

PhD Thesis Summary

**THE TRANSFORMATION OF THE ROLE OF THE STATE
IN THE CULTURAL FINANCING OF
THE EUROPEAN UNION'S MEMBER STATES**

Ákos Tóth

Supervisor: Dr. Mária Ujhelyi



UNIVERSITY OF DEBRECEN
Doctoral School of Economics

Debrecen, 2011

1. The Motivation and the Aim of the Research

In the last five decades the globalization caused effects made changes in the whole economy and in the cultural sector too not only globally but in the European Union's Member States as well. From the 1960s there is a shift in the definition and the role of culture. The new tendency is called the democratisation of culture. The main aim of this new approach is to give the opportunity for everyone to have access to culture. The former elitist cultural approach, which believed that culture is only the priority of the elite, became neglected. The new democratisation-oriented approach made changes in the institutional environment, to which all the EU Member States have to accustom their cultural policy and cultural funding systems. One of the most determining factors of this transition appears in the rethinking of the role of the State. The main aim of the dissertation is to analyse this process among the EU Member States.

The dissertation bases its analytical method on duality. The controversial aspects appear in the EU Member States cultural financing models, such as the coordinated and the liberal one. Another example of duality is the law system of the Member States. The common law and the civil law based aspects had very important role in the communitarisation process of the cultural policy of the European Union. The economic and aesthetic oriented view of the cultural policy also demonstrates two different approaches. Finally the size of decentralization of the cultural policy and funding is a symbol of duality too, which continuously changes our life.

The economic growth of the European Union's cultural sector is increasing rapidly (KEA, 2007). There are more and more efficiently functioning privately and publicly owned cultural institutions. There is an increase in the employment, the investment and the importance of human capital in the cultural sector. The Member States recognize the importance of the preservation of cultural heritage and of cultural diversity, which factors have strong influence on the national economy. Although the foundation of the European Union was made mainly by economic reasons, since the middle of the 1980s there is an increasing attention to the role of culture in economic growth, social capital and human capital as well. The communitarisation process of the various cultural policies and financing systems is very slow. If we analyse the EU laws on culture or the size of EU subsidies on culture we realize that this process is only in the beginning. This assumption is backed by the study of the European Cultural Parliament, called "*Culture, the Heart of a Knowledge-based Economy*" (2006). This study raises the attention of the Commission that culture and its role

in economic development is still not recognized and implemented into the EU strategy as deeply as it is needed. Another example of the low EU activity in the field of culture is the amount of money spent on culture on the supranational level. The European Union separated 400 million EUR for culture in the 2007–2013 budget, which is approx. 0.03% of the total budget (*Eurostat*, 2007). The structural funds also take part in the financing of the EU level cultural projects, but the main role is on the national level.

The European Union as a supranational institution engaged itself to the liberalization of the cultural sector in the Maastricht Treaty. There are some general advice and laws on culture in the Amsterdam Treaty (*Article 151*) based on the Article 128 of the Maastricht Treaty. The now injured Lisbon Treaty made changes in the content of these former articles and in the numbering too (*Article 167*). The first common cultural policy topics were made in the field of national heritage, audio visual sector, book sector and copyright. In the last three areas the liberalisation of the market was accepted. This action has strong influence on the topic of this dissertation as our assumption is that the liberal aspect of cultural policy and financing is more effective in the long run. Although these regulations have strong influence on the national cultural policies, the most important decision-making is still on the national level. The European Union uses its coercive power when the national governments are not capable or are not willing to follow these regulations and use protectionism. As on the previously mentioned three main cultural industry areas the European Union has the right to control. The cultural financing is mainly in the hand of the national governments. One of the reasons is that the EU subsidy for culture is very low (*see above*) and as *Gavrilova* (2008) demonstrates in her study there is no real need for common cultural policy and financing either from the EU or the Member States. This scientific statement set the basis for the hypothesis that the informal and formal institutions have strong influence on the national cultural policies and financing strategies.

The main target of the dissertation is to examine why some Member States are not able to produce the same economic efficiency in their cultural sector even if they use very similar cultural financing models, while other Member States perform almost with the same high level of economic efficiency with using totally different models. We assume that the form and the quality of the State intervention are much more relevant than the size of the State intervention and financial support in the economic development of the cultural sector.

The research field of the dissertation is belonging to cultural economics. We focus on showing the transformation of the role of the State in the cultural financing of the European Union's Member States. We demonstrate which the most determining factors and links are

among the main economic systems and their institutional development, how they appear in the cultural sector and in its institutions. We also analyse how from the 1960s the new approach – the democratisation of culture – forms the cultural financing in the European Union and its Member States, which are the main theoretical arguments on this topic, how the transformation of the role of the State, the economy and culture appears in practise. To answer these research questions we use the methodology of comparative economics.

2. The Structure of the Dissertation

The first chapter of the dissertation is focusing on the positioning of the research in the literature. The reader is introduced with the main studies and researches on the cultural policy of the European Union. We demonstrate in which fields this research is different from other ones. Then the research questions are going to be stated. At the end of this chapter the puzzle is defined. In the final part of the chapter we explain the methodology of the research, used in the dissertation.

The second chapter starts with the introduction and the analysis of the definitions of culture. *Throsby's* concentric circles model (2010) demonstrates what we mean under cultural goods. The economic characteristics of the cultural goods are also analysed in this chapter. We give examples how the cultural goods can be valued. In this chapter we define what we regard under cultural sector in the research and why the broader meaning of culture is taken. As the main focus is on the role of the State on culture, we analyse what the various philosophers and scientists said on this topic. The starting point is the works of *Mandeville* and this section ends with *Baumol–Bowen's* (1966) and *Throsby's* (1994) work, which is the beginning of cultural economics being accepted as a new stream in economics.

The main focus is on the development of the European Union's cultural policy in the third chapter. We not only analyse the communitarisation process, but show the main EU level cultural programmes, the law-making and controlling bodies too. The contradictory views of the *common law* and *civil law* systems have a determining role in the communitarisation of national cultural policies. These two aspects had the strongest influence during the creation of the common EU regulation on the audio-visual-, the book sector and copyright. So we analyse in details how these two law systems tried to influence the law-making process of the EU on culture. To show how the supranational level regulation controls the Member States cultural policies we explain two case studies, the *Gouda case* and the *ECoC 2010 Pécs project*.

In the fourth chapter the focus is on the very detailed analysis of the role of the State in the field of culture. First we introduce *Kornai's* (1993) coordination mechanism system and then classify the existing cultural financing systems with *Kawashima's* (2004) theoretical model. These two theories set the basis to compare the so called *coordinated* and *liberal cultural financing approaches*.

In the fifth chapter we use the comparative economical analysing technique to show the similarities and differences among the EU Member States' cultural financing systems. The chosen countries are the United Kingdom (*liberal cultural financing approach*), France (*coordinated cultural financing approach*) and Hungary (*hybrid model*). With the results we try to answer the research questions and the puzzle of the dissertation.

In the sixth final chapter we give our answers for the research questions, define the theses and give detailed argument on the hypotheses. The dissertation ends with the conclusion and the summary of further research topics and problems.

3. The Methodology Used in the Dissertation

Throsby (2001) defines the meaning of culture in two different ways. The first definition puts collectivism in the centre. „*Culture is in a broadly anthropological or sociological framework to describe a set of attitudes, beliefs, mores, customs, values and practices which are common to or shared by any group.*” (*Throsby*, 2001:4). This definition is much closer to the anthropological and social scientific aspects. This culture definition doesn't emphasize the role of the actor, so it is not possible to examine culture from an economic point of view. As we do not accept this culture definition another determination is needed.

To be able to make economic analysis on culture we have to put the individual actor into the focus. *Throsby's* second definition fulfils this criterion. „*Culture relates to activities drawing upon the enlightenment and education of the mind rather than the acquisition of purely technical and vocational skills.*” (*Throsby*, 2001:4). As the individuals preferences, decisions, expectations and actions are the main elements of this definition, and the economic analysis also focus on these variables, it is possible to examine culture and the cultural sector from economic aspects.

These two definitions don't exist in real life separated from each other. They are supplementing each other. Sometimes the collective sometimes the individual characteristics have stronger influence on actions. As the dissertation's main aim is to examine the European Union's Member States' cultural sector from an economic approach, instead of focusing on

the analysis of the definition of culture, the focus is on the economic characteristics of the cultural goods.

The methodology used in the dissertation is based on comparative economics, which puts the institutions into the focus of its analysis. *Simonin* (2003) in his article focuses on showing how the democratisation of culture became widely accepted in the United States and in France. This work has strong influence on our categorization system, as we also argue that the elitist aspect of the cultural financing does not exist anymore in the contemporary cultural policies. As the European Union is a supranational-level democratic institution, it is also the symbol of the democratisation of culture. All the Member States of the EU accept this view and although not in the same way, but all of them try to build the democratisation of culture into their cultural policy and cultural financing systems. Based on this scientific view we also concentrate in our own grouping to neglect the elitist view of culture, and just focus on the democratic approach. In our categorisation the main factors are the size, the form and the quality of the State intervention. As the State and its role is in the centre, we create two groups, which are named after the terminology used in the comparative political economy. The Member States belong either to the coordinated or the liberal cultural financing models. The examined Member States are the following: *Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, The Netherlands, The United Kingdom*¹.

In the grouping of the Member States the focus is on how the arm length aspect appears in the various cultural financing models.

- *The existence of independent arts councils,*
- *The role of the private sector in the financing of culture,*
- *The existence of competition for government subsidies,*
- *The development and the efficiency of the taxation system on culture,*
- *The development and the role of the non-profit sector.*

The *Compendium* country reports were compared and examined concentrating on the previously mentioned criteria. According to *Hall–Soskice* (2001) there are two main capitalist systems. One is the *coordinated capitalism*, the other one is the *liberal capitalism*.

¹ There are comparable data on these countries in the databases.

Table 1

**The categorization of the EU Member States
based on the role of the market mechanisms and the State**

Coordinated Cultural Financing Model	Liberal Cultural Financing Model
Austria	Denmark
Belgium	Finland
Czech Republic	Ireland
France	Sweden
Germany	The Netherlands
Hungary	The United Kingdom
Italy	
Poland	
Portugal	
Spain	
Slovakia	
Slovenia	

Own Grouping

The compared countries can be categorized into two groups (*Table 1*). These two groups can be called *coordinated* or *liberal cultural financing approaches*. It is important to emphasize that although the names of the cultural financing approaches are almost similar to the names of the *Hall–Soskice* capitalist systems, the characteristics of them are not similar. It is not automatic that in a country the cultural financing approach and the capitalist system are the same.

Not only the democratisation of culture but the info-communication revolution modified the group of cultural goods and services. Nowadays many of the creative industry's goods and services are part of the cultural sector, which new aspect created the so called cultural industry. *Throsby's* (2010:92) concentric circles model demonstrates the levels of the cultural industry:

- *Core creative arts*: Literature; Music; Performing arts; Visual arts.
- *Other core cultural industries*: Film; Museums and libraries.
- *Wider cultural industries*: Heritage services; Publishing; Sound recording; Television and Radio; Video and computer games.
- *Related industries*: Advertising; Architecture; Design; Fashion.

The analyses and the statistical data used in the dissertation refer to these four levels.

There are various types of analytical methods to examine collectivism and individualism in the cultural sector. The methods are the following (Makó–Csizmadia–Illésy, 2005:3):

1. “Cross-national” or functionalist approach,
2. “Cross-cultural” or cultural approach,
3. “Societal approach” or “inter-national” comparison.

In the case of the “*cross-national*” approach, the comparison is based on the principle of the “*rationality*”, which asserts continuity between the phenomena compared “*term by term*” or “*item by item*”. In the view of rationality and the related principle of continuity of phenomena, various economic or social indicators (e.g. *the rate of unemployment*) are comparable by countries and such social-institutional contexts as labour relations system, training and educations, labour market institutions etc. are playing only residual role. The notion of “*functional equivalence*” often used in this type of comparative work indicates that the categories compared (e.g. “*on-the-job*” training) has the same meaning in different countries participating in the comparative research. There is little possibility to analyse the macro and micro level at the same time with this method.

In the dissertation the focus is on the comparative analysis of the EU Member States’ cultural financing systems, so the “*cross-national*” approach is going to be used as the main analytical method.

4. Research Questions

There aren’t two totally same types among the cultural financing systems of the EU Member States. The main difference is in the role of the State, but there are some other differences in the modes of the fiscal allocation and decision-making as well. The literature analyses the differences in many different ways. The two main approaches are the cultural policy and the cultural financing oriented ones. The cultural policy oriented approach is focusing on the legislative, hermeneutic and communitarisation fields of the cultural policy. The cultural financing oriented approach is also analyses the role of law, but its main area is to demonstrate even the smallest differences of the various cultural financing systems of the EU Member States. After reading and examining these researches I discovered that none of them is focusing on the analysis of the role of the State. They are not able to show the balance of the State and the Market mechanisms in the cultural financing systems. When they analyse the State, the focus is on the size of direct government support. While in this dissertation the

attempt is to examine the role of the State not only from the size of it, but the forms of the State intervention and the quality of it. Most of the researches show the communitarisation process of the EU cultural policy from the harmonisation process of the law systems (*Article 167*) and the common cultural programs (*Culture Program 2007–2013, European Capital of Culture etc.*). The dissertation does not follow this approach as we use the comparative economical analysis, which puts the institutions into its focus and hence it is possible to examine the form and the quality and not only the size of the State intervention. The first research question is concentrating on this topic.

1. Can we make a new model to group the Member States' cultural financing systems, with which we can examine the role of the State in the most efficient way?

H 1: The methodology and the analytical technique of comparative economics, which puts the institutions into its focus, is capable of demonstrating and analysing the role of the State in the cultural sector in an efficient way.

In the introduction of the methodology of the dissertation we referred to those researches, which emphasize the importance of the development of the institutions in economic growth. This argument is going to be proved on the cultural sector in the dissertation. The second research question is on this topic:

2. What is the role of the institutions in the economic growth of the cultural sector?

H 2: The institutions have determining role on the economic performance of the cultural sector.

The need for a common EU level cultural policy appeared in the 1970s. The first EU level rules on culture were inaugurated in the 1980s. All these rules and suggestions are based on the aspect that most of the decision-making has to remain in the power of the Member States, so the national cultural policies have priority over the supranational level one. Only in the fields of the audio-visual-, the book sector and copyright are controlled by common rules, which have to be taken as a priority for the Member States. So we can see that the EU cultural policy has dual characteristics. This special situation raises the question:

3. *What kind of influence does the EU cultural policy have on the national cultural policies?*

H 3: The duality of the European Union's cultural policy is an opportunity and not a constraint for the Member States.

Some of the cultural goods are public goods (*national heritage*), which access to everyone is a basic criterion. The aesthetic cultural policy aspect always emphasizes the importance of direct government support for culture even in cases when the cultural goods are economic ones, so the production of them could be done by the market actors. Based on this approach we could assume that culture itself and the cultural institutions, activities and services automatically need direct government subsidy, and the only way of functioning is by the direct intervention of the State. But only the State can fulfil this role in an efficient way? The preservation of cultural heritage (*tangible and intangible*) and the creation of new cultural goods can be managed only by the active role of the State? We also can recall the complaints from the actors of the cultural sector, that there is not enough money for the planned projects etc. But how about involving the private sector into the financing of culture?

4. *Which is more important for the economic growth of the cultural sector, the size of the State support or the form and the quality of it?*

H 4: The form and the quality of the State support are the determining factors in the economic development of the cultural sector.

Since 1960s the process of the democratisation of culture has a strong influence on the transformation of the financing of cultural in Europe. All the strategies, which were functioning for decades were not able to accustom their practise to the modified economic nature, so reforms were needed. One of the main targets of these reforms was about the repositioning of the role of the State.

This new approach – the democratisation of culture – made changes in the institutional system, and the various national cultural financing strategies tried to fine-tune their system in very different ways. The question is:

5. *The coordinated or the liberal cultural financing approach could accustom to the modified institutional system in a more efficient way?*

H 5: The coordinated and liberal approaches are accustoming their system in a different way and with different efficiency to the modified institutional system. We assume that the liberal system can more efficiently fine tune its system to the new institutional system.

When examining the various models of the cultural financing of the Member States we can see that there are many countries, which use a hybrid version of the coordinated and the liberal approaches. The typical example of this hybrid form, when there is centralized political decision-making combined with fiscal decentralisation. The question is:

6. *Can a hybrid cultural financing system, which combines the coordinated and liberal practises, function efficiently?*

H 6: The countries, which use a hybrid cultural financing system, reach lower economic growth than those countries, which use a more homogenous coordinated or liberal model.

All the research questions are directly or indirectly connected to the puzzle of the dissertation: *what is the main reason that some Member States using almost the same cultural financing system achieve totally different growth, while others using contradictory models can achieve almost the same economic growth in the cultural sector.*

5. The Theses with New Scientific Results of the Dissertation

Thesis I

The intellectual property rights protection is determining in the economic growth of the cultural sector. The economic growth is higher in the cultural sector in those Members States, which have more developed intellectual property rights protection.

In the comparative analysis the focus was on the examination of the correlation of the level of the intellectual property rights protection and the value added to GDP of the cultural sector. Before introducing the results it is important to emphasize that the intellectual property rights refer just to a small part of the formal institutional system, so the results cannot be used in general for the whole institutional system.

The comparative analysis show that in those countries, in which the level of the intellectual property rights index (*IPR index*) is high, the value added to GDP of the cultural sector is higher too. To check the results of the comparative analysis, a correlation analysis

was also run on the database. There is strong correlation between the two variables on a 5 % significance level.

Based on the results it is proved that the level of IPR index has strong influence on the economic growth of the cultural sector and the consumption of cultural goods and services.

The IPR index (*formal institution*) and the cultural index (*informal institution*) was also analysed as the literature – by using other database – emphasizes the strong correlation between the two types of institutions (*Williamson, 2000; Boettke, 2008; Pejovich 1999; Williamson, 2009, 2010*). These studies demonstrate that the informal institutions have a major enforcing role whether the formal institutions can embed into the institutional system. Both the comparative and correlation analyses prove that the IPR and culture indexes are highly correlated on 5 % significance level. So we could prove the correlation of the formal and informal institutions on the cultural sector.

With using the database it is also clear that the level of the IPR index and culture index are higher in the Member States, which use the liberal cultural financing approach and the economic growth of the sector is also higher in those countries.

Thesis II

The European Union as a supranational institution made rules on the cultural sector, which are created in the name of strengthening the aspect of the free market. The new rules and regulations on the audio-visual-, the book sector and copyright are examples of the communitarisation process in the field of culture and were based on the liberal approach. Although in most of the areas the national governments have the power to form their cultural policy and cultural financing system, we argue that the common EU level cultural policy have a positive effect on the national cultural policies and financing. The duality of the European Union's cultural policy is an opportunity and not a constraint for the Member States, especially for the post-socialist ones.

The main research field of the dissertation is the comparative analysis of the cultural policies and financing systems of the EU Member States. In the chapter focusing on the role of institutions and in the first thesis as well we emphasised the importance of formal and informal institutions and the connection and dependence of them. As the European Union was created basically because of economic reasons and tries to increase economic efficiency by rules made on the supranational level, the theory of institutional economics is proved empirically. The first attempts were made in the 1970s to set the basis of a common cultural

policy. The tendency became stronger in the 1980s and 90s, which basic concept is that in some cases the European Union implements supranational regulations, but in most cases the national governments can keep the right to form the national cultural policy and financing system. So in a very special field, like the cultural sector the EU doesn't want to force foreign-introduced exogenous institutions (*Boettke, 2008*) on the national level. The EU's strategy is emphasizing the importance of the slow institutional change, and the fact that the formal institutions cannot change, just coerce informal institutions (*traditions, customs, beliefs and culture*).

The successful implementation of foreign-introduced exogenous institutions is very low if they don't fit to the national indigenously-introduced exogenous institutions on culture or to the indigenously-introduced endogenous institutions (*Boettke 1998, 2008; Pejovich, 1999; Claudia Williamson, 2009*).

We argue that the European Union chose the best strategy, when it pledged itself to the slow, bottom-up institutional development in the field of culture.

The slow institutional development is an opportunity for the Member States, especially for the new, post-socialist ones. We can give many examples that even strongly economy-based areas and topics when the communitarisation process was slower than it was expected. So in a very special field, where the stickiness of the embedded informal institutions have a determining role, the communitarisation process is even slower, so a fast created exogenously enforced institutional change cannot be successful. This argument gives the answer why the duality of the EU cultural policy is an opportunity and not a constraint. The effect on the transition of the post-socialist of the EU cultural policy is demonstrated by the country profile of Hungary in the dissertation.

As a conclusion we can say that there is a need for a common, supranational level EU cultural policy and financing strategy. The duality of this system helps the Member States to get to know each other's practise, which in most cases show many differences. As a result of the EU cultural projects, the national cultural investments and developments subsidized from the structural fund are examples for the existence of a communitarisation in the field of culture in the European Union.

The statement of the thesis that the EU introduced regulations only refer to those areas where the protection of the free market was needed, reflects *Röpke's* statement, that the basis of our social and cultural system is market economy.

The liberal model is the most successful one in the long run, in which competition has a determining role, and the role of the State is focusing on the creation and continuity of a highly developed institutional system.

Thesis III

The new approach, called the democratisation of culture, made changes in the role of the State. The role of the State is determining in the financing of the cultural sector of the Member States, the main differences are in the target of the cultural policy and the strategy used to increase economic growth of the cultural sector. We argue that the quality and the form of State intervention is more determining than the size of State support.

The coordinated cultural financing approach is trying to increase the economic efficiency of the cultural sector with centralized political and fiscal policy. This aesthetic-oriented system is inflexible, and can hardly involve the private sector into financing the cultural sector. The tax incentives are rarely used as the government is not able to make the system more transparent with top-down regulations. There is mistrust against the actors of the sector, who would like to enjoy the benefits of the tax reductions as the government cannot control for what activities the money is spent on. The liberal approach is using a contradictory strategy. The system is based on political and fiscal decentralisation, the State tries to put “*the arm length*” aspect into practise as it emphasizes the importance of the increase of human capital, the need for high intellectual property rights protection, the strengthening of entrepreneurial oriented employment policy and the determining role of the non-profit sector in the economic performance of the cultural sector.

The empirical analysis shows that in both cultural financing systems the size of direct government support has no influence on the economic growth of the cultural sector and the household expenditure. So we assume that this increase can be achieved by strengthening the indirect activity of the State (*developed institutional system, trust in the private sector, highly developed non-profit sector, the entrepreneurial thinking-based artistic activity*). The results of the analyses prove that those Member States provide higher economic growth in the cultural sector, which use the liberal cultural financing approach.

After this brief summary of the results of the comparative analysis we concentrate on proving the relevance of the third thesis. The economic thinkers are divided into two big groups when we speak about the connection of culture and economics. The aesthetic view or how we call the art-oriented approach emphasizes the importance of direct government

support for culture. Their argument is that only the active role of the State can guarantee high quality cultural products with high cultural value. The State has to help in forming the taste of the consumers with showing them good examples. The artists also need the active participation of the State as this direct government support makes it easier for the artists to concentrate on the creative process and not wasting time with looking for subsidy or private support. This government support can be a scholarship, a prize or simply a direct support for the artists. The State is not only provider of a financial source but very often an agent as well, who sets a given criterion for the artists to what the artistic product should refer or what the quality should be.

In most of the Member States, which prefer the coordinated cultural financing approach, there is political and fiscal centralisation, while in some cases we can see that the politically centralized system is combined with fiscal decentralization, like in Hungary.

The economic view puts the market mechanisms into the focus. The main idea is that even in special sectors, where the market mechanisms are harder to implement, the role of competition is very strong. One form of this is competition when the State establishes independent artistic committees to take active role in decision-making and fiscal allocation. The artists and the actors of the cultural sector have to apply for subsidy with a project plan. This is one example how competition becomes an active part of the cultural sector. The other characteristic of this view is that it tries to involve the private sector to support cultural activities. So the artist makes an idea and tries to find a sponsor or donator to make the plan become reality. So the artist has to compete with his/her contemporaries to be identical and create an idea or plan, which is not only artistically but economically interesting for the donator. In one word the artist is competing for the support of the private sector.

Another successfully working practise of this model is the system of tax incentives. I have already mentioned that this type of financial support has the least transparent characteristic. Trust between the government and the private sector is a minimum criterion. One of the components of the so called *culture index* is the level of trust. The results of the comparative analysis show that those countries implement more and more market mechanisms into their cultural financing, where the level of informal institutions and of trust is high. Not surprisingly these countries use the tax incentives as an important tool of subsidizing culture.

The results of the comparative analysis prove the assumption that the coordinated cultural financing approach based countries have a static and inflexible system, which can accustom the institutional system very slowly to the modified circumstances. To demonstrate

the relevance of this statement we analysed how these Member States made changes in their best practise to fine tune the system to the requirements of the democratisation of culture. The main tool was the top-down rule making, which rules were trying to implement some best practise financing methods to the system from the liberal model (*tax incentives, artistic committees, geographical decentralisation, motivation for the private sector*). Although these new rules and regulations give the possibility both on the supply and the demand side for the actors to take the opportunity of these new ways of financing culture, but in reality the actors are hardly able to change their embedded customs, norms and beliefs from one day to another. This process is even slower if the government created rules and regulations don't fit to the people's beliefs, so the formal and informal institutions are not in harmony. The result is the decline in the economic efficiency of the performance of the cultural sector.

The liberal approach uses different methods to provide access to culture to everyone than the coordinated one. Instead of strengthening the role of the State with more direct intervention, the priority is to increase the people's human capital level as they are the consumers, whose "*appetite*" for culture can be increased via artistic-oriented education. As almost all the cultural goods have the special characteristics that they are a kind of intellectual property of the creator (*artist, cultural educator etc.*), so this policy is trying to protect this property with a highly developed institutional system, which has strong enforcement power. In this institutional system both the artist and the consumer have the chance to trust in each other, which is a basic criterion for a successful cooperation.

The case study of the United Kingdom demonstrates that in case of a crisis the government does not increase the direct subsidy rapidly. They let the private sector to recover on its own with the help and the logic of market mechanisms and lead the system back to the steady state. This cultural financing approach can accustom itself to the institutional changes much faster than the coordinated one as the fiscal allocation is mostly made by independent artistic councils, the project generation is done by focusing on the needs of the actors in a bottom-up approach. The sponsorship and the donation is transparent, there is trust in the private sector from the side of the government, so we can conclude that this arm length approach is successfully implement the market mechanisms into the functioning of the cultural sector.

We can see that if there is an institutional change (*democratisation of culture*), the coordinated model is introducing new formal regulations and laws to implement some market mechanism-based financing methods into the system with using the top-down approach, while

the liberal model is focusing on to keep the State in the night-watchman position, so just intervene when necessary.

The new scientific result of this thesis is that we created a new model for analysing the two main cultural financing models with a comparative method. This new grouping has the advantage that the EU Member States can be clustered into these two groups (*coordinated, liberal*). Our grouping is different from the ones made by *Littoz-Monnet* (2007), *Heiskanen* (2002) and *Katunarić* (2003). The results of the comparative analysis prove that this new model gives the possibility to compare the EU Member States not only in general but focusing on special questions such as the role of the State. The results of the empirical examinations reflect the theory set on the characteristics of the coordinated and the liberal model so the grouping model has relevance.

The comparative analyses show that those countries produce better economic performance in their cultural sector, which use the liberal cultural financing model. The main determining factor is the form and quality of the State, not the size of the direct government support. This thesis demonstrates that the existence of competition in the cultural sector is a basic need for the efficient functioning.

Thesis IV

In those countries where a hybrid model of the coordinated and liberal model is used, the economic efficiency of the cultural sector is lower than in those countries, which use a more homogenous model.

Based on the results of the comparative analysis made on the cultural sectors of the EU Member States we argued and proved that there are countries, which although use totally contradictory cultural financing models, their economic performance in the cultural sector is quite similar. The analyses also show that there are countries, which are almost using the same cultural financing model but the growth of the cultural sector is different. To demonstrate this phenomenon we introduced the case of Hungary. This country has a very similar cultural financing model such as France. Although there are some differences, the main determinants are quite similar. The direct government expenditure in % of the GDP, the household expenditure on culture, the employment rate, the so called culture index are examples for the similarities. The main difference is in the level of intellectual property rights index and the cultural sector's value added to GDP. This rises the question what the cause of the difference in the economic performance of the two coordinated countries is.

After the political change the cultural policy and cultural financing of the post-socialist countries transformed and a hybrid type was set in practise. Most of the cultural policy makers of these countries and even the ones of the western world believed in the fast implementation of western best-practise models, such as the arm length approach of government activity. The formal institutions were fast created, but were not followed by the fast transition of the informal institutions. This asymmetry is reflected in the Hungarian case too. When we check the society's beliefs on culture and economy we can see that 63 % share contradictory beliefs. 40 % is culturally open minded, but economically etatist. 23 % is the opposite of this previous group, they are culturally conservative, but economically have a liberal approach. 37 % of the nation is sharing homogenous beliefs and norms. They both culturally and economically need the active role of the State in everyday life (*Progressive Institute*, 2008). We can see that 20 years after the political change there is no big transition in the people's beliefs, so the informal level didn't change as fast as the formal one did. The formal institutions cannot change just conflict the informal institutions and it causes disharmony.

As we can see a hybrid model was created with the implementation of the western best- practises in the post-socialist countries. There was a boom in the non-profit sector, but was no rapid increase in the number of private donators and volunteers. The tax reductions and incentives exist by law, but neither the government nor the private sector can enjoy these advantages as there is a lack of trust in each other.

The National Cultural Fund (*NKA*) lost its independence step by step and became dependent by the government, especially the Ministry of Education and Culture. Another problem in the functioning of this institution that there is double financing of state owned cultural institutions as they get the annual government subsidy and parallel they can apply for money from the cultural fund too. As an extra negative effect in the last few years that the government took back more and more power in the decision-making from the independent jury. So an arm length body is functioning as a dependent body of the State, which is against the philosophy of indirect government support via artistic councils. The homogeneity of the system is weakening as there are contradictory movements. One the one side political centralisation is getting stronger, while on the other hand the State is trying to force the geographical and fiscal decentralisation. While the French model is homogenous as it is politically and fiscally centralised, the Hungarian one is a mixture of models with full of improvisation.

The results of the analysis show that if the formal institutions are in conflict with the informal ones, there is confusion in the people's mind and the system is functioning with a lot of errors. The State created formal rules and regulations are not able to change the embedded cultural attitudes, so they push down these beliefs and norms. This phenomenon appears in the Hungarian cultural sector, which proves that the hypothesis (*Boettke*, 1998, 2008; *Pejovich* 1999, *Claudia Williamson*, 2009) made on the economy in general has relevance in the cultural sector too.

The comparative analysis of the United Kingdom, France and Hungary demonstrate that as the main difference exists in the level of intellectual property rights index (*formal institution*) we argue that the form and the quality of State intervention is determining in the economic performance of the cultural sector of the Member States.

6. Research Fields for the Future

The most obvious research field is to extend the number of the examined Member States of the European Union to 27 and get more objective results about the state of the cultural sectors of the countries. Another challenging task is to try to improve the objectivity of the variables used in the comparative analysis. If we find some more variables, which are worth using in the analysis, then with implementing them in the database new scientific results can be achieved.

From the analysis we can see that there are further possibilities to examine the influence of the formal institutions on the economic performance of the cultural sector. Are there other variables beside the intellectual property rights index, which help in the better understanding of the role of the State? The same development can be made in case of the informal institutions. Although *Claudia Williamson's* culture index is the best variable for demonstrating this type of institutions, we assume that there is the opportunity for further fine tuning.

The further development of the European Union's cultural policy is another potential research field. There is a very exciting question to answer, if there is the possibility when the EU cultural policy will have a determining role over the national cultural policies and the Member States' role become less determining in the forming of the common cultural policy.

As being a Hungarian researcher the most obvious research field is to continue the research activity focusing on the transformation of the post-socialist countries. We assume that although there were many common characteristics at the beginning of the transition process, after a while the countries developed their institutional system in a different way, in

which the most visible differences can be seen in the role of the State. We attempt to prove which post-socialist countries are using a more effective cultural policy and financing system, and which are the main determining factors of the effectiveness. We also try to find evidence that what type of mixed cultural financing models were created in the last 20 years by these post-socialist countries.

Finally the examination and analysing of the Hungarian cultural sector's subsectors (*theatres, concert halls, museums, libraries, auctions, the National Cultural Fund*) all have many undiscovered fields to examine.

7. References used in the Thesis Summary

Az Európai Parlament és a Tanács 2006. november 15-i 1718/2006/EK határozata (HL L 327., 2006.11.24.).

Baumol, W. J. – Bowen, W. G. (1966): *Performing Arts: The Economic Dilemma*. New York, The Twentieth Century Fund

Boettke, P. J. (1998): Why culture matters: economics, politics and imprint of history. *Journal of the LSE*, Hayek Society, Vol. 2. No. 1. pp. 9–16.

Boettke, P. J. – Coyne, C. J. – Leeson, P. T. (2008): Institutional Stickiness and the New Development Economics. *American Journal of Economics and Sociology*, 67(2), pp. 331–358.

ECP Lisbon Agenda Research Group (2006): *Culture, the heart of a knowledge-based economy*. Tuscany, July, 2006. European Cultural Parliament

EUROSTAT pocketbooks (2007): *Cultural Statistics*.

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-77-07-296/EN/KS-77-07-296-EN.PDF; letöltés dátuma, 2009. január 10.

Gavrilova, D. (2008): The Other Side of European Integration: Effects of EU Accession Process on the non EU-regulated Policy Areas in Central and Eastern Europe. The Case of Bulgaria. *European Political Economy Review*. No. 8 (Spring 2008), pp. 68–96

Hall, P. A. – Soskice, D. W. (2001): *Varieties of Capitalism: the Institutional Foundations of Comparative Advantage*. Oxford University Press. Oxford.

Heiskanen, I. (2002): *Decentralisation: trends in European cultural policies*. (Cultural policy Note 9) ISBN 978-92-871-4795-0 Council of Europe.

Katunaric, V. (2003): *Decentralisation in South East Europe: objectives, instruments, practices*. A methodological paper for (comparative) research on cultural policy

- commissioned by Policies for Culture.
http://www.policiesforculture.org/dld/PfC_VKatunarc_SEEDecentralisation.pdf
 letöltés dátuma: 2009. október 25.
- Kawashima, N. (2004): *Planning for Equality? Decentralisation in Cultural Policy*. Centre for Cultural Policy Studies, University of Warwick, Research Papers, 1.
- KEA European Affairs(2007): *The Economy In Culture in Europe*. European Commission.
http://ec.europa.eu/culture/eac/sources_info/studies/economy_en.html
 Letöltés dátuma: 2008. október 26.
- Kimmelman, M. (2010): In Europe, the Arts Ask for Alms. *The New York Times*.
<http://www.nytimes.com/2010/01/21/arts/design/21abroad.html?emc=eta1>
 Letöltés dátuma: 2010. 01. 21.
- Kornai János (1993): *A szocialista rendszer*. Heti Világgazdaság Kiadói Rt., Budapest.
- Littoz-Monnet, A. (2007): *The European Union and Culture*. Manchester University Press, Manchester.
- Makó Csaba–Csizmadia Péter–Illésy Mihály (2005): Some reflections on the case study method in the perspective of international comparative research. *Research Group for Sociology of Organisation and Work Institute of Sociology – HAS*
- Pejovich, S. (1999): The Effects of the Interaction of Formal and Informal Institutions on Social Stability and Economic Development. *Journal of Markets & Morality*. Vol. 2. No. 2. Fall. pp. 164–181.
- Progresszív Intézet (2008): Politikai térkép. <http://www.politikaiterkep.hu/> Lekérdezés dátuma: 2009. 04. 18.
- Simonin, H. (2003): The Contingency of the Cultural Policy Sector: an Hermeneutic Comparison of Cultural Policies. *International Journal of Cultural Policy*. Vol. 9. pp. 109–123.
- Throsby, D. (1994): The Production and Consumption of the Arts: A View of Cultural Economics, *Journal of Economic Literature*, Vol. XXXII, pp. 1–29
- Throsby, D. (2001): *Economics and Culture*. Cambridge University Press, Cambridge, UK
- Throsby, D. (2010): *The Economics of Cultural Policy*. Cambridge University Press, Cambridge, UK
- Williamson, C. R. (2009): Informal institutions rule: institutional arrangements and economic performance. *Public Choice* DOI 10.1007/s11127-009-9399-x.
- Williamson, O. E. (2000) The New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature* XXXVIII. Sept. pp. 595–613.

8. List of Publications in the Topic of the Dissertation

Reviewed Articles

- Tóth Ákos (2007a): Németország és Magyarország kulturális szférájának kultúra-gazdaságtani elemzése. *A GAMF Közleményei*, XXI. évf. pp. 119–131.
- Tóth Ákos (2007b): Az intézményi rendszer szerepe a globalizáció hatására átalakuló kultúrafinanszírozásban. *Competitio* VI. évfolyam, 2. szám, 2007. november pp. 131–147.
- Tóth Ákos (2008a): A tagállamok szerepe az Európai Unió kultúrpolitikájának formálódásában. *Külgazdaság* LII. Évf. 2008/5-6. pp. 74–87.
- Tóth Ákos (2008b): A közösségiesedés folyamata az uniós tagállamok kulturális szférájában. *Competitio* VII. évf. 1. szám pp. 127–143.
- Tóth Ákos (2008c): The role of the member states in the transformation of the European Union's cultural policy. *Journal of Engineering Annals of Faculty of Engineering Hunedoara*, TOME VI (year 2008), FASCICULE 3, (ISSN 1584 – 2673) pp. 200–205.
- Tóth Ákos (2009a): Az Európai Unió tagállamaiban alkalmazott kultúrafinanszírozási modellek komparatív elemzése. *Európai Tükör* XIV. évfolyam 5. szám 2009/5, pp. 39–50.
- Tóth Ákos (2009b): Eltérő állami szerepvállalás az uniós tagállamok kultúrafinanszírozásában. *Köz-Gazdaság*, IV. évfolyam, 2. szám 2009. június pp. 171–186.
- Tóth Ákos (2009c): A humán tőke szerepe az Európai Unióban alkalmazott kultúrafinanszírozási modellekben. *A GAMF Közleményei*, XXIII: évfolyam pp. 161–170.
- Tóth Ákos (2010): A szellemi tulajdon védelmének jelentősége az Európai Unió kulturális szférájának növekedésében. *Társadalomkutatás*. Journal Issue Volume 28, Number 2/June 2010. 10.1556/Tarskut.28.2010.2.4 pp. 179–194
- Tóth Ákos (2011a): Megváltozott állami szerepvállalás Magyarországon kultúrafinanszírozásában. *Valóság*. 2011 3. pp.53–64
- Tóth Ákos (2011b): Az állam kultúrafinanszírozásban betöltött szerepének megváltozása a kultúra demokratizálódásának hatására. *Közgazdasági Szemle*. LVIII. évf., 2011. április pp. 333–350

Tóth Ákos (2011c): The transformation of the Hungarian cultural policy: a 20-year perspective. *Society and Economy*. accepted for publication, under editing

Conference Parallel Session Presentations in English

Tóth Ákos (2008): The problem of sustainability of high culture in the theatrical life of Hungary. *15th International Conference of Association for Cultural Economics International*, Pre-conference of young researchers' workshop 12. June, 2008, Boston, USA. – parallel session presentation

Tóth Ákos (2009): The role of the member states in the transformation of the European Union's cultural policy. *10th International Conference on Arts and Cultural Management*. Southern Methodist University, 28 June-1 July, 2009, Dallas, USA. – parallel session presentation

Tóth Ákos (2009): The transformation of the Hungarian book sector. *Erdei Ferenc V. Tudományos Konferencia*, 2009. szeptember 3. Kecskemét – parallel session presentation

Tóth Ákos (2009): The transformation of the Hungarian cultural policy: a 20-year perspective. *Summer School on "Economics of Art and Culture" European Science Days 2009*, Július 12–16, Steyr/Austria – poster presentation

Tóth Ákos (2009): The EU Funding of Cultural Projects: an opportunity or a constraint. *T.E.A.M. conference Slavonski Brod*, 2009. december 11. – parallel session presentation

Tóth Ákos (2010): The Role of Formal and Informal Institutions in the Transformation of the Hungarian Cultural Policy. *Association of Cultural Economics International 16th Conference 2010*, Koppenhága, 2010. június 9-12. – parallel session presentation

Tóth Ákos (2010): The impact of Human Capital on the economic performance of the cultural sector of the European Union. *Joint Conference of the the University Network of the European Capitals of Culture, Compostela Group of Universities* 14–15 October, 2010 University of Pécs. – parallel session presentation

Tóth Ákos (2010): European dimension in the conceptualization and programming of the European Capital of Culture in Pécs. *TEAM Conference 2010*. Kecskemét, 2010. november 4–5. – parallel session presentation

Conference Parallel Session Presentations in Hungarian

Tóth Ákos (2007): Az USA, Németország és Magyarország kulturális szférájának kultúragazdasági elemzése. „*A régiók a Kárpát-medencén innen és túl*” című konferencia, 2007. március 23. Eötvös József Főiskola, Baja– parallel session presentation

- Tóth Ákos (2007): Az intézményi rendszer szerepe a globalizáció hatására átalakuló kultúrafinanszírozásban. *AGTEDU 2007*, 2007. november, Kecskeméti Főiskola, Kecskemét– parallel session presentation
- Tóth Ákos (2008): A közösségiesedés folyamata az uniós tagállamok kulturális szférájában. *AGTEDU 2008*, 2008. november, Kecskeméti Főiskola, Kecskemét– parallel session presentation
- Tóth Ákos (2008): Az állam szerepe a kultúrafinanszírozás átalakításában. „*Tudatos jelen fenntartható jövő*” című konferencia, Heller Farkas Gazdasági és Turisztikai Szolgáltatások Főiskolája, 2008. november 26. Budapest– parallel session presentation
- Tóth Ákos (2009): Az audio-vizuális ágazat és a könyvpiac közösségi szintű szabályozása az Európai Unió kultúrpolitikájában. „*Új média, médiakonvergenca, kulturális változások*.” Marosvásárhely, Sapientia EMTE koronkai kampusza, 2009. március 27-28. – parallel session presentation
- Tóth Ákos (2009): A szellemi tulajdon védelmének jelentősége a kulturális szféra növekedésében. „*Gazdaság és Társadalom*.” című konferencia. Nyugat-magyarországi Egyetem Közgazdaságtudományi Kar. Sopron, 2009. november 3. – parallel session presentation
- Tóth Ákos (2009): A közgazdaságtan és a kultúra kapcsolatának fejlődéstörténete. *AGTEDU 2009*. Kecskeméti Főiskola, Kecskemét, 2009. november 5. – parallel session presentation
- Tóth Ákos (2009): Az informális intézmények szerepe a magyar kultúrafinanszírozás rendszerváltás utáni átalakulásában. „*Rendszerváltások – tanulságok*”. Debreceni Egyetem Debrecen, 2009. november 13. – parallel session presentation
- Tóth Ákos (2010): Az állam-és piacvezérelt kultúrafinanszírozási modellek megváltozása a kultúra demokratizálódásának hatására. „*Hitel, Világ, Stádium*” című konferencia. Nyugat-magyarországi Egyetem Közgazdaságtudományi Kar. Sopron, 2010. november 3. – parallel session presentation

Notes

Notes

