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*Arts and
Culture
in the
Metropolis*

*Strategies for
Sustainability*

Kevin F. McCarthy
Elizabeth Heneghan Ondaatje
Jennifer L. Novak

*Sponsored by William Penn Foundation
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1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138

1200 South Hayes Street, Arlington, VA 22202-5050

4570 Fifth Avenue, Suite 600, Pittsburgh, PA 15213-2665

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Summary

After three and a half decades of unprecedented growth, the nonprofit arts face an environment that threatens to stunt that growth and raises the prospect of future consolidation. This situation poses severe challenges to the sustainability of local arts sectors. Cognizant of these developments, William Penn Foundation and the Greater Philadelphia Cultural Alliance asked RAND to examine the condition of Philadelphia's arts sector and recommend actions to ensure its sustainability.

This study has three goals: (1) to identify the sources and characteristics of this new environment, (2) to describe the ways local arts communities are responding to new challenges, and (3) to analyze Philadelphia's arts sector and recommend potential solutions to its sustainability problems. We drew upon a range of sources, both quantitative (published data and reports) and qualitative (interviews, focus groups). In the course of this analysis, we introduce two new approaches to examining local arts sectors. The first, or *ecological*, approach focuses on the relationship among the three components of local communities' organizational ecology: their arts infrastructures; the support systems upon which they depend; and the sociodemographic, economic, and political environments in which they operate. The second is a framework we have developed for describing and evaluating organizational mechanisms and operational strategies adopted by local communities to support their arts sectors.

Starting in the mid-1960s and continuing until well into the 1990s, the arts sector experienced a period of unprecedented expansion. Two factors played critical roles in this development: the adoption of a common funding strategy and the proliferation of new funding sources—government, foundation, corporate, and individual—that allowed the implementation of that strategy.

By the mid-1990s, however, the feasibility of this approach was increasingly being called into question in light of changes in funding practices. This situation raised major challenges for local arts sectors: Arts organizations faced new competition for funding and a new operating environment. In addition, they confronted a political environment that required new funding strategies and new arguments for support.

The Local Arts Ecology

The *local arts ecology* is made up of three components: the arts infrastructure, their support structures, and the community contexts in which they operate. The arts infrastructure consists of a small number of very large organizations (museums, performing arts centers, symphonies), a larger number of medium-sized organizations (mostly theaters), and an even larger number of small organizations, all differing in the size of their staffs and in the revenues they receive. The largest organizations constitute only about 20 percent of all organizations but receive 60 percent of all the arts sector's revenues.

The organizations' revenues come from a diverse mix of sources. About half are from earnings (mostly from admissions); 40 percent from contributions and grants (mostly from private rather than governmental sources and about as much from individuals as from business and foundation sources together); and the balance from other sources, e.g., endowments and memberships. Revenue sources, however, differ by discipline and in terms of the availability and strength within specific communities.

The eleven communities in our analysis can be sorted into three categories: older manufacturing centers that have faced major economic restructuring (Baltimore, Cleveland, Detroit, Pittsburgh), mature regional centers with diversified economies (Boston, Chicago, Denver, the Twin Cities), and newly emergent centers (Charlotte and Phoenix). Philadelphia shares characteristics with the older manufacturing centers and the mature regional centers. The growth patterns, socioeconomic profiles, and histories of these communities differ; these differences help shape arts infrastructures and the amount and sources of financial support that they provide to arts organizations.

Community Responses to New Challenges

Local communities have developed a variety of organizational arrangements and operational strategies to support their arts sectors. The organizational arrangements can be categorized as to whether they are part of government or run as a private nonprofit, whether they perform single or multiple functions, whether they view their primary role as servicing the local arts sector or as facilitating the integration of the arts sector with the wider community, and whether they limit their services to particular communities or serve the larger metropolitan community. All the communities in our analysis either have established or are in the process of establishing organizations devoted specifically to support the arts and arts-related issues.

These organizations provide a range of services to their arts sectors. We identify five functional areas to characterize these services (financial support, technical assistance, presentation of public art, promotion and advocacy, and economic develop-

ment). We also look at the types of organizations that supply services and to whom those services are typically provided.

This framework can be used to describe and evaluate a community's support structure, its strengths and weaknesses, and the level of support offered to different types of arts organizations (basic, moderate, or full). Table S.1 rates the eleven communities in our study in terms of the level of support given to the arts in each functional area.

Table S.1
Community Ratings by Function

Function	Basic	Moderate	Full
Grants	Baltimore	Chicago	Charlotte
	Boston	Cleveland	Denver
	Detroit	Twin Cities	Pittsburgh
		Philadelphia	
		Phoenix	
Technical assistance	Baltimore	Boston	Charlotte
	Detroit	Cleveland	Chicago
	Twin Cities	Denver	
		Philadelphia	
		Phoenix	
Presentation	Cleveland	Baltimore	Boston
	Detroit	Charlotte	Chicago
	Pittsburgh	Twin Cities	Denver
		Philadelphia	
		Phoenix	
Promotion	Detroit	Baltimore	Chicago
	Twin Cities	Boston	Denver
	Pittsburgh	Cleveland	Philadelphia
		Charlotte	
		Phoenix	
Economic development	Cleveland	Boston	Chicago
	Detroit	Baltimore	Charlotte
	Philadelphia	Phoenix	Denver
		Pittsburgh	Twin Cities

Philadelphia: Assessment and Recommendations

Philadelphia has a long cultural history—many of its major arts organizations were founded before 1900—and its arts and culture sector has recently experienced significant growth. Further evidence of the energy in the region’s arts sector can be found in its growing attraction to both performing and visual artists. The strong subscription base of the city’s orchestra and theatres, along with the success of various festivals, shows that Philadelphia’s residents are active participants in the arts.

We use the analytical tools we have developed to describe the components of Philadelphia’s arts ecology and its specific strengths and weaknesses. Based on this analysis, we identify a series of threats and opportunities facing the arts sector and conclude with a series of recommendations.

Threats

Despite the steady growth of the region’s arts infrastructure over the past decade, the lack of growth both in the total population and in the number of college-educated adults (the two principal determinants of current arts demand) could imperil that growth and the region’s ability to support its arts sector.

The fragmentation of the region’s governmental and corporate leadership could limit its ability to develop a clear vision and plan to address the arts sector’s sustainability problems. Because the region is divided among three states and multiple municipalities, coordination of funding among states is highly unlikely, and much of the local effort to increase governmental funding has focused on establishing a regional mechanism to fund the arts within the five counties of southeastern Pennsylvania.

The diversity of population and communities within the Philadelphia region could well increase the centrifugal forces in the region. This diversity is evident not just between the city and the suburbs but within both of those areas, and the revitalization of some neighborhoods contrasts sharply with the continued decline of others. Indeed, Philadelphians often refer to “Philly disease”—the tendency of Philadelphia residents to downplay its strengths as well as to identify with their local communities rather than with the region as a whole.

In addition, despite the general collegiality within the arts community, the sharp imbalance between the resources garnered by small and midsize institutions on the one hand and large institutions on the other could encourage competition and divisions within the arts community. And significant differences in the financial situations of the region’s communities could impede efforts to deal with the sustainability problems the region’s arts sector faces.

Finally, the long-term future of the region’s arts sector depends not simply on its current situation but just as importantly on future demand. However, the absence of arts education in the region’s public schools could pose future demand problems.

Opportunities

Philadelphia's current renaissance provides a real opportunity for its residents to take pride in their city, to take stock of the region's revitalization and what is needed to continue this process, and to recognize the important role the arts have played.

The upcoming mayoral election represents an opportunity for the arts community and the city more generally to develop a plan for the sector's sustainability. The arts community should use the election campaign to raise the broader issue of the city's future and the strategies that are needed to build on the city's current momentum. By introducing this theme, the arts sector could underscore how far the city has come and what factors (including the arts) have played a role in the city's revitalization.

Private foundations are one of Philadelphia's important assets and could play a vital role in strengthening its arts sector. Because foundations are involved in a wide range of civic projects in the city and the region, they can be a potent force for change.

Although the region's governmental and corporate sectors have not stepped up to the plate in supporting the arts in a major way, they have nonetheless expressed considerable verbal support and have been generally positive toward the arts. But it is not always clear that the city government and the corporate sector see a direct link between Philadelphia's revitalization and the arts. The arts community must challenge those two sectors to back up their verbal support with more tangible efforts.

Many believe the region's economic future depends on the growth of its "creative" industries. Philadelphia has a solid foundation in such highly skilled industries as education, medicine, biotechnology, and other creative industries. The region's ability to shift its economic base toward such industries will depend upon its ability to attract the high-skilled workers these industries need. The arts sector and civic leaders more generally need to recognize and emphasize the important role the arts play in improving the region's quality of life and thus its ability to attract high-skilled workers.

Finally, despite Philadelphia's location in the populous northeastern corridor and its wealth of tourist attractions, employment in the region's tourist industries has lagged behind that of other regions.

Recommendations

In light of our analysis, we make the following recommendations:

1. The evaluative framework explained in Chapter Four should be used to identify gaps and opportunities in organizational structures and support functions. The present study provides only a first cut at such an evaluation; a more complete review of the region's support structures is needed.
2. Philadelphia must develop a clear vision of where its arts sector should be headed in the future and should spell out milestones to gauge its progress toward that vision. The vision should be based on consultation with all elements of the arts community, not just the major institutions.
3. The city should establish a new office of cultural affairs that serves as the principal point of contact for artistic activities and includes a wider set of functions than the previous office—tourism, film, and the integration of arts activities with the community's broader economic development activities.
4. Financial strains on the arts sector should be addressed from the point of view of the sector as a whole, rather than on an exclusively organization-by-organization basis. The traditional approach of individual fundraising by arts organizations raises the transaction costs for both organizations and funders. More collaborative approaches are needed.
5. Although short-term sustainability questions may be most pressing, arts organizations and the arts sector as a whole must be cognizant of building demand for the arts and working toward that goal.
6. The arts sector is not likely to solve its sustainability problems without the active support of the business and governmental sectors. Consequently, it needs to do a better job of convincing the region's civic leaders that the arts as a whole, not just the major arts institutions, can promote Philadelphia's broader interests and its economic development goals.