



---

## THE ROLE OF THE MEMBER STATES IN THE TRANSFORMATION OF THE EUROPEAN UNION'S CULTURAL POLICY

Ákos TÓTH

Kecskemét College, Faculty of Mechanical Engineering and Automation, HUNGARY

---

### ABSTRACT:

The European Union (EU) is successfully implementing the liberal aspect into the controlling system of the cultural sector with its coercive power. The article is focusing on how the EU institutions force changes in the cultural policy of the member states. The author examines the role of the United Kingdom, France and Germany in the process of the communitarisation for a European cultural policy. The hypothesis is proved with the analysis of the audio-visual sector, the book market and the field of copyright. The author assumes that the institutions of the European Union with their coercive power help the communitarisation process among the member states' cultural policy.

### Keywords:

Cultural economics, Cultural policy, Communitarisation

---

## 1. INTRODUCTION

The economic growth of the cultural sector is one of the fastest growing sectors in the European Union. The number of the successfully functioning cultural institutions, the employment in the cultural sphere, the investment into artistic projects and human capital is increasing. The member states realize the importance of the development of culture. The wide range of cultural services and the preservation of national heritage have an indirect positive effect on the whole economy too. The member states of the EU don't use similar models for improving the efficiency of the cultural sector. On the one hand the various models in the cultural policy and financing models create a colourful cultural sphere based on the various cultures; on the other hand it can pull back the economic growth when these models cannot react flexibly on a so called Schumpeterian creative destruction. The appearance of the internet is a good example for creative destruction. Because of the internet and IT revolution caused fast development in various fields in the cultural sector such as the audio-visual sector, the book sector, the copyright and the preservation of the national heritage, the European Union and the member states decided to form regulations. The communitarian regulation process is not easy as the European Union has got no acquis (treaty) on culture.

## 2. CULTURAL FINANCING MODELS IN THE EUROPEAN UNION

The member states of the European Union can be categorized into three different clusters according to the size of the centralization of decision-making. Those countries belong

to the first cluster, which implement a highly centralized decision making in their model. France, Luxembourg, Greece and Portugal use this kind of institutional system. Other countries such as Italy or Spain decentralized their system in some fields. In the fiscal federalism based countries, like Germany, Austria and Belgium, the regions (Länder) have got major role in the financing of cultural projects.

The member states can be categorized from another aspect as well. The categorization is based on how big the direct governmental support of the cultural sphere is. With using this type of clustering there are three different models (Figure 1.): 1. Liberal model; 2. Dirigiste<sup>1</sup> model; 3. Federal model [7].

### 2. 1. The liberal model

The model's main motto is „*At arms length where possible, but involved where necessary.*”<sup>2</sup>. The United Kingdom, The Netherlands, Finland, Sweden, Denmark and Ireland are using this financing strategy. As the fiscal and political decentralization is the main characteristic of this model, the non-profit sector has a very important role in this system. The model is focusing on the liberalization of the cultural sector as much as it is possible without destroying the quality of cultural projects. To preserve high culture and the quality of the cultural services, the government establishes independent artistic committees, which are the main decision making institutions in the field of arts. The government is focusing on the indirect way of fiscal support for culture. The two basic methods for motivation are the tax incentives and the accountable, credible, predictable and transparent institutional system. The decentralization and the liberalisation are the key determinants in this model, as the consumer demands are satisfied in the free market where it is needed. This model shows the same characteristics in many ways with the American one [10].

### 2.2. The dirigiste model

This type of cultural financing is the opposite of the previously mentioned liberal method. The decision making is centralized; the direct governmental support for the culture is high. The focus is on using not market oriented incentives to reach high quality cultural production. In the countries in which this model is used, the productivity and the efficiency are the main incentives. The government delegates its officials into the artistic committees to help managing the central policy. The officials directly have influence on the cultural policy of the country and the regions too. This strategy is used in France, Spain, Italy and Greece to make the cultural sphere more efficient. The aim of these countries is to try to implement their cultural policy on the supranational level and to protect their national culture with a so called proactive strategy [7].

The dirigiste countries believe in the not-market-driven development of the creative sector. The main aim is to create an efficient cultural sector with high direct governmental support and political centralization.

### 2. 3. The federal model

The model is based on fiscal federalism. Germany, Austria and Belgium belong to this cluster. The model is trying to decentralize not only the fiscal resource allocation but the political decision making as well. The federal government's role is to indirectly control the resource allocation and to intervene when the regions are not able to successfully manage to do efficient allocation. In Germany the federal government covers 15-18 % of the expenditure on culture. The regions (Länder) take almost 80 % of the costs [9]. The federal states didn't support the formation of the cultural acquis of the EU as they raised constitutional constraints.

The previously mentioned models prove that the EU has got a wide range of cultural financing models, which help for the EU to flexibly customize to different changes. This variety can be a constraint too, as this cultural and fiscal diversity makes the communitarisation of the cultural sector more difficult.

<sup>1</sup> The dirigiste model is a legal based, centralized institutional model.

<sup>2</sup> This definition is used in The Netherlands' Law on Culture for indirect governmental support. [2]

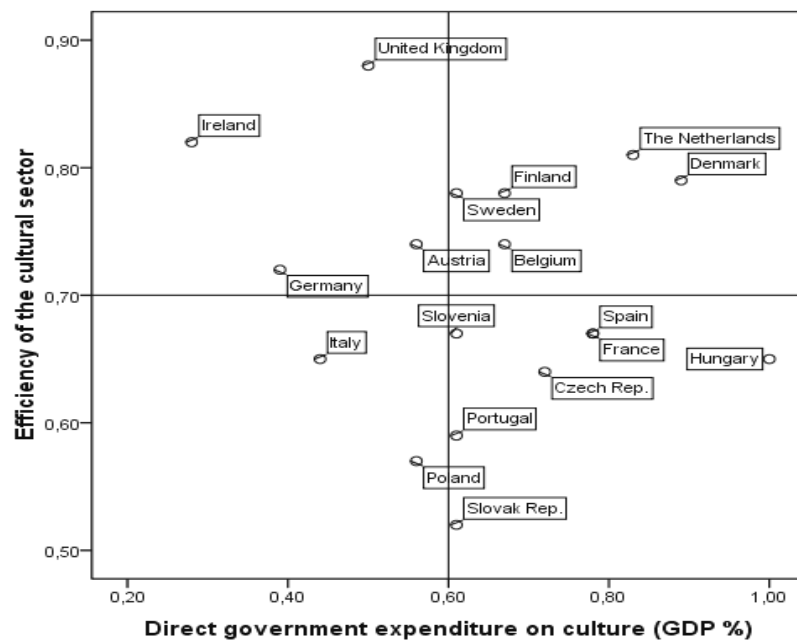


FIGURE 1.: CLUSTERING THE MEMBER STATES  
(Direct government expenditure vs. cultural efficiency<sup>3</sup>)

### 3. EXAMINING THE EFFECT OF DIRECT GOVERNMENTAL SUPPORT ON CULTURE WITH MULTIPLE CORRELATION MATRIX

As I try to create a soft determination of cultural efficiency, it is possible with using many different variables. The variables used in the correlation matrix are the same used in the cluster analysis. In the earlier stage of my research I assumed that the property rights have a major role in the size of the direct government support on culture [10]. Based on this hypothesis one of the variables is from the data of the Index of Economic Freedom signalling the freedom of property rights. The productivity of the cultural sector is another determining factor as with it we can analyse the development of the growth of the sector. Nowadays more and more researches emphasize the importance of creativity. To measure this factor I use a variable which indicates the investment into creativity, such as copyright or new inventions. Creativity is highly related with Human Capital. Human Capital is hard to be measured with one variable, but the Human Development Index can be used efficiently for this purpose. The employment rate of the cultural sector is another important factor as it is highly related to productivity and direct government support. Finally the demand side is examined by using the variable household expenditure on culture and recreation. In the correlation analysis I used the data of 18 EU member states (Table 1.).

The following consequences can be stated with analysing the results. There is positive correlation between direct government support and productivity or household expenditure on culture and recreation. The results empirically prove my assumption that the centralized, high direct government support has a negative effect on the freedom of property rights, motivating creativity and employment, in sum on cultural efficiency.

<sup>3</sup> Variables used to determine cultural efficiency (own model):

- Freedom of property rights (2003) (Source: *Index of Economic Freedom*)
- Productivity of the cultural sector (2003): (Source: *KEA European Affairs 2007*)
- Investment into creativity (2003) (Source: *KEA European Affairs 2007*)
- Employment in the cultural sector in percentage of total employment (2003) (Source: *KEA European Affairs 2007*)
- Household expenditure on culture and free time activities in percentage of GDP (2003) (Source: *www.oecd.org*)
- Human Development Index (2005): (Source: <http://hdr.undp.org/en/statistics/>)

Table 1.: Correlation Matrix  
Correlation coefficients, using the observations 1 - 18  
5% critical value (two-tailed) = 0,4683 for n = 18

Property rights	Productivity	Investment into creativity	Employment	Household expenditure	Cultural sector efficiency	Direct government support	
1,0000	-0,3560	0,5953	0,5614	0,1999	0,6814	-0,1439	Property rights
	1,0000	-0,4321	-0,1531	-0,2287	-0,4132	0,2363	Productivity
		1,0000	0,5673	-0,0931	0,9291	-0,2036	Investment into Creativity
			1,0000	0,3084	0,7607	-0,0404	Employment
				1,0000	0,2445	0,1139	Household expenditure
					1,0000	-0,1414	Cultural sector efficiency
						1,0000	Direct government support

(Own model)

As the dirigiste countries' model is based on the civil or continental law system, on central political and fiscal system and the liberal model is highly decentralized and based on the "rule of law" I decided to analyse the countries separately, clustering them by the used cultural financing model. With this method I assume that not only the size of the direct government support can be examined but how the different groups are able to implement it into their model (Table 2.).

Table 2.: Comparative analysis of the cultural financing models in the EU

Liberal	Dirigiste	Federal	
Direct government support	Direct government support	Direct government support	
-0,3851	0,4412	0,4349	Productivity
-0,6224	0,1073	0,8857	Investment into creativity
0,2361	0,0944	-0,9675	Employment
0,3064	0,1584	-0,1290	Household expenditure
-0,7683	-0,0979	0,9209	HDI
-0,4175	0,3247	0,8857	Cultural sector efficiency

(Own model)

The direct government support has a negative effect on almost all variables in the liberal model. As it was introduced in the theoretical part, this model prefers indirect incentives such as tax reduction or strengthening the non-profit sector. There is weak positive correlation between government expenditure on culture and employment and household expenditure. This model believes that the individual utility maximalization is based on the freedom of property rights, the motivation of creativity and the development of human capital.

The dirigiste model is increasing cultural efficiency with high direct government support. The results show that the state's coercive power is increasing productivity in an efficient way. The correlation is weaker when comparing employment and household expenditure to the data of the liberal model.

The federal model is efficiently implementing the direct government support on creativity and HDI, but the tendency is different when analysing employment or household expenditure. In this section I tried to prove my assumption that the difference in the size of the state support on culture has an important effect on cultural efficiency and cultural financing method as well.

As a conclusion I argue that the variety of consumer demands, the different governmental support and the type of decentralization have a strong effect on the efficiency of the cultural sector. In the next chapter I am examining how the member states act in the communitarisation of the cultural policy of the European Union.

#### 4. THE COMMUNITARISATION PROCESS

The European Union pinned down itself to establish the liberalisation of the economy in the Treaty of Maastricht. The Article 151 of the Treaty of Amsterdam contains some regulations accepted by the member states and the community on culture although it is still not an *acquis*. The first regulations cover the audio-visual sector, the book sector and the field of copyright. In the communitarisation process of these sectors two countries took the major role, the United Kingdom and France. Both of the countries tried to put its legal system based controlling system onto a supranational level. The United Kingdom emphasised the positive effects of the liberalisation and the “rule of law”, while the French focused on the protectionist way of controlling originated from the “civil law”. Both sides were supported from other member states. These supporters are the same, who use either the liberal or the dirigiste model, mentioned in the previous chapter. The dirigiste group decided to use the proactive strategy during the negotiations as they build their strategy on the cultural pessimist view or the so called aesthetic approach (Tóth 2008). They thought if they can win against the liberal way of controlling, their national culture will be safe for the future and they will have the possibility of getting into new markets (Littoz-Monnet, 2003). Germany, as using the federal model, supported the United Kingdom and its liberal way of harmonization in the fields of the audio-visual sector and the copyright, but had another opinion on the book sector, so in this question voted beside France. We can see that the communitarisation process in these three questions was not easy but the result is successful and long lasting for the future. Finally the European Commission, the Directorate General and the European Court of Justice accepted the liberal way of harmonization represented by the United Kingdom and other liberal countries.

This previously mentioned communitarisation process opened the possibility of creating a cultural program for 2007-2013 in much bigger consensus. The Programme is aimed at three specific objectives [4]:

- ✚ promotion of the trans-national mobility of people working in the cultural sector;
- ✚ support for the trans-national circulation of cultural and artistic works and products;
- ✚ promotion of inter-cultural dialogue.

The agreement is emphasizing the importance of the harmonization on regional, national and supranational level. “The Programme has been established to enhance the cultural area shared by Europeans, which is based on a common cultural heritage, through the development of cooperation activities among cultural operators from eligible countries, with a view to encouraging the emergence of European citizenship” [4]. The EU believe that the Commission has to intervene only when the member states are not able to cope with the EU regulations and they need community help in the successful achievement. The advantage of this approach is that the member states don’t regard the European Union’s aims as being compulsory, so they feel free in the method of implementing the common cultural policy in praise of the Treaty of Maastricht.

#### 5. CONCLUSION

The article’s main aim was to prove that the member states in the European Union use many different cultural policies and financing strategies to improve their cultural efficiency. The author assumes that because of the wide range of creativity, consumer demands, cultural policy and cultural financing models, the establishment of the *acquis (treaty)* on culture is a very challenging and long-lasting process in the European Union. The creative destruction created new situation can force the European Union to make new regulations to protect the freedom of property rights. This tendency was accomplished in the audio-visual sector, the book sectors and the field of copyright.

---

#### REFERENCES

- [1] Becker, G.: Human Capital. A Theoretical and Empirical Analysis with Special Reference to Education. The University of Chicago Press, Chicago, 1993.

- [2] Council of Europe/ERICarts: Compendium of Cultural Policies and Trends in Europe. 8th edition, The United Kingdom, France; Germany, The Netherlands., 2007.
- [3] Csaba L. A fölemelkedő Európa. Akadémia Kiadó, Budapest, 2006.
- [4] Culture Programme 2007-2013, downloaded: 13, August, 2008 [http://eacea.ec.europa.eu/culture/guide/documents/culture\\_programme\\_guide\\_en.pdf](http://eacea.ec.europa.eu/culture/guide/documents/culture_programme_guide_en.pdf) 2008.
- [5] KEA European Affairs: The Economy of Culture in Europe. European Commission. <http://www.keanet.eu/ecoculture/studynew.pdf> 2007.
- [6] Littoz-Monnet, A.: European Cultural Policy: A French Creation? French Politics, Volume 1., No. 2., 2003. 255–278.p
- [7] Littoz-Monnet, A.: The European Union and Culture. Manchester University Press, Manchester, 2007.
- [8] Streeten, P.: Culture and Economic Development. In: Handbook of the Economics of Art and Culture. Volume 1., Chapter 13., Elsevier. 2006.
- [9] Tóth Á. Németország és Magyarország kulturális szférájának kultúra-gazdaságtani elemzése. A GAMF Közleményei, 2007a. 119–131. p.
- [10] Tóth Á. Az intézményi rendszer szerepe a globalizáció hatására átalakuló kultúrafinanszírozásban. *Competitio*, 2., 2007b. 131–147. p.
- [11] Tóth Á.: A tagállamok szerepe az Európai unió kultúrpolitikájának formálódásában. *Külgazdaság* LII. évfolyam 2008/5-6. 74-87. p.
- [12] Van Der Ploeg, F.: The Making of Cultural Policy: A European Perspective. In: Handbook of the Economics of Art and Culture. Volume 1, Chapter 34, Elsevier. 2006.