



MASARYK UNIVERSITY  
FACULTY OF ECONOMICS  
AND ADMINISTRATION

# Financing, Supporting and Impacts of Culture – Multiplication Effects of Subsidies to Culture (in Brno-CZ)

2. lecture

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## 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 voluntary work can be significant sources of support.)

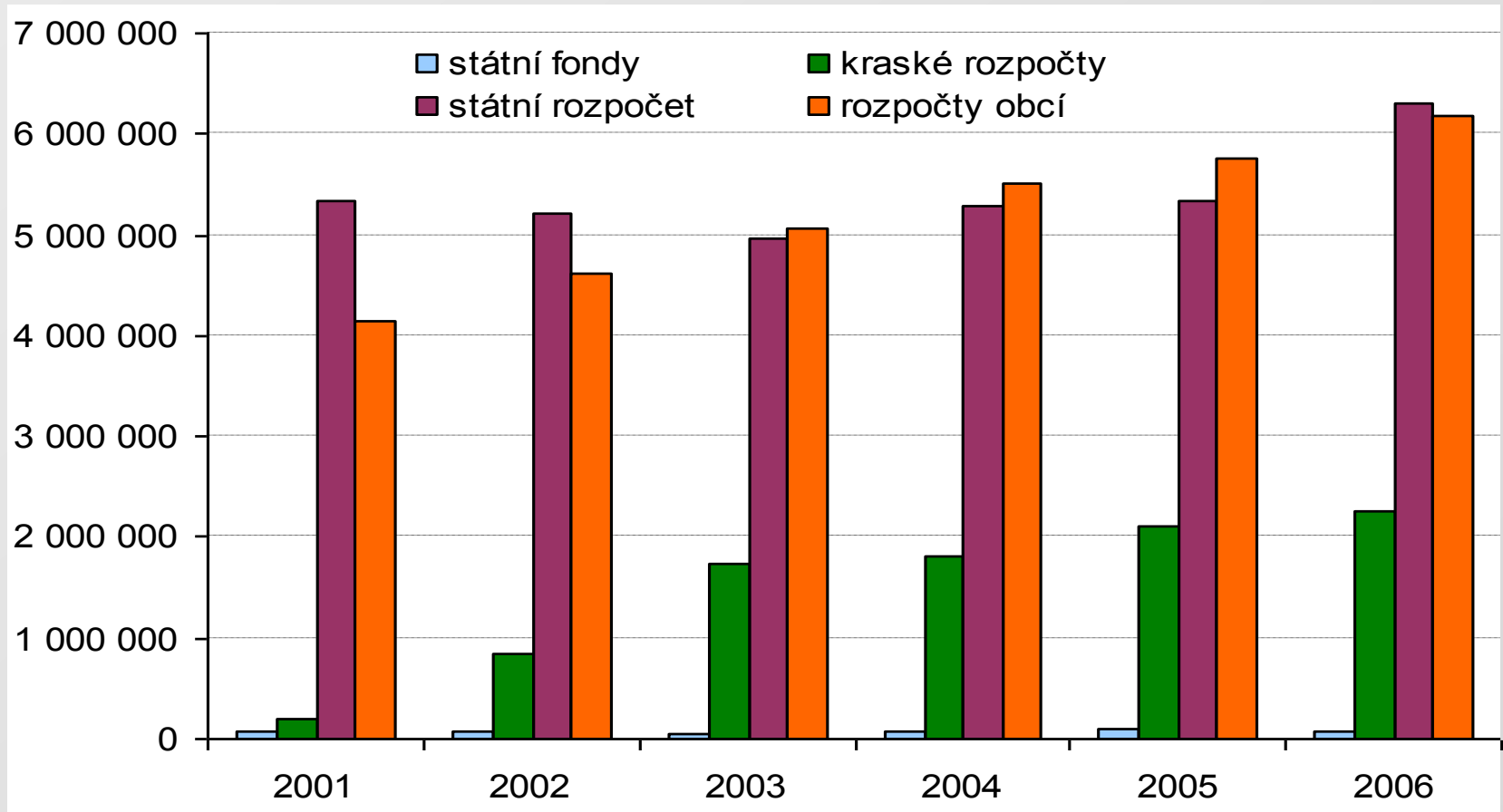




<b>The main resources for supporting culture</b>		
<b>Direct</b>		<b>Indirect Subsidies/Resources</b>
<b>Subsidies from public budgets</b>	<b>Not from public budget</b>	
Subsidies	taxes	Social contributions
Subsidies with a contribution	fees	Tax reduces for donators
	money from sales revenues	Tax reduces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



## Development public funds provided to the (in thou. CZK) state funds; the state budget; regional budgets; municipal budgets





Sources of financing culture by cultural areas in 2010 (in thousand CZK)

AREA	Central government	Local government	Public Sector Total	Direct household spending	Non-financial and financial corporations	Non-governmental institutions	Private Sector Total	European Structural Funds	Other international institutions	Rest of the world total	RESOURCES TOTAL
Cultural Heritage	4 709 475	11 580 864	16 290 339	3 813 000	2 210 867	295 367	6 319 234	251 542	48 248	299 790	22 909 363
Performing Arts	840 122	3 753 326	4 593 448	7 328 505	2 609 173	155 712	10 093 390	66 306	28 295	94 601	14 781 439
Fine Arts	29 576	60 556	90 132	811 724	6 323 582	35 438	7 170 744	21 046	9 938	30 984	7 291 860
Periodic and aperiodic press	25 773	30 260	56 033	11 676 493	32 777 264	11 754	44 465 511	.	46	46	44 521 590
Audio-visual and Interactive Technology	550 172	1 283 077	1 833 249	20 552 426	31 889 585	822 578	53 264 589	66 804	.	66 804	55 164 642
Architecture	.	.	.	.	28 236 727	3 494	28 240 221	.	.	.	28 240 221
Advertising	.	.	.	88 507	75 439 468	.	75 527 975	.	.	.	75 527 975
Art Education	8 769	7 240 480	7 249 249	920 054	40 061	10 242	970 357	.	14	14	8 219 620
Administration	1 524 579	1 444 552	2 969 131	.	.	6 439 494	6 439 494	.	.	.	9 408 625
Unknown area	318 863	5 737 754	6 056 617	.	.	.	.	.	.	.	6 056 617
<b>TOTAL</b>	<b>8 007 329</b>	<b>31 130 869</b>	<b>39 138 198</b>	<b>45 190 709</b>	<b>179 526 727</b>	<b>7 774 079</b>	<b>232 491 515</b>	<b>405 698</b>	<b>86 541</b>	<b>492 239</b>	<b>272 121 952</b>

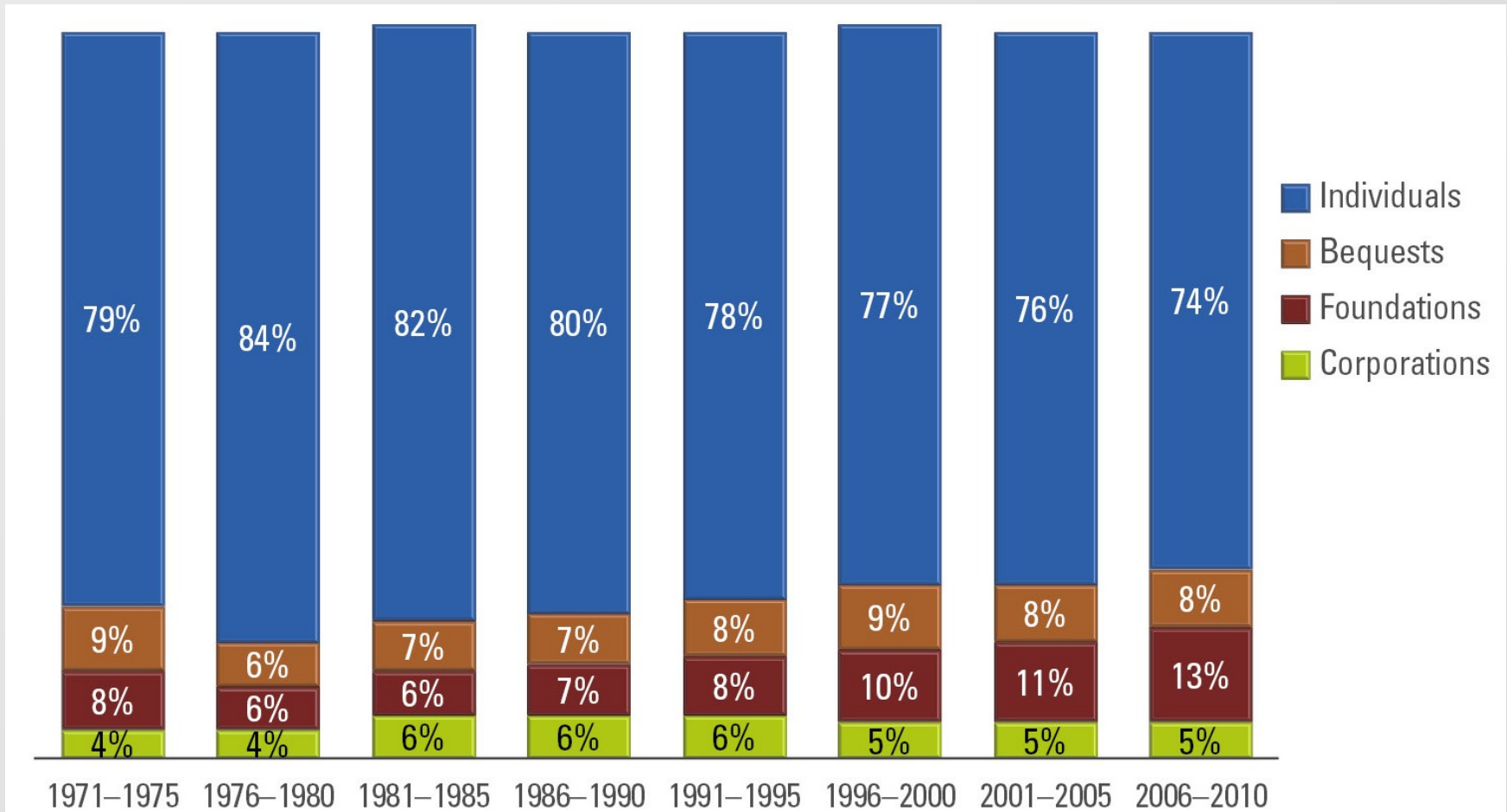


## We can make the general observation:

- 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

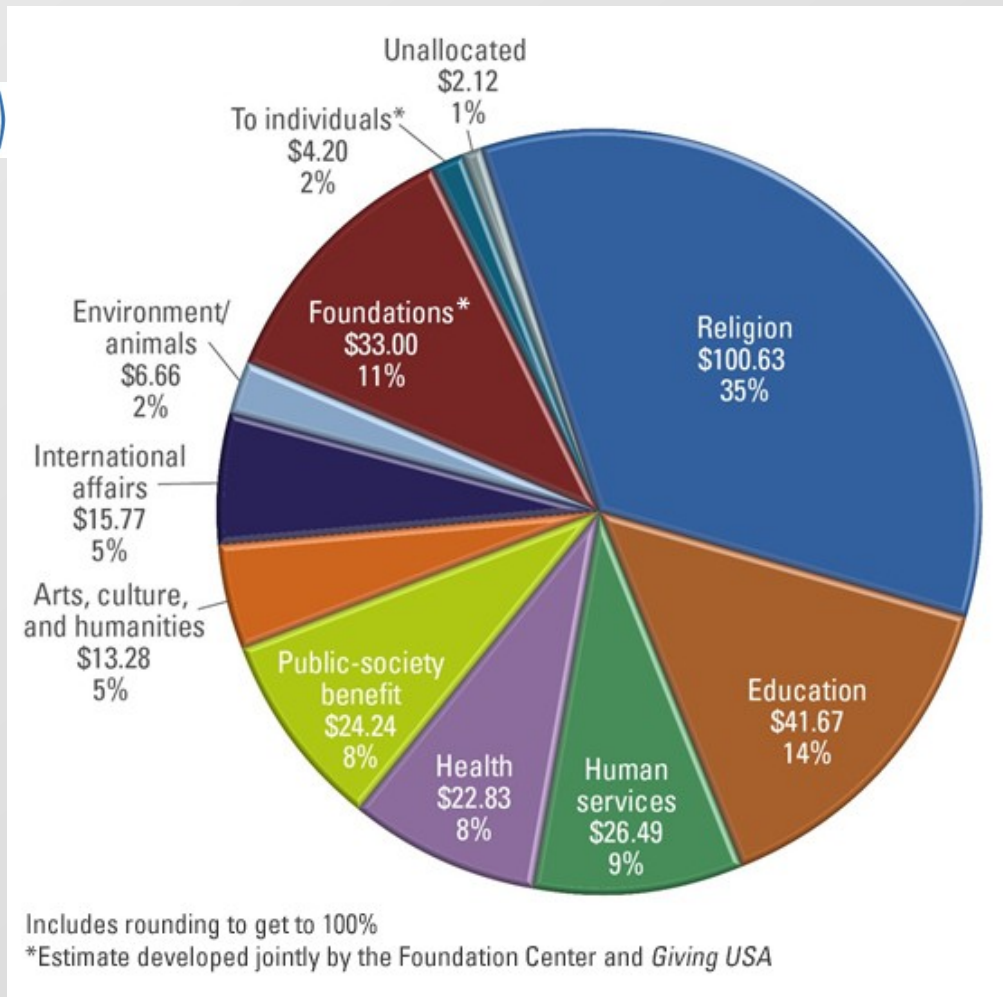


## Giving (in U.S.) by source: Percentage of the total by five-year spans, 1971–2010



# U.S. Types of recipients of contributions, 2010 Total = \$290.89 billion

(\$ in billions – All figures are rounded)



## 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)**



## 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:**

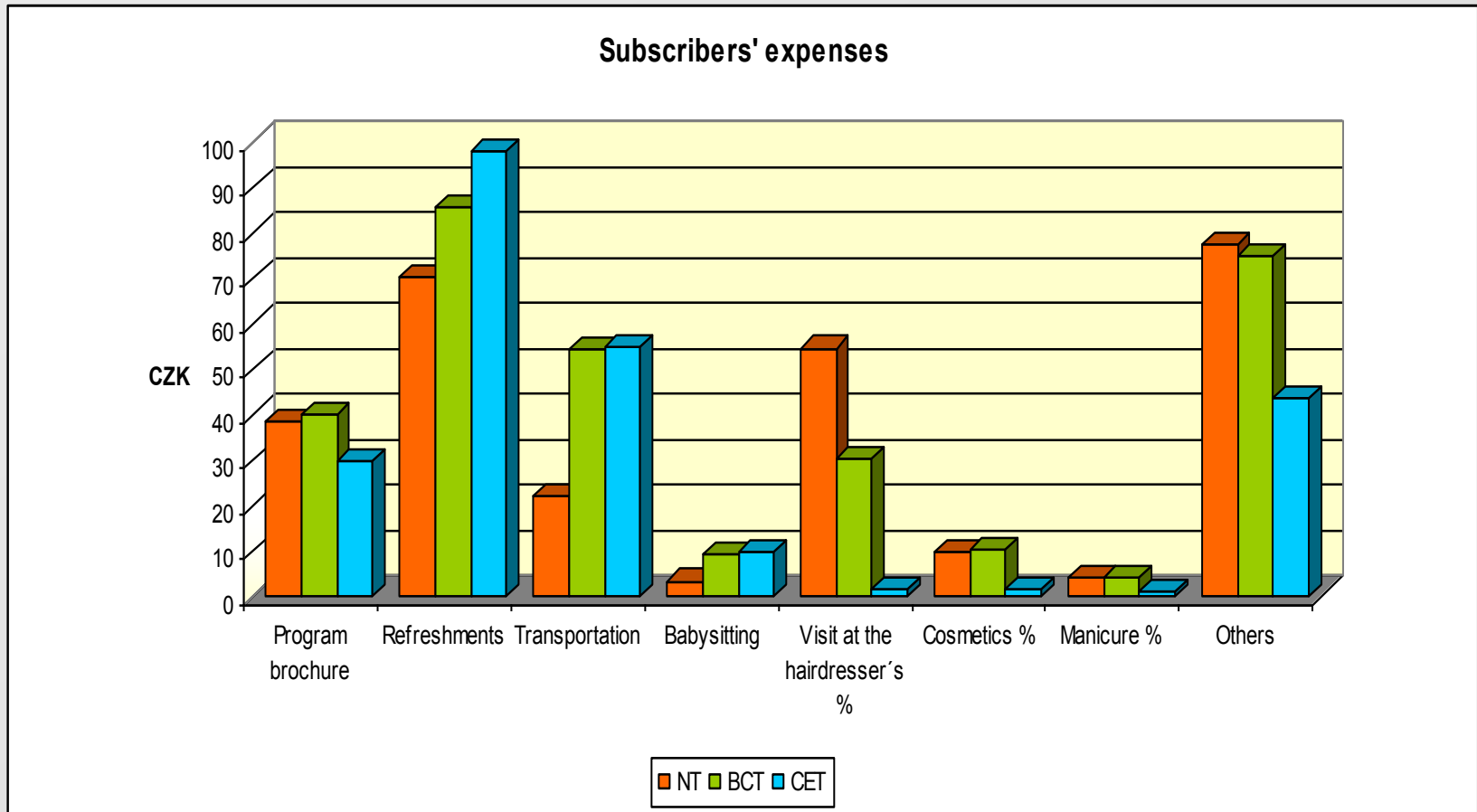
- expenses that are not directly connected with the visit of a theatrical performance but they are results of even other factors.
- their value is not consumed instantaneously at a single theater visit but they transfer their value gradually.

### **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.

