



PUBLIC SUPPORT IMPACTS OF CULTURE

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Content

- I. Public support
 - Yes or no?
 - Levels of public support
 - Forms of public support
 - + a bit about private funding
- II. Impact of culture
 - Economic impact
 - Social impacts



PUBLIC SUPPORT OF CULTURE

Funding of culture (ownership models)

- **State organizations**
 - State-owned organizations, but still may receive funds from private sources (gifts, volunteering)
- **Non-profit organizations**
 - Role and relative importance is typically lower in continental Europe than elsewhere
- **Private for profit organizations**
 - are financed from private capital and from sales revenues (Broadway)

Public support of culture

- Should government support the culture?
- Arguments & Counter-arguments
 - Group discussion

Should government support the arts?

- **Arguments: Market failures on demand side**
 - External benefits of production and consumption
 - Public good features (non-excludability)
 - Non-market demand (national identity, prestige, social cohesion)
 - Merit good
 - Irrationality of customers
 - Lack of information
 - Income distribution

Should government support the arts?

- **Arguments: Market failures on supply side**
- Imperfect competition (monopolistic features)
- Productivity lag
- Income distribution (of artists)

Should government support the arts?

- **Counter-arguments:**
- External effects
 - small or not larger than in other industries
- Income distribution
 - still supports high-income population, as they are primary consumers;
 - favor successful and therefore richer artists (opera).
- Deviate from preferences of the population (own taste, re-election)

Should government support the arts?

- **Answer:**
- Market failures vs policy failures

Sources for supporting culture

- **Public support**
 - Direct
 - Indirect
- **Funding from private sources**

Amount of public support

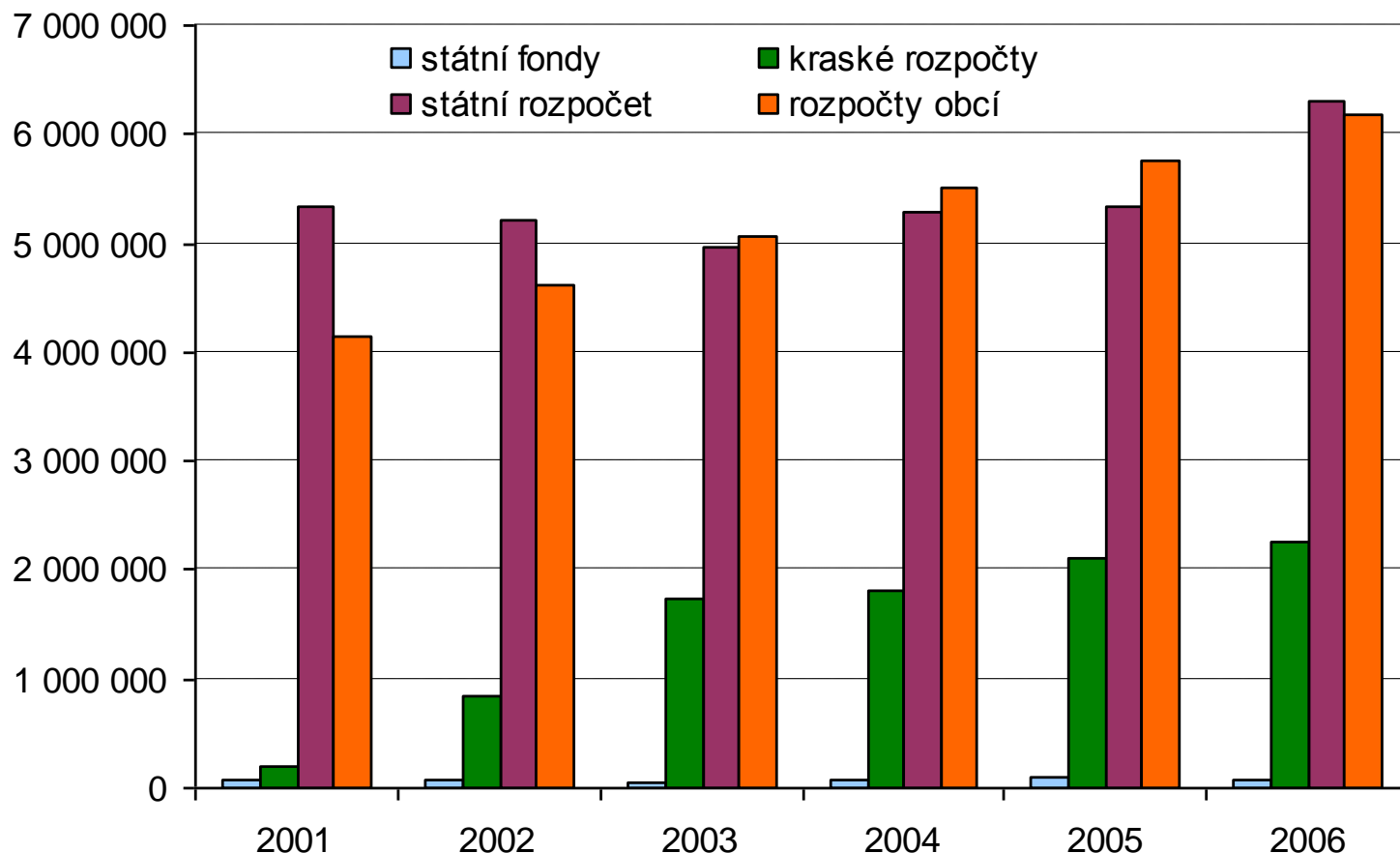
- EU countries 0,7% of GDP, 1% of budget
- Considerable support
- But tiny compared to other sectors

Levels of public support

- State (CZ – 0,5% budget)
- Regional
- Local (Prague 5% of budget)

Development public support (in thou. CZK)

state funds; the state budget; regional budgets; municipal budgets



Forms of public support

- Direct vs. Indirect
- Historically – direct (after WW2)
- Now – diversity of various sources
- Direct and indirect sources of funding?
- Group discussion

Direct culture support

- Subsidies from public budgets
- Subsidies beyond public budget
 - Taxes and fees
 - Income from sales revenues (own)
 - Foundations and foundations funds
 - Other funds (state fund for Czech cinematography)
 - Municipal bonds
 - Public collections

Indirect culture support

- Social support
- Tax reductions for donors
- Tax reductions for recipients

Difference between direct and indirect form of funding

- Difference between direct and indirect form of funding – **decision on size and recipients**
 - Direct – government bureaucracy
 - Indirect – individuals and firms

Private funding

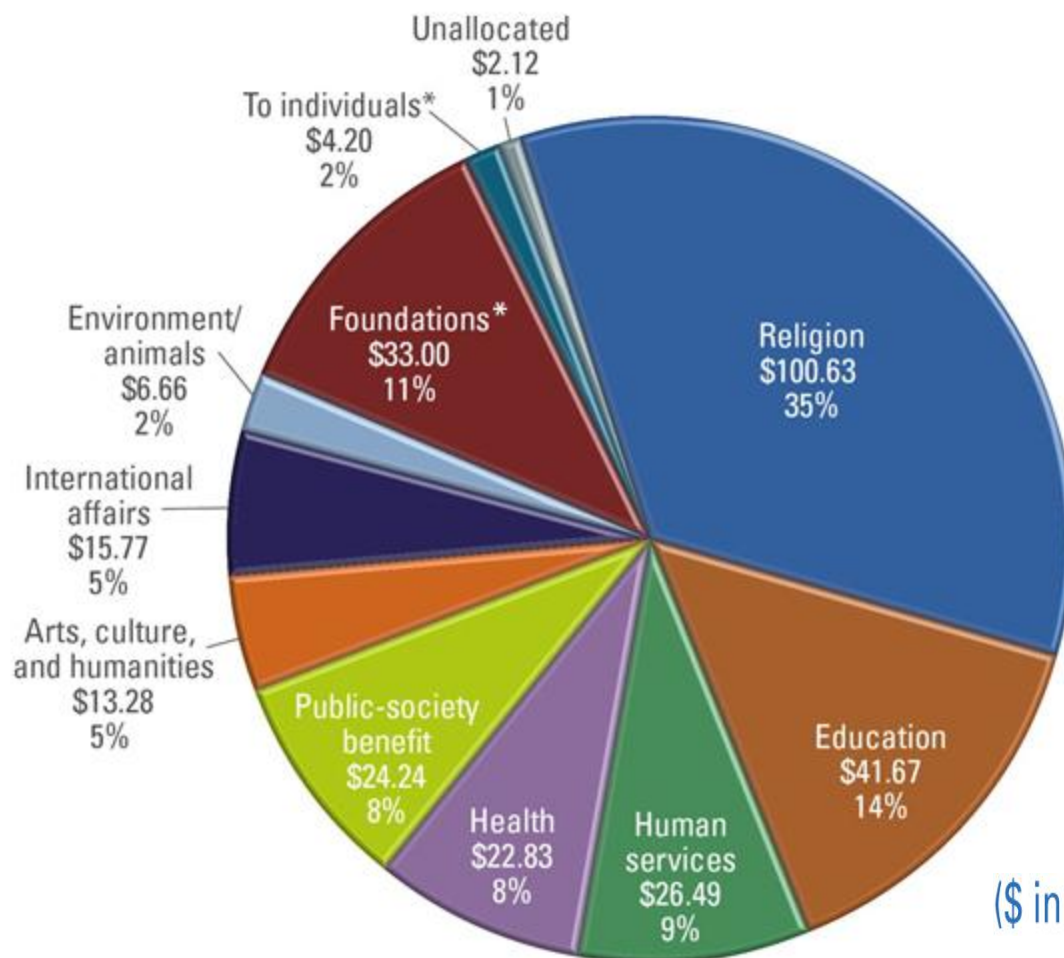
- Private to public funding proportion:
 - Different in different countries
 - Greater in the USA, Japan and the UK than in other European countries, Canada and Australia.

Private funding

- **Charity: donations and gifts**
 - From citizens, business, foundations
- **Voluntary work**
- **Sponsorship**

U.S. Types of recipients of contributions, 2010

Total = \$290.89 billion



(\$ in billions – All figures are rounded)

Includes rounding to get to 100%

*Estimate developed jointly by the Foundation Center and Giving USA



IMPACT OF CULTURE

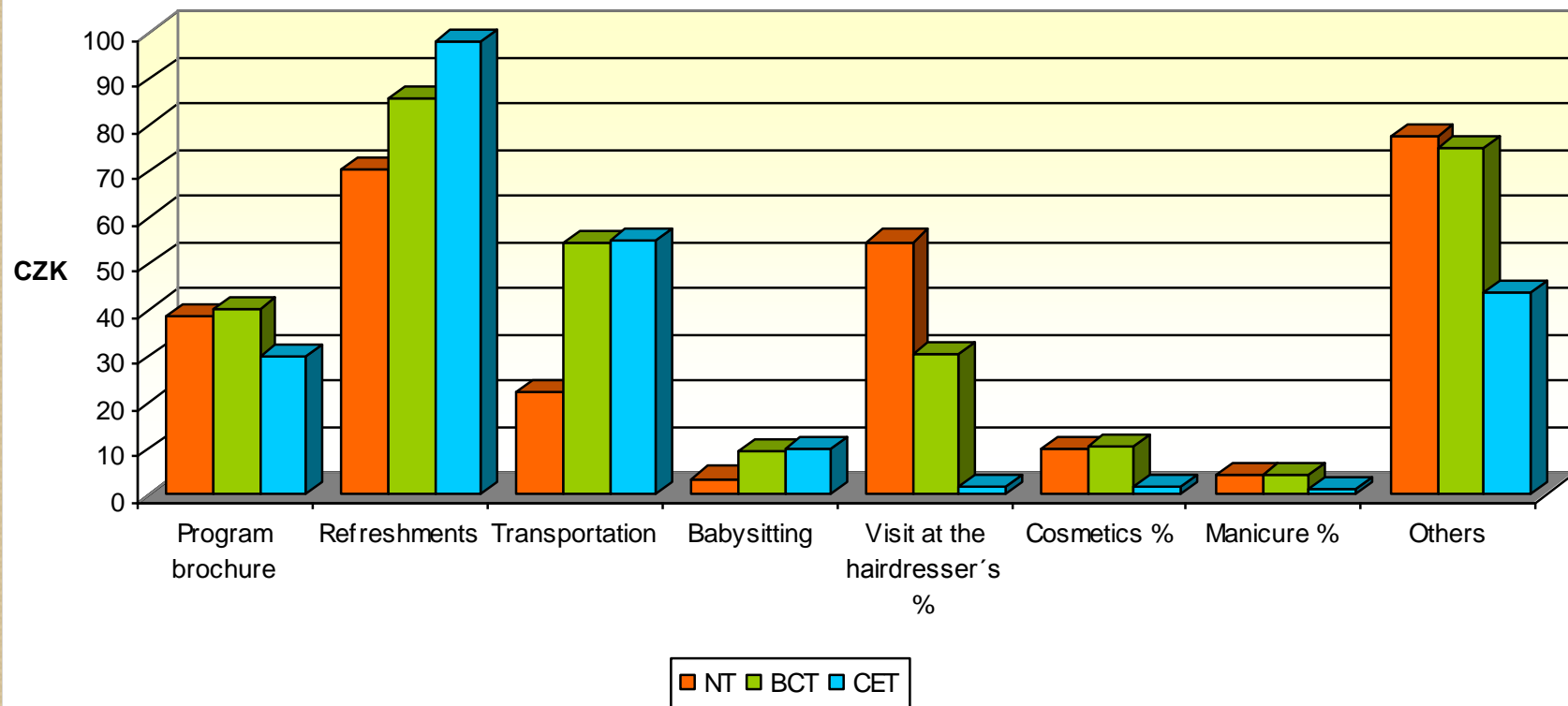
Impacts of culture

- Economic
- Social

- Think of any economic or social impacts you know?

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

Subscribers' expenses



Economic impacts of culture

- Contributes to economy and trade
- Increases spending in other sectors
- Contributes to employment (highly educated workforce and 'non-standard' employment)
- Contribute to economic activity in regions
- Create stocks of ideas or images that can be exploited by cultural industries like cultural tourism

Quantifiable socio-economic impact of the cultural & creative sector (EU30), 2003

- **Turnover**
 - The sector turned over more than € **654** billion / The turnover of the car manufacturing industry was € **271**
- **Value added to EU GDP**
 - The sector contributed to 2.6% of EU GDP in 2003 / real estate- **2,1%**, the food, beverage and tobacco manufacturing **1,9%**.

Quantifiable socio-economic impact of the cultural & creative sector (EU30), 2003

- **Contribution to EU growth**
 - The overall growth of the sector's value added was **19.7 %** in 1999-2003. The sector's growth in 1999-2003 was **12.3%** higher than the growth of the general economy.
- **Employment**
 - In 2004 5.8 million people worked in the sector, equivalent to **3.1%** of total employed population in EU25.
 - Whereas total employment in the EU **decreased** in 2002- 2004, employment in the sector **increased** (+1.85%)

Social impacts of culture

- Provide “socially valuable” leisure activities, ‘elevate’ people’s thinking, contribute to their psychological and social well-being
- Contribute to social environment (‘civilizing’ impacts, social organization)
- Contribute to collective ‘memory’ of a community
- Improve quality of life

Sources

- *A handbook of cultural economics*. Edited by Ruth Towse. Cheltenham: Edward Elgar, 2003.
- Simona Škarabelová et al. *Ekonomika kultury a masmédií*. Brno: Masaryk University, 2007
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- *The Economy of Culture in Europe*. European Commission, 2006.



**THANK YOU FOR
ATTENTION!**