

Joan Jeffri and Yu Ding

RESPECT FOR ART

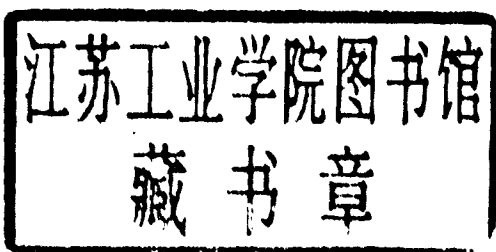
**VISUAL ARTS ADMINISTRATION AND MANAGEMENT
IN CHINA AND THE UNITED STATES**

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For Anna Miriam, Joshua Hillel and most especially, for David.

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PREFACE

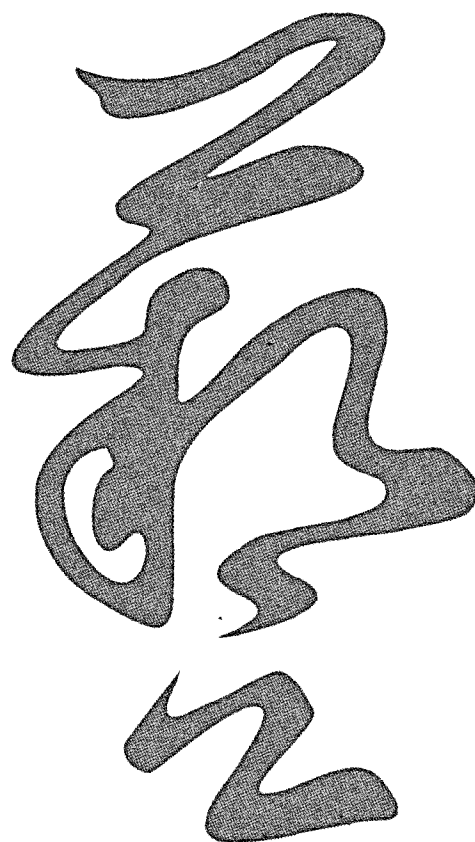
This book is a joint effort between Professors Joan Jeffri, Director of the Program in Arts Administration at Teachers College, Columbia University in New York City, and Yu Ding, Director of the Program in Arts Administration at the Central Academy of Fine Arts in Beijing. The authors have spent time lecturing and working with students in both academies. It occurred to them that an investigation into arts administration principles and practices in both countries might help educators, students, artists, practitioners, funders and others to gain a deeper understanding of cultural differences, practical commonalities, present challenges and future needs as the arts and culture become increasingly global. We believe that understanding often begins with two people talking to each other. We hope the fruit of our collaboration provides some insight into how the arts and culture are understood, encouraged, supported, facilitated and celebrated in the United States and China.

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INTRODUCTION:

*Museums, Art Market, Non-profit Spaces,
Public Art*

This book is entitled RESPECT FOR ART to indicate that arts management or administration (two terms that will be used synonymously throughout this discussion) acts to support and further the development of the arts and culture. Unlike some other disciplines, arts management remains an area of practice and study to support, enhance and facilitate the creation and delivery of processes and products of the arts and culture.

This book focuses on four areas in the visual arts: museums, the art market (which encompasses commercial galleries, auction houses, fairs and expositions), non-profit spaces, and public art. In the following chapters, we investigate different aspects of each of these areas from the U.S. and Chinese points of view, and identify areas of difference and common ground, as well as models that might be worth investigating. Since each of the above areas is in a different stage of development in the two countries, our emphasis will turn to the country with the most active development first, with additional comments on the other nation. For example, the explosion in the market for contemporary Chinese art in China (and for contemporary Chinese artists in the U.S.) makes it the primary logical focus for this topic while public art has a longer history in the United States. While the book focuses on two specific countries, it is our hope that the principles, models, issues and solutions will be applicable to many other countries, possibly as a yardstick with which to measure their own development.

Many aspects of the management of museums, the art market, non-profit spaces and public art include concerns that fall outside traditional management. These include education, curatorial concerns and art history.

While we will be referring to these areas, it will be as they affect the history, development and management of our four visual arts focus areas. And we acknowledge that a deep and warranted investigation of these concerns is the purview of other scholars.

Finally, as a category “the visual arts” are given a wide berth in our discussions, and cover everything from performance art to heritage. Since the definition of contemporary art has changed from the common definition of art created after 1959, and since there is not a commonly agreed-on definition of contemporary art (except as art that is being created in the present time), the boundaries are difficult to define or to describe. This is complicated further by the fairly recent recognition of contemporary Chinese art, and its explosion in the international marketplace. By confining our investigation to museums, the art market, non-profit spaces and public art, we may err on the side of focus rather than comprehensiveness in order to provide some beginning insights into the needs, challenges and development of visual arts administration and management in China and the United States.

PROFIT AND NON-PROFIT CULTURAL INSTITUTIONS AND INDUSTRIES

There are three sectors that describe the economic organization of culture in the United States: profit, non-profit and voluntary. The profit sector refers to commercial activity—from commercial galleries to auction houses to commercial art fairs. Their major purpose is earning money, what we call “the bottom line”. This is true even if their activities focus on art. The non-profit sector encompasses those organizations that have been vetted by the government as existing for the benefit of the public. Seen as inherently educational, these institutions include museums, non-profit spaces, artists’ cooperatives, and organizations that manage public art. Their purpose is the fulfillment of their “mission”, usually a socially-oriented set of principles which describe how the organization will benefit the public. The “third sector” is called the “Voluntary Sector”. It consists of people who give their time and expertise for no financial remuneration in a variety of roles—including

museum docents, organizers of special events, and, perhaps most important in the U.S., board members of non-profit institutions.

In the profit sector the financial stakes are considerably higher, but arguments that claim that commercial or profit-making activities are somehow less worthy or less "artistic" than those in the non-profit sector are fallacious. There is good art and bad art, and these characteristics do not depend on whether or not the art makes money.

To put both these sectors in financial perspective, on the profit sector side for the first half of 2006, Sotheby's reported a profit of \$US72.4 million, up 70 percent from the same period in 2005, and Christie's (which is privately held and does not report its profits) topped \$US2.13 billion in sales for the first six months of 2006, an increase of 39 percent over the same period in the prior year.¹ On the non-profit side, in the philanthropic sector, *Giving USA* reports that Americans gave \$US260.28 billion to charities in 2005, \$US13.51 billion to the arts, or 5.2% of total giving.² Americans for the Arts reports that the non-profit arts industry in the U.S. generates \$US134 billion in economic activity each year. In addition, in 2005 almost 29% of Americans volunteered, 3.3% for sport, hobby, cultural or arts activities in activities ranging from mentoring to fund-raising to board service.³ A recent survey of 91 U.S. communities equated arts volunteer time to \$US2.2million.⁴

The National Endowment for the Arts 2007 budget is \$US124.4 million. 2006 state arts appropriations (for public money given by the state arts councils) is \$US287.6 million. The New York State Council on the Arts 2006 budget is \$US44.4 million. In New York City, the Department of Cultural Affairs has the largest cultural budget in the nation: with a 2006 expense budget of \$US131 million and a capital budget of \$US803 million over the next 4 years.⁵

1 http://www.antiquetrade gazette.com/news/news_article_main.asp?id=5935&pt=nb&keywords=&phrase=no

2 Hall, H. (June 29, 2006) "Coming on Strong", *Chronicle of Philanthropy*, pp. 23 and 28.

3 Wilhelm, I. (June 29, 2006) "Almost 29 Percent of Americans Volunteered in 2005, Government Survey Finds", *Chronicle of Philanthropy*, pp. 38-39.

4 http://www.americanforthearts.org/information_resources/research_information/service/economic_impact/default.asp

5 http://www.nyc.gov/html/dcla/html/funding?funding_main.shtml

National Endowment for the Arts Annual Budget (2007)	\$124.4 million
State Arts Appropriations (for public money given by the State Arts Councils) (2006)	\$287.6 million
New York State Council on the Arts Budget (2006)	\$44.4 million
Department of Cultural Affairs, New York City Expense Budget (2006)	\$131 million
Department of Cultural Affairs, New York City Capital Budget (over the next four years)	\$803 million
Arts Volunteer Time in 91 U.S. Communities (cumulative)—in equivalent dollars (2000)	\$2.2 million

The bulk of “contributed” income in the U.S. to all non-profit organizations, over 80%, comes from individuals. U.S. tax law allows contributors to deduct donations from their annual income tax. These donations are the backbone of non-profit universities, many hospitals, and arts institutions. Additional reduced taxes on property and sales tax at the state level also contribute to the maintenance of these institutions.

Being a non-profit organization does not mean an institution cannot earn money. In fact, the major arts organizations in the U.S. earn between 15 and 50% from activities in the marketplace. While half or more of their funding comes from individuals, foundations, corporations and government grants and donations, a growing portion comes from activities described as “earned income” — these include retail shops, restaurants, parking lots, licensing of designs, and other ancillary activities.

Both profit and non-profit corporations are governed by a board of directors. In the profit sector, these board members get paid and meet about four times a year. In the non-profit sector, these people are considered volunteers who usually receive no financial remuneration, meet more frequently during the year, are asked to donate money of their own or that they have raised to the institution, and who legally are liable for the institution in case of fraud or illegal activity. They represent the community and act as liaisons with that community. They are charged with overseeing the institution, making sure it complies with external and internal laws and requirements, hiring and firing the executive and artistic managers, and donating or leveraging money for the institution’s activities.

In China the profit marketplace is filled with commercial arts, much like the U.S.. In the 1990s, there were fewer distinctions between commercial activity and non-profit organizations or “cultural institutes”, but distinctions have grown during the last decade.

Government organizations are owned and operated by the government. Enterprises include what the U.S. calls non-profit organizations such as museums, hospitals, etc.. The so-called “enterprise unit” is a special kind of social organization that came into being in the planned economy. When the People’s Republic of China (PRC) was newly founded, all organizations were in the service of government ideology. The enterprise unit was founded as a kind of social organization according to both the Constitution of People’s Republic of China and the General Rule of Civil Law. In 1963, the National Units Administration Committee on behalf of the State Council defined the enterprise unit through a series of drafted proposals as a unit whose funds are provided by the state and whose functions are to create and improve the working conditions for the country, to better people’s living conditions and to meet the people’s need for better culture, education and hygiene. In 1965, the National Units Administration Committee drafted Suggestions for Distinguishing the Difference between Units of Government Organizations, Institutions and Enterprises. The draft stipulated that the value created from all the activities serving agricultural and industrial production and the people’s cultural activities should not be assessed in terms of currency.

This is very similar to U.S. law on non-profit incorporation. The major characteristic of U.S. non-profit organizations is their non-pecuniary purpose—that they are created for the purpose of their mission, not for the purpose of making money. Additionally, when U.S. non-profit organizations become registered with the government as 501-c-3 tax-exempt organizations, they carry with them a mandate of serving the public and, in fact, must show the government that they are organized for public not private benefit. (See below) The government also supports existing systems in indirect ways in both countries. In the U.S., postal rates are lower for non-profit organizations. In China, before 1990, students’ fees and living stipends at universities were underwritten by the government, since it was assumed that the graduates of

these universities would work for government-sanctioned activities once they finished school.

OWNERSHIP

Historically in China, under a Socialist government, the value of the enterprise belonged to the units owned by all the people. In 1984, when the cultural system entered reform, the National Units Administration Committee made some small changes. Some enterprises were run in the commercial sector—performing organizations, publishers, etc., but most of the enterprise units were still operated for and owned by the people and paid for by the national government under its Enterprise Planning Unit. Soon after, the government proposed additional changes, this time that the enterprise units conducted activities to improve conditions for both work and production in the arts, to serve the national economy, people's cultural life and the social welfare without seeking profits.

The definition of the enterprise unit was not articulated into law until 1998, with the Provisional Regulations for Enterprise Unit Registration. The enterprise unit was defined as "a public service organization involved in educational, scientific and technological, cultural and hygienic activities, established by state organizations or by other organizations making use of state capital for the purpose of social public benefits". In 1999, the Standing Committee of the National People's Congress passed the People's Republic of China Law of Public Benefits Donation. It articulated again that the enterprise unit included educational non-profit institutions for public benefit, scientific research institutions, medical and hygienic establishments, social public cultural institutions, social public sports institutions and social welfare institutions.

In sum, the enterprise units are neither government, nor social welfare institutions. They essentially form a third sector.

CURRENT SYSTEM

NATIONAL CENTRAL GOVERNMENT

GOVERNMENT INSTITUTIONS	COMMERCIAL COMPANIES/INDUSTRIES	ENTERPRISE UNITS
	<ul style="list-style-type: none"> – publishing (each region has a publishers' group) – performing groups 	<ul style="list-style-type: none"> – non-profit institutions – cultural institutes – scientific research – medical/health/hygiene – social public cultural – social public sports – social welfare

Cultural institutes traditionally used to be state-supported, but now their structure is being reformed. Due to the history described above, Chinese cultural institutions actually act as “non-profit organizations” in the western sense.

Some monies will come from the government, but, as in the U.S., other earned income, corporate sponsorship and private sources will be required for their continuation. The government gives money to these enterprises based on how many people they serve and on their plans for the coming year's activities. The stature of a well-known organization will likely attract money more easily than a startup, unknown organization.

In the U.S., non-profit organizations that receive 501-c-3 designations under the U.S. tax code are created to benefit their members or the community (the public), and are operated for “religious, charitable, scientific...literary, or educational purposes” that are not for private benefit and whose members do not participate in or try to influence legislation or political candidates.⁶

These are actually sanctioned by the government as organizations carrying out the government's mission and therefore avoiding some kinds of taxation. Such organizations must meet eligibility requirements which include being organized for one of the “exempt purposes” (religious, scientific, etc), passing a test to show they are organized and operated exclusively for one or more

⁶ Jeffri, J. *Arts Money: Raising It, Saving It and Earning It*, p. 32.