Private funding of culture: For love or money

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Private companies are taking responsibility for and participating in the funding of culture as part of their broader social remit.

Should art be free? It's an ongoing debate around the world. Britain's Labour government made it an election pledge and scrapped admission fees to national museums in 2001. The recent suggestion by a U.K. politician to reconsider the arrangement and allow museums to reintroduce some fees was quickly slapped down by the Secretary of State for Culture, Media and Sport: "Admission to our national museums and galleries should not be limited simply to those who can pay," she insisted, upholding the traditional view of art as a "public good."

Across the Atlantic in the land of freedom, many American museums are also free, from Washington's Smithsonians to the St. Louis Art Museum, which boasts the phrase "Dedicated to Art and Free to All" engraved in stone above its entrance.

Yet such is not always the case. Equal arguments are made that people should be expected to pay as much for art as they do for other cultural pursuits such as rock concerts and sports events. On this basis, New York City museums such as the Museum of Modern Art (MoMA) have jacked up their admission charges from $12 to $20, and the Metropolitan Museum of Art now asks that you please pay the full "suggested" amount of $20.

The thinking behind fees is that culture costs money to create and maintain. Not paying is viewed askance, like the turnstile jumper on the subway who, by not buying a ticket, is freeloading off the contributions of others to keep the service afloat.

So who should pay for culture? Usually, when it comes to not-for-profit organizations such as

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museums and galleries, it's the government or the community that must fund culture out of the public purse.

However, as IESE Prof. Antonio Argandoña points out in his paper, "La empresa y la promoción de la cultura" ("Companies and the Promotion of Culture"), increasing numbers of culturally responsible companies are also lending their support, both in terms of cash as well as the human resources of their managers and employees. Companies do this in order to generate what he calls "positive externalities."

Ways of supporting the arts

To support an artist or an institution, the first and easiest thing that companies can do is to make a straightforward financial donation, for a specific purpose or for general use, as seed capital or pilot funding.

Another approach is to provide a good or service, such as a particular space or a specific work. Free or low-cost technical assistance - whether in legal matters, marketing or management - is also included in this funding model. This form of assistance may even be provided directly by company staff, either voluntarily or as a paid activity.

This approach has a number of variations. The company that provides support may deliver assistance directly - say, in the form of a research grant or award - or manage it through a foundation set up by the firm.

This brings certain tax advantages, makes projects more independent, ensures continuity over time, facilitates management of the project and may make it possible to obtain other funds, which has a bearing on the continuity of the project beyond that which the company set in motion.

Another increasingly common way of providing support is through a social enterprise. The distinguishing feature of this approach is that the project is carried out as a business activity aimed at achieving profitability and economic sustainability; it has an entrepreneurial character and a social, cultural or charitable objective. This gives rise to what has been called "strategic philanthropy" - the provision of assistance by the company is professionalized and business capacities are applied to cultural or artistic endeavors.

A donation or assistance may be a one-off event or repeated on a regular basis, leading, in many cases, to the formation of alliances.

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Another possibility is to set up a framework for the regular, planned cooperation of a number of donors in a single nonprofit organization. In some cases, this may involve the participation of governments or an NGO. This approach makes it possible to accumulate donations and thus achieve economies of scale. But the diverse nature of participants may lead to problems when it comes to managing the project.

Why pay?

There are a number of different reasons companies should do this. From a strategic perspective, this activity can be seen as a source of benefits, a form of advertising that creates a company or brand image and transmits a sense of good citizenship.

This option is employed when direct advertising is restricted, as in the case of tobacco products and alcoholic beverages, or in markets where competition is fierce. Providing support for culture and the arts is a way to gain a good reputation, build customer loyalty or improve relations with authorities, the media and society in general.

In addition, this can be an effective way of motivating company personnel. The involvement of managers and workers can bring other benefits, such as the development of new knowledge and capabilities.

Tax advantages are another reason cited for promoting culture, given that the state usually reduces taxation on private donations or makes them tax-exempt, to encourage actions that benefit society as a whole.

There are also initiatives that the private sector is better suited to undertake. The volume of social demands that the state must address makes private investment a useful tool for facilitating coverage of some needs, particularly with respect to the arts. This is due to some of the characteristics that private firms possess: greater flexibility, the capacity to adapt, a relationship with civil society actors and greater efficiency in managing financial resources.

Many philanthropic actions stem from personal motivations related to the interests of managers or owners. In some cases, this personal interest may be vested in the sense that it may provide liquidity and increase the value of a private collection, or make it possible to rub shoulders with important personalities in the world of culture and the arts. Such actions may also help transmit the business owner's ideologies. In this, the modern art patron Charles Saatchi springs to mind. Quite often, it reflects a simple enthusiasm for the arts and culture, a magnanimous motive to share.

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In short, private property has a social function: The common good of society is a fundamental consideration when it comes to using wealth, which means business owners find themselves acting as administrators of the common good. This role is not at odds with the maximization of profit or the economic efficiency of companies, for only when a profit is obtained can it be redistributed.

Moreover, companies almost always have a market power that enables them to reduce costs and receive extraordinary profits. The promotion of culture is a way of sharing these benefits.

Donations to support cultural activities, therefore, form part of a company's social responsibility. This is, above all, an ethical responsibility. A company is not a closed universe: It belongs to a community and a society. This implies responsibilities at both of these levels, including a duty to take social action with a view to solving cultural problems and those addressed by charities.

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