



MASARYK UNIVERSITY
FACULTY OF ECONOMICS
AND ADMINISTRATION

Supporting Culture and Multiplication Effects of Subsidies to Culture in Brno (CZ)

2. lecture

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The main resources for supporting culture

Direct		Indirect Subsidies/Resources
Subsidies from public budgets	Not from public budget	
Subsidies	taxes	Social contributions
Subsidies with a contribution	fees	Tax reduces for donators
	money from sales revenues	Tax reduces for donees
	foundations and foundations funds	
	other founds (state fund for czech cinematography)	
	Communal obligations	
	Donations and sponsorship	
	Lottery and punts	
	Flag days = public collections	

Finance of culture

- The range of ownership models in the cultural sector interacts with the finance of culture.
- Organizations and facilities that are publicly owned or subsidized receive funds/money raised from taxes from central and local government bodies.
- Public finance can also be indirect through tax expenditures.
- Finance may come from private sources even for state-owned institutions (consumer purchases of tickets are an obvious source but sponsorship, donations of money, goods and volunteer labour can be significant sources of support.)



We can make the general observation:

- The balance of public and private financing varies a lot between different countries:
 - By and large, the proportion of private finance of culture is greater in the USA, Japan and the UK than in other European countries, Canada and Australia.
- Differs between countries is the role of non-profit organizations and their relative importance in the cultural sector:
 - That is typically lower in continental Europe than elsewhere.
- There are the private for profit organizations that are financed from private capital and from sales revenues:
 - Such as the cultural industries and Broadway and West End theatre



Financing model by Brett Egger (Keiser....)

- A „everything sell“ circle:
 - Art
 - Marketing
 - Family
 - Money

Next general observations:

- Even in countries that spend relatively large amounts on public provision or subsidy of culture, the cultural budget is only a small proportion of government spending, often less than one per cent of the government budget.
- The distribution of public finance between different parts of the cultural sector is often uneven:
 - The performing arts tend to be more heavily supported by public subsidy than heritage, literature or the visual arts.
 - Within the performing arts sector, opera and ballet take a large proportion than orchestra.



Another universal observation of the public finance of culture:

- It is organizations rather than individual artists that receive the greatest amount of direct and indirect public support – it is argued that organizations can offer individual artists more effective opportunities for exhibiting their work.
- They are problems in the public finance of the cultural sector – data collection and analysis are still far from satisfactory even in countries where cultural policy is well developed. Data on the use of subsidy are needed for answering question about the equity as well as the the efficiency of cultural policies.





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Multiplication Effects of Subsidies to Culture in Brno (Czech Republic)

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Structure

- Theoretical background
- Methodology - Primary + secondary research
- Results - Theaters in Brno not only consume money, but they also produce financial resources in other services
- Problems
 - the multiplication effect theory - non-reputable

Short theoretical background

- Theory of multiplication effect - 3 hypothesis
- Only one works
- Multiplication effect = the multiplication of a primary expense of a theater visitor.

Results of existing surveys

- Foreign analyses
 - Rhineland-Westphalia,
 - Vienna,
 - Switzerland
- Surveys conducted in the Czech Republic
 - Marketing Laboratory Ostrava for the cities Ostrava, Olomouc, Šumperk and Plzeň
- Confirmation:
 - Theaters not only cost money, but they also bring it.

Research methodology in Brno theatres

- The *primary research* - addressing subscribers and visitors of the three theaters:
 - National Theater (thereinafter NT)
 - Brno City Theatre (thereinafter BCT)
 - Center of Experimental Theater (thereinafter CET)
- A printed questionnaire was given to 3,500 BCT subscribers and 2,700 NT subscribers.
- The *secondary research* focused on addressing economic departments of the theaters

The basic premise of the research

- *three partial hypotheses:*

- “theater – visitor” relationship - ONLY THIS WAS CONFIRMED
- “theater – theater” relationship
- “theater – suppliers” relationship

Results of the “theater – visitor” relationship analysis

External effects:

- “direct” external effects
- “indirect” external effects.

Direct external effects

- connected with every visit of a theatrical performance,
- their value is consumed at a single moment.

Results of the “theater – visitor” relationship analysis

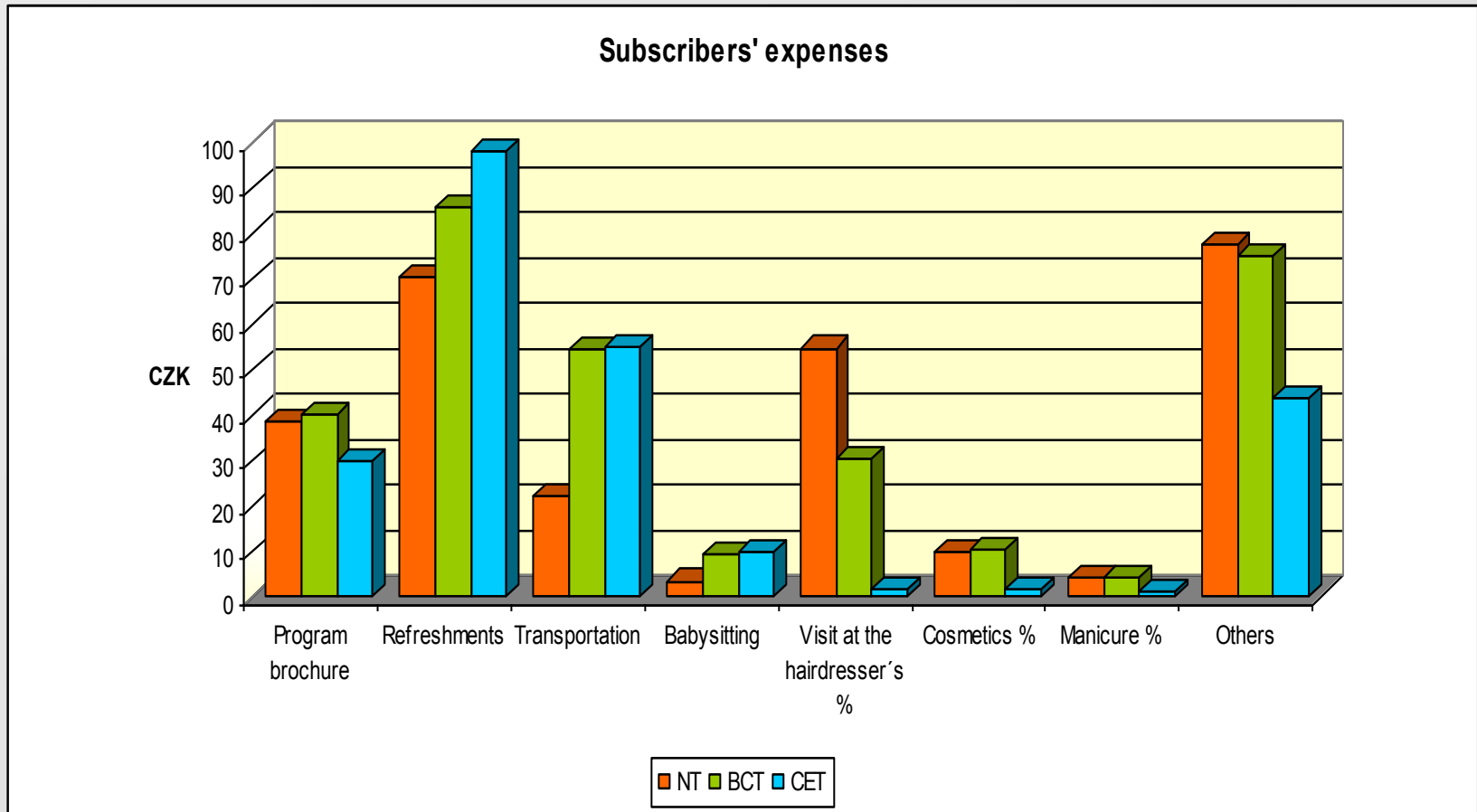
Indirect external effects:

- expenses that are not directly connected with the visit of a theatrical performance but they are results of even other factors.
- their value is not consumed instantaneously at a single theater visit but they transfer their value gradually.

Both, direct and indirect external effects:

- can be classified as necessary and voluntary.

Subscribers'/Visitors' expenses connected with their visit in the monitored theaters (in %)



Conclusions:

- 1 CZK in the price of an admission ticket = 1.57 CZK on other additional expenses
- Other indirect expenses
 - 15.23 CZK from taxes
 - 7.8% of an average ticket price.
- Theaters return to public funds on average approximately 50% of the obtained subsidies.