

FUNDING FOR THE ARTS IN TIMES OF PUBLIC BUDGET CUTS

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Abstract

The culture sector in the Czech Republic has long suffered from underfunding. Compared to cultural heritage, the arts fall a grade below in terms of the volume of financial support they receive, particularly from state sources. In this paper I focus on the branch of the arts that encompasses the performing arts, visual arts and crafts, publishing and the periodic press, and that consists of subjects that do not operate for the purpose of profit. This includes both the non-governmental non-profit sector and state and public institutions, most of which operate as contributory organisations. The public budget cuts that have been introduced since 2008 first impacted the non-governmental non-profit sector and then also the sector of contributory organisations. My paper concentrates on the changes to funding in the creative arts affecting this sector and these organisations since 2008, that is, during the period of public sector cuts, which is often linked to crises in the political sphere. These two factors have had an impact on the arts sector and have influenced the search for potential new sources of funding, including the greater role of crowdfunding and crowdsourcing, but also foreign sources of financial support. The Czech Statistical Office (CSO), in cooperation with other institutions, has instituted changes since 2008 relating to the collection of data on the culture sector. Therefore, in addition to other available data on funding expenditures on the arts, this paper also analyses the results of the CSO's Culture Account, for which the first data were published for the year 2009 and most recently for the year 2012.

Key words: the arts – non-profit sector – funding — crowdfunding – Czech Republic

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Introduction

The Ministry of Culture of the Czech Republic (MC) continues to use a system of funding for culture based on the traditional division between support for cultural heritage and support for the arts, wherein the arts are then also further subdivided into professional and non-professional spheres. The 'traditional arts' as defined and supported by the MC correspond to what David Throsby in his 2001 book *Economics and Culture* (Throsby, 2001) referred to as

the ‘core creative arts’, namely, the performing arts (music, theatre, and dance), the visual arts, and literature. This branch of the arts rests on human creativity and forms the foundation of the cultural and creative industries.

Since funding from public budgets is the most important source of finances for Czech non-profit sector, together with funding from households, the development of funding by the state is the most important indicator of whether or not the non-profit sector have been impacted by the austerity measures introduced by the government as a response to the economic crisis (Pospíšil, Prouzová, 2012).

1 Defining the sectors for research

1.1 A definition of the non-profit sector

Alongside the internationally recognised institutional and operational definition of the non-profit sector (Salamon, Anheier, 1992), the Czech Republic (CR) also works with a definition of this sector provided by the Government Council of non-governmental non-profit organisations, which is the permanent advisory, initiatory, and coordinating body of the Government of the CR for the non-governmental non-profit sector (Boukal, 2009). Its definition of the non-profit sector respects to some degree the characteristics of Salamon and Anheier’s definition, wherein ‘the non-profit sector is a set of organisations that are formally constituted, non-governmental in basic structure, self-governing, non-profit-distributing, and voluntary to some meaningful extent’, but it does not encompass all the types of organisations listed in their definition. Rather it divides non-profit organisations into two basic types:

- a) governmental (public, state) non-profit organisations (contributory organisations);
- b) non-governmental (non-state, civic, private) non-profit organisations.

1.2 A definition of the arts for statistical purposes

The primary basis for the economic benefits of a publicly-subsidised cultural sector (Holden, 2007) is direct linkages with commercial culture and the wider creative industries, sometimes called ‘spillover’, which develops human capital skills that are applicable across a wider field, and these spill over into the creative industries and beyond. This process is a vital part of the infrastructure of cities.

No official definition and specification of CCI for the CR yet exists in any of the strategic materials of the CR. The system of classification of economic activities of CCI was

created, which divides the sector into ‘tri-sectoral tables’ (Cikánek, 2013) and this is the classification system used in the Czech National Culture Account.

2 Methodology

2.1 The Czech National Culture Account

In the CR there are several sources from which it is possible to obtain data on funding for the arts. The most important is the Czech National Culture Account (hereinafter the ‘Culture Account’), the creation of which was one of the tasks in the implementation of the State Cultural Policy of the CR 2009–2014 (Petrová, 2014). In September 2011 the results of the first, pilot Culture Account for 2009 were presented. Since then the results have been published each year. The latest results were released at the end of June 2014 for the year 2012.

Given that the methodology and the scope of data observed since the Culture Account was initiated (Czech Statistical Office, 2008) change each year, it is at present difficult to compare the results in a time series. Also it is apparent that some areas of the arts are still not entirely omitted or are covered to only a very limited extent and there are also differences in the quality of the information available (NIPOS, 2014); the only data that can be deemed to be of high reliability are the data on public expenditures on culture obtained from the state budget.

Tab. 1: Sources of funding for the culture sector by area in 2012 (in thousands of CZK)

	Public sector	Household expenditures	Firms and donations	NGOs	European Structural Funds	Other intern. organisations	TOTAL
Performing arts	5 452 639	1 850 296	2 327 229	88 858	21 838	21 739	9 762 599
Visual arts	71 238	637 439	5 918 642	3 629	1 595	7 136	6 639 679
Publishing	51 280	12 127 000	23 375 825	3 323	82	0	35 557 510

Source: Results of the Culture Account of the CR for 2012 and author’s calculations based on Czech Statistical Office data (Czech Statistical Office, 2014).

Data for 2012 clearly show that public budgets and household expenditures have remained the main source of support for the traditional arts.

2.2 The main research

A key supporter of the traditional arts at the state level is thus the Czech Ministry of Culture. I assessed the most valid data for use in my research to be data obtained directly from the

Czech MC or from organisations directly founded by the ministry, wherein data on expenditures from foreign sources for Czech subjects are also included. I attempted to observe the fields of the arts that received the most support between 2008 and 2014. The volume of funding provided to individual artistic fields was calculated from generally available data combined with data obtained from my own research on individual departments of the MC.

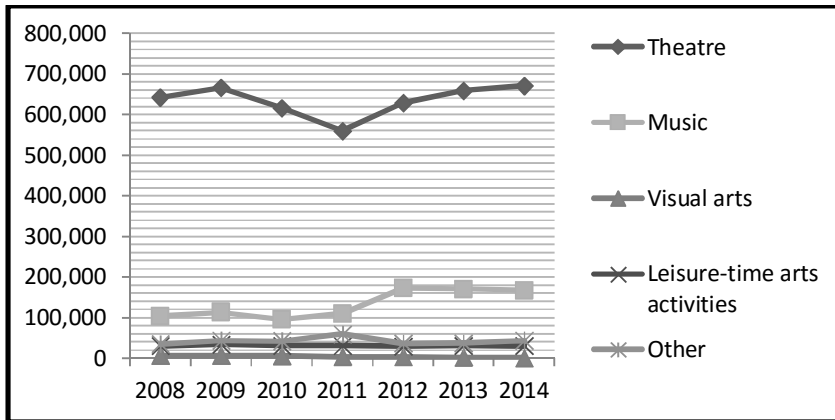
Part of the research devoted to examining support for the arts through crowdfunding was conducted on the basis of data obtained directly from the eight individual Czech crowdfunding platforms that exist in the CR.

3 Results

3.1 Expenditures of the MC of the CR on the arts by type of expenditure

The largest amount of funding that the Ministry of Culture provides in support of the arts sector is directed at supporting the operations of state contributory organisations: national cultural institutions operating in the traditional arts sector, whether as providers of services in the arts, or as intermediaries in the field of the arts. There are two intermediary organisations: NIPOS and the Arts and Theatre Institute. Providers of services in the field of theatre include the National Theatre in Prague, the State Opera Prague and Laterna magika, in music the Prague Philharmonic Choir and the Czech Philharmonic Orchestra, and in the contemporary visual arts the Czech Philharmonic's Rudolfinum Gallery. Figure 1 shows the serious drop in funding suffered by the two sectors that are the main recipients of state support – theatre and music – during the first half of the period under observation, but from 2011 support for these two sectors began to increase again. All other sectors of the arts, the visual arts in particular, consistently lie at the low end of state support.

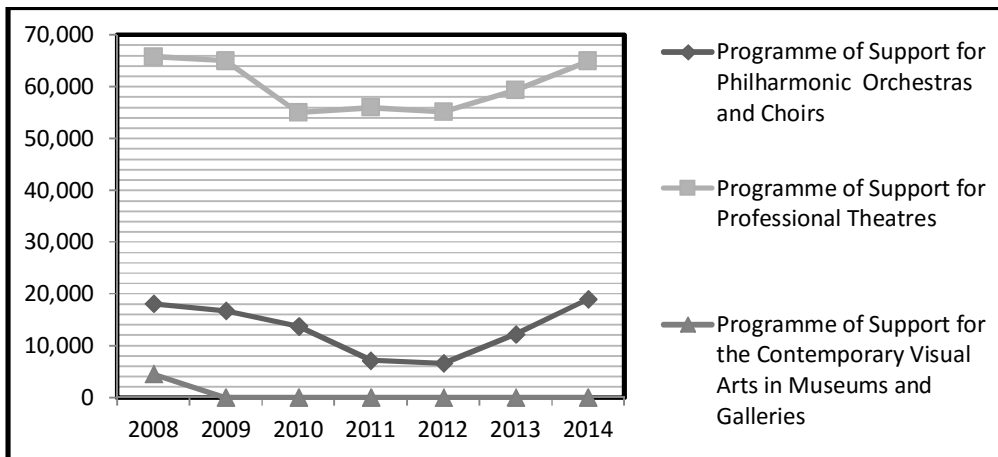
Fig. 1: Material expenditures of the MC for contributory organisations in the arts sector 2008-2014 (in thousands of CZK)



Source: Author's calculations based on the annual reports of the MC for the years 2008-2014

The MC also supports the contributory organisations that operate in the towns and municipalities across the country through three programmes: the Programme of Support for Professional Theatres, the Programme of Support for Philharmonic Orchestras and Choirs, and, in the past, the Programme of Support for the Contemporary Visual Arts in Museums and Galleries. Figure 2 also shows clearly how state funding is concentrated exclusively on the sectors of theatre and music, which survived the crisis years of 2011 and 2012 and are now again witnessing an increase in funding. The Programme of Support for the Visual Arts ended in 2008 and no other programme was introduced to replace it.

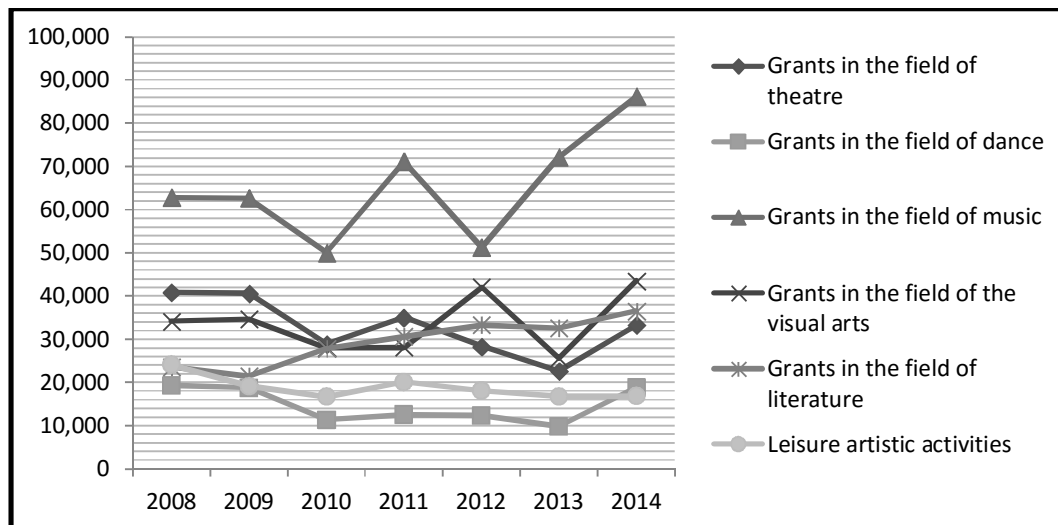
Fig. 2: Expenditures of the MC through programmes of support for the arts 2008-2014 (in thousands of CZK)



Source: Author's calculations based on data from the MC for the years 2008-2014.

The MC uses several sources of funding through which it provides support for the arts in the non-state non-profit sector. The majority of funding is provided through grant programmes aimed at supporting theatre, music, dance, the visual arts, and literature, and leisure-time artistic activities in the CR. While for contributory organisations in the arts the year 2011 was the most critical one, in the non-profit sector cuts to grant programmes were instituted by the state in two waves, first in 2009-2010 and again in 2012-2013 (fig. 3). By contrast, 2011 was a strong year for the non-profit sector and it saw an increase in funding again in 2014, but except for the sectors of theatre and the visual arts no other field of the arts has seen their funding rise beyond the levels of support they received in 2008.

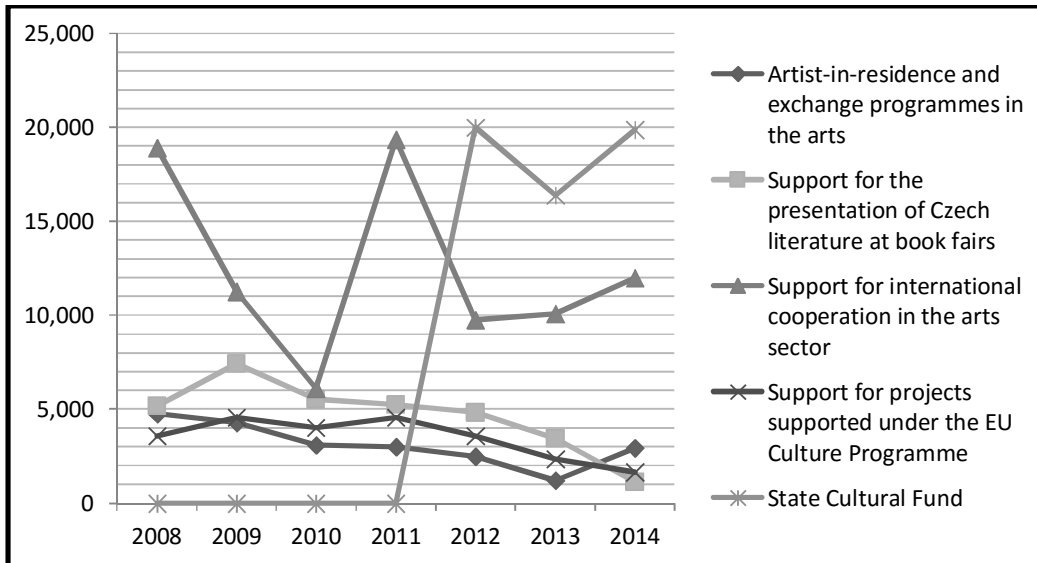
Fig. 3: Expenditures of the MC made through grant programmes in support of the arts in the non-profit sector 2008-2014 (in thousands of CZK)



Source: Author's calculations based on data from the MC for the years 2008-2014.

Figure 4 shows the funding that is provided in support of international cultural cooperation and mobility, an area in which there exist four different programmes of funding support. The figure clearly shows that this is not a priority area within the framework of state support for culture; no new instruments of support have been introduced and existing programmes continue to see their funding cut. The final item in this figure indicates funding from the State Cultural Fund, which was re-introduced in 2012 to make up for decreases in other state funding programmes. It has not, however, been very successful at living up to this objective.

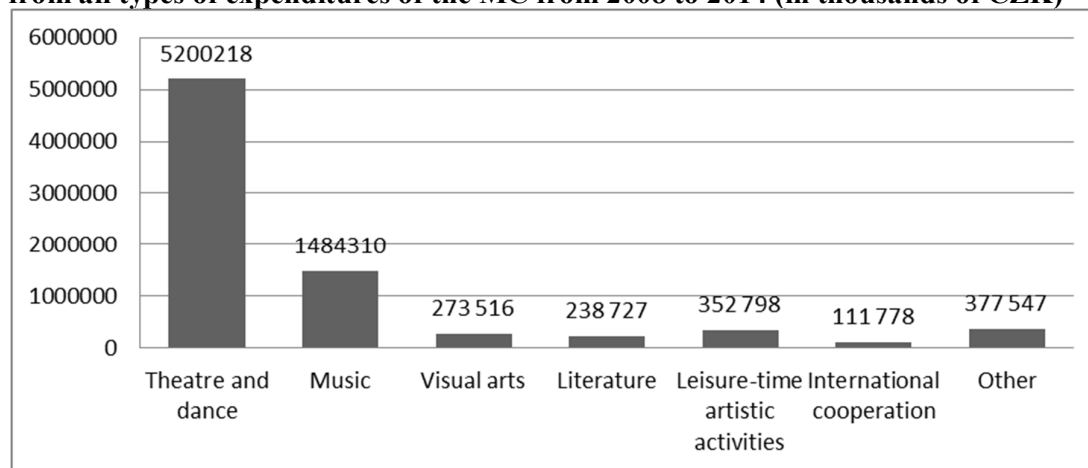
Fig. 4: Expenditures of the MC through individual funding schemes in support of the arts in the non-profit sector international cooperation and State Cultural Fund 2008-2014 (in thousands of CZK)



Source: Author's calculations based on data from the MC for the years 2008-2014.

It is very apparent from this overview of support and funding for individual sectors of the arts that the performing arts have been the clear priority area for funding under the state's cultural policy.

Fig. 5: Expenditures of the MC on individual artistic fields – consolidated expenditures from all types of expenditures of the MC from 2008 to 2014 (in thousands of CZK)



Source: Author's calculations based on data from the MC for the years 2008-2014.

3.2 International sources of support for the arts in the CR

The non-profit arts sector has few opportunities open to it for obtaining funding from abroad or from international sources. During the period observed here the main one is the EU Culture Programme. During the second term of this programme, from 2007 to 2013, Czech organisations participated in a total of 160 projects: performing arts 44.14 %, interdisciplinary projects 42.88 %, visual arts 8.27 % and literature 4.71 %. The new international source of

funding for the arts is the arts funding provided through a programme supported by the countries of the European Economic Area (EEA) – Norway, Island and Lichtenstein – through grants administered by the Financial Mechanism. In the current programme term support for the arts has been newly introduced (previously support went solely to cultural heritage). The funding is provided through the CZ 06 Cultural Heritage and Performing Arts programme, and in 2014 for the first time 16 projects in the arts received support equal to just over 40 million CZK: music 26.94 %, theatre 33.43 %, dance 16.88 %, visual arts 16.72 % and other 6.03 %. All these projects were supported under Programme Area 17 ‘Promotion of Diversity in Culture and Arts within European Cultural Heritage’.

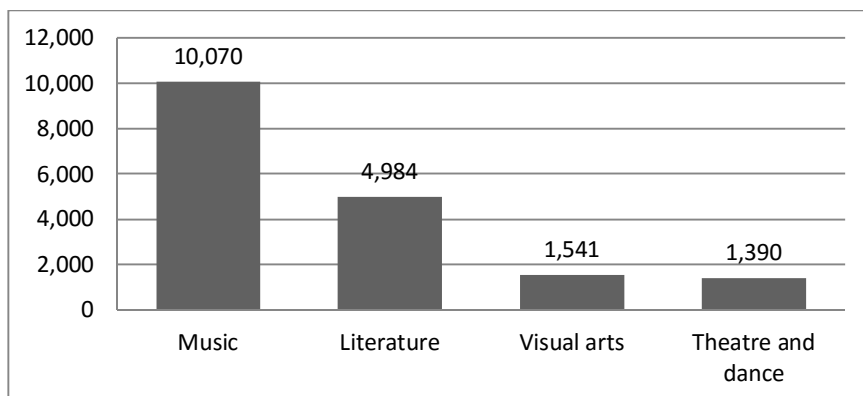
3.3 Crowdfunding in the arts

Income from philanthropic foundations only makes up a small fraction of the Czech non-profit sector’s total income. Other sources of support from the commercial sector, such as sponsorship, have been at consistently low levels over the long term. Consequently, in the period of the biggest cut-backs in funding, arts institutions and projects began to look for new funding opportunities – and found one in crowdfunding. The rapid rise of crowdfunding as a source of support has been aided further by developments in digital technology. It is well known that digital technologies such as online downloads, streaming and digital cinema have opened up significant new opportunities for content industries (Bakhshi, Throsby 2013) like music and film and also theatre, but that they have also have challenged established business models including new trends in financial support of the arts.

All the crowdfunding platforms that have emerged in the cultural sector and thus also the arts work with a rewards-based system. The first crowdfunding platform in the cultural sector was founded in the CR in 2011. Currently there are eight platforms on which the Czech arts can seek funding. According to an analysis I conducted using data obtained from individual crowdfunding platforms from the year 2011 to the end of February 2015, projects in the arts received a total of 17 985 000 CZK in support through crowdfunding. Figure 6 illustrates the volumes of support for individual sectors. It highlights the fact that while under traditional grant funding schemes and direct forms of state support the performing arts and especially theatre and classical music predominate in terms of total allocated funding, when it comes to funding tools in which creativity and innovative marketing are primary for obtaining support other fields dominate, pop music in particular. In some artistic fields the amount of support being provided through crowdfunding even exceeds the amount of state support that it

is possible to obtain and in the period of crisis in public funding generally this funding tool is beginning to become a powerful tool of support, even though it is still just a supplementary tool.

Fig. 6: Crowdfunding in the arts – 2011 to February 2015 (in thousands of CZK)



Source: Author's calculations based on available data on individual crowdfunding platforms.

Conclusion

Different models of funding have been discussed in culture. In 1989 in Hillman-Chartrand and McCaughey's model, the US was seen as a 'facilitator' of the arts (through tax relief), the UK and Australia as 'patrons' (through arms-length arts councils), France as an 'architect' (strong ministry of culture) and the former Eastern bloc countries as an 'engineer' (full control of the production of culture) (Alexander, Bowler, 2014).

Twenty-five years on, we can see that the Czech state still has a strong influence on the basic infrastructure of culture and the arts through the support it provides to the network of state arts institutions and also through support for the particular arts services that are offered in the CR. Czech cultural policy did not respond to the economic crisis by developing any new criteria or funding programmes; the only reflection of the crisis came in the form of funding cuts across the board. The priority was to secure or maintain the operation of just several particular state-instituted national arts organisations dedicated to theatre and music. The research showed that over the long term the performing arts have received the strongest support of all branches of the traditional arts. Summing up all types of expenditures of the MC, within the performing arts the field that receives the strongest support is theatre followed by music.

The year 2011, the year when the crisis in the non-profit arts sector brought on by public expenditure cuts was reaching a high point, coincided with the rise of a new tool of

support for the arts in the CR – crowdfunding. In 2012 another source of support was re-introduced – the State Culture Fund. Nevertheless, the resources obtained from crowdfunding, the State Culture Fund, and even from international sources of support for the arts, are only supplementary sources of funding for the arts.

One example of best practices can be seen in the strategy of the Arts Council of England, which gives priority support to projects that, among other things, make culture in its multitudinous forms more understandable, accessible to, and consumed by, an increasingly wider audience – and instrumentalization – the justification of culture (and cultural investment) via its positive (and measurable) socioeconomic benefits (Sutherland, Gosling, 2010). In this context no change in the direction of state cultural policy is apparent from the overall expenditures of the Czech state on individual types of support for the arts. No new tools of support have emerged that stimulate or focus on new funding opportunities, whether in the form of stimulating international cooperation, mobility, or other sources of funding that are directly linked to the participation of the population in culture (crowdfunding).

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