As we have already indicated, the arts environment in America is changing. In this chapter, we discuss the nature of these changes in greater detail. Although we focus on the shape of change rather than its dynamic, we devote special attention to technology and the role it has played in reshaping the arts environment. There are several reasons for this. First, the role of technology in the arts is often overlooked (Lovejoy, 1992). Second, as we have already noted, we anticipate that technological developments will play an increasing role both in the creation and the distribution of the arts in the future. Finally, because the media arts depend on technology to a much greater extent than do the other arts, we believe that understanding the special character of the media arts will provide insights into the role of technology in the arts more generally.

THE CHANGING SHAPE OF THE ARTS ENVIRONMENT

The past 50 years have been a period of unprecedented change for the arts in America. As it emerged from World War II, the arts world was sharply divided into nonprofit and commercial sectors. The nonprofit sector, focusing on the live performing arts and the display of visual arts in museums, was dominated by a few “elite” institutions centered in major metropolitan areas, catering to a largely affluent white audience, and supported by a few major patrons of the arts. In contrast, the commercial arts, largely concentrated in the recorded arts (film and music) and commercial publishing, provided popular entertainment to much larger and more diversified markets and exercised, at least in the case of the major film studios, considerable control over what the public had access to.

The nonprofit picture changed dramatically during the next 30 years as support, initially from major foundations and later from government and the private sector, spawned an order of magnitude growth in the number and diversity of arts institutions, audiences, and artists, and the emergence of a largely volun-
teer arts sector (Kreidler, 1996). At the same time, new technologies spawned new art disciplines and reshaped traditional art genres. Although the commercial sector’s control over the distribution of the recorded arts diminished, this sector continued to flourish by providing a growing variety of popular products to expanding national and increasingly international markets. Continued technological advances increased the sophistication and range of products and the complexity of means through which they were delivered.

During the past decade, however, broad social, economic, and political developments have posed new challenges for both the commercial and nonprofit arts sectors. These challenges are affecting each of the four major components of the arts world:

- the audiences who consume the arts
- the artists who produce the arts
- the various arts organizations that screen, distribute, collect, preserve, and market the arts
- the funders who finance the arts.

**Participation Patterns Are Changing**

The entire arts world faces a changing pattern of consumer demand. This change is affecting the public’s inclination to participate in the arts as well as what they consume and how. Both the commercial and nonprofit arts sectors, for example, face increasing competition for audiences. This competition is a product of the greater variety of individual options for spending free time and of the changing structure of that time. Supported by rising incomes, changing lifestyles, and a leisure industry committed to providing attractive options to a growing market, Americans have a wider array of leisure time options than ever before. At the same time, however, they may have less free time in which to exercise those options. Although it is unclear whether the growth in leisure time that Americans have enjoyed for much of the 20th century has reversed, as some argue (Schor, 1991), there is little question that the structure of that time

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1. The volunteer sector consists of activities carried out by such avocational groups as church choirs and folk arts groups, as well as small nonprofit organizations that may have been formally incorporated as tax-exempt. As discussed in McCarthy et al., 2001, this sector includes much, but not all, of what some arts researchers call the “unincorporated” sector.

2. The new technologies introduced during this period (and later) include new means of production (video and computer), new recording techniques (tapes, CDs, and, more recently, DVDs), and new distribution mechanisms (VCRs and the Internet). Not only did these and other technologies enable the commercial sector to produce new products and distribute them in more flexible ways, they also contributed to a wide array of developments in the nonprofit sector.
has become increasingly fragmented as a result of irregular work schedules (Vogel, 1998). Leisure activities have also become increasingly home-centered—indeed, Americans spend, on average, three hours of every day watching television (Robinson and Godbey, 1997).

In addition, the ways in which Americans participate in the arts have been changing. Despite the fact that total attendance at live performances and movie theaters has been increasing, the rate of attendance (the percentage of the population attending performances) has mostly been stable (McCarthy et al., 2001). Instead, an increasing fraction of Americans participate in the arts through the media, e.g., playing recordings or tuning in to programs on the radio or television. Although at a much lower rate, an increasing fraction of Americans also appear to be participating in the arts directly, for example, by playing an instrument, acting in a play, or painting (NEA, 1998a).

Finally, these changes are affecting what the public chooses to consume. For example, arts consumers seem increasingly to favor art forms and modes of participation that allow them to determine what they consume, when, where, and how—sometimes referred to as “consumption by appointment.” Indeed, Americans’ desire to personalize their leisure activities, including their arts participation, has been cited as a reason why attendance at art museums, which are open longer hours and have a wider assortment of art from which visitors can choose, has enjoyed larger growth than attendance at the live performing arts (NEA, 1998b). And, when combined with such new distribution channels as the Internet, cable systems, and expanding broadband capacity, these changes seem likely to facilitate the development of a variety of niche and specialized markets as individuals are increasingly able to tailor their consumption to their own tastes, regardless of where they live and what is available in their local markets.

A Portrait of the Artists

In their role as creators and performers, artists are central to the artistic process. Yet we know less about their employment circumstances and career patterns than about those of most other professionals. We do know that the labor market for artists differs from that for other occupations in several respects. First, the demand for artists is uncertain and volatile, so most artists must work outside their profession to make ends meet (Alper et al., 1996; Throsby and Thompson, 1994). Second, although some artists succeed financially, most do not. As a result, there is tremendous variation in artists’ earnings, with the rare superstar earning substantial incomes but most artists making little more than minimum wage (McCarthy et al., 2001). Third, most arts organizations do not provide year-round full-time employment. Artists typically work
for multiple employers throughout the course of the year (Ruttenberg et al., 1997–1978). Indeed, many media artists, like visual artists but unlike most performing artists, work on independent projects rather than as employees of established organizations or ensembles.

As a result of these patterns, artists have traditionally had a more difficult time making a living in their profession than other professional employees have. About three-quarters of all artists, for example, are typically employed at least part-time in non-arts jobs (Alper et al., 1996). Moreover, as with athletes, their employment is sporadic; many leave their professions early; and very few make it to the superstar level. Finally, the evidence suggests that their pay and job security have not improved notably for at least the last three decades (McCarthy et al., 2001).

Nonetheless, the number of individuals who identify themselves as artists has been increasing steadily. The range of roles that artists are playing also appears to be increasing—from amateur hobbyists, who practice art as an avocation, to artistic celebrities and superstars, whose incomes far exceed the average for the typical artist. Indeed, amateur and part-time artists appear to outnumber full-time professional artists by a ratio of at least 20 to 1, and this gap appears to be increasing. Finally, both amateurs and part-time professional artists appear to be playing increasingly important roles in supplying arts to the American public (McCarthy et al., 2001).

**A More Challenging Funding Environment**

Since the emergence of the nonprofit sector around the turn of the 20th century, arts funding in America has primarily followed two different models. The for-profit sector depended upon market earnings, and the nonprofit sector relied on a combination of earnings and contributions. Prior to the dramatic expansion of the nonprofit sector that began in the late 1950s, the bulk of those contributions came from wealthy patrons of the arts (Kreidler, 1996).

That expansion, triggered initially by a Ford Foundation initiative aimed at revitalizing the nonprofit arts sector and using a program of leverage investments that required matching grants, eventually resulted in a host of foundations and corporations becoming active supporters of the arts. By and large, these were unrestricted contributions that gave their beneficiaries considerable flexibility in how the funds were used.

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3Prior to the 20th century, the performing arts in America were primarily supplied by the commercial sector. For a discussion of the history of the arts prior to that period, see Levine (1988) and Butsch (2000).
By 1960, the public sector—first New York state, then the federal government, and later other state and local governments—had become an active supporter of the arts. Many public programs, especially those initiated by the National Endowment for the Arts, provided direct support to artists. The New York State Council for the Arts and the Rockefeller Foundations, among others, were instrumental in providing initial support to media artists and media arts organizations. These sources were later supplemented by the NEA’s media arts program, which made up close to 10 percent of the agency’s total grant expenditures in most years.

As the number of new arts organizations grew and with it the population involved in the arts, individual-level contributions and admission receipts rose as well. In sum, the boom period was built on private philanthropy (individual, corporate, and foundation) as well as public support. Earned revenues, which continued to be part of the revenue mix as they always had been, grew along with participation but were not the key to institutional growth.

As our study of the performing arts indicates, however, this funding environment has changed. Although overall levels of support for the arts continue to climb, the composition of that support and the conditions that govern its use have shifted (McCarthy et al., 2001). Public support for the arts, once dominated by federal grants, is now increasingly driven by state and local government funding. By 1999, NEA expenditures, for example, had declined by nearly three-quarters in real terms from their peak in 1976. Since state and local government support is more often designed to further the community-level economic and social benefits of the arts than it is to promote art for art’s sake, this trend has meant less direct funding for individual artists and less general support for arts organizations.

Contributions remain a central component of arts organization revenue—and the major reason why total revenue continues to grow—but increasingly they come from individuals whose numbers have increased but whose average gift has declined.4 Contributions from private foundations and business have also grown, but they are increasingly targeted and their use restricted (Useem, 1990; Cobb, 1996; Renz and Lawrence, 1998). Thus, they provide less flexibility to arts organizations than they have in the past. Earned income has also increased, although its growth is due less to a rise in admissions receipts than it is to an increase in earnings from a host of other ventures such as shops, restaurants, and rental and program fees. Indeed, many nonprofit arts organizations are

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4This pattern reflects a much broader base of contributors to the arts, but it has also raised concern in the charitable sector as to who will replace the generous individual patrons of the arts as they age. These major donors have traditionally played a major role in supporting the arts (Balfe, 1989).
employing the revenue-enhancing marketing and merchandising techniques of the commercial entertainment sector.

As a result, the literature suggests, funding for artists is fragmented and cobbled together from a range of sources. In addition to support from organizations and government, individual artists appear to rely on gifts and loans from friends and family, in-kind contributions, student and bank loans, personal savings, and earnings from non-arts employment.

**New Organizational Complexity**

Within the art world, a host of intermediaries intervene between artists and their audiences to make up the arts delivery system. As such, they perform an array of functions and include a wide range of entities: critics who review art; organizations that sponsor, present, produce, collect, and preserve art; and distributors who market and distribute art. In combination, these intermediaries typically determine which art gets presented and how (Caves, 2000; Vogel, 1998). They thus play a critical role in determining not only how the art world operates but also which artists have their work reviewed and distributed (and thus their careers advanced).

Traditionally, the arts delivery systems for the commercial and nonprofit worlds have been distinct—each responding to its own dynamics and each concentrating on somewhat different products. The for-profit sector, for example, specializes in providing the recorded arts and publishing to broad-based popular markets and relies on the earned revenues it collects from these markets. The nonprofit sector, on the other hand, has focused more on live arts and specialized markets and has depended upon a combination of earned and contributed revenues to support its operations. Indeed, as Baumol and Bowen (1966) pointed out in their classic analysis of the economics of the performing arts, nonprofit arts groups face a chronic problem in trying to support themselves in the marketplace and must, as a result, supplement their earned revenues with contributed income to survive. These different dynamics have resulted in distinct marketing and distribution practices in these two sectors.

However, a combination of new financial pressures and developing distribution opportunities appears to be changing these practices. The commercial sector, for example, finds itself facing increasing financial pressures as both the risks and potential rewards from projects soar (Vogel, 1998). Although the payoff from blockbuster hits has become enormous, fewer projects in the commercial sector are earning enough to cover their production, marketing, and distribu-
In the face of rapidly evolving technologies and global competition, the shape of the commercial arts world has been undergoing reconstruction as firms merge and enter into joint production agreements. As a result, the number of organizations in the commercial sector has been shrinking as their average size increases (McCarthy et al., 2001). Moreover, in an effort to maximize their earnings and appeal to the broadest popular markets, many of these firms have focused on market-tested themes and stars.

The nonprofit sector is also being subjected to a new set of financial pressures, although the source of these pressures is somewhat different. The decades-long expansion of the nonprofit sector that began in the late 1950s and was triggered by a surge of contributions from foundations, government, corporations, and individuals appears to have ended (McCarthy et al., 2001). Government funding for the arts, for example, has stabilized and has shifted from the federal to the state and local levels. This has produced a corresponding shift from general support for artists and arts organizations to a greater focus on how financial support for the arts can promote instrumental social and economic benefits. Foundation and corporate support for the arts has also become more targeted toward serving the needs of those organizations. Finally, although individual support continues to climb, that support is coming in increasingly smaller average amounts and is increasingly costly to raise. The net effect of these financial shifts has been a growing emphasis within the arts on increasing earned revenues.

In combination, these various developments are reshaping the organizations of the arts world (Urice, 1992; Cherbo and Wyszomirski, 2000). Instead of a sharp demarcation between a nonprofit sector producing the high arts and a for-profit sector producing mass entertainment, the major divisions in the future, as we have suggested elsewhere, will be along the lines of large versus small arts organizations, and those that cater to broad versus niche markets (McCarthy et al., 2001).

Large organizations—both commercial and nonprofit—are relying increasingly on marketing campaigns and celebrity artists to attract large audiences. As a result, the distinctions between popular and high art are eroding as both kinds of organizations seek to produce the next blockbuster. And as the rewards of success and the costs of failure climb, these large organizations will seek to minimize their risks by choosing programming that appeals to the widest possible audience and provides the greatest opportunities for associated marketing revenues.

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5Nine out of ten commercial recordings, for example, fail to break even. Two-thirds of commercial films lose money, as do 70 percent of all theater productions (Vogel, 1998).
Small arts organizations, on the other hand, are becoming both more dynamic and more diverse than their larger counterparts. In the commercial sector, small firms are targeting niche markets within the recorded arts—for example, the market for classical recordings has been abandoned by larger firms because it does not provide the margins and volume that larger firms require. In the nonprofit and volunteer sector, small organizations have increasingly less in common with larger nonprofits in terms of programming, audience demographics, and the professional status of most of their artists. They are focusing on low-budget live productions that rely heavily on volunteer labor. Many cater to local and specialized markets, particularly ethno-cultural communities and neighborhoods. Others continue to provide opportunities for hands-on participation for nonprofessional artists (McCarthy et al., 2001).

In short, as the factors driving both the demand and the supply of arts in America change, the organizational ecology of the arts environment is becoming more complex. In the process, the traditional distinctions that have been used to describe the arts world are no longer as salient. The distinction between the commercial and nonprofit sectors, for example, is becoming blurred. Rather than being viewed as separate and distinct, these sectors are increasingly viewed as complementary components of a complex arts and entertainment system in which ideas, functions, and resources—including artists—move across sectors (DiMaggio, 1991). Moreover, increasing attention is being given to the volunteer or unincorporated sector and the role it plays both in providing opportunities for hands-on participation and as a venue for local community involvement in the arts. Similarly, artistic disciplines are no longer as distinctive as they have been in the past because they incorporate multiple disciplines and adopt a variety of media in their performances and presentations.

This is particularly true of the media arts, where the distinctions among film, video, and digital art have made the individual medium less important (Manovich, 1999). Instead, distinctions by size and function have become more important. As we have already noted, the kinds of programming offered, target audiences, and funding patterns increasingly vary by size rather than sector. Organizational mission or purpose is also becoming more important. Most art organizations seek to perform multiple functions, but an arts organization’s focus—presenting, training, community development, or experimentation and innovation—is likely to affect not only the types of programs and work that it provides but also the types of audiences it targets and the sources of funding on which it relies. For example, while large presenting organizations are increasingly targeting broad-based audiences to expand their earnings, smaller presenting organizations may focus on niche or specialized audiences—often identified in terms of geographic or special-interest communities. Organizations that focus on training or innovation, on the other hand, are less likely not
only to target traditional audiences but also to be able to sustain themselves by relying on earnings.  

These changes are also evident in the policy arena in two respects. First, the range of policy-related issues of concern to arts organizations and artists has expanded considerably. Questions relating to intellectual property issues, access to and control of such distribution channels as the Internet, and appropriate business models are not only broader than in the past but are also shared across sectors. In addition, the policy debate has shifted from an exclusive focus on public funding to a broader concern with the public purposes or role of the arts and how the different components of the arts system serve those purposes (American Assembly, 1997). Consequently, arts organizations need to adopt a more sophisticated and broader view—not only with regard to traditional questions of programming, audiences, and funding but also with regard to their interaction with society and how they raise revenues to support their activities.

THE ROLE OF TECHNOLOGY

Technology has played a major role in this ongoing transformation. New technologies for distributing the arts have allowed individuals to personalize their arts consumption and the ways in which they participate in the arts and have thus promoted the development of niche markets. Technology has also provided artists with new means of creating art as well as new opportunities to communicate directly with their audiences and to collaborate with their colleagues in this country and abroad. Concomitantly, technology is changing the behavior of the organizations that produce, present, distribute, market, and collect art by expanding both the size and the geographic spread of the arts and entertainment market, the costs and benefits of success and failure, and the business models upon which their operations are based.

Understanding the relationship between art and technology is important because of the rapid pace of technological change and the increasing role of technology in the arts. Indeed, despite the fact that few historians would deny the pervasive role that technology has played in shaping political, social, and economic developments throughout the modern era (Marvin, 1988; Landes, 1998), art historians have, until recently, tended to ignore the influence technology has had on the arts (Lovejoy, 1992).

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6The principal market for organizations focused on training and experimentation, for example, may not be traditional consumers but rather foundations, corporations, other artists, and universities.
7The Creative Capital model, in which funded artists agree to return a portion of the profits generated by their projects to a fund that is subsequently used to fund future media and visual arts projects, provides an example of such a business model.
Evidence of these effects abounds. For example, technology has spawned entirely new art forms, as the history of the media arts attests. This process is not unidirectional. Indeed, the media arts provide ample historical examples of the complex relationship between technological change and the creation of art. Furlong (1983) describes how new artistic visions and practices have driven technological innovation just as new technologies have created new ways of producing art. From the emergence of photography following the invention of the camera in the 1830s, through the development of film after the invention of the motion picture camera, to video art in the wake of television, and most recently, the emergence of digital and web-based art on computers, technology has given rise to a host of new art forms.8

Similarly, technology has played a major role in shaping how the arts are distributed. The introduction of motion pictures, for example, was instrumental in the decline of live proprietary theaters during the first few decades of the 20th century (Baumol and Bowen, 1966). In turn, recorded music, radio, and television each played an influential role in transforming how the arts are produced and distributed (Kreidler, 1996). Use of the Internet as a medium for transmitting recorded music, film, and video to consumers—in addition to the written word—has already begun to alter the organization and role of intermediaries in both the performing and literary arts (Stroud, 2000). And the Internet shows promise of creating more direct links between artists and their audiences and further reshaping how art is distributed and experienced.

But the emergence of new art forms and distribution channels may be only the most obvious of technology’s effects on the arts. As Benjamin (1986) pointed out in his seminal article, “The Work of Art in the Age of Mechanical Reproduction,” technology “transforms the entire nature of art.” These effects are manifested in the size and character of the audience for the arts, in how individuals experience them, in the motivations and practices of artists, and even in the social purposes of art (Lovejoy, 1992).

By facilitating the reproducibility of the arts, for example, technology has made the arts accessible to mass audiences in ways that were difficult or even impossible before such technological advances as film and video. Films and the broadcast media, for example, have expanded public access to the arts far beyond the reach of such traditional venues as museums and theaters and freed the arts from the geographic constraints imposed by the need for market thresholds sufficient to support production and distribution. Moreover, improvements in reproduction and transmission technologies have reduced the

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8Indeed, as we noted above and discuss in more detail later, technology has tended to diminish the importance of the individual medium and artistic discipline as organizing principles in the arts.
aesthetic disadvantages of non-live performances and appear to have contributed to a growing preference for participating in the performing arts through the media rather than by attendance at live performances (NEA, 1998a; McCarthy et al., 2001). Finally, technologically influenced changes in the contemporary art aesthetic have shifted the focus away from viewing art as an object to experiencing it interactively. As a result, the audience member has been transformed from passive observer to active participant in the artistic process, exemplifying Duchamp’s dictum that “the viewer completes the work of art” (Rush, 2001). This transformation of the artistic experience is perhaps most pronounced in certain forms of digital art. Here, the art exists not as an object to be viewed but is, in fact, produced by the interaction of the audience with the program created by the artist. Indeed, Lunenfeld (2000a) describes this phenomenon, which he terms the aesthetic of the “unfinished,” as characteristic of much digital art.

Correspondingly, the audience for such work may be more accurately described as “users” rather than viewers. Just as technology has transformed the audience for art and the ways in which individuals participate in the artistic experience, it has also transformed the ways artists see their role. As Lovejoy notes, from the late Renaissance “the focus of art centered on the search for visual accuracy and harmony and the solution of issues related to composition and pictorial structure as much as it did on allegory or metaphor” (Lovejoy, 1992, p. 27). Moreover, she goes on, “photography, video, and the computer have dramatically changed the possibilities for visual representation allowing for the dynamic analysis of motion, time, space, and the abstract relations between them” (Lovejoy, 1992, p. 4). Indeed, contemporary artists have not only explored the relationship among these concepts and how they shape our experience but also their personal reaction to them. These new ways of perceiving reality and the reactions of artists to them have been central themes for most of the major art movements of the 20th century.

The past century has seen many examples of this phenomenon. Within the aesthetic domain, for example, many of the major art movements of the early 20th century, such as Dadaism and Cubism, consciously rejected the traditional view of what constitutes art and, in particular, the notion of an art work as a commodity of value. Similarly, the Fluxus-inspired art happenings and installation art works of the 1960s and 1970s were often consciously presented in an ephemeral form to counter the traditional views of art as a collectible object and the notion of audience as viewer. Often these challenges to traditional notions of art assumed a social as well as an aesthetic dimension, as reflected in the work of Nam June Paik, Douglas Davis, Richard Serra, and others who used
television to critique the mass media and their influence. Indeed, much of modern art can be viewed as a critique of mass society and its mechanistic view of humanity. Not surprisingly, such artistic challenges have also been directed at political targets on both the right and the left. This questioning of the political order is also obvious in the themes chosen by filmmakers and others, which focus on those who have traditionally been regarded as outside the mainstream (e.g., ethnic minorities, gays, immigrants, the poor).

The exact shape of the arts world in the future is, of course, unclear. But it seems certain that technological developments will continue to play a central role in shaping that future. Technology will have implications both for the various components of the arts environment (audiences, artists, art organizations, and funders) and, as Benjamin (1986) suggests, for the nature of art itself. Since the media arts have been the most aggressive in their use of technology, they provide a window into that future.

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9Schneider and Korot (1976); Rush (2001).