

# Financing the Arts in France<sup>1</sup>

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## ABSTRACT

France is known as being the country of cultural interventionism. This paper tries to detail sources of funding for the arts and heritage in France coming from the State, local authorities but also companies and households, showing that the part of the State is not the largest one. Nonetheless, it is vital for cultural institutions to rely on this public funding as it can be considered as a lever for other funding. And despite the official reassuring speech in France, we can fear that public funding is going to decrease for the coming years.

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Arts Policy  
Funding

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Culture

Local Authorities

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Cultural  
Democratisation  
and Democracy

Heritage

Sponsorship

Households'  
Cultural  
Consumption

In these times of public deficits and budget cuts, of expected decrease in household purchasing power and economic difficulties, artistic, intellectual and media circles question the future of cultural policies and of financing streams for the arts and culture. But what does “financing culture” mean? Are we referring to the arts, or what we call “fine arts”? Should Cultural industries, or the “entertainment industry” be included? And what about including handicraft, design, and more generally the creative industries? Or even leisure activities in general, including sports and non-profit organizations?

These questions about the limits of the concept of “culture” which are central in France, should not be considered as simple theoretical or academic questions, but directly impact the financing cultural goods and services, more precisely the nature of their financing (public or private) and its legitimacy.

When the French Ministry of Culture (Ministère des Affaires Culturelles) was created in 1959, it was first of all a ministry for “fine arts”, the aims of which being “to facilitate the access of major works of arts worldwide, in particular of French works of art, to a greater number of French people; to make cultural heritage available to a bigger audience, and to promote the creation of works of art to enrich this heritage” (decret 24<sup>th</sup> July 1959). The initial domain of this ministry was rather close to that of the Arts Council in Great Britain, created by John Maynard Keynes in 1945, although the latter was a non-departmental public body, and so was less dependent on the State, even if it had to distribute public funds with the approval of the government.<sup>2</sup> We can consider that, in the 1960’s, the concept of “culture” in France was close to that of “arts and heritage” in Britain.

With the increasing power of cultural industries on the one hand, and the development of new cultural practices, far from the legitimate ones on the other, the field of the French Ministry of Culture has widened since the 1980’s, and the concept of “cultural democratization” has evolved into that of “cultural democracy”. This concept of “cultural democracy” no longer implies to promote a “legitimate culture” or to try to widen its access, but to promote all kinds of cultural practices originating in the people themselves, therefore sustaining cultural diversity.<sup>3</sup> This wider field, associated with an increasing interest in the economic and social impact of cultural activities led to an evolution of the concept of culture, closer to a broad, ethnographic sense, defined in the later part of the

nineteenth century by the British anthropologist Edward Burnett Tylor as “a complex whole which includes knowledge, beliefs, arts, morals, laws, customs and any other capabilities and habits acquired by man as a member of society.”<sup>4</sup>

“Ceteris paribus”, a similar evolution started in Great Britain in the 1990s under Tony Blair’s government, as we can see with the publication of the report *A Creative Future: the Way Forward for the Arts, Crafts and Media in England*.<sup>5</sup> The first principle clearly refers to a broader ethnographic conception of culture as the arts, handicraft and media may offer inspiration and pleasure, they may help people understand their relation to the other and the community in general.<sup>6</sup>

In an institutional way, this evolution led, in particular, to the evolution of the Department of National Heritage created in 1992 by John Major’s government, into Tony Blair’s government’s Department for Culture, Media and Sport (DCMS) in 1997, showing a closer connection between French and British conceptions. A relative convergence between French and British approaches was noted. Even if these traditional financing models are based on opposite grounds, with a relative suspicion against a strong implication of the State in Great Britain, as opposed to a legitimacy and a historically strong demand for public financing in France, they have converged since the 1990’s.<sup>7</sup> Today, the traditional models of funding are disturbed by the effects of the general financial and economic crisis, as well as by public deficits and debts in most developed countries. It means cuts in cultural budgets and the necessity for cultural institutions of looking for private funding.

## Public financing for Arts in France: less than 25% of total financing

The main and constant idea is that culture or arts, in France, are widely financed by public funds, more precisely funds from the Ministry for Culture and Communications, as France is known as a historically strongly centralized country. There has been a permanent myth, since Jean Vilar in the 1950s, that the budget of the French Ministry for Culture should reach 1% of the Budget. This goal has been partly reached since the end of the 1990s, even if it is more and more difficult to define the scope of public expenditure for culture. Nevertheless, this symbol is

<sup>2</sup> David Looseley, in Philippe Poirrier (dir), *Pour une histoire des politiques culturelles dans le monde, 1945-2011*, Comité d’Histoire du Ministère de la Culture/La Documentation française, 2011, p.389-409.

<sup>3</sup> See Sylvie Pflieger, “De la démocratisation à la démocratie culturelle: Le cas de la France”, in *Expressions culturelles et identités européennes*, dir. Gilles Rouet et Radovan Gura, édition Bruylant, collection Identités et cultures en Europe, 2012, p.81-99.

<sup>4</sup> Edward Burnett Tylor, *Primitive Culture*, New York, JP.Putnam’s Sons, 1920 [1871], p.410.

<sup>5</sup> See Arts Council of Great Britain, *A Creative Future: the Way Forward for the Arts, Crafts and Media in England*, London, HMSO, 1993.

<sup>6</sup> See David Looseley, in Philippe Poirrier (dir), *Pour une histoire des politiques culturelles dans le monde*, Comité d’Histoire du Ministère de la Culture/La Documentation française, 2011, p. 402.

<sup>7</sup> French cultural policies are often referred to as “monarchical policies”. Doustaly Cécile, 2007, “English Arts Policies since 1990: Laissez-faire, Interventionism or a Hybrid Model?”, *LISA e-Journal*, volV, n°1.

the proof, for many people, of a strong involvement of the State in culture. In Britain the proportion of DCMS spending within total government spending was only 0.35 % with local authority spending being at least as important during the period.<sup>8</sup>

But an accurate analysis of public cultural spending shows that the French Ministry for Culture is far from financing the total cultural expenditure, first because other ministries play a key role and secondly because local authorities are greatly involved as they are closer to local specificities of their territory. And, more generally, one cannot ignore the effects of tax policies which are favorable to the arts (reduced VAT rates on some cultural goods such as books for instance...) and which, in an indirect way, contribute to financing the arts. We cannot place these different sources of public funding on the same level, because the Ministry for Culture and Communications acts as a major support and leader; nevertheless we must not under-estimate the impact of local financing.

### ***The reasons for public funding***

Public funding for the arts has been justified on historical, economic and sociological grounds. The government has traditionally played an important role in France, when France was a Monarchy as well as later when it became a Republic, mainly because France has a highly centralized government. So, we could go as far as to describe it as “royal sponsorship”, kings being traditionally the protectors of artists (see for instance François I with Leonardo da Vinci during the Renaissance period) or the creators of prestigious cultural institutions (e.g. the “Comédie Française” during the reign of Louis XIV). The French revolution did not disrupt this link between the arts and government. In the nineteenth century, the Third Republic set up a cultural policy based on the protection of cultural heritage (including inventory) and on the creation of an artistic educational program. The creation of the first Ministry in charge of “cultural affairs” in 1959, headed by André Malraux as “State Minister”, was the consecration of the power of the State on culture.<sup>9</sup>

In economics, cultural goods and services (except the cultural industries) are included into the category of “public goods” (despite the fact that they are not “pure public goods”), which means indivisibility, non-rivalry in consumption, externality, and a marginal cost of consumption equaling zero. This implies that public financing rather than market rules are called upon.<sup>10</sup> Moreover, William Baumol and William Bowen’s analysis of the growing deficits of the

main American orchestra and Broadway musicals<sup>11</sup> led to justify public intervention in financing the performing arts, and the arts in general. They concluded that the performing arts sector could not increase its productivity and should thus be considered as an “unproductive” sector, facing permanent growth of relative costs while other economic sectors could improve their productivity, and then increase salaries and profits and/or reduce costs. The rise of relative costs in the performing arts could not be transferred on ticket prices (which could result in a decrease in the audience), the only way to save money was to cut charges. But these cuts could imply “low cost” productions with an inferior quality, and in the long term, a decrease in audience turnout. Performing arts would thus be subject to this “cost disease” and economic deficit. Baumol and Bowen have argued that to be sustainable, artistic activities must benefit from outside financing, either from sponsorship, foundations (for instance in the United States or England) or from public funding (as France).

More generally, we justify the public financing of culture by arguing the risky character of artistic creation. Thus cultural goods, which are associated with the concept of creativity, are fundamentally risky goods, and producers as well as distributors are in a situation of great uncertainty; cultural goods are then usually defined as prototypes: “in the artistic field, prototype is as much the final product as the series. It means that any difference between the nature of the good and the consumer taste deprives the producer of the expected rate of return of the production and may stop him getting back his costs.”<sup>12</sup> Taking into account these risk factors confirms the Baumol costs’ disease law, and justifies the financial support of artistic goods.

From a sociological perspective, Pierre Bourdieu works pinpointed longlasting inequalities in the way people access culture, and a reproduction of these inequalities, generation after generation. This is why making culture more accessible has always been a goal of cultural policies in France through concepts of “cultural democratization”, “cultural democracy”, “cultural diversity”, or “culture for all”, which resulted in special measures such as pricing policies (including free entrance), more widely and evenly distributed cultural equipment throughout France, or artistic education for all in schools.

### ***The power of the Ministry for Culture and Communications***

A long-run analysis since the creation of this ministry in 1959 shows a real increase in expenses during the

<sup>8</sup> Between 2000 and 2003 depending on the calculation methods. See R. Hewison, “Cultural Policy”, in A. Seldon, (ed.), *The Blair Effect*, London: Little, Brown & Company, 2001, p. 542; Centre for Cultural Policy Research, *Public Spending on the Arts within the UK*, Glasgow : Glasgow University, 2004, p 10.

<sup>9</sup> See Xavier Greffe, Sylvie Pflieger, *La politique culturelle en France*, Paris, la Documentation française, 2009, chapter 1.

<sup>10</sup> See for instance David Throsby, *The Economics of Cultural Policy*, Cambridge University Press, UK, 2010.

<sup>11</sup> See William Baumol, William Bowen, *Performing Arts: The Economic Dilemma*, New York, The Twentieth Century Fund, 1966.

<sup>12</sup> See Xavier Greffe, “L’économie de la culture est-elle particulière ?” ; *Revue d’Economie Politique*, 120, (1), janvier-février 2010, p.6.

| Year | %    | Year | %    | Year | %    |
|------|------|------|------|------|------|
| 1960 | 0.38 | 1981 | 0.47 | 1994 | 0.95 |
| 1969 | 0.42 | 1982 | 0.76 | 1995 | 0.91 |
| 1970 | 0.37 | 1983 | 0.79 | 1996 | 1    |
| 1971 | 0.41 | 1984 | 0.84 | 1997 | 0.97 |
| 1972 | 0.47 | 1985 | 0.86 | 1998 | 0.95 |
| 1973 | 0.55 | 1986 | 0.93 | 1999 | 0.94 |
| 1974 | 0.61 | 1987 | 0.86 | 2000 | 0.97 |
| 1975 | 0.56 | 1988 | 0.81 | 2001 | 0.97 |
| 1976 | 0.55 | 1989 | 0.86 | 2002 | 0.97 |
| 1977 | 0.56 | 1990 | 0.86 | 2003 | 0.9  |
| 1978 | 0.56 | 1991 | 0.94 | 2004 | 0.94 |
| 1979 | 0.52 | 1992 | 0.98 | 2005 | 0.96 |
| 1980 | 0.51 | 1993 | 1    |      |      |

TABLE 1. PART OF CULTURE AND COMMUNICATION MINISTRY BUDGET INTO GENERAL BUDGET OF FRANCE

Source : From Culture and Communication Ministry statistics/DEPS

first 40 years till the end of the 1990s, which represent in part from the French Budget, from 0.40% to more than 0.90%, even 1%. (table 1) The increase is not linear, the budget being quite steady (in part from the Budget) till 1981 – except for peaks during a short period in the 1970s due to the building of the Pompidou Center (finished in 1977). Then it rose, first significantly in 1982, then throughout the 1980s, under François Mitterrand's presidency and Jack Lang's office as Minister for Culture when the goal was clearly to allocate "1% of the Budget" for culture. The peak in funding was reached in the 1990s. TABLE 1

Making sense of data becomes less easy from the beginning of the 2000s, as new budgetary norms (LOLF<sup>13</sup>, 2006) made it impossible to follow the budgets of the various ministries. The cultural budget distributed between the mission called "Culture" —

divided itself into three programmes: heritage, creation, and knowledge transmission and democratisation of culture — the mission Media and cultural industries and the programme "cultural research and scientific culture".<sup>14</sup>

The budget of the French Ministry for Culture and Communications rose to 400 million euros in 1980, 914 in 1982, nearly 1600 in 1990, 2000 in 1995 and a little over 2600 in 2004. In 2005, the budget of the "mission Culture" and the program "cultural research and scientific culture" rose to about 2800 million euros, and then rose more or less with the pace of inflation to about 3000 million euros in 2010. In 2011, according to the last and larger perimeter, the cultural budget had reached roughly 4200 million euros. The mission "Culture", can be considered as the core of these expenses, close to the concept of

<sup>13</sup> LOLF : Loi Organique pour la Loi de Finances.

<sup>14</sup> See Sylvie Pflieger, *La culture. A quel prix ?*, Ellipses, 2011, p.132-133.

“legitimate culture”. Looking more closely at the 2700 million euros it received in 2011, one notes the priority clearly put on democratisation as the programme “cultural research and scientific culture” obtained 38% of the total (nearly 1000 million euros), followed by the programmes heritage (868 million euros) and creation (737 million euros) — 90% of the latter being devoted to the performing arts.<sup>15</sup>

In England, the context was different as public funding for the arts and heritage (both from the government and the National Lottery) represented about 575 million pounds in 2009-2010<sup>16</sup>, which is about four times less than the budget of the mission “Culture” on its own, and the DCMS funding being a mere 0.35% of the total State Budget.

Till 2012, the French Minister for Culture and Communications announced the maintenance<sup>17</sup> of the Ministry’s budget. “In a harsh economic climate, when most European countries have had to cut their cultural expenses<sup>18</sup> drastically”, the “French exception” was emphasized, the French government “looking toward a future when culture plays a central role in France, promoting social bonds, economic dynamism, stronger appeal for territories”<sup>19</sup>; or in January 2012: “...No country in the world increased its cultural budget as much since the unprecedented worldwide crisis in the last three years...For the first time since 1945, State expenses decreased but the cultural budget increased.”<sup>20</sup>

But we must add that this was only a forecast, and, even before the vote of the budget, some limited cuts were decided (notably for heritage). Moreover, the French National Assembly voted in February 2012 a bill of supply which cut the budget of the mission “Culture” ( - 34.1 million euros), as well as the mission “Medias and cultural industries” ( - 22 million euros) and that of cultural diplomacy ( - 6.2 million euros), for a total loss of about 62 million euros. Budgetary tightening was also announced in 2013 as the expenses of the mission “Culture” totalled 2600 million euros (3% decrease), the programme “heritage” being the most affected (10% decrease) as the programmes “creation” and “knowledge transmission” were more or less steady. If we consider the total expenses managed by the ministry for Culture, we can register a 2.37% decrease. One may expect decreases in the next budgets.

### **Other ministries**

The budget of the Ministry for “Culture and Communications” is in fact the emerged tip of the

iceberg, and does not reflect the total public financing from the government. Other ministries play a role, for instance in maintaining their buildings (although the latter belong to the “heritage” category), or collaborate with the Culture and Communications ministry. Thus the Education and the Foreign Affairs Ministries directly contribute to French cultural policy and bring nearly 80% of total financing coming from “other ministries (about 2800 million euros out of 3600 in 2010). The Education Ministry is in charge of financing artistic education in schools and colleges (2100 million euros) and the Foreign Affairs is responsible for French foreign cultural actions (757 million euros). The power of these other ministries seems to be stable, although it has slightly decreased in the past years, probably because of the necessity to emphasize their own institutional priorities in a general difficult economic climate. One can thus estimate that total State cultural financing reached about 7.8 billion euros in 2010, which is roughly 2.5% of the French Budget.

In addition to its expenses, the State can, with an appropriate tax policy, support both the arts and the media. For instance, books in France benefit from a reduced VAT rate (5.5%) as a means to encourage reading practices. The cinema industry benefits from the French “cultural exception”. Built heritage restoration benefits from fiscal aids, and works of art from different tax measures to help keep them in France (especially in French museums but also in French private art collections). All this represents a fiscal expense, which is a great help for financing arts.

### **Local authorities**

Local authorities, mainly towns, did not wait for the 1982 decentralization laws<sup>21</sup> to support the arts and heritage and to play a key role in supporting artistic education in particular (music schools for instance), public libraries, or municipal museums. In 2006, all local authorities spent nearly seven billion euros for culture, which is close to the State expenses, mainly from towns or groups of towns (70%, or 5200 million euros), the expenses of counties (départements) and regions being of a much smaller amount, respectively 1300 and 555 million euros. This betrays a real will to look after and care for culture and the arts from these local authorities, which respectively spent 8.1%, 2.2% and 2.5% of their total budgets.<sup>22</sup> Local authorities have been more interested in culture since the beginning of the 1980’s to reach a peak of 54% of total public financing by the mid 1990’s, a proportion which has regularly decreased since then. In fact, towns in

<sup>15</sup> See Sylvie Pflieger, op.cit, p.128-133.

<sup>16</sup> See “Investment in the Arts and Culture”, Arts Council England.

<sup>17</sup> In French called “sanctuarisation”.

<sup>18</sup> See for instance the French newspaper *Le Monde*, 29-12-2011, « L’Europe de la culture au rabot de la rigueur »: drop in central State cultural budget : -7,4% for United Kingdom, -7,1% for Italy, -7% for Netherland, -16,70% for Italy.

<sup>19</sup> See Frederic Mitterrand’s speech : “le choix courageux du gouvernement français ... qui regarde vers un avenir où la culture a toute sa place en France, comme facteur de lien social, de dynamisme économique, d’attractivité renforcée de nos territoires”, 28 September 2011.

<sup>20</sup> Nicolas Sarkozy, Marseille, 24 January 2012.

<sup>21</sup> The decentralization law in 1982 recognizes 3 administrative levels: regions, counties and towns, and gives them more powers in education, social protection, transports... for instance.

<sup>22</sup> See Jean-Cédric Delvainquière, Bruno Dietsch, “Les dépenses culturelles des collectivités locales en 2006”, Ministère de la Culture et de la Communications, DEPS, *Culture Chiffres*, 2009-3.

particular have faced increasing debts after much investment (public libraries, museums...) and increasing welfare expenses for social protection. There are little more recent reliable statistics, but trends indicate a decrease in these cultural expenses in 2012 as well as for the coming years. More worrying, there is a vicious circle: a decrease in State expenses often tends to lead to a further decrease in local expenses, which emphasizes the key role of the State as prescriptor.

Very roughly we can say that total public financing for culture rose, at the end of the 2000's, to about 14.8 billion euros, including 52.6% (7.8 billion) from the State and 47.4% from local authorities (7 billion). Public funding for the arts amounts to 230 euros per inhabitant, compared to 22.6 pounds in 2009-2010 in the United Kingdom, including the Arts Council, the National Lottery and local funding.<sup>23</sup>

These figures related to France must be taken as a rough estimate, first because they come from different budgets referring to different years (although the trend was reliable and figures did not change much from one year to another), and secondly because they do not take into account transfers between different administrations (as the State gives a global endowment to local authorities and there are transfers between them).

Subject to these methodological reductions, public financing for culture is quite balanced between central and local authorities, even if the State plays a key role in initiating projects and in guaranteeing their quality. There is a cooperation or a complementarity between the two, which was initiated in the 1970s with Ministers Jacques Duhamel and Michel Guy, who worked to set up a "cultural governance [...] in order to facilitate cultural projects and raise common funds from the State and local authorities."<sup>24</sup>

The question today is to know whether this balance will continue in the future, as the State seems to reduce more and more its support to local initiatives, on the one hand and on the other as local authorities have more and more difficulties in coping

with rising expenditures.

## Private cultural financing in France

Even if public funding for culture may seem very important when compared to other countries, keeping only this public resource in mind would give a wrong picture of cultural funding in France. Indeed, private individuals, through their purchase of cultural goods and tickets to public cultural institutions, as well as firms through advertising and sponsorship, contribute, for the most part, to cultural financing.

### **Private individuals: the first providers of cultural resources**

It is rather difficult to measure the role of households' cultural expenses, because of the definition of the cultural field. Looking at the cultural field as an economic sector, including cultural industries, different surveys estimate that cultural expenses represent about 4% of the households' total budget, this percentage being quite steady. According to the last survey published by the French Ministry for Culture<sup>25</sup>, these expenses (except telecommunications expenses) rose to 46 billion euros in 2007, which is 4.4% of the households' total expenses. These expenses are mainly divided between cultural goods and services for a total of 26 billion: 10.6 billion for books, newspapers, magazines..., 5.5 billion for "cultural services" such as movies,

theaters, museums..., 20 billion euros for equipment and after-sale services (including 15 billion for TV sets, computers, audio/video recorders...). The latter are not really cultural expenses but are necessary spendings to access some cultural products and are thus included.

Households then spend roughly three times the amount of public funding (14.8 billion euros). However, they do not finance the same kind of goods and services: households mainly support the cultural industries, whereas public administrations support

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<sup>23</sup> See UK Arts Index Report, NCA (National Campaign for the Arts), December 2011.

<sup>24</sup> See Guy Saez, in Philippe Poirrier, René Rizzardo : *Une ambition partagée ? La coopération entre le ministère de la culture et les collectivités territoriales (1959-2009)*, Comité d'Histoire du ministère de la Culture, 2009, p.23-46.

<sup>25</sup> See Chantal Lacroix, "Les dépenses de consommation des ménages en biens et services culturels et telecommunications", Ministère de la Culture et de la Communication, DEPS, *Culture Chiffres* 2009-2.

“public goods” characteristics of the arts, namely: heritage, artistic creation and education. The State is responsible for heavy investments and plays a key role in influencing cultural practices. We can explain, for instance, the good level of maintenance of French heritage buildings and sites by public spending, preserving what we call the “existing value” of this heritage.

### **More and more is requested from companies**

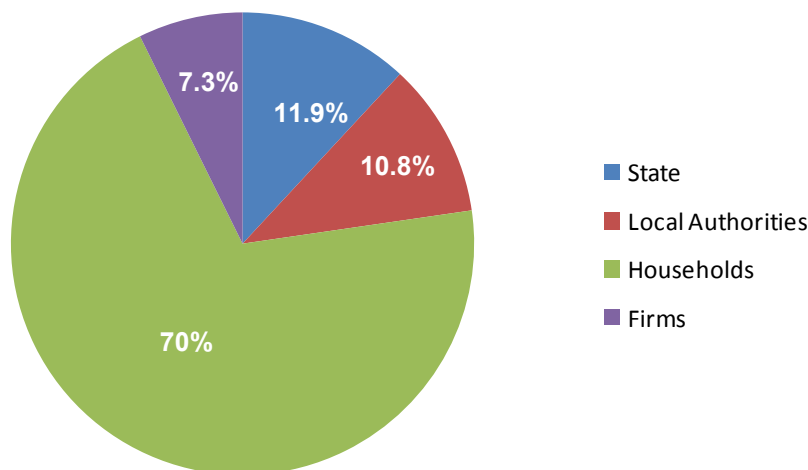
Some experts consider that advertising in the media such as television, radio, newspapers and magazines, movies, and the Internet today also amount to cultural funding. Advertising resources from the media, with the exceptions of newspapers and magazines rose to 4.4 billion euros, the main part (4 billion) going to radio and television.

Sponsorship has a stronger impact on the arts and heritage ecology. Sponsorship is highly promoted by the State, and encouraged by attractive tax laws, mainly those voted in 1987 and 2003. Thus, companies can deduce 60% of the amount of their donation from their taxes within the limits of 0.5% of their turnover, the potential surplus being reported on the five following tax years. Despite these laws, which are possibly the most attractive in the world, sponsorship and the creation of foundations have remained limited in France, compared to the United States or England. Compared to 30,000 foundations in the cultural sector in the United Kingdom<sup>26</sup>, France only totaled 1,800 foundations in 2010 (plus 500

donation funds) — with a rapid increase consecutive to the 2003 law.<sup>27</sup>

Cultural sponsorship increased during the 1990s and the early 2000s to reach 1,000 million euros in 2008 (39% of total sponsorship), but dropped to 380 million euros in 2010 (19% of total sponsorship), to return to 494 million euros in 2012. These fluctuations betray the fragility of this resource and the risk for cultural institution’s managements to face unexpected cuts to their budgets, therefore threatening artistic projects, which usually take more than one year to come to fruition. In these times of economic crisis and rising social difficulties, companies tend to favour sponsorship in the social, education or health sectors. They tend to opt for « cross sponsorship », and expect a social action towards a better integration of fragile and excluded populations. They less and less support “purely artistic productions” with no obvious social aim attached. Other companies try to conciliate their sponsorship strategy with their wish to play an active role where they live, and develop “competence” sponsorship, by giving practical help. For example, a building company may offer to restore a local castle.

Total cultural expenses from companies rose to 4.8 billion euros in 2010, sponsorship representing about 8% of this amount, advertising expenses being roughly equivalent to those of the Ministry for Culture and Communications. The comparison with England throws light on a different funding allocation: cultural sponsorship in France represented about 18% of the mission “Culture” in 2012, whereas it was roughly similar to the government endowment in Great Britain.<sup>28</sup>



GRAPH 1. PUBLIC AND PRIVATE ALLOCATION OF CULTURAL FUNDING IN FRANCE

<sup>26</sup> See Cécile Doustaly, “English Arts Policies since 1990: Laissez-faire, Interventionism or a Hybrid Model?”, *LISA e-Journal*, volIV, n°1, 2007.

<sup>27</sup> See Fondation de France/Centre français des fonds et fondations/Viviane Tchernonog, *Les fonds et fondations en France de 2001 à 2010*, mai 2011.

<sup>28</sup> See Cécile Doustaly, *op.cit.*, 2007.

## Cultural financings allocation in France

Despite the methodological difficulties involved in adding different sources of financings, the following graph presents a rough estimation of the varied allocations of cultural funding in France<sup>29</sup> (graph.1).

In 2010 the whole cultural field received about 65.5 billion euros, nearly 12% from the State and 11% from local authorities, which means that public financing represented less than 25% of total resources for culture. The main resource came from private funding, mostly from households (70%), companies bringing a mere 7%.<sup>30</sup>

This amounted to 122 euros per inhabitant coming from the State, 110 euros from local authorities, 75 euros from companies (advertising and sponsorship), and 716 euros from private individuals' purchases.

This allocation has been relatively steady since the mid 1980s and proved a kind of balance between different actors had been reached, each of them having their own role to play. Despite the limited percentage of public funding, it would be dangerous to think that reducing it would be of no consequence. In fact, the nature of these financings greatly differs: households' purchases cannot support heritage, or high artistic quality institutions in remote parts of the territory, artistic education or the promotion of artistic creation. Moreover, the historically centralized French administration is still strong, and if the percentage of funding from the Ministry for Culture is small (less than 7%) it nevertheless plays a key role as it acts as a lever, because it has been up to now permanent, signaling long-term objectives, and attracting other sources of funding such as that of local authorities and sponsorship. If there is no strong and clear willingness of the State, we can expect that local authorities as well as sponsors will withdraw from cultural projects.

But even before the announced decrease in public cultural expenses in 2013, some worrying signs could be observed. Public institutions under the State

authority have been suffering since 2009 from an annual decrease of 5% in their public subsidies on average (apparently a smaller decrease is anticipated in 2012). There is a growing pressure to encourage cultural institutions to increase their own resources – space rental, film-making, sales in museum shops, branding... The mission for the maintenance of historical heritage seems to be greatly threatened: more and more historical buildings are sold to private buyers by “France Domaine”<sup>31</sup>. As some Members of Parliament have denounced, “our heritage is being sold off without knowing what it will become. We are

talking about pieces of our national history”.<sup>32</sup> Paris is not the only city to be affected, and complete figures on how many public buildings have been sold in regions, notably by states of the United Arab Emirates, are still unknown. Will culture remain a protected public sector in France?

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THERE IS NO STRONG AND CLEAR WILLINGNESS OF THE STATE, WE CAN EXPECT THAT LOCAL AUTHORITIES AS WELL AS SPONSORS WILL WITHDRAW FROM CULTURAL PROJECTS.”

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## New prospects

There are four categories of resources for artistic institutions in different proportions according to their cultural field and status: public financing, sponsorship, ticket receipts and other own resources, as well as “exceptional” resources.

### **Public financing and its limits**

The general economic situation and the obligation for states to limit their public deficits point to the fact that public financing has reached its limits; cultural institutions can at best only expect steady resources in the future. At the local level, financing conditions are becoming more and more intertwined with social and economic criteria, cultural institutions being asked to integrate fully in their territory and its local life, to promote its identity, and help keep jobs, economic dynamism, social networks, and generally improve the environment. Sustaining culture as an actor of the economic and social development has become, since the early 2000s, the main strategy of public action. This has even become

<sup>29</sup> These methodological difficulties deal with a question of temporality (we have not been able to gather statistics coming from different sources for the same year), with a question of “double accountancy” risk because we have added expenses without caring about potential interferences linked to transfers between different administrative levels, and with the positive effects of the fiscal policy (as reduced VAT rate, reduced taxes...). These simplifications probably tend to under-estimate (slightly) the State power.

<sup>30</sup> See Sylvie Pflieger, 2011, *La culture, à quel prix?*, Ellipses, p.150.

<sup>31</sup> See France Domaine is the Estate Agency of the State.

<sup>32</sup> See Sophie Flouquet, “La vente des bijoux de famille continue”, *Journal des Arts* n°364, mars 2012.



a EU goal since the Lisbon Treatise introduced culture as a factor of creativity, as a catalyst for economic growth and employment, able to improve the whole economic fabric.

It is interesting to notice that this criterion had a strong impact on public funding in England. The government became a little more interventionist in the 1990s, being influenced by statistical surveys emphasizing the positive impact of the arts<sup>33</sup>, as well as by lobbying groups like the National Campaign for the Arts.<sup>34</sup> There were such surveys in France in particular in the 1980s, but they did not have the same impact, as the necessity of cultural subsidizes was already well recognized.

### ***Ticket receipts versus “free access” to culture***

Revenues from ticketing receipts which are the main part of many cultural institutions' own resources have probably also reached their limits. Although the latest figures show an increase in visitors to museums and heritage sites in France<sup>36</sup> proving the appeal of French heritage, attendance numbers depend on external and non-controllable factors and ticketing receipts depend on pricing policies. There has been a conflict between the defence of free entrance policies aimed at promoting and widening access to culture and the economic management of institutions.

The policy of “free entrance” in national museums for permanent collections was very popular in England and seen to reinforce the feeling of belonging to a same “culture”.<sup>37</sup> In France, an investigation was led in 2008 tested the relevance of free entrance for all in museums to promote cultural democratization. It was found difficult to distinguish between short-term effects — usually positive (novelty effect) — and long term effects which are much more difficult to appreciate as they can either point to a larger number of visitors, or more frequent visits by the same visitors. So in France, it was decided not to give free entrances to the population at large, but to the age of 26, which is still a change on the previous situation.<sup>38</sup>

Moreover, famous and large national museums have to face a duality in their public: on the one hand

tourists, less concerned with ticket prices, and on the other local visitors who tend to be concerned with them.<sup>39</sup> Should museums make the case for a greater flexibility in pricing policy, and abandon for instance the free entrance for the first Sunday of each month during the summer (July and August)? During these months, tourists' attendance reaches a peak, and safety could also be compromised.

If we take the example of the Louvre Museum, ticketing resources from the sale of tickets have stayed rather steady over the last years, at about 40 million euros<sup>40</sup>, despite the increase in attendance, and represented about 43% of its own resources in 2010.<sup>41</sup> For the performing arts institutions, ticketing receipts represented the main part of own resources, about half for the national theatre “La Colline” (2010).<sup>42</sup>

Other own resources of a cultural institution include funding connected with the use of its space<sup>43</sup>: from selective space rental (in order to make a film, or for a fashion show, congress, private reception...) to commercial receipts from shops located in the institutions. For the Louvre museum for instance, this represented 12% of resources in 2010. We must add that these resources are much more easily raised by the heritage sector (museums in particular) than by performing arts institutions, and greatly depend on the reputation of the institution and its power of attraction. Moreover these commercial receipts raise questions as to the reasonable “degree of merchandization” that is compatible with a cultural institution's missions.

### ***Sponsorship: an unpredictable resource***

With very attractive tax legislation for sponsorship, the State could hope for cultural institutions to find new sources of financing, able to make up for decreasing public funding. But cultural sponsorship was quite unpredictable. Indeed, it is very dependent on the economic climate, but also on the degree of attraction of the artistic projects, which may induce an exceptional donation one year, and nothing the following year; thus the sponsorship as a resource can never be taken for granted: each year is a new “zero base” year which results can jeopardize projects implemented for a number of years.<sup>44</sup> The

<sup>33</sup> These See John Meyerscough, *The Economic Importance of the Arts in Britain*, Abington, PSI, 1988.

<sup>34</sup> See Cecile Doustaly, 2007.

<sup>35</sup> See Sylvie Pflieger, “L'économie de la culture: Arlequin, danseuse et financiers”, *l'Observatoire de la Communication*, n°16, BIPE, 1987.

<sup>36</sup> See Culture and Communications Ministry 30/12/2011: “Rise in entrances in national museum and heritage places: at least 5% for museum and 5.5% for heritage, compared to 2010”.

<sup>37</sup> See Cécile Doustaly, 2007.

<sup>38</sup> The previous rule was to give free entrances up to the age of 18.

<sup>39</sup> See Constance Lombard, *Théorie et pratique du mécénat : les nouveaux modèles de financement des musées*, Rapport interne Musée du Louvre 26/01/2012.

<sup>40</sup> See Constance Lombard, ..., Musée du Louvre 26/01/2012.

<sup>41</sup> See Activity Report 2010, Louvre Museum.

<sup>42</sup> See Receipts without road shows, see the budget of the National Theater *La Colline*.

<sup>43</sup> In French, “recettes domaniales”.

<sup>44</sup> See Constance Lombard,... Musée du Louvre 26/01/2012.

Metropolitan Museum for instance, whose resources are, as for most American museums, mainly its own resources, had to face a deficit of over 8 million euros in 2009. This can be explained by a drop in foundation donations (20%) in addition to a decrease in the New York City subsidy of 4% and of museum memberships of 9.8%. As far as the Louvre Museum is concerned, sums received from sponsorship receipts represent 19% of its general budget (purchase budget being excluded), which is a rather high level compared to other national museums: 9% for the Orsay Museum, less than 5% for the MNAM or the Quai Branly Museum or the Guimet Museum in 2009.<sup>45</sup> Moreover, studying the Louvre Museum sponsorship resources in the last four years (2006-2009) shows yearly fluctuations: it varied from 20% to nearly 50% of its own resources.<sup>46</sup> Even the largest and most famous institutions face the uncertainty of sponsorship, which can explain the fear of cultural actors of having to cope with the withdrawal of the State after an exceptional donation which may not be maintained the following years.

By comparison, sponsorship in performing arts institutions is still a marginal resource, less than 1% from the total budget of the national theater of "La Colline" for instance, or 4% from its own resources.<sup>47</sup>

### **Can we all be sponsors?**

Private citizens may also be sponsors: for instance private collectors promote artistic creation by buying works of art, or people in general, often through the way of non-profit organizations, or more recently through crowdfunding. Thus the Louvre Museum initiated a new policy at the end of 2010, inspired by

the English model<sup>48</sup>, and requesting the general population to participate in the purchase of a painting of Lucas Cranach, "Les trois Grâces", considered as a "national treasure". The museum could not raise the total amount (4 million euros) alone and not even with the sponsorship of 2 companies (even though being classified as a "national treasure" which meant a higher reduction in taxes, up to 90% of the sum invested up to a 50% of the taxes of the firm), and therefore decided to launch a public campaign for private and generous donors. This campaign was widely covered by the media because of its very innovative character – no cultural institution had thought or dared to call on individual people before. It was a huge success as over 7000 private sponsors donated more funds than was necessary (1.5 million euros instead of the one million needed<sup>49</sup>) before the end of the time allowed for the operation. With such a success, the Louvre Museum is planning to launch a similar campaign every year. We must add, of course, that individuals also benefit from the advantageous tax policy, and can reduce their income taxed by up to 65% of the amount given as sponsorship.

But the question is still to know whether this kind of crowdfunding can be generalized, or whether this large success of the "Cranach campaign" is due to the novelty effect, the choice of the subject, or to the international reputation of the museum? In other words, could crowdfunding become a steady and regular source of funding, in addition to others, namely public funding? Could it be used by any category of institution: international as well as local museums, performing arts institutions or contemporary art centers? Could it be used for any artistic project or in any moving economic, social, demographic environment? The fact is that more and more cultural

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<sup>45</sup> See Cour des Comptes, *Les musées nationaux après une décennie de transformations (2000-2010)*, mars 2011.

<sup>46</sup> The exceptional level in 2007 is mainly due to the international project Louvre Abou Dabi.

<sup>47</sup> See "budget 2010 Théâtre National de la Colline": French ministry for Culture subsidies represent 78.3% of the total budget, own resources 21.7%.

<sup>48</sup> See Individual sponsorship in Great Britain represents about 25% from private funding for the arts (UK Arts Index Report, NCA).

<sup>49</sup> See Constance Lombard, Musée du Louvre, 26/01/2012.

<sup>50</sup> See Surveys realized by Olivier Donnat, Ministry for Culture and Communications, DEPS, *Les pratiques culturelles des Français* ; last survey in 2008.

<sup>51</sup> Loi 4 août 2008, article 140, alinea 1: "...recevoir et gérer, en les capitalisant, des biens et droits de toute nature qui lui sont apportés à titre gratuit et irrévocable, et d'utiliser les revenus de la capitalisation en vue de la réalisation d'une œuvre ou d'une mission d'intérêt général ou les redistribuer pour assister une personne morale à but non lucratif dans l'accomplissement de ses œuvres et de ses missions d'intérêt général."

institutions call for individual sponsorship and Internet sites for crowdfunding are developing in different fields (heritage, music labels...). The trend is too recent to evaluate if this will really become a permanent source of financing, and it would be interesting thus to better know the sociological profile of these individual sponsors, to compare with a sociological analysis of museum visitors or more generally of “French cultural practices”.<sup>50</sup> It would also mean cultural institutions need to create a genuine loyalty relationship with their audience and involve them actively in their activities.

### **“The merchants into the temple”?**

Last, one must consider endowment funds. Introduced by the 2008 law, they verge on sponsorship but are included in the category of “exceptional receipts”. This new tool allows cultural institutions “to receive, manage, through capitalization, goods and rights of any kind, brought as free and permanent, and to use revenues of the capitalization in order to implement a project or a mission of general interest<sup>51</sup>, or to redistribute them to assist a non-profitable moral entity in the realization of its projects and missions of general interest.” This new tool was well received with 162 funds created in 2009 and 493 in 2010. It was used for the “Louvre Abou Dabi” project, allowing the Louvre Museum to receive a 400 million euros endowment from the United Arab Emirates (over 30 years). This endowment fund is to help finance development projects for the future of the museum. Today included in “exceptional receipts”, it in fact amounts to a steady and permanent resource.

Other exceptional receipts, in particular new marketing strategies have started developing mainly based on the cultural institution’s brand and commercialization know-how. The Louvre Abou Dabi project also belongs to this category, as well as local operations like a limited edition of a “Louvre-Montblanc pen”. Some institutions have therefore chosen a very offensive commercial strategy, which has raised ethical debates: “Should merchants be allowed into the temple?” This question is probably much more a situation of conflict in France than in Anglo-saxon countries such as the United States or England, as French public authorities have, till now, always defended the idea that cultural goods are not goods like any other ones.<sup>52</sup> These resources are still marginal today but are expected to develop in the next few years.

The real question is to know whether this use of more and more varied private financing may question the very existence of a public cultural policy and endanger less profitable sectors to favour the bigger institutions attracting most media attention and seen as showcases for French culture abroad. Can these different actions, mainly introduced by the

Louvre Museum<sup>53</sup> — considered as a “prototype case” because of its huge size and international prestige — spread to any institution, even small, local or any other artistic sector? Moreover, would this not accelerate the general movement of lessening public funding — threatening small structures even more? There is a real risk of creating a two-speed cultural offer, where smaller structures will not be able to fulfill their mission to offer greater access to culture.

To conclude, looking for alternative private financing is a positive factor, which should be encouraged because it helps rise and diversify cultural institutions’ resources, but so long as it does not induce a decrease of public financings. The State and local authorities should not consider private funding as a godsend and withdraw from culture and the arts. There is a fragile balance to maintain as cultural goods and services are not commodities as any other ones and should be supported for themselves and not only for instrumental reasons, not even as the inspiration behind the creative industries.

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<sup>52</sup> See GATT’s agreement in 1994.

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