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CRC - CENTRO RICERCHE SULLA COOPERAZIONE
E SUL NONPROFIT

WORKING PAPER N. 18

**Public-philanthropic partnership
in financing art museums**

Henrik Mahncke

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Abstract

This paper examines the role of philanthropic foundations in financing art museums. It offers a method to map the crowding mechanism and reciprocity in the European context. The ambition is to study the outcome of major philanthropic gifts on the beneficiaries and the public sector as a main funding partner. A common criticism of public–philanthropic partnerships is that modern foundations leave the bill for increased operating costs to the public sector while focusing on large-scale capital expenditures with clear exit strategies, such as new museum buildings. By examining the concept of the ‘expensive gift’, where a gift changes both the economic situation and the power relation between the foundation and the receiver, based on empirical studies of museums receiving large philanthropic donations, this paper focuses on the more hidden elements of modern philanthropy. The paper then opens the black box of reciprocity and examines the conditions accompanying major gifts influencing the public sector as main patrons of culture.

JEL codes: Z11 e L31

Keywords: philanthropy, major gifts, reciprocity, crowding mechanisms, cultural patronage, museums.

1. Introduction

'There is no such thing as a gift', argued French sociologist Jacques Derrida. Behind all donations and gifts are hidden conditions transforming the gift into a power relation tucked away behind an aura of altruism (Derrida 1992). The reciprocity accompanying the gift is a complicated sociological phenomenon whereby the grant maker influences the behaviour of the beneficiaries by constituting rules or expectations. This historical view on giving, taken from a rich debate in French sociology (Mauss 1924; Sartre 1946; Bourdieu 1998), is in fact present in the current discussion of the role of philanthropic foundations. Critics claim that foundations are controlling the beneficiaries by using soft power or attaching conditions to their gifts (Jenkins & Halcli 1999; Daly 2014). Furthermore, critics argue that most foundations tend to avoid operating costs and focus solely on short-term funding or brick-and-mortar type projects with clear exit strategies, leaving the bill for (increased) operating costs to the public sector (Anheier & Leat 2006; Prewitt et al. 2006; Fleishman 2009; Marker 2014). This is the 'expensive gift': one that that inflates operating costs and becomes a burden on the public sector. Consequently, this implies a crowding-in mechanism based on reciprocity from the foundations that expect the public sector to step in as the main future donor.

This paper begins with the concept of reciprocity by and empirical investigation of the 'big gift' in the cultural domain. The last 15

years have seen a revival in foundation activity in terms of building new December 2015 Working Paper for the Fifth Workshop on Foundations, Italian Research in Philanthropy Awards By Mr. Henrik Mahncke, Research fellow, Center for Civil Society at Copenhagen Business School, Denmark prestigious museums for the public benefit. While the public sector was the main driver and investor in culture during the second half of the last century, foundations have become an increasingly important player when it comes to funding new museum construction (Boorsma 1998; Alexander 2014; Marker 2014). The financial crisis further fuelled this trend, as governments across Europe have returned to the rhetoric of private investments as the solution to the decline in public support for museums (Srakar & Copic 2012). Models consisting of equal shares of public support, private support and earned income serve to support arguments for the increased focus on private funding. This follows a general philanthropic boom with growth in both scale and scope over the past two decades and an increase in the appearance of foundations in a number of different areas partnering or complementary with the public sector (Anheier & Leat 2006; Jung & Harrow 2014). At the same time, most European museums depend on public financial support, meaning that the field is very suitable for analysing the ‘public–philanthropic’ relation in cultural services.

The research questions are:

1. Do major gifts from philanthropic foundations result in crowding mechanisms between public and philanthropic partners?
2. Is reciprocity from private foundations putting pressure on public authorities regarding the provision of cultural services?

This is particularly interesting for three reasons. So far, little effort has been made to document the outcomes of philanthropy for the beneficiaries and their stakeholders. This lack of scholarly interest for how donations affect recipients is in contrast to a trend in the philanthropic sector: the difficult but crucial task of evaluating and quantifying the performance of activities that are not directly measurable by financial means (Gautier & Pache 2013). A better understanding of the impact of major donations will add transparency to public–philanthropic collaboration. Secondly, public–philanthropic partnerships hold the potential to enhance and develop cultural institutions in a post-crisis period with widely recognized financial pressure on the public sector (Srakar & Copic 2012), but this will also change the present ‘equilibrium’ of funding and regulation, which calls for increased debate concerning public–philanthropic partnering. Finally, this is an area of conflict. Foundations are controversial actors that have frequently been criticized for illegitimately interfering in matters of public concern (Thümmler 2011), and they have been accused of being inclined to pursue the interests of small social elites

(Adloff 2010). In this sense, public–philanthropic partnerships are not by nature a match made in heaven, but rather an area of conflicting interests and power relations.

2. Literature review

It is rather remarkable how little research exists concerning the impact of major gifts from philanthropic foundations and their interplay with government. The main body of the philanthropic research literature reflects that philanthropy originates from charity. Much literature connects to the motives behind philanthropic behaviour (Andreoni 1990; Radley & Kennedy 1992; Furnham 1995; Mayo & Tinsley 2006; Bekkers 2010; Choi & Jinseok 2011; Wiepking, Scaife & McDonald 2012). The discussion of ‘the warm glow’ of philanthropy uniting this body of literature often has strong links to volunteerism rather than grant giving. This is based on the private consumption model in which donors give because of how it makes them December 2015 Working Paper for the Fifth Workshop on Foundations, Italian Research in Philanthropy Awards By Mr. Henrik Mahncke, Research fellow, Center for Civil Society at Copenhagen Business School, Denmark feel; that is, personal satisfaction (Duncan 2004). Another dominating branch of literature has been the taxation and regulation of foundations and the rationales behind creating foundations to begin with (Hammack & Schneider, 2006; Karlan & List

2006; Prewitt 2006; Fleishman 2009; Bertacchini, Signorello & Santagana 2010; Zunz 2012).

It is first in recent years that a real debate on the outcomes of philanthropic grant giving has been established, including a focus on strategies for grant giving, various tools for giving and organizational aspects of foundations (Bishop & Green 2009; Crutchfield, Kania & Kramer 2011; Tierney & Fleishman 2011; Hammack & Anheier 2013). Jed Emerson has provided an important contribution in his analysis of the potential for collaboration between foundations and private companies (Emerson 1999, 2004), a theme also central in Bishop and Green's book *Philantrocipitalism* (2009), while Michael Porter and Mark Kramer have been looking since 1999 for ways to create value in broader coalitions between foundations, companies, public institutions and grassroots organizations (Porter & Kramer 1999). Following up on this theme, in '*Creative Philanthropy*', Anheier and Leat (2006) focus on new methods for giving grants. They criticize the so-called '1000 flower's strategy', where foundations give a large number of small grants without a deliberate strategy or any focus on the outcome of their giving (criticism also raised by scholars such as Covington 1997; Schumann 1998; Skloot 2001).

However, it is fair to conclude that our knowledge of the ancillary effects of large grants is vague, as James Andreoni points out: '*This is a big, deep, and difficult question that we have just never had the kind of data or experimental control to learn much about*' (Soskis

2015). This is in line with Gautier and Pache, who carry out a literature review on corporate philanthropy, concluding that very little effort has been made to document the outcomes of philanthropy on the beneficiaries and the impact on other funding partners (Gautier & Pache 2015).

One approach to this question is the research on the crowding mechanisms of philanthropy: whether gifts – or government grants in other studies – to a beneficiary come at the expense of other voluntary contributions. This important question has tricked many researchers (Andreoni & Payne 2011), but the empirical research in the crowding dynamics related to public–philanthropic investments shows no solid direction. Some researchers argue that philanthropic investments create a ‘crowding-out’ effect in the sense that increases in philanthropic donations lead to limited investments by public bodies (Peltzman 1973; Becker & Lindsay 1994; Sav 2012; Jung & Harrow 2014). Other scholars point to a ‘crowding-in’ effect whereby public investments are tied to philanthropic investment either by ‘virtue’ or by specific demands made by the foundations (Srakar & Copic 2012).

Most studies are looking at the opposite relation, however, investigating the effects of increased public support on private giving and grant-giving, suggesting that government grants are *crowding out* the private incentives to give (Abrams & Smith 1978; Kingma 1989; Duncan 1999; Andreoni & Payne 2003, 2011; Thane 2012). The theoretical assumption relates to the fact that non-profit institutions,

such as museums, have little incentive to produce more revenue than needed, so the main concern for the management is to find sources of income up to a certain level. Following this, an increase in one form of funding will likely lead to cuts to other sources of income (Sokolowski 2013). The main mechanism at play is reduced fundraising activity by the receivers of increased public funding, which suggests that government grants reduce fundraising efforts, supplemented by direct crowding out, whereas foundations consider their marginal impact to be reduced, leading to lower giving and crowding out (Dokko 2009; Andreoni & Payne 2011). December 2015 Working Paper for the Fifth Workshop on Foundations, Italian Research in Philanthropy Awards By Mr. Henrik Mahncke, Research fellow, Center for Civil Society at Copenhagen Business School, Denmark Furthermore, Duncan points to the fact that impact-driven foundations might reduce their donations if the government increases their support for the arts, as the marginal impact will be reduced (Duncan 2004).

Another strand of research argues that increased public support is having a crowding-in effect on private donations (Payne 2001; Brooks 2003; Heutel 2009; Sokolowski 2013). The main argument is that government grants can function as a seal of approval concerning the quality of the institutions, leading to increased philanthropic support (Kressner Cobb 1996; Wyszomirski & Mulcahy 1995), while other studies found no such effects of this signalling function (Bor-

gonovi & O'Hare 2004; Kim & Ryzin 2014). Some studies find very limited effects of incentives in cultural support, such as matching grants, where governments seek to stimulate private giving by matching private donations (Heilbrun & Gray 1993; Borgonovi & O'Hare 2004; Stanziola 2012).

However, the focus on government grants crowding out private investments illustrates the difference between the American traditions for cultural patronage and the European – and especially Scandinavian – traditions (Borgonovi & O'Hare 2004). In America, private patronage of the arts is five times larger than the support from public sources¹. Conversely, the public support in Denmark is five times larger than the private patronage². Subsequently, the typical American perspective is how and if the public support structure, such as the National Endowment of the Arts, is crowding out private patronage of the arts, while in Denmark and many other European countries it is debated whether private donations are crowding out public donations; same debate but in opposite directions, so to speak.

In this paper, 'crowding out' refers to a situation in which increasing philanthropic funding displaces government funding. On the other hand, 'crowding in' refers to the possibility that philanthropic foun-

¹ In a study of 767 cultural institutions, Andreoni and Payne (2011) estimate that, on average, the cultural institutions receive USD 6.1 million from private donations and USD 1.3 million from public support.

² Based on an estimate of approximately DKK 2.5 billion from foundations and private companies against the total public spending on culture of approximately DKK 13 billion (Source: Statistics Denmark).

dations might encourage increased government funding. Furthermore, most studies tend to focus on individual giving from private donors (Andreoni & Payne 2011). Instead, we suggest a focus on major donations from philanthropic foundations. The basic idea is that the crowding mechanisms and reciprocity are completely different phenomena, with large, million-dollar grants from philanthropic foundations on the one side and small, random micro-donations from private individuals on the other. The focus on major gifts allows us to analyse the public–philanthropic partnering in the cultural domain as they, *ceteris paribus*, are expected to be most visible and clear in connection with large, complex donations.

The public–philanthropic relation is different from ‘public–private partnering’ (PPP), which has been an important topic in political science for decades. The key difference is the absence of the market. While foundations are very diverse organizations with different habits and methods, inefficient foundations are never forced to leave the market by more efficient competitors. Foundations that have limited strategies, extravagant behaviours or support poor projects with negative side effects do not risk going bankrupt (Frumkin 2006). Most foundations are eternal by construction and supported by an endowment that creates an effective barrier between organizational stability and organizational performance, unlike the market situation (Schlüter, Then & walkenhorst 2001; Thümler 2011). Another difference is the fact that PPPs are embedded in the circular market logic. PPPs

are based on solid contracts, legal frameworks and December 2015 Working Paper for the Fifth Workshop on Foundations, Italian Research in Philanthropy Awards By Mr. Henrik Mahncke, Research fellow, Center for Civil Society at Copenhagen Business School, Denmark clear expectations of both service delivery and payment. The public–philanthropic partnership holds a very unclear reward mechanism with a wide palette of potential reciprocity.

However, a common mistake is to view public–philanthropic partnerships as a match made in heaven – relationships without problems or differences in interests. Foundations are not restricted in financial terms and face low levels of regulation and other control mechanisms, but they form particular interests as organizations seeking various forms of reciprocity (Lynge Andersen 2002). Digging deeper into clarifying the concept of reciprocity, one might begin with Alvin Gouldner’s much-cited article ‘Norm of Reciprocity’, in which he concludes that reciprocity is at play in all present and ancient societies while at the same time finding it to be one of the most obscure and ambiguous sociological concepts (Gouldner 1960; Hénaff 2010). In its simplest definition, reciprocity applies in every case as a response to the action of others, as such. In this paper, we define reciprocity in line with this simple definition as a response to action by others, which includes two important logics of giving: the duty to accept a gift and the duty to reciprocate; that is, return the gift.

Mauss points out that one of the key elements of a gift is the impossibility to refuse it. Giving is a sociological phenomenon that comes with numerous constraints, including the duty to accept a gift and subsequently to return it to the giver. According to Mauss (1924), this was just as true in ancient cultures as it is today. On the individual level, we are obliged to accept and even formally appreciate gifts, whether they fit our taste or not, as well as returning a gift of similar value at a later stage (Berking 1999). On the societal level, critics argue, we find the obligation of receiving gifts in cases where foundations offer to finance prestigious buildings that comes with demands on public co-funding or support for operating costs (Marker 2014). Museums are valuable for cities and regions, and the flagship museums are popular institutions, attracting large crowds. In this context, an offer from a foundation to invest in a renovation project, a new extension or similar major gifts will always be rather difficult for local politicians to refuse. Furthermore, returning the gift is also a duty with a wide range of possible outcomes in terms of financial support, from personal benefits to moral gratitude (Frumkin 2006: 153). According to Frey & Meier museums have developed an elaborate system of honours ranging from appropriate attributes (Benefactor, patron, contributor), to naming rooms, wings or even whole buildings after the donor (Frey & Meier, 2006). By such reciprocity, donors can gain some elements of control over museums (Glazer & Konrad, 1996). In philanthropy, reciprocating a gift involves a moral element

of gratitude concerning the gift and towards the giver. We therefore expect to find various examples of gift-returning in the different cases. The most important part taken from Mauss is the fact that gift-returning can be from other stakeholders than the beneficiary themselves, such as others from the tribe or, in a modern context, other main funders, such as local authorities. This is a kind of black box concerning the public–philanthropic partnership. We have limited available empirical research on how reciprocity is at play between these two important patrons of the arts—foundations and government. December 2015 Working Paper for the Fifth Workshop on Foundations, Italian Research in Philanthropy Awards By Mr. Henrik Mahncke, Research fellow, Center for Civil Society at Copenhagen Business School, Denmark

3. Methodology

Estimating the effects of major donations to the cultural domain and exploring how reciprocity is at play in modern gift-giving involves a number of major methodological issues. Firstly, classic economic theory is not suitable for analysing the outcome of major gifts to museums. The assessment of performance in the business world is much debated, but some agreement exists regarding the notion of return on investment (ROI), measured in terms of the market forces that serve as effective feedback mechanisms. In the world of museums, however, no such easy measures are possible. Museums are non-profit or-

ganizations with no shareholders expecting a return; hence, no profits are usually made. In the museum world, revenues and profits are therefore irrelevant as measures of success. Instead, we will focus on visitor attendance as a proxy for the museums, which obviously also has budgetary contributions, as museums are institutions with high fixed costs and relatively low levels of extra marginal costs resulting from increased attendance (Frei & Meier 2006; Hjort Andersen 2013). Furthermore, we look at their operating budgets and the development of the relative distribution of funding over time.

Secondly, we find that the concept of philanthropic reciprocity is raising methodological challenges. It is not an easily explained concept and it will be rare to find professionals in foundations or cultural institutions who have read their share of Mauss or Durkheim. Instead, we must explore reciprocity in a more indirect manner to ensure that we are talking about the same thing. This is crucial for validity. Furthermore, reciprocity as a concept tends to be negatively associated in the research literature, but the ambition here is to have a more neutral approach to it. In some cases, it might have negative consequences for the receiver. One could imagine a gift of 10 expensive paintings by a contemporary artist accompanied by a demand for eternal placement in a specific museum hall, and down the years the value or the interest in this particular artist dramatically fades away, leaving the museum with a promise they might ultimately regret. However, strings attached to a gift can also be to the benefit of the

receiver; for instance, to ensure future public support for museum operations as a requirement for the donations, which in the eyes of the museum is a positive side effect of major giving.

Due to these considerations, the methodology is based on mixed methods. Mixed methods is becoming increasingly recognized as the third major research approach or research paradigm, behind single qualitative research and quantitative research (Maxwell 2015; Johnson, Onwuegbuzie & Turner 2007). It creates opportunity for a more holistic approach based on the notion that different methods have different strengths. Campbell and Fiske (1959) introduced the idea of triangulation, referring to a research design in which more than one method is used as part of a validation process ensuring that the explained variance is the result of the underlying phenomenon or trait and not of the method (e.g., quantitative or qualitative). They argued that findings stemming from two or more methods would enhance our beliefs that the results are valid rather than a methodological artefact. The logic of mixed methods is, then, to reinforce one method with another (Johnson & Onwuegbuzie 2004). This study uses a pragmatic lens, allowing the research question to dictate which methods are most appropriate and letting both quantitative and qualitative methods help us understand the outcome of major gifts. Quantitative methods are useful for understanding the long-term effects of large donations from foundations to the cultural domain, but they might only tell part of the story. Qualitative methods are useful for

revealing details and context to major giving, adding explanatory power to the study. This is important, as we are not only interested in whether or not the major gifts affect the cultural domain but also in how they do so and under what circumstances. December 2015 Working Paper for the Fifth Workshop on Foundations, Italian Research in Philanthropy Awards By Mr. Henrik Mahncke, Research fellow, Center for Civil Society at Copenhagen Business School, Denmark

4. Methods and data collection

We suggest analysing crowding-out mechanisms and reciprocity at different stages in the lifecycle of major donations, as visualized in Fig. 1 Along with Borgonovi and O'Hare (2004), we distinguish between the institutional level (the single museum) and sectoral level (cultural funding in general). The first stage is the actual decision to donate a major gift to a museum. Following Sokolowski (2013) and Andreoni & Payne (2011), one might imagine that the museum has more than one funding option. In this case, 'crowding out' refers to private foundations that donate money for projects that the public sector, such as the state or local government, would have supported anyway.

The second stage is after the inauguration of the major gift (usually a new or renovated museum building). At this stage, crowding mechanisms result in increased public funding to operations than before

(crowding in) or less public funding to operations (crowding out). The assessments of the financial effects of major donations to cultural institutions is based on accounting data from art museums before and after a major philanthropic donation in order to follow trends in public funding before and after the donation. An increase in public funding because of a philanthropic donation will support the crowding-in argument that foundations support buildings and structures and leave the operating costs to the public sector.

Fig. 1 - Crowding and reciprocity mechanisms at three stages of major giving

STAGES			
	Decision phase	Post- inauguration phase	Long term
Level of analysis	Case level (individual museums)	Case level (individual museums)	Cultural funding in general (sectoral level)
Crowding-out mechanism	Substitution of public funding	Crowding in/out of public operational funding	Substitution of government funding for culture
Reciprocity	The obligation to receive a gift	The obligation to return the gift	The obligation to return the gift
Mixed method approach	Qualitative/quantitative interview with stakeholders	Quantitative/qualitative analysis of annual reports Interview with stakeholders	Quantitative data on public and philanthropic spending

The third stage is the long-term level of public funding. If foundations generally invest increasing amounts of money in the cultural domain, one might imagine a tempting situation for the public sector to reduce their investments and divert the resources to other welfare state concerns (Jung & Harrow 2014). This must be analysed over years and comes with the major research problem that it is difficult to isolate empirically. In fact, there is rarely 'a smoking gun', such as a government policy document, arguing that cutbacks are due to philanthropic investments that compensate for the withdrawal of the public sector or even verbal arguments from politicians justifying such cuts to funding by referring to the increased support from private philanthropy. Here, we will use data on public spending on culture as well as public funding for cultural buildings and structures compared to spending by philanthropic foundations.

Reciprocity at the decision-making phase is defined by the obligation to receive a gift, based on the Mauss. This might seem a minor consideration, but budget restraints and pressure on funding from all parts of society put constraints on most bodies of government. Major gifts with strings attached in terms of funding create dilemmas and pressure on public decisions. In contrast to 'pure altruism', reciprocal giving also requires that a consideration be offered in return. This is often understood as a return from the beneficiary, in this case the museum, in terms of a name placed on a building or invitations to galas and openings (Frumkin 2006: 261). In this paper, however, we

define reciprocity as pressure for increased or long-term public funding from foundations. This is understood broadly, ranging from directly contract-based conditions for the gift to perceptions of ‘virtue’ from the local authorities and the museum to secure local funding. The operationalization of reciprocity includes both formal and informal demands and conditions that come with the gift. The concept of reciprocity is explored using a three-step, mixed methods approach. This includes, firstly, a triangulation of methods based on a full population survey to cultural institutions (beneficiary perception of reciprocity), and secondly by thorough document analysis of the grant for formal conditions, and thirdly by interviewing high-level staff in case studies (e.g., CEOs, deputy directors) to uncover informal conditions.

Denmark has more than 400 museums, including large, internationally recognized institutions to small, local museums with volunteer staff. The population for this paper consists of the 104 state-approved museums, which is a quality label for professional museums³. The main quantitative data input is a survey conducted from September 2014 to February 2015 in collaboration with the Danish Agency of

³ The state owns six museums and 98 are approved to receive state subsidies. The Danish Agency for Culture does not run any museums itself but makes grants to and supervises all of the state-subsidized (approved) museums and most of the state-owned museums. One or more local authorities can own a state-subsidized museum, they can be owned by a foundation whose objective is to run the museum, or they can be an independent institution.

Culture⁴ and sent to the 104 state-approved museums in Denmark on behalf of The Danish Agency of Culture and Copenhagen Business School. Participation in the survey was mandatory for the museums, which resulted in a sound response rate⁵. 83 museums responded, resulting in a 79.8% response rate. Of the 83 museums, 19 stated that they had received a major gift, defined as a single gift of more than €2.7 million (DKK 20 million) since 2000. This result was validated through a detailed online search based on:

- Foundation and museum websites
- Newspaper coverage. A search on philanthropic donations was conducted in all Danish newspapers, national and local, from 2000–15 (Infomedia).

This desk research uncovered these 19 major donations, and the results were put into a database displaying the year, size and type of donation and the year of inauguration. The total population was 11 cases due to the fact that eight of the donations were recent gifts that have not been inaugurated or are in the first years of reopening. These cases form the full population of large philanthropic donations given to Danish museums from 2000–10. The statistical data for these cases were obtained from Statistics Denmark together with annual reports with budgetary data collected online through databases

⁴ In collaboration with post doc. Christian Berg at Copenhagen Business School.

⁵ A test for sampling bias based on museum size and type has shown no systematic bias.

or from the museums. As noted earlier, the literature on crowding mechanisms points in many directions, suggesting that more solid ground is needed. The first step was interviewing the museum director. A snowball approach was then used to identify further key people in the process. We asked the museum directors to provide the names of the most important partners from the foundation, local authorities and other stakeholders. At least one representative from the foundation and one from the local authorities were interviewed. In total, 16 personal interviews were conducted with high-level staff (e.g., CEOs, deputy directors) to uncover formal and informal conditions in relation to gift-giving.

5. Findings

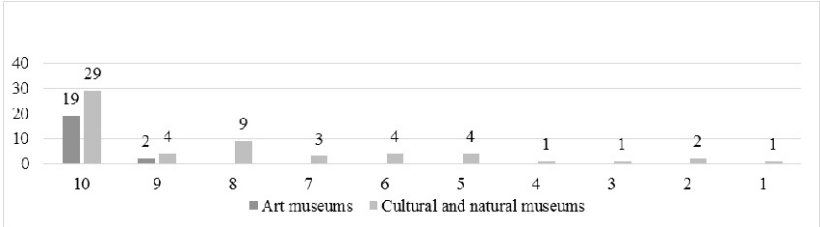
The decision phase

While non-profit organisations, such as museums, tend to search for funding with the lowest transaction costs (Andreoni & Payne 2011), foundations often prefer to support projects that would not otherwise receive funding to avoid the substitution of other sources of revenue for the beneficiaries (Frumkin 2006). Following this, crowding out in the decision-making phase is defined in a simple manner: If a museum is likely to find alternative public sector funding for a specific project, the foundation risks crowding out public expenditure. On the other hand, if the foundations support projects where philanthropic

support is crucial, we find no support for crowding mechanisms at the level of the individual gift. The key is to look at the importance of foundational support as well as the likelihood of finding alternative public funding.

In the survey of the 104 state-funded museums, we asked about the importance of philanthropic support for the museums (Fig. 2). The data show that grants from philanthropic foundations play a crucial role for the museums, as 80% of the museums answer between 8–10 on a scale from 1 (foundations are of very little importance) to 10 (foundations are of very great importance), resulting in a total average score of 8.6. Among the 21 art museums, 19 museums answered 10 and two answered 9, giving a total average score of 9.9 on a scale with a maximum of 10. This clearly suggests that philanthropic support is crucial for museums and especially for art museums.

Fig. 2 - Q: How important is philanthropic support for your museum? (Number of museums answering; 10: very important, 1: not very important)



Furthermore, in the open-ended questions, 78% of the respondents referred to the importance of philanthropic funding as a key to fi-

nancing projects that would not have been realized without foundation funding (Table 1). This strongly signals how, on the individual project level, museums are rarely in a position to attract major public funding for large exhibitions or new museum buildings or renovations. One could argue that these statements show that foundations are exactly crowding out public investments by arguing that the lack of public funding possibilities is a result of an increased level of philanthropic support, but we will return to this question later in the assessment of the long-term crowding mechanisms.

Furthermore, we conducted qualitative interview of the 11 cases in order to reveal crowding mechanisms in detail. Representatives at the foundation level – at the museums and in the local authorities – all independently confirmed that these gifts went to projects that public funding would not otherwise have sponsored. This is not the same as saying that the public sector would not co-fund, but rather that the project depended fully on philanthropic support.

Table 1 - Pros and cons for philanthropic support for museums

Advantages of support from philanthropic foundations	Disadvantages of support from philanthropic foundations
Realization of new projects that would not find funding elsewhere (78%)	Time consumed applying for funding (45%)
Help to improve strategy and vision (19%)	Insecurity of long-term funding (39%)
Seal of approval for other sources of revenue (14%)	Foundations influence the museum’s strategy (17%)
Coaching from foundation staff (13%)	Less support for operating costs (8%)
Low level of bureaucracy (12%)	Less public support (3%)
No advantages at all (0%)	No disadvantages at all (10%)

Source: Survey among state-funded museums, n = 83

Interviews with local government representatives support that museums and foundations play the active part in the funding process and the local government follows suit: ‘There is no doubt that we use the potential investments from foundations as a lever for more funding to the cultural domain. In my opinion, we need to supplement with public money when foundations want to donate to us’, as one administrative representative from a council describes it. A city council member in one of the other cases argues that foundation support is crucial to adopt large investments: ‘Nothing would have happened without the major gift from the foundation. The potential investments made us work hard to find the capital necessary for our part of the investment so we could accept the gift’. One director of the cultural administration in a council describes the dilemma of major giving: ‘as a government official. I often find us in a situation where we accept a gift that we would not have funded ourselves, but the publicity of the major gifts and the recognition from the foundations is very important for the council members’. In total, the representatives in all cases agree that the momentum created by the gift make local authorities go far to raise the money to co-invest. Furthermore, they agree that these investments would not have been realized without the outside pressure of the gift. This supports the first part of reciprocity: the obligation to receive a gift. In the modern context, you not only have to receive, you also have to support the realization financially and politically to obtain majority support from the local council.

Looking at the decision phase, we find no evidence of crowding-out mechanisms with respect to funding specific museum projects. Major donations go to projects that the museum representatives and local authorities argue would not have received public sector funding or other sources of private funding. Furthermore, we find support for a crucial element of gift-giving: the obligation to receive a gift. In these cases, it is expanded as not only an obligation to receive but also to invest money and political support.

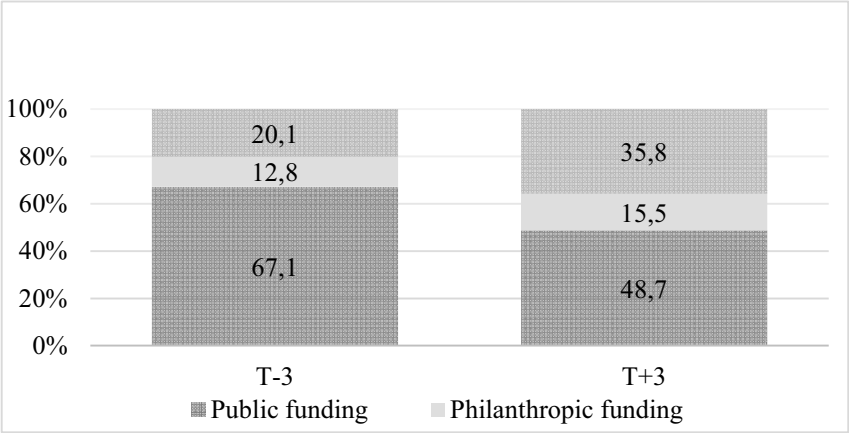
Post-Inauguration phase

Some researchers argue that foundations tend to focus explicitly on capital expenditures, investing in prestigious museum buildings while leaving increased operating costs to the public sector (Marker 2014). On one hand, the local authorities struggle to find sufficient support for operating their local museums and, at the same time, it is hard to refuse a generous offer from a private foundation wanting to invest in the local museum even though it adds pressure regarding operating expenses. This argument follows a crowding-in hypothesis of public–philanthropic partnerships. This section explores the changes in public funding following large donations to museums. Most museums have three main sources of income: public funding (state and local government), funding from philanthropic/private

companies and earned income (ticket sales, café/restaurants, museum shops etc.).

As Fig. 3 shows, the case museums before the major philanthropic gift had a share of 67.1% public operational funding of their total annual budget⁶. This covers state funding and funding from local authorities. The rest of their funding came from earned income of 20.1%, mainly revenue from ticket sales, cafés and museum shops, while philanthropic funding and company sponsors provided on average 12.8% of their annual budget.

Fig. 3 - Sources of finance 3 years before inauguration (T-3) and 3 years after inauguration (T+3)



⁶ Average of the last full financial year before the year of inauguration (years with partial closures due to construction are removed from the calculation).

This pattern changes dramatically after the inauguration. The total private funding is now on average at 35.8%. The philanthropic support has increased to 15.5%, while the public support for operations falls to under half of the revenue. The main reason for this is to a large extent increases in the number of visitors, as shown in Table 2. Numerically, the public support to the case museums has increased by DKK 1.8 million. This visitor effect is important as the literature on museums show that museums have a high degree of fixed costs and marginal costs close to zero (Maddison and Foster 2003; Frei & Meier 2006, Hjort Andersen 2013).

To explain these figures, we examine the development in the attendance figures of the museums as a proxy for the outcome of major giving. Table 2 presents the differences between the average annual visitors divided between museums that have received a major donation (+ € 2.7 mio.) and those that have not. Furthermore, we differentiate between art museums and cultural/natural museums in order to see whether the results are similar to museums other than those chosen in our case studies.

The data show a 47% increase in the average number of visitors compared to an average increase of visitors of only 2% for the art museums that did not receive a major donation.

Table 2 - The effect of large donations on attendance, index 100

	Art museums			Cultural/Natural museums		
	Avg. visitors ⁷ 2005–09	Avg. visitors 2010–14	Index	Avg. visitors 2008–11	Avg. visitors 2012–14	Index
Museums that have <i>not</i> received a large gift	33,778	34,541	102	52,246	53,841	103
Museums that received a large gift of DKK 20 million	Avg. Visitors before inauguration	Avg. Visitors after inauguration	Index	Avg. Visitors before inauguration	Avg. Visitors after inauguration	Index
	166,143	243,544	147	87,933	140,546	161

Source: DST 2015 + Survey among Danish Museums

⁷ The calculation is based on an average of 5 years before the inauguration/opening compared to 5 years after the inauguration, while any years with construction-related closures are left out. For cultural and natural museums, the data were not available before 2008, so data are based on a 3-year average.

The result becomes even clearer when we include the cultural and natural museums. As Table 2 illustrates, the attendance figures of the cultural and natural museums that received a major donation increased by 61% compared to the control group, which has experienced a marginal increase of 3% based on Statistics Denmark data. This gives an average increase in the annual number of visitors of 51% for the beneficiaries of large donations. In total, the 11 major donations made by philanthropic foundations to Danish museums in the period 2000–10 have led to a total increase in public attendance of approximately one million visitors annually, while museums that did not receive a major donation on average have only had a slight increase of 3%. Following this, we see no crowding-in effect of the increase in earned income resulting from the increased attendance, and increased philanthropic support drives up revenue, thereby reducing the dependency on public funding.

The reciprocity from foundations can assume many configurations. Here, we focus on the strings attached to the other main funder of art museums, the public sector. The link between philanthropic support and public support was central to the museum survey. The open-ended questions in the survey asking about the advantages and disadvantages of philanthropic support from foundations support the presence of a link between public and philanthropic funding. The answers were coded into the five most common statements (Table 1). Most museums point out the fact that operating budgets leave little

room for projects, exhibitions and the purchase of new art pieces. Philanthropic support relieves this by adding funding to these types of projects (78%). Crowding-in mechanisms were mentioned by 14% of the museums, arguing that philanthropic support from foundations is a seal of approval for further funding from local authorities. One museum argued that '[p]hilanthropic support can kick start more funding from local authorities and even lead to higher permanent public funding'. Another museum responded that '[p]hilanthropic support is a seal of approval that legitimizes the museum and functions as a "driver" of more local funding'. These examples are qualitative and in no sense representative for the entire population, but they do indicate that 'crowding in' can in fact be a way for museums and foundations to increase the financing for museums from local authorities. Similar mechanisms are found in our case studies. In one out of four, there were strings attached in terms of increased local operational funding. This was a formal part of the donation, whereas no formal demands were in place in the other three cases. As stated by Mauss, however, reciprocity is a moral commitment that will remain with the recipient for a long time. Furthermore, this is a game of continued relationships, as explained by a top-level city council official: 'We will never ever be eligible for additional donations if we do not cherish the things we have been given and respect the gift in the way that we have put the foundation in view'. The obligation

of the gift is not only to receive but also to prioritize and maintain the donation in the future.

In total, however, we find no evidence of ‘the expensive gift’. In one perspective, there is a minor public spending increase based on the analysis of the budgetary figures, however, there is also a remarkable decrease in the share of public spending across the museums. Therefore, we find a small indication of the crowding in of nominal public spending at play in these cases, but at the same time a larger crowding out of public spending affects the relative funding of the museums. Following this, there is little indicating that the public sector has to provide extra funding after the major gift from philanthropic foundations as stated by some media discussions of ‘the expensive gifts’ of philanthropic–public interplay. Still, reciprocity is at play as a moral commitment to the major gifts and a feeling of repeated games, where the relation between the foundations, the beneficiaries and the public sector continues over time including the potential for future gifts.

Long-term outcome

The most difficult aspect of public–philanthropic partnering is to investigate long-term crowding mechanisms at the aggregate level. On this level, the problem is to isolate the effect of increased philanthropic spending on culture on public budgets. Again, we combine methods looking at both long-term aggregate investments by public

and private cultural funding combined with statements from the three main stakeholders: museums, foundations and public authorities.

In the last 10–15 years, philanthropic foundations have increased their donations to museums. No full statistics are available, but valid data from the Danish Agency of Culture show an increase of more than 50% (Table 3)⁸. The total public spending in fixed prices is stable over the last 8 years, with a slight decrease of –0.3%.

**Table 3 - Funding for state-supported museums
in fixed 2014 prices (million euro)**

	2007	2008	2009	2010	2011	2012	2013	2014	Change in % ⁹
Council	66	75	79	83	79	76	84	85	7.2
State	124	118	124	123	121	115	115	114	–5.0
Total public	190	193	203	206	200	191	199	199	–0.3
Foundations ¹⁰	–	–	37	35	65	45	58	–	53.3

Source: DST (BEVIL02), Danish Agency of Culture

On the case level, signs of crowding-in mechanisms exist if the museums receiving big gifts have higher funding increases from the

⁸ These data are considered valid, as all state-funded museums are required to report all of their sources of income, including philanthropic giving. However, donations of art pieces (paintings, sculptures) are not included in these statistics. There is no data available for this form of giving, but the total level of philanthropic giving is significantly higher than the data show, as many foundations support museums with expensive art.

⁹ Calculated as the average from 2007–10 compared with 2011–14 (average). Foundations are calculated from 2009–10 to 2011–13.

¹⁰ Source: Culture Affairs Committee 2013–14, question 134, incl. appendix. <http://www.ft.dk/samling/20131/almdel/kuu/spm/134/index.htm>

public sector (state/councils) than museums in general. Conversely, crowding out would be reflected in less support for our case museums than for museums in general, a model used by Andreoni and Payne (2011).

From city councils, the case museums had an increase of 7.8%, similar to the general increase of 7.2% (Table 3). The case museums saw an increase of 4.7% of state funding, while the overall state support for state-approved museums fell -5.2%. In total, we notice a small decline of -0.3% (in fixed prices), while the case museums had an increase of 5.2%. In theory, this could indicate a crowding-in effect of museums that receive large gifts. Museums that received a large donation experience a positive development in state funding, whereas the rest of the museums see a slight fall in funding.

On the other hand, we have only limited data available and the differences are small, so more research on the long-term effects is required as well as controlling for other possible intervening explanations. In the years to come, we will have more cases and more data to analyse the relationship between philanthropic spending and public spending. Some researchers have pointed out the 'Matthew effect' of accumulated advantage, arguing that those who already receive the most philanthropic and public funding are most likely to receive it in the future as well. However, no longitude data exist to support the theory that philanthropic and public support connect and support the same segment of museums creating accumulative advantage.

Looking at funding for buildings and structures alone supports the statements from the survey. In the last 8 years, we have seen a drop in state and council support of –12.3% from 2007–10 to 2011–14, while philanthropic funding has increased remarkably (Table 4). Furthermore, the difference in volume between public and philanthropic support for buildings and structures is dramatic. In recent years, philanthropic foundations invested five time more than the public sector.

Table 4 - Funding for buildings and structures for state-supported museums in fixed 2014 prices (million euro)

	2007	2008	2009	2010	2011	2012	2013	2014	Change in % ¹¹
Council	2.8	6.3	6.4	8.7	5.6	2.3	6.1	7.6	–10.4
State	2.1	1.7	3.1	3.3	4.0	1.9	1.5	1.9	–15.9
Total public	4.9	8.0	9.3	12.0	9.5	4.0	7.6	9.1	–12.3
Foundations ¹²	–	–	18.6	16.3	38.0	25.6	33.2	–	84.7

Source: DST (BEVIL02), Danish Agency of Culture

The crowding-out thesis could explain this, with the public sector withdrawing from major building and structure projects knowing that philanthropic foundations have a specific interest in these types of questions. This indicates that high levels of philanthropic donations from private foundations crowd out public investments in museum infrastructure. The problem is that a clear causal relationship is difficult to reveal. Further comparative studies could be relevant to get

¹¹ Calculated as average from 2007–10 compared with 2011–14 (average). Foundations is calculated from 2009–10 to 2011–13.

¹² Source: Culture Affairs Committee 2013–14, question 134, incl. appendix. <http://www.ft.dk/samling/20131/almdele/kuu/spm/134/index.htm>.

more knowledge, and longer time periods might provide more solid ground in the future. However, statements from the survey and our interviews support that museum directors and officials from local authorities criticize the involvement of the Ministry of Culture. One official argues, '[w]e have a vague Ministry of Culture that seems to be controlled by the Ministry of Finance. It is invisible and we are unable to make any investments with the ministry'. According to one museum director, 'the Ministry of Culture never steps in when we get private money. Instead, they seem to create more and more bureaucratic pool funding'.

The general perception of reciprocity was an important element in the survey among the full population of museums. The purpose was to test how widely reciprocity is perceived among the museums and what form of reciprocity was present (Table 5). The definition of reciprocity used here is not including the broader elements of gratitude or 'softer' parts of reciprocity. The open-ended questions support this as more materialistic returns of favours, such as season tickets, logo accreditation and merchandise. The most important finding is that only 19% of art museums find that reciprocity is at play in the relationship with foundations. This is far lower than expected¹³. On the other hand 47 pct. of the art museums and 39 pct.

¹³ In comparison, 58% of the art museums and 66% of the cultural/natural museums argue that reciprocity ties to state funding. The overall argument is that state funding is regulated in the 'Law on Museums', which includes

of the cultural/natural museums finds strings attached from local council funding. This is a remarkable difference and show that reciprocity in terms of various VIP events, branding and visibility and merchandise is not a phenomenon restricted to private patrons, but is even more common at the local council level. While the literature on donations to museums (Glazer & Konrad, 1996; Harbourgh, 1998; Frei & Meier, 2006) point to private foundations, this shows that also public funding comes with expectations.

Table 5 - Share of museums experiences reciprocity when receiving donations from foundations and public funding

	‘Strings attached’	
	Council funding	Philanthropy
Art Museums	47 %	19 %
Cultural/Natural museums	39 %	11 %

Source: Survey among state-funded museums, n = 83

Table 6 - Types of reciprocity

Free admission/season tickets (78%)
Branding and visibility, logo accreditation (56%)
Special arrangements for foundation staff (44%)
Merchandise, books etc. (33%)

Source: Survey among state-funded museums, n = 83

formal commitments regarding regulation, procedures and quality assessments. However, this argument is above reciprocity issues.

6. *Conclusions*

Public–philanthropic collaboration in Europe deserves much more discussion and development in order to shape a viable thesis on the crowding mechanisms and the reciprocity at play in the context of modern philanthropy. However, proposed here is a method to map crowding mechanisms and reciprocity, adding more transparency to the relationship between public funding and philanthropic funding.

The first research question investigated the crowding mechanisms of major gifts for museums. This followed three steps. Firstly, it concluded that there are no crowding mechanisms at play in the decision-making phase. In the case studies, a pure public-driven, public-financed project was impossible. Representatives from the museums, foundations and local authorities all supported this argument. In reality, we are therefore unable to talk about crowding out on the level of the individual case. If the foundations did not fund the museums, there would have been no project at all. We are limited to few cases, but the survey of the museum directors supported the argument that major development projects are relying heavily on philanthropic support. Long-term statistics on public and philanthropic spending on buildings and structures support this.

Fig. 4 - Conclusion: three stages of major giving

	Stages		
	Decision phase	After inauguration	Long term
Level of analysis	Case level (individual museums)	Case level (individual museums)	Cultural funding in general (sectoral level)
Crowding-out mechanism	Substitution of public project funding	Crowding in/out of public operational funding	Substitution of public funding for culture
empirical results showing crowding mechanisms resulting from philanthropic giving?	No (No substitution effects found at case level)	Yes, both ways (Crowding in as absolute numbers, but crowding out as relative share of funding)	Yes (Potential crowding out effects shown on construction)
reciprocity	The obligation to receive a gift	The obligation to return the gift	The obligation to return the gift
Empirical results showing presence of reciprocity?	Yes, cases support the obligation to receive	Yes, cases support the obligation to return the gift	No, survey among all museums shows a low level of 'strings attached'

Secondly, we concluded that crowding mechanisms were at play on the operational level after the inauguration, in fact in both directions. Looking at the absolute numbers, there was a slight increase in funding from the public sector supporting the crowding-in theory in which foundations are able to increase third-party spending in these partnerships. However, and in fact more clearly, in relative terms there was a significant decrease in the public funding measured as a share of total revenue. This is opposite to the common understanding of 'the expensive gift' theory, for which we find no support. To the

contrary, we find a surge in attendance following the major gift, which has a strong positive influence on the museum operations budget.

Furthermore, we do find some elements of the crowding out of public money on the aggregate, long-term level. This is difficult to document and test empirically, and further research should be carried out at the European level to investigate the causal relations between philanthropic and public spending on culture. However, we do find traces of crowding out when examining the investments in building and structure projects, where we find a remarkable decline in public spending combined with a steep increase in philanthropic spending. Explaining the link between these two trends is difficult. As shown theoretically by Duncan (2004), however, the strategic interaction among donors intrinsically motivated to ‘make a difference’ generates a negative gift externality, in that funding by the public sector (or other donors) can make an impact philanthropist feel worse and induce them to reduce their contribution. This would allow us to speculate if, in the opposite situation, foundations would feel that their marginal contribution is greater when the public sector is withdrawing. Studying the fall in public spending on large-scale building and structure projects (the typical aim for major giving) compared with the increase in philanthropic spending could provide evidence supporting this thesis. This comes with the rather remarkable and somewhat surprising policy advice to city councils: in times of in-

creased philanthropic spending, shift the public support from development projects to operational support in order to crowd-in major gifts and provide reciprocity (expressed as increased operational funding) for philanthropic foundations.

Mauss' notion of the obligation to receive and subsequently reciprocate a gift is certainly at play in modern philanthropy. At the decision-making phase, our case studies pointed to the dilemma of the public sector. On one hand, the local government has a great interest in major gifts from philanthropic foundations, as they support the image of a dynamic, attractive cultural city. This makes it very difficult to refuse a gift, knowing that the public opinion often favours receiving it. Conversely, there is an obligation to invest resources and secure operational support on not specified timespan. The obligation in the modern context to return the gift holds the character of a repeated game in which reciprocity is 'insurance', showing that the city is capable of preserving and protecting future major gifts. Therefore, as shown in the museum survey, fewer strings are attached in philanthropic funding than come with state funding. For the local authorities, however, the reciprocity from philanthropic foundations is stronger. This is in clear line with Mauss, suggesting that reciprocity is not only a relation between donor and beneficiary, but also a more complex system with multiple actors.

This paper suggests the existence of a link between crowding mechanisms and reciprocity. Foundations and government share an inter-

est in investing in culture. However, they have very different strategic behaviours, different constraints and different views on obligations and engagement with cultural institutions. They also have different roles to play. Most museums argue that foundations now have the crucial role as initiator of large-scale cultural projects. The museum might get the initial idea, but as our data shows, they are aware that no project can rely exclusively on public money. As a matter of fact, the philanthropic support is the crucial steppingstone for the museum to raise their public support as well. Moreover, even within the local authorities, we hear officials saying that philanthropic support is a key to leveraging the public support and enhancing public investment in times of constrained budgets in most councils. Just as Mauss describes it, the obligation to receive and return gifts is a fundamental and forceful power. We argue that this is a key to understanding the public–philanthropic partnership.

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