The National Trust for Talent? NESTA and New Labour's Cultural Policy

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Key words: 'NESTA', 'Policy networks', 'New Labour', 'Cultural policy', 'innovation' and 'National Lottery'

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Introduction

Although the New Labour period witnessed a high degree of institutional formation in the UK, many of its initiatives, from regional development agencies (RDAs) to the Film Council, have not survived. One exception is the National Endowment for Science, Technology and the Arts (NESTA)[i], set up by the incoming Labour government as one of its initial acts. Despite this, NESTA survived the so-called 'bonfire of the quangos' that followed the election of the UK Coalition Government in May 2010, reforming itself as a charity, "*with a mission to help people and organisations bring great ideas to life*" (NESTA, 2013).

NESTA has been lauded as an interesting experiment in cultural policy and admired, though rarely copied, internationally (Hewison, 2011; Cunningham, 2013) but surprisingly little has been written about it as an organisation. This paper aims to address that, analysing the pre-history of NESTA, its origins as an idea in the last years of the Major administration, and its realisation under New Labour[ii].

In doing so, we have been hugely aided by access to unpublished contemporary documentation, particularly letters, memos and draft policy papers (Coonan, 1995a,1995b,1995c,1996a, 1996b), along with a series of depth interviews with many of those connected with NESTA.[iii] Documentary analysis, particularly of unpublished material, is useful in the field of policy research where official documentation only records the outcome of a series of deliberations, creating the sense not only of a greater degree of consensus, but also that the process of policymaking is more formal than is often the case. As Duke comments (2002), formal consultation lists are often used in policy network research as the primary way to explore membership and influence. However, this reveals little about the frequency and nature of consultation much of which is undertaken once policy positions are agreed. In NESTA's case, we can use unpublished documentation to trace the trajectory of an idea, initially developed outside of the Labour Party, through its absorption by the party and its realisation under the New Labour government.

The argument of the paper is that by examining the trajectory of NESTA, we can see many of the themes of New Labour's cultural policy, particularly what came to be thought of as its 'creative economy' policy. As in other aspects of cultural policy, such as creative

industries, an early enthusiasm for small business-led growth, particularly of the cultural industries themselves, was replaced by a focus on the contribution of 'creativity' to wider industrial innovation, firmly oriented around digital technology (Schlesinger, 2009; Oakley, 2009a). This represents a diminution, if not an evacuation, of concern with the 'culture' of the cultural industries, in favour of a concern primarily with what these industries can do for economic growth.

NESTA was an ambitious attempt, not only to address what Cunningham has called, "*the debilitating effects of the 'two cultures' split between science, culture and humanistic endeavour*," (Cunningham, 2013: 196), but also to create an autonomous organisation with a clear public remit. Its early experiments with letting a thousand flowers bloom however became perceived as too unfocussed, and the 'lone wolf' inventor was replaced by a focus on large scale change, on systems innovation and on replicability.

The degree of autonomy which NESTA was granted meant that it was hugely influenced by changes of personnel, particularly that of the Chief Executive. And the relative weakness of the policy networks that surrounded it led to the eclipse of various constituencies: artists and inventors most notably, but also the public, who had been integral to the original vision. This reflects not simply the ultimate dominance of corporate interests in Labour's cultural policy, but also the weakness of any countervailing forces to those interests.

Origins of NESTA

It is difficult to envisage New Labour's cultural policies, from the abolition of entry charges for national museums to the growth in cultural infrastructure such as galleries and museums, without the effect of the National Lottery. While not a New Labour creation, the incoming government was undoubtedly a beneficiary of the relatively large sums of money generated, particularly in the Lottery's early years (Selwood and Davies, 2005). The 1998 Lottery Act, enacted by New Labour, cut the proportion of funding available for the four original 'good causes': arts, sport, charities and heritage, in order to create the New Opportunities Fund[iv], though this loss was more than offset by the amount of funds generated for the arts in subsequent years (Hewison, 2011).

While in Opposition, the Labour party had been thinking hard about what to do with Lottery funding. It was particularly keen to broaden the range of activities on which Lottery money could be spent, both beyond the requirement to spend it on capital projects, and beyond what it saw as a narrow definition of 'the arts.' Film producer and long-time Labour supporter, David (later Lord) Puttnam had served on Arts Council England's Lottery Board from 1995-1998, largely with a film remit, as Lottery-funded film production was at that time the responsibility of the Arts Council. While controversy attended the allocation of Lottery funds from its earliest days, the main debate was about the notion of 'additionality', the degree to which Lottery funds could replace what was seen as core state funding in areas such as education, science or the arts. While limited to capital building, the Lottery could easily be seen as additional funding, thus avoiding this problem, but for Puttnam and others this represented a wasted opportunity to broaden its impact.

What to do about the Lottery, particularly given the large amount of money it was generating was also of concern to Lottery distributors such as the Arts Council. Rory Coonan, at that time Director of Architecture at the Arts Council, had been working there since the late 1980s and had been involved in the Lottery since the Council became a distributor of Lottery funds in 1994. He felt the idea of the Lottery was '*interesting, but not sufficient*'[v], and like Puttnam and others, argued that limiting the Lottery to capital projects only was problematic. He also believed that the exclusion of science and engineering from the original 'good causes' on which the Lottery could be spent was a mistake. In the early 1990s, he began working on the idea of an endowment fund which would, free from Treasury control, be able to fund projects at the intersection of arts and science.

In 1994, following a visit to the National Endowment for the Arts in Washington DC, Coonan began working up the idea of what became NESTA. Struck by the public's willingness to gamble on the Lottery, despite the long odds on winning anything, Coonan argued that the endowment fund must support risk-taking activities of a sort that the Arts Council and other lottery distributors often found difficult to justify.

"*So, then I got back and thought, right, the idea of an endowment, permanency, the idea of science being excluded, the idea of risk being not used for risk, put them together and you get a body to promote talent, a national trust for talent*."[vi]

In a document of 1995 (Coonan, 1995a) sets out what he saw as the problems with the existing Lottery set-up,

"*The National Lottery is open to the charge that it recycles money from the poor to those who are already beneficiaries of the social order. It is also open to the accusation that the objects of its expenditure are too restricted. Science and the wider humanities (other than the subsidised arts) are excluded altogether from the Lottery's 'good causes', which are defined by Parliament*." (Coonan, 1995a:1)

The proposed remedy for this was ambitious. The lottery distributors were to be subsumed into what was variously imagined as a National Endowment for Science, Humanities and the Arts, (Coonan, 1995a), a National Endowment for Science, Education and the Arts (Coonan, 1995b), briefly a National Endowment for Sports and the Arts (Coonan, ND), and by the third quarter of 1995, a National Endowment for Science, Technology and the Arts (Coonan, 1995c).

Such a fund would essentially support individuals, rather than buildings or organisations. Despite the emphasis on risk-taking, investment in new ideas was not the only goal of the proposed body, which also had a strong educational emphasis. This was described in various ways in Coonan's documents: popularising science and technology, educating the population about architecture, and reducing the distinctions between amateur and professional artists (Coonan, 1995a, 1995b, 1995c) all of which he described as "*part of a wider desire to re-assert in British cultural life the value of the disinterested pursuit of knowledge*" (Coonan, 1995a:1).

The way to do this, Coonan argued was to set up an endowment, "*a body owned by and for*

the nation" (1995a:3), which could be for the 21st century, "*what the National Trust had been to the 20th*." As well as receiving an initial grant of Lottery money, the proposed endowment was to solicit bequests of money, property and land, and acquire ownership of copyright and patents, particularly from those who had been supported by NESTA in their early days. Whether consciously or not, this has echoes of Raymond Williams' 1981 proposal for a National Copyright fund, which was to take over the interests of artists whose estates had expired in order to fund future cultural production. In Coonan's proposals, the endowment, rather than the state directly, would take over extinct copyright, an innovation he compared to the anomalous situation whereby Great Ormond Street children's hospital in London receives royalties from J M Barrie's book, *Peter Pan,* (this element of the proposal was not adopted).[vii]

Throughout these documents, the desire to create an institution, comparable to the Arts Council or the Open University (both post-war innovations) and even the British Museum (also initially funded by a lottery) is evoked (Coonan, 1995a, 1995b, 1996a, 1996b). But what is perhaps most striking from this distance of time is the idea that NESTA should become a membership organisation (Coonan, 1996b), by way of a National Endowment card which, similar to an organisation such as the National Trust[viii], "*could give discounted prices for a range of products and services, including reduced price entry to museums, galleries and events in the arts and sciences*" (Coonan, 1996b:2).

This sort of public involvement could have partly offset the concerns, aired by Coonan and others, about the transfer of wealth from the poor to the rich that the Lottery enacted, but more than that, it represented a notion of the civic importance of independent

institutions, from trade unions to workers educational organisations, which had deep roots in elements of the Labour tradition (Bevir, 2011). That these elements were generally not those that were most influential on a New Labour party keen on centralised control and larger corporate interests became evident over time.

NESTA, talent and the Labour Party

Although Coonan was working at the Arts Council throughout most of this period, his development of the NESTA idea was something of an individual activity. Linking it to an Opposition, in the market for new ideas, required access to the sort of policy networks that assembled around what was widely expected to be the next Government. In the case of cultural policy, a small and, in cash terms, relatively insignificant area of public policy, such networks appear easily identifiable, consisting as they do of a mix of the metropolitan arts elite, representatives of large media organisations and interested politicians.

The policy networks literature (Marsh and Rhodes, 1992; Rhodes, 2007; Marsh, 2011; Fawcett and Daugbjerg, 2012) generally focuses on the relationship between interest groups and Government departments as a way of understanding the recent shift in policymaking from the central state to a wider range of partnerships, networks and para-statal bodies. Less work has been done on policy networks in Opposition, though the influence of journals such as *Marxism Today* and think tanks such as Demos on New Labour's thinking in opposition has been discussed in the literature (Hay 1999; Thompson 2002; Finlayson, 2003).

In the case of cultural policy, although Demos founder Geoff Mulgan had a background in cultural industries policy dating back to the 1990s, Demos played very little role in informing its cultural policies when in Opposition. The Institute for Public Policy Research (IPPR) was highly influential on New Labour's broadcasting and communications policy (Freedman, 2008); particularly via individuals such as James Purnell and Ed Richards (it also employed David Miliband until 1994, when he became Tony Blair's Head of Policy). But the policy network around NESTA owed more to influential individuals, David Puttnam as well as Coonan, and to their informal networks, than it did to the think tank world.

In particular, David Puttnam had assembled around him a group of people working on public policy issues. John Newbigin, a former speech writer for Neil Kinnock and Ben Evans, who had previously worked as an Advisor to the Shadow Arts Minister Mark Fisher, were both employed by Puttnam at his company, Enigma Productions. As Newbigin put it,[ix]

*"Well, I was working for David Puttnam ....Puttnam was still running a film company called Enigma and we were making films, but basically he was putting more and more of his money and his energy into thinking about cultural policies and particularly education policies because he was getting more and more interested in education… And in his office, he employed me, I worked for him, but really he gave me money to sit at my desk and think about things like th*is."

Coonan was not a Labour Party insider, or even a member, but he was in many ways well-placed to influence those who were working on party policy. His senior role at the Arts Council (which he left in February 1996), together with what he described as his social networks, meant that, by his own account, access to the party's policy thinking was easily obtained. According to Newbigin, Coonan came to him with the idea for NESTA, "*perfectly formed in his head*". The elements of the 'national trust for talent,' that appealed to Newbigin and to Puttnam, were ones that seemed to attack longstanding 'British' problems:

"*there's no national body of research or intellectual endeavour that's looking at where science, technology and the arts come together. So that was one strand. The second strand was… we have a fantastic history in the UK of coming up with brilliant ideas and an absolutely crap history of turning those brilliant ideas into viable businesses*."[x]

'Getting more serious about intellectual property,' was how Newbigin characterised a major strand of NESTA's potential work, and it was an idea that was to animate much of New Labour's cultural policy, particularly its simultaneous development of the 'creative industries' (Garnham, 2005). The emphasis on intellectual property, in Coonan's early drafts of the NESTA idea (Coonan, 19995a, 1995b, and 1995c) had been on copyright as a vehicle for funding the endowment itself; as the NESTA idea developed and as the institution took shape, that notion was dropped and intellectual property took on a different purpose, both rhetorically and in practice.

In the much-discussed DCMS definition of the creative industries (DCMS, 1998), intellectual property was characterised as the engine of economic growth in a knowledge-based economy and this was to become the understanding of IP that NESTA promoted. As a number of writers have argued (Garnham, 2005; Hesmondhalgh, 2005; Schlesinger, 2009; Oakley, 2004, 2014) ideas of the knowledge economy were hugely influential not only on New Labour's economic policies, but also on its cultural policies, many of which were shaped by this vision of an economy driven by small business creativity. The late 1990s saw a large growth in such businesses, driven in part by the possibilities unleased by the growth of digital technology, but also by wider structural changes and vertical disintegration in the media sectors, particularly film and TV (Blair, 2001). For some within New Labour's ranks this offered the opportunity to integrate cultural and industrial policy around a vision of a small business-led revival which could 'regenerate' the UK's towns and cities while simultaneously offering the possibility of a more diverse and dynamic cultural realm[xi]. In Garnham's view (2005), the real aim was to mobilise 'unreflectively' a range of stakeholders, from small businesses and freelancers to large corporations, around the strengthening of copyright protection.

New Labour's cultural policies as a whole have been criticised for their 'neoliberalism' (McGuigan, 2005). Elsewhere we have agreed that there was an excessive focus on economic rationales, but that New Labour showed commitment to public access to culture (Hesmondhalgh, *et al*, forthcoming) Nevertheless, we can see, at this early juncture, a distinction between Coonan's rather more civic-minded notion, with funding from intellectual property (IP) as the means for supporting a public institution and the wider championing of IP as the cure to the UK's economic ills. Yet in the case of NESTA, the very flexibility of the idea ensured that it could remain open to various interpretations of its

remit and purpose; it was an institution onto which a variety of organisations could project what they felt was lacking in current policy. Rhodes (2007) discusses such processes under the notion of policy 'narrative,' and it is clear that the narrative of NESTA – the national trust for talent, the attack on the 'two cultures' problem, and the strong, if unverifiable, British belief that it is a nation of inventors, had wide appeal to those charged with formulating Labour's cultural policy.

According to Jeremy Newton, first Chief Executive of NESTA, having been introduced into the Labour Party by Puttnam, the idea of NESTA won a support from Blair, Brown and Mandelson and there was a commitment to making it happen relatively quickly if Labour was elected. The mechanism for this was its appearance in the 1997 Labour manifesto.

In the three paragraphs devoted to the 'Arts and Culture' (other short sections covered media, sports and the lottery) Labour made its only cultural promise of the Manifesto:

"*We propose to set up a National Endowment for Science and the Arts to sponsor young talent. NESTA will be a national trust - for talent rather than buildings - for the 21st century. NESTA will be partly funded by the lottery; and artists who have gained high rewards from their excellence in the arts and wish to support young talent will be encouraged to donate copyright and royalties to NESTA.*" (Labour Party, 1997)

Tony Blair had first referred to NESTA in a Mansion House speech in February 1997. The campaign saw Blair again addressing the topic at the launch of Labour's revamped lottery plans, '*The People's Money*,' on April 23rd 1997 (Blair, 1997), where it was cited as one of

the four illustrative projects (along with IT in schools, healthy living centres and after-school homework clubs) that would become lottery beneficiaries. In the speech NESTA was referred to an independent charity, "*which will encourage successful people in the arts and sciences to donate part of the proceeds of their talent to an endowment fund*." (Blair, 1997)

Immediately following the election, Labour's NESTA Working Group published *NESTA: From Pledge to Policy: A way forward for the Labour Government*, (NESTA Working Group, 1997), which set out the Labour Party's thinking on this new institution. The Open University and National Trust were again invoked as institutions to which NESTA should be compared and its claim to be 'a national trust for talent' was repeated. The focus of the document is very much on individuals, "*there is no organisation dedicated to identifying promising individuals in the arts and sciences*," but while concerns about IP were also central, "*too often the ownership of intellectual property ... passes overseas*" and the role of NESTA was to offer a better home for them, "*elegant model for recycling the profits of human capital...using donated copyright and patent royalties*" (NESTA Working Group, 1997:3).

Equally strongly emphasised was the status of NESTA itself – its proposed model was that of a charity established by Statute (as in the case of the National Trust): '*a welcome move away from the "quangocracy" which has proliferated over the past 15 years, towards a healthier civic society with strong, independent institutions'* (NESTA Working Group, 1997:2). And it should be big, the aim was to make it a £1 billion-plus fund, which would

situate it somewhere between the huge Wellcome Trust and the Garfield Weston Foundation (then estimated as having an asset base of around £1.7 billion.)

The document also contained the final public mention of Coonan's idea of the 'National Endowment card,' seeking, "*to bring the Lottery punters who are going to contribute to the body's creation, into the sphere of its benefits*" (NESTA Working Group, 1997:2).

A new kind of funder - NESTA's early years

Following victory at the 1997 election, the incoming Labour Government moved swiftly to establish some broad parameters for its cultural policies. Reforming the lottery, abolishing museum charges and measuring the economic impact of the cultural sectors (what became the Creative Industries Taskforce) were all early ideas, and within this, NESTA could be presented as entirely consistent. It owed its existence to reform of lottery spending, it was evidently committed to the newly minted 'creative industries' and, while the 'membership' idea had clearly been dropped at some stage, its educational remit, however ill-defined, initially suggested it could be part of New Labour's rhetoric of 'access.'

In terms of policy networks, the post-election period began the process of formalising and enlarging the networks that had gathered around the Labour party in Opposition, moving the NESTA idea from a group of enthusiastic individuals to a more institutional focus. Coonan, whose idea it was, had left the Arts Council and, having handed over the NESTA idea, played very little role in its post-election implementation.

When the Lottery Act 1998 was drafted, it defined NESTA's remit as being "*to support and promote talent, innovation and creativity in the fields of science, technology and the arts*," with 'the arts' being further defined as architecture, design or crafts, the film, broadcasting and audiovisual industries and the music industry (Lottery Act, 1998). In practice, these categories were rarely adhered to, where NESTA did fund artists through the Fellowships scheme they were often in fields such as literature, while its funding of activities in sectors such as film and TV was negligible. Its objectives were to help talented individuals to achieve their potential, turn inventions or ideas into products or services, and to contribute to public knowledge and appreciation of science, technology and the arts. The 'national trust for talent' had become a reality; though it was already a long way from the idea of NESTA as a membership organisation, and it was one that had yet to find a clear public constituency.

What had been retained was a degree of freedom in terms of spending money unknown to other public organisations. Although the Secretary of State for Culture was responsible for allocating money from the Lottery for the endowment, and DCMS was the sponsoring department, NESTA was given free rein in spending the interest from its endowment, indeed the Act allowed it to "*do anything which appears to them to be necessary or expedient, for the purpose of, or in connection with, achieving their objects*" (Lottery Act, 1998).

NESTA was set up with an Endowment of £200 million in July 1998. David Puttnam became its first Chair and was joined by small board of Trustees, representing the

sciences and arts with a smattering of celebrity in the form of Carol Vorderman (of TV programme *Countdown* fame). Its first Chief Executive was Jeremy Newton, another Arts Council staffer, who had been its first National Lottery Director. Newton argues that the largesse that the Lottery was producing was vital, both to NESTA's relative freedom of action and to the lack of opposition it encountered. Existing Lottery distribution bodies were unlikely to protest about NESTA's £200 million, because, he argued, they demonstrably were unable to spend the money that was already coming though the Lottery distribution fund quickly enough.[xii] The Arts Council, which had over time gradually withdrawn from funding individual artists in favour of funding organisations and cultural infrastructure felt, according to Newton[xiii], unable to protest at what it would have difficulty in claiming was encroachment on its turf.

Positioning NESTA as the support for creative individuals reflected much of the first New Labour administration's professed enthusiasm for small entrepreneurial businesses, particularly in the cultural sectors, as well as its frustration about what was perceived as the 'missing middle' of public policy, between arts funding which mostly went to large organisations, and small business support, which tended to stay well clear of such high-risk fields (Banks *et al*, 2000).

The degree to which New Labour's policies ever really favoured small firms has been the subject of debate in the political economy literature and elsewhere (Hay, 1999; Thompson, 2002; Denham, 2011; Shaw, 2012). Certainly its early espousal of 'new growth theory' lost out to what Shaw characterises as its 'Faustian pact' with the City of London (Shaw, 2012). Yet it was undoubtedly influential in the development of New Labour's

creative industries narrative, influenced as it was by so called flex-spec or post Fordist ideas about the benefits of small, interdependent and geographically clustered firms, (Thompson, 2002). In the contemporary context of the late 1990s, these could be linked to the falling costs of digital technology (Garnham, 2005) and the potency of discriminating consumers looking for innovative ways to express themselves through consumption (Murray, 1988). But it could also be, and was, linked to arguments about the cultural and social benefits of recognising commercial popular culture as a legitimate source of expression and way for cultural practitioners to make a living outside of the subsidy system for artists (O'Connor, 2009).

Throughout the 1990s, regional arts boards and some local authorities had experimented with a variety of schemes to support such small firms, aiming at eroding the distinction between subsidised arts organisations and commercial cultural industries, and using such activities as a source of regional economic regeneration. In several Arts Council documents of the period, the vibrancy of the commercial cultural world is contrasted with what is perceived to be the precarious state of public arts funding. As one discussion paper for the Arts Council's strategy group, prepared in November 1997, puts it,

"*The state of the arts in Britain in the 1990s is characterised by an apparent paradox of, on one hand, financial instability within the public arts sector and on the other, thriving commercial success within the wider cultural industries*" (Hitchen, 1997:1).

While music, design and the fashion industry were described as "*dynamic and innovative"*, the public arts economy was seen as "*highly unstable*", heavily under-resourced and

suffering from personnel problems exacerbated by low pay, weak training and development, and lack of career structures (Hitchen, 1997). By the time of the first New Labour government, the opportunity for the arts was seen as being to mimic small cultural businesses and in response, the funding system, which was felt to be overly-focussed on supporting elite metropolitan organisations, was to become more responsive and willing to take risks. While NESTA was not freighted with expectations about playing a role in urban or regional 'regeneration', expectations about the economic success of the cultural industries and faith in small scale entrepreneurs to deliver this success were nonetheless central to NESTA's definition and to its early activities.

Jeremy Newton described NESTA's initial three funding programmes as deriving quite clearly from the Lottery Act.[xiv] Helping 'talented individuals to achieve their potential,' thus became NESTA's Fellowship programme, 'turning inventions or ideas into products or services,' became the Invention and Innovation programme, and 'contributing to public knowledge and appreciation of science, technology and the arts,' became its education programme. Of these, the Invention and Innovation programme was potentially the largest, intended to account for about 40 per cent of annual income. By 2002, it had received some 2,000 applications and spent £5.3 million on 94 awards (House of Commons, Science and Technology Committee, 2002).

Fellowships, which could range in size from £25,000 to £75,000, were bestowed on individuals, across NESTA's areas of interest, but because 'invention and innovation' was always less likely to attract applications from the arts than from science or technology, it become associated as NESTA's arts funding activity. A range of artists, from poet Tom

Paulin and novelist W.G. Sebald to theatre directors James MacDonald, Jude Kelly and Katie Mitchell, were awarded Fellowships in what was a closed nomination process (a network of 'nominators' was asked to identify potential fellows), designed to prevent an avalanche of unmanageable applications for what was still quite a small organisation in terms of staff.

While it had no criticism of NESTA's selection process, the House of Commons Science and Technology Committee, which reported on NESTA for the second time in 2002, did note that Fellowship awards seemed to be dominated by the arts, while the opposite was true of the 'invention and innovation' stream (House of Commons, Science and Technology Committee, 2002).

Breaking down the division between 'two cultures' was clearly more difficult than anticipated, though for Jeremy Newton, that challenge was less about the intellectual challenges of inter-disciplinarity than it was about the resistance of the arts to becoming '*commercial*.' For him, the barrier that needed to be surmounted was the idea of art as widely viewed *always needing subsidy*," whereas NESTA was looking for "*new creative artistic ideas that could be potentially commercial.*" [xv]

In retrospect, Newton argues that NESTA was not as successful for the arts as he had hoped. Though the Fellowships supported some good work, he argues that it dismally failed to come up with more than one or two 'invention and innovation' projects that commercialised artistic innovation in a way that would provide an economic return.

The House of Commons Science and Technology Committee, commenting critically on the lack of clarity with which NESTA presented its financial information, noted that while an annual income of around £12 million from investments had been predicted in 1998, by 2002 it was only two thirds of this figure, at around £8 million (even by 2011, investment return on the endowment had only reached £15 million). NESTA had applied for an increase it its endowment to £500 million, which the Committee described as 'premature,' particularly given the difficulty it was having in working out how cost-effective NESTA was from its own annual reports. It noted tartly that NESTA's annual reports for 1999/2000 and 2000/2001, entitled '*Journeys*' and '*Take the Plunge'* respectively, contained 'think pieces' on topics such as creativity and patronage, but much less in the way of hard financial information. Adding to NESTA's early reputation as a somewhat 'wacky' organisation, the Committee noted,

"*While it is refreshing to see a creative approach in these documents, the cost of these publications and the need to convey essential information to the reader makes it important that they be clear and concise in style. An Annual Report which contains essays but lacks full financial statements is of no assistance to those attempting to evaluate the work of a publicly funded organisation. Annual Reports should not read like the production notes in a theatre programme. Creativity should not be at the expense of clarity*." (House of Commons, Science and Technology Committee, 2002:7)

Whether or not creativity was at the expense of clarity, the size of NESTA and hence its ability to function as an Endowment in the way that had originally been envisaged has

been questioned. Christopher Frayling, Chair of the Arts Council under two New Labour Administrations, argues that NESTA's 'lean' organisational size and relatively modest endowment meant that comparisons with US endowments were always over-played:

"I remember the papers were all about 'suppose Cats had come to see us when it was in gestation and we owned 10 per cent of Cats? We'd be getting a royalty for every performance all over the world and it would turn into an endowment'. That was the concept. In the end it turned into a lottery distributing body with a bit of sponsorship on the side."[xvi]

The return on NESTA's endowment was never large enough to cement its status as an entirely autonomous organisation and as a lottery distributor with a remit to take risks, it was always likely to provoke controversy in some quarters. NESTA's first phase had come to an end, its second was to see it become less of a maverick outsider and bring it much closer to public policy.

NESTA as an 'innovation organisation'

Puttnam was replaced as Chairman by Chris Powell (ex-advertising executive and brother of Tony Blair's Chief of Staff, Jonathan) in 2003. In what was widely interpreted as a change of direction, both at the time and subsequently, Powell was charged with ensuring that NESTA's financial management was both more transparent and more conservative. Powell argues that the NESTA Fellowships scheme in particular had been too heavily influenced by the model of the US MacArthur Foundation, essentially providing 'no

strings' funding to talented individuals in a way that he felt was compatible with a charity, but not with a public body.

"*if you do that with a public body you spend almost all your money on wasteful audit trails about why you chose Fred and not Emily and it becomes contorted, hugely time consuming, completely out of proportion and a waste of money, because a charity can do what it likes...whereas it was an arms-length body, a public body and therefore everything had to be done accountably."* [xvii]

Of greater concern to Powell and others was that funding for individuals was likely to be used in the early stages of project development, whereas the real need was slightly later on, when individuals had exhausted informal sources of funding – such as family, friends or credit card debt - and there was a need to scale up. This shift, reinforced in 2005, when Jonathan Kestenbaum was recruited to replace Newton as Chief Executive, represented more than just a change of investment policy, but a change to the organisation's primary remit, as well as the policy and scholarly communities with which NESTA engaged. It moved NESTA from being a funder of individuals, who were seen as left outside of the traditional funding system, in both the arts and the sciences, towards an organisation focussed on systems-level innovation.

Kestenbaum, whose own background was in the venture capital industry, was deeply sceptical about the 'lone wolf inventor,' as an object of NESTA's support. "*Lone inventors over the years have made a very distinguished contribution to British life*", he notes, "*but a very modest one to GDP*".[xviii] If improving Britain's GDP was to be NESTA's goal,

Kestenbaum's interest was in ideas that could scale rapidly and had the potential for replicability; he wanted to develop an organisation that could work with large Government departments, institutional investors and big corporations, to bring about the kinds of innovations that would lead to economic growth.

The model organisations to which he compared NESTA were not cultural or civic institutions such as the British Museum or the National Trust, but those that had been successful in the field of technology; the US Defense Agency DARPA, TEKES in Finland, or the Israeli organisation Yozma, set up in the early 1990s with government funding and often credited with spawning the large Israeli venture capital market and its related high technology industry (Avnimelech, 2009).

Given this, NESTA put much greater emphasis on its investment portfolio, scrapping the Fellowship programme and dividing its Innovation and Investment programme in two. 'NESTA investments' was set up as an early stage venture capital fund, focussed on high technology investments 'operating on strictly commercial grounds' (NESTA, 2012). What were described as 'experimental' projects were relabelled as the Innovation Programme, and could wander further from the immediately commercialisable and into a variety of policy areas such as climate change and public services.

This latter area - innovation in the public sector - was hugely influenced by Kestenbaum's intellectual mentor at NESTA, Michael Barber. Head of Blair's 'delivery unit' in the 2001-2005 period, Barber, who had originally worked at the McKinsey management consultancy, was regarded by many as an expert on large scale system change, particularly

in public services. Barber's appointment as a trustee was part of a re-positioning of NESTA in its 'Phase 2,' from a maverick organisation with a remit that included the arts to a significant policy player, focussed on innovation. While Kestenbaum did not have a policy background, his view was that for NESTA to become credible, influencing the policy-making process, particularly around innovation policy, was important.

In its first phase, NESTA had sought to stand somewhat aside from policy making – straddling arts, education and economic policy – and while not being subject to them in the manner of other Non-Departmental Public Bodies, nor did it see itself as an influence on Government policy-making. From 2005 onwards and particularly from 2008 when its sponsoring department changed from the DCMS to the Department of Business, Innovation and Skills (BIS), it sought to engage fully with national and indeed international policymaking, which meant a large scale reconstruction of its policy networks. Having once sought to fill the gaps left by both arts funding and higher education funding councils, NESTA now sought to position itself much more clearly as a research-led 'innovation think tank,' close to higher education and to Whitehall.

NESTA's Policy and Research Unit, previously a very small part of the organisation, benefitted from the bulk of recruitment in Kestenbaum's period in office and the organisation began a series of collaborations with Higher Education institutions and the commissioning of research from HEIs in the field of innovation. In positioning itself as a 'think tank,' NESTA was joining a growing body of such organisations in the UK under New Labour (Wells, 2012). What Schlesinger describes as New Labour's 'policy generation' (2009:7) often had shared backgrounds in think tanks, management

consultancies or research organisations and, along with a stated commitment to 'evidence-based policymaking,' were persuaded of the importance of such organisations in informing and shaping policy. Although NESTA's origins were outside the think tank world, if it wanted to redefine its role away from that of simple Lottery distributor and to become influential in policy terms, the think tank space was an obvious one to occupy.

Wells argues that for think tanks to succeed they need to, "*fulfil a requirement for policy entrepreneurship at specific junctures that offer policy windows*" (2011:4). In NESTA's case, the increased emphasis on innovation in the second New Labour term was just such a moment, as innovation became an unquestionable policy goal and a variety of activities, if they were to merit government approval, sought to rebrand themselves as innovative (Oakley, 2009a, 2012). In cultural policy, innovation replaced even creativity as what Schlesinger (2009:12) calls a 'generalised value,' unquestioned and unexamined.

NESTA's own 'brief history' describes how this new departure into policy influence involved becoming 'a hub for the innovation community,' running seminars, lectures and networking events, commission research from third parties, all with a strong emphasis on establishing its global credentials (NESTA, 2012).

The closure of the Fellowship programme was widely viewed as a disengagement of NESTA from the arts and certainly from artists (Hewison, 2014). The emphasis on scale and replicability that animated NESTA's new take on innovation sat uneasily in the cultural sectors where 'innovation' still carries echoes of originality (and not necessarily replicability) and attachment to craft forms of labour retains a strong purchase among

producers (Oakley, 2009b). Even in the commercial cultural industries, scale and replication exist in a dynamic tension with the need for innovation to satisfy consumers and the desire for autonomy on the part of producers (Hesmondhalgh, 2012). As Garnham argued (2005:22), the creative economy policies which New Labour had promoted and of which NESTA was an important part, has been an attempt to blend cultural creativity into a model of innovation to which it did not apply.

NESTA's second phase metamorphosis also had the effect of strengthening its position in the period after the New Labour government. When the Coalition Government was elected in May 2010, it was clear that large scale public spending cuts were in the offing and for a while NESTA was thought to be a prime candidate for closure. Instead this fate was visited on other New Labour institutions that operated in the cultural sphere such as the UK Film Council and the Museums, Libraries and Archives Council. NESTA instead survived, changed its legal status, and was moved from the public to the voluntary sector, becoming a charity in April 2012.

Conclusions: What does this tell us about New Labour's cultural policy?

The current Chief Executive of NESTA is Geoff Mulgan, co-founder of the think tank Demos and head of the Downing Street Policy Unit in the New Labour years. His earlier career included stints at the Greater London Council and writing on cultural policy (Mulgan and Worpole, 1986), yet he was sceptical about the notion of a distinct New Labour cultural policy,

"*I was one of the founders of Red Wedge and we were trying to reintegrate a cultural set of ideas and practices into what it meant to be a modern political party, which at one point seemed like they were going to work quite well and in some ways went back to early social democratic traditions like the German SPD before the Nazis, where culture was absolutely integrated into politics… At various times the Swedes have done that and in the end, New Labour basically completely squeezed all culture out of anything to do with the Labour Party*."[xix]

The argument of this paper has been that the story of NESTA is one element of this 'squeezing out' of culture, even from some aspects of cultural policy. The early vision of NESTA was of an independent, civic organisation, what Coonan had described as a desire to re-assert the values of the disinterested pursuit of knowledge in British cultural life. There are probably very few working in the cultural sector (or education) who would see the disinterested pursuit of knowledge as a hallmark of New Labour policy, and indeed this notion, in this form at least, did not make it into the Lottery Act. But nonetheless, NESTA was set up as a public institution with a broad public purpose.

By the time NESTA was established, after the election, '*supporting and promoting talent, innovation and creativity*,' was its primary mission, but its educational goals were still present and accounted for a large part of its first 'Phase 1' activities. The Fellowship programme supported people of talent and indeed of creativity, but the messiness and complexity of an experimental organisation, operating at the boundaries of science, art and technology, with a multiplicity of social and cultural aims and where economic returns were never likely to be great, proved unpalatable in a climate where the pursuit of

economic growth became the only game in town.

Yet there was nothing inevitable about NESTA's change of direction. Very few public organisations have been set up with as much autonomy and freedom from policy control as NESTA was in 1997. The 'audit culture' did not bear down particularly heavily upon it, a mild ticking off from the Science and Technology Committee, and the wrath of the *Daily Mail* did not force it to abandon its commitment to a range of cultural and education goals that could not be captured within the framework of innovation. But the policy communities which could have been expected to have an interest in a 'funder of the unfundable' had not attached themselves to NESTA in any significant way. Its birth was the result of individual enthusiasts, all with somewhat different goals, but the very autonomy of the organisation, its model of organisation under a strong chief executive, made it appear more like a private firm than a public institution. This is not a question of corporate governance. The Trustees body represented the arts and cultural industries, particularly in its early days, but the wider arts or cultural industry community never really took ownership of NESTA. Its purposes were possibly too opaque, its scale too small, or their own institutions – the Arts Council in the case of the arts, the British Film Institute and Film Council - were also flush with Lottery cash and many indeed were benefiting from the 'golden age' and perhaps felt they did not need another institution in that space (Hewison 2011). Its location in London put it at the heart of the policymaking establishment, but did little to create a profile for the organisation outside of the capital. Hasan Bakhshi, currently Director of Creative Industries at NESTA concedes that it was '*excessively focussed*,' on Whitehall, with very few links to local government or the national assemblies.[xx]

The membership organisation that Coonan had envisaged was never part of New Labour's plan for NESTA, so it can hardly be blamed for not achieving it. But it failed to establish a wider constituency of interested parties in the way that the organisations to which it was originally compared could be said to have done. The artists, scientists and inventors that had welcomed its launch, even the Fellows who benefitted directly from its funding, never formed an identifiable body of support. As NESTA moved away from funding individuals, they rather moved away from it. Indeed in the writing of this article, we were told that NESTA had no published list of its Fellows, particularly surprising given its original aim to recruit such Fellows as future supporters and donors. Compared to the National Trust, the Open University or the British Museum, the idea of NESTA's 'public' is a thin one indeed.

NESTA's embrace of 'innovation' as its sole purpose, particularly large scale innovation, was a decision that the organisation itself took, though it was certainly one that fitted with the temper of the times (Oakley, 2009a) and through which it found a community of academics and policymakers enthused by the same vision of creative destruction (Cunningham, 2013). Letting a thousand flowers bloom became not just impractical, but heretical; backing winners was the way forward. Jon Kingsbury, currently Director of NESTA's 'Creative Economy Innovation Programme,' outlined its current, tight focus in terms of investment, "*actually it's 6% of companies who are innovative, high growth companies who are responsible for the majority of new job and new wealth creation. And so therefore how do you target your support towards those businesses, how do you nurture more for them to happen?*"[xxi]

Has NESTA been successful in its own terms? Given that these terms have shifted somewhat since its incarnation it is difficult to say, but it has established as a player in terms of innovation policy and indeed a funder of research in this area. No mean feat given the UK's traditional reluctance to fund research and development, particularly in the private sector.

It could however be argued that its voice on innovation is something of an uncritical one. Concerns about the role of innovation in the economy and the point at which it becomes socially harmful, have recently been the subject of debate, even as the term itself became a policy buzzword (Turner, 2009; Cowan, 2011; Dallyn, 2011). Many modern innovations bring only slight additional benefits to the majority of the population, though they can bring significant problems. The innovation of credit default swaps and other financial products was concentrated, in terms of use, in the top one per cent of the one per cent of the population, but when they blew up spectacularly in 2007/8, the fallout from state support of the financial services sector was enough to ensure that almost every citizen would feel poorer and see their public services diminished. Innovation in consumer electronics has undoubtedly brought welfare benefits – and entertainment – to many, but the concerns in terms of growing electronic waste are severe (Maxwell and Miller, 2012). One role for a publicly-funded innovation think tank might be to provide space for a critical engagement with the problems of innovation thinking, but this sits uneasily with an investment role and while NESTA engages in policy debates, it has yet to take a very critical stance on innovation.

Ending the 'two cultures' split between science and the arts has inevitably proved difficult. NESTA is active in a range of technology fields: semiconductors, medical diagnostics, videogames and special effects as well as promotional and research activities in a variety of 'social' and 'public' innovations. Asked to point to significant cultural innovation, its support of the broadcasting of live theatrical events, originally under the banner of 'NT Live' is generally cited and while this clearly this represents an extension of audience for live theatre, and presents producers with new technological challenges, it is difficult to understand the degree to which it is an artistic or cultural innovation of great significance. The requirement for size and scalability of innovation may work against genuine artistic innovation, or even work on the boundaries of art and science. Hasan Bakhshi, currently responsible for the creative industries within NESTA's policy and research unit, suggested as much: "*the role of the individual, in our understanding of the innovation system, may have been lost a little.*"[xxii]

NESTA has, however, survived as an independent organisation and by becoming a charity; its independence may be more secure. When interviewed, NESTA's first Chair David Puttnam emphasised what an achievement he saw this as being, "*It's not just shown resilience, we made a really important decision in bringing out a director in Jonathan Kestenbaum, knowing full well that we would not survive unless we were able to make NESTA's case in Tory terms. So, three years of really hard work went in, which Geoff Mulgan's inherited, went into redefining NESTA in Tory terms, to the extent that we've made it almost impossible to close it down*."

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[i] NESTA is now known as Nesta, a change coterminous with its shift to charitable status, but as the paper deals with the period up to 2010, we have retained the original acronym.

ii The paper does not address NESTA's development under the Coalition Government of 2010 onwards.

iii. These include Geoff Mulgan, Rory Coonan, Jeremy Newton, Jon Kingsbury, Hasan Bakhshi, Chris Smith, David Puttnam, Jonathan Kestenbaum, Christopher Frayling. The interviews were conducted as part of an AHRC-funded research project examining Cultural Policy under New Labour.

iv The name given to the Lottery distributor created by the 1998 Act, which disbursed funds to health, education and environmental projects

v Interview with Rory Coonan

vi Interview with Rory Coonan

vii Coonan anticipated that Parliament would in due time pass an amendment to the 'GOSH anomaly' legislation to bring other time-limited income-earning intellectual property into the ambit of 'extinct' copyright extension beyond 50/70 years after the 'author's' life. The plan would have required the seeking of a derogation from EU rules. In terms of active rights, the idea was that UK copyright owners might also 'gift' active rights under their control in some way proportional to the benefit they had received from NESTA.

viii The National Trust is a conservation organisation, primarily funded by membership subscriptions, which looks after a large portfolio of historic buildings and natural environments.

ix Interview with John Newbigin

x Ibid

xi Interview with Geoff Mulgan

xii Interview with Jeremy Newton

xiii Ibid

xiv Ibid

xv Ibid

xvi Interview with Christopher Frayling

xvii Interview with Chris Powell

xviii Interview with Jonathan Kestenbaum

[xix] Interview with Geoff Mulgan

xx Interview with Hasan Bakhshi

[xxi] Interview with Jon Kingsbury

xxii Interview with Hasan Bakhshi