

Economy and sociology in Cultural Heritage

Financing the culture in Italy

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Abstract

The paper deals with financing the culture in Italy. The public expenses for the culture are shared as expenses of the government, of the regions, of the provinces and of the municipalities. The relationships of the cultural organisations with the public sector are very strong because they belong to the public sector, or they broadly depend on public funds.

A specific attention is devoted to other forms of financing, about the role of the entrance fees and the entrances of the game “Lotto”, which subsidise the cultural goods and the Interministerial Committee for the Economic Planning (CIPE) allocations to the depressed areas. We will also be faced up to the examination of other sources of private financing as the sponsorships, the entrances of collateral services about museum visits (coffee and bookstore) and the supply of banking foundations. The fiscal incentives refer directly to the cultural institution or to the external financing of the nonprofit institutions by donations or sponsorships. Finally, the cultural institutions will have always to operate more and more by a strategic vision of financial and managerial field, on the basis of high qualitative standards. The activities and cultural projects will have to be able to attract additional sources of income in addition to the public one; the search of private financial resources is developed in a situation of increasing competition among the institutions, while tools of innovative finance have to be used to satisfy the increasing demand of culture. It is difficult nevertheless to define the possible best method of public–private financing, if you take consideration of the distinctive features of the different institutions and interests of the operators who are involved: artists, cultural institutions, public bureaucracy, besides the economic effects which follow alternative choices. The recent evolution of the institutional, financial and managerial models of the culture in Italy plans a larger integration between public and private sectors for a great involvement of individuals, enterprises and foundations about the financing of the cultural services offer.

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1. Research aim

The financial structure of a cultural organisation can be evaluated in terms of the origin of its sources of funding, public or private, and in terms of the nature of these sources: direct and indirect public subsidies, market revenues or endowment funds. Thus, we have organisations that fit two main models: public oriented and market oriented. The public oriented model guarantees a democratic distribution of resources. This distribution may not always be tied to economic criteria, and it is bureaucratic in type and sometimes liable to political mediation. The market oriented model draws mainly on private sources of funding. It maximises sponsorship returns and often

allocates resources in ways that will attract donations. It is more flexible but, being responsive to market forces, it may focus resources on high-profile initiatives and ones which mainly promote sponsor visibility.

Cultural organisations generally finance themselves through the sale of tickets and other services (additional services). They receive public subsidies from various levels of government both directly and also indirectly through tax relief on the organisations themselves and on donations from enterprises and private individuals.

The recent development in Italy of culture management, funding and organisational models envisages broader integration between the public and private sectors with a greater role for individuals, businesses, banks and foundations in the financing of cultural services. Cultural organisations have very strong links with the public sector either because they are part of it or because they rely heavily on public funding. This de-

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pendence has driven them to strive for efficiency. An important debate is underway on the possible forms of, if not outright privatisation, at least “corporatisation” and on the wider involvement of the private sector in an effort to generate revenue.

Innovations in the fiscal sector also have a role to play in this process. The aim is to use tax incentives to promote corporate donations in order to foster the development of cultural activities and heritage. This reflects the fact that tax treatment is an important factor for companies and private individuals that want to increase their investment in the culture sector. It represents a first reversal in the traditional approach to taxation, although further changes are needed to extend its scope to cover private individuals.

2. How culture is funded

Funding structures vary in relation to the type of institutional model and to the degree of autonomy that the organisations in the sector enjoy, and they reflect, in particular, the different levels of financing in the public and private sectors [1–4].

Funding sources are both internal and external.

Of importance among the internal sources are those that typify the organisation itself. For example, significant sources of revenue for museums are the sale of entrance tickets, subscriptions, and membership fees (common in American museums). Looking at revenue from ticket sales, for example, we can see that this varies in importance from museum to museum. In some museums, admission is free and their funding relies on public transfers and private donations (some American museums), while in other museums the revenue generated by the sale of other services is of considerable significance. Up until 1997, in Italy ticket takings used to go straight to the Treasury Ministry, which would then redistribute them among the various services through allocations to the relative balance-sheet items. Law 78 of 1997 abolished the admission tax for state-owned museums, monuments and archaeological sites and replaced it with a ticket whose proceeds go to the Ministry for Cultural Heritage and Activities, which is responsible for the various state-run museums. Generally speaking, ticket takings cover a small proportion of running costs, although appropriate pricing policies can help promote a more market-oriented approach in a context of flexibility and autonomy [5]. There are social reasons for granting free or reduced entry, although the latest report from Istat highlights the fact that out of 47 million museum visitors, more than 18 million enter free of charge. Financial revenues and income from endowment funds can be important in some cases.

The main sources of external funds are public and private financing. Public financing mainly uses the instruments of direct contributions to various types of cultural organisations, direct contributions for specific initiatives, tax relief and benefits, and the settlement of debts and operating losses. Private financing comes in the form of donations, sponsorships, and through the sale of merchandise and services related to the cultural initiative. While donations generate no direct financial re-

turn, sponsorships offer promotional and image advantages. Revenues from the sale of merchandise and services which are not strictly cultural (additional services) relate to collateral services such as catering, the selling of books and gadgets, commercial services, etc. In Italy, these services are contracted out. The amount of revenue generated in this way is usually significant though not of major importance. It accounts for about 10% of the total and cannot be viewed as the answer to museum funding, although visitor satisfaction is enhanced. The outsourcing of additional services to the private sector, including the organisation of exhibitions, didactics and ticketing operations, has often helped cut costs for the public authorities. However, it should be noted that commercial money-making activities are not permitted in the majority of locally run museums.

In addition to public sources of a direct (subsidies) and indirect (tax breaks) nature, other funds can be raised through profitable commercial operations and private donations from companies or private individuals.

Recently, efforts have been made to attract private savings to projects that safeguard and enhance cultural heritage. In particular, Law 724 of 1994 governing the issuing of bonds (BOC) by local bodies also regulates their doing so for cultural heritage purposes. However, the link between the amount of the bonded loan and the actual value of the public investment undertaken remains necessary. There are difficulties in raising capital on the credit markets, and with this in mind one suggestion is to issue some form of stock as already happens in other countries.

3. Public–private collaboration

An interesting solution to the long-standing question about the motives underlying public subsidies and to the debate on the pros and cons of public versus private financing lies in a combination of public and private funding [6–8]. The aim would be to diversify the sources of financing and ease the burden on the public purse. The diversification of the sources of funding helps lessen the risk of power over culture policy being concentrated in the hands of the public sector and reduces the possible interference of private donors. The forms of public–private co-financing that maintain a balance between the systems are of considerable interest. Enterprises and private individuals operate through collaboration, co-participation and other similar forms. They are also involved in money donations and through making available their technologies and other management and business skills [9–12].

For some years now Italy has also been tending towards a greater involvement of the private sector. One thinks of the so-called Ronchey Law (Law 4 of 1993) [13], which allows private enterprises to operate non-cultural services (additional services). In Italy, where consumer spending on culture rose 17% in real terms between 1995 and 1999, ticket takings at state-run museums have risen from 49.06 to 67.14 million euro in the past 3 years. In comparison, between 1994 and 1999 the market for additional services generated revenues worth 22.21 mil-

lion euro through the utilisation of areas and the rights to copy works of art as permitted under the Ronchey Law. The revenues generated by ticket sales and additional services cover 12–15% of the overall operating costs of state-run museums, a percentage in line with international figures. The Ronchey Law has taken forms and financial structures from western countries as a model, however this has not solved financial problems.

Therefore, important to public–private collaboration is the externalising of the processes whereby the private sector is entrusted with the additional activities through outsourcing and contracting out.

Bank derived foundations offer an interesting possibility. Each year these foundations allocate more than 30% of their investments to the culture sector, a total of about 250.00 million euro.

The new Code of cultural heritage and landscape (Law 137 of 2000 and Legislative Decree 42 of 2004) regarding the public–private relationships, has extended the control of the State restricting the management of it. It recognises forms of indirect management by the employment of private organisations with the purpose to guarantee a suitable level of exploitation of the cultural goods, through:

1. The direct assignment to institutions, foundations, associations, consortia, companies or other subjects, constituted or participated, in prevailing measure from the public administration which property belongs. The Code can entrust, therefore, the “global” service of a museum to private organisations.

2. The concession to a third party on the base of some principles. It foresees the possibility to found in the museums and in the other cultural places, some services of cultural assistance and hospitality for the public.

4. Forms of public subsidy

The role of the public sector in promoting culture takes the form of direct public subsidies. Moreover, through the regulations, information and tax breaks (that are the outcome of bureaucratic and policy decisions involving various parties) the public sector exerts an indirect impact on cultural organisations and on donations [14,15]. Generally speaking, non-essential rules should be abolished. These relate to matters such as set prices, opening times, etc.

Direct subsidies to culture can come in various forms and have different impacts on the price of the cultural goods provided, on funding policies, on the internal organisation, and on technical operational decisions. Seldom is there a fixed subsidy per visitor, irrespective of the admission price and the subsidy linked to ticket takings, or one related to the number of visitors. More common are lump-sum subsidies to cultural organisations; subsidies which are not linked to prices, production factors or products.

From 1991 to 2004 the government expense for the culture (Table 1) expressed in current values and annual % change (Table 2) is doubled with good increases of the expense in capital account (Fig. 1).

Table 1

Public spending on culture in Italy. Million euro

Year	Culture		Total c = a + b
	Current expenditure a	Capital expenditure b	
1991	544.8	171.4	716.1
1992	622.3	197.5	819.9
1993	645.7	255.9	901.6
1994	640.9	313.8	954.6
1995	682.3	226.4	908.6
1996	813.8	215.4	1.029.2
1997	861.6	201.6	1.063.2
1998	864.6	292.9	1.157.5
1999	963.8	425.4	1.389.2
2000	1.046.4	377.4	1.423.9
2001	1.005.9	409.3	1.415.2
2002	1.027.3	484.3	1.511.6
2003	1.064.1	444.4	1.508.5
2004	1.125.2	463.4	1.588.5

Source: Ministry for the Cultural Heritage and Activities.

Table 2

Public spending on culture in Italy. Annual % change

Year	Culture		Total c = a + b
	Current expenditure a	Capital expenditure b	
1992	14.2	15.2	14.5
1993	3.8	29.6	10.0
1994	9.9	22.6	5.9
1995	6.9	−27.9	−4.8
1996	19.3	−4.9	13.3
1997	5.9	−6.4	0.4
1998	0.3	45.3	8.9
1999	11.5	45.2	20.0
2000	8.6	−11.3	2.5
2001	9.6	8.5	−0.6
2002	2.1	18.3	6.8
2003	3.6	−8.2	−0.2
2004	5.7	4.3	5.3

Source: Ministry for the Cultural Heritage and Activities.

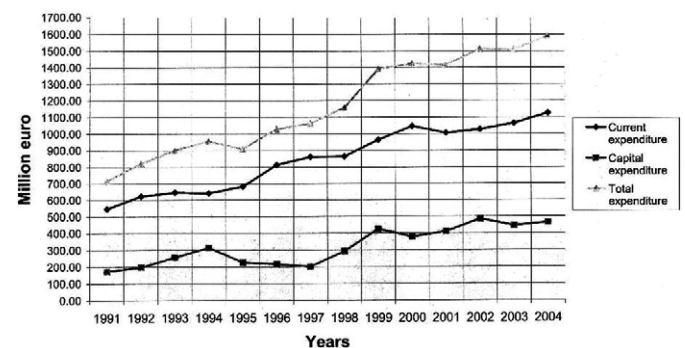


Figure 1. Public spending on culture in Italy

This growth has been funded through increases in ordinary allocations (funds from the lottery), Interdepartmental Committee for Economic Planning (CIPE) allocations for depressed areas, and extraordinary programmes (the Jubilee).

Italy also receives funds for the culture from the European Union through the program “Culture 2000” wide up to 2006 to

finance projects proposed by public and private administrations. Some European policies foresee the appeal to the Structural Funds; the European Fund of Regional Development, through the initiative INTERREG, finances forms of collaboration among countries in the field of the culture. The exploitation of the cultural heritage is stimulated favouring the intervention of the private organisations in the management of it; the projects with ample relapse on the public are preferred.

The 1997 Financial Law introduced an innovative solution for Italy. It provided for the use of a significant share of lottery (Lotto) revenues in favour of the safeguarding and enhancement of cultural heritage. The introduction of an additional game has raised about 150 million euro a year for the restoration of archives, libraries and architectural and historical heritage sites, as well as for the purchase of new works of contemporary art.

Expenditure on culture by local bodies has also increased as culture has become a higher priority in their budgets. Indeed, local bodies now play a significant role in the provision of culture.

As for direct subsidies from the central authorities, cultural organisations are funded through an “annual ordinary contribution”. Cultural organisations that meet certain requirements (article 2 of Law 534 of 1996) are entitled to apply to receive this annual ordinary contribution from the state. They are included in a list which ensures that they will receive this contribution until the list is revised (every 3 years). The prerequisites are that such organisations be nonprofit undertakings, that they undertake documented, publicly-accessible research in an ongoing way, and that they possess a significant collection of archive or museum material or the like which is accessible by the general public in an ongoing way. Organisations entitled to this type of state contribution must enjoy legal status or be established by law. Another form of direct economic aid is the “annual contribution”, which is disbursed each year to the organisations on the above list. Last, there is the “extraordinary contribution”, again granted to those organisations on the list, for special projects of specific interest or for the undertaking of extraordinary programmes of scientific research [16].

5. Tax relief for cultural organisations

The tax relief that cultural organisations enjoy gives them an advantage that can be seen as equivalent to that of a direct public subsidy. This consists in favourable tax treatments for the cultural organisations themselves or tax benefits on private and corporate donations to them. The tax revenue which the public sector foregoes as a result of these tax benefits is termed “tax expenditures”. The justification for such a reduction in the tax revenue lies in the idea that the resulting increase in the resources for culture should outweigh the cost of the benefits themselves.

The cost of such tax benefits to the public purse is difficult to estimate. Furthermore, the tax benefits which the arts enjoy account for only a small proportion of all tax benefits. Like a direct public subsidy, tax benefits help keep the price of the

service lower and promote both the quantity and quality of the goods and services provided.

Unless limits are set on the possible revenue loss from such benefits, the favouring of tax benefits may confer power on private donors not only in relation to cultural policy but also to the national budget itself.

In any event, tax benefits should not be permitted to distort competition, rather they should help rectify a situation of under-capitalisation, in particular for nonprofit organisations.

From a taxation standpoint, Legislative Decree 460 of 1997 is significant. It reformed the tax treatment of nonprofit organisations and established a system of tax benefits which grants them tax relief, in particular on income tax and value added tax (VAT).

Although this law was intended to resolve the problem, some aspects of it remain difficult to interpret. Moreover, there are specific taxation systems and particular unconnected provisions. Indeed, one could claim that the tax regulations governing cultural organisations, activities and aims often operate in an uncoordinated fashion.

Taxable organisations are classified in terms of the activity they undertake. For non-commercial entities, the reference is to their main purpose, although to identify nonprofit organisations it would be necessary to verify the true objectives of the organisations and consider quantitative criteria [17]. An organisation loses its status of non-commercial entity where it undertakes mainly commercial activities for an entire fiscal year, with consequences in terms of its tax liability. Many provisions for non-commercial entities also apply to so-called ONLUS (socially useful nonprofit organisations). This is true, in particular, for “occasional public fund-raising and contribution collections for the carrying on of authorised activities” and for “temporary benefits for asset transfers”.

Volunteer bodies, NGOs, social co-operatives and consortia can opt for the most favourable system, although such organisations are regulated by special provisions.

6. Taxation of cultural organisations. Direct taxes and VAT

For the purposes of direct taxation, the overall tax base of non-commercial organisations consists of income from land and buildings, capital income, business income and miscellaneous income.

Funds obtained through occasional public fund-raising and contributions from public authorities do not form part of the tax base of non-commercial entities. Thus, such funds are exempt from all taxes, provided the organisations respect certain conditions designed to prevent tax avoidance, as this could also distort competition.

Non-commercial entities which also undertake commercial activities need to keep separate accounts for such activities; this also to determine which type of activity predominates. A simplified income tax and VAT system has been introduced for ONLUS with revenues from commercial activities of less than a certain amount (presumptive system).

For ONLUS (Legislative Decree 460 of 1997), their defined principal activities which pursue social-solidarity aims are not considered commercial activities and, hence, the revenue therefrom is not taxed. Also not considered as taxable income are proceeds from activities directly linked to such principal activities, including related functional and instrumental activities, such as income from buildings which are “instrumental” to the organisation’s activity.

Associations also enjoy tax benefits. Activities undertaken for members or participants in conformity with the organisation’s main aims are not considered commercial activities.

Museums owned by the state, local councils or other authorities are not liable to IRES (corporate income tax) (Law 80 of 2003). Where a public museum undertakes financially significant operations through a third party, the proceeds must be taxed in accordance with the nature of the body itself.

Non-commercial entities are liable to VAT only on commercial activities. Nonprofit organisations are liable to a lower rate of VAT (Presidential Decree 633 of 1972). ONLUS are not liable to VAT (article 14 of Legislative Decree 460 of 1997).

For associations, including cultural ones, the disposal of goods and the provision of services to members, subscribers or participants are not subject to VAT. The sale of publications prepared by members and advertising that promotes the aims of ONLUS are VAT exempt, as are free transfers of goods.

Typical museum undertakings or other similar cultural events (temporary exhibitions, etc.) are VAT exempt. Purchases are subject to VAT with no tax deduction allowed. Museum ticketing services, operated by third parties in exchange for a share of the takings, are VAT exempt, as are proceedings for guides and guided tours. As for museums undertaking commercial activities, the Ronchey Law provides for the contracting out of additional services to the private sector or to commercial public bodies, including companies and co-operatives.

It is the concessionaire (the body, consortium or private undertaking) which is liable to pay any VAT due. Thus, general and autonomous services that are not strictly museum services in nature are subject to VAT. These include: reception and catering services; the sale of items and illustrative material; bookshops and gadgets; booking fees; and security services.

Nonprofit organisations are also subject to IRAP—a regional tax on productive activities—(Legislative Decree 446 of 1997) as they undertake independently organised activity on a regular basis. The tax base is calculated differently for the organisation’s principal and any commercial activities. For their principal activities, non-commercial bodies and ONLUS apply IRAP on an amount equal to staff salaries and other remunerations to personnel.

Entertainment tax (Legislative Decree 6 of 1999) applies to musical performances of any type, except voice and instrument concerts in discotheques and ballrooms where live performances account for less than 50% of opening hours.

ONLUS enjoy specific exemptions for stamp duty, registration duty, government concession tax, entertainment tax, and local taxes.

7. Tax relief on donations to culture

Private donations offer a partial solution, but one worth encouraging, to the public financing of culture. Donations are included among the sources of funding together with retained profits and income from the sale of the organisation’s principal goods and services and commercial activities related thereto. Generally speaking, donations are encouraged by allowing donors to deduct them from their tax base [18–21].

Not all donations are wholly disinterested. Clearly, those persons who have a great interest in culture and wish to donate a portion of their own income to support the sector make donations to one or more cultural organisations which reflect their preferences and give them aesthetic pleasure. For its part, an organisation which receives donations can offer a range of advantages (which involve costs) to potential donors in order to attract funds. These include: free subscriptions; the entitlement to attend special events free of charge; discounts at the organisation’s gift-shop, restaurant and car park; information about cultural initiatives; free guided tours; etc., so giving the donor a sense of belonging to the organisation or to a select group.

The motives of enterprises are to some extent different from those of private individuals. For businesses, it is important that the donation to culture be “visible”. Thus, they favour initiatives such as television programmes, museums, concerts and special events where their name is sufficiently in evidence. Corporate donations can have a special impact in the communities where the donor company itself is based. There is some concern that corporate donations may flow towards initiatives that only the companies themselves desire. However, this risk can be controlled, and in any event, those who receive donations cannot imagine that they have to give nothing in return to the company. There has to be some form of recognition, at least in terms of “image” if not in terms of direct involvement in the organisation and management of the event.

One might wonder why personal and corporate donations are so common in America and much less so in Europe. A possible explanation may lie in the different tax treatments (tax benefits), as in Europe donations to culture are generally either not deductible or are so to only a limited extent. However, a more plausible explanation appears to relate to tradition. Gradually, the situation in Italy is changing as public spending constraints also lead to a curbing of subsidies to culture. Thus, more attention is focusing on fostering private funding especially from business (sponsorships and donations).

A system of incentives guarantees tax benefits to third parties that actively support the work of cultural organisations. The benefits differ according to the nature of the party that undertakes the operation [22].

Private individuals can deduct money donations to ONLUS from their income tax for up to a maximum of 2065.86 euro.

For enterprises, up until the new law in 2000 (Law 342) [23], the limit on money donations was 2065.86 euro or 2% of their business income, which was tax deductible. It is important to highlight the innovative aspect for Italy of the new law. This introduced (article 38) the possibility for enterprises

to deduct money donations to culture and the arts in their entirety. The organisations which undertake projects of a cultural nature and which can benefit from contributions are specified in the regulations. Similarly, there are constraints on how the donations may be used. These constraints concern the type of investment to be fostered (cultural and artistic) and the beneficiaries. These are investments with no financial return which would appear to be more the task of the public rather than the private sector. However, with this approach, it is the companies providing the funds which actually undertake the task themselves of safeguarding, preserving, restoring, enhancing, promoting and managing Italy's culture. The objective is to promote the company's image and stimulate local development in order to boost the induced demand for goods, services and technology.

The beneficiaries of financial contributions from business in favour of the arts are: the state; the regions; local bodies; public bodies established by or with a participation of the state, the regions, and local bodies; public or private legal entities which in at least one of the previous 5 years have received funding from the Fondo unico dello spettacolo (a special fund for the performing arts) (Law 163 of 1985) or funding in accordance with the regulations governing the provision of state contributions to cultural organisations (Law 534 of 1996); other parties that have received funding under national or regional legislation; associations, foundations and consortia of local and private bodies; private bodies which own or operate museums, galleries, picture galleries, archaeological sites or certified collections of cultural items.

The beneficiaries must be able to plan and manage the resources through the drawing up of suitable projects that encourage enterprises to provide contributions.

Periodically, the Ministry for Cultural Heritage and Activities:

1. ascertains who the beneficiaries are;
2. defines the information required of the donor enterprises and of the beneficiaries, which have to notify the Ministry as to the sums received and how the aims of the donation comply with their institutional duties;
3. supervises the employment of the donations;
4. provides the information centre of the Ministry of Finance with the list of donors and of the amounts donated.

Where donations in a fiscal year do not exceed the set amount (139.44 million euro for 2001), each party deducts an amount equal to the donations received. On the other hand, where the donations received exceed this set amount, those who receive sums in excess of the amounts determined by the Ministry for Cultural Heritage and Activities have to pay over to the state 37% of the difference (for 2001 the Financial Law lowers this rate by one point and by two points as from 2003) (Example). This favourable tax treatment applies not only to large companies. It also covers the small and medium-sized enterprises involved in the cultural development of their area and from which they also obtain a return in terms of

visibility and image. This cultural, economic and social growth can also foster business development.

The Law 324 of 2000 will be able to supply a positive contribution, if some corrections will be introduced making also the norm less complex, taking account of poor donations effected by the enterprises.

Enterprises can also deduct the charges and expenses relating to employees hired on open-ended contracts where these workers provide services for ONLUS. For such "loaned labour", expenses are deductible at the rate of 0.5%.

Example

Sum total of all donations allowed for the tax year: 139.44 million euro.

Sum total of amounts donated in the tax year: 154.94 million euro.

Total amount of donations received by the beneficiary: 25,822.84 euro.

Calculation of the excess amount received by the beneficiary and liable to taxation at the rate of 37%.

Percentage in excess

$$\frac{154.94 \text{ million euro} - 139.44 \text{ million euro}}{139.44 \text{ million euro}} = 11\%$$

Excess amount received by the beneficiary

$$25,822.84 \text{ euro} \times 11\% = 2840.51 \text{ euro (taxable amount).}$$

Tax due

$$2840.51 \text{ euro} \times 37\% \text{ (tax rate).}$$

In terms of cultural communication strategies, enterprises work through financial sponsorships which usually offer no financial return. However, such deals enable a stable and on-going involvement which can include also technical sponsorships (technical and managerial know-how) and the free supply of products. In a sponsorship deal, a businessman gives money to a cultural organisation in exchange for the commitment that this contribution will be made public. In exchange for the funding provided, the sponsor obtains a benefit in terms of image.

Cultural sponsorships (article 74 of Presidential Decree 917 of 1986) are subdivided into: advertising and promotional expenses, and entertainment expenses. Entertainment expenses are those costs incurred by the enterprise in order to provide a positive image of itself and its operations. On the other hand, advertising and promotional expenses relate to costs incurred to encourage demand for the product supplied (Ministerial Resolution 148 of 1998). In terms of direct taxes, advertising expenses are wholly deductible in the period in which they are incurred, or over 5 years at a constant rate; entertainment expenses are one-third deductible over 5 years.

Sponsorships are classified under advertising and promotional expenses or under entertainment expenses depending on their content, beneficiaries, etc. The advertising nature of the sponsorships involves a contract between the sponsor (e.g. businessman) and the sponsored party (e.g. museum) which specifies the objectives, obligations and services. Sponsorship deals, which can involve the payment of money or also the provision of goods and services, are an alternative to donations.

8. Final considerations

Cultural organisations will increasingly need to adopt a strategic approach to financing and management, and also meet high standards in terms of quality. Cultural activities and projects will need to attract additional sources of income as public funding is reined in. The search for private sector funding comes at a time of growing competition between organisations; a time when innovative funding instruments are required in order to meet the growing demands of culture.

Public subsidies to cultural organisations should be calculated on the basis of the “external effects” generated by their activity. They should not be distributed to cover losses or allocated on the basis of parameters that fail to reflect the “social value” of the organisations themselves.

Consistent with the idea of increased operational autonomy, other sources of finance could be fostered through the opening of cafeterias, restaurants and shops selling items connected to the museum or event. Special events could be staged with sponsorship provided by enterprises and private individuals. Lastly, more frequent use could be made of opportunities to loan and exchange works of art. It is important to make culture more marketable and so foster an environment where artists can produce and sell to those who want cultural goods.

However, it remains difficult to say which method of public–private financing is really the best. One has to consider the specific characteristics of the various organisations and the interests of the operators involved: artists, cultural organisations, public authorities, as well as the economic consequences of the various options. The most reliable indicator remains personal preferences, a much-debated subject.

Tax-benefit innovations should encourage patronage by large companies and foundations, as well as contributions from small donors, small enterprises and private individuals in support of their artistic-cultural heritage. However, where donations enjoy favourable tax treatment, it is still the state which indirectly bears part of the financial burden.

In conclusion, the role of the state in funding culture remains essential although private patronage should be fostered. What matters is that cultural organisations should benefit from tax incentives and enjoy autonomy in resource use, with a “commingling” of public and private players leading to efficient collaboration that can ensure the enhancement, safeguarding and enjoyment of culture.

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