Impact investment, arts and culture: a field – at last – comes of age

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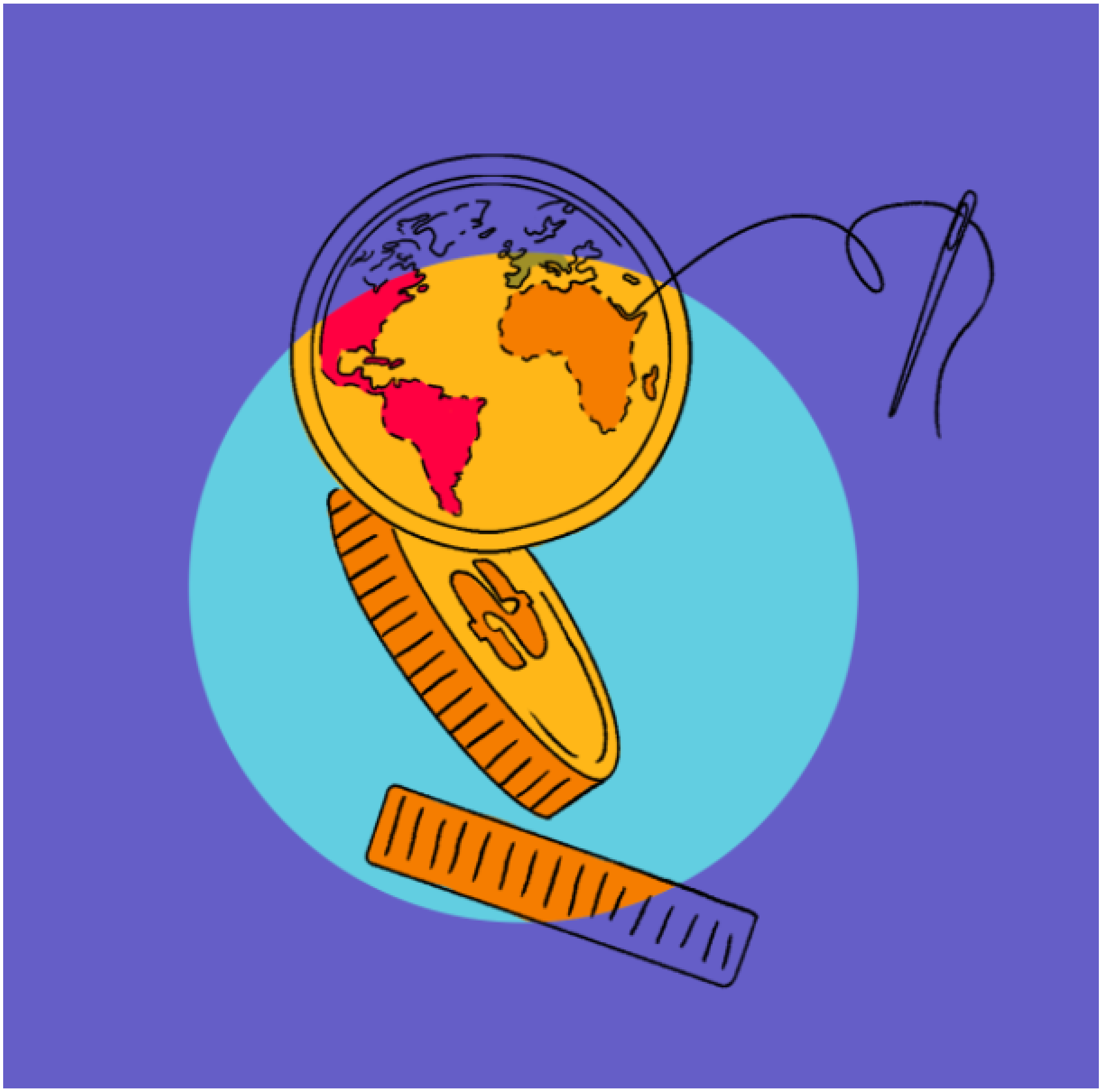

- Geoff Mulgan
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5 min read

This week brings the publication of an interesting new collection, website and programme - creativityculturecapital - which looks at many things including how to extend impact investment models to culture. Its authors include luminaries such as YoYo Ma and Nick

Serota and has been put together by good friends and colleagues Carolina Biquard and Fran Sanderson and others.

This field is now, at last, coming of age, mainstreaming the idea that investment tools can be used to support the arts.

It’s a bit of a shock to realise I’ve been involved in this field for over 30 years. My first serious job – back in the mid-1980s - involved setting up investment funds and programmes for culture. Our aim was to combine financial, social and cultural impact (under the Greater London Council and its offshoot Greater London Enterprise), which is also exactly the focus of much of this collection.

We then thought it was obvious that investment methods – including equity and loans - would complement traditional arts grants methods which were not only often anachronistic as methods but also skewed funding towards older art forms and elite consumption (see piece at the bottom of this article, referring back to the book 'Saturday night or Sunday morning: from arts to industry' which I co-wrote with Ken Worpole).

Instead, it turned out that the arts world was very conservative, and very attached to grants. In the UK, resistance to these ideas was probably influenced by a mix of snobbery (with commercial culture seen as lower status than subsidised culture) and ignorance. In the US, resistance may be explained by the sheer scale of philanthropic funding that's available (despite the US having the world’s most advanced venture capital industries). I've had many discussions with US funders and thinkers over the years about investment in the arts - but there was little sense that this would ever be a priority. The substantial US presence in this collection shows that is at last changing.

I always thought impact investment methods should be easier in culture than other social fields because of the high potential financial returns from successful films, books and music.

Better models of housing support or eldercare are unlikely to generate extraordinary profits in the way that products with zero marginal cost can.

So I was surprised when impact investment that was focused on social fields flowered ahead of impact investment for culture in the 2000s, with multiple funds, tax reliefs and intermediaries (if you’re interested I documented both the theory and practice in the first chapter for OUP’s book Social Finance a few years ago).

When I arrived at Nesta in 2011 I returned to this field and helped Hasan Bakhshi prepare a report – The New Art of Finance: making money work harder for the arts - which surveyed the many new funding tools the arts could be using. I later prepared – for the arts minister - a more comprehensive summary of the many methods that could be used, only a fraction of which were used in the arts.

Subsequently we were able to put some of these ideas into practice at Nesta with R&D funds (the Digital R&D Fund for the Arts), experiments in crowdfunding, and then the Arts Impact Fund, which Fran Sanderson and Nick Serota describe in this collection. I've also been able to help some of these ideas spread to other countries - eg through the work of Nesta Italia which Marco Zappalorto and Simona Bielli describe in this collection.

The ancient history of this field doesn't get a mention. But I think it's worth acknowledging that the UK was pioneering investment methods for social and cultural impact (London Cultural Industries Strategy, GLE) over 30 years ago. Ken Livingstone's administration had many flaws but a remarkable number of its initaitives – on race, gender and ecology – now look far ahead of their time, and the same is true of its cultural policies.

These new methods described here are not panaceas. Investment models work for some activities are not others. A mature ecosystem needs space for classic subsidy, R&D for experiments as well as many forms of investment. Investment is also problematic for art projects that are politically radical; or that serve small or very poor communities.

There are similar patterns in science and technology. Healthy tech industries rest on a foundation of subsidy – certainly for radical innovations. Investment only works once ideas have reached a certain level of maturity and venture capital is only possible in an eco-system which involves generous public subsidy – like the huge public investment in digital technologies in Silicon Valley. And even then science tends to miss out on the needs of the poor - which is why so much additional effort has been needed in recent decades to develop pharmaceuticals to meet the needs of sub-Saharan Africa.

The key point in culture, as in science, is that the subsidised and commercial sectors are closely intertwined. All the detailed historical analyses of culture in the UK make this clear, where for example the BBC played a huge role in enabling the commercial film and advertising industries; where art schools played a big role in rock and other music industries; where global musicals draw on the strengths of subsidised theatre; where public commissions played a vital role in architecture; and where public organisations like Channel Four enabled a thriving independent TV production industry.

That is quite a subtle message – but one that is hopefully quite obvious to the writers and readers of this excellent new report.

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For anyone interested in a bit of ancient history I was glad to be sent a link to this review article by Deborah Stevenson in 2010 (in the International Journal of Cultural Policy): 'In 1986, Geoff Mulgan and Ken Worpole published their pioneering Saturday Night or Sunday Morning? From Arts to Industry: New Forms of Cultural Policy, which is a passionate call for (what the authors describe as) a 'radical' approach to arts and cultural policy. In seeking to intervene in the 'macro-dynamics of the cultural sector', this book contributed to the cultural policy debate in two ways. First, it challenged received practices of government patronage of the arts to advocate instead for public sector investment in the ‘cultural industries’, highlighting that many of the most significant interventions in the cultural life of cities and nations, including those that frame a sense of collective identity, occur outside the traditional cultural institutions and arts policies of governments. Similarly, many of the most important cultural programmes of government, such as those concerned with urban renewal, tourism, broadcasting and the staging of popular events, are not within the jurisdiction of the arts portfolio. Second, Saturday Night or Sunday Morning? From Arts to Industry: New Forms of Cultural Policy was the first book to focus serious attention on the significant role that local governments play in cultural provision in its broadest sense and to point to the potential to expand this role further. In this respect, the book was influential in laying the foundations for the development of cultural planning, which has since become an important strategy for local cultural policy and cultural industries development in cities and regions around the world.’