

PUBLIC SUPPORT OF THE CULTURE



JANA ROZMARINOVÁ

Requirements



- requirements
- To visit permanent exhibition in Moravian gallery
- “La traviata”
- sightseeing tour in the center of Brno on 3th May
- seminar work + presentation
- written exam

Revision



- I. Definition of culture
- II. Definition of cultural economics
- III. Economic characteristics of cultural goods
- IV. Cultural policy
- V. Cultural policy in the Czech Republic

Content



- Public support
- Yes or no?
- Levels of public support
- Forms of public support
- + a bit about private funding

Two aspects of public support



- **POSITIVE** – analyses extent of support by Government
- **NORMATIVE** – whether to support

Where the support is not needed?



- Film is generally considered self sufficient /profitable culture
- Theaters in the Czech Republic sufficient partly (28%)
- Galleries, museums and monuments - self-sufficient in an average of 18.2%

Government support of the arts in ten countries, 1994, direct spending in dollars per capita



Finland	112
Germany	90
Sweden	65
France	57
Netherlands	48
Canada	44
United Kingdom	26
Australia	24
Ireland	9
United States	6

Public support



- **Public support**
 - Direct
 - Indirect – tax deductions, the higher the tax rate, the higher the willingness to give to the arts
- **The difference between the two types of support?**
- **Where the decisions about size of support and its recipients is taken?**

Public support of culture



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

- Hint: Market failure (info asymmetries, non-competitive markets, externalities, public goods)

Should government support the arts?



- **Arguments: Market failures on DEMAND SIDE**
 - External benefits of production and consumption
 - Public good features (non-excludability, no rivalry in consumption)
 - Non-market demand (national identity, prestige, social cohesion)
 - Merit goods
 - Irrationality of customers
 - Lack of information – consumers badly informed about supply
 - Income distribution

Should government support the arts?



- **Arguments: Market failures on SUPPLY SIDE**
 - Imperfect competition (monopolistic features)
 - Productivity lag (BAUMOL'S DISEASE)
 - Income distribution (of artists)

Baumol's cost disease



- Phenomenon described by Baumol and Bowen in the 1960s
- Rise of salaries of musicians without productivity changes
- Rise of wages in automobile factory X in opera

Baumol's cost disease



Hypothetical illustration of productivity lag			
	1990	2000	Chang in %
Automobile industry			
Output in automobile i. per work hour	20	24	+20
Wage per hour	10	12	+20
Symphony orchestra			
Output measured by admissions per work hour	2	2	0
Wage per hour	10	12	+20

Should government support the arts?



- Counter-arguments:
- External effects is small or non-existent
- Income distribution is even worsen after the support
- still supports high-income population, as they are primary consumers
- Deviate from preferences of the population (own taste, re-election)

Sources for supporting culture



- **Public support**
 - Direct
 - Indirect

- **Funding from private sources - finance may come from private sources –**
 - sponsorship, donations of money, goods and volunteer labour can be significant sources of support.

Amount of public support



- EU countries 0,7% of GDP, 1% of budget
- Considerable support
- But tiny compared to other sectors
- State (CZ – 0,5% budget)
- Local (Prague 5% of budget)

Forms of public support



- Direct vs. Indirect
- Historically – direct (after WW2)
- Now – diversity of various sources

- Direct and indirect sources of funding?
- Group discussion

We can make the general observation:



- The balance of public and private financing varies a lot between different countries:
- 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
- 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

Culture budget – proportion of government spending



- 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.

Funding of culture



- 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)

The main resources for supporting culture



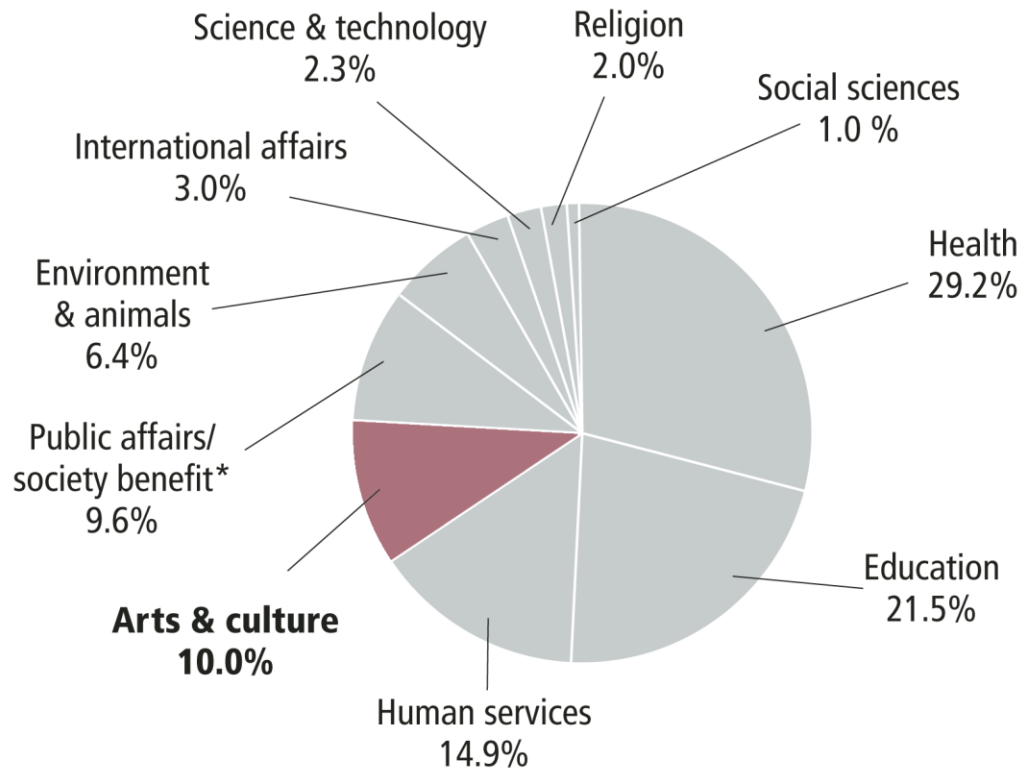
<u>Direct</u>		Indirect resources
Subsidies from public budgets	Not from public budget	
Subsidies	taxes	Social contributions
Subsidies with a contribution	fees	Tax reduces for donators
	money from sales revenues	Tax reduces for donees
	foundations and foundations funds	
	other founds (state fund for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

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

FIGURE 1. Percent of grant dollars by major field of giving, 2011



Source: The Foundation Center, 2013. Based on all grants of \$10,000 or more awarded by a national sample of 1,122 larger foundations representing approximately half of total giving by all US foundations. Due to rounding, figures may not total 100 percent.

* Includes civil rights and social action, community improvement, philanthropy and voluntarism, and public affairs.



- *Presentation made by Daria Kuchařová*
- *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*
- *Michelle Reeves. Measuring the economic and social impact of the arts: a review. London: Arts Council of England, 2002*
- *National Cultural Policy Czech Republic 2009-2014. Ministry of Culture, Prague, 2009*