



**NATIONAL
ENDOWMENT
FOR THE ARTS**

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INTERNATIONAL DATA ON GOVERNMENT SPENDING ON THE ARTS

This note, Research Division Note #74, summarizes the latest research comparing government (public) arts expenditures in the U.S. with the spending levels of other countries. It draws on data published by the Arts Council of England (ACE) in its 1998 report entitled *International Data on Public Spending on the Arts in Eleven Countries*. In its release, the ACE analyzed direct public arts spending (see discussion below on direct and indirect public arts spending) in selected OECD¹ countries: Australia, Canada, Finland, France, Germany, Ireland, the Netherlands, Sweden, the United Kingdom, and the United States². The ACE study follows a similar work published by the Policy Studies Institute in London in the March 1990 issue of *Cultural Trends*, and the seminal 1985 paper *Supporting the Arts: An International Comparative Study* by J. Mark Davidson Schuster.

Differences in how various countries define and classify spending on the arts, as well as varying economic and political systems among countries, make a comparative analysis of public arts spending a difficult endeavor. Despite the many caveats present in such an exercise, the ACE report provides a tool for those interested in international public arts expenditures. According to its study, the United States spends about \$6 per person on direct public spending on arts³, the lowest of any of the countries tracked by the ACE study. By contrast, Germany, a country comparable to the U.S. in terms of per capita gross domestic product (GDP), spends an estimated \$85 per person on public arts spending. However, as discussed in this note, Germany's higher public arts expenditures may be at least partially explained by a larger public sector in the German economy. By contrast, lower government spending on the arts in the U.S. reflects, in part, a U.S. economy characterized by a substantially smaller public sector relative to the size of the private sector.

¹ Organization for Economic Cooperation and Development.

² Figures for public arts spending in Italy were excluded from the comparative analysis chapter of the ACE study due to the absence of local authority spending data.

³ The \$6 per capita U.S. public arts spending figure reported here includes outlays for the following: the Kennedy Center for the Performing Arts; the Smithsonian Institution; the National Gallery of Art; the Institute of Museum and Library Services; the National Endowment for the Arts; the Commission of Fine Arts; and expenditures by state and local governments. The public arts spending figures reported do not include expenditures for the National Endowment for the Humanities.

The ACE report also investigated trends in public arts spending within the selected OECD countries. As an overall pattern, many of the countries studied in this report experienced declines in government arts spending during the 1990s. This was particularly true in the United States, where appropriations for the National Endowment for the Arts were reduced by over 40 percent from 1992 to 1996. Differing from this overall trend, government expenditures in Germany and Ireland tended to increase during the 1990s. Factors such as German reunification and the establishment of an Irish national lottery contributed to their upward trends.

Items and Definitions of Cultural Spending: Ring-Fencing

Comparing public arts spending across countries is a complicated task, partly because various countries have a variety of methods of defining and accounting for arts expenditures. For example, the ACE notes that cultural spending in Australia includes expenditures on zoos, while the United Kingdom does not count zoos as spending on the arts. These kinds of inconsistencies require researchers to employ a “ring-fencing⁴” technique of measuring arts spending by various countries on a consistent basis. For its analysis, the ACE covered the following arts and culture disciplinary areas:

- museums and galleries;
- music;
- opera;
- dance;
- drama;
- visual arts (including photography and public arts);
- community arts;
- festivals and other mixed art forms/venues;
- support for the creation and promotion of literature; and
- support for film production.

In addition to naming the art forms included in this study, the Council had to address the consistent treatment of other definitional issues. Wherever possible, the ACE excluded the following types of expenditures:

- spending on libraries and the built heritage;
- spending on professional training in the arts;
- spending on mainstream arts education in schools;
- spending on capital expenditures (e.g., building a new theater);
- central government spending on administration of culture and public service broadcasting; and
- indirect spending through tax forgone.

⁴ “Ring-fencing” and “anchored-boundaries” are terms used to describe consistent measurement of arts spending across countries. For more information about this topic, see Schuster, “Making Compromises to Make Comparisons in Cross National Policy Research.”

The public arts spending figures reported by the ACE study include expenditures by central and local/regional governments. However, the ACE acknowledged that it was not always possible to include all forms of public spending on the specific art forms outlined in its study. For example, federal government arts expenditures in the United States consist of outlays for the Kennedy Center for the Performing Arts, the Smithsonian Institution, the National Gallery of Art, the Institute of Museum and Library Services, the National Endowment for the Arts, and the Commission of Fine Arts. Though these organizations account for the lion's share of the federal government's arts spending, various other central agencies also spend public dollars on the arts. For example, the U.S. Army sponsors traveling exhibitions of its many military art collections. The U.S. Forest Service funds demonstrations of folk arts and crafts and performing arts in many national forests. Though inclusion of these types of federal arts spending would have made for more accurate estimates, accounting complexities prevented them from being part of the ACE analysis.

As another qualification, the ACE study generally included expenditures on arts and culture derived from lotteries. Also, the base years of public arts spending described in the ACE study were generally 1994 and 1995, however, for some countries, the base year referred to government expenditures in 1993 or 1996.

Comparative Public Arts Spending in Ten Selected Countries

Based on the data reported by the ACE study, Table 1 shows direct public expenditures on the arts and museums for 10 OECD countries: Australia, Canada, Finland, France, Germany, Ireland, the Netherlands, Sweden, the United Kingdom, and the United States. This table also contains basic economic and demographic information, such as population, gross domestic product (GDP), and a 1994 Human Development Index ranking calculated by the United Nations⁵ for each of the respective countries. The variables in Table 1 measured in dollars (e.g., GDP, government spending, etc.) were originally reported by the ACE in each country's respective currency—such as Australian dollars and French francs—and then converted to British pounds sterling. For this NEA Research note, the figures have been changed to U.S. dollars using U.S. dollars per British pound sterling exchange rates for the various base years identified in the table⁶.

The ACE made an earnest and comprehensive effort to consistently calculate public spending on the arts across the 10 countries. As discussed above, however, there are caveats that need to be recognized before conclusions can be drawn about any country's public spending on the arts relative to another country's. Attached to Table 1 are notes explaining some of the qualifications related to the various countries' arts spending. For example, the ACE generally excluded capital expenditures in its definition of public arts spending. However, due to varying accounting methods, the figures shown for Germany and the Netherlands, among others, include capital expenditures.

⁵ The Human Development Index measures a country's achievements by life expectancy, educational attainment (adult literacy and combined primary, secondary and tertiary enrolment) and adjusted income.

⁶ Taken from the *Statistical Abstract of the United States*, the following U.S. dollars per pound sterling rates were used: (1993) \$1.5016; (1994) \$1.5319; (1995) \$1.5785; and (1996) \$1.5601. In some cases, two years were used for a country's base year; for example, Canada's reported base year is 1994/1995. In these cases, an average exchange rate was used to convert the reported figures to U.S. dollars.

Among the 10 OECD countries in this analysis, the United States, Germany, and Canada had the highest per capita GDP values (\$28,158, \$23,565, and \$22,321, respectively). The United Kingdom, Australia, and Ireland were the countries with the lowest per capita GDPs (\$18,918, \$17,181, and \$13,428, respectively). However, this analysis shows that high economic output, gauged by per capita GDP, does not necessarily equate with high public spending on the arts. With the highest per capita GDP, the U.S. also had the lowest per capita government arts spending—only 0.13 percent of all final U.S. government expenditures, or about \$6 per person in the 1995 base year. Germany, by contrast, spent about 1.79 percent of all its final government expenditures on the arts, translating to \$85 per person—more than 14 times greater than per capita U.S. spending. Even Ireland, with less than half the per capita GDP of the United States, had higher public spending on the arts than the U.S. did—roughly \$9 per person. Similarly, Table 1 shows that per capita public arts spending was highest in Finland—an estimated \$91 per person, though Finland’s per capita GDP was surpassed by the United States, Germany, Canada, the Netherlands, France, and Sweden.

Table 1 also reports relatively high per capita public arts spending in Sweden and France (\$57 per person in both countries). Canada and the Netherlands recorded more moderate spending at \$46 per person in each country, and per capita public arts spending was comparatively low in Australia (\$25) and the United Kingdom (\$26).

Direct Public Expenditure on the Arts in the United States

	Fiscal Year to Which Data Relates	Spending (m U.S Dollars)
Central Government		
Kennedy Center for the Performing Arts	1995	7.5
Smithsonian Institution	1995	358.0
National Gallery of Art	1995	57.4
Institute of Museum Services ⁷	1995	28.7
National Endowment for the Arts	1995	162.3
Commission of Fine Arts	1995	0.8
Total Central Government		614.7
State Arts Agencies	1995	265.6
Local Arts Agencies	1996	650.0
Total		\$1,530.3

⁷ Through the 1996 Museum Services Act, the Institute of Museum Services added the function of library services (formerly part of the Department of Education) to its mission and became the Institute of Museum and Library Services.

Indirect Public Spending on the Arts and Museums

Table 1 excludes indirect government support for the arts through forgone taxes. The ACE report noted that expenditures through forgone taxes can take a number of different forms, tax incentives to encourage private and corporate donations to the arts being the best known. But tax mechanisms for indirect government support can also include the reduction of tax burdens on artists and arts organizations, as well as fiscal tools designed to abate taxation to encourage cultural products and international investment (for example, films).

As investigated by Schuster, government spending on the arts through forgone taxes has a larger effect in the U.S. than in other countries. He explains that this is primarily due to the historical relationship between public and private sectors in the U.S. vs. other countries. In other words, indirect support for the arts through forgone taxes is simply a preferred public spending device in the United States; other countries also have these types of mechanisms in their respective tax codes, but are more inclined towards direct public spending. Despite this relative importance of indirect government support for the arts in the U.S., Schuster's 1985 study found that U.S. public arts spending was still the lowest of the countries he studied, even after he included an estimate of forgone taxes into his computations⁸.

Differences in Arts Spending Between Countries

In addition to indirect government support, Schuster also addressed why some countries have higher public arts spending than others. He writes:

In the final analysis, the differences between countries may reflect differences in the relative importance of the public sector more than differences in the relative importance placed on the arts and culture. Per capita comparisons for other areas of government support would likely show similar differences.

The data in Table 1 offer some support for Schuster's observation. With the exception of the Netherlands, government final consumption expenditure as a share of all economic output (i.e., GDP) was lower in the United States than in any of the other countries included in the ACE study. While the government spending to GDP fraction was 15.7 percent in the United States, this ratio was greater than 20 percent in Canada, Finland, France, Germany, Sweden, and the United Kingdom—in fact, Sweden's government final consumption expenditure to GDP ratio exceeded 28 percent. Therefore, the high per capita public arts spending in countries such as Finland and Germany (\$91 and \$85, respectively) may reflect, to some extent, their economic preference for larger government sectors and more public spending. The low government arts expenditure in the U.S. (about \$6 per person) is at least partially explained by the U.S.' inclination towards private markets and a comparatively smaller government sector.

Schuster also notes other factors that may contribute to varying levels of public arts spending across countries. For example, differences in production costs are a possible source. It may be more expensive to produce a ballet, for example, in one country than it is in another. In addition,

⁸ Schuster's study used 1981-1984 data and consisted of public arts spending in Canada, France, Germany, Great Britain, Italy, the Netherlands, Sweden, and the United States.

most countries have national art treasures (e.g., a national symphony orchestra). However, countries with relatively smaller populations distribute their outlays for these treasures across fewer people, leading to higher per capita expenditures than countries with larger populations. For example, Table 1 shows Finland's population at 5.1 million people. By contrast, the United States' population exceeds 258 million. In addition, the figures reported in Table 1 use U.S. dollar per British pound sterling exchange rates to compare arts spending, government final consumption expenditures, and GDP among countries. However, exchange rates may not quickly or fully capture changes (e.g., differing rates of inflation) in any given country's economy⁹.

Trends in Direct Public Support of the Arts

In addition to comparing public arts spending across countries, the ACE also analyzed recent changes in public expenditure on culture for each of the 10 OECD countries listed earlier plus Italy. Table 2 shows the Council's summary of public spending developments and reveals a general trend toward decreases in government arts spending—Canada, the Netherlands, and the United Kingdom display this pattern. Due to recessions, Finland, the ACE reports, is also under pressure to reduce their public arts spending. The trend toward less government arts funding is strongest in the United States. As shown below, Federal appropriations for the National Endowment for the Arts reached a peak of \$176 million in 1992 and declined annually thereafter. By 1996, the NEA appropriation was \$99.5 million, an amount that was 43 percent below the funding the agency received in 1992¹⁰. U.S. state arts appropriations declined during the early 1990s. For example, in 1990 state arts funding was \$292.1 million, by 1993, appropriations dropped to \$211 million. In 1994 and 1995, state arts funding increased to \$246.2 million, and 265.6 million, respectively. In 1996, however, state arts appropriations decreased slightly, falling to \$262.2 million¹¹.

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Appropriations to NEA (m\$)	171.3	174.1	176	174.5	170.2	162.4	99.5
Index (1987=100)	104	105	106	106	103	98	60
State Arts Appropriations (m\$)	292.1	272.5	213.4	211	246.2	265.6	262.2
Index (1987=100)	135	126	99	98	114	123	121

⁹ For more information on cross-country economic comparisons, see "Review of the OECD-Eurostat PPP Program."

¹⁰ NEA appropriations remained between 99.5 million and 98 million through FY 1999.

¹¹ State arts appropriations have increased in recent years—\$271.9 million, \$303.2 million, and \$370.7 million in 1997, 1998, and 1999, respectively.

The ACE reported two notable exceptions to declining government arts spending in Germany and Ireland. Traditionally, municipalities provided the largest proportion of public arts spending in Germany, followed by state (Lander) arts spending. The federal government's role was relatively marginal—contributing only about two percent to total public arts spending. However, the German central government's role grew during the 1990s—in 1991 it was 13.2 percent of total public arts spending and, in 1992, it was 9.1 percent. Part of this increased federal role was due to reunification with East Germany.

Ireland also recorded gains in central government support for the arts in the early nineties. The ACE attributes these gains to factors such as a new lottery with no corresponding reduction in tax-based support; a growing awareness of the economic value of the cultural sector to the Irish economy; and the availability of European funds for cultural projects through the European Union.

Conclusion

Despite the many difficulties in constructing a comparative analysis of public arts spending across countries, the ACE study allows for a broad interpretation of cultural spending in the selected 10 OECD countries. Of these countries, the Council's analysis shows that direct per capita government spending on the arts was the lowest in the United States—\$6 per person. By contrast, Finland and Germany had comparatively high per capita public arts spending of \$91 and \$85, respectively. However, as maintained by Schuster, high public arts spending may reflect a given country's preference for an economic system characterized by larger government sectors and more public spending. Low direct government spending on the arts in the United States is at least partially a reflection of the U.S.' preference for a smaller government sector and a much larger private sector.

In addition to comparing public arts spending across countries, the ACE report also analyzed trends in government cultural spending within the OECD countries. Its study showed a general pattern of reduced government outlays for the arts. In the United States, for example, 1996 appropriations for the National Endowment for the Arts were down over 40 percent from its 1992 appropriation. Though less dramatic, other countries also showed declines in government arts expenditures during the 1990s—for example, Canada and the United Kingdom. However, Germany and Ireland's public arts spending increased over the 1990s time frame. Reunification in Germany and a national lottery in Ireland contributed to the increases in public arts spending in these countries.

Works Cited:

Arts Council of England, Policy Research and Planning Department. Research Report Number 13, *International Data on Public Spending on the Arts in Eleven Countries*. March 1998.

Organization for Economic Cooperation and Development. *Review of the OECD-Eurostat PPP Programme*. September 1997.

Policy Studies Institute, London. *Cultural Trends 1990*. Edited by Andrew Feist and Robert Hutchison. March 1990.

J. Mark Davidson Schuster. *Supporting the Arts: An International Comparative Study*. Published by the National Endowment for the Arts. March 1985. Available through ERIC Document Reproduction Services (www.edrs.com); ERIC document #ED257740.

J. Mark Davidson Schuster. *Making Compromises to Make Comparisons in Cross National Arts Policy Research*. Journal of Cultural Economics, Vol. 11, No.2. December 1987.

For more information on the data reported in this note, see the following Internet sites:

Arts Council of England
<http://www.artscouncil.org.uk/>

European Union
<http://www.eurunion.org/>

National Endowment for the Arts
<http://www.arts.endow.gov/>

Organization for Economic Cooperation and Development National Accounts
<http://www.oecd.org/std/nahome.htm>

World Bank Human Development Index
<http://www.undp.org/hdro/hd.htm>

Table 1. Government Expenditure on the Arts and Museums

Includes Federal, State, and Local Government Spending on the Arts.

	Australia	Canada	Finland	France	Germany	Ireland	Netherlands	Sweden	United Kingdom	United States
Main year of financial data	1993/94	1994/95	1994	1993	1993	1995	1994	1993/94	1995/96	1995
Per Capita Arts Spending (U.S. Dollars)	\$25	\$46	\$91	\$57	\$85	\$9	\$46	\$57	\$26	\$6
Total Government Arts Spending ¹ (m of U.S. Dollars)	\$438	\$1,272	\$460	\$3,275	\$6,886	\$33	\$714	\$496	\$1,518	\$1,530
Government Arts Spending as Percentage of Government Final Consumption Expenditure ²	0.82%	0.93%	2.10%	1.31%	1.79%	0.43%	1.47%	1.02%	0.65%	0.13%
Government Arts Spending as Percentage of Gross Domestic Product	0.14%	0.21%	0.47%	0.26%	0.36%	0.07%	0.21%	0.29%	0.14%	0.02%
Government Final Consumption Expenditure (b of U.S. Dollars)	\$54	\$136	\$22	\$251	\$384	\$8	\$48	\$48	\$226	\$1,142
Government Final Consumption Expenditure as a Percentage of GDP	17.79%	22.31%	22.31%	20.08%	20.07%	17.14%	14.33%	28.08%	20.46%	15.72%
Population (Millions)	17.7	27.4	5.1	57.7	81.2	3.6	15.4	8.7	58.4	258.2
Gross Domestic Product (b of U.S. Dollars)	\$304	\$612	\$98	\$1,249	\$1,913	\$48	\$338	\$173	\$1,105	\$7,265
Per Capita Gross Domestic Product	\$17,181	\$22,321	\$19,210	\$21,651	\$23,565	\$13,428	\$21,944	\$19,845	\$18,918	\$28,158
Human Development Index Ranking	7	1	16	6	11	21	9	4	10	8

¹ Includes only direct government spending on the arts and not indirect subsidies such as foregone taxes from contributions to the arts.

² Government final consumption expenditure, measured by the OECD (Organization for Economic Cooperation and Development) is used as an indicator of the overall size of each country's public sector.

See Additional Attached Notes

Notes to Table 1

- For Australia, local authority data was drawn from a 1992/93 sample survey of authorities. Commonwealth State spending figures relate to 1993/94. Figures include capital spending. In 1992/93, capital spending under a broad definition of cultural expenditure accounted for 12 percent of all spending.
- For Canada, figures include expenditures financed through lotteries.
- For Finland, complex inter-governmental transfers make precise figures difficult to calculate accurately. Figures include capital expenditures.
- For France, central government expenditures exclude *Grands Travaux*. Local/regional government spending is revenue only; excludes spending by communes with under 10,000 residents.
- For Germany, art and museum figures include capital expenditures.
- For Ireland, art and museum figures include lottery supported spending. Excludes expenditure by Ireland's national broadcasting service, Radio Telefis Eireann (RTE).
- For the Netherlands, art and museum figures include capital expenditures.
- For Sweden, art and museum figures include capital expenditures.
- For the United Kingdom, figures exclude capital spending except for national museums and galleries. Local authority data taken from various years, 1993/94 to 1995/96.
- Figures for Italy are not included due to the absence of local authority spending data.

Table 2. Trends in Public Expenditures on Culture

	Central Government	Regional Government	Local Government
<i>Australia</i>	Increase in both capital and revenue spending un to 1995/96.	Increase in revenue spending up to 1994/94.	Increase in revenue spending up to 1992/93.
<i>Canada</i>	Overall reduction in support for the arts.	Recent real terms reductions in support for the arts.	Recent real terms reductions in support for the arts.
<i>Finland</i>	Expenditure under pressure due to recession.	Trend data unavailable.	Expenditure under pressure due to recession.
<i>France</i>	Fall in share of total public spending since 1993.	Substantial increase in real levels of revenue.	
<i>Germany</i>	Temporary expansion in support due to unification.	Pressures on public finance due to high unemployment and financial surgery necessary for EMU.	Pressures on public finance due to high unemployment and financial surgery necessary for EMU.
<i>Ireland</i>	Marked increase in support due to additional lottery income; public funding of culture recognized.	Not applicable.	Very limited local government expenditure.
<i>Italy</i>	Reduction in percentage of total state expenditure on culture.	Slight increase in percentage of total regional expenditure on culture.	Increase in percentage of total state expenditure on culture.
<i>Netherlands</i>	Modest real terms fall in cultural spending.	Detailed trend data unavailable.	Detailed trend data unavailable.
<i>Sweden</i>	Spending on arts and museums up by one fifth in real terms.	Modest decline in county council expenditure since 1989.	Increase in support for arts institutions and museums. Decrease in support for cultural activities.
<i>United Kingdom</i>	Direct expenditures have increased marginally in real terms in the early 1990s but have fallen in real and cash terms thereafter.	Not applicable.	Small real terms aggregate reductions in net revenue spending.
<i>United States</i>	Large cash reductions in main funding agency.	Moderate increases in State Arts Agency spending, following marked cash reductions in the early 1990s.	Local arts agency spending increasing in real terms but limited hard evidence.