their giving” (Alexander, 1996a, p. 92). Using that premise, she finds:

7 Localization does not imply a denial of national concerns. Wyszomirski anticipates the evolution of multi-polar system of philanthropy and the nonprofit arts in which both local and national interests are given voice: “Indeed, a different pattern of philanthropic influence may be emerging for the twenty-first century. Perhaps a new multi-polar system is emerging that might be comprised of philanthropic coalitions and be capable of addressing both diverse and overlapping agendas.” (Wyszomirski, 1999, p. 468)
The organizations literature suggests that (1) museums become externally oriented, mainly to funders, as funds become scarce, or as museum managers implement business plans. (2) As museums focus on external funders, they orient their activities to please funders in order to assure continued income…(Alexander, 1996a, p. 89) 

In other words, “external funding influences the orientation of a museum to its community, and this orientation affects exhibition design” (Alexander, 1996b, p. 4). For example, the goal of government funding generally is for “wide public enjoyment or education” (1996b, p. 2); the goal of corporate funding is public relations and thus it will “shun art that is particularly controversial or difficult to understand” (1996b, p. 2); and the goal of institutional funding is to support “blockbusters and traveling exhibitions, important types of mass-appeal, broad-audience, and wide-exposure shows” (2000, p. 194). In sum, Alexander’s research demonstrates that the source of philanthropic funding to a museum directly determines the mix of exhibitions it produces.

Similarly, the PICKNA model being developed in this paper maintains that the type of philanthropy given to any nonprofit arts organization impacts its output. In the Ford era, behemoth foundations controlled the nonprofit arts. First of all, the foundations brought nonprofit arts organizations into existence.

Besides helping to fuel expansion of the population of artists and arts organizations, the most significant effect of Ford era institutional funding was that it channeled the formation of new high art organizations into a nonprofit structure, rather than the proprietary mode that characterized the pre-Ford era (Kreidler, 2000, p. 154).

Further, DiMaggio (2000, pp. 51-52) identifies three “parallel logics” that defined the Ford era:

1. Logic of access: “Almost all institutional patrons encouraged grant recipients to increase the size of the publics they serve and, to some extent, take audience expansion of evidence of organizational success.”
2. Logic of accountability: “Accountability is defined, in practice, as the capacity to generate grant proposals and reports containing detailed financial and audience data and

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There are two more enumerated steps in Alexander’s summary that have intentionally been left off for the purposes of this paper.
in terms of creation of administrative structures consistent with the expectants of institutional patrons.”

3. Logic of constituency formation [government funding]: “From its creation, the National Endowment for the Arts worked to build a national constituency to support its efforts to garner larger appropriations from Congress.”

One can see evidence in DiMaggio’s three parallel logics that the Ford era was characterized by centralization, monopoly, and professionalization.

“Centralization, monopoly, and professionalization” are of course precisely “the three key suppositions of the Progressive Era [that] shaped American institutions throughout the twentieth century” (Ealy et al., 2001, p. 1):

1. Centralization: “Decision-making had to be centralized whether in firms or other social institutions or the nation as a whole”
2. Monopoly: “A resource could only be employed rationally if all of it was controlled centrally. While monopoly was considered efficient but dangerous in ‘private’ hands”
3. Professionalization: “New social, economic, and political complexities were incomprehensible to ordinary people and required the intervention of specialized, paternalistic professionals to guide them in their work, in the care of their health, in the education of their children, and the exercise of their community responsibilities”

In a recent article in *Harvard Business Review*, Porter and Kramer advocate a form of Old Philanthropy in encouraging foundations to further centralize, monopolize, and professionalize philanthropy.

The permanence of a foundation’s asset base means that it has an appropriately long time horizon in which to tackle social issues and develop expertise in its field. Thus foundation dollars can achieve social impact than the same monies spent by either private donors or the government. That is what we mean when we challenge foundations to create value. (Porter & Kramer, 1999)

Therefore, the Progressive-era Old Philanthropy has not disappeared.

New Philanthropy seeks to supplant the Progressive-era mentality. The premise of New Philanthropy is that “self-governance through more democratic, less hierarchical structures is a necessary and potentially effective component of positive social change” (Ealy et al., 2001, p. 3).
Accountability is a vital part of the New Philanthropy vision, but not in the bureaucratic sense of the term in Old Philanthropy. Rather, New Philanthropy emphasizes accountability through transparency and “value creation in non-monetary terms” (Ealy et al., 2001, p. 3). New Philanthropy is thus nothing less than a reversal and repudiation of Progressive-era philanthropy.

In the nonprofit arts, a similar confrontation is occurring between Fordism and post-Fordism. On the one hand, the received wisdom from Fordism is that the centralization, monopoly, and professionalization are necessary to sustain the arts in America. Below is an example of a typical Fordist statement with respect to museums:

Charitable contributions are an important source of museum finance, the voluntary nature of charitable means that these funds are likely to be less than enough to support the appropriate level of museum activities. The key reason is that any individual can enjoy the museum’s services without being a contributor. (Feldstein, 1991, p. 5)

On the other hand, post-Fordism are actively seeking alternative funding for the nonprofit arts: “Increase in private support and earned income are the best available alternative revenue sources” (Hughes & Luksetich, 1999, p. 37). Fortunately, with the work of such scholars as Ulibarri, post-Fordism is gaining an advantage over Fordism. For example, Ulibarri conceives of private, individual (i.e., rational) philanthropy as “aesthetic investments” that “not only confer private benefits on those who attend performances or visit museums today, but also contribute to the cultural welfare of future generations by providing larger endowments of aesthetic assets, knowledge and experience” (Ulibarri, 2000, p. 135).

The post-Fordist vision of philanthropic investment in the nonprofit arts closely approximates the vision of New Philanthropy. The nonprofit arts can no longer rely on foundations for their financial viability. Foundations are too centralized, too monopolistic, and too professionalized to be responsive to the needs of nonprofits arts organizations today. Instead, the nonprofit arts need to adapt to the trends in philanthropy discussed above. Philanthropy will
always be to a large extent co-determined by incentives and the goals of philanthropists. The major change in the 1990s was localization of philanthropy. The nonprofit arts must adapt and not rely on the centralized, monopolized, and professionalized support of foundations. Rather, they must rely on the decentralized and democratic support from the communities in which they are located. This translates into individual contributions from those who participate in the arts in a given community. Therefore, just as New Philanthropy is nothing less than a reversal and repudiation of the Progressive Era, the post-Fordist vision for the nonprofit arts is nothing less than a reversal of the Fordism.

The PICKNA model endeavors to be consistent with both post-Fordism and New Philanthropy. By conceiving of philanthropy as philanthropic investment, the PICKNA model implies that individual investment in local nonprofit organizations is the major input in the productive systems of the nonprofit arts.

**The Nonprofit Arts and Cultural Capital: Outputs**

The PICKNA model holds that philanthropic investment through the nonprofit arts creates and maintains cultural capital. The preceding part conceptualized philanthropic investment as the main input in the productive systems of nonprofit arts organizations. The main purpose of this brief part of the paper is to specify the main output from the productive systems of the nonprofit arts organizations: *the creation and maintenance of cultural capital*. This part of the paper completes the PICKNA model.

In the PICKNA model, the productive systems of the nonprofit arts produce culture capital. The nonprofit arts have previously been conceptualized as producers of capital. The most prominent instance is from the arena of social capital in which the nonprofit arts are used to rebuild communities and provide alternatives to “at-risk” youth (see Toepler, 1999, 2001a).
contrast, in this paper the nonprofits arts create and sustain the concept of cultural capital developed above. Supplemented by Austrian theories of capital, Throsby’s concept of capital theory as developed in this paper has three dimensions:

1. The current output of cultural capital could be viewed as being produced from a time flow of inputs.
2. Cultural capital is produced through processes.
3. The complementarity of discrete cultural goods in the stock of cultural capital results from the variable processes that each is subjected to over time.

In the PICKNA model, the nonprofit arts create and maintain this specific form of cultural capital.

The key element is the localized nature of philanthropic investment in the PICKNA model. An individual philanthropist in a community expresses her community’s values through her philanthropic investment. *The nonprofit arts organizations transform philanthropic investments into the creation and maintenance of cultural capital specific to their communities.*

The PICKNA model, therefore, satisfies all three dimension of the concept of cultural capital by modeling the nonprofit arts organization as a process that transforms the input of philanthropic investment into the creation and maintenance of specific cultural goods. The cultural goods are therefore complementary, not homogenous. The end result of the PICKNA model is the accumulation of a community’s stock of cultural goods.⁹

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⁹ It should be noted that the output of cultural capital in a community could be in many forms. For example, it could appear in “raising social issues, presenting alternatives, and finding past and present truths for our lives (Glaser & Zenetou, 1996, p. 232); or in developing new museums to preserve a community’s heritage (Johnson & Thomas, 1998, p. 81); or in forming small performing arts organizations for “niche markets” (McCarthy et al., 2001, p. xxii). It could also be manifest in attendance measures or other measures of participation. The possible forms of the cultural capital output are as limitless as individual preferences that motivated the philanthropic investment.
Conclusion

In sum, the PICKNA model (philanthropic investment in cultural capital through the nonprofit arts) was developed as an adaptation of the New Philanthropy enterprise for the nonprofit arts. The components of the PICKNA model are philanthropic investment as input, the nonprofit arts as the transformative process, and the creation and maintenance of cultural capital as the output. The essence of the PICKNA model is the conception of the nonprofit arts as productive systems that transform private, individual philanthropic investments from their communities into local cultural capital.

No data were used in this version of the paper; however, promising data sources exist. For example, nonprofit arts organization data can be obtained from the U.S. Census Bureau’s 1997 Economic Census. Philanthropic investment data for the nonprofit arts can be acquired from the American Association of Fundraising Counsel (AAFRC) Trust for Philanthropy Giving USA series as well as from the Foundation Center Arts Funding series. The National Endowment for the Arts 1997 Survey of Public Participation in the Arts as well as Americans for the Arts’ local art agency facts could be used as potential metrics for the creation and maintenance of cultural capital. If this paper is deemed to have merit, any and all of these data sources can be pursued, and the data could be integrated with each part of the main body of the paper.

Finally, though it is consistent with many developments in the field of philanthropy, it must be acknowledged that the advocacy and implementation of the PICKNA model would entail radical changes in the nonprofit arts. There may, however, be no other choice.

While it is highly unlikely that the next age will be shaped by the same coincidence of forces that unleashed the boom of the Ford era, there is no reason to expect that the presently prevailing trends in resources, societal values, population dynamics,
technology, education, and leisure will become frozen in a permanent orbit. Paraphrasing John Milton in Paradise Lost, there is no need to be forever fallen if nonprofit arts organizations awake and arise to the new realities of our time. (Kreidler, 2000, p. 166)

Perhaps the PICKNA model developed in this paper could assist in wakening the nonprofit arts “to the new realties of our time.”

References


