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Cultural politics: Exploring determinants of cultural expenditure



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ABSTRACT

The current paper explores the determinants of cultural expenditure for Austria during the period 1967–2013. While it is straightforward to assume a determining influence of GDP on cultural spending, other politico-economic determinants have regularly been hypothesized to exhibit an explanatory power in cultural politics. The econometric results of this paper provide further evidence that GDP is the main determinant of public cultural spending. Growth in GDP leads to increases in cultural spending, both in the short term as well as in the sense of a long-term, stable relationship. In addition, the estimations suggest that cultural spending increased faster after 1997. It thus seems that the restrictions of fiscal policies imposed by the Maastricht Treaty and, more recently, by the Fiscal Compact have not lead to a reduction of discretionary cultural spending in Austria. However, cultural spending of the central government is also significantly influenced by cultural expenditure of the provincial governments; the results indicate that the central government has balanced fluctuations of provincial spending which make up for about a half of total public spending (municipal expenditure is not considered in this paper). The ideology of the ruling party in government (the Federal Chancellor being a Social Democrat) was tested as a first political variable determining cultural spending. The estimations suggest that cultural spending was slightly higher in times of social-democratic governments. The paper also tests for the influence of the right-wing coalition government (2000–2006) on cultural

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spending. We do not find indications for a reduction of cultural spending during this period. The results also do not indicate that political (electoral) cycles influence public cultural spending.

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1. Introduction and background

Since Austria's accession to the European Union in 1995, fiscal policies have been oriented along the Maastricht criteria of the Economic and Monetary Union, especially regarding public debt and public deficit. Compared to the period between the mid-1970s and 1995, Austrian budgetary policies have clearly been sustainable in terms of reducing the debt-to-GDP ratio close to the Maastricht threshold of 60% until the financial crises that began in 2008. The years since 2008 have also left Austrian public budgets with high deficits and increasing public debt forecast to come close to over 80% in 2015 due to this recent fiscal and economic crisis. With respect to cultural policies, the important question arises whether public and private spending for the arts are sensitive to short- and medium-term variations in income (GDP [gross domestic product]) and total government expenditure. When the targets of the EU's Fiscal Compact have to be met by member countries, cultural spending – determined by policy makers at discretion – may be cut in the first place.

Earlier papers on Austrian cultural expenditure (e.g. [Getzner, 2002](#)) found a rather close connection between cultural expenditure and GDP. It turned out that cultural expenditure is sensitive to both economic and political variables; for instance, cultural expenditure is more likely to be cut during recessions. These worries have been raised in several debates on Austrian cultural policies. For instance, in a recent debate of policy makers and artists documented by the Austrian Society for Cultural Policies ([ASCP, 2011](#), p. 5ff.), panel participants feared that cultural spending would be cut in times of fiscal stress. However, it was also underlined that public spending for the arts had not been cut significantly in order to support fiscal policies to balance the budget. Rather, the argument was that – while the public sector stabilized cultural spending at a high level – spending of private entities such as corporations or donors had been reduced as a consequence of decreasing income. In addition, federalism and decentralization in cultural policies seem to make cultural spending more volatile since lower levels of government such as municipalities face hard budget constraints which may only be met by significant reductions of public spending including expenditure for cultural policies (cf., [Getzner, 2004](#)). Thus, cultural spending of the federal (central) government might be a substitute to provincial (or municipal) cultural spending in a federal system.

A quick inspection of the official statistics of public cultural spending of the federal and all nine provincial governments shows a steady increase of spending for the arts even in times of fiscal austerity, for instance, after 1995. Federal cultural spending merely for the national museums and theaters and for the conservation of cultural heritage amounted to about EUR 350 million (2013); according to a broader definition of cultural spending based on the LIKUS classification¹, total federal spending for the arts in 2013 amounted to about EUR 805 million ([Statistics Austria, 2014](#)). In addition, provincial governments spent about EUR 900 million per year, while municipalities appended about EUR 650 million per year (cf. also [Compendium, 2014](#)). In total, all levels of government spend about EUR 2.3 billion for the public funding of culture in 2013 ([Statistics Austria, 2014](#)). Over the last two decades, public cultural spending has grown above the growth rate of GDP and of public consumption (details are discussed below).

¹ The LIKUS classification was developed in the 1990s in order to standardize the elements of cultural statistics and to harmonize cultural policy reports. The system is based on UNESCO's (1994) classification of cultural domains (e.g., museums, cultural heritage, literature) and specifically accounts for the federal structure of Austria. Cultural activities and cultural spending of the central as well as the provincial governments are reported based on harmonized standards (e.g., [Hofecker, 2003](#)).

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