

PUBLIC SPENDING ON CULTURE IN EUROPE 2007-2014



Requested by MEP Ernest Maragall i Mira

Pere Almeda (Coordinator)
Albert Sagarra
Marc Tataret

1. INTRODUCTION

Since 2008 the cultural sector, resting on fragile funding foundations, has suffered the impact of cuts in public budgets, the result of the serious reduction in the incomes of states, public deficit containment measures and the implementation of austerity policies.

This report is based on the hypothesis that public investment in culture in Europe has suffered most from the effects of the economic crisis unleashed with the fall of Lehman Brothers in 2007. An economic crisis that, when it reached our continent, had diverse consequences in the different countries and found in cultural policies the weakest link to lighten public budgets. In times of crisis, culture ceases to be a priority and budgets are aimed at covering basic public services and repaying the interest on debt. Culture is considered by many a non-essential service. Thus, since 2008 several countries have drastically eliminated aid policies for the cultural sector and their subsidy plans for cultural institutions.

However, the trend has not been the same throughout Europe and many states have increased their budgets to stabilise the cultural sector and emerge stronger from this period, consolidating culture as a future investment in their economies and establishing it as a priority.

The accentuation of this duality reveals and confirms the existence of different economic and cultural realities and dynamics that split the European project in two and hinder the objectives of convergence. The effects of this divergence can lead to an insuperable breach between European citizens and their unequal access to culture and knowledge, as well as to serious consequences for the protection of cultural heritage and the promotion of artists and creators. A two-speed Europe in the cultural field questions the process of integration and has a direct impact on the cohesion and future of the European political project.

Culture is a fundamental vector to improve innovation, competitiveness and internationalisation. But, above all, culture is one of the main instruments for achieving a united society and driving forward an identity that is at once common and diverse. We can speak of a paradoxical situation: on the one hand, there is a discourse about the cultural and creative industries that gives culture a fundamental role in economic, social and personal development and some practices that assign to culture a transforming and innovative potential with the capacity to transform and improve society. But, on the other, the support for culture in many countries is the first that ceases to be a priority under the perfect whirlwind of the big economic recession, the fall of public funding and a crisis of the institutional paradigms based on the market. Everything that seemed solid in the cultural world appears to vanish in the air under the effects of the crisis.

Thus, while the EU is committed to creativity and innovation and establishes its objectives to develop an intelligent economy based on knowledge, the cultural environment of Europe is threatened by the sword of Damocles of budgetary austerity. A public disinvestment that compromises the progress of creative and cultural industry and the growth of the sector as a whole, which according to a study by the consultancy Ernst and Young in Europe accounted for 4.2% of GDP (in 2012) and in absolute terms around 534.9 thousand million euros.

Initially, this report aimed to confirm the hypothesis of the growing divergence between the countries of the EU based on the existing data and studies and to begin a reflection to justify the implementation of new policies at European level to support culture and the recovery of the process of convergence that had started decades before. However, we have realised that there have been no recent studies on the evolution of public spending on culture in Europe since the start of the crisis. The Council of Europe published the *Compendium - Cultural Policies and Trends in Europe*, which summarised the main indicators on public resources for culture but was last updated in 2011. The existing data is scattered by countries and we have found no comparative analysis with updated data, beyond some partial study.

In a Europe in crisis, the studies on public spending on culture have vanished. It seems as if the best way of not noticing the open breach in culture is to not analyse the effects of the crisis and the consequences of the so-called austerity policies.

Therefore, this report does not focus so much on exploring and defining the content of a future European cultural policy but rather we have had to centre this first effort on analysing public resources allocated to culture, given the lack of data and analyses. How much public money is aimed at funding cultural projects in EU countries? How much is spent on culture per capita? What is the relationship between GDP and spending on culture? What administration levels fund culture? These would be some of the questions we have posed.

The availability of this data is fundamental for the analysis of cultural policies because it illustrates the differences in how countries fund culture, which, in its turn, has direct consequences for citizens and access to culture.

Therefore, this study has focused on trying to fill this gap and, based on reliable sources, collect the data available to date to attempt to get a real picture of what happened in public budgets for culture from 2007 to 2014. Moreover, the data available for the European budget and the different cultural programmes of the European Commission has also been processed.

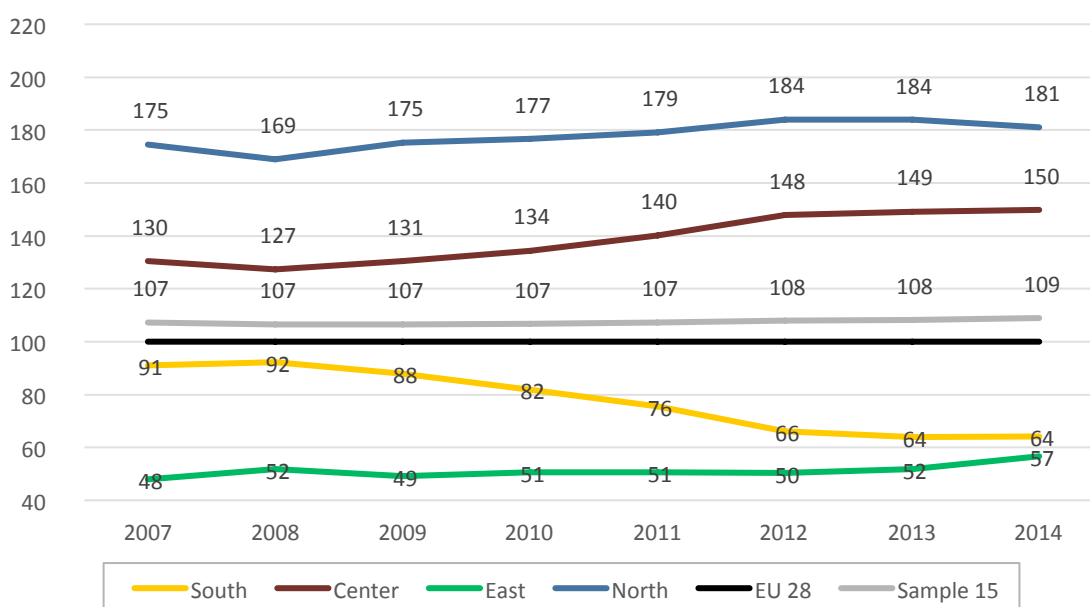
Based on all these aspects identified in this diagnosis of the state of culture in Europe, we propose opening a debate at European level and launch a series of initial recommendations that will have to be developed in future studies and debated in the pertinent institutional culture forums.

2. PUBLIC SPENDING ON CULTURE IN EUROPE 2007-2014

The hypothesis underpinning the report, once the existing data was compiled and its evolution examined, confirms that the economic crisis in Europe has had a direct effect on public spending on culture in the different EU countries. These consequences can be summarised as follows:

- Public spending on culture of the EU-28 member states was reduced in the period 2007-2014 by 1.97% and the average in the sample of 15 states (EU-15) was 0.435%, relatively lower due to the exclusion of some states from the study. Nevertheless, it is important to note that the average reduction in public spending on culture is fundamentally due to the constant fall in the southern states in relation to the other geographic areas analysed. During the course of the economic crisis that determines and conditions this cycle, public spending on culture per capita fell by 3.52%, €113.54 per inhabitant, €4.14 less than in 2007.

Graph 1 - Evolution of public spending on culture per capita (2007-2014) in relation to the European average - in constant euros



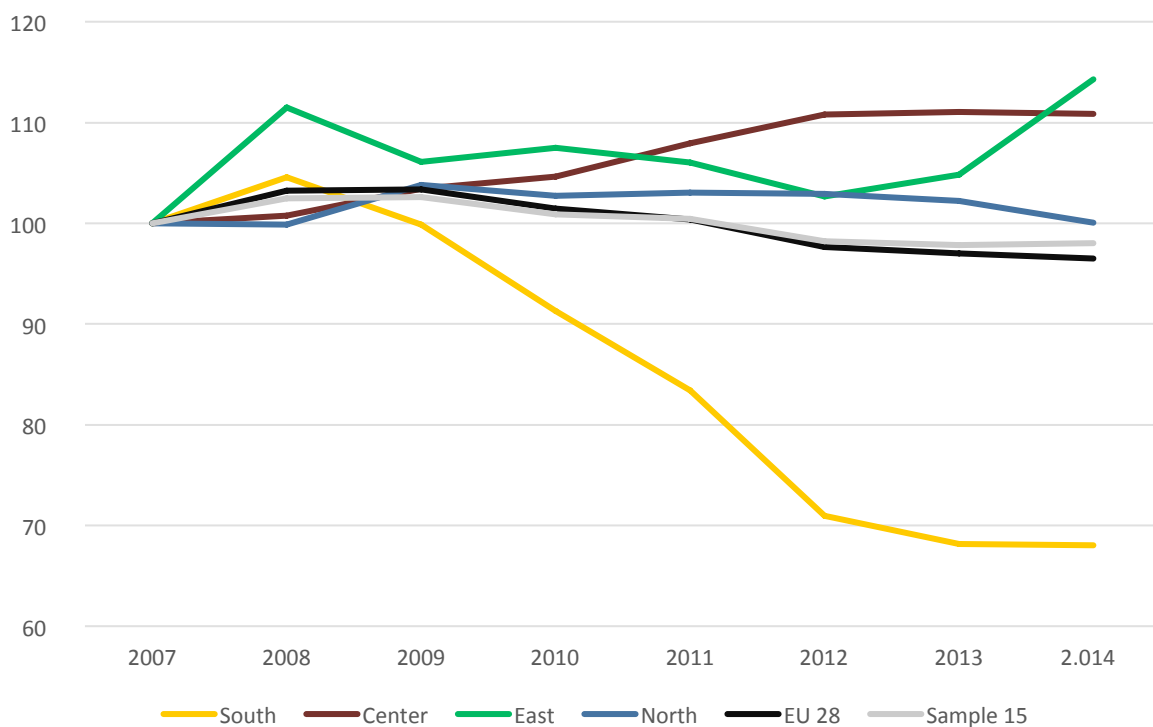
Source: Compiled by the author based on Eurostat

- During the period analysed, a two-speed Europe was consolidated in the public promotion of culture. The distance between the level of spending on culture between the Nordic and Central European countries and the peripheral countries of Southern and Eastern Europe reached 124 percentage points between the two extremes in 2014 and opened an enormous breach and disparity that for the time being hinders a desirable process of convergence. While Eastern European countries started from very low levels in absolute terms, during this period they maintained a high percentage of public investment in culture in relation to total public spending, much higher than the

European average, and tended slowly but steadily towards convergence, which has a long way to go.

- The southern countries, in contrast, experienced a drastic cut in public investments, which fell by around 30 percentage points and interrupted their gradual evolution, most noticeably in the case of Spain and dramatically in the case of Greece. In absolute values, the biggest variation happened in Spain, where since the start of the crisis public spending on culture has been reduced by €2,271 M (34.76%), although the highest relative variation occurred in Greece with a reduction of 40.51%. The dynamic of Portugal and Italy follows the same trend of all the southern countries as they reduced their spending on culture by 32.03% and 24.48%, respectively.

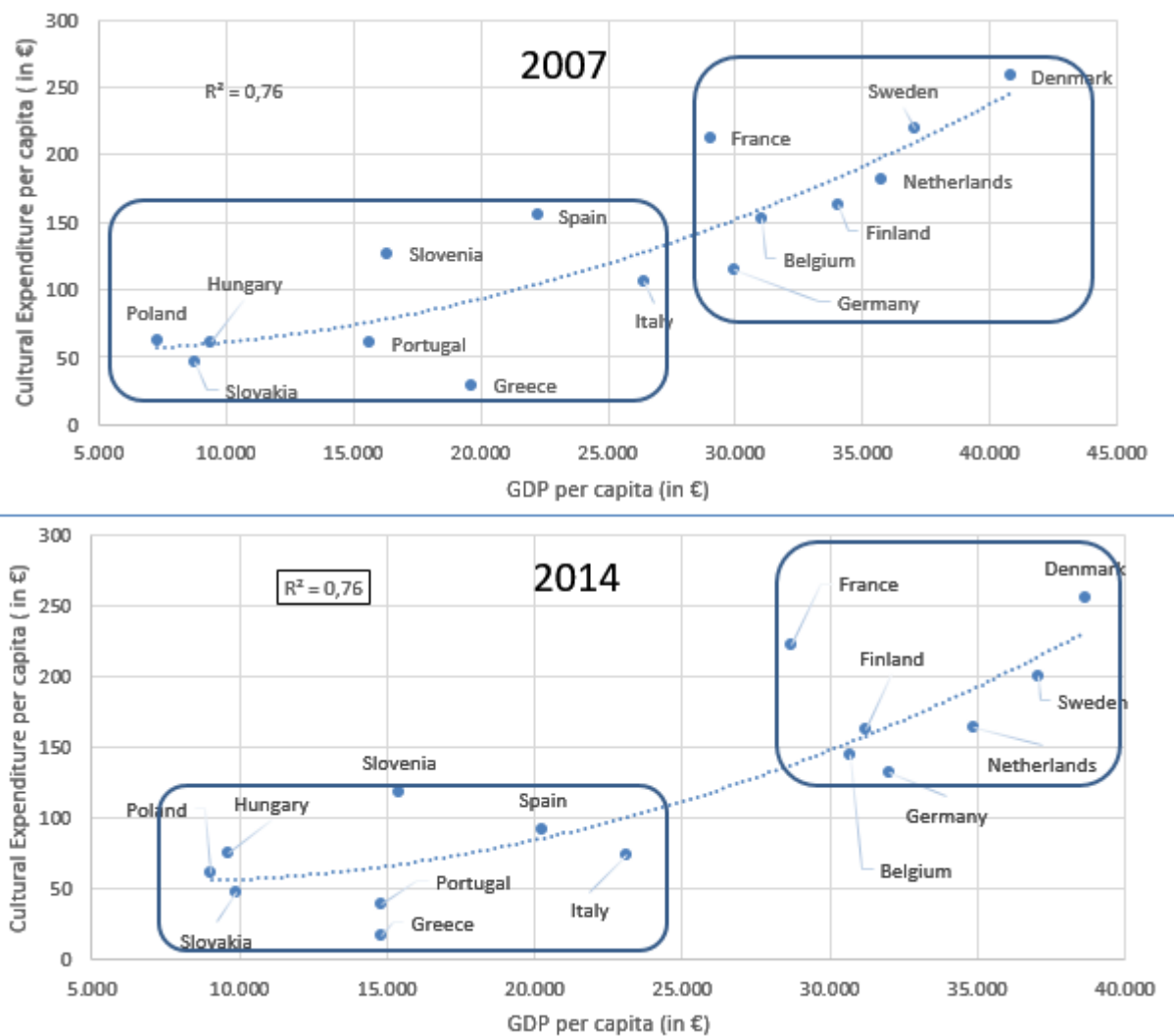
Graph 2 - Evolution of public spending on culture per capita indexed for 2007 by European geographical area in constant euros (2005 deflator)



Source: Compiled by the author based on Eurostat and World Bank Database

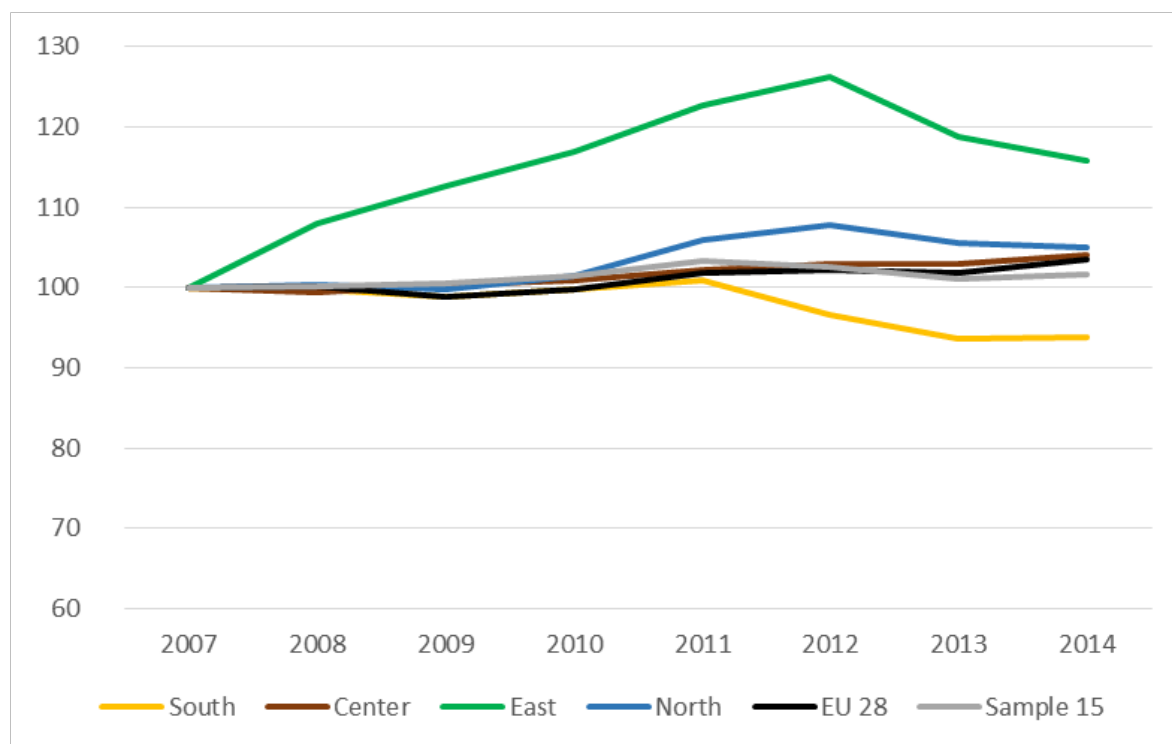
- The rise in the disparity in the field of culture is mainly due to the difference in GDP and income per capita of the countries analysed, but not exclusively, as we observe that although GDP of the South contracted by 9%, the contraction in spending on culture was much higher and reached 30%.

Graph 3 - Correlation between public spending on culture per capita and GDP per capita in 2007 and 2014



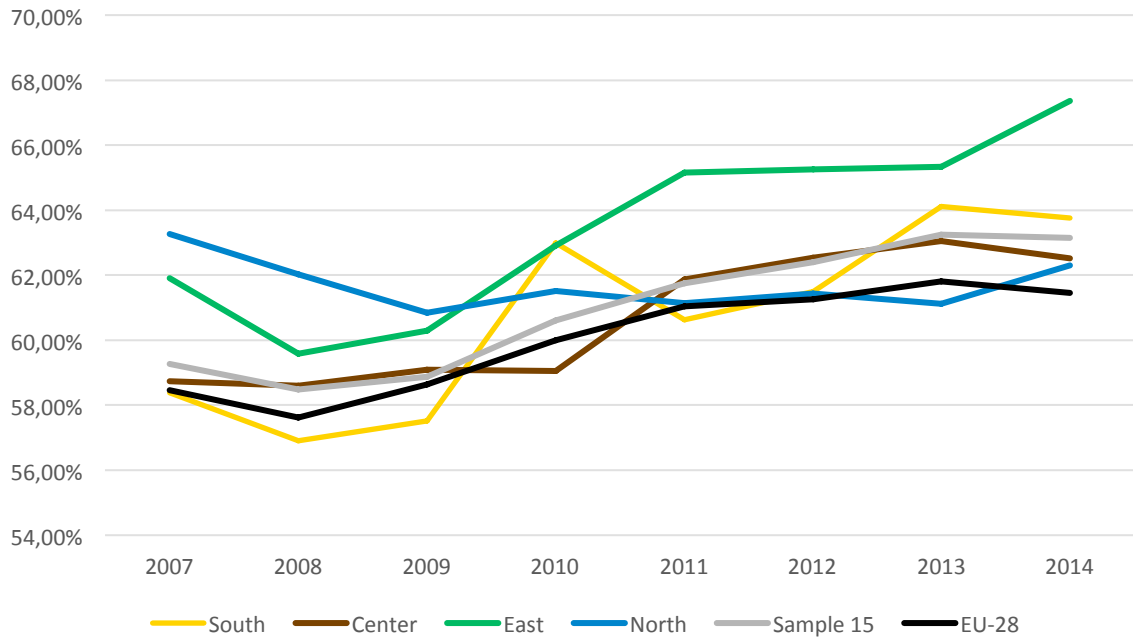
- The data shows that during the economic crisis, the southern states relegated public spending on culture to the lowest of their priorities, revealing a clear difference with the other budget items. If we look at the analysis of southern countries and compare with other items of their public budgets, we see that culture is the field that has been most damaged with a pronounced decline of 30 points over the investment of 2005, and with a difference of 15 points less than the next budget item (in this case, education).
- While the items of public spending on culture were quickly reduced in the southern countries, the level of household spending on culture remained more or less stable until 2011. The household spending on culture per capita in the EU grew by 3.5% in constant euros in the period 2007-2014, and that of the sample grew slightly less, at 1.7%. Therefore, it could be said that household spending on culture managed to alleviate to some extent the drastic fall in public spending on culture in Southern Europe

Graph 4 - Evolution of household spending on culture indexed from 2007



- Another aspect to note is the distribution of spending on culture by government and administration levels. Overall there is a slight reduction in the weight of central government of the European states in culture. This reduction is 2.5 points since 2007 at European level although the northern countries are the only geographic area where the central power assumes a greater role in spending on culture. During the course of the crisis it has been observed that the tendency to put public spending on culture in the hands of local authorities has been consolidated. The most significant fall in the central administrations occurred again in the southern states between 2009 and 2010 when the reduction of the weight of central government was 5 and a half points in just one year, with local government assuming this difference. The case of Greece is paradigmatic, which centralised all public spending on culture before 2007 but during the insolvency of the central government it was the local governments that assumed a growing percentage of spending on culture, from 3.07% up to 51%. Portugal experienced a similar process as although until 2007 public spending on culture was divided almost in half between central and local levels, at the end of 2014 the weight of local government had increased by almost 20 points until accounting for three quarters of the country's total spending on culture up to 74.57%. At the other extreme we find Finland, which during the cycle analysed maintained its centralisation of public spending policy until increasing it to 6.49% in eight years.

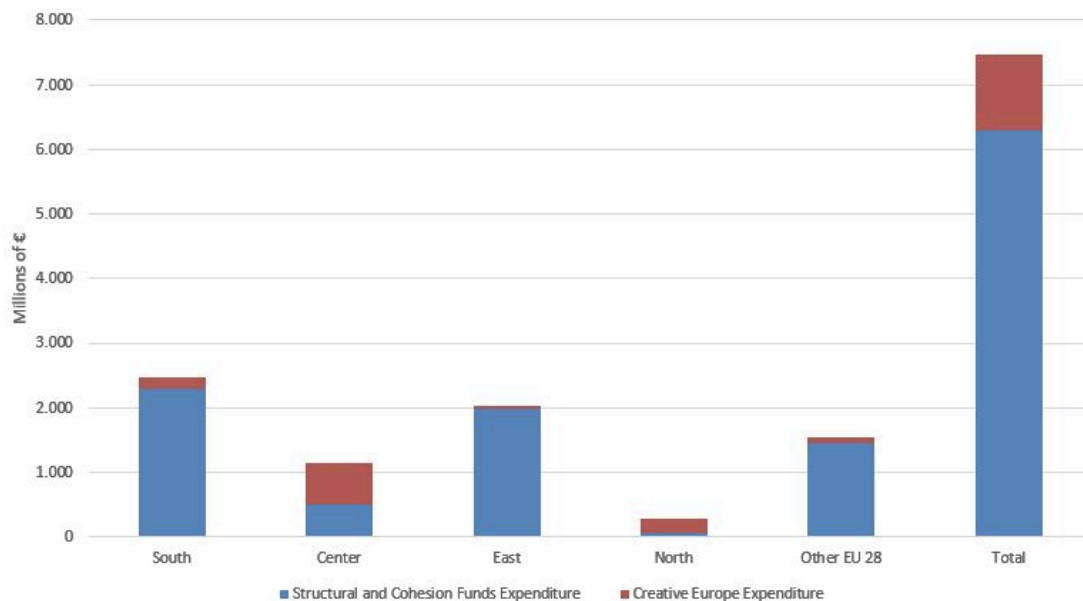
- **Graph 5 - Evolution of public spending on culture at the local administrative level 2007-2014**



Source: Compiled by the author based on Eurostat

- The European programmes that support culture, the Cohesion Funds and the Creative Europe programme accounted for only 0.73% of the total European budget (2007-2013), equivalent to €1.87 per year for culture for each EU citizen. Community spending on culture accounts for only 1.6% of the spending on culture of the all the EU countries. The data we have discussed demonstrates the scarce Community resources allocated to cultural objectives until now.

Graph 6 European Programs spending on culture 2007-2014 by geographical area



Source: Compiled by the author. This figure includes the EU budget (2007-2013) and an estimate of 2014 dedicated to culture within the EU budget (2014-2020)

In conclusion, we can argue that, as a result of the crisis, in southern countries culture is not considered an essential good and has become the weakest link of the welfare state. However, culture is a structural part of a society and it has a direct or indirect impact on many aspects such as the capacity for innovation, social cohesion, socialisation, internationalisation, the avant-garde spirit, the level of wellbeing and its democratic quality.

Maintaining these cultural differences between the centre/north and south/east of Europe leads in the long term to inexcusable imbalance and inequality. This is why there are voices asking for the cooperation policy to focus on providing culture and education as a lever to transform urgent social needs.

The results of committing to culture are seen in the long term. Like education, culture is a slow social investment and so is the effect of disinvestment. This is revealed by the data on household spending on culture which shows that, despite the cuts, families have withstood the public disinvestment and that the effects of the crisis were only felt a few years later, from 2011.

The imbalance emerging between EU countries in terms of capacities and opportunities is now starting to be seen and felt. The EU, with the few tools it has at present and the scarcity of resources aimed at the cultural field, has tried to compensate for this situation, allocating a small part of the structural funds to culture, which mainly benefit eastern and southern countries. Meanwhile, the Creative Europe programme funds linked to dynamism and cultural and relational capacity focus mostly on northern and central European countries, which highlights the differences derived from cultural disinvestment.

Moreover, culture is closely linked to the creation of goods and services; it strengthens the economy and creates jobs and foreign trade. At present, it accounts for 4.2% of European GDP (2012), more for instance than agriculture, and is identified as one of the strategic sectors in which Europe can excel. Culture is also closely related to the growing tourism industry in southern countries and tourism must be reoriented to achieve sustainability through greater quality and the added value of culture.

3. PROPOSALS FOR THE DEBATE

Having established the existing fracture and the difference in public spending on culture between the peripheral countries of Southern and Eastern Europe and the Nordic and Central European countries, which sharpened during the economic cycle analysed, it is pertinent to open a debate at a European level about the need and possibility of implementing new Community instruments and policies to promote some shared objectives for cultural policies of the countries of the Union.

Having analysed the different data, bearing in mind the limitations of the agreements, as well as the particularities and idiosyncrasy of the Community budget, we believe it essential to formulate a set of recommendations that contribute to the debate about how to guarantee

access to culture for all European citizens with greater equality. Therefore, we put forward the following proposals for the debate:

1. The EU institutions should promote an annual report about the cultural policies among the country members, which includes a comparative analysis of the public spending on culture with official data updated periodically and the definition of some indicators of access to culture that enable us to analyse the evolution of the cultural policies and can be used as a diagnosis and instrument for the modernisation of cultural policy. An aspect to analyse in future studies is the effect of economies of scale on cultural investments in medium and large countries. The greater efficiency of their investments and greater exploitation of their public facilities could explain, for example, a lower investment in culture by Germany and a greater effort of countries with a lower population or with greater cultural diversity.
2. Bearing in mind that EU spending on cultural programmes accounted for 0.73% of the European budget in the period 2007-2013 and will account for 0.71% in the period 2014-2020, there are overwhelming arguments to promote a margin of improvement in the Community budget. A plausible and desirable objective could be to increase spending on culture in the global Community budget for the period up to 1% (2021-2028).
3. Moreover, and considering the debates about the future of the European budget, many voices call for an increase in the fiscal empowerment of the EU, giving the institutions their own fiscal capacity and instruments that allow them to obtain income without the intermediation of the states. In 2014 the Community budget accounted only for 2.12% of total European public spending. The overall rise in the budget could mean at least doubling the absolute values of the resources currently available and in this way be capable of intervening through new cultural programmes and directly favour cultural convergence.
4. The net increase in funds for culture would enable the creation of new EU instruments to deal with the breach open between the Central European and Nordic countries and the southern and eastern European countries in the last budget cycle. A possible instrument to keep in mind would be the specific creation of some cohesion funds aimed at countries and regions with less public contributions to culture. These funds could be structured based on the definition of some requisites, commitments and incentives for the member states to gradually increase the percentage of public contribution of the states to culture to bring them closer to the European average. Those countries with the political will to come into line with the Community scales would therefore be the main recipients of these cultural cohesion funds. Greater commitment by each country means greater contribution of cohesion funds.
5. In this respect, a pact could be established with all EU states, similar to that of science and R&D, recommending the allocation to culture of a given percentage of GDP or of public budgets to strengthen the cultural sector.
6. Redefine the structural funds by allocating one part to recover and maintain artistic structures (i.e., creators and projects) rather than infrastructures and heritage.
7. Reach agreements with southern and eastern countries on information and support structures to help creators obtain funds and participate in Creative Europe networks.

8. Create funding lines (Junker Plan model) for cultural business projects aimed at strengthening and increasing the projects and creative industries and at creating an investment fund for entrepreneurs and start-ups in the field of creation.
 9. Issue a proposal to homogenise VAT on culture in all countries to avoid further penalising southern countries with extra charges for production and foreign distribution.
 10. Homogenise personal income tax costs to avoid penalising joint projects between artists from different countries.
 11. Create a European sponsorship law to avoid tax competition and unequal funding opportunities at a time when companies are active in most countries.
 12. Define the cultural rights of the population with the objective of guaranteeing the access, presence (in the case of multicultural environments), preservation (in the case of minority cultures) and ownership in the construction of a Europe committed to diversity and equity.
-