

# **Market Trends: Changing Value Definitions & The Performing Arts**

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## **Market Trends: Changing Value Definitions & The Performing Arts**

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**ABSTRACT**

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Challenged with conquering market-driven inflationary costs through the calculated management of perceived value, the contemporary not-for-profit performing arts community must take care to understand and strategically influence the mechanisms that promote the perceived public value of art. However, the systemic health of the entire arts ecology will be altered and influenced by the value definitions this community ultimately adopts. This paper seeks to evaluate the role value definitions play in the socio-economic environment sustaining the Puget Sound's performing arts community. It identifies a number of the forces promoting the adoption of market values & behaviors within the region's nonprofit performing arts institutions and attempts to analyze the theoretical context which motivates the long-term implementation of these definitions.

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**KEYWORDS:** Defining Value, Cultural Value, Cultural Economics, Cultural Policy, Performing Arts, The Puget Sound

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# **CHAPTER 1: THE RESEARCH DESIGN**

**CHAPTER 1****1.1 Problem Statement**

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Economic theory has burdened performing arts organizations with a troublesome and uncertain self-awareness. Forty years ago Baumol & Bowen (1966) suggested productivity increases in the performing arts were not keeping pace with the rest of world's technologically driven industries. They predicted that these institutions would face an ever-widening income gap. And, significantly, they emphasized that the financial duress of these organizations may be driven fundamentally by market forces instead of the publicly assumed mismanagement of arts administrators. Despite this disconcerting microeconomic analysis, the performing arts industry has undeniably joined the rest of non-profit America in allowing "the market definitions of value to dominate the public discourse and even their own behavior" (Saloman, 2002, p.49).

After almost a half-century of scientific inquiry and argument surrounding the income gap prediction, Dempster (2002) announced just how important definitions of value have become in the debate.

The key to understanding the economics of symphony orchestras and other performing arts is not in understanding the perils of productivity lag. Baumol and Bowen explained that. The key is to understanding how these organizations control the perceived value of their service in order to keep pace with highly inflationary costs to sustain growth in earned income, as well as in private and public subsidies. How and why this is happening needs an explanation. The future depends on it. (p.21).

However, if the future existence of non-profit performing arts institutions depends on conquering market-driven inflationary costs through the calculated management of the publics' perceived value in art, why are arts administrators and advocates turning to the market definitions of value to ensure their long-term sustainability? Will embracing the economic values of the marketplace in the long-term continue to justify and promote the existence of this sector? Understanding the mechanisms that promote public value is

critical to the performing arts survival. However, no less significant is the fact that these organizations must live up to the value definitions they choose to promote. How and why a shift toward market definitions is occurring also needs an explanation.

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## 1.2 Conceptual Framework

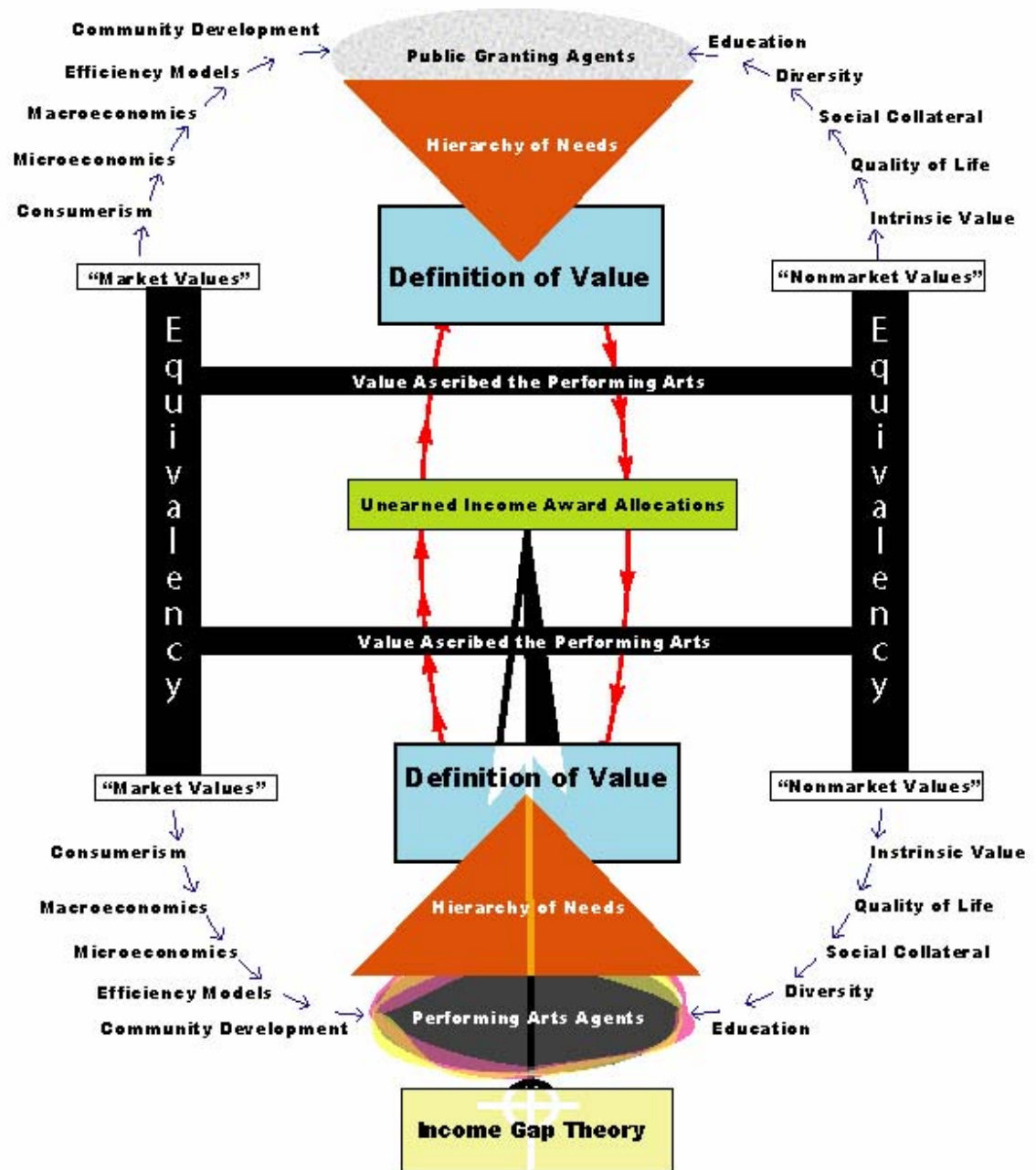
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The cornerstone of this study is the concept of “value”. The theoretical framework depicted on the following page is an attempt to outline a system of value assessment and formation - Performing Arts Agents and Public Granting Agents assimilating arguments for and against the use of specific market and/or non-market value definitions in different ways and filtering those arguments through their unique hierarchy of needs to arrive at definitions capable of being translated into monetary funds.

### *The Equivalency of Valuation Techniques*

Multiple methodologies have been employed by both arts advocates and the custodians of public funds to assess the social “value” of the performing arts industry. The methods and considerations used to quantify these notions of value in turn play a significant role in determining public grant allocations and the administrative culture in which non-profit performing arts organizations must operate. This study attempts a comparison of the cross-sector use and comprehension of contemporary valuation techniques and hints at the level of equivalency that exists between the regional arts administrator’s and policymaker’s use of these tools. Understanding how and why these tools are used or viewed differently between the two interest groups helps reveal why some organizations may or may not be inclined to adopt one value definition set over another.





*Diagram 1: Conceptual Framework*

Some of both the “market” and “non-market” valuation techniques currently being debated and refined by today’s leading cultural economists are listed as inputs in the diagram above (Klamer, 1996; O’Hagen, 1998; Throsby, 2001). We will further

consider the nature of these inputs in the second chapter of this document. Using this portion of the study we will be able to better gauge the level of equivalency that exists between the theoretical basis used in value interpretations of arts leaders and those of policymakers or arts funders.

### ***The Hierarchy of Needs***

The choice to employ a valuation technique or value definition will necessarily be filtered through what is shown on the conceptual framework as an agent's "hierarchy of needs." The needs represented here are the forces which contextualize and influence the actions, values, and beliefs of individuals and institutions. The legal framework of a region, the mission or artistic vision of a theatre, the power hierarchy of a governing body, an organization's fiscal restraints, the personal background of leaders, contemporary public relations issues, or the socio-economic context of a community could all be recognized as need components. Much of the field work completed for this study was pursued in an attempt to illuminate the restraints, opportunities, and realities that structure the need hierarchies currently at work in the Puget Sound's performing arts ecology. However, simply due to limitations on time and resources, some priority focus areas were established before the start of the investigation. Current hot-topic issues in the region's arts policy and the overall shape and nature of the funding environment were identified as important topics for this analysis. The significant findings related to this part of the study are found primarily in the third chapter of this text. However, major patterns of influence are also revealed in the case study profiles.

***Testing Assumptions: A New Use for the Old Income Gap Theory***

A small portion of this investigation was dedicated to tracking the way the performing art's economic income gap theory was able to be brought into the discussion of value or to see if it had served to motivate changes in the fundraising environment in any way. This component of the study is indicated by the "Income Gap" arrow in the theoretical framework.

According to Tepper (2003), "one of the biggest challenges facing the development of the cultural policy community [is] identifying agreed upon problems and clearly articulating the consequences resulting from the failure to address these problems" (p. 63). After four decades, the performing arts industry has not been successful in outlining a cooperative course of action related to the income gap theory. While a noticeably waning support base and the trend to adopt corporate administrative cultures has begun to encourage more collaboration in the field, most organizations and many individual arts administrators still operate in relative isolation. Limited resources further stifle many organizations from developing an informed awareness of the challenges and choices they face. No evidence was found over the course of this study to suggest that Baumol & Bowen's specialized microeconomic theory has yet had the opportunity to infiltrate and alter the strategic planning process of mid-sized to smaller institutions all too often operating in a mode of chronic crisis management - despite the forty year circulation of the study.

Indeed, it was only the managing directors of Seattle's largest performing arts organizations that were able to recognize the study by name during the data collection phase of this project. And, while high labor costs and poor artist wages were consistently

addressed as issues of concern by all research participants, none of the participants ever referenced the economic theory designed to articulate the dilemma.

Consequently, if we agree with the President of the John F. Kennedy Center, Michael Kaiser's statement that "this productivity problem is virtually a given," it may be important to think about why so few arts leaders can speak to this particular economic assessment and consequently to consider just how well the entire performing arts community really understands the economic milieu in which they operate (personal communication, June 20, 2003).

The seeming reticence of the current performing arts community to pursue responsive measures and/or commit one way or another to the relevancy of the income gap theory is concerning. And the question remains to what extent this industry as a whole is even aware of the implications of this or other important microeconomic theories. Further exploration down this avenue of inquiry may tell us more about the performing arts sector's ease of adaptation to market-driven concepts and values. By continuing to turn a critical eye on the performing arts community's own response to this one long-standing economic issue, we may be able to discern more about the industry's ability to jointly navigate market forces in the future.

Further consideration will be given to our economic assumptions as they relate to public support for the arts in chapter two.

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### **1.3 Research Purpose & Methodology**

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The purpose of this study is to further the performing arts industry's ability to recognize the various threats and opportunities which accompany the Puget Sound's

current socio-economic environment, to better understand and negotiate the mechanisms by which the perceived social value of the industry may be impacted, and to offer insight into the forces compelling the non-profit performing arts to adopt market behaviors and value definitions.

What motivates this line of inquiry is the desire to strengthen the mechanisms that promote fiscal health and sustainability in individual performing arts institutions. This work has also demonstrated its potential to reveal strengths and weaknesses in the current pattern of cultural policy formation and arts funding for the region. By scrutinizing how systems of value are interpreted, acknowledged, and relayed differently between these sectors, this study is able to draw inferences about the effectiveness of particular cross-sector communication methods and to outline the nature of the organizations best suited to adopt various practices.

The purpose of this study is not, however, intended to promote an increase in the financial support the performing arts industry receives from either public or private sources. As someone who is involved in making the daily financial pleas of arts institutions, it is hard to relinquish the hope that more financial support will indeed be made available and the day to day duress of allocating scarce resources will be allowed to (at least momentarily) subside. However, the more I learn about these issues, the more I know that simply increasing next year's NEA appropriations will not fundamentally alter the current environmental factors that promote insolvency in the arts. The financial insecurity of the arts must be addressed holistically and resolved in accordance with the sociological infrastructure currently employed in the United States.

Furthermore, the purpose of this study is not to argue in favor or against the adoption of any particular value definitions. I have not set out to prove that the commodification of all art is evil or that the intrinsic values of the performing arts are irrelevant. Again, however, I must be conscientious of avoiding a natural bias. I may be predisposed to agree with arguments that suggest applying competitive forces to the art world may not be in the best interest of some sectors of society wishing to sustain their cultural heritage and diversity or promote social activism. I have been persuaded by those arguments in the past.

### *An Interpretive Methodology*

With this in mind, I have chosen to pursue an interpretive rather than critical methodology. I do not want to promote one set of values over another. I do, however, want to provide the performing arts industry with the ability to recognize their contextual worth and their ability to affect change in that regard.

I believe that an interpretive methodology is also a good base from which to investigate the role of “perceptions”, “beliefs”, or “attitudes.” According to Pettit & DiMaggio (1997), “one important issue in interpreting people’s responses to questions about the arts and culture is whether they understand “arts” and “culture” in the same way as the people who write the questions (Filicko 1996)” (p. 51). Adhering to an interpretive design, my investigation of the value of the arts must acknowledge the opinions and perspectives that I, as an arts addict and biased investigator, may traditionally be inclined to denounce or ignore.

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## 1.4 The Research Questions

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The field research undertook sought to answer the following six questions:

### ***THE PRIMARY RESEARCH QUESTION:***

1. **What forces in the Puget Sound are promoting the adoption of market values and behaviors within the regional performing arts community?**

### ***SUPPLEMENTARY INQUIRY:***

2. How has the region's performing arts sector responded to these forces?
3. What are the perceived long-term consequences of this response?
4. How is economic theory – such as Baumol & Bowen's income gap theory – being used by both arts administrators and policymakers to inform current trends in value formation?
5. How equivalent are the value definitions used by the Puget Sound's performing arts sector with those of regional policymakers?
6. How do these two sectors work to influence the public definition of value attributed to the performing arts?

### ***The Concept of Value***

Because central to all of these questions is the concept of “value,” it is important to clarify exactly what is meant by this term. Our discussion of value here relates to the comprehensive worth, usefulness, importance, or merit of the performing arts; and “valuation” is the act or process of assessing this value.

Economists have developed many theories of value. Therefore, it is only possible to begin clarification of what is meant by “market values” vs. “non-market values” as they will be used throughout the course of this study. Throsby (2001) makes a distinction similar to what is intended here throughout his discussion of economic values vs. cultural values (p.19-41). He states that “in the many-sided debate about culture in contemporary economic settings, the tendency for an economic interpretation of the world to dominate, deriving from the ubiquity and power of the modern economic paradigm, must be resisted, if important elements of cultural value are not to be overlooked” (p. 41). Some characteristics of Throsby’s “modern economic paradigm” include the inclination to use price as a complete and direct measure of value and to prefer marginal utility concepts to the belief that value is a socially constructed phenomenon. Non-market or cultural values, however, would be more aligned with the ideas of intrinsic value proposed by John Ruskin. Throsby states that “for Ruskin... the idea that the value of a commodity can be determined by market processes and measured in monetary terms was a violation of the principles of intrinsic value upon which the worth of objects, especially art objects, should be assessed” (p.21).

### ***The Targeted Research Participants***

The “performing arts industry” referred to in this proposal encompasses everything from individual performers to large opera consortiums. It is comprised primarily of not-for-profit organizations, although the commercial theatres of Broadway would technically be part of this aggregate. However, for the purposes of this study, the industry under consideration will be significantly delimited. Because many different art forms comprise the performing arts industry, the decision was made to focus on the theatre arts subset.



The similarity between institutional operations will provide a better baseline from which to compare and contrast the forces influencing value definitions. Additionally, the study primarily investigated theatre arts organizations with a 501c3 tax-exemption status located within the Puget Sound region of Washington State. The study also confined its focus to the upper-level management, development staff, and administrators of organizations producing their own work. Independent performers were not surveyed or interviewed nor were the management of “road houses” which bring in large touring shows from outside the region.

The Washington State policymakers selected for this study were comprised of individuals currently elected into city, county, or state governing positions or currently working in cultural policy institutions full-time. These individuals were also screened to ensure that they participate in the granting/funding allocation process for cultural projects or organizations in some way.

### *A Note About Generalizability*

This study focuses tightly on only one small region of one state, one subset of the performing arts industry, and the fluctuating values of only one cohort of public officials and arts administrators. Consequently, the final materials produced from this effort will not be generalizable. Additionally, qualitative research of this nature may result in multiple interpretations of the same data. Because a researcher’s perceptions of the world influence the final outcome of this type of research, the potential for an inherent bias is also a limiting component of the study.

However, as the debate over how and why our nation should support the performing arts continues, even individual ungeneralizable value interpretations have a role to play.

One objective of this research is to update where exactly the Puget Sound’s performing arts community stands on the perils and opportunities facing their unique community. This regional perspective will also clarify and strengthen the national discourse regarding these and similar issues. The data gathered in this study may aid future analysts in gauging whether or not performing arts industries are realistic in their hopes to sustain unearned income, how and why it is currently being done, and what may or may not result from adopting particular methods.

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## 1.5 Research Design

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### *Phase 1: The Literature Review*

An in-depth literature review of current valuation techniques being applied to the performing arts, sociological perspectives on value formation, economic and cultural policy arguments for and against public support for the arts, macroeconomic & microeconomic perspectives of the performing arts industry, and cultural policy formation in the state of Washington has accompanied the study. It has helped inform and structure questions for the regional survey of arts administrators and policymakers and has provided the topical framework for the semi-structured interviews used in the second phase of data acquisition. The literature review has been triangulated with the acquired data throughout the final research document.

### *Phase 2: The Collective Case Study & Regional Survey*

The study employed a cross-sectional collective case study strategy to gain insight on the forces promoting the performing arts’ adoption of market values and behaviors,

identify and assess the tools of regional value formation, and evaluate the potential risks associated with the application of certain values. According to Renger and Bourdeau (2004), “values inquiry does not imply a single specific method, but can be achieved with any method that allows for systematic investigation into the priorities of stakeholders’ outcomes” (p. 40). A small-sample case study was used to encourage the systematic rigor they require by promoting in-depth analysis of selected research sites and the application of multiple data collection tools.

Dommel and Hall (1984) attest, “two widely used approaches for policy evaluation are large-sample survey research and small-sample case study, within which a variety of analytical techniques can be employed, including narrative and statistical” (p.50). Although policy evaluation is not intended as the primary outcome of this work, it is reasonable to believe that the methods Dommel and Hall employed are capable of revealing why administrative officials may choose to adopt certain values and behaviors. However, for the purpose of this study, the use of a survey was used primarily as a qualitative data collection instrument. The rich data supplied by the questionnaire allowed for an inductive approach to the formation of the semi-structured interview questions based on grounded theory.

### ***Participant Recruitment***

Two categories of research sites/participants were recruited for this investigation. The first group included not-for-profit theatre arts organizations, the organization’s administrative management, and its development staff. The administrative and development staff members were selected because they were perceived to be the most likely individuals involved in both the strategic financial planning of the organization and

public appeals for support. Sites in this category include: INTIMAN Playhouse, A Contemporary Theatre, The Empty Space Theatre, Seattle Children's Theatre, Langston Hughes Performing Arts Center. These institutions are all 501c3 professional or semi-professional organizations and produce their own work.

The second category includes policymakers involved in public financial allocations to cultural projects or organizations. 4Culture and the Washington State Arts Commission were selected as case study organizations. Questionnaires were also distributed to purposive sampling of elected officials representing the Puget Sound at the state, county, and city levels. The survey data was collected in late February and early March of 2006 and the interviews were completed between March 22- March 28, 2006.

Because a degree of social and/or economic risk could be associated with the research participant's candid assessment of the administrative practices and paradigms of the public or nonprofit institution they represent, participants were encouraged to obtain permission from their employers before taking part in either the survey or semi-structured interview. For those who wished to remain anonymous, pseudonyms are used and references to the name of the organization they represent are omitted.

Even among such a small sampling of individuals the self-identified forces influencing values, beliefs, and actions in regard to public support for the arts is very diverse. Systematic methods for determining value, what considerations or criteria should be applied when considering the value of cultural organizations, and even the perceived relevance in addressing such a topic in the first place differ from participant to participant. It is within these differences, however, that we begin to gain insight on the

motivating forces behind the value definitions each participant employs and to reveal the ability of certain arguments and concerns to infiltrate diverse populations.

It would be impossible for a study of this kind to irrevocably alter the way society situates themselves around the performing arts. Participants of this study did not benefit from a direct increase in support for their cultural organization or for their personal ideology or platform. No one was paid to take part in the research. However, in a democratic society there is extreme benefit in asking social leaders to articulate why they behave the way they do, what matters to them, how they make decisions, and how they accommodate the same process in other people. “Social” values and “public” support are not well-developed frameworks for a nation which prefers to promote the primacy of individual utility. However, these concepts are in no way incompatible with American ideals. This work is an attempt to jump-start a dialogue about value between two sectors of social leaders which typically come together only after value has been translated into dollars and cents.

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## **1.6 Data Collection & Analysis Procedures**

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Three data collection methods were used in this investigation. A comprehensive literature review informed the earliest stage of research. The analytical substantive theory which emerged from this phase was used to inform the content and design of a written questionnaire. The questionnaire was administered to a population of 240 public funding agents and performing arts administrators housed regionally in the Puget Sound area of Washington State. Finally, the investigation concluded with a series of interviews drawn from a purposive sample of targeted individuals. A semi-structured one-on-one interview structure was employed to develop and clarify the data acquired through the regional

survey. One interview of approximately an hour in length was solicited from each participant. All interviews were conducted in person. Cues for the set-up, design, and analysis of these interviews were drawn initially from the work of Alexiadou (2001) and Tepper (2003), who are currently using interviews to assess policy analysis and policy formation.

The following data collection instruments, recruitment letters, and consent forms were used in this study. Examples of the questionnaires & interview protocols can be found in the appendix of this document:

***Data collection instruments***

1. Document analysis/literature review protocol form
2. Questionnaire for Arts Administrators (Appendix A)
3. Questionnaire for Policymakers (Appendix B)
4. Semi-Structured interview protocol form: Arts Administrators (Appendix C)
5. Semi-Structured interview protocol form: Policymakers (Appendix D)

***Recruitment Letters***

1. Introductory Recruitment letter.
2. Recruitment letter for the follow-up interview.

***Consent Forms***

1. For participation in the questionnaire.
2. For participation in the follow-up interview.

Study participants were mailed an introductory recruitment letter, questionnaire, and two copies of the questionnaire consent form during the first phase of the research. If the

targeted participants elected to participate, their completed survey and one copy of the consent form was returned to the primary investigator via US mail. The second copy of the consent form remained with the participant. A recruitment letter for the interview was also sent to targeted interview participants. A follow up phone call/email from the principal investigator determined the success of the recruitment letter and was used to set up an interview appointment. The principal investigator physically distributed two copies of the consent form prior to the interview leaving one document with the participant and taking the second consent document with them upon completion of the interview. Handwritten notes and an audio tape (pending participant approval) were also collected at this time. Analysis of these materials were recorded in a handwritten research journal and/or electronically stored on a personal computer.

Open and axial coding techniques as used in grounded theory methodology aided in the process of data reduction and analysis. Data sets were divided into units and then integrated and synthesized into a core set of categories. Keyword analysis of the questionnaires and qualitative evaluation of recorded interview sentences aided in this process. A narrative explaining the properties and dimensions of the categories, and the circumstances under which they are connected was then developed. Coding and analysis were completed for each of the research instruments employed separately as shown on the data collection schematic found in the appendix. The final compilation of these data sets and the consequent narrative make up the core content of the last chapter of this document.

Research credibility was pursued through the use of data triangulation, peer debriefing - used especially in chapters of the final research document dealing with

economic science, and referential adequacy. A reflexive journal was used to help synthesize data, outline the audit trail, and bolster the confirmability/dependability of the work. The use of audio recordings during the interview process as well as participant quotations within this document have also been employed to ensure a more reliable representation of the data collected.

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## **1.7 The Research Document**

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This chapter has addressed the research design and methodology of the study. The next chapter is dedicated to addressing the theoretical constructs that propel and frame the intellectual rigor of this work. In the third chapter we will turn our focus to the unique context in which performing arts organizations currently operate within the Puget Sound. The two chapters that precede chapter four will prepare the reader to fully understand the issues and opportunities presented and discussed during the collective case-study interviews and survey reports found in this part of the document. The final chapter will be dedicated to the analysis, commentary, and synthesis of the project.



# **CHAPTER 2: THEORETICAL FOUNDATIONS**

**CHAPTER 2****2.1 Motivating Assumptions**

This study is motivated by a belief that the non-profit sector as a whole is trending toward behaviors and beliefs that may be considered commercial. However, it is also driven by a personal assumption that this trend is primarily driven by the pursuit of shrinking unearned income award allocations rather than the profit motives that drive efficiency models in for-profit enterprise. In other words, performing arts organizations are adopting behaviors, value definitions, and theoretical rhetorics in order to chase unearned income awards... not necessarily because adopting these new practices will actually make the organization run more efficiently.

Individuals who have been educated in and labored for performing arts institutions have developed a different set of references and experiences from which to interpret and assess the world than an individual who comes from a commercial or economic science milieu. This is, after all, one of the fundamental premises behind cultural distinctions. People with different backgrounds understand and engage the world in different ways. However, not all the managing directors in Seattle or Olympia come from an arts background. Not all of the economists in Tacoma or Issaquah are devoid of rich arts experiences. Gross generalizations about arts administrators or political economists will do little to improve the performing arts sector's fortunes or ability to proactively respond to the world. But we do generalize. And personal, professional, and/or scholastic bias does color institutional behavior.

Part of this process of "economic generalization" is predicated on the belief that there is a fundamental cognitive bias for quantitative ways of knowing. This bias is often demonstrated in the authority the American mind grants neo-classical economic

assumptions. And, also, that quantified concrete data are assumed to be more valid than the nebulous complexity of abstraction often associated with other non-market systems of evaluation. As a result, these quantified systems are more readily adopted and employed in valuation processes. Many Americans, including our elected officials, have also proven tendencies to apply generalized macroeconomic principles to arguments employed during policy debates. Few people develop the facility with economic science needed to fully understand the microeconomics or specialized needs and challenges of any given industry or organization. And... if that is the case... few of us are destined to actually wield our economic arguments well.

These assumptions and beliefs are what propel this research's inquiry into the motivations behind the adoption of market values and behaviors. While this research can not fundamentally make pronouncements regarding the moral nature of these trends, it can encourage people, institutions, and the performing arts community as a whole to better interpret and inform their choices. By dissecting and applying these assumptions – about the division of culture and economics, the for-profit and non-profit mindset, or why definitions of value are even important at all - the complex realities of the contemporary arts support environment may be better revealed.

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## **2.2 The Cultural Turn: Challenging the Cognitive Bias**

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The significance of meaning, process, and the symbolic existence of objects has gained prominence in both the sociological and economic discourse of contemporary life (Warde, 2002). According to Alan (2002), “the manipulation of symbols, the analysis of data, words, oral and visual representations, forms a critical part of what most professions do to add value to goods and services” (p 43). This emphasis on process has also yielded

an interest in the role of corporate cultures in what is increasingly described as a “knowledge-driven” economy.

As Graeme Salaman (1997) has argued, the contemporary interest in ‘managing culture’ is premised, in large part, upon a belief that so-called ‘rationalist’, ‘mechanistic’ or ‘bureaucratic’ systems of organization have systematically (sic) destroyed meaning and creativity at work, and that in order to compete effectively in what is conceived as an increasingly globalized, knowledge-based economy, a foremost necessity is to reverse this process and make new meaning for people at work, thus unleashing their creativity and enterprise (as cited in du Guy & Pryke, 2002, p. 1).

Furthermore, as globalism continues to brake apart traditional divides, economic reproduction has increasingly become a question of cultural reproduction (Slater, 2002). Yet, despite the unrelenting infiltration of cultural concerns within the economic marketplace, our ability to adapt cognitive systems of evaluation to what Allen (2002) describes as “expressive” or “affective” forms of knowledge, has yet to be developed.

The idea here is a very simple one. Quantitative data is easier for many people to believe in. Emotion and intuition are not easy to discuss, much less manipulate, in a way that satisfies the ingrained rational responses of wigit counters and systems designed for mass production. “The need to communicate ideas and practices in a replicable fashion, to tie down knowledge in people’s heads or in the way that they do things, simply overshadows any concern that the main source of added value may actually *elude* a formal process of encoding” (Alan, 2002, p. 45). This concern is nothing new. Artists have long chaffed under the suggestion that the size of their audience or the ratio of their earned income to unearned income streams has anything to do with the real public value of their work or that this data can legitimately be used to determine the appropriate size of a grant allocation. However, it is important to point out the prevalence and appeal of this thought process as a social norm. It is easier to count the things in front of you than decipher intangibles or engage the risky business of the unknown. It may be, as Susan

Trapnell, managing director of Seattle's A Contemporary Theatre, pointed out, easier to be an accountant than an entrepreneur. And when creative individuals – potentially trained to reference and engage a world of intuition – are instead asked to invoke business sensibilities and practices by well-meaning board members, something very valuable has the potential to be lost in translation.

Alan (2002) points out just “how easy it is to slip into codified scripts of economic knowledge which, often unreflectively, sideline the expressive,” but he also warns that “where such slippage is avoided, the outcome is often to fall back into simple binaries around the material and the symbolic, the cognitive and the aesthetic, as ways of dividing up economic activity” (p 54). It may be that a more sophisticated assessment of creative or cultural economic activity is on the way. Klammer's (1996) promotion of alternative value assessments within the economic framework of cultural goods and services may be a step in this direction. However, his work has found considerable opposition from some cultural economists (notably Ruth Towse!). Centuries of tradition, the application of traditional field methods, and deeply rooted support structures will further promote the established cognitive routine.

The challenge for current arts administrators and cultural policymakers is to make sure that we ourselves are not lulled into accepting the binary divide as absolute. The current development of the Cultural Vitality Index by the Washington State Arts Commission, Seattle's Mayor's Office of Cultural Affairs, and WESTAF is encouraging. Although the index utilizes traditional economic measurements and perspectives to make comparative assessments across regions, they have taken up the challenge of describing cultural work in a more sophisticated fashion - and in their own terms! If the arts are

serious about establishing a utilitarian role for the “intrinsic” or “expressive” value of our sector, more work of this kind is needed. Not just so we can prove our legitimacy to funders – but also that we might know the true vitality of our own organizations and efforts, in a way that we ourselves are satisfied with!

As the world continues its “turn toward culture”, a satisfactory appraisal of cultural and creative value will become more and more important. The world is not just black or white. The arts are not just economic or intuitive environments. As we continue our consideration of value in this chapter, it is important to remain sensitive to this complexity.

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### **2.3 The Theoretical Divide: Economics & Culture**

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Before any useful or intelligent reconciliation of economic and cultural perspectives can occur, it is necessary to first undress the arguments about how and why these realms are so often separated in the first place. The turn toward culture has been promoted by the work of anthropologists and sociologists who regard the distinction between the economic and cultural spheres as almost impossible to make.

“Anthropologist like Sahlins (1976), Appadurai (1986) and Miller (1997) have long insisted that in practice the relations between culture and economy are much more deeply intermeshed. Economic practices are culturally defined whilst cultural meanings are shared and disseminated through economic activities in any recorded society” (as cited in McFall, 2002, p.153). Yet despite culture’s permeable and pervasive nature, traditionalists in the school of neoclassical economics remain steadfast in their opposition to pick up and wave the flag of cultural influence.

As Cordes and Goldfarb (1996) point out “it is individuals whose views “count” in normative neoclassical economics”. And, from this positioning, the theory of individual utility that has been developed to sidestep the tricky issue of both cultural and value promotion. Utility theory, assuming that people “possess well behaved preference orderings over commodities such that they can state unambiguously that they prefer a given quantity of this good over a given quantity of that”, does not require that an economist ask any questions about the origin of human behavior, value, or desire. (Throsby, 2001, p 21). As long as the preference can be ordered, they do not care how human wants are generated or what the consequence of yielding to those desires might be. But, where economists drop the ball, marketers step in to take over the game.

Yet even the universal business strategy of promotional marketing has failed to redefine the boundaries of the economic-cultural divide. Slater (2002) states:

[Marketing] is a form of nonprice competition by which firms attempt to exert control over the demand curves for their own products through psychological or cultural intervention, and hence represents a pressure away from formal rationality. Mirroring this position, within critical and culturalist discourse, advertising is almost never conceptualized as a form of business practice at all but rather as a cultural intervention in the domain of the economic. (p. 61).

In an attempt to further understand why the economic and cultural domain remain distinct despite the compelling congruency suggested by the impact of advertisements and promotions on a firm’s market share, we might turn to Towse’s (1996) suggestion that “once we reject consumer sovereignty, the door is open for special pleading, for public subsidy to satisfy the experts’ preference function with consequent rent-seeking” (p 97). Towse in this statement is arguing against Klammer’s claim that art and culture may be better assessed with valuation tools outside the neoclassicist’s usual tool-kit. This argument forms a large part of her rationale for not giving the arts any kind of special treatment. However, it would be difficult to say that the proven persuasive appeal of

corporate marketing campaigns hasn't unequivocally trumped the sovereignty of the individual already. Furthermore, it is difficult to understand why such behavior is acceptable in the marketplace and not in mission-driven philanthropic endeavors. If, as Towse claims, "without the market, the judgment of what is art would be made instead by artists and cultural theorists, thus opening the way for paternalism and snobbery," it may be relevant to question to what degree the definition of value left to economic theorists suffers from the same fate (p 97).

In the economic discourse the normative judgment of what is "good" or "valuable" to society is suppose to be whatever the individual decides about his or her well-being. It is strange, then, that the individual "proofs" of value supporting the arts are so often displaced by vague aggregate depictions that even economists suggest do little to galvanize support or funding. Cordes and Goldfarb (1996) state, "because it is not possible within this individualistic framework to postulate some sort of "collective" or "societal" preference for public art and culture that is separate from, and perhaps transcends what individual citizens want, it is difficult to deduce such a very compelling rationale for direct or indirect government subsidization of the arts" (p 93). In the next section we will take a deeper look at this tension between the individual and communal economic world.

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## 2.4 An Economic Lens: Public Support

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Public subsidies are only one arena for a discussion of value to take place. However, because the public arguments are so often entwined with any given community member's own perception and understanding of a subject, examining the lens through which the arts are typically viewed by community leaders and policymakers may shed



light on the persuasive power of cultural vs. economic viewpoints throughout the populations these leaders represent. Later in this document we will focus our attentions on the specifics of arts policy within the Puget Sound and the different perspectives policymakers and performing arts leaders employ in that region when discussing the arts. Understanding the economic foundation upon which many of the policy arguments rest will be important when that data is considered.

With so many competitors for public funds, the arts sector will always be required to justify the support it receives. Unfortunately, understanding the economic grounds upon which public support is granted or revoked is not always easy or absolute. This section attempts to introduce a few points of focus and outlines three of the broad topical areas economists use to inform public policy regarding the arts: non-private benefits, information failures, and distributional concerns.

### ***Non-Private Benefits***

Primary in the consideration of public support for the arts is the non-private benefit debate offered by Paretian welfare economics. In regard to the arts, this application takes many forms. It is argued that the arts promote national identity, social cohesion, and national prestige. The arts benefit society through unique brands of social criticism or by serving as tools for human/social innovation and development. Option demand and economic spillover effects are also commonly brought up to fill out this perspective (Towse, 1994). However, none of the elements involved in this aspect of the debate are straightforward or rock solid in their ability to persuade economists that state policy or subsidy interventions are the most appropriate and consequent course of action. Wiel (1991) states:

Like language, the arts are one of the principal means by which a society binds itself together and transmits its beliefs and standards from one generation to another. The arts perform this function when they embody, reinforce, and celebrate the values of their society, when they confirm and exemplify the lessons simultaneously taught by the family, by the formal structures of education, and by the various mass media in all their variety. In this function, the arts play a critically important role. Not only do they provide a kind of social “glue”, but they also furnish a means by which society can identify and distinguish itself from others. (p.156).

If all this is true, it would seem reasonable to support the arts simply on non-private benefit grounds. National identity and social cohesion arguments rhetorically ally arts spending to the justifications used to publicly support national defense projects. Once projects are paid for, it’s impossible to exclude anyone from the benefit they produce. Additionally, there is little incentive for any one person to pay for the entire share of benefits they enjoy. However, if the fundamental objective of a government is to promote national identity, what makes public subsidies for the arts the most direct and cost-effective way of achieving this aim? It’s likely that the only art forms capable of reaching an audience large enough to have this kind of effect would be successful commercial endeavors anyway.

Underlying Weil’s statement is another assumption about the ability of the arts to make us better social beings. However, when the audience demographics of most not-for-profit performing arts institutions are analyzed, studies show a fairly homogenous group of people attending the arts (Nichols, 2002; Kopczynski & Hager, 2003). Ostensibly, these patrons are not the type of people who would be engaging in bad social behaviors. Performing arts audiences are, for the most part, older, middle class, and well-educated. And it is difficult to demonstrate that people of similar classes and backgrounds that do not attend performing arts events are any less socially desirable. From a political economy perspective, this becomes a problem. For the arts to be living

up to their end of the social benefit bargain, shouldn't their audiences be comprised of the type of people that threaten to "unglue" society?

O'Hagen (1998) addresses the difficulty in using interdependent utility functions as they are often applied when considering the social benefit of the arts in this way. "The corollary of this type of argument," he states, "is that if Person Y's consumption of a good (eg. reading a book) reduces Person X's utility, then Person Y should be discouraged from this activity. Such discussion smacks of elitism and censorship for many people, and adds to the view that the social improvement argument may be best left out of the debate on state assistance to the arts" (p. 34). Also in this vein, using art to define the "appropriate" or "best" social or national identity in a world of increasingly diverse cultures may also be considered problematic. National identity often serves a competitive function between nations. Using art to demonstrate the superiority of a nation does not suggest the inherent value of art but merely the inherent value of power. Some people may feel more strongly about their soccer team holding sway over another country's than their country maintaining a reputation for great theatre or opera. And, in this regard, art will only retain its significance as long as it is doing well in one nation and not so well in many others.

However, social improvement is not just about indoctrinating "outsiders" with the dominant values and beliefs of a powerful society. Art is also used to challenge the status quo or prevailing cultural paradigms. Economists acknowledge that most art work of this critical nature is not very likely to produce much in the way of commercial returns or immediate benefits for the producer (Weil, 1991; O'Hagen, 1998). Therefore, if social

evolution is perceived to have long-term benefit for a society, the social improvement argument may retain some amount of its persuasive power.

No doubt, however, buying into the idea that art serves a research and development function for mankind's evolving world view is difficult for most people. It may be easier to simply demonstrate that the total costs involved in producing new creative works are rarely reclaimed at the very outset of their exposure to the market and the utility society derives from them may take time to accrue. This reality forms the basis for intellectual property rights and copyright legislation. The time function involved also reveals the nature of option demand arguments for the arts. The potential of an artwork to benefit an individual at a future point in time can not be fully captured by current admission charges or ticket prices. Option demand contentions recognize that present action can alter the nature of future opportunities. Without public support offsetting the high cost of generating new work, it may be argued that certain art forms may not be sustained over time. However, numerous art forms have survived centuries without state subsidies. And, almost all goods and services provide option demand benefits. Therefore, the arts, competing with many other sectors for a limited amount of funds, will not necessarily inspire funding above and beyond any other sector based on option demand alone.

The economic spillover effect of the arts sector is the last non-private benefit we will consider here. Economic spillover implies that the arts increase employment and economic activity within a region. In recent years, economists and cultural policy researchers have discredited the use of economic impact studies seeking to demonstrate this kind of economic booster effect. As Heilbrun and Gray (2001) state, "even from a

locality's point of view, we must bear in mind the caveat that there may be more effective ways of stimulating the local economy that by subsidizing the arts" (p. 228). Like option demand, economic spillover arguments can be applied to any industry. When you start comparing the relatively small arts sector to other forms of industry, the arts typically lose rather than gain ground. The arts sector itself doesn't put to use large amounts of raw physical materials or human resources. Compelling arguments have been made about the role the cultural sector plays in promoting tourism and encouraging unrelated industries to locate their operations within a region (Florida, 2002). However, good parks and recreational facilities may do exactly the same thing.

Independently, each of the non-private benefit arguments used to back arts funding is not likely going to be the stabilizing force in the debate over public subsidies. However, when considered together, they solidly place the sector on the table for consideration. The arts have been recognized for their potential to benefit society in many ways. However, demonstrating that the arts are more suited than other assisted or unassisted activities in promoting state and social objectives is almost impossible. The arguments surrounding non-private benefit considerations, however, do illuminate the difficulty most economists and policymakers have promoting the arts due to any recognition of "intrinsic value". Intrinsic value, like personal preference, is something contemporary economists typically believe they are leaving to the individual to figure out. As O'Hagen (1998) states, "It is an assumption of the market economy model that people's true preferences are revealed in the market place and that these preferences do not change over time. How preferences are formed, or how they may be altered, are issues that are simply ignored in mainstream economics" (p. 49). However, preferences

and personal utility are conjured and constrained by both economic and policy incentives and these incentives are fundamentally backed by value judgments. Therefore, recognizing the priorities of the men and women involved in the ongoing subsidy debate is absolutely essential to understanding the material outcomes of the issues.

### *Information Failures*

The sovereignty of consumer preference is at the heart of the matter behind information failure issues. Simply put, if a consumer lacks information or is uncertain about the full benefits of a good or service, their preferences may be diverted elsewhere. Economists cite this lack of information as one of the reasons behind overall market failure and for at least some people it provides the grounds for government intervention. (Heilbrun & Gray, 2001).

The non-private benefits associated with the arts may not be well known to the general public. This is one information failure associated with the arts market. Another big issue is the “acquired taste” aspect of most art forms. It’s much easier to be a sports fan if you know the rules of the game and can recognize the remarkable skill of certain players. The same is true of the arts. According to Heilbrun and Gray (2001), “the consumer has to be familiar with [the arts] to enjoy them and that once consumers do become knowledgeable, their demand is likely to increase markedly” (p. 237). The arts can be very esoteric at times and without repeated exposure and it can be very difficult for the “uninitiated” to figure out exactly what benefit can be derived from consumption.

Markets typically operate by satisfying immediate needs. The construction of preferences does occur through marketing. However, developing a consumer’s taste in junk food is arguably less of a gamble than attempting to develop a taste for the arts.

Junk food products are almost always the same and require less thought and consideration from the consumer to yield their maximum utility. But there is always risk involved in attending performing arts events or going to an art gallery. The work is always different and even arts aficionados don't enjoy their consumption experience all the time. Consequently, people who enjoy the arts may be demonstrating preference distortions. If they knew the full benefit they would receive prior to consuming a work of art, they might consume more overall.

### *Distributional Concerns*

Throsby (2001) states, "the greatest challenge to economics and economists... has to do with the distribution of the gains they have made possible. The world may have become more efficient and productive but it has not become more fair" (p. 155). A desire for fairness and equity in the arts market identifies the final concern of economists and policy makers to be discussed here.

Because art, and especially "high arts", are often described as elitist, there has been a considerable amount of discussion over the use of public funding to encourage audience diversity. Unfortunately, equal access to the arts and equal opportunity to attend does not always lead to equal participation of minority or low-income/low-education populations. "Pay-what-you-can" theatrical performances or free admissions to museums are typically taken advantage of by the same demographic which normally attend these events. The real barrier involved is not the *price* of arts participation, but fundamentally, the low-income/low-education duality and the comprehensive lifestyle built around those factors. It may be that the equal access issue is fundamentally an issue better addressed through income distribution policy reform rather than through arts

policy. And, that in the end, the amount of money spent on the arts is so small that “the distributional consequences are of minimal significance and concern, not just to policymakers but also to those living in poverty.” (O’Hagen, p. 62). However, these distributional consequences, however small they might be from a political economy perspective, have the potential to drastically alter the reality of operational sustainability for certain groups within the arts sector.

The people who fund arts organizations have been noted for their homogeneity (Garfais, 1991). They are typically from the same social majority demographic in attendance at the arts events they sustain. Additionally, large “high arts” institutions have to bring in a certain amount of revenue and a certain number of people in order to prove their fiscal and community value to public funding agents. These requirements leave little room for investments in art work that may not appeal to their usual (white, middle/upper class, educated) audience. The complaint, therefore, that arts funding is all about rich people subsidizing their own leisure pursuits, may be plausible at some level. Consequently, shifts in funding distribution – away from the “elite” high arts toward more traditional/popular arts attended by similar levels of people across the socioeconomic spectrum – have been proposed. (Note: it is a bit more difficult to shift funding completely toward minority interests when the objective is to maximize social benefit overall.)

It is very difficult to prove in economic terms that the high arts produce any more non-private benefits to society than these more popular art forms. However, the non-private benefit considerations do not really stipulate the need for diverse audiences either. Many people who take issue with “subsidies for the rich” have a difficult time



rationalizing public support as payment for the non-private benefits society receives from the work of artists and cultural institutions.

Economists commonly remark that the funds arts institutions receive are rarely used to “subsidize” the passive consumption of their audiences. Arts institutions are scrutinized to understand why public funding increases their expenditures without making them more efficient and consequently driving their prices down to benefit the “consumer”. In reality, the high inflationary costs of operating in a sector that can not radically reinvent their use of technology, eliminate human input, and make productivity gains drives up the salary costs of arts organizations (Brooks, 2000). Many professional artists and arts administrators may agree to be overworked and undercompensated because they love what they do. But, granted any form of economic respite from this situation, few would turn it down. With many arts organizations using public support to help pay the rent, it’s hard to completely validate the “subsidies for the rich” complaint. Additionally, from a non-private benefit point of view, consumption of the arts does not always require a passive rather than active orientation. It may be argued that the participatory process of individuals making art actually generates more non-private benefit to society than passive consumption.

Economic theory has the ability to aid public policymakers in determining why and how to support the arts. It can not, however, dictate the level of support the entire sector or any given institution should receive. As Towse (1994) states, “to be effective, arts policy must have clear objectives, whether these are efficiency or equity ones” (p. 157). The broad efficiency and equity concerns outlined here do not always make the determination of clear objectives easy. However, they do provide a support base from

which to launch a purposeful and intelligent debate. Policymakers, economists, and arts administrators should be diligent in expanding this view of the arts.

For the purpose of this study it is also important to recognize the paper thin divide that exists between economists that find economic merit in providing public arts subsidies and those that do not. For the performing arts sector to truly embrace the economic perspective, they must become comfortable with the idea that the application of this particular scientific perspective may actually weaken their ability to pursue government allocations. The real reasons for which art receives financial support from public sources in America are highly politicized. They are not based on concrete economic proofs – because there are none! Even cultural economists like Klammer, Throsby, or O’Hagen who invest heavily in the idea of a healthy arts and culture sector, can not always stand behind the idea that public art support is the most economically efficient or advisable means for achieving sustainable support .

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## 2.5 Not-For-Profit Mind Tricks

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*(Please excuse any and all allusions to either the light side or the dark side of the force.)*

Another component of this study is to understand the adoption of “market behaviors”. In this work, a market behavior is recognized as operation or administration practices typically associated with for-profit enterprise. Many of these business systems are legally prescribed - tracking the payment of payroll taxes, for example. Others, like the publication of proxy reports for the Securities and Exchange Commission, may be irrelevant to the not-for-profit structure that most performing arts organizations adopt. However, because so many not-for-profits are overseen by men and women who operate in the for-profit world, there is a good chance that the for-profit “mindset” overrides the

subtleties of good not-for-profit governance. As Miller (2004) states, “not only are nonprofit rules governing money- and therefore business dynamics – different from those in the for-profit sector, they are largely unknown, even among nonprofits... Even when revealed to for-profit cognoscenti, they are so different from the listeners’ familiar world as to prompt confusion, disbelief and related feelings of cognitive dissonance” (p. 1).

Miller’s (2004) article *The Looking-Glass World of Nonprofit Money: Managing in For-Profit’s Shadow Universe* does a phenomenal job of breaking down the assumptions many of us have about good business management as they relate to the not-for-profit realm. In particular, Miller brings up these seven points:

#### **IN THE NOT-FOR-PROFIT WORLD...**

1. The consumer does not always pay for the product.
2. Prices do not always cover costs or produce profit.
3. Cash is not always liquid.
4. Prices are not always determined by producer supply and consumer demand restraints
5. Profits can’t always be used to grow or improve the organization.
6. Investments in infrastructure for the sake of efficiency and profitability are not always allowed – even when there is money still in the bank!
7. Overhead costs are not always regarded as a regular and natural part of doing business.

The basic economic supply-and-demand relationship is radically undermined in mission-driven organizations. “It’s more than a battle for market share from consumers making relatively simple buy/no buy decisions about a commodity available from competing

suppliers,” says Miller (2004, p. 5-6). The influence of donors and funding organization on the traditional market systems is wildly substantial. Firms are competing not only for fees... but also for subsidies. And more often than not the “consumer” and the “donor” have very different needs and perceptions motivating their investments. “This is most evident in the negotiation around quality and price, where one set of customers is most concerned with quality (I want my child to have a first-class, public education), and the other with price (I want the greatest number of children to be served for our tax dollar)”. (Miller, 2004, p. 6). The consequence is an increased complexity in managing a diverse set of constituent requirements, higher transaction costs, and a constant tension over the mission of the organization.

One outcome of this tension is the prevalence of restricted funds that get infused into organizational budgets. However, well-meaning philanthropists preferring to dictate the use of the funds donated to an organization – rather than letting the organization use the funds as they see fit – have built into the not-for-profit business model one of the most insidious mechanisms of institutional inefficiency and instability that exists. Money in the bank makes an organization look solvent. *Restricted* funds in the bank, however, can often promote a cash crisis if you can neither tap the resources you have nor access alternative sources of funding because your not-for-profit organization doesn’t appear “needy enough.” (Remember - the “surplus is bad” mentality is prevalent in thinking about nonprofits). In addition, overhead costs – especially the nontraditional marginal costs associated with growth – are typically among the first category of costs to be eliminated when a funder’s priorities are set. As a result, nonprofit organizations may find themselves placed in situations where they can’t actually afford to take donations

because the programs or services that the restricted funds intend to provide must be offset by unfunded operational costs.

Another consequence of this finance model is the sometime demise in program quality as demand grows. With limited ability to invest in infrastructure and a mandate to increase the number of people served, the only tenable result will be decline in the value of the goods, services, or experiences offered by the organization. However, even if the mandate is unfunded, the show must go on. It is the mission that drives the organization not the profitability of the enterprise. The challenge of funding growth has led many nonprofit managers to pursue subsidy business practices (like fundraising departments, special events, or gift shops) to sustain their core operations. But the subsidy business and the core business are two very different worlds – each with their own staffing or investment needs and growth profiles. The challenge for nonprofit managers and board members is to be able to distinguish between these two spheres and recognize that the rules that govern well in one realm may cause havoc in the other.

Miller (2004) states, “with self-discipline and a little creativity, we can improve the business environment for our sector, creating a more intelligent, nuanced system of finance for “social enterprises,” and nonprofit services. This will work better than the current approach, which substitutes well-meaning but counterproductive rules of thumb for sensible, informed financial practices” (p. 9). In order to do this, Miller offers three suggestions:

1. Align for-profit and non-profit government contracting rules with respect to “pricing, profit margins, growth capital, overhead, and other well-known and accepted aspects of business operations” (Miller, 2004, p. 8).

2. Refocus the current scrutiny on overhead and fundraising to simplified systems developed to track program and mission productivity.
3. Promote the giving of unrestricted funds.

None of these three things will be easy. They are, afterall, systemic issues facing the entire nonprofit field. However, the first step toward fixing the system is to recognize the unique difficulties and challenges involved in managing a nonprofit. The challenges are not exactly the same as those facing any other business. And some of the basic premises that motivate decisions and behavior in the for-profit world are systemically eroded within this environment. At a time when “both government and philanthropy are betting on the virtues of business and free markets – swept up by “venture philanthropy,” “market-based strategies” and earned-income models for the delivery of public service,” states Miller (2004), “it would seem more timely than ever for the looking glass universe of nonprofit management to be revealed” (p. 2) If we hope to be able to convey the financial absurdity that results from these practices, arts managers must themselves be comfortable with these distinctions.

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## **2.6 The Essential Tension: The Power Dynamic of Value**

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Van den Braembussche (1996) describes the debate about whether or not art should be accepted simply as an economic commodity or given some additional kind of value all its own as “the essential tension” (p. 32). The nebulous and interconnected economic and cultural spheres prove no less complicated when we turn specifically to the issue of defining value. And, again, the cognitive tendency to pursue concrete versus abstract modes of understanding may be the place, once again, to begin the discussion. According to Ruccio, Graham, and Amariglio (1996),

Economic and aesthetic value function in many value discourses as hedges against uncertainty. Value, in fact, often connotes regularity, stability, and centrality in the relations to which the value categories are being applied. In this way, value discourses are largely concerned with calming the fears that are produced in the wake of the perception of uncertainty associated with aesthetic judgment and market fluctuations. It is also true, ironically, that the very emergence of value discourse – its attempt to stabilize value – creates the possibility of its opposite, that is, that value may not stabilize and that the position that any object of material and/or cultural significance even in the most structured value system can change suddenly and, for some, catastrophically. Today's bad art can become good art tomorrow; today's lucrative asset can plunge in value overnight as a result of a new wave of speculation. Hence, even in its own domain, value cannot prevent the possibility that in many cases it is designed to forestall: unpredictable and destabilizing changes in evaluation. (p 66).

There is absolutely no doubt that underlying so much of the value debate is the arts world's sense that "if we could just prove our worth, we would have all the money and support we need". Consequently, Ruccio, Graham, and Amariglio's point that the discussion itself is a source of instability is a very important one to keep in mind. Different art forms, different organizational models, different programs, etc all have something to be gained or lost based on the parameters used to define value. The adoption of a market definition of value – commodity price, for example – may favor the largest organizations capable of wielding giant operating budgets and charging the highest ticket prices. How we define value is as much a power struggle within the arts sector as it is within the greater political sphere. And the ongoing debate about value is as much an indication of social class segmentation within the sector as it is in society in general. However, if we don't discuss this issue, if we don't question the assumptions behind this trend toward the market then a good part of the arts community may find itself locked into foreign patterns of governance and operation that it does not fully understand or use in a way that best suits their interests or needs.

It is with this argument in mind that we launch into our context analysis of the Puget Sound.

# **CHAPTER 3: REGIONAL POLICY & THE PERFORMING ARTS**



**CHAPTER 3**

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**3.1 Introducing the Framework**

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This chapter begins to break into the hierarchy of needs (See Figure 1) that funnel and refine the forces at work in the Puget Sound's political and cultural spheres. It reveals the framework inside which the value debate is housed. It helps us better understand the reasoning behind the mechanisms used to provide arts funding and support in the region. It demonstrates the layered complexity of the support environment as a whole. It reveals the current fractures in arts advocacy efforts and begins to identify the powerful interest groups currently wedging coordinated efforts apart and leading the regional community down different paths.

The issues addressed in this chapter are by no means intended to suggest a comprehensive view of the arts environment within the region. This chapter barely scratches the surface of a dense and complex world. However, it is intended to suggest that the value we choose for the arts has the potential to trigger a deep-rooted socio-political system in profound ways.

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**3.2 Important Political Storylines**

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The legislative framework of Washington State serves as the first delimiter of the region's resource environment. Schuster's *Mapping State Cultural Policy* pierced the veil of Washington State's associational infrastructure for arts and culture in 2002. Schuster's work revealed a number of key themes that continue to play an important role in predicting the economic security, stability, and opportunity surrounding not-for-profit performing arts organizations within the Puget Sound. This chapter addresses four of

Schuster's storylines and expands each to further detail the evolving issues and opportunities facing this sub-sector of the state's cultural community.

#### **WASHINGTON STATE POLICY STORYLINES:**

1. Federal arts funding levels and national program restrictions significantly shape and limit the State's direct and indirect appropriation of resources to the region's arts organizations.
2. The state's tax structure notably limits giving incentives and the exemption/subsidy benefits 501(c) 3 organizations enjoy in many other states.
3. Severe restrictions surrounding the Legislature's ability to raise or restructure taxes make long-term strategic planning difficult.
4. Decentralized oversight regarding arts policy often results in the leveraging of lobbying efforts designed to benefit select groups or programs over others.

### **3.3 Federal Influences on Arts Allocations**

As direct NEA appropriations have been cut over the last two decades, an emphasis on the role both State and Local Art Agencies play in publicly sustaining the arts has grown. The expansion and dynamism of these agencies is often unequivocally cited in the literature without much discussion of the limitations federal programs and funding priorities place on these localized agencies (Mulcahy, 2002; Love 1991). Instead, analysts promote the idea that regional organizations are better able to understand and serve the needs of their communities, channeling funds to support local initiatives and priorities. However, for states like Washington where recent economic recession has instigated severe cuts in state spending, the influence of federal policy has become more pronounced.

### ***State Arts Funding as a Federal Mandate***

“Because the State of Washington only barely meets the matching requirement of these federal programs, the money that is made available to these agencies goes substantially into fulfilling the federal mandates,” states Schuster (2003, p. 34). An example of this can be seen in the announcement of Washington State Arts Commission’s FY07 program year. At this time WSAC will be receiving NEA funding through two specific initiatives: Challenge America and American Masterpieces. “In considering our options for using these designated funds, we clearly want to advance the agency’s strategic plan,” states Kris Tucker, WSAC’s Executive Director. “We also are committed to successful efforts within available resources – including staff time and the matching funds as required by the NEA. Further, we have limited capacity to produce and present arts programming” (Washington State Arts Commission, 2006, p. 37). As a result of all these concerns, WSAC has developed a plan that will channel the majority of these dollars into underserved communities, arts in rural education programs, marketing the state as a cultural tourist destination, and the permanent installation of artwork purchased by the agency in 1995. Although each of these projects is imminently valuable, it is important for the Puget Sound’s performing arts community to recognize that the primary mission of a majority of their organizations is not likely to benefit directly from these resources.

### ***Matching Grant Programs – A Disincentive for Funding Support?***

The matching grant requirement of many federal programs, initially designed to broaden the economic support base for grantees, has also become problematic in lieu of ongoing attempts to relieve growth pressures on the state budget. New programmatic

relationships between state and federal agencies have been prevented by the Governor's office if matching is required from the state (Schuster, 2003, p.34). Additionally, Governor Gregoire's adoption of her predecessor's restrictive spending model based on the "Priorities of Government" further curbs WSAC's incentive to promote new initiatives that have not yet "made the cut" by state government.

### ***Institutional Support Grants: The Power of Federal Resources***

The amount of money a State Art Agency receives from the NEA is based in part on the competitive nature of the agency's strategic plan (yet another reason to stick close to NEA funding priorities). However, the agency also receives an unrestricted block grant based on state population. It is significant that 52% of the Institutional Support grants distributed throughout the state come from this unrestricted portion of the federal funds (Schuster, 2003, p. 50). The larger performing arts organizations have historically been successful competitors for direct NEA grants as well. And, if you combine these grant figures with the pass-through NEA funding from the state, you will find that federal programs (sometimes much more than state programs) contribute instrumental sums of money to annual revenues.

Congressional Senator Patty Murray's campaign donation totals have no doubt benefited from executive directors who have noticed this trend themselves. A member of the U.S. Senate Appropriations Committee and described in some circles as "by far the most influential woman in the history of Congress on spending priorities", Murray has used strong-arm political tactics to help secure funding for her state's arts and culture priorities (Mundy, 2005, November 7). By inserting \$500,000 line-item allocations for projects like Seattle's Olympic Sculpture Park, Murray demonstrates not only the relative

in consequence of WSAC budget (they get about \$650,000 total per year from the NEA) , but further emphasizes the fact that the region's large arts organization are really competing at a national level for scarce public resources.

### ***Donation Incentives & Federal Tax Law: The "Death Tax"***

Another important national issue with an effect on both state policy and the potential for future unearned income donations is the gradual phasing out of the Federal Estate Tax. The Economic Growth and Tax Relief Reconciliation Act of 2001 authorized the lowering of tax rates between 2002 and 2009. The legislation completely eliminates the tax in 2010 (Infoplease, 2005). There is some small chance that the tax will be back in 2011. However, lobbyists interested in making the repeal permanent are guaranteed to be fighting hard during the next five years to prevent this from happening.

The federal act has significantly altered the state of Washington's own relationship with what detractors call the "death tax". The 1981 initiative that provided for the state tax indicated that "only estates liable for federal estate tax would be subject to tax" and that "when an estate has no federal estate tax, there is no obligation to pay any estate tax" (McGann & Johnson, 2005, para. 3). However, when the federal tax began phasing out in 2002, Washington continued to collect the state estate tax without making adjustments based on the new federal regulations. In February 2005, Washington's Supreme Court ruled that the state government had been collecting taxes illegally and forced the state to return \$150 million collected since the rule change in 2002 and to forgo \$277 million that would have been brought in over the next budget cycle. Two months later, the state legislature reinstated a portion of the estate tax in the hope of making up a portion of the budget's revenue shortfalls. While the tax phases out at the

federal level. The exemption level for Washington State now rests at \$2 million (McGann, 2005). However, local opposition to the new laws is fierce and will no doubt be challenged in the coming months. Development officers within non-profit arts organizations would be prudent to reassess the current planned giving environment in lieu of these changes.

***Public Priorities: Further Limitations on Arts Spending***

A Reaganomic “trickle down” analogy may be appropriate when describing the nature of arts funding. If the Bush Administration does not include federal funding for arts education programs in his budget (as is the case this year), then the NEA and State Agencies will invariably take up the issue - spending more of their own budgets on this priority. And, because education is another one of those labor-intensive “cost disease” endeavors, more and more resources will be needed to maintain their efforts as time goes on. WSAC is already very committed to this particular “public purpose” of the arts. The Seattle Children’s Theatre, as a result, is positioned very well in the region’s public allocation market. However, unless mission drift occurs in a number of other organizations within the region, fewer and fewer programs are likely to benefit from state support. Arts education is only one facet of this “trickle down” of priorities. And, because priorities are likely to change every time someone new takes office, small and medium-sized organizations that have come to depend too heavily on these funds may be asked to reinvent their programming every few years.

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### 3.4 Negotiating State & Local Tax Incentives and Exemptions

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Because Washington State has no income tax, state and local governments rely heavily on sales taxes, property taxes, and a Business and Occupation (B&O) tax. This tax structure effects the Puget Sound’s performing arts organizations in a number of ways.

As we consider the long-term feasibility of growing unearned income revenues, it is vital to reflect on the way the state’s tax structure may serve to dampen or excite giving incentives, especially for high-income households. Schuster (2003) comments that with the 1986 federal Tax Reform Act, “the federal incentive for a significant portion of Washington residents to make such (deductible) contributions simply disappeared” (p. 15). The Tax Reform Act, which prohibits the deduction of retail sales taxes for households that itemize their income tax deductions, is particularly discouraging to nonprofits in Washington State where no income tax exist and the sales tax reigns supreme.

#### *The Challenge & Potential of a Regressive Tax Environment*

Washington’s tax structure is notoriously regressive even without the added boost from the federal government. The wealthiest one percent pay 3.3% of their income to state and local taxes compared to 11.1% of middle-income taxpayers and the 17.6% being collected from the poorest fifth of the population (McIntyre, 2003, p.1). If itemized deductions are accounted for, the wealthiest taxpayers’ payment is reduced to 3.2% of their income. Unfortunately, all that untaxed wealth has not yet trickled down to the unearned revenue streams feeding the state’s philanthropic organizations. Schuster (2003) reports that “an average of 1.9% of adjusted gross income was devoted to deductible

charitable contributions” by Washington taxpayers and that this amount is “well below the national average of 2.1%” (2003, p.15).

If you’ve been paying attention to the work of University of Washington’s Economics & Geography professor Charles Tiebout over the last fifty years, you might imagine a large number of wealthy individuals, enticed by generous tax legislation, have made Washington their home. And in fact, an estimated 10,000 Microsoft millionaires are reported to live in the Seattle area alone (“New Millionaires”, 2000). Even better, Forbes reports five of the nations top 25 billionaires live in King County. And maybe, because so many of them can be found in the region, the number of arts and cultural organizations in Washington has remained higher than national per capita and organizational density averages.

Initially, all these factors bode well for development staff hoping to increase donated revenues. Seemingly, there is potential in the system. You can always invoke an income tax, right? And, if we work a little harder, can’t we bring that 1.9% contribution statistic up to the national average? Maybe. But who is to say that an income tax won’t encourage the area’s current financial moguls to move. (Boeing did it not so long ago!). Additionally, it is very difficult to raise or even revise the tax structures in the state, as discussed below.

However, low contribution levels may also be intertwined with the regressive nature of taxation. Medium and low-income households have less money to invest in philanthropic endeavors, especially when those donations do not benefit the individual through federal exemptions. Broad community based support (i.e. made up of predominantly medium income supporters) may not necessarily translate as readily into



funding. Consequently, more arts organizations are likely to become dependents of the region's major donors. As performing arts organizations like ACT, INTIMAN, The Empty Space, and Tacoma Actor's Guild have cycled through emergency fundraising campaigns over the last three years, they have all been "bailed out" to some degree by angel philanthropists. Not even The Empty Space, who stressed that the average donation during their recent emergency fundraising was only \$176, would still be around without the help of one very large contributor who continues to sustain the theatre through a personal line-of-credit (Adcock, 2005).

### ***Arts Advocacy: The Internal vs. External Environment Assessment***

In July of 2005, Seattle's local performing arts community was riled up by a controversial convocation of arts practitioners titled "Sh!tstorm: A No-Holds Barred Discussion on the State of Seattle Culture (such as it is)" (Lippens, 2005). The "bone" that this particular forum proposed to pick was the sensitive topic of organizational demise. When should arts organizations be allowed to die? And, as the Terri Shiavo debate was raging in the media at the time, the metaphor of pulling the plug was liberally applied to the struggling ACT Theatre, Empty Space, and CoCA. Impassioned artists and arts administrators gathered to anguish over the appropriate time and place to recycle resources into new and emerging talents. Over the course of a lively evening, however, not a word was said about the political and economic ecology that houses the performing arts community. The question was raised – are there too many of us in the market? – But nobody brought up tax laws. Everyone was talking about death, but nobody mentioned that the state Supreme Court had thrown out the state estate tax just five months prior (Gregg, 2005). The general sense pervaded that, if an arts organization was failing, it

must be the art – not the comprehensive fiscal environment – that was constraining these organizations.

However, this year in Washington’s state legislative session, a tax law is being debated in the Senate that may hit this group of artists and fringe arts administrators closer to home. The tradition many small performing arts organizations have of gifting stipends to their performers has been challenged by the state Department of Labor. Depending on how things go, organizations may be prohibited from making these gifts in lieu of payment altogether. And any actors they wish to remunerate will have to be treated as a contractual employee (with unemployment-insurance & workers’-compensation taxes) and paid no less than minimum wage. If this occurs, one might conclude that the “market capacity” for the number of arts organizations currently in the region will shrink yet again. “If theatre companies are required to treat all actors and technicians as employees, managers say they could be forced to stop paying some actors, drastically cut back on productions or possibly go out of business” (Thomas, 2005, para. 5).

Of course, different issues affect different sized organizations in different ways. The stipend regulations do not apply to the large equity/union performing arts organizations who are already abiding by these rules. The existence or demise of an estate tax might, however, because it is the larger non-profits that have the resources needed to pursue estate-planning monies. The underlying lesson to be learned is that there is much more to the market capacity equation than the number of people willing to buy tickets to a performance and that it is the entire performing arts sector that is under threat when leader organizations begin to falter. This does not mean that all of a community’s

arts resources should consequently be directed toward sustaining big things. It simply outlines how long-term sustainability of the entire performing arts community can be eroded when the collaborative improvement of a systemic funding model is reduced to the rhetoric of competing firms. That is the nature of competition. You kill other firms and take their market share. (Because art is such a transferable commodity, right?)

### *Another Take on the Transparency Issue*

The trouble arts organizations are having with the state auditors regarding unemployment and worker's compensation taxes illustrates another feature of state and local law regarding non-profits: 501c3 tax exemptions are neither automatic nor easily identified. Washington law presumes that nonprofit organizations are taxable in the same manner as for-profit organizations unless a statutory exemption or deduction exists. And, it is the nonprofit that bears the burden of establishing whether or not they qualify for special treatment. As Schuster (2003) states, "the responsibility for knowing whether or not and under what conditions they might be exempt from these taxes falls on businesses themselves." (p. 190) He points to the Business and Occupation taxes that are levied at the local level on retailing activities and parking fees collected by cultural organization but not at the state level as an example of how difficult this can sometimes be. Another facet of this system is that nonprofits are required to apply annually for certain exemptions that would simply be granted as a matter of course in many other states. Property tax exemptions must be renewed with the Department of Revenue by March 31<sup>st</sup> of each year.

Schuster observed a state tax exemption debate in 2003 regarding rental of property owned by nonprofit organizations. Similar to the stipend issue, penalties for

retroactive property use were assessed against nonprofits who thought they were operating within the law and emulating common practices in their field. The threat of being retroactively penalized for crimes you never knew you were committing is of interest to our discussion for a couple of reasons. To begin with, fear is a great motivator. In the case of the stipends, the motivation may drive many organizations off the proverbial fence – forcing them to either devote more resources to their professional business model or to resign their enterprise altogether relegating them to the realm of amateur theatre.

Additionally, current law limits Washington nonprofit performing arts organizations to twenty-five days where entities not eligible for tax exemption can rent or lease their facility. Only seven of those twenty-five days may be used for income-generating activities. If any more than that occurs, the state will revoke the organization's property tax exemption. Consequently, high property taxes in the Puget Sound may have persuaded some groups to forgo facility rental revenues. And the disincentive to grow this particular earned income stream may help curb the traditional methods some arts organizations have used to keep abreast of inflationary labor costs.

### ***The Politics of a Current Proactive Response***

It would be disingenuous to say that arts advocates in the region are completely disengaged from these issues. Nor indeed are they always reactionary respondents. ArtsFund, Seattle Repertory Theatre, and the Washington State Arts Alliance are currently involved in the Prosperity Partnership coalition. The coalition consists of “over 150 government, business, labor and community organizations from King, Kitsap, Pierce, and Snohomish counties dedicated to developing and implementing a common economic

strategy. Our shared goal is two-fold: long-term economic prosperity and 100,000 new jobs for the central Puget Sound region” (Puget Sound Regional Council, 2005) Tax reform sits next to transportation and education on the list of the group’s top three initiative areas. “Develop a strategy to celebrate and promote arts and culture as a strategic economic advantage for our region” is listed #4 on the coalition’s list of First Year Action Items (Prosperity Partnership, 2005). And guess who got to develop the strategy? ArtsFund.

Anderson describes the Partnership as “an unelected group beholden to no one and created by another unelected, un beholden group, the Puget Sound Regional Council” (2004). “Does anyone remember authorizing [Boeing Commercial Airplanes President and partnership co-chair] Alan Mulally to ‘secure public funds’ or ‘pursue a single agenda for the benefit of the entire metropolitan region’?” (Chris Cain, as cited in Anderson, 2004). The concerns Anderson brings up in general about the Partnership could also be appropriated by critics of ArtsFund. Even Kris Tucker, Executive Director of the Washington State Arts Commission, has had trouble inputting her concerns regarding the arts and culture strategy that ArtsFund VP Dwight Gee has put together.

Another issue of concern might be that the “tax reform” initiative the Partnership is talking about will result fundamentally in tax breaks for big business. Speaking about the Partnership’s “coming out party”, Anderson states, “wasn’t “Lord give me a tax break!” the unsaid prayer of the day? Why else were the corporations coming together? Not to give money to each other” (2004). With this in mind, it’s not hard to see why Tucker and Gee might be at odds. ArtsFund, established primarily as a conduit for the region’s corporate arts donations, is likely to benefit when businesses are doing well. For

Tucker, however, reductions in state revenue ultimately threaten the existence of her organization.

From any arts administrator's point of view, the Prosperity Partnership is a hard policy nut to crack. The power and force standing behind the partnership should not be ignored, however. And the fact that arts and culture strategy is taking place within this setting, potentially above the radar of many artists and small arts organizations, should be emphasized. The Prosperity Partnership is leveraging the idea of "job creation" to redistribute community resources in ways that benefit corporate shareholders. If you are a performing arts organization with ties to shareholders, this could be a very good thing. (If you don't have any, it might be time for a little board recruitment!) Underlying it all, however, is the reality that, in order to either benefit from or influence the funding streams for arts and culture in Washington State, this is the type of setting in which both artists and arts administrators must be compelling and persuasive. That means that the organizations with the connections – with big rich and powerful boards - will have a place at the table. And they will do what they can to stay there, even if it includes redirecting scarce public resources to corporate elites.

Unless, maybe, you own a sports team. The biggest arts debate in King County at present is whether or not local arts and culture groups should support the Sonics basketball team principle owner (& Starbucks CEO) Howard Schulz's desire to revamp Key Arena. The reason for this? A dedicated funding stream for arts and culture produced by a Selective Hotel-Motel sales tax in King County.

*The Seattle SuperSonics vs. King County Arts & Culture*

All cities and counties in the state are authorized by law to impose a state-shared lodging tax of up to 2.0 percent. “The state-shared portion is deducted from the state retail sales tax so that the tax is not an additional tax for the customer but rather represents a dedication of that portion of the state sales tax revenues on the purchase of overnight accommodations” (Schuster, 2003, p. 201). It is typically left to the county or city to decide how these funds will be used. In King County the first \$5.3 million a year goes to pay off debt still retained on yet another sports facility, the Kingdome football stadium. (Imploded in 2000, taxpayers will ironically bear the cost burden of the facility much longer than the building itself was around). 70% of the remaining revenue (about \$6 million last year) is then dedicated to arts and heritage groups in King County. This dedicated stream will continue through the year 2012. Between 2013 and 2020, however, all the tax revenue will be committed to paying off the Kingdome and the construction of its replacement, Qwest Field.

4Culture, the Cultural Development Authority for the county that distributes these funds, has been preparing for this revenue hiatus by placing a percentage of the tax revenue in the first endowment ever maintained by King County government (Silman, 2002). The real problem arises in the year 2020, however. At that time, the tax is scheduled to expire altogether. Arts advocates have been assiduous in pressuring state and local officials to extend the longevity of the excise tax. In January of this year the Seattle City Council unanimously passed a resolution “encouraging state lawmakers to include arts and heritage groups in any funding package that revised King County’s percent hotel-motel tax” (Young, 2005, para. 2). However, the resolution, which has no

power over state lawmakers, may have been too little too late for arts advocates who have been working hard over the years to extend the lodging tax solely for arts and culture interests.

This year the Sonics entered the scene with demands for a brand new or radically renovated facility funded by government in the form of the King County lodging tax. “We were caught a little off-guard,” said Jim Kelly, Executive Director of 4Culture (Young, 2005). Strong-arm tactics by Schultz and dramatic threats that the Sonics would leave Seattle altogether if they didn’t get their way brought the debate front and center in both houses of the state legislature. Arts and culture groups were caught between a rock and a hard place. House Bill 3233 and its companion, Senate Bill 6849, would generate a new dedicated stream of tax funding between the dry years of 2015 and 2020. Granted, the arts would receive less than 10 percent of those new funds, but at least some money would be coming in. Was it better to support the bills, or oppose the Sonics for appropriating funds that had long been claimed by regional arts and heritage organizations? As momentum and support grew in the legislature and executive branches of both the state and Seattle city government, the conflict became even more acute.

Enter Nick Licata, Seattle Council President and Committee Chair for the city’s arts and culture issues. Licata told *Sports Illustrated* that the effect of the Sonics leaving would be, “On an economic basis, near zero. On a cultural basis, close to zero. We would still have two sports, and plenty of cities our size don’t have three” (Anderson, 2006, para. 1). And, without the support of the City Council, funding for Key Arena will not be authorized by the time the state legislative session is over. The Sonics have narrowly lost the ballgame this year.



The question remains, however, what is the best strategy for arts and culture organizations to adopt in the upcoming months. Especially, for the organizations that are housed in the Seattle Center complex near Key Arena. “There is no reason to connect the demands of the Sonics with assistance to the arts organizations,” states Licata, “I hope that legislators will see the Sonics’ proposal in light of weighing what other alternatives could be accomplished to help this region economically and culturally with the public revenue stream they wish to tap” (Licata, 2006, para. 31). If the Sonics leave Seattle, Licata and other members of the council believe that Key Arena will be able to fill the space with enough concerts and events to keep the facility running in the black. The Sonics are committed to playing at Key Arena until their lease expires in 2010. After that, however, the city will have to figure out a way to cover the \$24 million debt left over from the 1995 remodel of the space for the Sonics. (Yes... the city *did* just do this! But, the Sonics aren’t making money... so, obviously, the taxpayers need to do something about it!) Although the fact that the sports team hasn’t won many games in a while might have something to do with the receding profit margins, team owners believe the real problem is structural. The corporate box facilities are not as posh as they should be to attract big money. What? Public subsidies that benefit the rich corporate elites? It’s beginning to sound just a little bit like trying to fund the arts now isn’t it?

But there are some notable differences. First of all, the majority of state and local leaders are not questioning the validity of the Sonics or even basketball for that matter. Nobody is discussing the inherent value of sports. The team’s \$60 million in financial losses don’t seem to matter much when considering a public handout of about \$270 million (McGann, 2006). Like the big businesses in the Prosperity Partnership, the Sonics

are entitled to those breaks. Chris Van Dyk, co-chairman of Citizens for More Important Things also brings up another interesting point. "You can't have player payroll that jumps from \$34 million to \$50 million in a year and expect to make money." Van Dyk said. "They have to deal with the real issue. Players are not paid in proportion to the value of the tickets that they help sell, it's that simple. And then they want a tax subsidy" (McGann, 2006, para. 18).

One might speculate that the time it takes to train an athlete and play a basketball game hasn't changed much since Dr. James Naismith invented the sport in 1891 (Kenyeres, 2004). If labor costs in sports are as inflationary as they are in the performing arts, maintaining a sports team may become more and more expensive over time. The question is not whether sports stars are deserving of their incomes but why public subsidization of these salaries and not, say... movie stars... will benefit from the lodging excise tax in King County. And maybe the answer is simple. People like Howard Schulz and Paul Allen (owner of the Portland Trail Blazers) think it's sexier to play sports. If Nick Licata were a billionaire... well, who knows... the definition of value often changes with the size of your investment portfolio.

### ***The Excise Tax & The Industry***

Before setting the issue of the lodging tax aside altogether there is one last facet of the debate that is definitely worth noting. The lodging tax is an *excise* tax. And, as such, is no doubt stressing the relationship between arts and culture organizations invested in the rhetoric of "cultural tourism" and the business men and women who are fulltime members of what Kris Tucker calls "the industry". In basic economics, the theory of supply and demand says that any change in the price of a commodity will

change the volume consumed. If you raise the price of something, fewer people will buy it. Easy, right? Unfortunately, with an excise tax none of the extra money charged goes back to the owners of the hotels and motels. It goes to the government. And, on top of that, higher prices will likely result in fewer travelers. This means, basically, that money is being taken away from hotel/motel owners and given to arts organizations. As the beneficiaries of those funds it is easy to take that redistribution for granted. The cultural institutions are the reason people come to an area, right? Maybe. Or, maybe, they come to the area because of business. Maybe the excise tax should go to Boeing.

People tend to focus on the idea that “travelers” are paying these excise taxes, not locals. The idea is no doubt more appealing to voters. But invariably local hoteliers are being asked to bear a financial burden that other Washington citizens do not. Tucker recently spoke about “the industry” itself wanting public money to further tourism and was somewhat disdainful of the idea that cultural tourism funds could be diverted to such an obviously commercial sector. (It’s kind of like the idea of subsidizing Pro-Sports.) This is something, however, that will really have to be addressed by government in the future. Already, opposition to the Sonics’ proposal was being voiced during the legislative session. “Representatives of the hotel and restaurant industries told the House Finance Committee on Thursday they oppose the proposal, House Bill 3233, because they were promised during the Mariner and Seahawk stadium fights that the taxes would someday expire” (Brunner, 2006, para. 4). Another complaint is that King County has not given hotel owners a say in how the tax money is spent. If the current arts and culture beneficiaries of the lodging tax hope to positively influence the future of this dedicated

funding stream, it is vital that the arts community begin addressing the relationship they have with “the industry”.

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### **3.5 The Difficulty of Raising Taxes and Strategic Planning**

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Because Washington’s tax structure is predominantly made up of sales tax, state and local revenues are strongly tied to the health of the region’s overall economy. “When people have money, they spend and the state gets a piece. But when times are tough, and people don’t have cash to spend, state government takes an economic hit” (Walla Walla Union-Bulletin, 2006, para. 10). And, because downturns in the economy don’t always allow for long-term preparation, state leaders are often forced to radically slash budgets and programs in some years. For example, 2003 wasn’t a good year for the arts. The Washington State Arts Commission went from a total budget of \$4,612,057 for the 2001-02 biennial budget to \$3,788,271 in 2003-2004. “Without adjusting for inflation or growth to the state population this (2003-04) budget takes us back 18 years,” Tucker said at the time. “We are also targeted to lose three staff members” (Bargreen, 2003, para. 4). That same year, the Seattle Arts Commission’s budget was \$3,957,388 down from \$4,875,586 in 2002. And, maybe worst of all, were the proposed allocations for King County’s Cultural Resources Division. Slated to move from \$2.3 million county dollars in 2001 to \$200,000 in 2003, these draconian cuts prompted the organization to reorganize itself as a “Cultural Development Authority” an ally itself instead to the dedicated funding stream of the King County Lodging Tax.

Not only are the budgets of state and local arts agencies cut, but all the nonprofit tax exemptions are threatened during these downturns as well. It is much simpler for the state legislature to revoke isolated exemptions than it is to raise taxes. In 1993 spending

limitations were placed on the state's general fund and a supermajority voting requirement was instituted in order for any increase or revenue-neutral shift in tax revenue to take place. Two thirds of both legislative houses have to approve a tax increase. And, if the increase is above a formula-based limit, a voter majority has to elect the legislation (Schuster, 2003).

The state does have a rainy day fund to help in lean times. However, because the fund was established by voter initiative rather than written into the constitution "the Legislature has been known to raid it far too freely" (Startz, 2006, para. 6). Presently the fund is capped at 5% of the biennial revenues to 5% of annual revenues. 75% of any excess money in the fund is transferred to the state's Student Achievement Fund and the remainder returns to the general pool. It is hard to say whether or not 5% is the best limit to impose. Because economic downturns can last a number of years, 5% may not completely stabilize state spending. Currently a new plan is being proposed by a bipartisan group of legislators that would allow for a 1% increase per year until it reaches 10%. Although this issue isn't nearly as sexy as a direct appropriation discussion, it's a good long-term strategic planning move for arts administrators to encourage. And it is smart to remember that long-term strategies that benefit arts and culture may often be "tangential" in this way. Especially since raising taxes (or maintaining program budgets for that matter) in Washington is such a difficult endeavor.

At present things are looking up... depending on your perspective. Senator Cheryl Pflug, a Republican from Maple Valley, believes the combined 2005-06 budget "represents the largest dollar increase in history and the largest percentage increase since the liberal Mike Lowry was governor a decade ago" (Ammons, 2006, para. 19). But if the

government is spending money, it must be making it right? Generally speaking, the Puget Sound economy is doing well. Well enough for the timber and aerospace lobbyists to get a \$50 million tax-cut package through the Senate, anyway. Unemployment is at about 4.7% and job growth is running at more than twice the national average. (Rhodes, 2006). The housing and construction market is cited as providing the biggest boost to the local economy for now. (And who really cares about the “housing bubble” or the gentrification effects on artists?) Microsoft has plans to add the “equivalent of two Googles to its Redmond campus over the next three years, spending \$1 billion to build or buy 14 buildings with space for up to 12,000 employees” (Dudley, 2006). (Outsourcing? Yea... whatever.) And “because of Boeing’s recent successes selling planes, state aerospace jobs have risen to nearly 70,000” (Allison, 2006, para. 9). (Too bad the airlines are all going out of business and the oil refineries keep getting wiped out.)

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### **3.6 Arts Policy & Lobbying Groups**

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The sense that arts funding is less about creative excellence and much more about the back-room bargaining of influential stakeholders is nothing new. However, if we are trying to understand what motivates the adoption of market values and behaviors, detailing that sense is an important first step. In Washington, Schuster states that “lobbyists can have substantial influence on the conduct of cultural policy, turning that policy to advantage certain styles of programs and certain types of recipients over others” (Schuster, 2003, p. 24). This is possible because there are few centrally coordinated cultural policy actors in the area. In the arts sector, this factor results in the substantial direction of privilege and resources to the largest organizations in the professional arts community.

### *Specialized Lobbying Interests*

Organizations that can afford to hire a lobbyist might benefit directly from the attention of individual legislators. Larger organizations are also better positioned to influence the leadership of grant making bodies such as WSAC or ArtsFund. The relationship between Kris Tucker of the Washington State Arts Commission and Gretchen Johnson of the Washington State Arts Alliance is also indicative of how policy and funding priorities are set in the state. Tucker will be the first to admit that she and Johnson are good friends. “We share hotel rooms when we go to conferences,” she says. Tucker relies heavily on WSAA lobbying efforts during budget allocation years. WSAC in turn funds a good portion of the Alliance’s annual Cultural Congress event. The rest of the time the two organizations work closely in establishing which issues and priorities the arts community should bring up with the legislature each year. Tucker, however, admits that they haven’t yet identified when WSAC/Kris should become involved in an issue and when to let WSAA handle issues on its own. Tucker decided to sit out on the tax exemptions for actor stipends debate this year. And although it was an action item to be addressed at WSAA’s Arts Day at the Capitol this year, the issue was largely overshadowed by the lodging tax extension and the arts education initiative. This may have had a good bit to do with who participated in the advocacy day – a lot of executive directors from larger organizations, local arts commissioners, and public arts facilitators from cities or counties across the state. Few individual artists or small organization representatives were able to attend.

### ***Economic Exclusion Issues***

A couple other small but mighty policy issues stand in the way for smaller arts organizations in regard to public funding. The first issue, which has come up in discussions with local managing directors a number of times, is the fact that the state's governing bodies can not make outright grants. They can only reimburse organizations for services or products. Performing arts organizations already face notorious cash flow problems. All expenses are typically incurred before a show opens and ticket sales begin. State grants that come "after the fact" do nothing to help deaccentuate this dilemma. It is particularly difficult for small organizations or project-based groups to find the capital to complete a project, even if they have been contracted by the state to produce the work.

The second issue is the exclusive nature of the Institutional Support Allocation grants. Luckily, once you are in the club, you are likely to remain there for a while. And, your reward amount isn't likely to dwindle substantially unless WSAC's budget gets cut overall. However, the level allocations are due to the fact that new organizations are rarely added to the pot, even if they meet all the requirements (usually based on budget size). Again, the system works to grow the resources of those who already have them.

### ***Rival Arts Policy Players***

ArtsFund, probably the biggest arts policy player in the state, was initially founded for the sole benefit of the region's flagship organizations. The subtle unspoken rivalry that exists between this private non-profit with close ties to corporate donors and organizations like WSAC (which competes with them at a political level and for public dollars) and 4Culture (which also competes with them for funding sources) emphasizes the clout of social capital that may or may not exist within local performing arts



organizations. If you've got it... and you can help one of these organizations achieve its own policy objectives... there are bound to be perquisite consequences.

### *Leadership Values*

In the recent NEA publication *How the United States Funds the Arts*, current NEA Chairman Dana Gioia states the following:

Like most free market or mixed market systems, American arts philanthropy is complex precisely because it is decentralized and dynamic. Similar institutions often have wildly differing results because of their locations, artistic talent, cultural philosophies, and management. Likewise, the dynamic nature of the system means that one decade's high-flying leader can suffer huge reversals in the next – just as in corporate America. While no one relishes the ups and downs of the cultural economy, it does have the healthy effect of keeping artists and institutions realistically focused on their goals and communities. The best institutions make themselves irreplaceable in their chosen fields. (National Endowment for the Arts, 2004, p. vi).

Although huge reversals of fortune are nothing new to the arts world, the fact that the Chairman of the National Endowment for the Arts is setting non-profit arts organizations matter-of-factly in the context of the “free or mixed market” proves just how dynamic the American arts philanthropy system can be. Armed with the idea that arts organizations should be both community focused and competitive and that a decentralized policy approach is the best way to encourage this behavior, local authorities are essentially set free of any legitimate obligation to raise a battle cry on behalf of the arts... or against them for that matter. The onus is placed on individual institution to prove they have value (albeit by their ability to support themselves financially and make everybody happy). It is this tone, set at the national level, espoused by the Chair of the NEA, which pervades America's association with arts and culture. From a capitalist perspective in a global economy it makes sense. Imperialists with a legitimate belief in the equality and value of all cultures are bound to have a guilty conscious. It is this tone, however, more than any

other influence the national government might have on state and local cultural policy, which will determine the future of arts in America.

### *System Limitations*

Chomsky (1998) has stated, “The smart way to keep people passive and obedient is to strictly limit the spectrum of acceptable opinion, but allow very lively debate within that spectrum - even encourage the more critical and dissident views. That gives people the sense that there's free thinking going on, while all the time the presuppositions of the system are being reinforced by the limits put on the range of the debate" (p. 43). The easiest way to limit “the range of the debate” in America or any other part of the industrialized world is to pin notions of validity and value to the market. The overall prosperity and privilege enjoyed by the majority of United States citizens has time and time again legitimized our capitalist prerogatives. Economists are quick to point out that the pursuit of arts and culture is typically the outcome of economic prosperity and technological innovations which result in human leisure gains. However, because growth is the ultimate agenda of this economic orientation, the outcome is often a widening divide between the “haves” and “have nots”. This is true of the individuals in our society. It is also true of the performing arts organizations. Mid-sized organizations have been dying out across the country as resources shift in support of the regional giants capable of leveraging stores of both financial and social capital to ensure the sustained growth of their infrastructure... and, for a few, their mission.

If the old “opiate of the masses” icons used to be Christ, Buddha, Allah... all those patriarchal godheads... we’ve managed to streamline the system, make it more productive you might say, by creating a modern version of preoccupation known simply

as “the man”. Our belief in “the man” helps persuade social critics and misfits to identify as “artists”. And, if you really want to be an artist, to devote all your energy and resources to breaking into the creative industry of your choice.

The professional performing arts are elitist. Because, contemporary notions of “professional art” make the process of achieving the expected outcomes so expensive. And, in a system designed to promote economic privilege, few people will be both capable and willing to foot the bill. This is reality. This is the modern socio-economic world. This is how power works. And, it is why the American art world as a whole will always be on the brink, a starving community. We are the masses. And there are, fundamentally, too many mouths to feed. Whether we like it or not, to “succeed” in the commercial sense arts organizations must identify as part of corporate America. And, as we sell our administrative souls in that direction, market ourselves as a public good. If we don’t do it this way... we can’t expect to maintain our infrastructures... to grow our assets... to insure our administrative salaries. We can continue to make “art” if we don’t do things this way. But our sense of entitlement to public or private support will not be shared by the people who currently maintain those resources.

## **CHAPTER 4: CASE STUDY INTERVIEWS & REGIONAL SURVEY**

**CHAPTER 4****4.1 The Multiple Viewpoints**

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Multiple viewpoints of the internal and external forces influencing both performing arts and cultural policy administrators within a region provide a clearer picture of what motivates the selection and use of certain value definitions. Because many of the forces influencing these agents are the same, an outline of the relative persuasive power of regional factors has emerged. These forces will be specifically presented in chapter four. However, the interviews and survey data discussed in this chapter will reveal the themes from which that list has been generated. The perspectives revealed in the interviews below are representative of significant sectors of the arts community in the region. A review of the semi-structured interview protocols and survey instruments will help readers identify the potential motivation behind some participant comments. However, each interview participant was unique in their ability to address general questions in meaningful and specific ways based on the institutional experiences of the organizations they represent.

It is within this chapter that we begin to get a better sense of the equivalency (See Diagram 1) of the value definitions and analytical processes employed by different sectors in the arts, policy, and funding communities. Clues are provided to tell us where each sector accesses their information, how they interpret arguments, why they implement policy, and what objectives guide their process overall.

Few of the significant policy issues identified in the previous chapter were able to be addressed in the limited amount of time available for each of the interviews. However, a conscientious effort was made to draw each participant out on a handful of the larger issues identified as significant from the standpoint of this work: the Lodging Tax/Key

Arena debate, the potential formation of arts policy in relation to ArtsFund’s participation in the Prosperity Partnership, the exclusionary policy concerns smaller arts organization maintain in terms of access to funding, and the ability and interest perceived in the arts community to advocate collectively for common goals.

Like the income gap theory, these issues were perceived as those that should have had enough presence within the community to be easily recognized, already contemplated, and with a strategic response identified for the majority of arts leaders. Also like the income gap theory, however, there was an extreme range of awareness, facility with, or even interest in some of these issues. This again suggests that “equivalency” is not only an issue between arts and non-arts policy arenas but must be better addressed within the arts community as well.

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#### **4.2 Case Study #1: Manuel Cawaling & Langston Hughes Performing Arts**

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The Langston Hughes Performing Arts Center is a uniquely housed under the Seattle Department of Parks and Recreation. One of Parks & Rec’s “crown jewels” according to the center’s Managing Director Manuel Cawaling, the facility serves and the primary artistic and cultural gathering place for Seattle’s Central District. The Central District and the bordering International District are home to many of Seattle’s minority populations and Langston Hughes is very proud of its efforts to facilitate and encourage culturally competent and relevant programming capable of representing the often hidden diversity of the Puget Sound. Indeed the mantra of “cultural competency” is almost constant in regard to this publicly funded facility. And, talking with Cawaling, it is not difficult to discern that these priorities also represent the fundamental values directing their management practices.

To begin with, Cawaling is much more of an artist than a businessman. He served as the Langston Hughes Associate Artistic Director prior to assuming the role of Managing Director. Seattle's performing arts community celebrates him as much for his work as a performer and creative collaborator as for the lead administrative role he assumes at the center. Cawaling talks about people, connections, and the amazing ability art has to bring people to common ground. He passionately drives discussion away from org financials, policy restraints, and funding challenges toward the creative vitality inherent in giving the community he represents a voice, a place, and a cause. He is a brilliant salesman. In part, possibly, because he never brings up price.

Unlike Seattle's Mayor's Office of Arts and Cultural Affairs (MOACA) - radically downsized and reorganized in 2001 due to the city's overwhelming budget constraints - Langston Hughes is nestled comfortably under the massive protective umbrella of any outdoorsy Seattle's favorite recipient of public funds, the Parks and Recreation Department. The operating budget for Langston Hughes – salaries, software, facility maintenance, etc – is completely covered by city funds. The only fundraising the organization executes is done solely to pay for programming. Cawaling said that some discussion has taken place about situating Langston Hughes within the oversight of MOACA instead of Parks and Recreation. He is adamantly opposed to this idea. And politically, his opposition makes sense. His organization is much less likely to be singled out within the larger jurisdiction of Parks and Recreation. And the constant reiteration of Langston Hughes as a community cultural center – rather than a MOACA performing arts facility, for example - is no doubt more appealing to the organization's mission, constituent base priorities, and institutional set of values.

Cawaling says that, unlike many other area organizations struggling to stay alive, his challenge is often confronting the perception of Langston Hughes as “too sustainable.” He says he is asked year after year by PONCHO why Langston Hughes really needs PONCHO money. Cawaling says the answer is always the same... and always very simple. The city doesn’t pay for Langston Hughes programming. If they are going to do anything worthwhile for the community, they have to find funding somewhere else. This seems to work. Langston Hughes gets the money. Although, PONCHO’s preoccupation with efficiencies (which we will discuss at greater length in the next section) is likely to ensure that Cawaling will be asked to justify his organization’s need every year the organization applies for PONCHO funding.

Langston Hughes and Cawaling are mighty representatives of the “public purposes of the arts.” Their orientation is particularly set in the direction of cultural diversity. Their creative work is often community generated and often lacking in the sophistication and spectacle of the largest professional nonprofit theatres in town. However, their reprieve from the constant pursuit of operational costs has allowed them to forego the economy of scale practices and the drive to maximize box office receipts to a large degree. This is a unique luxury within Seattle’s performing arts community. However, the value pursuits at Langston Hughes are not completely devoid of financial overtones. Cawaling says money does have a role to play in encouraging the community to place value on the arts. Their summer youth program, which recently began charging families \$200 for children to participate, in turn rewards dedicated youth performers with a \$250 stipend. The kids are making money on the deal, but the up front payment, he says, encourages families to invest in their children’s experience. He says they have also



started charging money for performances and that this encourages people to actually attend. Before, when tickets were free, many tickets would be procured - but never actually used.

Unlike many of the other arts organizations in town, Cawaling and Langston Hughes are not proactive in their pursuit of community partnerships. They don't have to be. The community – including both the established regional performing arts organizations and the many other diverse cultural representatives within the Puget Sound – come to him. Langston Hughes is consulted every time the big organizations want to add a bit of “color” into the mix of prototypically white representations. Additionally, the center provides facilities, encouragement, and advice to the myriad troupes of ethnic representatives that rarely approach or patronize other mainstream arts establishments. They have, in a sense, everything that so many other local organizations are desperately trying to tap into – community relevance and support.

However, there is a sense of detachment that is important to acknowledge. Langston Hughes & Cawaling are not preoccupied with negotiating the same power & funding structures that sustain so many of the other organizations in town. They are not always present or represented in either the formal or informal gatherings of performing arts leaders in the area. And, although, they successfully champion the minority populations within Seattle, their discourse with the white world takes place from a “public” rather “private” vantage point.

To some degree, it must be recognized that this is a very artificial environment. Art and diversity dominate the value discourse because resources are perceived as a “given”... they will be there regardless of the number of tickets sold or the interest

certain community philanthropists do or do not have in their efforts in any given year. Do public entities with guaranteed resources permit the dissolution of traditional power structures to some degree? Of course. Is it possible that housing a cultural organization like Langston Hughes - dedicated to diversity in a predominately white community - within a public recreation department, actually limits the community's debate surrounding issues of race, class, and equality? This is a more difficult question to answer.

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### **4.3 Case Study #2: Gordon Hamilton & PONCHO**

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The PONCHO offices are in downtown Seattle. On weekdays, you will find the suited men and heeled women of Seattle's corporate world walking the streets below. The office lacks proximity to any of the area's performing arts institutions and is significantly distanced from the neighborhood cultures and collectives that you might find in places like Capitol Hill, Fremont, or Georgetown. PONCHO's Executive Director, Gordon Hamilton, might also be described in a similar vein. Reserved. Polished. And at times... very difficult to engage. PONCHO's purpose is to raise funds from individual major donors - primarily for the benefit of Seattle's "elite" arts organizations. PONCHO's mission serves the institutional aesthetics of a very select group of people.

Typically described on the street as "a rich white man's club", no apologies are made and few justifications are extracted when PONCHO is pressed to defend their funding priorities and practices. Afterall, while they may be a not-for-profit, they are not a public arts agency. Their job is to keep the region's wealthy donors happy (and donating!) – not the motley and often conflicted masses. Hamilton sidesteps underlying equity issues by vesting authority in the men who sit on his board of trustees. He doesn't

presume to question or contemplate their choices. He is happy to be able to provide future generations with the cultural legacies that organizations like the Seattle Symphony, Seattle Repertory Theatre, and Seattle Art Museum represent.

Hamilton says that PONCHO has shown a growing interest in supporting more of the mid-tier arts groups. He believes these secondary organizations provide a large number of artists the chance to live and work in the Puget Sound full-time. When asked if there may be too many artists or organizations for the local economy to support he is very matter of fact in his response. No. If there were, they wouldn't make it. PONCHO is not someplace you will hear stories like Lori Larsen's – one of Seattle's favorite local actresses – who's been earning less at some of the Equity houses in town now than she did when she first started working for them thirty years ago. There is nothing relative about Hamilton's assessment of large numbers of artists being able to make a living locally. And, his prediction that the most likely cause for financial crisis in an arts organization is their inability to cut costs, neatly wraps up his differentiation between the microeconomics of for-profit and non-profit management.

Another focus point of the interview was Hamilton's assessment of PONCHO's work in terms of establishing or promoting cultural policy in the region. He was noncommittal to the idea that by simply deciding which organizations in town deserve to be funded, PONCHO plays a significant role in determining the overall cultural ecology. He said that his job was to make sure that individuals were supporting the arts. ArtsFund's job was to make sure corporations were supporting the arts. WASAC's job was to make sure the government was supporting the arts. For the leaders of these organizations to get together and determine what each of them should be doing to support

the arts... would simply lead them back to what they were already doing. Their time would be better spent pursuing the objectives and interests of their own organizations.

PONCHO does regularly convene a group of local arts leaders to discuss issues. Hamilton did not bring this up, however. These meetings have been referenced both in the research surveys and by Laura Penn at INTIMAN. Whether by intentional omission or simply the limitations on the scope of the interview, Hamilton did not advertise what so many in a more public context might. However, since these meetings are of an invitation only variety, interest by “outsiders” in the content of these discussions may be viewed as inappropriate... or simply unproductive.

In terms of validity, I would be much remiss if I did not acknowledge the difficulty this interview posed to me as a researcher. I have often wondered why Hamilton consented to the interview when he seemed to be so reluctant to discuss the complexity of the environment in which he and PONCHO operate. I was also made aware at the very onset of the meeting that he had recently seen a job application which I had submitted to the organization. Consequently, when he pulled out The Empty Space Theatre’s funding application to discuss the significance of contributed income to earned income ratios in PONCHO’s grantmaking decisions, I was a bit perplexed by the potential undercurrents of the encounter.

However, I’ve come to believe that my personal experience and discomfort may not be too far removed from what many of the area’s small to mid-sized arts organizations feel when they are invited to interview with PONCHO’s board. Potentially lacking the budget, history, proximity, or world view to be assimilated into a very homogenized and exclusive set of priorities, many leaders of arts organizations will be

forced by this kind of encounter to confront questions of value. Do we want to be valued by this particular part of the community? Do we have to change who we are, how we operate, and who we represent in order to do so? And, because PONCHO and other elite area organizations are not committed or necessarily benefited by open exchange, the pressure to transform is concentrated on the struggling mid-tier organizations that may find a way to adapt... but may never break through the intangible human barriers that protect the status of the top-tier organizations and the powerful local families that originally created them.

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#### **4.4 Case Study #3: Charlie Rathbun & 4Culture**

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Back in the realm of public funding, Charlie Rathbun, 4Culture's Arts Program Director, spun the wheel of value and perception around once again. Rathbun who has been aiding King County's efforts to support arts and culture for over two decades now, is another public servant who just might prefer to self-identify with Seattle's disenfranchised community artists - rather than a public director/facilitator of economic enterprise. He's got some of those old school theatre artist tendencies left. The morning of our interview I found him smoking outside the building, running lines. A copy of my preview questions in hand. His interview was dotted with colorful profanities – strategically inserted these days – but nonetheless suggesting Rathbun might yet delight in that “sticking it to the man” agitprop that shaped so many of his generation's aesthetic sense of civic duty. And - he is decidedly focused on the plight and struggle of the individual artist.

If I had meet with Jim Kelly, 4Culture's Executive Director, I have little doubt that a very different set of cards would have been displayed. Kelly faces the other

direction – toward the State and local politicians, toward the voters, toward the public funding policies that threaten to sustain or dissolve his organization. Rathbun, on the other hand, has the privileged role of supporting the innovative and remarkable people in his community. Yes, the big art organizations in town do have a role to play - and Rathbun helped create the guidelines used to determine how that role translates into public funding – but it is the unique and talented *artists* who win over Rathbun’s heart.

And his affection is in no way market driven. He is not looking for the traditional signs of organization growth or investment returns. He acknowledges that the accounting and financial concerns of his organization are managed and addressed by a happy band of Asian women – not by him. He had dutifully looked up Baumol & Bowen’s Cost Disease theory in preparation for the interview and the difficult-to-pronounce Sarbanes-Oxley regulations did make his list of current challenges facing arts organizations. However, Rathbun is simply much better versed in the rhetoric of arts equity than arts economics.

Last summer Rathbun participated in an organized debate addressing the sustainability of arts organizations in the area. The debate questioned whether or not Seattle was home to too many arts organization and whether or not the arts community as a whole would fair better if some of them were allowed to die. He spoke up for the belief that every organization/artist rewards the city in some way. And, as 4Culture’s policy is to try and award every community cultural organization that submits a grant application with some amount of support, he knows explicitly the consequences of that course of action. The number of cultural organizations in the area has exploded over the last two decades. And the strain on resources that results from these increased numbers makes the distribution of meaningful grant awards difficult at times.

However, Rathbun says that it is not the role of his grant panelists to engage in the value assessments to determine what kind of art... what kind of audiences... what kind of artists... should be valued more or less than others. While these assessments are unavoidable to a large degree, formulas that assess participant numbers and budget size help to ensure that the cultural bias that is exposed in these assessments will be a little less raw. Rathbun will be the first to admit, however, that the process inherently excludes a great many of communities that operate outside the mainstream arts and culture community. It is hard to apply for a grant if you don't know 4Culture exists. It's even harder when the idea of a grant... or even modern American notions of art... are alien to your perspective of the world. And yet we consistently expect isolated cultural representatives to conform to our funding procedures... to expose themselves in front of intimidating grant panels... to defend their work in foreign tongues... to emphasize values and beliefs that may or may not belong to them. public terms

Rathbun had recently convened the leaders of King County's Local Arts Agencies to discuss this issue in depth. How do you create diverse participation – that crosses ethnic and cultural boundaries – into the creative efforts of these small community-based organizations? Unearthed in the discussion was the idea that the “mainstream” world loves it when “diversity” walks through their doors to participate in mainstream activities. However, it is rare indeed when the mainstream itself is willing to risk an awkward situation or alien environment in order that it might also be welcomed into the halls of diversity.

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**4.5 Case Study #4: Devon Smith & WET**

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The Washington Ensemble Theatre (WET) has been a bit of an anomaly in the Seattle theatre world. It has literally sprung from the mind of ex-Louisville slugger Jon Jory - now of the University of Washington Professional Actor Training Program - into full flight during the last two years. Jory's brainchild, however, hasn't produced a vehicle for his own talents. Instead WET represents another type of shielded protected and championed cultural legacy. WET is the current platform for a group of Jory-trained UW graduates, an academically & aesthetically exclusive group with an ardent belief in all things Suzuki. And, at least so far, this post-academic ensemble of privileged natives has managed to charm the cultural doyens of the city. Charm and a large influential social circle, however, have not been the only keys to WET's short-term success.

A young smart UW undergraduate with a double major in Theatre and Business – and destined for Yale's Graduate Theatre Management Program in the fall - has been serving as a "Business Consultant" to this, at times, noticeably self-important band of creatives. Over the past year she has been introducing basic business systems, "all those things that other people have already invented" and working with the ensemble to develop a strategic plan for the organization.

Devon Smith mentioned a number of times just how difficult it can be to get this emerging group of artists to think long-term or even just "past the next show." She also acknowledged the skepticism that often accompanies her suggestions to think a bit more outside the traditional black box of small theatre operations. WET shows currently take place in a small 49 seat theatre that the notoriously lucky group has been in possession of since its inception (thanks again Jon Jory). However, shows have been selling well and



discussion is already taking place about moving the ensemble to a bigger space. Devon has tempered the potential exodus from their Capitol Hill home by asking a bunch of questions.

Why, if WET owns our own space, don't we run the shows we create ourselves for eight weeks instead of four? Why can't we raise ticket prices for a show that is going well? Do we really have the data to support our belief that the theatre's audience/donor base has grown enough to pay for the rent & operating costs of a larger space? If loans are used, will the ensemble be able to pay them back in a reasonable amount of time? Isn't one of the reasons people currently support WET because attending theatre in the current venue such an intimate experience? Smith says that she thinks that this type of questioning will stay with the group when she leaves for school in fall... although... attention to accounting practices may potentially backslide.

Smith says WET has also been working with Shunpike, an organization dedicated to giving small theatre groups the tools necessary to become better administrators and business managers of their creative efforts. Additionally, a few of the ensemble members have enrolled in the Theatre Management Certificate program now offered at UW. Each of the artistic members does assume an administrative role in the organization in addition to contributing to the ensemble's creative efforts. However, their organizational culture is still decidedly oriented around the art and aesthetic priorities. Smith says that it is hard to make it through a company meeting without the conversation reverting to creative debates. Also, if you don't make the art, you don't get to vote.

As an ensemble, even if they were more business oriented, it can simply be difficult gaining consensus within the group... much less getting anything done. But they

have had some organizational guidance from the masters. They are being mentored in organizational structure by members of the Pacific Performance Project and Cornerstone Theatre Company. (See...I told you they were lucky bastards!!). This collaborative culture is a priority for WET and it infuses everything they do. Even their designers are part of the rehearsal and training process of the group. Technical designs for sets and costumes and lighting and sound evolve out of & change during the generative process of a creative work. They are not budgeted for and partially built before the performers ever set foot in a rehearsal studio as occurs with most other theatres... even most ensemble companies. Few, if any, groups like WET in the nation have resident designers working with them full time. However, it remains to be seen whether or not WET can sustain these activities long term.

The reason WET exists at all is because nobody is really getting paid. WET is made up of those youthful passionate creative beings that Charlie Rathbun describes as being able to “live on air”. Smith said that this issue, however, more than any other threatens the future sustainability of the group. Burn-out is eminent... especially because people are also sacrificing time and energy to do the administrative work of the organization... which they don’t love enough to do even if it doesn’t feed them. Smith says that it is likely that job duties will have to be split up... and/or someone is going to have to start getting paid to perform certain duties if WET is going to work.

And along with the pay... will come a whole new world of legal obligation and fiscal administration that Smith isn’t too sure WET is ready for. After all, they wouldn’t even have the basic HR workplace posters around if she hadn’t told them that these documents existed in the first place. Smith does say they do pay attention, however, to

arts issues. The ensemble was very cognizant of the “Performer Stipend” legislation that was being debated in Olympia this year (See Chapter 3 for more details). However, she often served as a translator of the “legalese” that was presented by policymakers to the arts community. This potential lack of professional world comprehension/compliance is not a symptom of too little interest or ability to manipulate the systems that have been put in place. It is simply that both the academic and theatre worlds require versatility in different systems.

Furthermore, there is an unspoken social hierarchy within these systems. The hierarchy can be identified in the challenge WET now faces in regard to severing and/or maintaining its ties and connections with the University of Washington. Despite the contemporary emphasis many funders now place on institutional collaboration, WET often feels pressure to sever ties with UW (those that exist and many that do not!) in an attempt to prove to grantmakers that they are a “financially independent” organization. Smith feels that WET has in fact already moved beyond the initial liberties afforded them by their connection with the University. She says, if anything, they are disproportionately sustained and supported by fellow theatre artists in the local community. And, because of this, are often faced with the challenge of economic reciprocity that infuses an audience made up of other producing artists; that sense of “I’ll support your work if you support mine”. As WET’s golden-child glow waxes and/or wanes, their need to diversify income streams may take them in new directions. In preparation, Smith’s strong entrepreneurial spirit may be another grand gift to bestow on the sensibilities of the ensemble before she departs.

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**4.6 Case Study #5: Susan Trapnell & ACT Theatre**

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A Contemporary Theatre (ACT) has a complex and notably controversial history. And without some background, Susan Trapnell's assessment of "access" or "equity" objectives for arts organizations as an "unfunded mandate" may hit delicate ears with community arts sensibilities with blunt and unbecoming force. Trapnell and her organization operate under the auspices of a very different collective conscious than Cawaling, Rathbun, Smith, or even Hamilton have so-far acknowledged or addressed. ACT, as one of Seattle's largest producing performing arts institutions, is situated among the privileged beneficiaries of the wealth often channeled through organizations like PONCHO. However, Trapnell's rock-solid business acumen has not been born out of an easy association with an isolated pool of major donors. Unlike Hamilton, she and her organization often bear the brunt of public scrutiny (and often criticism) whenever the value of the arts is debated in Seattle.

ACT, like a number of other performing arts organizations in the area, has narrowly escaped shutting its doors in the last five years. And while a million dollar donor narrowly saved the organization from this fate three years ago, it is really Trapnell who returned from her post at the Guthrie theatre to reapply her executive savvy and professional realism on ACT's behalf, that earned the organization its dramatic reprieve. Her transparency, honesty, and obvious care for the role art plays in intergenerational human life is also contagious. And, as she openly shares the lessons she has learned from thirty years in her profession, it is possible to truly grasp the vast conceptual divide that exists in the region's performing arts leadership.

Trapnell knows her business. She also knows that many young arts leaders are capable of being led astray by funders and board members who only think they know theirs. She strongly warns of the danger behind adhering too much to “a business mentality on the board but not an entrepreneurial mentality”. Trapnell says that in her experience developers and CEO’s offer better board service than your typical professional member... not because they might have more social capital or money... but because they know “all life... everything, is about risk and all you are trying to do is manage that risk.” Too often, and she thinks the Sarbanes Oxley regulations have further promoted this misconception, board members believe their only function is that of an accountant.

It is also fascinating that Trapnell is so ready to challenge the adoption of corporate or for-profit notions of value as being of service to the arts. She describes society’s use of profit margins as an indication of prosperity, progress, or community vitality as something akin to “the Emperor’s new clothes”. Nobody can see it. Nobody believes in it. We just pretend to... fearing the potential alternatives. “They value themselves based on what they take from the community,” she says speaking of the for-profit world, “we value ourselves based on what we leave in the community.” And she warns that what exactly is left in the community will never be accessible to metrics incapable of extracting measurements beyond the short-term time frame of one or two decades or even the complete lifespan of a creator’s generational peers.

Trapnell says that the deregulation of the corporate world combined with a tax-free political agenda results in the greater dependence on not-for-profit organizations for social improvement. However, without public funding, the pressure to support all these

mission driven efforts is transferred to philanthropists. She recognizes that the arts community must become more actively engaged in the overall preservation and promotion of healthy communities if they hope to retain the support of these donor activists.

She sees artistic expression as a representation of the healthiest aspect of a society. And she doesn't think our desperate "need" for resources is equitable to those demonstrated by those of social service agencies. She believes the arts community would fare much better if it were capable of repositioning itself as part of the solution rather than an additional burden. However, at the same time, Trapnell is keenly practical about what a \$25,000 donation can and can not do for her organization. "It's not going to do anything but allow you to actually create work this year," she says, "and that will... you hope... build a stronger relationship with people for the next year, develop some artist that was not known before, create some artistic energy in the ether that will last in peoples minds... and teach us something about our own capacity."

The civic portfolio that she says a donor invests in when making a contribution to her organization will also yield simple returns: an organization that is aboveboard in its activities, one that pays its workers fair and responsible wages, one that acts like a community citizen, and one that does consistently good work (and maybe sometimes even great). However, these simple returns are enough she says for her donor partners. Trying to go too far beyond what you are capable of producing with the amount you are given to work with is typically a good part of what mars the value a donor perceives in the efforts of an organization.

The point is not that arts organizations must offer society something greater than what they already produce in order to be worthy of support. It is simply the attitude of waiting for crumbs to fall from the philanthropic table that Trapnell takes issue with. She feels ArtsFund's proactive positioning of the arts community within the Prosperity Partnership was a step in the right direction in this regard.

Aligning with both arts and non-arts not-for-profit efforts against the current public/corporate attitudes surrounding public funding allocations – rather than succumbing to competitive behaviors and attitudes regarding appropriations - is another point of advocacy. She says that the arts community in Seattle must work hard to “get away from the mentality that you want what the other guy has”. She says that collaboration and negotiation always break down when people lose track of what their own organization needs to gain ground because they are too concerned with what the “other guy” might be getting in the deal. She was proud of the recent work ACT, 5<sup>th</sup> Avenue Theatre, INTIMAN, Seattle Repertory Theatre, and the Seattle Children's Theatre had completed to negotiate a \$2 million collaborative transaction with donors that allowed all the organizations to jointly upgrade their ticketing systems. She said that a few of these groups were now looking at new ways to leverage future opportunities through ongoing collaboration. Analysis of what might constitute a healthy support ecology for small, medium, and large organizations, however was a project that could not be done without effective leadership.

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## 4.7 The Regional Survey

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In February of 2006, a regional survey of both arts managers and public officials was conducted in an attempt to expand the study's scope of informants. Unfortunately,

out of 240 targeted recipients, only ten completed instruments were returned.

Coincidentally, five of these were completed by arts practitioners and the other five represented the viewpoints of public policymakers. While this division does little to improve the generalizability or quality of the data collected, it does guide the first step in the cross-analysis of the instruments. However, more than anything else the surveys help to corroborate the significance of themes and issues brought to light in the case-study interviews.

It is important to recognize that the survey respondents (especially those perceived primarily as policy informants) are comprised of people who obviously value the arts. (They took the time to fill out the survey and return it to an out of state address, afterall!) The group's average personal value rating for art is a high 9.7 out of 10. They collectively rate the value arts have on the Puget Sound as 9.3. And when they were asked to describe what factors they considered in determining their ratings the responses are very similar across the board: the ability of art to tap into and expand the soul of humanity, quality of life, community involvement, personal and public financial impacts, cultural identity and pride. However, they all said they believe that "arts administrators think about community value in a different way than public officials do".

It was intriguing to find – almost verbatim – the same message coming from a number of the arts administrators. As Kevin Maifeld of Seattle Children's Theatre put it, "we, as nonprofit leaders, are always focused on community value." Ok... and what about our community leaders? Doesn't that seem like something they would naturally be doing as well? Well... maybe not. Public safety, majority opinion, and economic impact data seem, at least to a handful of people here, to trump the idea of value in the policy



arena. This reflects an idea that Susan Trapnell brought up in her interview as well. She did not talk about “public safety” exactly but about the positioning of government as a “safety net” operation. This positioning sets up a system where, for example, instead of funding health care... you only fund people who are about to die. Money only trickles down out of the system when there is an emergency that can’t be ignored. The overall goal is to keep the social straightjacket patched not necessarily to build up unquantifiable “value” reserves. However, not everybody on the “arts team” joined this rhetorical track. One astute observer pointed out that “theatres serve a niche.” And, really, this “niche” business is a big deal in Seattle.

Any leader of the large performing arts organizations funded by PONCHO is going to tell you that private donors should be allowed to decide what they want to do with their money. Additionally, they will be among the first to bring up the idea of “excellence” in the arts. More than once, however, representatives of smaller organizations comment that, in terms of artistry or community relevance, the contribution these larger organizations make is often “close to zero”. They are perceived by some as resource gobblers and as institutions incapable of withstanding too much adversity. Although these organizations provide the only wage structures in town capable of supporting artists full time, the artists who depend on these organizations are also very aware of the tenuous nature of their survival. They worry, that because funding streams have been withdrawn and compartmentalized, the mid-tier organizations that in a healthy system might be able to step and fill the gap if these organizations fail... simply won’t be there. (Remember... there are lots of reasons organizations fail. Poor management is a factor and the death of an organization might not just be an issue of what “the market”

can or cannot support.) So the question is... if Seattle's arts "community" is itself so divided, is there a validity concern to address when we appropriate community value as our primary domain?

The survey responses also promoted the repositioning of art as a "community solution" arena rather than an "extra" in terms of public spending. However, this idea again often appears to be something that fails to be internalized systemically by the creative community itself. While emergency fundraising campaigns like the one held by The Empty Space last year, tend to provoke incredible grassroots response designed to resolve crisis, the energy and collaboration that fills out these efforts find few outlets in the day to day. Granted, a few true exceptions to this rule do exist – notably the efforts of Theatre Puget Sound and Shunpike Arts Collective who have made it part of their mission to bring the different sectors, organizations, and people together to collaborate in proactive community building. However, there are obviously links missing in the "food chain" (as one respondent described this arts community) when the Managing Directors of The Empty Space and INTIMAN still haven't met after over a year of city co-habitation. Informal meetings between arts leaders are described as common. However, Seattle does not excel at "official" conventions outside common fundraising events (like the PONCHO auction or the annual ArtsFund luncheon). And it may behoove us to contemplate why exactly this might be.

Seattleites are commonly described as being afflicted with a funny social trait known as the "Seattle freeze". Due to this cool quality, interpersonal relationships in the moody gray region typically solidify and stop moving forward once a polite superficiality has been achieved. But what does the freeze have to do with the arts organizations?

Smith's earlier assessment that WET members must be active audience members as well as creative members of this art world hints at the basic nature of the beast. If you don't or can't help me to get what I want... there is little incentive for me to work with you further. Simply because... there is no big plan... there are no big leaders... and the leadership that does exist are divided either by a common pursuit of funding streams or a natural preference to entertain the perspectives of one population rather than another. The natural laws of entropy no doubt encourage a natural dissimulation of this kind. But, on the other hand, Seattle is a relatively small theatre town! And because there is a tenacious and talented concentration of young "starving artist" types here, donors, politicians and the general public are encouraged by this quantifiable fact to assume Seattle is also a "good" theatre town. The Cultural Vitality Index put together by the Washington State Arts Commission further promotes just such a notion. But is it?

The coming together of private and corporate donor pools that freeze out certain kinds of arts efforts and allows for a publicly acceptable limitation of the community's philanthropic efforts is a problem. The problem escalates when it is combined with the cap on public arts appropriations and a public policy perspective that at the same time forces the ongoing spread of resources to a growing number of public funding applicants. This is not an open free-market by any means. And may in fact be a system that further encourages the depression of professional artist wages. If everyone who applies for a chunk of change at 4Culture gets something, why not apply? It encourages people to begin... but, then, when growth or sustainability is pursued, there is nowhere for them to go... and no way for "the competition" to shake things up.

# **CHAPTER 5: PROMOTING FORCES & CONCLUSIONS**

**CHAPTER 5****5.1 A Good Place for Theatre**

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Unfortunately, very little of this work is easily encapsulated within neat solution packages. The theoretical context, the sociopolitical environment, and the role value plays in a healthy arts community are all unwieldy subjects to maneuver, much less drive conclusively to a repair shop. The importance of this work lies in its ability to encourage people to consider the complex layering of what may seem like everyday or unconsequential behaviors or routines.

The funding system for the arts in America is rooted in routine patterns of fund solicitation and allocation. And for many of us who work within the American not-for-profit context, we believe we know what we need to do in order to achieve our immediate needs and objectives – write grants, wine & dine major donors, send out bulk mail requests, telefund, hold fundraising events. However, despite our facility working within the system, many of us lack the time and resources to adequately assess what motivates our actions or where our actions are leading us long-term.

Seattle and the Puget Sound are often described as “good” places for theatre. There is certainly a complex and passionate performing arts community within this region. This year INTIMAN Theatre was awarded the 2006 Regional Tony Award. Nationally recognized playwrights like Jordan Harrison are electing to call places like the Empty Space “home”. The new Youngstown Cultural Arts Center just opened in West Seattle. There is an incredible listing of fringe companies in the Theatre Puget Sound directory. However, “good theatre” is not necessary the same thing as a “good place for theatre”. INTIMAN, The Empty Space, ACT and a number of other regional organizations are consistently operating under a deficit. It has been many years since any

of the smaller organizations have been able to make the leap into a professional context. Funding streams with an acceptable tradition of being tied to the arts are still under scrutiny and fire. Donations per capita are less than the national average despite the region's educated liberal sensibilities that engender the art in the first place.

In this chapter we confront some of the forces promoting the adoption of market values and behaviors head on. Their identification is useful if we want to better understand what kind of arts community the Puget Sound is now and may be in the future. The challenge *now* is to come to terms with the idea of “a good place for theatre”. Unfortunately, some people, organizations, and cultures will always have more “good” thrown their way than others. However, this system might be better for us all if we begin to think about this environment strategically, holistically, and cooperatively.

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## 5.2 The Promotional Forces

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*What forces in the Puget Sound are promoting the adoption of market values and behaviors within the regional performing arts community?*

This study identifies and discussed the following ten forces:

### **FORCES PROMOTING MARKET VALUES & BEHAVIORS:**

1. Direct Legislation
2. Direct Competition with For-Profit Entities for Public Resources
3. Priorities of a Centralized and Restricted Private Donor Pool
4. Adoption of a Publicly Acceptable Rent-Seeking Rhetoric
5. The Pursuit of “Legitimate” Efficiencies
6. The Sarbanes-Oxley Legacy: An Accountant-Entrepreneur Divide
7. Cross-Sector Migration of Administrative Professionals
8. The “My Piece of the Pie” Syndrome
9. A Splintered Arts Community
10. Declining Civic Participation

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### 5.3 Direct Legislation

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Legal obligation is a persuasive force. It is by nature designed to direct behavior and outline a communal sense of order and value. Consequently, the pressures exerted by the ongoing legislative discussion regarding the local arts community will make a mark on the sector regardless of whether or not laws are actually adopted. Washington's legislative body brought a number of items to the floor during their last session. One item in particular, however, does a good job illustrating the trend to promote business world systems and practices on all arts organizations. The proposed legislation would radically alter the practice many small performing arts organizations have of providing performers with small monetary stipends for their work. The most extreme outcome of this proposal would require the elimination of all stipend payments and the payment of minimum wage and payroll taxes to all performers who contribute a certain amount of time to the efforts of the organization. The natural conclusion of this proposal would be the elimination of many "fringe" theatres... a sector situated precariously between the realm of amateur or hobby arts participants and the professional theatres. And, if the demise of the mid-sized professional arts organizations is any kind of indicator, it is very unlikely that many of the groups in question would be able to raise themselves to the next professional bar.

What is important about this legal debate is the fact that it forces the arts to either place themselves fully in the domain of commerce... or beg and plead for special dispensations. While arguing on one hand that arts are a legitimate contributor to the economy in order to back up their pursuit of public funding, the same organizations are forced to turn around and rescind their abilities to contribute even the bare economic minimums needed to sustain their employees. No arts administrator wants to be in this

situation. And, because the natural human inclination is to find a way to prove the arguments that benefit you the most, the conflict pushes many people to assimilate the style and trappings of the dominant operational paradigm.

This conflict does not necessarily lead every artist or manager of an arts organization back to school for an MBA or even imply their use of standard accounting principles. Remember, the performing arts are full of mimics. We excel at putting on really good shows. And, although the “fake it ‘til you make it” mentality has been known to work on occasion, the trouble here is that many of us don’t exactly know where we are going... or what it will take to actually get there. But... this is also true for legislators. Legislators, as arts patrons and supporters, are often cast in the role of affluent ticket buyers or trustees. And from this standpoint it is easier for most people to conceptually align the arts with the fortune-&-fame-making movie studios than the local food bank. So, in the end, a legislator’s sympathy for organizations affected by reductions in state arts allocations is likely to be no less superficial than an artist’s appreciation of a balanced biennial state budget.

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#### **5.4 Direct Competition with For-Profit Entities for Public Resources**

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Taking the issue of direct legislation one step further, we will land resoundingly in the center of public for-profit preference. The proposed dedication of King County’s Lodging Tax to support demands made by the Seattle Supersonics NBA Team Owners is a fascinating unveiling of regional values, attitudes, and preferences. Not only does it demonstrate the “needy” qualities which remain inherent in firms situated fully in the market domain, but it further suggests that the boundaries between the for-profit and non-



profit systems may actually be enjoying some heavy-handed encouragement to crumble... at least from some interest groups and their adherents.

Although team owner and Starbucks CEO Howard Schultz was not able to win over the Seattle City Council as easily as he did a number of Representatives and Senators in the state legislature, he came very very close. And, although many of Seattle's residents were perplexed by the notion that their tax money should be used to support any faction of the NBA, it is generally thought that given more time and a little less of the "pay up or we're leaving" slogans, he just might have gotten his way. And, really, this potential victory isn't surprising in itself. American government is generally very comfortable with the subsidization of commercial industries. Incurring debt on behalf of the profit margins of a few multi-millionaires happens happily all the time. The compelling aspect of this deliberation was Schultz's ability to get the issue on the table... and the passive "we'll take what we can get" attachments arts leaders made to his cause.

The pending sunset of the King County Lodging Tax has been an item of concern for regional recipients of public funding for a number of years now. However, despite the anxiety inherent in the thought of losing these funds, forcing the legislative issue to the floor has never been encouraged by advocates or inside supporters. This provokes the question - when, exactly, is it a good time for arts and culture to stand up and ask to be identified as a priority? And, will the fundamental outcome of the Culture Wars be the promotion of commercial culture at the expense of all others?

The organization best placed to strategize and promote the distribution of future lodging tax income solely to regional arts and culture enterprise should also be queried about its motivation to align and integrate with the Sonic's proposal rather than stand as

an alternative recipient of the funding stream. No doubt the leadership of 4Culture felt better knowing that, if the Sonic's demands were met, they would not be left out in the cold. And, after all, collaboration is imbedded as a core value into their funding deliberations for grant requests. Why shouldn't it apply to their own organization as well? But, aligning with the Sonics to acquire funding brings up a whole new facet to the access & equity debate. Who should have access to public funding and why? This question is often asked when deliberating between nonprofit organizations. Now, however, arts organizations in Washington seem to have invited a new set of players into the field – for-profit economic impact tourist machines. What will we do to compete with these organizations? How will we change our own criteria for success based on this equivalency. And how will we train the people who deliberate over future decisions such as these?

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### **5.5 Priorities of a Centralized and Restricted Private Donor Pool**

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The compilation of many corporate and private donor funds into a handful of central funding pools has to be considered as a strong ecological force in this community. Organizations like ArtsFund and PONCHO are essential streams of support if you intend to operate at a performing arts organization at a professional level. However, everyone that encounters these organizations will soon find they share a very common outlook on making funding decisions. These organizations, like the men who run them, are not likely to be persuaded by equity arguments. They are quite comfortable saying “no”. And, although they might not ever see your creative work, they will scrutinize your bottom line. They are truly a force advocating business values, behaviors, and priorities.

Within many arts organizations there has been a push to “diversity funding streams” in order to encourage stability. Managing risk for most seems to mean less dependence on one or two sources of income... one or two foundations... one or two major donors. However, in the Puget Sound, many of the donors, the foundations, the corporations all come together and deliberate over the same pile of grant applications twice a year.

Compiled within this system are priority attachments to the “legacy projects” of these donors. For some people this means that Seattle Repertory Theatre will always receive a certain level of financial support. For others, it means they will continue to hire legislative advocates year after year to promote capital spending at the state level. And, as private donors, the arts community is challenged to find fault with their philanthropic interests or endeavors on their behalf. However, like the ostensibly civic work of the corporate elites involved in the regional Prosperity Partnership, the policy and consequent financial directives that result from these efforts are fairly undemocratic and politically inaccessible to the vast majority of the community – creative or otherwise.

This system is very corporate in that regard. And becoming part of the “in-crowd” requires that you invest both personal and institutional time, energy, and resources assimilating certain perspectives and rituals into your day to day operations. This force further promotes the stratification of the fringe and professional organizations simply because it is very difficult to accommodate certain expectations without a comparable and consistent level of resources supporting your work. And, it is hard for smaller organizations to woo the appropriate people (those involved in these central funding worlds) to board service simply because so many lack the perquisites offered by the larger institutions.

Even some of the larger institutions feel the pressure of being outside the “legacy” pool. The INTIMAN Theatre, one of Seattle Center’s independent performing arts organizations, is currently conducting a fundraising and repositioning campaign to combat their perceived second-class status. However, breaking through that intangible barrier is proving difficult. Attaching Tony Award nominations to your Artistic Director’s profile, winning Municipal League Civic Awards, or becoming the first performing arts organization to join The Independent Sector... hasn’t yet had the impact they might have hoped for. Size and longevity still trump community engagement, artistry, and innovation. And for some of the smaller organizations looking on, INTIMAN’s efforts are only emphasizing their own precarious positions – too dependent on the occasional angel donor – facing smaller public allocations – and seemingly unable to alter the system.

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## **5.6 Adoption of a Publicly Acceptable Rent-Seeking Rhetoric**

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There is a way of talking about the arts that seems to appeal to government officials and corporate donors. And adopting this rhetoric within the official intersection of the spheres is kind of like the child of a foreign immigrant to America being encouraged to speak only English outside the home... and maybe even forced at times to use it inside as well. Assimilation means something cultural must adapt and change. This is not a bad thing. The challenge, however, is for arts leaders to prevent our pursuit of funding support from overriding our pursuit of arts support. For example, if the economic impact of a business on a region is really what should be used to qualify arts organizations for public support, then - in Seattle at least - Starbucks baristas should probably receive a portion of the annual state arts funding to supplement their tip jar

donations (they are a sizeable part of the culture here afterall) and I'm fairly sure Bill Gates would also appreciate his share of public arts and culture funding as well.

It may be true that without money, nothing can happen, nothing can be produced or improved, nothing can be sustained. However, when arts "support" is always equated with money... when value is always associated with price or with a generalized understanding of economic accounting... there is no way to detach the improvement, the event, the production, the sustenance from that same evaluation framework. If you argue you are worthy of money... you must upon receipt of funding demonstrate your value in economic terms. If you argue you are worthy of community involvement... you must when the opportunity for participation occurs demonstrate your value in terms of community growth. So what happens if we argue simply that we are worthy of art?

This analysis perhaps oversimplifies a complex issue. However, when collectives are trained to "say what they want to hear" rather than struggle through the challenge of true communication, something is bound to be lost. The cliché of communication breakdown is to treat those who do not speak your language as deaf or otherwise deficient. There is blatant cultural bias in regard to language in America. (You may recall President Bush telling us numerous times in the last few weeks that immigrants should learn to speak English.) There is also a cultural bias in regard to the arguments that can be used to legitimize arts.... and consequently demonstrate their value.

The same catch phrases and arguments are liberally employed by both the arts administrators and public policy officials who responded to the research survey in this study. Seattle is home to a relatively small community of arts advocates. Anyone who pays attention to the issues will quickly learn the "PC" responses designed to promote

most generalized arts causes. Slogans, like quantifiable ways of knowing, are seemingly efficient ways of dealing with a complex, nuanced, and ephemeral world. One can also stand a lot of people up behind them. But one good elephant gun argument might take out the entire line... and everything it has gained... with a single strategically placed shot.

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### **5.7 The Pursuit of Legitimate Efficiency**

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The survival of many arts organizations over the last five years has been predicated on their ability to cut costs and improve the efficient ordering of both their administrative and creative affairs. However, efficiently creating art and efficiently streamlining the business practices deemed necessary to professionally legitimize an arts organization are two very different things. And, for the organizations who have made a commitment to the adoption of business and administrative systems, it is difficult to ever again divert the application of resources away from the practices and investments that professionalize the organization.

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### **5.8 The Accountant vs. Entrepreneur Divide**

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Although board influence has been touched on in other discussions, Susan Trapnell's insight regarding effective board leadership bears repeating in the concluding analysis of this report. With the implementation of the Sarbanes-Oxley regulations and the ongoing demand for transparency and accountability in all not-for-profit organizations, many board members these days feel obligated to hit home the fiscal management systems and assume oversight in balancing budgets. However, this emphasis is potentially achieved at the expense of sound leadership overall. Trapnell emphasized the idea that accounting is different than entrepreneurship or even risk management.

Many board members have a difficult time embracing uncertainty or putting an organization at any type of risk –or taking on potential debt- even if it might be essential for the long-term health of the organization.

This point brings up the fact that “business values” or “ business behaviors” are very difficult things to pin down. Any one CEO’s perception of sound business practices will be very different that of any one staff accountant working for a public agency. However, because board members are regularly drawn from the social pool of people already connected to an organization, similar cognitive tools are often employed when important decisions need to be made. And since there are probably more accountants in the world than entrepreneurial CEOs, the trend toward accountability – where the rules of the business world are assumed to apply is likely to continue. Trapnell says she has witnessed many instances of this type of board leadership recently and that she has been called in a number of times by executive directors asking her to share her expertise with boards that may be myopically driving an organization in the wrong direction.

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### **5.9 Cross-Sector Migration of Administrative Professionals**

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There is something to the fact that over the last few decades ArtsFund was led by a man who began his career in the performing arts. Upon his retirement, however, the individual selected to lead the organization was someone who has spent the majority of his professional life practicing law. Additionally, PONCHO is now led by an ex-executive from Safeco. Neither of these men have a professional history in the arts. Neither of them have a professional history in the not-for-profit sector either. However, their skills and competencies were embraced by the individuals charged with their recruitment. This influx of professionals with experience and backgrounds beyond the

arts realm will necessarily have an effect on the sector. And their approach to innovation will also be rooted in philosophies with different objectives than artmaking.

This cross-sector migration is not just taking place in leadership roles. ACT Theatre recently recruited for an entry-level development position and was overwhelmed by the response from highly skilled business professionals overqualified in many ways for the job. In Seattle, there is a preponderance of highly educated labor. And able ambitious people are frequently available when and if you want them. Consequently, the influx of business/legal/marketing/accounting professionals without a background in the arts is happening all the time. And the sense that you have to “know theatre” or you have to “know not-for-profit development” or you aren’t qualified for the job... doesn’t really seem to exist. You might be more valuable as an ex-lawyer drafting production contracts than the ex-stage manager applying for the same job.

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### **5.10 The “My Piece Of The Pie” Syndrome**

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Inherent in our understanding of “the market” is the belief that firms compete. Common in just about everyone encountered over the course of this study, is the belief that the performing arts organizations in the region are in stiff competition for a piece of the proverbial pie. Consequently, competitive attitudes often override or interfere with opportunities for collaboration. This also encourages many people to talk about the arts community in “crowded marketplace” terms. And, when this occurs, the arts community often stops talking about collective growth mechanisms and begins to argue about whether or not there are too many creative organizations in the area. Oddly, this issue becomes particularly noticeable when the “value of the art” is discussed. Representatives of the smaller arts organizations are more likely to emphasize the fact that the larger arts



companies are not producing significant creative work. Despite the fact that the larger organizations are the only entities with the capacity to pay a living wage to artists in the community, the institutions are often systematically devalued on the aesthetic scale. Resources are encouraged by these arguments to shift to the more potent young-blood efforts regardless of what might be lost. Instead of turning the growing number of arts organizations in the community fact into an indicator of growing demand for a social good, aesthetic preferences encourage competitive attitudes and bolster the sense that there is just too much “bad” art-making going on.

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### **5.11 A Splintered Arts Community**

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Seattle’s performing arts community is informally aligned by personal peer relationships. The organizations in town with an interest in pulling the community together also exhibit a tendency to prioritize and cater to the needs of certain populations. Consequently the region is missing a cohesive forum designed to bring the diverse elements of the performing arts sector together. Although Washington State Arts Alliance has initiated a Cultural Congress within the last few years, the scope of their mission is too large to really be of service in bridging the divide between large/small, professional/fringe, actor/administrator, public/private performing arts concerns.

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### **5.12 The Decline of Civic Engagement**

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All the forces that keep people from the theatre – lack of time, education, resources, reference points, children, tv, etc. – have also had an effect on public attitudes regarding civic engagement in the community. The result is an increased pressure on local philanthropists to meet an ever-expanding set of needs as government support and

engagement drop out or stagnate. These issues combine further with general attitudes and concrete legislation regarding taxation in the state. Consequently, the support environment housing regional organizations is shrinking in terms of engaged participants, if not as rapidly in dollar amounts. The other facet of this issue is the problem arts organizations themselves face with remaining relevant and meaningful contributors to contemporary life. The “Seattle Freeze” associated with relationship building in the area – an often insurmountable break point that keeps people from becoming genuinely engaged or invested in one another- is also part of the arts culture.

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### 5.13 Secondary Analysis

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#### *How has the Puget Sound’s performing arts sector responded to these forces?*

The most remarkable trend has been the internalizing of systemic issues within the arts community. Instead of coming together collectively and seeking solutions there has been an emotional and generalized shift in thinking toward the competitive nature of the market. The adoption of these arguments may serve as a deterrent against other small arts organizations entering the scene, as a argument for the diversion of resources away from the larger flagship organizations, and as a way for funding applicants to ingratiate themselves with the priorities and prerogatives of the men and women who serve as board members for the regional donor pools. This competitive perspective has an adverse effect on advocacy efforts and polarizes the interests of the larger and smaller organizations.

***What are the perceived long-term consequences of this response?***

Within the community, the demise of one or two of the leading organizations (due to perceived mismanagement, poor arts offerings, dwindling public support) is always described as imminent. However, the trend in the region has been a cycling through of major donor support to sustain the infrastructure of failing organizations – pulling struggling organizations back from the brink of failure at the last minute. This pattern reinforces the tension between the larger and smaller organizations and keeps the attention of the community on immediate triage concerns. As Smith has experienced with her work at WET, it is very difficult to get people to think collaboratively about issues that may not readily be perceived as “non-arts”. This system, however, must be viewed as part of a complex social pattern that is rooted in many different “non-arts” arenas. If collaborative advocacy is trumped by competitive behavior and attitudes based on generalized economic assumptions... the system will be lacking in at least one force needed to encourage its positive evolution over time. Public subsidies for the arts will remain politicized rather than intelligently designed. Large institutions will be locked into perpetual existence – regardless of the life-cycle demands of the organization. Mid-sized organizations will continue to disappear. And smaller organizations will lack the opportunities to grow and evolve.

***How is economic theory – such as Baumol & Bowen’s income gap theory – being used by both arts administrators and policymakers to inform current trends in value formation?***

The Sarbanes Oxley legislation has prompted a greater scrutiny of nonprofit accounting practices and principles. Consequently, the association of economic principles with accounting principles has been significantly reinforced over the past few years.

Accounting methods, like other quantitative reasoning tools, are typically applied to an organization or the arts community as a whole in order to offer “legitimate” arguments to support the pursuit of funding streams. Unfortunately, the specific theories or the strategic purpose behind the financial accounting lens that inform these practices are often removed from assessment of the cultural community. Economic theory is only generally understood. Microeconomic assessments of arts organizations do not penetrate policy or public benefit debates nor are they well understood or applied by many arts administrators. Instead, economic rhetoric is adapted to suit the needs and expectations of potential funding sources, without assessing the long-term consequences of assimilating the value definitions these arguments entail.

***How equivalent are the value definitions used by the Puget Sound’s performing arts sector with those of regional policymakers?***

Because the pool of policy survey respondents was so small, it was difficult to pinpoint the exact differences or similarities between the two sectors. However, some important observations have still been made. Recognized over the course of this study is the sense that the language that gets used to promote arts funding is to some degree a parroting of arguments. Policymakers say they need XYZ to be part of the argument in order to provide the arts with funding – and so, they get it. Or conversely, arts advocates begin talking about the arts in certain ways and pro-arts policymakers adopt the language to defend their decisionmaking. The same language is consequently used with different intentions and with little thought about the long-term consequences.

Another important facet of this community revealed in this study is the value some policymakers and some arts institutions hold in regard to a mission of

Access/Equity/Cultural Competency and the value others hold in the flagship or professional status of the larger organizations. The attitudes that “we can’t be everything to everyone - nor should we have to be” vs. “the more diversity the better” seem to be in opposition within this context. And this divide strongly skews the equivalency of value.

Also worth noting in this context is the fact that arts funders in the region are instrumental in building the overall ecology and policy environment for the arts. However, their role in this process is far from transparent. Some leaders are not willing or able to talk about their work in terms of “establishing policy”. The arts community as a whole can be very unaware of their activities. And similarly, these organizations can often operate in isolation – without consultation within the whole community about their actions. In this sense, the process of value formation is far from equivalent.

***How do these two sectors work to influence the public definition of value attributed to the performing arts?***

Multimillion dollar campaigns are being undertaken within the city of Seattle to encourage people to view certain arts organizations more favorably. Innovative programming initiatives that pair site-specific performance groups with for-profit or public venues help persuade people that the performing arts are valuable components of everyday life. Senator’s like Jim McDermott sign on to participate in new play readings to help theatres raise money. The Washington State Arts Commission is inventing new quantitative measurement systems to promote comparative analysis of the arts between regions. There is so much going on regionally to influence the public perception of value in the arts!!

However, although there has been great effort undertaken, there is rarely much synchronicity between these efforts. On the one hand, value is something that is debated behind closed doors. At the one-on-one meetings between development staff and major donors, at the closed session allocation deliberations of private funding organizations. At the elite tables of arts commissions or on the legislative floor. On the other hand, the value of the arts is something that is experienced by the people who make the work, by people who attend performances, by people who spend their lives living, studying, and teaching their particular brand of culture. And often – not always, but often - these two worlds do not connect. And, the result is typically that the consensus and community identity needed to promote public funding... or to revamp the system... lacks the vitality to produce meaningful results.

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## 5.15 Conclusion

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In Seattle there are two kinds of art worlds – there is the one that pays homage to the themes of “cultural relevancy” and “cultural competency” and there is the one that will tell you quite bluntly that accessibility and all the public purposes of the arts amount to an unfunded and illogical mandate from the state. There is the world of centralized donor pools – places where all the corporations and all the major donors go to give money to the arts as they are identified and prioritized by a handful of wealthy social elites. And... there is the other funding world that refuses to pass judgement at all – reallocating a shrinking resource pool year after year to an ever-expanding number of arts organizations.

And what this ideological duality essentially does is allow a handful of the largest organizations to monopolize the majority of the resources – not because they are

efficient/ effective/ or magnificent creative institutions – but because they are fundamentally the legacy symbols of certain social circles – while, at the same time the barriers to entering the market, if we want to talk about this system in economic terms, are withdrawn and incentives are actually put in place to encourage more and more “competition” by a growing number of firms.

“Competition” is indeed one of the big buzz words within the Seattle arts scene at the moment. There has been a lot of heated ranting and unproductive proclamations suggesting that there are too many arts organizations for Seattle’s market to sustain... and basically... that the millions of dollars that get invested in these larger institutions each year would be better placed in worthier creative hands. It may be a somewhat strange rhetorical adaptation for people fundamentally interested in resource redistribution. However it should be rather easy to see what fundamentally motivates the use of this particular language.

If these smaller organizations hope to ever break into these closed elite donor pools, they have to provide these rich businessmen who control those resources what they want, right? And what that privileged society wants to hear about are efficiency ratios, the bottom line, and profit margins. Although not necessarily because they will consistently use those things to make fair and unbiased assessments about the value of the arts organizations in their communities – because they don’t. (Nor do they have to, they are private donors remember!)

However, language is a potent force. How people interpret and talk about their world results in a contagious cognitive reality. And all this talk about competition and limited

resources has already demonstrated its ability to lock the current funding and support systems in place by essentially isolating and autonomizing natural advocacy partners. (Because, if you think about it, it is really hard to work with somebody you think is stealing your stuff all the time.)

So, when it comes to community issues surrounding public funding - say a forprofit NBA basketball team shows up out of the blue and tries to appropriate a dedicated public revenue stream that has traditionally been tied to the arts – well... #1: It may not be perceived to be in every arts leader's interests to fight for these resources and #2: there is no substantive collaborative identity for this comprehensive arts community to associate with. There aren't any real mechanisms in place to draw these divided organizational interests together around common public policy concerns.

But there is more to adopting market or economic values and behaviors than just ingratiating an arts organization to certain funding sources. The ongoing debate about value in this and other arts communities is as much an indication of social class segmentation within the sector as it is in society in general. Many of the basic assumptions about financial governance in for-profit settings do not translate directly into not-for-profit environments. Furthermore, economic theory does not really offer any truly compelling argument to support public funding for the arts. There is danger in entering this realm with only a partial view of the system and some sectors of the arts community risk more than others by embarking down this path.

As Smith has experienced with her work at WET, it is very difficult to get people to think collaboratively about issues that may not readily be perceived as “non-arts”. However, without this kind of strategic analysis of the whole system, then this volatile



dependency on an overextended philanthropic base will continue. And the environment Towse (1996) describes in the absence of consumer sovereignty – where the “door is open for special pleading, for public subsidy to satisfy the experts’ preference function with consequent rent-seeking” will develop/remain based on major donor opinion and whim (p. 97). Consequently, the comprehensive value that the arts can and do offer the community will not be nurtured or developed in a way that champions access nor equity nor excellence. And if we do want THOSE things within this system... well... we will have to remain dependent on the subsidies provided by the artists themselves – working irrationally without adequate compensation – to ensure that the world is able to see beyond the bottom line... beyond the profit margins... beyond the efficiency ratios... into the nebulous unquantifiable splendor of human existence.

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12. What % of a live theatre production do you think should be paid for by ticket sales?

13. On a scale of 1-10, how well managed do you think most of the Puget Sound's performing arts organizations are? (Not Well) 1 2 3 4 5 6 7 8 9 10 (Very Well)

14. Do you think performing arts organizations would become less dependent on public funding if they adopted "for-profit" or "market" value definitions and behaviors? YES NO  
Please comment:

15. Are you familiar with Baumol & Bowen's "cost disease" analysis of the performing arts sector? YES NO

16. If yes: Do you think the adoption of "market values" and "market behaviors" will help combat the income gap Baumol & Bowen predict? YES NO  
Please comment:

17. What specific resources do you use (experts, publications, conferences, economic reports) to learn more about current trends in the performing arts sector?

18. Do you think the economic arguments for and against public arts funding have greater weight than the argument that arts have "intrinsic value"? YES NO  
Please Comment:

19. What do you think is the biggest long-term challenge facing the performing arts industry in the Puget Sound?

20. What long-term strategy would you suggest the performing arts sector implement to help overcome this challenge?

21. Do you or any members of your staff attend local business association meetings?  
YES NO Please List Affiliations:

22. If yes, has it changed the way you or your colleagues manage, think about, or represent the nonprofit organization/s you are associated with? How?

**23. How often do you meet with other performing arts leaders?**

**24. Are these meetings coordinated by any umbrella affiliations?**

**YES NO Please list Affiliations:**

**25. What kinds of issues have been brought forward in recent meetings?**

**26. How would you rate the local performing arts community's overall ability to withstand adversity?**

(Poor) 1 2 3 4 5 6 7 8 9 10 (Exceptional)

**27. What factors do you think about to determine this rating?**

**28. How valuable do you think the smaller or "fringe theatre" organizations are to the region?**

(Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)

**29. What factors do you think about to determine this rating?**

**30. How valuable do you think the larger organizations are to the region?**

(Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)

**31. What factors do you think about to determine this rating?**

**32. Has either the management or creative work of the performing arts community been noticeably altered by local government, corporate, or foundation objectives or priorities?**

**YES NO If yes, how?**

**33. Are there too many performing arts “suppliers” in your region?**

**YES      NO      Why or Why not?**

**34. What strategies have been developed locally to address the inflationary costs of labor in the performing arts?**

**35. What must either change or be maintained in your organization over the next 10 years in order to ensure sustainability?**

**36. How valuable do you think economic impact studies are to the performing arts industry?** (Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)

**37. What factors do you think about to determine this rating?**

**38. What do you think needs to be studied more in regard to the performing arts in your community?**

## APPENDIX B: Questionnaire for Policymakers

If you would like to participate in this research project, please review and complete the consent documents found in this packet prior to completing the following questionnaire. A signed copy of the consent form and the completed questionnaire should be returned in the stamped envelope provided in this packet by **March 20th, 2006.**

1. On a scale of 1-10, how valuable do you think the performing arts are to you personally?  
(Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)
2. What factors do you think about to determine this rating?
3. On a scale of 1-10, how valuable do you think the performing arts are to the Puget Sound?  
(Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)
4. What factors do you think about to determine this rating?
5. Are you aware of any systematic methods being used in Washington State, King County, or the City of Seattle by public officials to determine the value of one cultural organization in comparison to another? YES NO
6. If YES: Briefly describe them (if you can) and discuss how these methods were developed:
7. What do you think regional performing arts organizations could do to increase their value to the Puget Sound community?
9. Do you think arts administrators think about "community value" in a different way than a public officials do? YES NO Please Comment:
10. Do you think the performing arts should be supported by public funding? YES NO
11. What is the most significant argument influencing your opinion?

12. What % of a live theatre production do you think should be paid for by ticket sales?

13. On a scale of 1-10, how well managed do you think most of the Puget Sound's performing arts organizations are? (Not Well) 1 2 3 4 5 6 7 8 9 10 (Very Well)

14. Do you think performing arts organizations would become less dependent on public funding if they adopted "for-profit" or "market" value definitions and behaviors? YES NO  
Please comment:

15. Are you familiar with Baumol & Bowen's "cost disease" analysis of the performing arts sector? YES NO

16. If yes: Do you think the adoption of "market values" and "market behaviors" will help combat the income gap Baumol & Bowen predict? YES NO  
Please comment:

17. What specific resources do you use (experts, publications, conferences, economic reports) to learn more about current trends in the performing arts sector?

18. Do you think the economic arguments for and against public arts funding have greater weight than the argument that arts have "intrinsic value"? YES NO  
Please Comment:

19. What do you think is the biggest long-term challenge facing the performing arts industry in the Puget Sound?

20. What long-term strategy would you suggest the performing arts sector implement to help overcome this challenge?

21. Who do you think are the most important arts leaders in your community and why?

22. Who do you think are the most important business leaders in your community and why?

**23. How often do you meet with performing arts leaders?**

**24. Are these meetings coordinated by any umbrella affiliations?**

**YES NO Please list Affiliations:**

**25. What kinds of issues have been brought forward in recent meetings?**

**26. How would you rate the local performing arts community's overall ability to withstand adversity?**

(Poor) 1 2 3 4 5 6 7 8 9 10 (Exceptional)

**27. What factors do you think about to determine this rating?**

**28. How valuable do you think the smaller or "fringe theatre" organizations are to the region?**

(Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)

**29. What factors do you think about to determine this rating?**

**30. How valuable do you think the larger organizations are to the region?**

(Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)

**31. What factors do you think about to determine this rating?**

**32. Has either the management or creative work of the performing arts community been noticeably altered by local government, corporate, or foundation objectives or priorities?**

**YES NO If yes, how?**

**33. Are there too many performing arts "suppliers" in your region?**

**YES NO Why or Why not?**

**34. What strategies have been developed locally to address the inflationary costs of labor in the performing arts?**

**35. What must either change or be maintained over the next 10 years in order to promote the health of the nonprofit sector in your region?**

**36. How valuable do you think economic impact studies are to the performing arts industry?** (Low Value) 1 2 3 4 5 6 7 8 9 10 (High Value)

**37. What factors do you think about to determine this rating?**

**38. What do you think needs to be studied more in regard to the performing arts in your community?**



APPENDIX C: Interview Protocol for Arts Administrators

**STUDY:** *Market Trends: Changing Value Definitions & The Performing Art's Income Gap*  
**RESEARCHER:** Brit Sojka, University of Oregon **CONTACT:** bsojka@uoregon.edu or 541.554.0829  
Interview Protocol for: **ARTS ADMINISTRATION PRACTITIONERS**

Case Study:

Data ID:

Key Discriptor:

Date:

Interviewee Profile:

Interview Location:

Interview Context Notes:

Consent:

\_\_\_\_\_ Oral Permission

\_\_\_\_\_ Written Permission

\_\_\_\_\_ May Quote

\_\_\_\_\_ May Audio Record

\_\_\_\_\_ May Video Record

\_\_\_\_\_ Review Before Publication

\_\_\_\_\_ Details:

Key Points:

CODING	INFORMATION	NOTES

Semi-Structured Interview Questions:

1. Are you or anyone on your marketing or development team familiar with Baumol & Bowen's "cost disease" predictions? If so, have these predictions influenced the strategic planning of your organization in any way? Also, how did you become aware of this information and how do you think the performing arts community in the Puget Sound can best overcome the challenges outlined in the theory? (NOTE: If no one is familiar with the theory please write UNFAMILIAR in the space below and proceed to the next question.)

2. In your opinion, what are the economic justifications for subsidizing the performing arts?
3. How do you think public granting agencies in your region (Specifically the Washington State Arts Commission, 4Culture, & the Mayor's Office of Arts & Cultural Affairs) determine the value of a cultural organization? How do you know?
4. What is the value of your organization and the work it produces? How do you determine this value and how do you demonstrate this value to outsiders?
5. What has your organization done to increase the value that your constituents and the region's public funding agents perceive in your endeavors? Why did you select these strategies?
6. In what ways, other than direct financial contributions, might policymakers and government agencies help sustain the performing arts within the Puget Sound? What is currently being done? How have these activities effected your organization? How did your organization become involved? And, how well do you think these current programs address the challenges facing the performing arts community in your region?
7. Do you perceive a trend toward or away from "corporate culture", "market values", or "market behaviours" in your performing arts community? What do you think motivates this trend? Is it important to the daily operation of your organization? Has it impacted your organization in specific ways?
8. What would your ideal performing arts community be like? How does this ideal compare to the community that currently exists in the Puget Sound? How much do you think the community is influenced and shaped by the support environment which surrounds it? What does the performing arts community currently do to improve and strengthen itself?
9. What do you think are the biggest challenges facing the performing arts community in the Puget Sound? What role, if any, might the competitive marketplace play in these challenges?
10. Do you think your status as a not-for-profit organization in any way limits or promotes the perceived value of your organization and the work it performs? Why or why not?

**APPENDIX D: Interview Protocol for Policymakers**

**STUDY:** *Market Trends: Changing Value Definitions & The Performing Art's Income Gap*  
**RESEARCHER:** Brit Sojka, University of Oregon **CONTACT:** bsojka@uoregon.edu or 541.554.0829  
Interview Protocol for: **POLICYMAKERS & POLICY INFORMANTS**

Case Study: \_\_\_\_\_ Data ID: \_\_\_\_\_  
Key Descriptor: \_\_\_\_\_ Date: \_\_\_\_\_  
Interviewee Profile: \_\_\_\_\_  
Interview Location: \_\_\_\_\_  
Interview Context Notes: \_\_\_\_\_  
Consent: \_\_\_\_\_ Oral Permission \_\_\_\_\_ May Quote \_\_\_\_\_  
\_\_\_\_\_ Written Permission \_\_\_\_\_ May Audio Record \_\_\_\_\_  
\_\_\_\_\_ May Video Record \_\_\_\_\_  
\_\_\_\_\_ Review Before Publication \_\_\_\_\_  
Details: \_\_\_\_\_

*Key Points:*

CODING	INFORMATION	NOTES

*Semi-Structured Interview Questions:*

1. Are you familiar with Baumol & Bowen's "cost disease" predictions as they relate to the performing arts? If so, have these predictions influenced your approach to cultural policy decisions in any way? Also, how did you become aware of this information and how do you think the performing arts community in the Puget Sound can best overcome the challenges outlined in the theory?
2. In your opinion, what are the economic justifications both for and against subsidizing the performing arts?

3. How do you determine the value of a cultural organization? Is this method employed uniformly by everyone in your agency? What other valuation methods are you currently aware of? What do you think of these alternative methods? How do you think these valuation assessments both increase and decrease support for performing arts institutions in the Puget Sound?
4. Please reflect on your organization's desire and ability to communicate the value of cultural organizations to outsiders? How specifically is this done? Who are the people you most often engage with? How familiar are these individuals with the methods your organization uses to assess the value of specific cultural institution?
5. What features unique to the Puget Sound's socio-political environment play a role in altering the perceived value (and consequent level of support) of an industry? Please give examples.
6. In what ways, other than direct financial contributions, might policymakers and government agencies help sustain the performing arts within the Puget Sound? What features of the current governing system might prevent policymakers from pursuing these activities?
7. Do you perceive a trend toward or away from "corporate culture", "market values", or "market behaviours" in the Puget Sound's performing arts community? What do you think motivates this trend? Do you think the direction the community takes will effect the value policymakers perceive in the region's performing arts institutions? Has current policy promoted one direction or the other?
8. How does the performing arts community currently interact with your organization? Do you think these methods are useful? Are there alternatives that you would prefer?
9. What do you think are the biggest challenges facing the performing arts community in the Puget Sound? What role, if any, might the region's economic environment play in these challenges? What recommendations can you make to organizations that wish to be proactive in combating these challenges?
10. How do you think the 501c3 not-for-profit status limits or promotes the perceived value of an organization and the work it performs? Can you recommend any alterations to current legislation surrounding this designation?