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Emerging modes of public cultural spending: Direct support through production delegation



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ABSTRACT

This article addresses the evolution of modes of public support of cultural production by discussing and analysing the emerging phenomenon of outsourcing of public cultural services taking place in Continental Europe, especially Italy. We argue that in this context, which is traditionally characterised by the public production of cultural services, the current outsourcing trend is changing the very nature of public intervention in the market for cultural goods and services. This change leads to the recognition and definition of a new category of public intervention in the cultural field: direct support through production delegation. Its main and distinctive feature is a combination of institutional arrangements aimed at reducing public spending inefficiency while preserving government determination of cultural policy guidelines. Increased uncertainty about economic conditions, such as the prospective cost reductions associated with outsourcing, future economic cycles and cultural consumer preferences, may also help explain the selection of this institutional arrangement.

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1. Introduction

This paper aims to address the current evolution of cultural policy financing. For many decades, the debate surrounding alternative modes of public support for the arts and cultural production has been

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centred around a state vs market dichotomy and its reflection upon policy objectives and organisation of cultural production.

Over the last two decades, however, cultural policy scholars have identified a new phenomenon: the fading of the distinction between public and private organisations in the cultural sector. This trend is often called “hybridisation” or “désétatisation” and consists of the emergence of a variety of mixed forms of governance with both public and private stakeholders. Hybrid organisations, or QUANGOs, rely on both private and public finance of which the latter often comes from different levels of government and/or public agencies. [Schuster \(1998\)](#) highlights this increasing complexity in the cultural sector by documenting the evolution of the governance and financial structure of American museums in the nineties. Using European case studies, [Boorsma et al. \(1998\)](#) and [Meier and Frey \(2003\)](#) demonstrate how new institutional arrangements are emerging between the ideal types of purely public and purely private cultural organisations.

Within this broad perspective, we concentrate on the sources of the emergence of hybridisation in countries traditionally characterised by publicly produced cultural services. We argue that hybridisation is the consequence of a shift from in-house production to production delegation of public cultural services, and we interpret this trend as the consequence of two intersecting phenomena: devolution and privatisation. Privatisation is of particular interest here. Privatisation is a broader category than the sale of publicly owned theatres and museums or their temporary assignment to external organisations. Subsidies to private cultural producers may also be intended, in current cultural policies, as a form of privatisation. In fact, consensus is emerging that the provision of subsidies is outsourcing in other areas of governmental intervention, such as schooling ([Merzyn and Ursprung, 2005](#); [Elinder and Jordahl, 2013](#)). The system of public subsidies and grants has been traditionally conceived as a peculiar feature of arm’s length models of government intervention in the arts and cultural production. However, the increased use of subsidies in countries traditionally characterised by strong direct support and management of public cultural organisations requires reconsideration of this phenomenon because it does not seem to be associated with the creation of arm’s length agencies.

While the outsourcing of public services has been extensively analysed in the economics and governance literature, less attention has been devoted to the conceptualisation of this growing phenomenon in the cultural policy literature and to the analysis of its consequences compared to other modes of public cultural spending. We contend that the shift from a traditional arrangement of publicly provided cultural goods and services to outsourced production should to be interpreted as a new paradigm of public support of the cultural sector: direct government support through production delegation.

However, what is the true nature of this new form of public support for the arts and cultural production? Why have some countries transitioned towards this peculiar mode of support rather than adopting an already established institutional arrangement? We answer these questions by considering how direct support to the cultural sector through production delegation relates to traditional modes. We propose a heuristic framework for understanding the motivations for choosing one type of support over another and highlighting the distinct roles played by economic and political factors in different national contexts. In the economic dimension, we reconsider the extensive economic and governance literature explaining the outsourcing of public services and contextualise it for the cultural field. In the political dimension, we address issues of political accountability for governments devising cultural policy.

By analysing the interaction between the economic and political dimensions, we argue that direct support through production delegation emerges in situations whereby government failures are perceived as more burdensome than market failures in the provision of public cultural services and a government is interested in retaining influence over cultural policy guidelines. Moreover, increased uncertainty about economic conditions, such as the prospective cost reductions associated with outsourcing, future economic cycles and cultural consumer preferences, may also help explain the choice of direct support through production delegation.

We support our claims by referring to Italy, which is a particularly interesting case study for several reasons. First, Italy has historically relied on the provision of cultural services through public sector institutions and enterprises with a very limited tendency towards insulation of the sector from the political process of cultural policy decision-making. However, beginning in the mid-nineties, outsourcing in the cultural field became increasingly adopted by the public sector in the cultural field.

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