

# Public Funding of Culture in Europe, 2004-2016

Introduction.....	2
Public expenditure in 28 countries .....	3
Percentage of the GDP spent on recreation, culture and religion .....	3
Percentage of the GDP spent on recreational and sporting services .....	5
Percentage of the GDP spent on broadcasting and publishing .....	6
Percentage of the GDP spent on religious and other community services.....	7
Percentage of the GDP spent on cultural services.....	8
Public spending on culture in billion euro.....	10
Central and local public cultural funding .....	10
Central and local cultural funding on country level .....	13
Central and local cultural funding, billion euro .....	15
Conclusion .....	16

## Introduction

Culture is financed from a variety of sources. Citizens spend considerable amounts on entry tickets, for objects ranging from books to paintings, for streaming or downloading music and so on. The cultural market is an important constituent of any economy. In the greater part of the countries of the world, and certainly in Europe, this revenue is matched by subsidies and investments from public sources. (Sponsorship and philanthropic funding is the third major bloc of financing culture.) From the last quarter of the past century more and more attempts were made to compare the amount of public funding of culture between countries. The basic problem, habitual in similar exercises, was that of definition. There were hardly two countries where the same was understood by culture. Just to name some of the vague areas: art education, cultural diplomacy, community centres, construction of cultural buildings and reconstruction of monuments, religious services, scientific and specialised libraries and archives, excavation sites and so on. In spite of efforts, not being of truly strategic importance, the harmonisation of cultural concepts has not reached the level of several other fields of society. Nevertheless the introduction of COFOG into the practice of Eurostat and its disciplined application has been a major achievement also for the analysis of public funding of culture.

COFOG: Classification of the Functions of Government was designed by the United Nations as early as 1970. Eurostat applies the version developed by the OECD. Public functions are divided into [ten classes](#), which are further broken down into subclasses.

Culture is part of the 8<sup>th</sup> class that has five subclasses (and a box for the remainder):

### 08 - Recreation, culture and religion

08.1 - Recreational and sporting services

08.2 - Cultural services

08.3 - Broadcasting and publishing services

08.4 - Religious and other community services

08.5 - R&D Recreation, culture and religion

08.6 - Recreation, culture and religion n.e.c. (not elsewhere classified)

COFOG is about public funding, the expenditure of the state structure, which comprises all local governments in towns, villages and various regional units. Investments, i.e. building, maintenance and repair are also included.

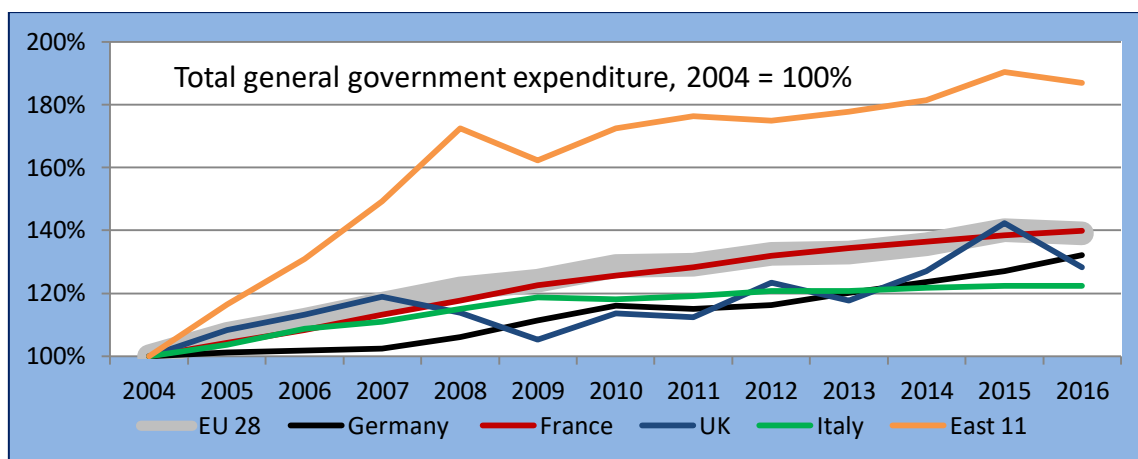
Annual COFOG statistics are updated each spring [by Eurostat](#), displaying data with a technical delay of a year: in March 2018 statistics were presented up to 2016. The Budapest Observatory has designed charts that present and compare some of the data.

Most of the diagrams explore public cultural funding in the countries of the European Union from 2004. Why 2004? Due to the availability of data, and also 2004 was the year of the first wave of the accession of post-communist countries to the EU.

## Public expenditure in 28 countries

In 2016, combined total general government expenditure in the 28 EU member states was 6,905 million euro, 39% more (in current prices) than it was in 2004. But it was 2% less than in 2015! A surprise to most of us – is public spending in Europe dwindling?

In the first diagram the fat grey line shows the dynamic of the total, what the 28 states, including their regions and cities, spent altogether on everything. We can also see the dynamic of the four biggest spending countries as well as of the combined public expenditure of the 11 new post-communist member states. Apologies for the zigzag of the British data, this is how they were reported to Eurostat. As seen, out of the big four only France kept the pace of the 28 total, the others have been more restrained. The diagram proves that the 11 eastern countries were the engine of increasing public funding, especially before the 2008 global financial crisis. (We shall show the absolute size of this engine and of the rest later on.)



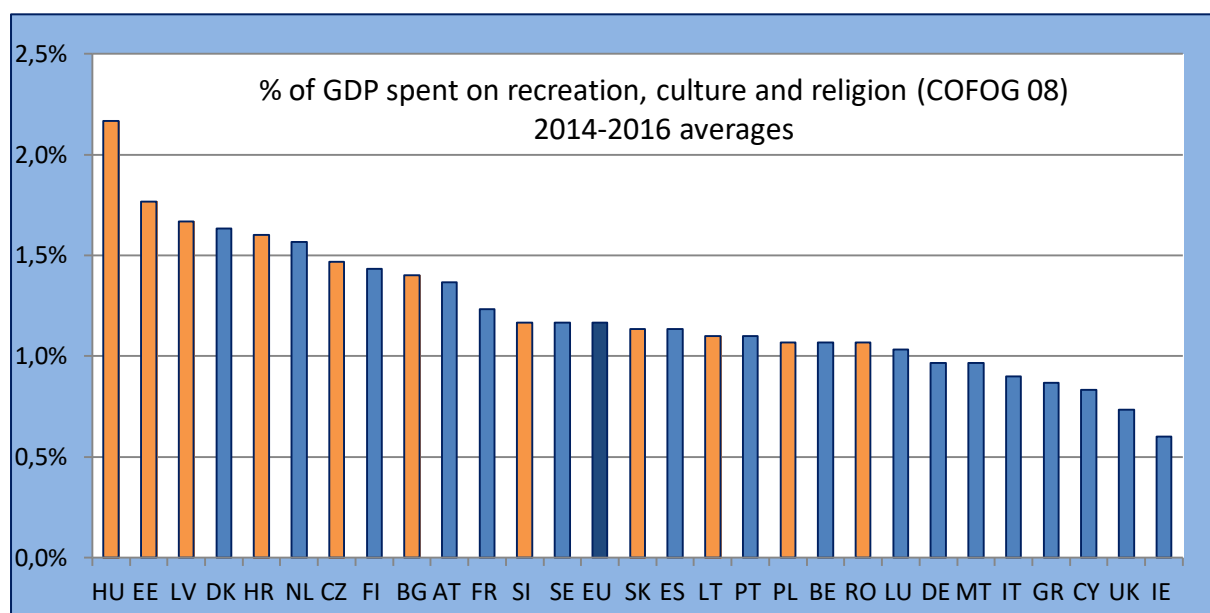
The picture shows that Britain was a major culprit for the slight decrease from 2015 but the eastern eleven made a halt, too.

It is against the background of the story of total public expenditure that we shall display public spending on culture over the same time span in the next sections.

## Percentage of the GDP spent on recreation, culture and religion

In spite of its numerous weaknesses, percentage of the GDP is the most popular benchmark. No wonder Eurostat itself [announces](#) the release of the 2016 data with the following: “In 2016, among EU countries, Hungary (3.3 % of GDP) and Estonia (2.1 % of GDP) registered the largest ratio to GDP of government expenditure in the 'recreation, culture and religion' function compared with 1.0 % of GDP in the EU-28. Ireland registered the lowest ratio (0.5 % of GDP) in 2016 devoted to 'recreation, culture and religion', followed by the United Kingdom (0.6 % of GDP).”

We shall look at these figures with the help of diagrams. The top aggregate COFOG 08 combines public spending on sports, public media, religion – and culture. In order to offset year-to-year oscillation, the first graph shows the averages of the last available three years.

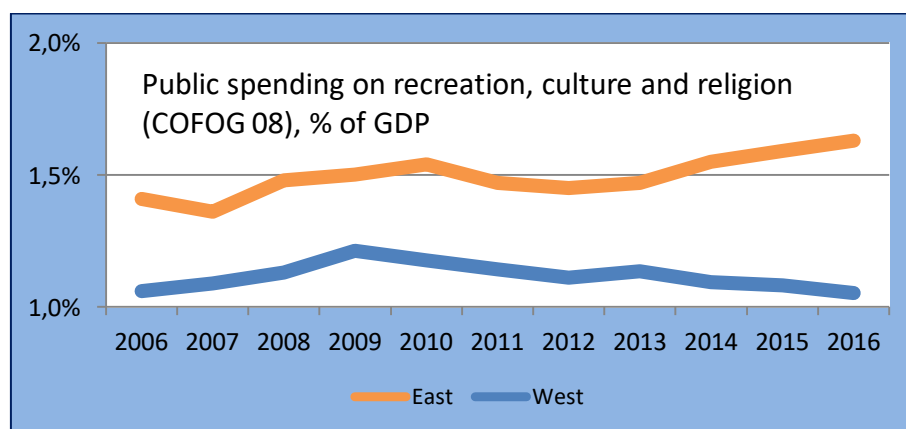


Why do eastern countries spend greater share of their GDP on these goals? Partly, because the state traditionally takes a greater charge of these societal areas than in the west; the reason is historical, culture being essential in nation building. But also because the lower GDP figures oblige these countries to spend relatively more in order to achieve a level that is comparable to that in the west. (We shall compare absolute amounts later on.)

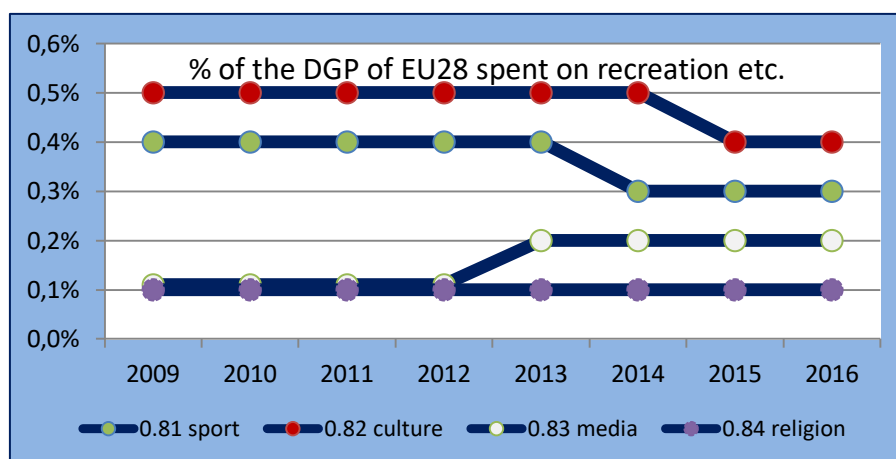
Hungary was rocketing to the top at the following pace between 2014 and 2016: 1.1% - 2.1% - 3.3%. The respective figures for Ireland at the other end of the scale show an adverse pattern: 0.7% - 0.6% - 0.5%.

What is the dynamic of the east-west divide over time? You are wrong if you bet on convergence. In fact, in the course of twelve years the gap has grown, especially so in the latest phase. In 2015 the share that the eastern countries spent on these soft societal tasks was nearly double of the “west” (which is rather “the rest”, as Malta, Cyprus and Greece are also grouped here).

The lines in this, and the consequent graphs of the same kind, reflect averages of national averages; they show the trends properly but not the actual combined percentage values.



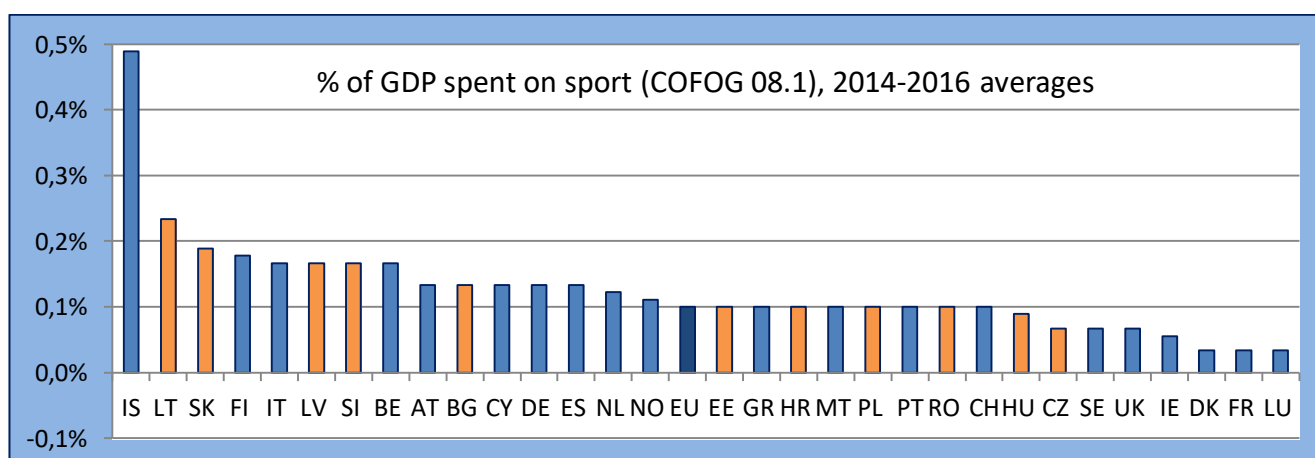
How to interpret what we can see? Is the growing proportion of GDP spent on recreation, culture and religion in the eastern countries a sign of consolidation, telling about efforts to provide European level comfort of life? Or else, is the strengthened accent on soft investment a symptom of advances of populism? We can expect answers by decomposing COFOG 08.



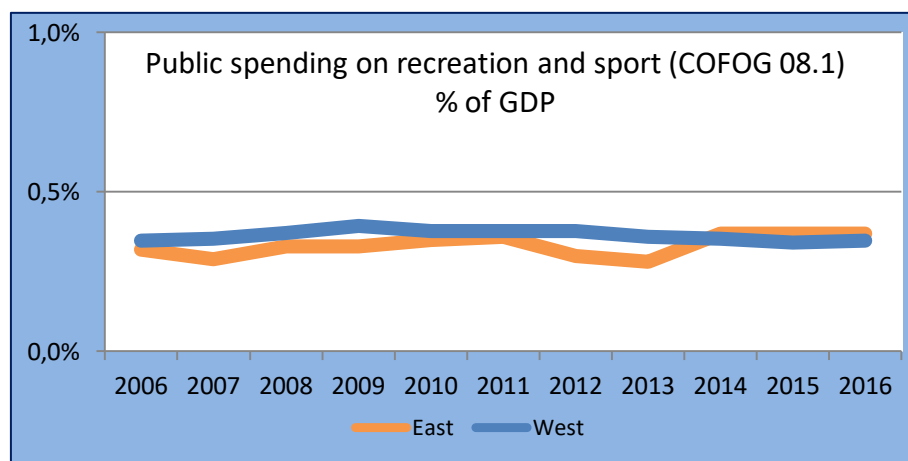
Culture is the greatest component, it represents between the third and the half of the colourful set of domains that in all absorbs about one per cent of the gross domestic product of the 28 countries in the EU. Sport and related recreation receive somewhat less, followed by broadcasting and publishing, while religion gets the smallest share – with rather little variation in time on a European scale.

### Percentage of the GDP spent on recreational and sporting services

Before arriving at culture, we shall see the smaller areas, starting with COFOG 08.1, public spending on recreation and sport. In order to see a special case, the next graph includes Iceland, a non-EU-member, where this is a top priority. Denmark, France and Luxembourg are missing from the graph as they spend practically nil on recreational and sporting services from public coffers.

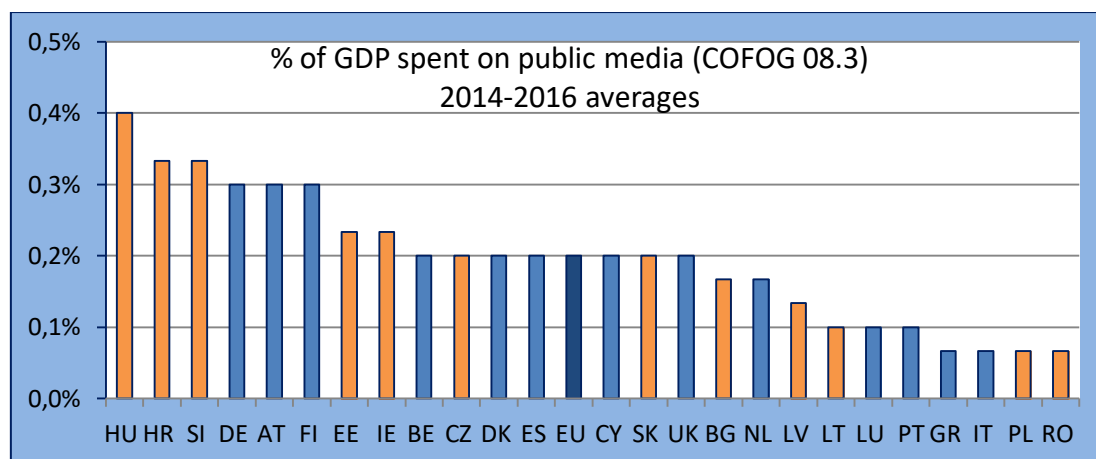


The graph reveals an EU average of (around) 0.1%, less than what the averages of averages show in the picture below. What is certain, however, is that until 2014 the old democracies could afford a higher share on sport than the post-communist countries, which is not the case any longer, as demonstrated below.



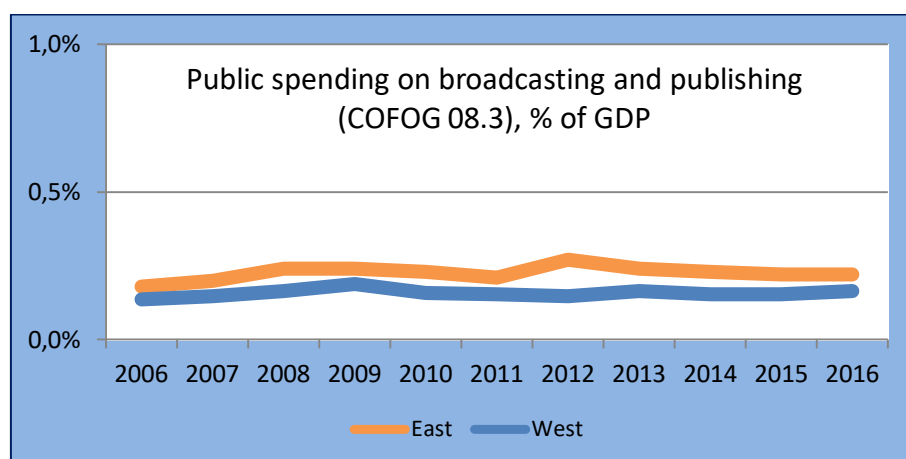
## Percentage of the GDP spent on broadcasting and publishing

Broadcasting and publishing services come next, in other words public media.



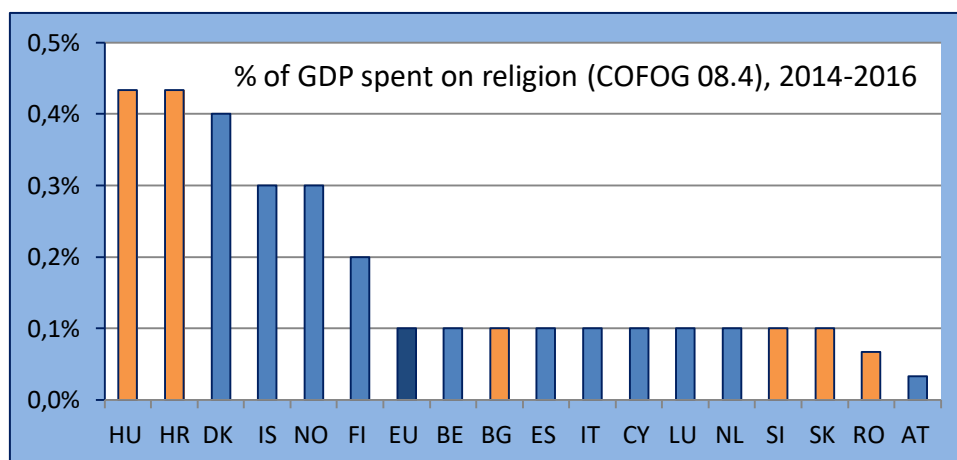
France, Sweden and Malta are missing as they spend insignificant amounts on this area. A reminder is in place here about the recent referendum in Switzerland, where citizens chose to continue to pay for public media instead of public financing. Germany, Austria and Finland follow a different approach, not to speak of Croatia and Slovenia. In Hungary, the 0.4% of GDP spent on public broadcasting explains much of the dominant position of the country in the broader COFOG 08 list.

The following image on top of page 7 shows that eastern member states of the EU have been dedicating a greater share of their resources on public broadcasting and publications than what western countries have over the entire past decade.

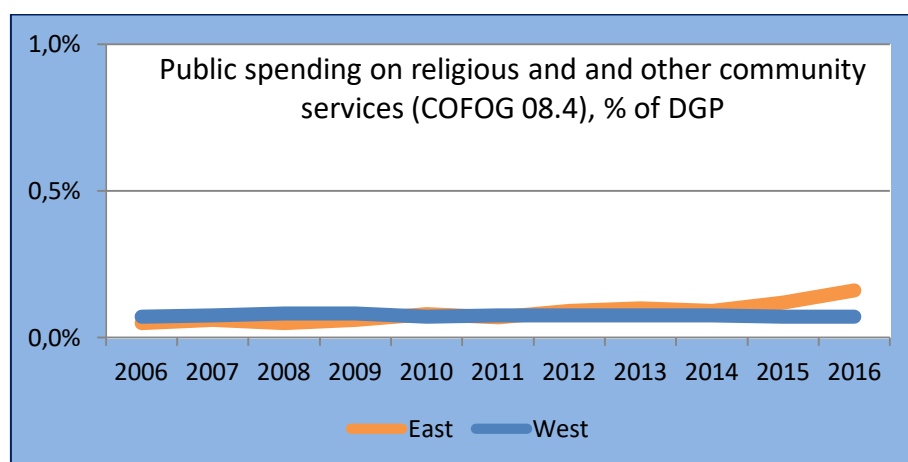


### Percentage of the GDP spent on religious and other community services

This is the smallest domain within the cluster of “recreation, culture and religion”. About half of the countries spend only microscopic amounts on religious and related services. The Nordic countries (less Sweden), and two eastern neighbours are exceptions.

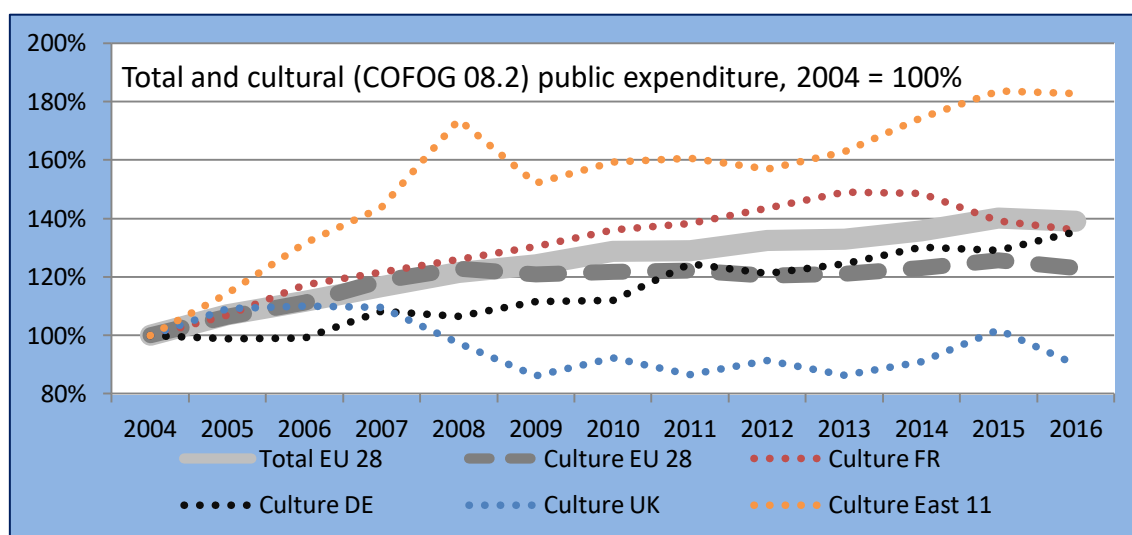


The next graph that shows trends of the past ten years reveals that – mainly owing to the recent upsurge in Hungary and Croatia – spending public money on religion and connected community services has become a post-communist feature.



## Percentage of the GDP spent on cultural services

We have arrived at the area which is in the focus of our investigation. Statisticians across the globe (COFOG is a UN instrument) are taking pains to assure that all public expenditure on culture should be recorded in COFOG 08.2, and that everything contained in this rubric was indeed “culture”, i.e. arts and heritage (but not the “creative industries”, which belong to the economy). Important: it is a fact of already accomplished allocations and not a plan or promise in the budget; furthermore it comprises the expenditure on local, regional and municipal level.

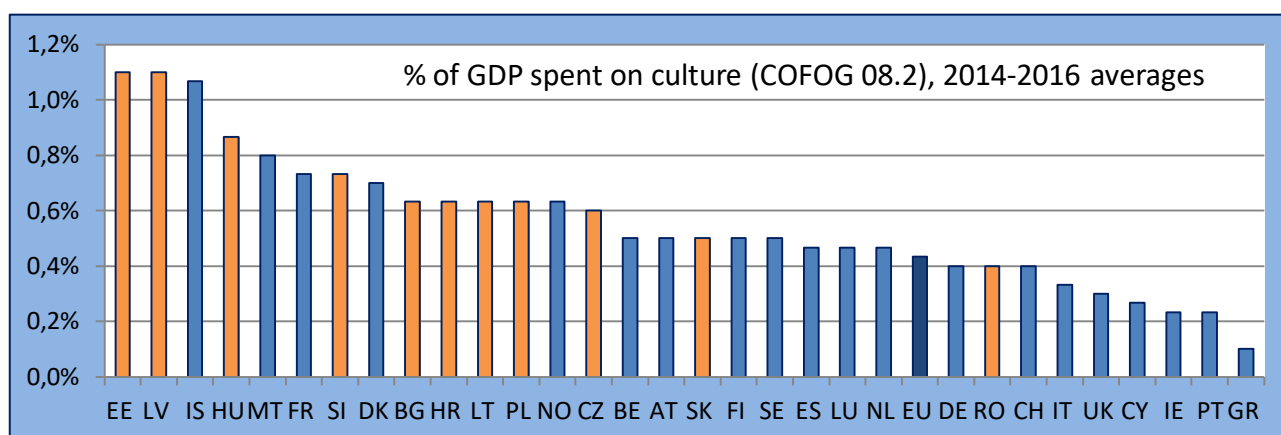


There is a lot to tell about this image which relates cultural expenditure to national GDPs.. First and most important: on an EU scale, after 2008, culture has been among the losers, in the sense that spending on cultural services (COFOG 08.2) has been left behind the average increase rate of total public expenditure (the fat grey line). The fallback lag has gradually grown wider.

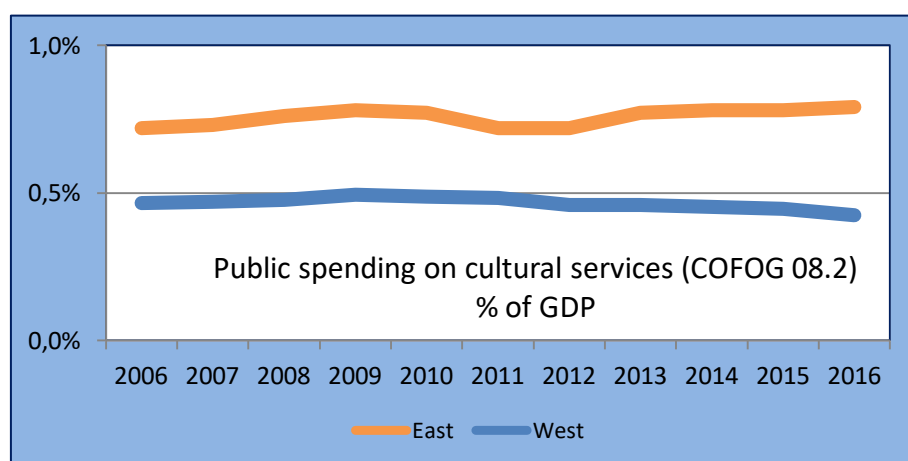
The second observation is about the largest spenders on culture. The graph points at the UK, where during most of the 12-year period (proportionally) less was spent on culture than in 2004. France, on the other hand, was first untouched by the 2008 effects and kept investing in culture above the average – until 2014.

The curve of the 11 eastern countries models that of total general spending shown previously, although it took longer to redress the 2008 level of cultural expenditure than it was the case with the grand total of their public budgets.

As done before, in order to smooth out the effects of ad hoc fluctuations, the averages of the available last three years are displayed in the next diagram. In 2016, only one country, Estonia spent more public money on culture than 1% of the gross domestic product of the country in that year. As seen, due to higher ratios in 2014 and 2015, on a three-year basis Latvia and Iceland also produced figures above 1%. The other end of the scale presents mystery (or misery?): how can all those museums, excavation sites, theatres and festivals etc. be run with a constant 0.1% of the GDP of Greece?



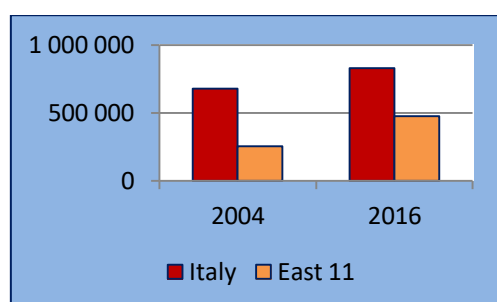
What was said about the higher share that the post-communist countries spend on “recreation, culture and religion” applies even more to the case of culture proper, as the gap is even greater – and increasingly so:



While the eastern countries have been raising the share of culture within public expenditure, fewer and fewer western countries reach the benchmark of half percent of the GDP on an annual basis.

## Public spending on culture in billion euro

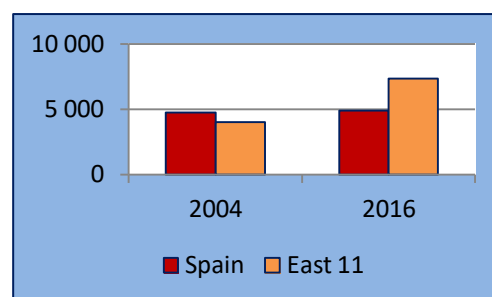
Having observed percentages, we turn to expenditure in absolute figures expressed in euro. First we shall take a look at the figures of **total expenditure**. The amount of money spent from the common sources is of course related to the richness of the country. The old democracies enjoy a considerable historic advantage in this regard, which the new democracies have managed to handle spectacularly during the past period (with the help of the old democracies via EU transfers.). See a telling example to illustrate the issue.



In 2004 the spending of the entire public sector in Italy was (the equivalent of) 678 million euro. This was more than twice what the eleven post-communist countries spent in the same year. Twelve

years later, by 2016, the eastern eleven still spent less than two thirds than Italy alone.

Eurostat data assembled along the COFOG logic prove that in the east proportionally more goes **on culture** than in the west. Now we shall see the same in absolute amounts. For this, Spain is the right match, which from 4,734 million in 2004, “raised” its cumulated public spending on cultural services to 4,868 million euro in 2016.

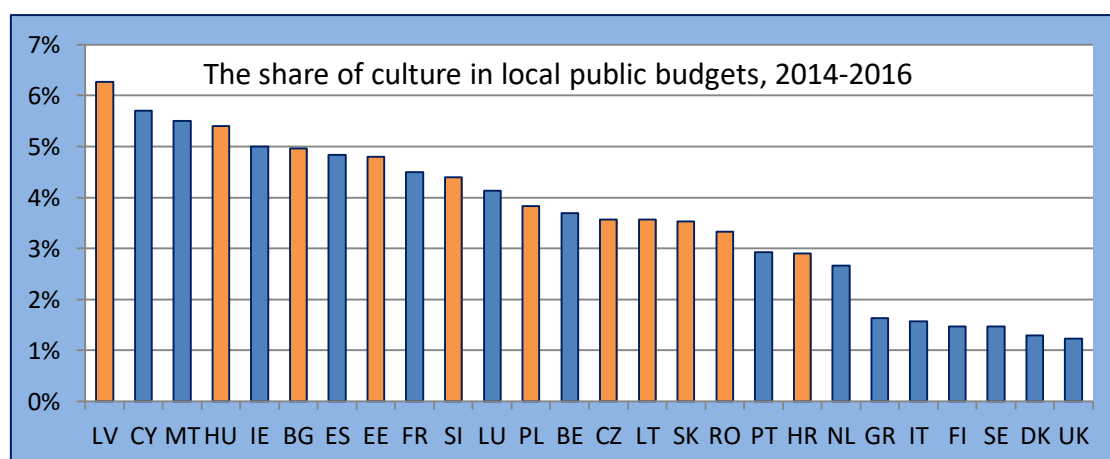
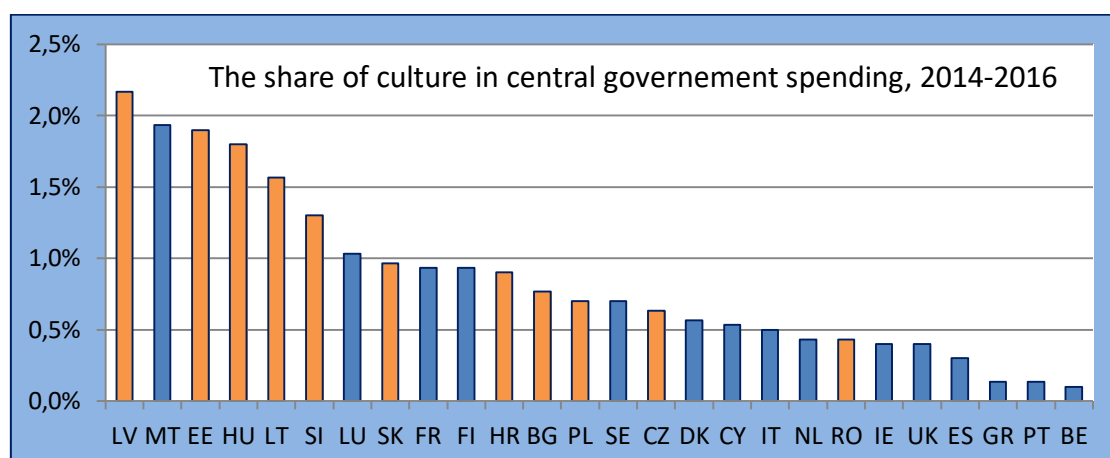


In the same period the eleven eastern countries' joint cultural spending grew from 4,100 to 7,400 million.

## Central and local public cultural funding

Our analysis has shown public spending in its entirety. This, in addition to the expenditure of the central national governments, includes the budgets of the tens of thousands of local governments that range from large units like Scotland or Lombardy to minuscule French or Hungarian villages. We shall now observe the position of culture separately in the central and local expenditure. This will be done on 26 countries, as the Austrian and German administrative division to central and local has not been adjusted to the COFOG logic.

The next two charts rank countries by the percentage share of cultural services in their central and local public expenditure respectively.

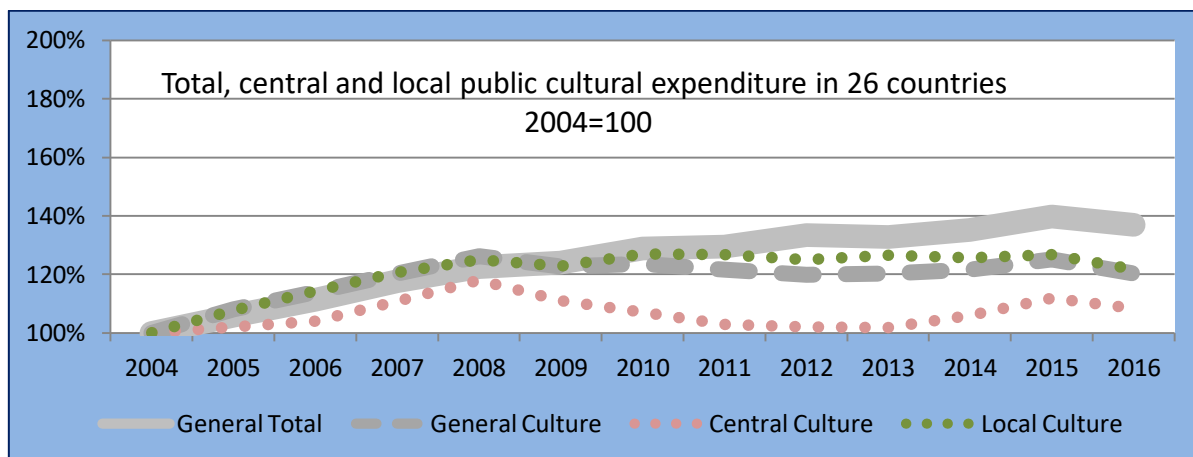


Comparing the two graphs with the one on the top of page 9 raises questions that could be answered only by diving deeper into COFOG tables. Namely: if the Estonian share of total public spending on culture (COFOG 08.2) in the percentage ratio of the GDP is on a par with Latvia, why does Estonian culture have a more modest place in the central and local budgets? Also: if Ireland spends so little on culture in general, how come it claims one of the highest rates in local budgets?

Turning a page on these methodological dilemmas, we must note the enormous differences between countries, especially with regard to the central budgets. The federal structure explains the microscopic share in Belgium but not in Greece and Portugal.

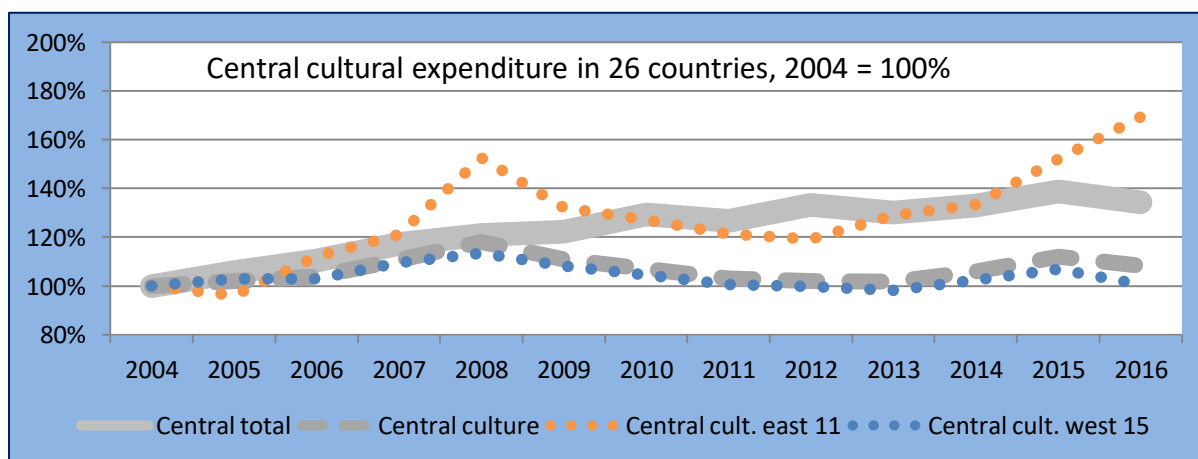
The percentage share of culture on local level shows a smoother scale between countries. One finds, however, a breach between six countries – six old democracies – and the rest. In these six, on average, culture receives slightly more than one percent of local government budgets – the smallest in the UK. There, as apparently in some Nordic and Mediterranean countries, local culture is to a great extent financed from central budgets. These are the nuances that COFOG figures cannot explain but can trigger questions and further exploration.

From the latest figures we return to the time span of twelve years from 2004.



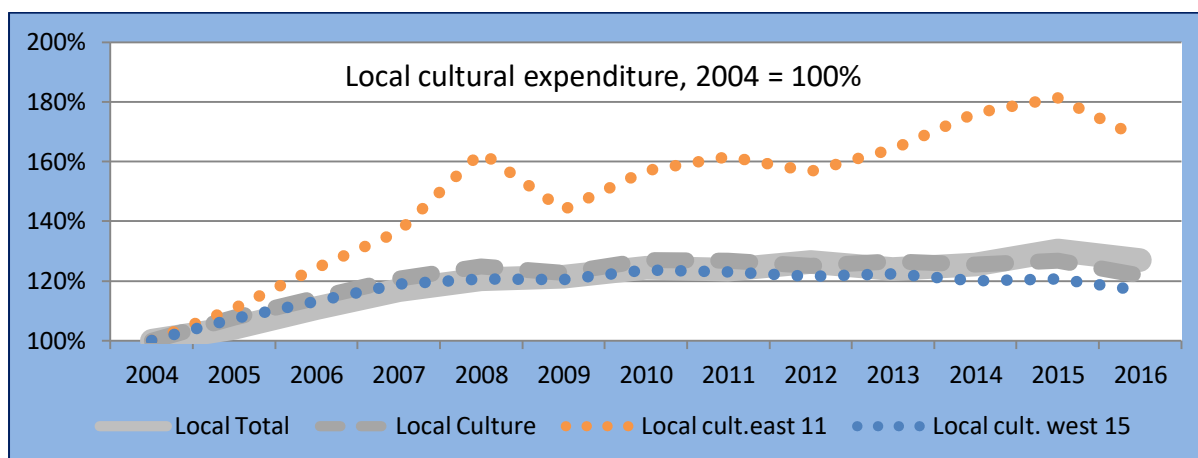
In this diagram the thick grey line stands for the dynamic of all public spending of the 26 countries in the EU (excepting Austria and Germany), similar to the same of 28 countries on page 2. We saw there that the curve of general cultural spending was lagging behind the rise of the grand total. The important message of the diagram is that after 2004 the spending of local governments on culture grew quicker than the central cultural expenditure, and until 2008 quicker even than total public spending. After 2008 central cultural investment fell sharply and this lag was seen in the 2016 data, too.

Zooming on central cultural expenditure, the 26 countries are divided between the 11 post-communist countries and the rest of 15 member states.



Due to their sheer size the 15 western countries largely determine the common trend of the 26 countries. These parallel lines (the 26- and the 15-country trends) show that the cultural allocations of central governments lagged behind general public expenses. After 2008 things turned really sour, most central governments administering cruel cuts of cultural expenditure. As to the eastern 11, from 2004 their central cultural spending fell to the next year but then it sharply increased to produce an equally sharp drop after 2008. The last one year was characterised by a marked divergence between east and west with regard to central cultural expenditure, which makes one very curious of the 2017 statistics.

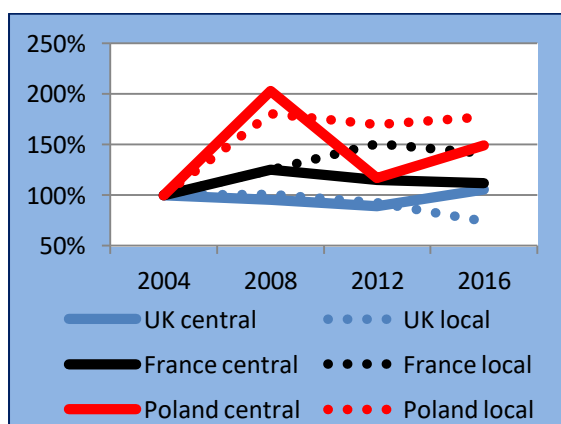
Spending on culture in the regions and cities is in the focus of the next diagram.



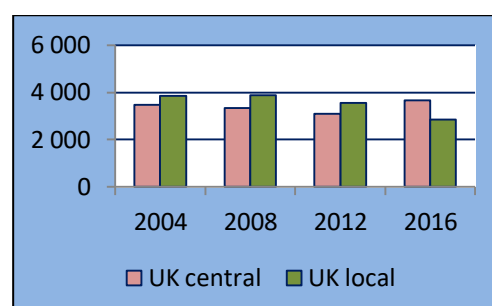
As seen on top of the previous page, the public financing of local culture generally progressed at a fairly similar pace as the total. The 11 new member states, however, follow a different trajectory. There, local cultural spending swiftly accelerates from the outset and keeps this advantage even after the blow of the 2008 crisis. 2016, however, produced a significant decline which again makes one eager about the 2017 data: are we going to see a continued pattern of regression to centralism in the east as the ending of the curves in these two diagrams indicates?

## Central and local cultural funding on country level

After the combined trends of 26, 15 and 11 countries, we show developments in smaller groupings.

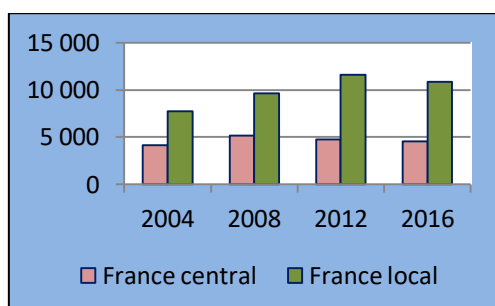


2008, the central government in France focused on culture which then lost momentum to meet the British curve in 2016 barely above the initial level. The financing of French local culture, however, remained relatively strong, while that in the UK has clearly been dwindling. This sad story can be observed also with the absolute amounts (million euro spent centrally and locally):

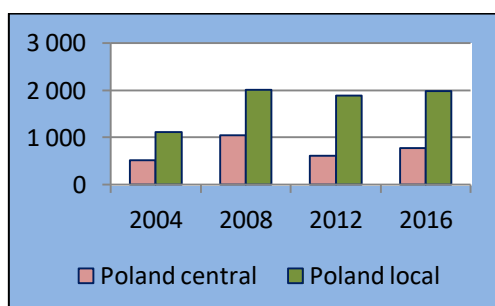


First, we can compare larger countries from both camps (east and west). Before

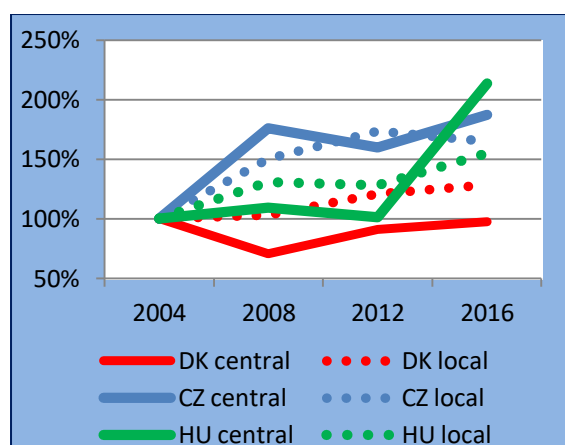
Except for certain redressing of the central funding, the data report monotonous decline. The equivalent diagram of France, however, displays ascending local funding where the last column of 2016 stands for nearly four times more money than the UK sum: 10,859 million euro in regions and cities in France versus 2,845 million in Britain.



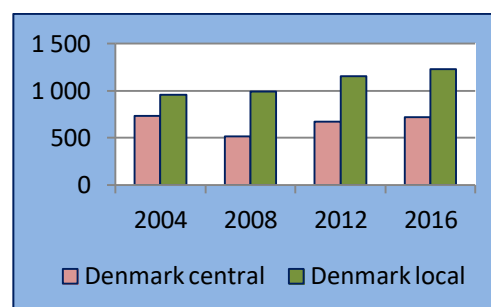
The Polish pattern can be interpreted in comparison with those of Czechia and Hungary further down.



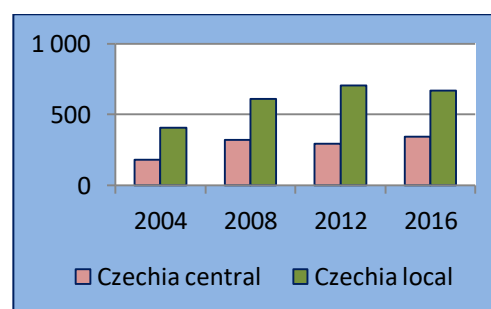
Czech and Hungarian trends are seen together with the development of Danish data.



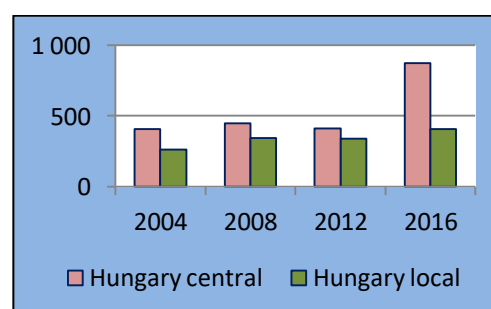
Differently from most western countries, in Denmark central cultural funding fell before 2008 and has been growing afterwards. A more decentralised scheme came about and has been preserved.



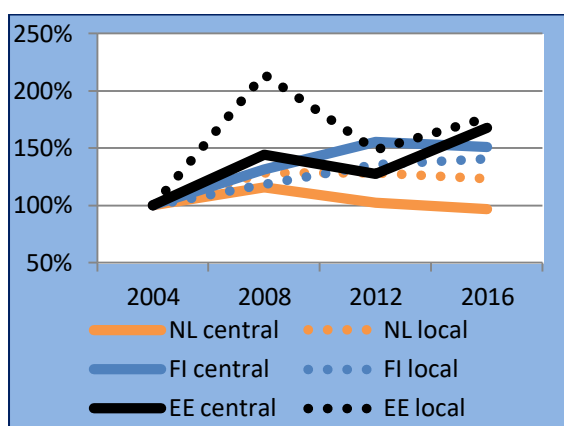
Cultural financing was and remained decentralised also in Poland just like in the Czech Republic.



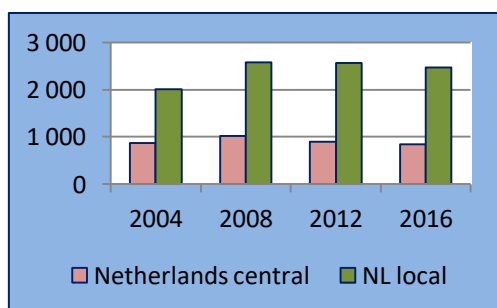
Hungary follows a unique path with the exceptional pace of centralisation, next to maintaining growth on the local level, too.



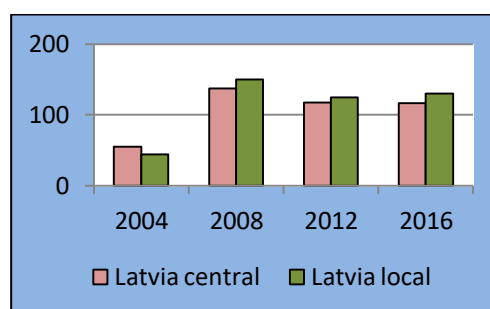
The third trio of countries displays the sudden rise and fall of local funding in Estonia, which happens to be very similar to the line of central funding in Poland.



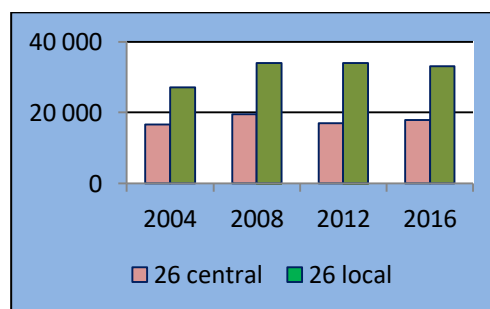
The same diagram revealed as another decentralised country, the Netherlands, in 2016 spent less on culture from central sources than twelve years earlier.



We shall finally see the Latvian case, the country that percentagewise devotes more to culture than anywhere else.

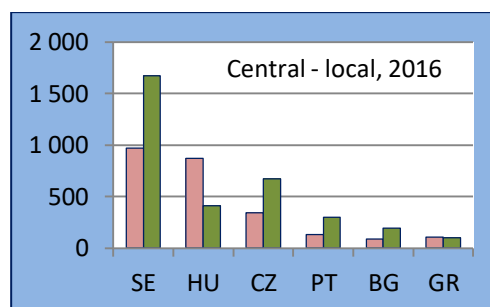


Regardless of the latest trend of centralisation which is moderate on the whole but striking in some individual cases, the basic pattern of public financing of culture in Europe shows that the majority is spent in regions and cities, even if the two to one rate in 2012 was gone by 2016.

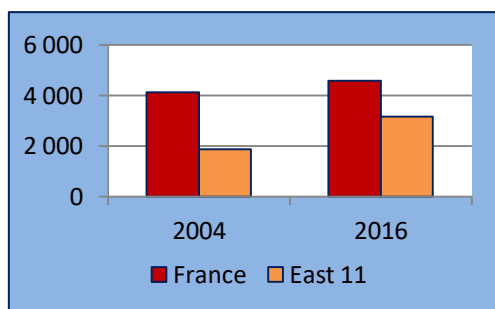


## Central and local cultural funding, million euro

Trends are important but obviously absolute amounts matter. In the next diagram the latest public central and local cultural expenditure of six middle sized European countries is presented on the same scale. In 2016, Swedish regions and municipalities got as much as all of the regions and municipalities in the five other countries.

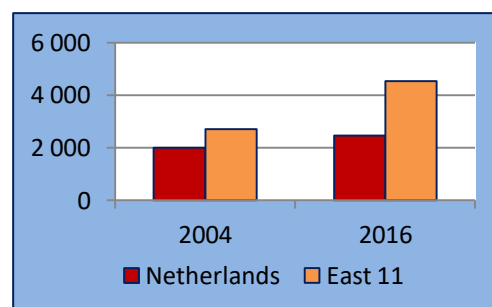


The habitual focus of the Budapest Observatory is the post-communist countries in east-central Europe. The analysis ends with matching of their combined amounts to selected western countries. We begin with the amounts of the cultural expenditure of the **central** governments.



In 2004 the French government spent 4,113 million on cultural services, more than double of the combined equivalent figure of 1,860 million in the east. By 2016, the total money earmarked to culture in the central budget of France increased to 4,583 million euro. Growing faster, the eleven states in the east altogether reached 3,150 million – still below the 2004 figure in France.

Our last graph is not about the small size of the eastern bloc. Instead, it celebrates the advance that the 11 post-communist EU members have made at financing **local**: regional and municipal culture.

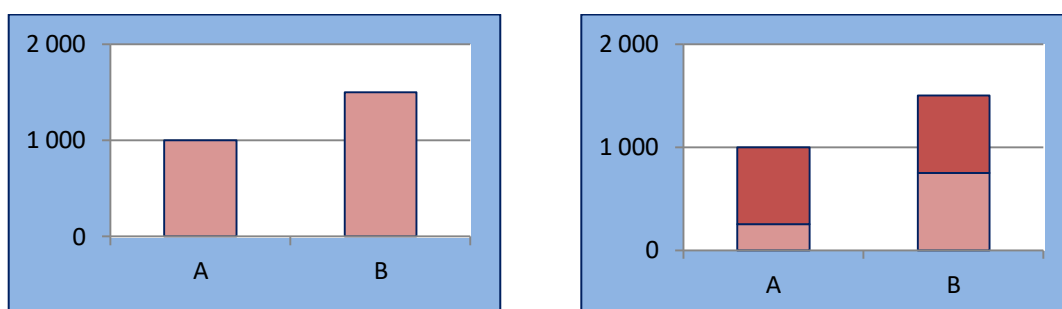


In 2004 Dutch cities and regions spent almost as much as the eleven countries together. In 2016 the respective eastern figure came close to double the amount of total local cultural expenditure in the Netherlands, which increased little.

## Conclusion

The preceding pages present plenty of facts about country level public financing of culture. These statistics, however, bring you closer only one step towards grasping the essence. The amounts of finance invested into culture clearly matter, as it was duly stated in the last section. To grasp what and how much really benefit culture nevertheless requires more knowledge about the content of public interventions.

Does culture in country (city) B flourish 50% more than in A in the picture below? For the answer we must know the internal structure of the funding. In the COFOG logic, this would mean going one digit deeper to see 08.21, 08.22 etc.



But then we must find a common language about the assessment of the cultural realm: consensual concepts, terms, indicators etc. about the vibrancy, vitality, strengths, assets, successes etc. of culture.

One rough general indicator would be the share of funding that affects the life of culture straight. If in A three quarters of the money directly **generates new value** or **facilitates citizens' interaction with culture**, financing in that place is on a par with B, where half of public funding is spent on overhead, bureaucracy and protocol, and is wasted on prestige projects and other nonsense.

How to define the dividing line between genuine cultural investment from the rest in statistical terms – it is of course not easy. On the one hand it is about **efficiency**. What share of the resources is spent on wrapping and empties, deadwood, miscalculated or overpriced acquisition etc? On the other hand it is about the soundness of **policy priorities**. Too little has been done to explore these issues. The diagrams in our paper cry for systematic comparative analysis of the cultural expenditure of the central governments of, say, Latvia and Portugal, or those of a typical municipality in Poland and Britain. Such research would nicely complement the dozens of mapping of the creative industries that have been and will be carried out across Europe.

Our conclusion therefore goes against the energy invested in the statistical analysis and visualisation in this paper. We should care less about the amount of funding (should especially stop mystifying percentages of GDP) and should focus on quality, on the soundness and effectiveness of financing.

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