MYTHS, PHILANTHROPY, AND CULTURE: NEW DATA AND TRENDS

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What Do Economics Have to Do with Culture?

In 1823 William Hazlitt waxed eloquent as he described a recently opened London gallery: “A fine gallery of pictures is a sort of illustration of Berkeley’s *Theory of Matter and Spirit.* It is like a palace of thought—another universe, built of air, of shadows, of colors.” A visit to a fine museum, an outstanding performing arts center, a worthy historic site or building can indeed transport us to an ethereal universe, but those of us who work in these places or serve as trustees know that they are not constructed of air, shadows, and colors. Today, I want to talk about matter, substance, in stark black and white, perhaps adding some touches of red for deficits; that is to say, that I want to talk about the money and resources upon which we construct and maintain our palaces, mansions, even our humblest abodes, of thought.

It is difficult sometimes to yoke the subjects of culture and economics. They are very different realms. Values in one don’t necessarily translate into values in the other. Yet it seems that one of the consistent themes of these past two days has been the pressure we are under to justify our work in instrumental or utilitarian terms and even, in the end, to quantify those terms. Yet deep down we know that aesthetic and cultural experiences are not easily converted into a monetary currency in the same way that a handful of dollars can be handed over to the bank teller or the American Express agent and converted into euros or yen.

When cultural critics talk about economics, or economists talk about culture, smart people sometimes end up saying ridiculous, confusing things.

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Take John Ruskin, who puzzled over the material needs of artists in *The Political Economy of Art* (1857). What does money have to do with creativity and aesthetic standards, he wondered: “A real painter will work for you exquisitely, if you give him...bread, water and salt; and a bad painter will work badly and hastily, though you give him a palace to live in, and a princedom to live upon...And I say this, not because I despise the greater painter, but because I honor him; and I should no more think of adding to his respectability or happiness by giving him riches, than, if Shakespeare or Milton were alive, I should think we added to their respectability, or were likely to get better work from them, by making them millionaires.”

The Australian economist David Throsby, one of the most astute cultural economists at work today, finds that artists just don’t behave as any classic economic models would predict. He signals the difficulties that economists have in trying to understand the artist’s working life: “Unlike the vast majority of workers—artists generally prefer more (arts) work time to less, and [this fact] requires a reformulation of conventional labor supply models. [M]uch of what artists do in their day-to-day work—the choices they make, the lines of development they pursue—have nothing whatsoever to do with economics...these choices...present difficulties of interpretation within any sort of rational decision-making framework.” Yesterday, Adrian Ellis went beyond the individual artist to explain why nonprofit cultural organizations do not—and cannot—function like commercial organizations operating in the marketplace.

I have spent much of my time over the past ten or fifteen years straddling these counter-posed realms of culture and economics and, more broadly, the world inhabited by artists and cultural institutions and the world of policymakers and policy analysts. There have been moments of overt hostility during the culture wars of the 1980s and early 1990s. There have been episodes of profound misunderstanding. And there are still moments of serious miscommunication because the languages are so different. How do people in arts and cultural institutions respond to people who try to value cultural activity in terms of economic multipliers, cost-benefit analysis, quantitative outcome measures, and, my current favorite, contingent

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valuation methodology? I promise not to use this sort of language in the present company. I do want, though, to begin with a broad picture of how we support cultural organizations in America.

The topic is timely. Whether our current recession is ending or likely to endure, whether it is a quick V-shaped dip in the economy, a wider U-shaped decline and thus a more protracted recession and recovery, or a W-shaped double dip (the "W" refers to no one in particular), our museums and other cultural organizations are facing a very difficult road. And a road we will all be traveling for an as-yet-unknowable length of time—a year, two, three, ten? I am pessimistic. Those of us in the foundation world have not seen our endowments drop so sharply since 1973-74. For foundations, it is worse even than 1929 and the Great Depression because in that era most endowments were much more conservatively invested in bonds.

Perhaps you are already reading about some of the worst cases. The Packard Foundation, to take one example, had a $14 billion endowment at the end of 1998; in September their endowment dropped below $4 billion (yesterday's *New York Times* put it at $3.8 billion). The $200 million it will be giving away next year is roughly one third of its grant budget in its peak years in the late 1990s. The Ford Foundation endowment, which was at more that $14.5 billion three years ago, is now just over $9 billion; staff and programs are being cut. Private conversations in the past few weeks with my colleagues in various foundations are revealing that a few foundations are feeling very fortunate to have lost only 15 to 20 percent of the value of their endowments—losses of 30 to 40 percent are not uncommon—and a few, Packard among them, have lost as much as 60 to 80 percent of the value of their assets. At foundation board meetings this fall, retrenchment has been the topic of conversation, and arts and cultural programs are facing some of the most severe cuts. For example, the Pew Charitable Trusts in Philadelphia have just eliminated one of their signature national cultural programs and are focusing their remaining resources on their own city. They are not the only foundations confronting hard choices about staff and program.

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I have even more gloomy thoughts about where we are headed. I will return to this topic—and with this preview I am offering fair warning that this talk will not end on an uplifting note. I think it is important for us to look back as well as ahead, knowing that relatively few of us were trustees of museums or foundations in 1973-74 (none of us, I suspect, in 1929-30) and that most of us have not experienced such a sector-wide and potentially lengthy period of financial crisis and retrenchment. After all, 40 percent of nearly sixty thousand foundations were established only in the booming 1990s and roughly 40 percent of the museums you represent have been founded since the early and mid-1970s.

Let me begin with a broad picture of the cultural support system in the United States. My apologies to the very diligent among you who have carefully read and memorized the briefing materials. Some of what I will say you already know. It is perhaps useful to think of the economic world we inhabit as a cultural ecosystem:

Imagine streams feeding into rivers that flow into a cultural lake (I tried to think of how this might work with images of variously colored buttons and boxes, in order to create some link with Stephen Weil's masterful keynote, but I'm happier in the natural world). Imagine the lake, then think about some marshes and wetlands along the shores that help keep the whole environment healthy. I won't push the ecosystem analogy too hard, but there are elements of diversity and sustainability that come into play as we think about the future health of this ecosystem.

The three big rivers are first, **direct governmental support,** with its tributary streams of federal, state and local funding (one might find a deeper aquifer, underground reservoirs, linking these two rivers, namely a tax system that encourages private giving through income tax and estate tax deductions and property tax or sales tax exemptions for nonprofit organizations); second, **private philanthropy,** with its tributary streams of individual, foundation and corporate giving; and third, **earned income,** which has a number of tributaries, including ticket sales, admissions fees, sales in shops, restaurant earnings, rental fees, royalties and other earnings from

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intellectual property, and, for some, income streams from commercial subsidiaries and joint ventures.

The wetlands and marshes are first, a labor force in the cultural sector—artists, performers, administrators, educators—all willing to work for lower wages than those of comparable education and training in other fields; and second, a cadre of volunteers who freely give their time to sustain our cultural organizations, whether docents, ushers, guides or trustees.

The first big river, a Hudson or a Mississippi, is governmental support.

We can look at government support for the arts in two ways: direct and indirect support. I want to focus, first, on direct support through appropriations and budget line items. But keep in mind that there is also indirect support through the various tax incentives that help channel resources into the nonprofit cultural sector and subsidize their work: Income and estate tax deductions, property and sales tax exemptions, and postal discounts are the main indirect subsidies. This indirect support is much harder to measure since it is about revenues that government foregoes, never collects, never appropriates. Some economists call these tax expenditures, they try to estimate them, but I've promised not to use that sort of language or to offer the analytic qualifications it would require. What are the direct sources of public support?

Federal. The most familiar federal portion is the $250 million expended through the National Endowment for the Arts (NEA), the National Endowment for the Humanities (NEH), and the Institute of Museum and Library Services (IMLS), but there is at least another $1.5 to $1.7 billion provided for the Smithsonian Institution, National Archives, Library of Congress, Corporation for Public Broadcasting, Kennedy Center, and for cultural programs within other agencies such as Interior, Justice, Education, and State. In one recent study (*America's Cultural Capital*, Center for Arts and Culture, 2001) for the Center for Arts and Culture we found some two hundred cultural programs spread through more than thirty federal agencies with total expenditures approaching $2 billion. That's $2 billion in a federal budget of over $2 trillion. How much is enough? How much is adequate? What ought our priorities to be? These are

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legitimate questions that can drive debate about inputs, outputs, outcomes, and the public purposes of the arts, as I echo some of Steve Weil's terminology.

State. The states' contributions to the arts total about $450 million through state arts agencies and a far smaller amount, less than $50 million, through state humanities councils. In truth, we have no good tally of total state support for culture since no one has yet added up all the states' appropriations for preservation offices, archives and libraries, museums and historic sites.

Local. There are some four thousand local arts agencies, some public, some private-public partnerships, some that combine local humanities and arts activities. Their total contributions to the arts are somewhere around $1 billion. Again, it is hard to come up with a precise total for local support.

In the end, governments at all levels are directly contributing at least $3.5 billion to the cultural sector. Indirectly, through our tax system, government encourages the private sector to do even more.

The second big river, then, an Amazon or a Nile, is private support.

Americans from all private sources—individual donations, foundation grants, corporate contributions—gave to all charitable, educational, and religious purposes a total of about $212 billion in 2001. Between $12 and 13 billion of that, about 5.7 percent of all charitable giving, went to arts and cultural purposes. Year in and year out, Americans' charitable giving is approximately 2 percent of gross domestic product; it fluctuates a little bit, dropping slightly in recessions, improving in good times. Overall charitable giving has been remarkably stable during the last forty years or so that we have attempted to measure it. This enduring commitment to private charitable giving is one of the great strengths of our cultural ecosystem, envied elsewhere, with attempts being made to emulate it all around the world as public cultural support in other nations falters.

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When we look at where the private giving for culture comes from, we have reasonably reliable data from two years ago before the full impact of the recession and stock market declines were being felt:

- Corporations gave about $1.56 billion for arts and cultural purposes in 2000. Though the number of companies giving is declining (only some 38 percent of companies with more than $1 million in revenues give), the average grant size has increased. On the whole, corporate giving has been decreasing as a share of overall giving for more than a decade.
- Foundations gave about $3.7 billion in 2000. It has grown remarkably, doubling in the five years from 1996 to 2000. Grants remained high even as the stock market began to fall since most foundations base their grant budgets on a three-year rolling average of their endowment. The good years were still being factored in, and those robust years for the stock markets have cushioned the more recent declines in endowments. This year, when rolling averages are recalculated to include this dreadful year and two not very good years, we will see grant budgets decline almost everywhere. And foundation giving will not recover quickly, even if the stock market begins to rally.
- Individuals gave over $6.3 billion to arts and cultural organizations in 2000. We all know the stories of some of our great patrons of the 1990s who are now having difficulties in meeting their pledges, deferring payments, canceling other commitments, reviewing the numbers of organizations they feel they can support. We also know of institutions that are setting up reserve funds so that they can begin to cover these unmet pledges.
- Individual volunteers also have contributed their labor. Of the 109 million Americans who volunteered—in hospitals and schools, in environmental clean-up days, in youth soccer leagues, and in museums and historic houses—about 5 percent of those volunteers, which is to say more than 5 million people, claim to have volunteered for arts organizations. The hours they are estimated to have worked are the equivalent of about four hundred thousand full-time employees. And if we value their time at minimum

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wage, their contribution of labor would be worth nearly $3.5 billion; if we value their work at a wage closer to the average American hourly wage, then volunteer labor is worth almost as much as the monetary contributions. I am unaware of any studies that deal with volunteer labor and swings in the business or economic cycle. I would guess that volunteering remains stable or is even counter-cyclical, offering opportunities to find new volunteer help as unemployment rises or early retirement packages are accepted. (Sources for above: Bruce A. Seaman, *National Investment in the Arts*, Center for Arts and Culture, 2002; *A One-Year Snapshot: Foundation Giving to Arts and Culture*, Grantmakers in the Arts, 2001)

The other important piece of the cultural financial picture is the contribution of those who choose to work in the arts and who, for the most part, receive far less in earnings than those of equivalent education and training in other fields. Artists are not necessarily living in garrets and starving; employees of nonprofit cultural organizations are certainly not at the very bottom of the economic heap, but their willingness to work for relatively lower compensation, given their training and the skills expected of them, provides another important subsidy for the cultural sector. Artists and employees in museums, historical societies, and performing-arts centers are well educated, and whenever we compare income and employment it should be measured against other professional and technical workers. There have been studies of artists' and their financial status and some general surveys of employees in nonprofit organizations.

The myth of the artist and actor as waiter and taxi driver should be dispelled. Most artists, in order to pursue their arts career, work more than one job, and those working outside their arts field are often in professional and technical jobs such as computer programming or in managerial positions. A recent moonlighting study by NEA revealed that 39 percent of professional musicians hold their musical jobs as second jobs, earning their principal livelihood elsewhere. They work second jobs largely because the pay is better, there is some element of job security, there are benefits, and there simply isn't enough arts work.

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The latest survey of income by the NEA (*Artist Employment in 2000*, NEA) showed median income in the late 1990s in various artistic fields:

- Architects did best with median earnings of $47,700
- Visual artists were among the higher earners $31,690
- Musicians, singers and related workers $30,020
- Actors, directors, and producers $27,400
- Dancers and choreographers $21,430

About 7 percent of artist families were in poverty in the 1990s, although this is about twice the rate of those in professional and technical fields. Joan Jeffri of Columbia University has measured income in a series of city surveys, finding that only 14 percent of artists in Los Angeles, New York, San Francisco, and Minneapolis earn more than $50,000 and about 25 percent earned between $20-30,000 (Joan Jeffri and Robert Greenblatt, *Information on Artists 2: A Study of Artists' Work-related Human and Social Service Needs in Four U.S. Locations*, Columbia University Research Center on Arts and Culture, 1998). Her conclusion is a bit less rosy than the NEA studies. She concludes that two-thirds of artists are earning below middle-class standards. Very little of what they earn is from their work as artists; in fact, half earned less than $3,000 from arts work. Keeping in mind that these income figures represent earnings from arts work as well as other jobs, the total earnings are roughly 80 percent of what others with similar education and training receive.

When we look at administrators in nonprofit organizations, they, in a sense, are also subsidizing the work of nonprofit cultural organizations. While the salaries of the directors of our largest museums and foundations receive a great deal of attention, the compensation of others in the sector is not widely reported. Four years ago, a survey of nearly five thousand organizations in the arts, culture and humanities, revealed a median salary of only $31,000 ($10,000 lower than the average for all nonprofits, which would include hospitals, schools, environmental and other organizations). The report prepared by the Urban Institute (Eric C.

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Twombly and Marie Gantz, *Executive Compensation in the Nonprofit Sector: New Findings and Policy Implications*, Urban Institute, 2001) pointed out that the median salary of nonprofit chief executives was less than that of computer programmers, dental hygienists, and construction managers. I say this as a reminder that our cultural sector depends heavily on the dedication of many, many professionals who are so driven by passion, a sense of calling, or commitment to an institutional mission that they are willing to trade income for the intellectual and psychological satisfaction that comes from working in a field they love. It is another, hard-to-measure contribution and difficult to convert into economic terms. But we cannot ignore it.

The third large river is earned income. I will not explore it in any detail, simply saying that most people outside nonprofit cultural organizations do not fully understand to what extent nonprofit institutions actually pay their own way. For performing arts organizations, a solid regional theater company can earn 65 percent or more of its annual revenues from ticket sales and other earnings; a modern dance company might earn 25 or 30 percent of its income. For museums, as you know, the average is about 29 percent; the aggregate is about 47 percent. But the variations of earned income among organizations are huge, the importance is much greater to some than to others. The reliance of some cultural organizations on earning a portion of the travel and tourism dollar, whether Broadway theaters or the Guggenheim empire, leaves some much more susceptible to broad economic trends than others.

This overview of the streams and rivers that feed the cultural sector offers one perspective on the lake. If we step away from the shores and move to higher ground, we can see how big the lake itself is and where it is situated in the larger economic terrain. These are numbers that seem to have made an impression on policymakers because they show that the nonprofit cultural sector is far from marginal.

In 2001, nonprofit arts organizations collectively spent $53.2 billion, they employed nearly 5 million people, and nonprofit cultural events and activities generated another $80.8 billion for the economy. This total of $134 billion in economic activity is substantial. But it is

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only a crude measure of economic output, not outcome. The aggregate numbers have rhetorical and persuasive value in Congress and State legislatures, but they do not measure the "beneficial difference," to which Stephen Weil alluded yesterday.

Myths Dispelled

There are a number of myths that this overview of our cultural ecosystem begins to explode. Let me pop these balloons quickly and move on.

The starving artist is a myth. Underfunded, underemployed, less well paid than others of similar education but not impoverished.

The lack of a government commitment to culture is also a myth. NEA and NEH appropriations are a fraction of what they were at their peak, but we do ourselves a disservice by ignoring the many other commitments to culture that the federal government has made and kept and that states and localities have expanded over the past two decades, even in the face of federal contraction. In our multilayered federal system the public sector commitment is fragmented and hard to appraise completely, but there is indeed a commitment, and it is substantial. Some argue that it remains stronger and more secure because it is fragmented, because there is not a single target for budget cutters to strike. We should also understand that some of our approaches are envied in other parts of the world, particularly the strong role played by private philanthropy. Sustaining and encouraging private philanthropy through the tax code has been a consistent policy choice since the 1910s. Whether we are weakening that one substantial pillar of support by gradually reducing the estate tax remains to be seen.

That we have no cultural policy in the United States is also a myth. Our policies are plural and decentralized, sometimes rooted in policy decisions that enhance the private sector and the private individual's role, such as the tax code, sometimes embedded in approaches to other policy objectives when cultural means are used to pursue economic development ends or community building goals. It is a characteristically American mix. Policies are formulated at

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every level of government, and they are profoundly intertwined with decisions made in the private sector by individuals, philanthropic foundations, nonprofit cultural institutions, and commercial enterprises. The “nation’s” cultural policy—as distinguished from a “national” cultural policy—is complex and multi-faceted. Our cultural policies are grounded in the charitable deduction; copyright law, which seeks both to guarantee financial rewards to those who are creative whatever the field and to enhance the progress of the arts and sciences, as those of you following this week’s arguments in the Supreme Court in *Eldred v. Ashcroft* have learned; trade policies, which have helped make cultural industries the source of over $60 billion in foreign earnings; and the First Amendment, which gives constitutional protection to freedom of expression and will continue to mark the front lines of our culture wars. Moreover, cultural concerns intersect with policy decisions that are being made in many areas: elementary and secondary education, juvenile justice, local and regional development, conservation and tourism, among others, all of them policy domains with major cultural policy consequences.

Where Are We Headed?

Adrian Ellis spoke of three trends that have been at work for the past two decades or so: contractualization, instrumentalization, and globalization. But the most immediate subject of discussion and debate, I fear, is this: How will we find our way through the protracted financial crisis that is upon us?

Foundations, as I have mentioned, withstood the first two years of stock market decline without much ill effect on their grant making. Most set their pay-out rates on a three-year rolling average of endowment assets. That practice of averaging has cushioned us all. But the magnitude of this year’s decline, which will now be figured into those averages, means that severe cutbacks are now on the way. Even an upturn in the financial markets will not mean an immediate increase in grant budgets or a quick return to the levels of giving in 2000 or 2001.

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Individual giving is another matter. Last year, total giving grew very slightly (0.5 percent) but when adjusted for inflation actually decreased (2.3 percent). Individual giving tends to remain relatively stable in good times and bad. The stock marker drop in 1987—a blip compared to today—caused giving to fall by about 4.7 percent. It quickly recovered. Even in the more serious period of prolonged economic woes in the early 1970s—when the Dow Jones Industrial Average had fallen by 1975 to only 60 percent of its 1965 level—individual giving dropped by just over 5 percent. Yesterday's *New York Times* reported that in Silicon Valley, the new wealth based on high-tech companies that had been flowing into the Community Foundation by June of this year dropped 54 percent from the previous year. Whether this is a portent of what is to come, I simply do not know.

However, the traditional factors that influence declines in charitable giving are all working to depress giving: Personal income grew at the slowest rate in nearly a decade; personal indebtedness is growing; the stock market dropped 13 percent in 2001 and over 30 percent so far this year; corporate pre-tax profits have dropped 17 percent. I will leave it to your investment advisers and brokers to find the good news. I want to suggest some even broader worries about the economy in general and the cultural sector in particular. I am a historian, not an economist—you can discount what I have to say accordingly. Moreover, I was trained as a medieval historian. I take a very long view—what I have to say doesn't necessarily pay off from quarter to quarter. I also have fiduciary duties as a trustee of two foundations and three nonprofit organizations—and I am a trustee who worries about financial matters. Thus, you can discount both my disciplinary training and temperament accordingly.

Unlike a number of economists and investment analysts, I do not assume that we will see economic growth and productivity growth return to the rates of the 1990s (which were, we now know, often overstated), and I do not see a near-term return to earnings and profitability levels of the 1990s (which were also grossly overstated). There is still danger in current stock market valuations, and to rise again to the levels of stock market wealth of April 2000, we will need to

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see annual gains in stock prices of more than 10 percent for a decade or longer (the NASDAQ may never return to its peaks). Adding to these concerns is the worrisome bubble in real estate prices, the growing indebtedness of American consumers, mounting long-term government debt, the specter of deflation, a still overvalued dollar, slow growth in Europe and Japan. Moreover, we have little room to maneuver with the monetary and fiscal policy tools at our disposal; our policymakers and central bankers have much more experience in taming inflation than in preventing deflation or in bursting asset-price bubbles before they become dangerous.

What does this mean for the cultural sector?

First, we should be prepared to face a period of prolonged economic distress and one that is likely to be very different from the experience of the early 1970s. It was different in that decade because our mixed system of support got us through the crisis. The public funding stream grew substantially at the very moment the private stream was faltering. In time, foundation endowments recovered, individual giving grew, and a surge in corporate giving began in the late 1970s. That private stream then carried us through the 1980s as public funding came under pressure. Now all our funding streams are under pressure, including state and local funding where we are beginning to see arts funding cuts of 40 and 50 percent in some states.

The times were also different in the 1970s because the cultural infrastructure was not so hugely overbuilt, which leads to a second observation. We will see some already troubling trends intensified. The RAND study of the performing arts (Kevin McCarthy et al., *The Performing Arts in a New Era*, RAND, 2001), which Adrian Ellis mentioned yesterday, offers observations that are useful and of which trustees in all kinds of cultural organizations should be mindful. The report speaks of the proliferation of performing arts organizations since 1970 and the higher fixed costs they now bear. Many of these organizations are small and serve immediate local needs or else satisfy the interests of one or another niche market. At the other extreme are some very large institutions, which have been through a period of relentless growth, building new facilities, increasing their audiences, expanding their missions. According to RAND, it is those

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in the middle, the mid-size institutions that face the most serious difficulties in meeting their costs.

The RAND report foresees a performing arts sector—they have begun work on a report on the visual arts—in which the smaller organizations survive even in hard times, cutting back to bare bones, relying on a few paid staff members or volunteers; they may even thrive as they define their specialized, local niches more precisely. For the most part, the large organizations will also survive. But RAND warns that there will be a cost. The distinctions will continue to blur between nonprofit cultural organizations and corporations in the commercial entertainment world. They will rely more and more on celebrity artists and well-packaged and skillfully promoted events. The real costs, RAND warns, are that organizations will minimize risks and that artistic innovation will suffer. They conclude that our several decades-long commitment to expanding the supply side of the arts and cultural sector now requires the sector to think about demand-side strategies, namely building and educating audiences in the face of long-term demographic trends, changing leisure preferences, and technological changes that do not look favorable for the performing arts. Problems confronting performing arts organizations differ in fundamental ways from those facing museums. In the end, though, the RAND report asks all of us to think about public policies for the cultural sector.

And this is where I want to frame some questions and point toward some answers as you approach this afternoon's conversation. What I am going to say is not what I intended to say when I arrived on Thursday, but it is sparked by some of the comments made yesterday by Stephen Weil and Adrian Ellis. Both spoke about the pressures on museums to serve instrumental and utilitarian objectives, both described the pressures to provide quantifiable and measurable outcomes—and the difficulties of doing so. Adrian suggested that in the elaborate dance between funder and funded—and we all know who leads in this tango and who is twisted out of shape and bent over backward as the dance ends—we have been compelled to argue in the terms that others demand of us. He knows that contractualization and instrumentalization must

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be embraced. Nevertheless, he urges us to use our own language and values in defining the objectives.

Let me pose the problem of language and values in another way. How should we think about the public purposes of the arts? How should we talk about the public interests that we serve? In what language should we answer when policymakers and foundation funders speak their utilitarian prose and expect quantitative answers?

David Throsby, the Australian economist whom I mentioned earlier, puts the policy problem in its bluntest terms: Is it the business of governments to promote and to fund culture? He says that economic language and thinking create the basic framework within which we must argue for or against a public policy. Economics is the language of public policy because policy is so often concerned with the allocation and the most efficient uses of resources. Not surprisingly, foundations and others who distribute money have adopted this language of economic rationality in making their decisions, shaping programs, seeking results, and evaluating their work. Clearly, the weight of argument favors those outcomes that can be quantified. Less obviously, the weight of argument also favors individual goals and choices over collective ends. Throsby, the economist, tells us that economic values and cultural values are fundamentally different, the former based on individual calculations of utility, the latter on collective and communal decisions about meaning and worth. Markets can determine a price for some objects at the immediate moment when the transaction takes place but cultural value emanates from some place else. Cultural values arise from an exchange that is fundamentally different from a market transaction. Cultural markets don’t clear when supply and demand curves intersect. Cultural exchanges endure; values (and valuations) are long-term. Benefits are widely diffused. Does it make sense to try to establish a marginal utility—in other words, a price—for cultural values that can arise simultaneously from the interactions of aesthetic, social, spiritual, historical, and symbolic considerations? Can we put a price or assign a number to memory, identity, a sense of place, or cohesive communities?

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It is useful to know—and to be able to argue and persuade—in the utilitarian language of economists. But only at times. We can offer some measurements of the role of the cultural sector in terms of its contributions to gross domestic product, to our international trade balance, or to economic development in a city or region. We can also begin to argue that the arts contribute to human capital, helping (however obscure the causal relationships) to improve educational performance and test scores, enhance workplace skills, creativity, and technological innovation, although these things continue to focus on individual benefits. Some scholars have also begun to argue that the arts build social capital, and that they are a source of civic strength, cooperation, trust, participation, identity, and other communal values. This approach supplies a civic rationale for our cultural endeavors. Others are now beginning to make the case for the value of creative capital. In the postindustrial world, they argue, creativity has become an asset, a resource just as coal, iron, and oil were the basic resources of the industrial era. (Richard Florida is among those who argue that a creative class has emerged, now thirty percent of the work force, which is double what it was twenty years ago and ten times what it was in 1900.) With creative capital in mind, we can then argue that fostering creativity, protecting and preserving creative assets is a matter of fundamental public interest in the postindustrial era. This is both a broader economic rationale and perhaps an argument fitting for a globalizing, postindustrial economy.

When we treat arts and culture as a source of human or social or creative capital, we are admittedly adopting the language of economics, though not necessarily that of market transactions. We are beginning to consider our culture for what it is: a store of value, a resource to build upon, to draw upon, and to work to preserve. As capital, it is something of which we are all trustees. And this is where I want to end, pushing Steve Weil's message about your duties as trustees to another level. He described three new roles and ended on a note of institutional competitiveness. I would temper this with a message of cooperation—a fourth duty to add to his three. Your duties of care and loyalty are certainly to your own institutions. But there is also a larger fiduciary responsibility, one that is embodied in your care for and loyalty to our collective

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cultural capital. It is a duty to think about the cultural sector as a whole as we enter this period of economic crisis. It is a duty to engage with the policy processes that provide a vital stream of resources for this sector. And it is a duty to be loyal to values intrinsic to our shared cultural mission.

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