



Less might be better. Sustainable funding strategies for cultural producers



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ABSTRACT

The Great Recession that has affected Western economies in these years imposes a radical change in the priorities of the public intervention in the national economies; among other effects, the severe public budget constraints in many European countries have generally caused a severe cut-back of public funds in the cultural sector. The different institutional contexts cultural producers face offer them different incentives; consequently, they can react to these “bad news” in different ways. In this paper we examine two possible directions to overcome these difficulties that are suggested from the information provided by key local witnesses: an individualistic direction, aimed at enlarging the supply of cultural services and to exploit market opportunities; a cooperative direction based on the creation of a network of cultural producers involved in projects stressing the social impact of their activities. Firstly, we sketch the costs imposed by the Great Recession on cultural producers in USA and Europe, looking at the different reactions. Secondly, we compare the different strategies cultural producers can adopt to face the crisis and differentiate the sources of their funds; we focus on the multi-product choice, and the creation of co-competitive relations within a network. The analysis is based on the evidence offered by case studies concerning a group of cultural producers in Catania (Sicily, Italy). The investigation provides some policy suggestions on the kind of strategies to be promoted depending on the policy-maker's objectives and on the characteristics of the cultural producers.

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1. Introduction

In the years following the 2008 economic shock, the Western countries have suffered from financial crisis that, in the case of the US, has radically changed the priorities of the policy-makers and, in the case of the European Union, has imposed very strict public budget constraints, particularly to the countries where the international financial crisis has generated a sovereign debt crisis.

In the cultural sector the relationship between cultural producers and policy makers, that have always represented the main financiers of culture, has drastically changed; the question is whether such a change is temporary or permanent, the financial crisis being the final step of a long process that definitively changes the role of the public intervention in arts.

A wide literature analyses the effects of economic crisis on cultural economy: Pratt (2009) treats this issue from a theoretical point of view and affirms that the effects on the cultural economy depends on its degree of dependency on the real economy. If the cultural economy becomes an alternative and gives its innovative impulse to the economic activity, it should not suffer from the financial and economic crisis. Grodach and Seman (2013) study the dynamics and the geography of cultural economy in U.S. during the crisis, resorting to Census data, and a very differentiated picture emerges: “recession is a period of selective growth and decline” (Grodach & Seman, 2013, p. 18).

In this paper, we examine the effects of economic crisis on a cultural activity which has been traditionally heavily supported by the public sector and, therefore, has to face the cut-back of public funds depending on the fiscal stringency that has characterised many Western countries in these years. The issue is especially relevant if the reduced role of public intervention in the cultural economy has to be considered not a temporary but a permanent change, based on a different intellectual framework.

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Cultural economy is a 'multivalent' term (Gibson & Kong, 2005), covering a wide spectrum of activities (Kea, 2006); in this paper, we focus our attention on a strict definition that includes performing arts (i.e. theatre and music performances) and visual arts producers, and suppliers of cultural services for the valorisation of local cultural heritage.¹ However, we show how these local cultural producers have re-invented their role offering a wide range of cultural services; recalling Scott (2007), they offer "outputs whose functions is to entertain, to instruct, to embellish and to reinforce identity". We follow a micro-economic approach aiming at analysing what strategies such cultural producers² can design to face the cut-back of public funds, and how their effort to differentiate their sources of financing could help them to survive and to compete in the market.

From an economic perspective, generally, cultural producers use inputs to produce one or several outputs, with major differences depending on size, reputation and institutional features. Their mission and performance are affected by the set of incentives they face, as derived mainly by the institutional context and the governance system.

In different contexts, cultural producers face different incentives and, therefore, behave in different ways. The final output mix is chosen by the cultural organisation and, to what extent it reflects managers' priorities or is demand-oriented, depends on the ownership pattern (public, not for profit and private organization) and on the different incentives characterizing the different institutional contexts. Our empirical analysis is mainly oriented toward small private and not-for-profit cultural organizations, whose revenues were basically public funds, which can be considered key witnesses of the cultural economy in Catania (Sicily, Italy) (see also Cuccia, Monaco, & Rizzo, 2015). On the basis of a questionnaire submitted to them we aim to study the strategies carried on to overcome the harsh public fund cut-back and to suggest some hints for the future.

Similar analyses conducted at national level on a specific type of cultural producers (Independent Centers of Cultural Production in Turin, see: Bertacchini & Pazzola, 2015; Ratclif & Castelli, 2013), have been also taken in account.

In particular, our analysis shows that two possible options can be practised by cultural organisations: the multi-product and the network options. In these two options, new directions can be also suggested.

On one side, the cultural producers widen the range of *lato sensu* cultural products they supply adopting a multi-product strategy.

However, it could be advisable for cultural producers to include in the wide range of cultural services, activities that stress the social role of arts: in other words, cultural producers would propose themselves as social responsible economic agents that are aware of the social impact of their actions. In this sense, we suggest a strategy that can be called *multi-function*, rather than just multi-product.

Stressing the social role of arts could allow the cultural producers to participate to many European programs (i.e. the Creative Europe program that in 2014 succeeded the Culture and Media program): a source of public financing that has not been sufficiently exploited by the local cultural operators in the case studies.

Moreover, having in mind the shortcomings of public intervention in the arts (Mazza, 2011), the cut-back of national and local public funds could represent an opportunity for cultural producers to overcome the dependency from political decision-makers.

On the other side, the small size cultural operators should enhance their network relationships that generate reciprocal positive externalities from both the demand and the supply side. A new kind of network relationship is suggested that seems more suitable to face the individualistic and competitive, more than cooperative, approach that characterised the cultural producers: the co-competitive network. This kind of network relationship combines cooperation in the stage of financing and competition in the final markets.

The outline of the paper is as follows. Firstly, the costs the Great Recession on arts and culture are synthetically presented, as well as the main figures of public financing for arts at the international and national level. Secondly, the characteristics of the strategies that can be adopted by the cultural producers are analysed, also in comparative terms. The case studies of the cultural producers in Catania (Sicily, Italy) offer evidence of potential alternative strategies. Finally, some policy indications and concluding remarks are supplied.

2. The costs for culture of The Great Recession

2.1. Some figures

The Great Recession starting in 2008 has generated significant quantitative and qualitative effects on cultural producers.

Public arts funding usually comes from different layers of government: in most countries, depending on the institutional framework, public spending tends to be decentralised to the lower layers of government to allow a better control by the citizens.³

In the US, local and state government arts funding, suffered a sharp decline in the most critical years of the financial crisis, from 2008 to 2012, but afterwards recovered, and in 2014, respectively counted for the 63 and 25 per cent of the total amount of the government arts funding; the Federal government arts funding, that is the National Endowment for the Arts, had a decrease in 2011, and since 2012, has remained stable, counting for the residual 12 per cent (Americans for the Arts, 2014).

In the European countries, as it is showed by the *CultureWatchEurope* survey, supported by the Council of Europe (Council of Europe, 2011, 2014), during the crisis funding trends for culture exhibited different patterns: the countries with sovereign debt crisis, such as Portugal, Ireland, Greece, Spain and Italy, registered a clear cut-back of public cultural expenditure; for example, in Italy, it passed from 134 euro per capita in 2009 to 108 euro per capita in 2011. On the contrary, other European countries, such as Belgium (French Community), France, Norway, Finland and Sweden, over the same years registered an increase in the appropriation of public funds in arts and culture; other countries, as Germany and Netherlands registered cut-backs in public arts funds at lower levels of government (regional or municipal level) that represent the largest share of the overall public budget for arts and culture (Wiesand, 2011).

¹ Towse (2002) examines in details the contribution of economics to the several fields of the cultural sector.

² We use the term 'cultural producers' to refer to the different types of organizations – regardless whether they are private, not for profit or public – being active in the cultural field. Our analysis is mainly oriented toward private and not for profit cultural producers mostly operating at local level (see, below).

³ In the following, we compare data concerning public financing in arts that have different denominations: in US, there is a disaggregated item called "government arts funding"; in EU, the arts public funding is included in a more aggregated item called "culture public budget"; in Italy, the central and local public expenditure in arts are included in even more aggregated item "culture and leisure activities". Obviously, these differences do not allow us to make a perfect comparison across data but allow us to know the trend of the public expenditure in the different aggregations that concern cultural activities.

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