

# How Culture is Financed in World's Cities: A Comparative Analysis of Public Funding, Private Giving and New Funding Models in 15 Cities from Los Angeles to Shanghai

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The world's urban population is on the rise,  
so is the need for research  
into funding and sustaining of city culture.

By Dinara Tokbaeva

This is a brief review of recent developments in funding culture in world cities. This review is based on findings of the World Cities Culture Finance Report (WCCF), published by BOP Consulting in 2017, which compared and contrasted the financing of culture in 16 global cities. Based on WCCF data, this review for JOCIS, first and foremost, defines city culture and its revenue streams, secondly, provides statistics and figures on the financing of culture, and thirdly, elaborates on how these findings can be used for further research into the economics of culture and urban sustainability.

Funding for culture is unquestionably well-reasoned, but why does it matter how things are going in cities? Two-thirds of the world population will live in cities by 2030 (AP, 2016). Governments all over the globe face increasingly complex challenges brought by rapid urbanisation, ranging from environmental issues to social inequality. Culture is believed to be able to ease some of those tensions and creating striving urban centres as places of collaboration between various social groups. In fact, "many of the great policy issues of our age [...] are [now] being led at a city, rather than national, level" (WCCF, 2017a).

Before one moves on to question how to make city culture more robust in solving some of those tensions, it's important to understand what is a city culture, which kinds of funding are already present, and how do they differ depending on various geographies?

## Ways of funding city culture

The WCCF report compares and contrasts financing of city culture in Amsterdam, Brussels, Istanbul, London, Los Angeles, Moscow, New York, Paris, San Francisco, Seoul, Shanghai, Shenzhen, Stockholm, Sydney, Tokyo and Toronto. The WCCF study has shown that world cities have its mix of funding models for culture, and interweaving of various funding streams. The WCCF report discusses the mechanisms through which resources are distributed and invested, including new financial models that are being launched and tested, with a particular emphasis on public versus private funding.

**City culture** is defined as a unique product of a unique geography and a unique history (WCCF, 2017b, p. 13). City culture is created by for-profit or publicly owned museums,

galleries, theatres, etc., but also smaller not-for-profit independent institutions, charities, start-ups and individuals working in the fields of music, performing arts, entertainment, literature, fashion, animation, games and digital media.

Cultural expenditure is sourced through “earned income, public funding, private sponsorship and charitable donations” (WCCF, 2017b, p. 6). Public funding is divided into indirect funding, direct culture dedicated funding and non-culture dedicated funding. Indirect funding consists in fiscal incentives aimed at encouraging actors beyond the state to invest in culture. Direct culture-dedicated funding consists in expenditures by ministries, culture departments, councils, educational departments depending on who is responsible for culture in a specific state. And non-culture dedicated funding stands for expenditures by state actors that are not directly supporting culture but helping to boost it such as trade, inward investment, tourism, or health departments and ministries.

Private funding is divided into sponsorships and private donations, provided by individuals, businesses, foundations and trusts.

### **Public funding**

Stockholm is the only European city which receives 100% direct public funding for its cultural initiatives. Direct public funding of culture is a specific feature of Chinese cities Shanghai and Shenzhen. It must be noted that, due to such investments, Shenzhen was able to promote itself culturally on a global level, although it's a relatively young city, especially when compared to millennium-old counterparts like Rome. Funding of culture in Paris, Brussels and Amsterdam consists of public expenditures for 93, 92 and 91% respectively, while private giving covers the rest. Toronto and London are not entirely dependent on public funding when it comes to culture. For instance, in case of Toronto, 67% of revenues for culture come from public funds, 33% account

for indirect public funding, and 1% for private giving. In case of London, it's 61% for public funding, 20% for indirect public funding, and 19% for private giving.

### **Private giving**

Philanthropy is particularly influential in North American cities and Tokyo. New York tops the list of world's cities whose culture mostly benefits from private giving (70%). In fact, New York receives more donations to cultural institutions than any other US state. Only 26% of New York's culture revenue comes from direct public sources, and 4% account for indirect public giving. New York's model is replicated in San Francisco (61% for private giving, 35% for public sources, and 4% for indirect public giving) and Los Angeles (45% for private giving, 52% for public sources, and 3% for indirect public giving). Tokyo is ahead of all Asian cities regarding the amount of private giving & sponsorship for culture. Tokyo also gets 54% of its revenues for culture from public sources.

### **The highlights: What works?**

- New York, Sydney, Los Angeles and Paris position culture as their key tourist product. Istanbul and Los Angeles' culture is embedded into city marketing campaigns. This is not the case for other cities yet.
- The US cities benefit from favourable conditions for private giving. The federal government forgoes 33-35 cents in tax revenue for each dollar donated to a not-for-profit organisation (ibid, p. 27). National incentives are significant for Paris and London too, but not on the scale of American cities.
- London and Toronto cultural scene benefits from “culture-specific tax expenditures, such as tax incentives for film and other audio-visual production” (ibid, p. 24)
- A 'portfolio' funding is widespread in the UK, Netherlands and France. It is when national culture departments fund a small number of key cultural institutions. The ad-

vantage of this method is that it allows established institutions to secure long-term funding. However, its disadvantage is that portfolios become static, which may hinder competition and discourage innovation among smaller players. That is the reason why in 2011 Stockholm has embarked on promoting structural change in the cultural sector and included individual projects and organisations into the state funding scheme (ibid, p. 21).

- Shanghai, Shenzhen and Seoul have been successful in providing economic development and business support to the creative industries. For example, fashion and animation are favoured and prioritised in Shenzhen, while games and digital media can benefit from business support in Seoul.

- Paris and Moscow are ahead of the world regarding direct culture-dedicated funds aimed at arts and cultural education. The significance of Paris and Moscow is that it incentivises lower-tier levels of government to make large contributions to culture. As a result, the national government's overall share of expenditure is reduced to 50% (ibid, p. 16).

- While Moscow and, in no small extent, Shanghai manage and fund their in-house cultural institutions, Istanbul outsources administering of cultural venues to a commercial company "Culture Co". The latter is responsible for organising festivals and events and generating revenue from ticket sales.

### **New funding models**

The level of culture-dedicated funding is declining in most of the world cities – this is the case of Amsterdam, London, Sydney, Seoul (ibid, p. 30). The Chinese cities have been gradually moving to a market-oriented cultural sector. Besides, Shenzhen and Moscow hope to benefit from more public-private partnerships. Apart from that, there are compelling experiments with new funding models across the globe. Some of them are quite promising, but they

have only been a minor revenue stream so far. One of them is a new business model for city culture by musicians' cooperative in Amsterdam – they combine artist investment with audience subscription (ibid, p. 29).

Another idea is to soften the impact of rocketing housing prices on artists and culture specialists, which is the case of big cities. San Francisco established a trust which utilises public and private funds for purchasing property for cultural organisations. Moscow is offering some of its state-owned historic buildings in exchange for capital investment in restoration. Paris has recently started offering 66% tax deductions for financing heritage restoration



projects through newly established funds for Paris organisation.

Some cultural organisations are experimenting with financial instruments. Seoul, Stockholm and Sydney work towards providing public sector match funding for the sums raised through crowdfunding campaigns. Sydney is offering tax deductions for individuals participating in crowdfunding city culture. London's The Globe Theatre is the first organisation in the UK to establish its own Social Impact Bond (ibid, p. 29) which makes it more attractive for funders to invest in the theatre. Shanghai has set up a Special Purpose Investment unit, which oversees not only culture but also tourism, design and leisure sectors.

The plan is to make cultural organisations becoming publicly traded.

Further research on city culture and urban sustainability

- There are methodological difficulties of researching city culture. They are related to a risk of duplication of funding streams and lack of precise definitions of funding. It's harder to capture and analyse data due to the increased institutional complexity of funding culture across all markets. For instance, there are at least three significant streams of public funding: the global level (in case of large metropolitan areas), the national level and the local level (such as of municipalities). To avoid a mishmash of budget lines, one needs to de-duplicate quantitative data which comes from many sources.

- The question of the best way to fund city culture remains rhetoric and subject to philosophical debate. State funding views culture as "a common inheritance, linked to individual and collective identity, which needs to be nurtured and sustained" (WCCF, 2017b, p. 8). It is seen as a guarantee that interests of all social groups of the population will be served, yet it might be the most bureaucratic and inefficient in operation. As opposed to government funding, philanthropy is one of the most democratic ways to fund culture as it requires producers of culture to respond to the needs of their audiences and supporters. However, corporate-driven philanthropy is not immune from criticism of being a reproducer of a worldview of a small number of donors (ibid).

References:

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