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**The effects of the economic crisis on culture  
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**VARIATIONS OF THE CRISIS**

There is no exact definition for "economic crisis", in contrast to the rule of thumb for recession ("negative real economic growth for at least two quarter-years"). In the past couple of years the term was primarily associated with the credit crunch that culminated on 14 September 2008, when a corporation that was founded in 1850 in Alabama by the three Lehman Brothers collapsed. The banking and financial crisis is only one aspect of the international economic crisis, the understanding and perception of which greatly differed across the world. In America, for instance, it is not easy to separate the current crisis from the low ebb following the terror attack in 2001, which in its turn took place only a short while after the dotcom bubble: this continuity is reflected in US cultural statistics as well. In another large country, the Russian Federation, the actual crisis evokes memories of the financial crisis in 1998. Hungary has its own version, too, by producing a separate crisis which led to the intervention of IMF and the EU moments before the global crunch – which paradoxically found that country better prepared for the crisis than many others.

All the same, symptoms in the past couple of years have been similar in most European countries – with exceptions and extremes. To the latter belong those places where the crisis occurred like a natural disaster, producing double digit falls in the GDP and related indicators: Iceland, the Baltic republics, Ukraine, Armenia and to a smaller extent Ireland, Russia and a few others – and lately Greece. The club of exceptions was hardly bigger than Poland, the only country in the European Union showing economic growth in 2009.

The relatively short period – a little more than twenty months – since the outbreak of the financial crisis can be divided into two very different phases. In the first stage the economy (banking, services and production) was the focus and the world learned a new meaning for the word "stimulus". Then, in the actual stage, fully evolving after the excitement around the Greek budget shortfall, the deficit of public budgets has taken the limelight, affecting culture much more dramatically – especially in Europe.

**Evidence of the economic crisis**

Before turning to culture, let us look at a few general facts that illustrate the nature of the global economic crisis. (This is an easier task than to argue about the global climate change.) The most common indicator is that of the annual growth of the **gross domestic product (GDP)**. Here are facts and estimates for a few regions (in the absence of one single figure for the 47 members of the Council of Europe):

	2007	2008	2009	2010
World	5.2	3.4	0.5	3.0
Euro area	2.6	1.0	-1.6	1.6
East and central Europe	5.4	3.2	-0.4	2.5
Russia	8.6	6.0	-0.4	2.2

Exports in **world trade** sank even lower than GDP, by as much as 9.7% in 2009.

One of the most perceptible effects of the crisis is **international flights**. In 2009 there were 4.2% fewer international passengers than the year before. Changes, however, in the number of passengers in major airports of the world show a characteristic pattern:

<u>Largest decreases:</u>	Vancouver, London-Stansted, Detroit, Stockholm-Arlanda, St. Louis, Manchester, Dublin, Osaka
<u>Largest increases:</u>	Beirut, Kuwait, Sharjah (Emirates), Kuala Lumpur, Istanbul

The markets of **advertising** and publicity are another area that clearly reflects the nature of the crisis and the subsequent reorientation. (Nonetheless North America and Western Europe still spend 37% and 25% of all advertisement costs respectively.)

<u>Changes in advertising expenditure in major media between 2007 and 2009</u>	
North America	-13%
Western Europe	- 8%
Central and Eastern Europe	- 5%
Rest of the world	+ 3%
World	- 6%

As seen, it is really more than an economic hiccup: we are going through a fundamental **global restructuring** – in most aspects to the detriment of Europe and North America.

The next few snapshots of the economic environment **in Europe** will demonstrate the considerable differences and distances between the manifestations of the crisis in various countries. Although our chosen scope is the 47 member states of the Council of Europe, the regular monitoring scope of *Eurostat* and *Eurobarometer* make us zoom in on the 27 states of the European Union.

The level of **employment** in EU27 dropped by 2.1% between the end of 2008 and the end of 2009; within this 6.7% of the jobs in construction and 6.1% in manufacturing disappeared. Latvia suffered the most, going down by 16.5%; Estonia –11.9%, Lithuania –8.3%. Germany performed best, with only a 0.4% fall in employment. (From the other large countries; France by –1.1%, UK –1.4%.)

The most brutal drops were reported in the **construction** sector. In Lithuania the decrease from the end of 2008 to end 2009 was 52.3%! Latvia -38.5%, Estonia -25.7, and Greece -30.2%. On the other hand, three countries were still able to grow, led by Poland with +4.2%, followed by the Czech Republic with 2.3%, and Germany with 1.9%. The EU27 total was -6.3%. (France -7.3%, UK -6.4%.)

The number of **nights spent in hotels** and similar establishments was 5.1% less in 2009 than a year earlier. Latvia and Lithuania led the sad list with -23.3% and -20.4% respectively, followed surprisingly by Cyprus with -19.7%! The Swedish hotel industry was the only one to grow - by a tiny 0.1%. (France -5.6%, Germany -1.4%, UK -1.7%.)

Taking into account non-residents (foreigners) in these statistics only, *Eurostat* reported an even deeper fall in the number of hotel nights: -9.1% in EU27, -28.4% in Slovakia, -21.9% both in Cyprus and Romania. The Swedish advanced by 3.3% without residents is even more impressive. (France -11.1%, Germany -4.6%, UK -7.8%.)

Besides being an appropriate indicator of the general effects of the economic crisis, **tourism** brings us closer to culture. Travelling and holidays are where the majority of the population concentrates its contact and interaction with culture. *Eurobarometer* was eager to find out about changes in EU citizens' plans and attitudes towards tourism after the crisis had begun.

The poll taken in 2009 revealed that 4% fewer EU citizens had travelled or had plans to take a holiday in 2009 than in 2008. Among those who did go on holiday in 2009, 5% more spent their main vacation in their own country. Due to the economic downturn, about 4 in 10 EU citizens indicated that they had cut back on the budget they allocated to their 2009 holiday - by spending less money or shorter time away from home.

The latest survey, presented in March 2010, showed a somewhat rosier horizon. Now 69% of EU citizens said they had travelled, either for business or private purposes, at least once in 2009 (which is just minus 2 percentage points compared to 2008).

Within travel for leisure purposes, *Eurobarometer* examined the proportions between "short private trips" and holiday trips. Supposing that short private trips include city holidays (combined with visits to museums or concerts) as well as festivaling, while holiday trips are dominated by sun and sand, we can regret the 8% increase of cases when people made at least one holiday trip but no "short private trips" (from 19% of people in 2008 to 27% in 2009). Conversely, the proportion of those who had made at least one short private trip but no holiday trips remained almost the same (11% in 2009 vs. 9% in 2008).

## EFFECTS ON CULTURE

In our immediate environment the word *culture* usually implies the *cultural sector*; thus the question "how does the crisis affect culture" usually reads as "how much money does the sector lose due to the crisis?" It is, however, fairer and wiser to extend the domain of *culture* to what average citizens usually understand by it, probably well reflected by the definition applied by UNESCO: a set of distinctive spiritual, material, intellectual and emotional features of society that also encompasses value systems, traditions and beliefs. One way to avoid sinking into the labyrinth of a too broad anthropological concept of *culture* is to use it in the sense of *cultural life*. It is in this conception that we are trying to detect the effect of the economic (and civilisational?) crisis on culture.



	2009	2010
Cultural heritage	24%	25%
Art	5%	6%
Festivals and other events	5%	5%
Attractive environment	31%	32%
Options for entertainment	15%	16%
Gastronomy	7%	6%

Furthermore, with the shrinking opportunities to travel abroad, people are confined to leisure occupation and entertainment available locally – or at home. This was proven for instance in a Latvian survey, which showed that in 2009 people spent more time watching cultural broadcasts on TV (by 7%), on reading books and frequenting open air events in their town than two years earlier.

Turning to other manifestations of people's cultural habits, German **theatres** suffered a 7% fall in visitors' numbers in the three seasons before the crisis (2007-2008). On the other hand the average ticket price rose from €20.64 to €23.90, and the share of 60+ seniors has grown from 54% to 56%. No dramatic turn in these trends has been reported since and the sector hopes to keep strong – similarly to London West End and Broadway, which both had good seasons in spite of the credit crunch. The 1% growth in the exploitation of all seats in the four houses of the Berlin opera last year (reaching 70.2%) confirms the optimism. In another corner of the continent, however, under very different circumstances, from 2008 to 2009, theatre attendance in Estonia fell by an average of 12%.

Admissions to **cinema** halls defy concerns about the crisis. In 2009 about 985 million tickets were sold in the European Union. In a difficult economic environment this represents an impressive 6.5% growth year-on-year and the highest admissions level since the record-breaking result in 2004. Admissions increased in 18 out of the 24 EU member states for which data were available.

Germany	+13.1%
Russia	+11.8%
France	+ 5.7%
UK	+ 5.6%
Poland	+ 5.4%

Nevertheless, most of the growth is to be attributed to foreign, mainly Hollywood blockbusters. The share of local (national) films decreased in 19 out of the 24 countries measured by the Strasbourg based *Audiovisual Observatory*.

Thanks to a current overall survey of the Russian film industry, changes in citizens' habits can be observed at greater detail in that country. In accordance to the general growth of attendance, figures per screen had also grown even after the beginning of the crisis. In the first half of 2009 the average box office receipt per screen was RUB 11 million, compared to RUB 10.6 million in 2008. At the same time the number of admissions per screen is dropping, which is an alarming signal for Russian exhibitors. Fewer and fewer new members of the public are going to the cinema, while regular viewers are simply choosing among the competing sites.

Sales of licensed DVDs during the first half of 2009 nevertheless reflected an impact of the crisis, producing an 8% flop over 2008 – the year that saw 20% growth over 2007. The average per capita consumption of licensed DVDs reached 0.54 disk / year / person, which is also lower than 2008 (0.59) and testifies to the growing role of pirate video products in Russia. (The association of DVD publishers assesses the share of pirate video products at the level of 75–80%.)

The rich collection of data on American cultural habits disclosed early this year by the organisation *Americans for the Arts* ends at 2008, the year of the crunch. The figures nevertheless testify about the protracted nature of the crisis in the USA: attendance at cinemas, opera, and symphony remain below the pre-2001 level. Furthermore, drama, dance, opera, theatre and popular music attendance, as well as museum visits all show slight downward curves. The exception is Broadway shows and the share of foreign tourists in culture leisure activities, which have both been on the increase.

### Donations

We have very little overall information about the latest trends in cultural philanthropy in Europe. The world's largest fundraising nation, on the other hand, abounds in statistics, which can be of interest for us, Europeans, too. The latest annual report called *Giving USA* showed that total donations decreased in 2008 compared to 2007 – by 2%, which was the first decline since 1987. Within the total, there has been a shift from individual giving and bequests towards foundation grant making.

The really bad news is that the relative **share of culture** within total philanthropy in the USA has been going down at an alarming rate (although the nominal level of these contributions kept growing):

	1998	2001	2004	2007	2008
Private culture giving \$B	9.9	11.4	11.8	13.7	12.8
Culture share of private giving	5.6%	4.9%	4.5%	4.5%	4.2%
Foundations grants to culture \$B	1.4	2.0	2.0	2.3	..
Culture share of foundation grants	1.2%	1.0%	1.0%	0.9%	.

These data sequences go back to the turn of the millennium and do not yet reflect the effect of the credit crunch. Their gravity for culture can be assessed by comparing the \$12.8 billion of private donations in 2008 to total (federal, state and municipal) public funding, which remained below \$3B. Charities like the Ford and Rockefeller foundations no longer have divisions with "art" in their names.

### Endowments

Endowments are another issue where there are fundamental differences between America and Europe. Over here, few cultural institutions are based on the revenue of their own dedicated endowments. (In fact, most people fail to distinguish between endowment, foundation and fund.) American museums or performing art operations, for whom the revenue from their endowment funds is a major part of the operative budget, the dramatic loss of value of those funds was a serious blow. Two concrete examples illustrate the case. Both the Cleveland Museum of Art and the Kimbell Art Museum in Fort Worth derive around two thirds of their budget from interest on their



We must remember though that in the USA, corporate giving and business sponsorship are a tiny share (around 5%) of private support in general, and also of resources for culture in particular.

### **Business investment in culture**

Business investment in culture is usually overlooked among resources for culture, except maybe for the film sector. The absence of actual consolidated data is therefore no surprise. The scarce available information (see e.g. the audiovisual chapter later on) suggest, however, that 2008-2009 saw the suspension and cancelling of many such projects.

With the increasing emphasis on the cultural and creative industries, it will be crucial for the gradual recovery of business to channel (back) private investments into sectors that we can acknowledge also as resources for culture. Will the public-private co-operation in the area of creative clusters and incubator centres regain momentum? Will the continuing enthusiasm for the creative sector result in enriching culture – or the opposite, will this deviate political attention and resources from more conventional spheres of culture?

## **PUBLIC RESOURCES FOR CULTURE**

### **Central government budgets**

All over Europe, regardless of major differences between countries, the main responsibility for the conditions of culture is attributed to the central governments. Therefore, also in the actual context of tracking the effects of the economic crisis on culture, most people will first check the budget of the culture ministry.

In the majority of countries the **2009 budgets** did not reflect the crisis, often producing slight growth over 2008. What is more, in a few cases culture became a beneficiary of the fiscal stimulus. Cutbacks during the year occurred mainly in the eastern edge of the continent.

The fundamentally different conditions of the three Baltic states are best illustrated by Latvia. The budget of the culture ministry decreased already in 2009 by 19.5% in comparison to 2008. The budget includes construction costs for the national library and a number of EU projects, which means that the actual reduction for other areas is much higher, a third of the preceding year.

In 2009 the culture ministry of Croatia received 14% less than a year earlier (and lower than the 2007 budget), although that country's hardships were milder than average (or less publicised).

There were countries, where reductions occurred at various stages in the course of the year 2009. In Serbia, growth was originally planned, which turned into reductions by 15% in the allocations to cultural institutions; even more, sometimes by half, in certain programmes, like international activities, local festivals, music and literature projects. Financial support to bilateral co-operation melted down to a third, and the original 27 million dollars to cultural tourism projects shrunk to one million only. (2010 started better, with an initial increase of 15%.)

In Ukraine, cuts took place during 2009 in spheres like cinema, cultural ethnic groups, cultural management training, etc. For example, a number of international cultural exchanges were cancelled. (At the same time, however, funds were re-directed to current official events to the detriment of planned programmes.)

In other countries ad hoc interventions of a different kind occurred during 2009. Dedicated stimulus plans benefitted certain cultural sectors: primarily digital culture in Finland, and restoration of tourist sites in Slovakia, both in the range of €10 million. The French government offered €100 million

extra for renovation of monuments. (In the USA, too, the National Endowment for the Arts distributed \$50m in stimulus money.)

At the outset, and on the average, the **2010 budgets** looked promising, too. Austria, Norway, Russia, Slovenia, and Spain demonstrated advances, sometimes over 10% (at the beginning of the year at least). Interestingly, the 1.5% small increase for culture in the 2010 federal budget in Germany happened after the credit crunch, following several years' shrinking of public spending on culture after the previous crisis of 2001. Owing to the multilayer financing system in Germany, changes in the federal budget have limited impact (representing less than 10% of public resources for culture).

Since Vilnius was the European Capital of Culture in 2009, in that year the cultural sector was reasonably well funded. In 2010, however, the budget the culture ministry was reduced by over 25%.

The greater cuts occurred in the course of the year, quite often in relation to the already accepted annual budgets. Thus significant reductions were announced in Spain, which over the year may reach the level of 20%.

The Flemish and the Hungarian ministries froze €4.4 and over €12 million respectively until further notice. Much higher are the cuts administered by the new UK government, including €21 million taken away from the Arts Council.

The **2011 budgets** are threatened significant reductions across Europe, which has already been announced or specified in the Czech Republic, Greece, Italy, Slovenia, etc.

### National cultural institutions

The most standard area of financing by culture ministries is that of national cultural institutions (not necessarily bearing the "national" label but being basically dependent on government funding). We have come across only cases of decrease in this respect. In 2009 such reductions happened in Estonia (15% on average) and Ireland (by as much as 21% in the case of the National Museum).

It is again the Baltic region from where the scariest news come. In Latvia the budget of the national opera was more than halved. In Estonia appropriations were cut by over 15% in 2009 and another 9% in 2010.

Nearly all leading cultural institutions – museums, theatres – of France fear substantial budget cuts in the near future.

In England and Wales the list of subsidised organisations will be reduced, in the latter by as much as 40%.

Cultural institutions co-financed with regional and local governments are sharing a similar fate. For example MC2, the splendid cultural centre in Grenoble, France, has €100 000 less than in 2009. Musac, the celebrated museum in León, Spain, can spend less and less on acquisitions (€4.2m in 2010).

Various forms of structural **rationalisation** are another sort of cost-cutting exercise. In Ireland the National Gallery, the Irish Museum of Modern Art and the Crawford Gallery were amalgamated, and the National Archives and the Irish Manuscripts Commission were merged into the National Library. The functions of the Film Board were incorporated into Enterprise Ireland. By this, and related measures 170 jobs were eliminated. Museums were fused also in Latvia, and administrative strings were pulled shorter for certain cultural agencies.

In the UK the new state secretary for culture promises to abolish or reduce most of the governmental agencies and boards.

In Serbia, new criteria were introduced for public funding, among other things only one public medium will be subsidised for each national minority, with a maximum ten paid jobs each.

Also in Serbia, the majority of **investments** in culture through the National Investment Plan were either stopped or slowed down, and the situation is not promising for the future of these projects. In Estonia, similarly cruel measures were taken, cutting back funds for construction and renovation by 80%.

A very sensitive domain is that of grants to new productions and other live **projects**, particularly painful in Latvia, where the resources of the relevant agency were cut by 46%. With the collapse of what seemed to be a booming Irish economy, 2009 saw a series of devastating cuts in Arts Council funding. The Arts Council grant was reduced twice in February and April, bringing their funding to €73.8 million for 2009. The Flemish ministry will not process any new applications for subsidised projects in 2010. A fifth of the annual resources of the National Cultural Fund were part of the freeze in Hungary.

In Slovenia, however, the funds serving for programmes and project proposals in the non-governmental sector were increased (to €1.2 million).

Few changes have been reported in the field of **taxation**, with direct relevance to culture. The exceptions are Latvia, where the reduced VAT-rate, affecting books and tourism, was raised from 5 to 10%; and Estonia, the VAT rate went up from 5% to 18%, and finally to 20%. Ireland's much envied tax exemption for artists was also slightly curbed with 1 and 2% levies – and might be abolished altogether if things do not turn around for this republic.

### **Cultural budgets of regional and municipal governments**

In the majority of European countries, in the past couple of decades, owing to devolution and decentralisation of various forms, there has been a steady shift of cultural policy responsibility and financing capacity from the central governments to lower level administrations. The large number of actors (tens of thousands of cities, regions, etc.) produces a wide array of culture policy types and priorities, and of reactions to the economic crisis. There have been fears that culture is more vulnerable at the level of cities in difficulty; but equally reasonable is the hope that local communities are more likely to make sacrifices for culture. We cannot yet conclude from the available data whether central or local governments have performed better in maintaining the position of culture in public policies and finance.

As was mentioned before, Germany saw a step by step reduction in public cultural funding between 2001-2007, which – with about 85% of resources – mainly occurred in cities and especially the Länder. Paradoxically, the downward trend appears to have turned during a phase of the crisis era – not as a consequence, of course. Although revenues of local governments from levies and taxes shrunk in 2009, cultural spending slightly grew again in some of the 2010 plans, e.g. in Mannheim and Leipzig. Nonetheless decreased cultural budgets are foreseen in probably the majority of federal states and provinces, e.g. in Schleswig-Holstein or Sachsen-Anhalt. (The same must be expected over the ocean, in the federal states of the USA, where Michigan is reported to have shrunken its cultural budget to its fifth!).

Predictably, cities in Latvia spent between 20-40% less on culture in 2009 than in 2008. Major cuts affect support for local cultural activities such as performances, concerts, festivals and other cultural undertakings; in some cities such expenditures were cut by more than 50%. However,

some city authorities have prioritised the continuation of reconstruction projects of cultural centres funded from the EU structural funds and co-financed by the municipality.

In Estonia, in 2009 the total reduction of public expenditure on culture was nearly 12% against the previous year; as this is roughly equally divided between state and cities, this implies similar cuts in municipal cultural budgets. Tallinn fared better than the average, with a cutback of 3%.

Local governments in the UK are also under pressure currently as a result of reduced proceeds from local taxation and cuts in central government funding; some municipalities have cut first and harder than the central government so far. Local government authorities face difficult decisions also in the Netherlands and Sweden. By nature of the local autonomy, although some cities – especially smaller ones – have been forced to make cuts, certain larger cities have even increased their cultural budgets.

In Romania a special government decree obliged regional and municipal authorities to administer serious cuts in staff and salaries, which affects the employees of many cultural organisations: theatres, editorial offices of journals, folklore ensembles etc.

Next follow a few illustrations from the rest of Europe, where the 2010 budget could be compared to 2008.

Basel, Switzerland, exemplifies the diminishing option. By 2010 the share for culture goes down from 4.8 to 4.2%, a 7% decrease in absolute terms.

The case is exactly the same in Zagreb – 7% decrease. From that city we have information about the division of subsidies between the institutions maintained by the city and the independent cultural operations. The ratio in favour of the former (the institutions) was 5.6 in 2009; for this year the city hall wants to give 7.3 times more to them than to the indies: non governmental associations, projects, festivals and initiatives. For most of them this will result in an over 50% drop since the last city budget was drawn up in 2008, before the economic crisis.

In Graz, Austria, cultural spending will be 6% higher than the two previous years, compared to a 4% total growth (reaching 5.13% of the city expenditure).

Cultural expenditure in the Pomeranian city of Slupsk, Poland, expanded by 18% between 2008-2010, which was quicker than the overall 13% growth of the city budget. The better known Cracow produced the same growth rate. Here, however, the relative share of culture goes slightly down from 3.2 to 3.1% during these two years, in spite of the 8.8% growth of the absolute amount of cultural expenditure. This refers to running costs; on the other hand, cultural investments in Cracow have quintupled since 2008, the absolute sum being equivalent to 60% of the operational expenditure!

Finally, Lille, France, has announced a spectacular increase of 24% over 2009 of spending on culture (combined with sports), reaching 3.7% of the total.

### **EU Structural Funds**

2008 and the following two years, spent in the shadow of the economic crisis, have coincided with the influx of EU structural funds to the new member states. Although the sector is underrepresented in most places, and though some of the projects were cancelled or postponed due to the crisis (implementation requires national and local financial contribution that is usually much lower than in other sectors, sometimes zero), the relatively small percentage of investment spent on culture has a considerable weight. This explains the investment boom in the Cracow figures, and EU funds exert a counterbalance to the effects of the crisis in a large number of cities and regions in east Europe, including the most crippled, Latvia and Lithuania.

## EFFECTS BY SECTOR

### Performing arts

The crisis has affected theatres, symphony orchestras and dance groups at a few places in Europe as cruelly as their American counterparts, where the main funding sources, donations and endowments sometimes shrunk overnight. Besides reducing programmes and seasons, putting off productions, in most of the arts institutions in the USA, serious cuts from pay, benefits, and pensions, laying off artists and other staff have been taking place. Several institutions fear extinction: the Connecticut Opera – the sixth-oldest continuously operating opera company in the US – is going out of business, after 67 seasons.

In Europe, the performing arts are less exposed to sponsorship and donations (and businesses suffered less than in America), which is why the shocks were milder in the early phase of the crisis. Germany is an archetype of this “European model”, where sponsors and donors cover around only 1% of the expenditure of theatres, while 80% comes from public sources; and public subsidies were rarely reduced by more than a few percentage points in 2009 and 2010 – and quite often not at all. Such is the case of the two Polish cities quoted above, although theatre and music get less than 1% more in 2010 than in 2008 both in Cracow and Slupsk.

In countries where public budgets already suffered reductions in 2008-2009, performing arts organisations were affected. Cutbacks at the Arts Council of Ireland resulted in fewer festivals and less theatre and music. The VAT increase in Estonia resulted in more expensive tickets, 6% fewer new productions and 14.5% less revenue in 2009.

In Serbia, the Belgrade Philharmonic has advertised its services to play at weddings and funerals as a survival technique. The national theatre still keeps its 640 employees, but the crisis will probably reinforce administrative, economic – and artistic – modernisation of the oldest Serbian theatre.

The performing arts were spared from the 2010 wave of austerity in very few places in Europe. Norway is one of these, where performing arts are a priority in the 2010 budget.

After the difficult year of 2009 – when e.g. the Liceu in Barcelona spent 14.8% less in the 2008/2009 season, which included a 7.8% reduction in artistic expenditure – the Spanish ministry planned 16% more for music and dance in 2010, which has now become illusory.

In Italy FUS, the main fund for financing theatre and opera, lost one third (€150m) of its resources. In France a smaller reduction from the state budget (about 5%) is feared for the performing arts in 2011.

In connection with financing difficulties, the Bulgarian culture minister intends to reform the state-funded theatre system by introducing cuts and mergers of theatre entities, which has evoked staunch opposition by many professionals. Tensions concerning the structure of theatres are on the increase elsewhere, too – in Hungary this is linked to the reduction of subsidies to the independent dance and drama groups.

Semi-professional orchestras or independent (alternative) theatre and dance groups and smaller community venues are most vulnerable to extinction as a result of the drying out of public financial sources. Long standing “established” institutions may meet the same end though, something which has happened to the Vienna Art (jazz) Orchestra, after 33 years of existence. The closing of traditional institutions is not excluded any more, e.g. this possibility still lingers for the city theatre in Wuppertal.

**Festivals** have become decisive actors in the cultural life of countries. Early in 2009 organisers were worried as they prepared for the following year's events. Indeed, festivals heavily relying on sponsors were badly hit. A considerable amount of niche events were shortened, postponed or cancelled. The Festival of British Youth Orchestras was supposed to involve up to 2000 musicians (cancelled). Germany's only Indian film festival was obliged to scale back. The Mountain Film Festival in Turkey did not include the usual international competition, due to a lack of sponsors.

The majority of festivals, however, did not back down, and quite a few scored better than in prior years. The Montreux music festival was one of them, attracting a record audience in 2009. Glastonbury and Roskilde, the two biggest rock festivals reported success too, just like their east European equivalents (Sziget, Exit etc.), or Belfort in France, one of the emerging events on the rock scene. Beyond guesses about the social psychology of crisis, a more solid explanation may be the reduction of holidaying outside Europe.

Prospects for 2010 remained promising in the various categories of festivals, ranging from classical music through folklore to rock. Edinburgh Fringe, the largest art festival with nearly 2500 performances, hit record sales with over 1.8m tickets. The Polish cult rock event in Jarocin also achieved its highest number of entries in the past few years, just like the Reading + Leeds festivals. Quite a few of them, however, had to be cancelled: Red List Live, Heavenly Planet, Hydro Connect, Isle of Wight Jazz etc. (all in the UK), as well as B'estFest, one of east Europe's biggest rock festivals which was to have taken place in Bucharest in July. Besides various symptoms of the economic crisis, festival organisers are faced with the challenge of the increasing fees of bands and orchestras, who have become deprived of sales royalties due to the collapse of the record industry.

## Museums

Probably no other area of culture has undergone so basic a transformation in the past ten-twenty years as museums: their status, affecting function and also the infrastructure. This is reflected in the relative weight of museums in the financing of culture, which is why the crisis in financing is therefore a particular threat to museums.

Museums in the USA are indeed losers in the crisis. Not only did the *Americans for the Art* survey account for gradual though modest recession in the number of visits since 2005, the melting of the worth of endowments has hurt museums worse than other cultural institutions.

Art museums have suffered the most, although they have hardly recovered from the previous shocks, the dotcom bust of 2001 and the aftermath of the terrorist attacks of 11 September, during which the Guggenheim Museum slashed nearly half its staff and closed its Las Vegas branch, the San Francisco Museum of Modern Art cut a quarter of its exhibitions, the Art Institute of Chicago scaled back plans for its modern wing, and the Whitney Museum's expansion plans were derailed. The present crisis made the Los Angeles Museum of Contemporary Art eliminate 32 jobs, the Detroit Institute of Arts lost 15% of its operating endowment in 2008, and the Saint Louis Art Museum put a \$125m expansion on hold. Even the National Gallery of Art, which receives the bulk of its budget from the federal government, and with a slight increase at that, lost more than \$100m from the value of its endowment.

In Europe, attendance figures at top museums in 2009 did not reflect circumstances of a global crisis. Averages remained similar, and quite a few museums boasted over 200 000 more visits than a year earlier; fewer institutions underwent falls of the same order.

(by million visits)	2008	2009
Pompidou Centre, Paris	2.7	3.5
Victoria & Albert, London	2.0	2.3
Reina Sofia, Madrid \$B	1.8	2.1
Royal Academy of the Arts, London	1.0	1.3
Kunsthistorisches Museum, Vienna \$B	1.5	1.1
Pinacothèque, Paris	1.4	0.9

A number of venues have bluntly claimed being exempt from the crisis, reporting growing public and corporate support, and an improved environment for acquisitions, such as Stockholm's Moderna Museet and Rotterdam's Witte de With Center for Contemporary Art.

Complaints about worsening conditions and concerns about the future are nevertheless more typical. This prompted the directors of the three leading museums in Paris – the Louvre, Orsay and the Pompidou Centre – to compose a letter to the minister. (Cases of museums in Ireland as well as of Musac in Spain have been mentioned before.)

Temporary closures and reduced opening times are on the increase. In Greece this was the case in around forty museums and ancient sites earlier this year because of staff shortages; this included the National Archaeological Museum in Athens, and the White Tower in Thessaloniki.

Closing down for good is still nowhere the order of the day – although some municipalities may be brought to such a decision in the future (e.g. the art museum of Mülheim/Ruhr).

Special **exhibitions** are an area apart, to be watched – similar to festivals, which occupy a quasi parallel domain to established institutions of performing arts. Ad hoc shows rely more on sponsorship than permanent museum exhibits. However, since large-scale exhibitions can take several years to prepare, the fall in business sponsorship to mount them will become apparent only later. So far, the five art exhibitions in 2009 with the highest daily attendance in Europe attracted altogether half a million more visitors than the top five in 2008.

	daily thousand	total thousand		
2008	10.4	145	Images in the Night	Grand Palais Nave Paris
	7.1	548	Coll. of the Musée Nat'l Picasso	Reina Sofia Madrid
	6.2	589	Van Gogh	Albertina Vienna
	5.5	437	Goya in Times of War	Museo Nacional del Prado Madrid
	5.5	<u>560</u>	Babylon: Myth and Truth	Pergamonmuseum Berlin
		2279		
2009	7.9	419	2nd Photoquai Biennale	Musée Quai Branly Paris
	7.3	783	Picasso and the Masters	Grand Palais Paris
	6.6	703	Kandinsky	Centre Pompidou Paris
	4.8	459	Joaquín Sorolla	Museo Nacional del Prado Madrid
	4.7	<u>475</u>	Warhol's Wide World	Grand Palais Paris
		2839		

News about crisis casualties have nevertheless arrived, too. The National Museum of Contemporary Art in Athens had to postpone an exhibition by Ilya and Emilia Kabakov, due to the 18.8% reduction in government funding as well as difficulty finding private sponsorship.

### Built heritage

The scattered data on the amounts designated for the purposes of monument protection show a very diverse picture. While in Serbia in 2008, 22% of the resources of the culture ministry served heritage maintenance, in the final version of the next year's budget it went down to one tenth of the amount of a year earlier. At the other end, the French government was very quick to put together its €100m stimulus package, broken down into 252 projects: renovation of monuments of various size, (including a few of the "grand"), the primary selection criterion being the possible involvement of small and medium enterprises.

At a smaller scale, both Polish cities whose budgets we examined, also allotted the highest increase to the area of monuments in 2010 (Slupsk 2.8%, Cracow 3.0%).

English Heritage reported that the recession has cut the number of historic buildings being saved, and consequently increased the amount of sites in need of repair.

Greece is confronted with the same challenges at a much larger dimension, although the state of heritage is a central economic issue, owing to the close relationship with tourism. The Ministry for Culture and Tourism has thousands of vacant positions, mostly for temporary staff, which cannot be filled due to lack of funds.

### Books

Publishing and bookselling belong to conventional branches of industry and trade. Nevertheless it is different from most other industrial and retail sectors by not being covered by day-to-day statistics. Therefore until now anecdotic evidence only testifies to the effects of the crisis. In Hungary, the trade has fairly reliable and fast statistical monitoring that for 2009 indicated a 5% recess in sales – following decades of steady growth. A Latvian report from early 2009 signalled a much sharper drop of 30% from the preceding year. In the (original) 2010 budget, Spain planned to increase support to the book sector, nearly doubling the provision to innovative culture industry enterprises, which includes publishers.

As far as public acquisition of books for libraries, the Serbian government felt constrained to cut funds by 14% (benefiting 176 libraries). The National Library of France is planning to raise readers' fees later in 2010.

Authorities in a number of countries announced intentions to remove books from the group of goods that enjoy the preferential VAT rate: in the end they recanted both in Estonia and Lithuania.

### Audiovisuals

Traditionally the **film industry** occupies a dominant position among culture industries. The detailed analysis made about this sector in Russia enables us to perceive the size and nature of the setback to business interests in this branch – probably not indifferent from processes in a number of other national film industries in Europe.

The Russian film industry was characterised by dynamic expansion in the past several years. This was halted by the global crisis of 2009. The boom of building, expanding and upgrading film studios came to a sudden stop. Before 2008, plans to develop eight new film studios were announced.

Due to the current economic situation, two of those eight projects have been frozen, three are at the document preparation and investment-seeking stage, while the other four are at the active development stage. One of them, the St. Petersburg project has been completed, although the establishment of a post-production centre there still needs additional investors.

Between 2006 and 2008 the cost of productions for TV grew at the rate of about 30% a year in Russia. In 2009, however, the cost of production dropped back to the level of 2006 (estimates in thousand Rubel):

	2006	2007	2008	2009
TV series less than 26 episodes (per episode)	150	225	300	150
TV series 26 and more episodes (per episode)	50	75	100	50
TV films (per film)	300	450	600	300

Most Russian films (233 titles or 68% of the total over the reference period) had a production budget between RUB25 and 80 million. Judging by results from the first six months of 2009, the crisis had only a minor impact on the principal trends of this segment of the industry.

	2006	2007	2008.	2009 Jan-Jun
Total film production budget (million Rubel)	4.5	6.9	8.5	5.0
Average production budget per film (million)	51	64	78	126
Number of films with budget over 200 million	0	5	3	4
Number of films with budget of 100-200 mn	7	8	10	6
Number of films with budget under 100 million	80	93	95	30

Production has slowed down though. Late in 2008, as a result of the economic crisis, one of the largest TV producers in Russia (Amedia) reduced its staff from 150 to 30 and suspended about 70 projects that were at different stages of production. Recession in production pushed rental prices for studio space down by about 10%. Discounts may go much further than that, provided other services offered by the film studio are used. Current rates on the rental of filming equipment and stages may reach 20-30% of the level before the crisis.

With regard to distribution, deterioration is felt in the following areas of the Russian distribution business in 2009: growing payment arrears, a nearly 20% drop in film admissions for average titles, and a reduction of film purchase prices offered by TV channels. This latter has a particular effect on art film distributors since their titles have always recovered their costs almost exclusively from the sale of TV rights. One of the art film distributors (Pyramid) therefore left the market in 2009, owing to the high cost of licenses for film exhibition and the lack of interest in such features on the part of the Russian audience. One more structural change in the distribution field is that instead of further expansion (opening cinemas in new regions and cities) the shift is towards installing digital film projectors in already operating cinemas.

About 15% fewer licensed DVDs were released in 2009 in Russia, compared to the 1,893 titles in 2008. Nevertheless in 2008, 158 Russian feature TV and 106 cinema titles were made, followed by a serious slump in 2009, reaching about 80 and 70 titles, respectively. Due to a shorter production cycle and higher sensitivity of TV-channels to order placement the television industry has proved to be more susceptible to the effects of the economic crisis.

Far less complete is information from other countries, except for lapidary news about pruning financial backing to Latvian films down to a third, freezing around a third of film subsidies in Hungary, and news that 60% of the UK culture ministry's cuts were levelled at projects of the British Film Institute.

With regard to the home entertainment market across Europe, a 7% reduction on 2008 was recorded. This included a 9% decline in DVD sales, offset by a sharp increase in the sales of Blu-ray discs. On the other hand, on one major market, in Germany, slight growth was recorded in sales – and a slight fall in rentals. The majority of these items, in most parts of Europe, have been Hollywood-made full-length feature films.

### Art trade

Auction houses, art fairs and top level galleries belong to an area of cultural industries that suffered in the first phase of the crisis. At the top, Christie's 2009 sales were 35% less than in 2008, the same period for Sotheby's showed 47% – leading to cuts of jobs and lowering of prices. (The auction of Yves Saint Laurent's monumental art collection, however, broke records and raised more than 370 million euros.) The general downward trend may, ironically, have the positive outcome of better curating than speculation, with more diversified absorption than pinpointing hits, from which many contemporary artists can profit.

In 2010, however, positive news prevailed. Delegates were told at the annual conference of the Confédération Internationale des Négociants en Oeuvres d'Art (Cinoa) that some sectors of the art market have been largely unaffected by the economic downturn. E.g. prices for finest-quality porcelain have risen faster since the beginning of the recession. In Berlin, the number of galleries kept growing even over the past couple of years, with foreigners behind about two third of their sales revenue. Some dealers at the Basel art show declared that the crisis in the art world was over.

### EMPLOYMENT

Jobs in the cultural sector became a prominent issue connected to the privileged attention afforded to the economic role of the cultural and creative industries. It is therefore a singularly important issue to know the share of cultural jobs in the rising figures of unemployment, one of the worst consequences of the economic crisis. Whether their sustainability proves to be above the average, or whether their vulnerability is more prevalent (as experienced in North-Rhine Westphalia)? Again, we must conclude that too short a time has passed, and – more importantly – too little of a desirable monitoring device exists in Europe.

A fundamental difference between the economic regimes in the US and Europe is the fluidity and flexibility of labour conditions in America, compared to the relative stability and security on the European job market. Consequently, U.S. employment issues typically occupy more space in the news, including the effects of the economic crisis on culture (or the "arts" as they call it). Reporting on the difficulties that museums, theatres and other institutions are facing, and the number or percentage of lay-offs is routinely mentioned. Much less so in Europe – therefore this short section speaks mainly about America.

As a group, artists were unemployed at a rate nearly identical to that of all workers in the US (6% of artists and other workers alike). Nevertheless, after the credit crunch unemployment rose faster for artists than for the total civilian workforce. During the fourth quarter of 2009, more than half of all actors were unemployed. For the entire year, the actor unemployment rate averaged 36.8%. One in five dancers was unemployed in 2009. That year, the unemployment rate averaged 7.9% (10% during the fourth quarter) for writers and authors. It was 8.1% for photographers.

Joblessness is soaring in adjacent fields in the creative industries. In 2009, the unemployment rate for architects reached 10.8% – up from 3.6% in 2008 and 0.8% in 2006. Designers' unemployment rate hit 9.7% – 5.5 percentage points upward from 2008.

In Europe, and in culture, the French are traditionally particularly concerned about employment. The trade union in the performing arts has calculated that the impending budget cuts threaten at least 800 jobs or 2400 temporary workers. It is for the contractual temporary workers where problems in the Greek cultural administration culminate: late pay, poor conditions, and an uncertain future. Cultural jobs have been directly affected by fiscal measures in Ireland and Romania. Where salaries of civil employees were centrally cut – like the Baltic countries, Greece and Romania – cultural workers were no exception.

## CONCLUSION

The scope of the crisis is more varied across Europe than one normally perceives. Consequently, the effects on culture range from paralysing blows to transient nervousness. Sensitivity and differentiation is therefore required in its interpretation and treatment; solidarity is sometimes discovered to be in place.

Effects have appeared at a differing pace. Some changes began years earlier and were reinforced by the actual crisis. Places (e.g. America) and fields of culture that depend more closely on businesses were affected more by the sudden halt of the economy in 2008. By 2010 public deficits became the main concern of governments in Europe, which has touched subsidised culture en masse – in fact, the major part of European culture.

The real issue is to find out whether the effects will lead to fundamental, lasting changes in Europe's cultural environment. Even earlier this year there were grounds to believe that cataclysmic changes would be surmounted, that the crisis effects have only been exaggerated by panic, and that most things would flow basically as they used to. After a normalisation period (a term that sounds unnerving to many ears in east Europe), a return to former ways will prevail, regression to familiar habits, values, procedures and mechanisms, both in cultural policy and in the life of the sector.

As time goes on, however, we can hope less and less for the simple re-establishment of the status quo. Is then the crisis evidence of a crucial, decisive period in the life of western civilisation, an end of an era, the phasing out of some of the basic features of capitalism, especially its liberal, postmodern variant? If this is the case, then the question is not just how culture will survive the transition period, but rather whether culture is an actor in these historic transformations.

Not only does the scant data present an opaque picture of the nature of the effects of the economic crisis on culture – precious little can be deciphered about future trends. What has changed for good, and what is to be definitely modified in culture: in its role and manifestations? How to adapt our thinking to the changed environment? What are the implications to priorities in cultural policies, and in the individual strategies of operations and persons active in cultural life? What to reinforce, what to forget, what to modify in our activity – including our argumentation? For what and against what shall we argue? Which of our familiar arguments are losing relevance, and what to replace them with?