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# Culture and its financing

**C**ulture is the totality of the knowledge, moral norms, symbols, lifestyle traits and acquired behavioural patterns of society. Culture is society's way of life, the heritage passed down by previous generations; the way of thinking and the world view; an intellectual standard to be acquired by education and cultivation. Culture is a category that can be defined in many ways; in its most general interpretation, it encompasses all areas of learning. It determines our everyday lives; it is the basis for social-economic development. Its direct social-economic effects are difficult or impossible to express numerically, but its role can be traced down in social and economic processes. Cultural progress is advocated by all political ideologies and there is general agreement that the state must foster it.

## SOME CHARACTERISTICS OF CULTURAL DEVELOPMENT

The reform of public finances, the convergence programme of Hungary make it imperative to reconsider the role of the state in all areas of society and the national economy. In some areas, the role of the state is unquestionable; it is only the extents and methods that are disputable. Such areas are education, health care and social care. In some other areas, the

market, self supply and social self-organisation also have considerable roles in meeting social demands in addition to the state. Such areas include, among others, culture as products and as services.

It must be established which segments of culture and public education require state care and to what extent, and which may be exposed to market rules. This requires a survey of the cultural state of the country and the changes therein since the political change. It also makes it necessary to explore the state of cultural vehicles and media as well as culture consumption trends. It is considering the above as well as the desired goals that the state action plan to serve as the basis for an active cultural policy can be worked out.

The cultural demands of society are constantly changing; the visual media, television and a diversity of electronic services later on have gradually been replacing traditional cultural media, at a disputable standard. It is partly the above and partly social development that influence the formation of cultural demand, the major changes of direction in which are to be outlined below.

■ The most traditional medium of culture is literature; its material manifestation are books. Typical indicators of book publishing and libraries have developed as shown in *Table 1*.

Table 1

**BOOK PUBLISHING, LIBRARIES**

Name		1980	1990	2000	2005
Books published					
number	pcs	8 241	7 464	8 986	12 898
number of copies	thousand pcs	94 700	113 112	35 246	40 974
Number of libraries	pcs	10 498	7 350	4 491	4 838
incl: national	pcs	–	–	12	17
libraries of settlements	pcs	4 915	4 179	3 132	3 230
workplace libraries and others	pcs	5 583	3 171	1 340	1 591
Number of library visits	thousand people	19 988	18 939	23 029	28 056
Number of librarians	people	3 535	3 976	5 979	6 972
Budget expenditure	HUF million	715	3 469	17 573	28 482

Table 2

**ARCHIVES**

Name		1980	1990	2000	2005
Number of archives	pcs	29	35	73	85
Number of researchers	people	–	5 219	10 997	11 965
Number of clients	people	–	10 060	19 970	38 666
Number of employees	people	610	816	978	1 129
Budget expenditure	HUF million	–	–	2 776	6 179

Table 3

**MUSEUMS**

Name		1980	1990	2000	2005
Number of museums	pcs	487	754	812	772
Unique works of art	thousand pieces	7 695	10 354	12 739	28 374
Number of visitors	thousand people	16 217	13 977	9 895	11 335
Number of employees	people	5 115	6 514	5 931	4 477
Income from tickets	HUF million	–	259	2 362	2 098
Budget expenditure	HUF million	407	1 955	21 066	30 083

Table 4

**THEATRES**

Name		1980	1990	2000	2005
Number of theatres	pcs	33	43	52	55
Number of theatre-goers	thousand people	5 635	4 991	3 938	4 412
Number of full-time employees	people	5 420	6 345	4 962	5 123
Income from tickets	HUF million	119	–	2 629	6 713
Budget expenditure	HUF million	411	2 564	23 898	26 520

In 1990-2005, the number of books published rose 1.7 times and the supply diversified remarkably. The number of copies, on the other hand, gradually fell to about 30 million copies per year by 2001. In 2005, there was some rise again but no conclusions can yet be made about a permanent trend.

In 1990, the average number of copies of the books published was 15 thousand; in 2005, it was only 3, 200. This involves financial hardship for the competing publishers as well as the authors and a continuous rise in book prices.

Until the mid 1990's, the number of libraries gradually decreased, due to the drastic liquidation of libraries of settlements to a lesser extent and of factory and workplace libraries to a greater extent. At the same time, the number of visitors has been continuously and welcomingly rising. Unfortunately, the rise in the book stock has not kept pace, not in libraries of settlements at least. (Their book stock comprised 51,608 thousand book units in 1990 and 45,048 thousand in 2005.)

The number of librarians also rose, proportionally with the growth in the number of visitors. The budget expenditure on libraries increased 8.2 times in 1990-2005 but, since there was an 8.4-time growth in consumer prices during the same period, there was some fall in the real value of subsidies.

■ Organically related to libraries, there is another group of public collections: the *network of archives* (See Table 2).

As data reflect, there has been a major change of attitude towards archives. In 15 years, the number of visitors almost quadrupled. While the number of visitors used to be twice as high as that of the researchers, today it is almost four times higher. The number of employees has risen by some 40%.

■ The *museum* network established by 1990, although it has undergone smaller changes throughout the years, has stayed essentially

stable. The art collections of museums have expanded remarkably. (See Table 3)

The falling trend in the number of visitors, which started in the 1980's already, continued until the end of the 1990's. As a result of the serious efforts made by museums in the years that followed (special exhibitions, other events, etc.), we have witnessed growing interest in museums once again.

The situation of museums regarding their personnel and their finances has undergone peculiar developments. In 15 years, the number of employees decreased by one third, the income from tickets rose 8.1 times and budget expenditure increased 15.4 times, i.e. 1.8 times in real value.

■ The most ancient representational form of art is *theatre*. Although the number of theatre-goers has fluctuated in the past one and a half decades, there has been relatively little fall. Television can be no substitute for the magic of live performances and, in the past decade, it has not even attempted to be. (See Table 4)

While the number of theatres continued to grow even after 1990, the number of full-time employees decreased. The income from tickets certainly increased but it did not reach even one fifth of the budget expenditure in 2005, either. In 15 years, budget subsidies grew 10.3 times, i.e. by one fourth in real value. The state has thus not let theatres down.

■ Closely related to theatres, there are *open-air performances* as well. (See Table 5)

There is an interesting contradiction reflected by the numbers. In 1990-2005, the number of open-air stages rose, while the number of viewers fell. The total income from tickets also decreased by almost 30 per cent in real value, but in 2005 it was still by one third higher than the budget expenditure.

■ Unfortunately, both the number of *concerts* and that of concert-goers fell in the 1980's as well as in the 1990's, but since the year 2000 the interest in concerts has started to stabilise. The artis-

Table 5

### OPEN-AIR PERFORMANCES

Name		1980	1990	2000	2005
Number of open-air stages	pcs	18	20	18	35
Number of viewers	thousand people	196.9	286.6	110.6	124.3
Income from tickets	HUF million	12.3	67.7	170.0	403.0
Budget expenditure	HUF million	–	–	277.3	303.1

Table 6

### CONCERTS

Name		1980	1990	2000	2005
Number of performances	pcs	2 505	1 723	1 281	1 355
Number of concert goers	thousand people	1 205	749	426	454

Table 7

### PROFESSIONAL FOLK ENSEMBLES

Name		1980	1990	2000	2005
Number of performances	pcs	–	135	441	601
Number of viewers	thousand people	129.0	57.0	163.9	211.5

Table 8

### CINEMAS

Name		1980	1990	2000	2005
Number of cinemas	pcs	3 624	1 960	564	466
Number of cinema goers	thousand people	60 718	36 220	14 294	12 093
Income from ticket	HUF million	499	1 510	7 687	9 763
Number of film premieres	pcs	220	258	199	220

Table 9

### INSTITUTIONS AND COMMUNITIES OF PUBLIC EDUCATION

Name		1980	1990	2000	2005
Institutions of public education					
number	pcs	2 554	2 391	3 265	3 778
full-time employees	people	11 416	13 454	15 959*	17 710
Creative cultural communities					
number	pcs	10 274	8 203	6 023	9 842
number of members	thousand people	206.6	176.8	149.5	194.2
Clubs, circles, study circles					
number	pcs	5 714	4 537	4 664	9 629
number of members	thousand people	237.3	236.3	182.3	361.1

\* in 2001

tic effect of high-level music is an inestimable social need and, since Hungarian musical culture is amply represented, the state should spend significantly more on patronage. (See Table 6)

■ There has been a welcome improvement in the number of *concerts of professional folk ensembles* and the number of viewers at their performances. The public education movements, which have been undoubtedly fruitful, have probably also contributed to their success. (See Table 7)

■ There has been a drastic fall in the number of cinemas and cinema goers. It is here that the television, video, DVD and home cinema systems have caused the worst decline. In 15 years, the number of cinema goers fell to one third. (See Table 8)

The network of *motion picture theatres* has shrunk and, through the introduction of new establishments comprising several movie halls, it has undergone a major transformation. In one and a half decades, the real value of the income from tickets rose 2.3 times per head but its total volume shrank by one fourth.

The number of film premieres fluctuated within a relatively limited range. The number of Hungarian film premieres was 20–30.

■ A major achievement of Hungarian cultural policy has been the spectacular development in the field of *public education*. A tangible sign of this is the sensible growth in the number of public educational institutions and their full-time employees. (See Table 9)

The numbers of creative cultural communities, clubs, circles and study circles as well as the number of their members and participants have significantly grown. Data clearly reflect that something has stirred in community life that must be shielded and protected and it is the responsibility of the state to guarantee the conditions for its development.

In the past 15 years, there has been a spectacular growth in the number of folk art events and their participants. Entertainment programmes

have fluctuated but have widened overall. (See Table 10) The drop in artistic events, on the other hand, deserves attention despite the fact that the number of participants has risen since the year 2000. The developments in community events cannot be evaluated responsibly due to the uncertainty of statistical recording.

A most important field of public education is popular science; the organisation of exhibitions, lectures and courses. (See Table 11) Advance has been made in all the three areas of the field, especially since the year 2000.

■ The data presented illustrate very well what changes have taken place in traditional fields of culture, in cultural supply and demand. It is the media that have had a determinative role in the changes. Finally, considering the media, some data of the *public service media* are to be presented hereby to illustrate the programme structure of radio and television in the past years. (See Table 12.)

The programme times of the two major public service media have been almost of the same length and slightly lengthening. The programme times for literature and entertainment have shortened in the case of the radio and lengthened in that of the television but the numbers do not reflect the changes in the cultural values of these programmes.

The media market is otherwise ruled by the commercial media, the cultural standard of which and the behavioural patterns broadcast raise strong doubts.

■ An important duty among the cultural responsibilities of the state is the representation of Hungarian culture abroad. There are certainly numbers of organisations and enterprises that have specialised for this field. Hungarian institutions and ensembles furthermore have extensive international relations. The official Hungarian cultural missions abroad are the *Hungarian Institutes*.

At the moment, there are 18 Hungarian Institutes in operation, some of which are *cul-*

Table 10

**EVENTS**

Name		1980	1990	2000	2005
Entertainment events					
number	pcs	41 677	23 973	25 631	23 425
number of participants	thousand people	9 000	5 012	7 341	5 921
Artistic events					
number	pcs	63 168	78 323	53 233	36 879
number of participants	thousand people	6 678	6 242	3 669	4 702
Folk art events					
number	pcs	7 031	1 141	1 846	8 820
number of participants	thousand people	6 772	414	671	5 211
Community events					
number	pcs	8 395	–	43 944*	40 690
number of participants	thousand people	–	–	1 399*	5 211

\* in 2001

Table 11

**POPULAR SCIENCE**

Name		1980	1990	2000	2005
Exhibitions					
number	pcs	6 937	5 433	8 331	14 689
number of visitors	thousand people	6 735	3 495	4 188	6 251
Popular science lectures					
number	pcs	111 715	24 136	16 742	29 550
number of participants	thousand people	4 655	1 072	885	1 408
Courses					
number	pcs	7 975	13 065	6 320	6 965
number of participants	thousand people	210.2	281.2	156.5	240.8

Table 12

**PUBLIC SERVICE MEDIA**

Name	1999	2000	2001	2002	2003	2004	2005
Radio programme time (hours)	22 845	24 583	24 671	24 575	25 360	26 078	26 063
including: news, information	7 765	7 691	6 776	7 557	7 773	7 363	6 810
literature, entertainment	2 445	2 777	2 957	2 582	2 333	2 102	1 970
music	9 112	10 489	11 099	10 577	10 317	10 410	10 417
Television programme time (hours)	20 969	23 573	23 577	23 369	25 354	25 607	25 664
including: news, information	6 307	7 497	7 671	7 993	9 066	9 110	9 066
literature, entertainment	6 890	6 514	5 920	6 279	6 382	7 355	7 128
music	778	1 023	1 019	794	1 195	889	817

*tura hungaricum institutes* with a wide spectrum of activities while others are counsellor's offices with a narrow range of tasks.

The two biggest institutes, with a budget of HUF 250–300 million (rental fees excluded), are the Hungarian Cultural Institutes in Berlin and in Paris. The two oldest Hungarian Institutes, in Vienna and in Rome, are of almost the same magnitude as the above.

The next group of institutes, with a budget of HUF 130–180 million, includes the Hungarian Institutes in London, Stuttgart, Brussels, New York, Prague and Bucharest. Another group, with a budget of HUF 80–120 million, comprises the Hungarian Institutes in Helsinki, Bratislava, Warsaw and Delhi, while the institutes in Sofia, Tallinn and Cairo have a budget of HUF 30–50 million.

The cornerstones of Hungarian cultural policy are making the world familiar with Hungary and Hungarian culture and widening international relations. The country's opening up to the world to a greater extent will be useful for Hungarian society if it is based on a wider interpretation of culture, i.e. if the concept of culture includes education and science as well.

A cultural opening-up in its wider sense has several forms and methods that should be used. Thus, international events, festivals, the cooperation of cultural workshops, educational and cultural exchange programmes, cooperation in scientific research, etc., are all important but the most important condition probably is the development of the institutional system generating international relations.

Widening the cultural institutional network abroad is constrained by the budget opportunities available. This is why it is important to look for solutions that are applicable within the given framework. Such is the network of *cultural attachés*, for example, serving as cores of future cultural institutes, the first elements of which are the attachés in Shanghai, Tel-Aviv and Belgrade.

The Central-East European study centres of foreign universities can be involved in the activities of Hungarian institutes abroad and close relations can be established also with the Science and Technology Attachés, a network of foreign representations in the fields of science and technology currently operating at 11 stations.

There are certainly no objective data to show how the cultural standard of the Hungarian population has changed since the political change and what roles culture and knowledge have had in increasing GNP. We do know, however, that there has been a spectacular improvement in the schooling of the population. In 1990, the ratio of people with a higher education degree was 7.6 per cent and that of people with secondary qualifications was 33.2 per cent. In 2005, 14.3% already held higher education degrees and 46.5% had secondary qualifications. Besides this spectacular and welcome change we do know at the same time that plaza-culture activities, mediatisation and internet dependence have become characteristic for especially young people. In addition, littering, vandalism and violence are characteristic for public life. In order to change these, a change of attitude is necessary, in which cultural influence has a determinative role in addition to family and school.

Although it is impossible to express culture numerically, there are data on the cultural expenditure of the population, the income of cultural enterprises and non-profit organisations as well as, most important of all, on the general government expenditure on culture.

## CULTURAL EXPENDITURE

In the past years, the cultural expenditure of the population has been dynamically rising. The household statistics of the Hungarian Central Statistical Office reveal the following changes in the per capita expenditure on education, recreation and entertainment (*See Table 13*).

Table 13

**PER CAPITA EXPENDITURE ON EDUCATION, RECREATION AND ENTERTAINMENT**

	HUF per head	Ratio of all expenditure percentage
1993	8 457	6.1
1998	18 972	6.2
2002	36 432	7.0
2005	54 968	8.1

In twelve years, cultural expenditure rose 6.5 times which, considering the 4.1 time price rise, means 1.6 times growth in real value. Thus, the share of cultural expenditure within the total expenditure of the population rose significantly. An important characteristic of cultural expenditure in the broader sense is its income sensitivity, i.e. the fact that it grows much faster than the income rise.

In 2005, for example, the average cultural expenditure was HUF 54,968, but, in the highest income 10 per cent of households it was HUF 152,437 and in the lowest income 10 per cent it was HUF 18,442, i.e. there was an 8.3 times difference in the expenditure of the highest income and lowest income households. The share of cultural expenditure within total expenditure was almost double, too, since it was 5.9 per cent in the case of lowest income and 10.9 per cent in highest income households.

The above also means that the share of the population in financing cultural services is increasingly dependent on income conditions, i.e. there is a direct correlation between incomes and the general government expenditure on culture.

The above contracted data of household statistics can be examined in detail in a publication of the Hungarian Central Statistical Office presenting national accounts. According to this, in the year 2005, the expenditure of the population on education, recreation and culture, compared to the total expenditure, was as follows in Table 14.

Table 14

**TOTAL EXPENDITURE ON EDUCATION, RECREATION AND ENTERTAINMENT IN 2005**

(HUF million)

Educational services	139 757
Organised package tours	97 300
Cultural services	294 641
<b>Total</b>	<b>531 698</b>

The total expenditure of HUF 523 billion, numerically, absolutely matches the total expenditure of the population calculated on the basis of the above household statistics. It is the expenditure on the purchase of cultural services, i.e. HUF 295 billion, that may be considered cultural expenditure in the narrower sense. This, however, may be complemented with expenditure on newspaper, books and stationery, which means that, in 2005, the total expenditure of the population on the purchase of cultural services and on newspaper, books and stationery was the following:

Expenditure on cultural services	HUF 294 641 million
Expenditure on newspapers, books and stationery	HUF 185 308 million
<b>Total</b>	<b>HUF 479 949 million</b>

All in all, actual cultural expenditure in 2005 was some HUF 48,000 per head.

Yet, even this does not include expenditure on cultural investment, i.e. the purchase of audiovisual, photo optical and information processing equipment as well as other durable cultural goods, the amount of which in the year 2005 was HUF 202,031 million, i.e. some HUF 20,000 per head.

The fast increase in the amounts spent on cultural goods is well illustrated by the fact that, while in the year 1993 there were 70 colour televisions per 100 households, in 2005, there were 140 already and, during the same period, the number of personal computers per 100 households rose from 6 to 43. Thus the



Table 15

**INCOMES OF CULTURAL ENTERPRISES**

Name		1991	1996	2001	2004
Entertainment, cultural and sports enterprises		17 572	129 010	363 671	545 122
Publishing and printing enterprises*	33 446	107 916	450 192	510 415	
<b>Total</b>	<b>51 019</b>	<b>236 926</b>	<b>813 863</b>	<b>1 055 537</b>	

\* In 1991–1996, only publishing houses

peculiar situation has developed that, while in Western Europe colour television penetration is 90–100 per cent and in the Czech Republic, Poland and Slovakia it is 80–90 per cent, in Hungary it is 140 per cent. The situation is different in the case of personal computers: in Western Europe, computer penetration is 50–80 per cent; in Poland it is the same as in Hungary; in the Czech Republic it is higher; in Slovakia it is lower.

■ Closely related to the rising cultural expenditure of the population, there has been a fast increase in the performance of *cultural enterprises*. (See Table 15)

The incomes of cultural enterprises are difficult to compare in time due to the inner structural and auditing changes but it can be established nevertheless that there has been a fantastic growth in the past years. The incomes of entertainment and cultural enterprises grew 31 times in thirteen years, which was a 5.2 time growth in real value. In the year 2004, the number of enterprises was 22,198. The incomes of publishing and partly also printing enterprises grew 15 times, i.e. 2.5 times in real value. In 2004, the number of such enterprises rose to 8,036.

The major expansion of enterprises is in accordance with a structural change in household incomes and consumption. As regards future expectations, it should be kept in mind that, as a consequence of the convergence programme, there will be a temporary slowdown in both household incomes and consumption as well as in the general government expenditure, which will clearly result in a standstill also in the growth of company incomes.

■ The *non-profit sector*, too, has an increasing role in meeting the social consumption and thus the cultural demand of the population. From the year 1992, the number of non-profit organisations rose by 63% and, by 2005, there were 56,694 in number. Of these, there were 22,255 foundations and 34,439 non-profit partnership organisations or public benefit associations. 32 per cent of the foundations provide educational and 15 per cent social services, while 13 per cent, i.e. some 2,900, are cultural foundations.

26 per cent of the non-profit organisations are engaged in free-time and 18 per cent in sports activities, while a considerable number provide professional representation.

In 2005, the income of the non-profit sector amounted to HUF 854 billion, which meant a 76 per cent real growth compared to 1992. In the year 2000, 28 per cent of the income of HUF 495 billion was state subsidies, which rose to 40 per cent, i.e. HUF 345 billion by 2005. During the same period, the ratio of private subsidies fell from 16 to 13 per cent.

It was mainly public benefit associations and public foundations that were provided state subsidies, while state funding did not amount to even one third of the income of other foundations and associations. Although there are no figures available, the ratios in the subsidisation of non-profit cultural organisations were about the same, too.

It was the incomes that served as the coverage for both the professional operation of non-profit organisations and the subsidies provided by them. In the year 2005, the subsidies pro-

vided amounted to HUF 128 billion, 70 per cent of which were given to organisations and 30 per cent to private people. The amounts of income according to fields of profession and their distribution are presented in *Table 16*.

*Table 16*

**THE INCOME OF NON-PROFIT ORGANISATIONS IN 2005 ACCORDING TO FIELDS OF PROFESSION**

Fields of profession	Income (HUF billion)	Share in total, percentage
Culture	115	13.5
Free time	51	6.0
Sports	43	5.0
Education	107	12.5
Settlement development	102	12.0
Professional interest repr.	98	11.5
Social services	85	10.0
Economic development	81	9.5
Health care	64	7.5
Environment protection	34	4.0
Research	26	3.0
Other	48	5.5
<b>Total</b>	<b>854</b>	<b>100.0</b>

Thus, the income of cultural non-profit organisations in the year 2005 was HUF 115

billion approximately, a significant part of which was state subsidy. There are no data on the exact share of the private sphere but, on the basis of the general trends, it can be established that the situation of the non-profit sphere is not up to expectations yet since it has only partly succeeded in performing its basic duty, i.e. to directly and actively involve the financial sources and activities of the community or society in order to attain community goals.

■ The general government final accounts of the Ministry of Finances reveal that, in 2005, the consolidated, i.e. *non-accumulated general government expenditure* on cultural activities and services was HUF 165.2 billion. From the above, the central budget spent HUF 69 billion and local governments HUF 96.2 billion on culture. At the same time, HUF 32.7 billion of the above sum spent by local governments had come from central budget allowances, i.e. only two thirds of the cultural expenditure of local governments were actually covered from their own sources or from transferred funds.

The Statistical Yearbook of 2005 of the Hungarian Central Statistical Office reveals that, in 2005, the general government expenditure on culture was HUF 169.8 billion, accord-

*Table 17*

**CULTURAL EXPENDITURE OF THE BUDGET**

(HUF million)

Name	2002	2003	2004	2005
Book, music, newspaper publishing	2 623	3 872	4 282	3 561
Radio, television-programme service	1 695	2 095	1 777	1 775
Public educational activities	72 082	86 521	93 502	98 935
including: cultural centres	23 072	25 886	27 644	30 038
libraries	23 196	27 268	27 380	28 482
museums, archives	25 814	33 367	35 294	36 261
Artistic activities	54 771	49 073	48 688	44 061
including: theatres	22 606	26 157	26 368	26 520
music and dance art	12 762	15 076	15 343	14 088
Zoological and botanical gardens, parks	7 692	8 602	9 318	9 913
Other cultural and entertainment activities	9 219	13 222	12 818	11 693
<b>Total</b>	<b>148 082</b>	<b>163 385</b>	<b>170 385</b>	<b>169 838</b>

**GENERAL GOVERNMENT EXPENDITURE ON CULTURE\***

(HUF billion)

Year	Cultural activities	Community and entertainment activities	Broadcasting, publishing activities	Sports, free time activities	Religious activities	Party activities	Culture, sports activities	GDP percentage
1989	–	–	–	–	–	–	26.6	1.54
1990	–	–	–	–	–	–	32.9	1.57
1991	17.2	4.0	14.6	6.0	0.3	0.7	42.8	1.71
1992	22.8	4.9	21.2	7.8	3.2	1.1	60.9	2.07
1993	26.9	4.9	27.1	9.3	5.9	1.3	75.4	2.13
1994	31.3	6.1	31.9	10.1	6.8	1.1	87.3	2.00
1995	32.1	7.4	35.4	10.6	6.8	1.0	93.3	1.68
1996	42.3	8.0	30.2	14.5	7.3	1.3	103.6	1.50
1997	50.8	11.0	7.0	17.6	7.3	1.7	95.3	1.12
1998	62.7	13.9	8.2	23.4	10.6	2.1	120.8	1.20
1999	73.6	10.9	13.2	26.6	15.6	2.3	142.2	1.24
2000	92.6	11.9	11.3	23.2	17.3	2.5	158.9	1.21
2001	91.0	11.3	11.6	32.3	21.9	2.5	170.6	1.15
2002	145.4	14.8	27.3	72.6	25.4	2.5	237.9	1.42
2003	131.4	18.3	44.4	44.8	31.0	2.5	272.5	1.48
2004	142.2	19.6	44.0	85.3	33.9	2.5	327.6	1.60
2005	165.2	18.7	46.8	61.6	29.8	2.5	324.7	1.49
2006	179.5	19.4	52.0	71.5	30.6	2.6	355.6	1.51
2007**	167.2	17.7	53.3	62.5	34.3	2.5	337.5	1.33

*Note:*

\* consolidated (non-accumulated) data

\*\* appropriations

ing to the professional distribution presented in *Table 17*.

It is clear from the data that the state subsidisation of public education has grown above average, while the subsidisation of artistic activities has radically decreased in the past years. In 2005, 38 per cent of the total subsidies went to public collections, i.e. to libraries, museums and archives. Subsidies for artistic activities made up 26 per cent, two thirds of which went to theatres and one third to music and dance art, while public educational institutions received 18 per cent of the subsidies. Similarly, 18 per cent were spent on other cultural goals, including book, music and newspaper publishing, the subsidisation of which was exceptionally low.

According to public accounts, in addition to the cultural subsidies in the narrow sense of the

word of HUF 165.2 billion in the year 2005, the subsidisation of community and entertainment activities, broadcasting and publishing activities, sports and free time activities as well as religious and party activities was also considered cultural expenditure. Taking all these into account, the general government expenditure for culture in the broader sense of the word amounted to HUF 355.6 billion, i.e. GDP 1.51 per cent in the year 2006.

The detailed changes in the general government expenditure on culture are summarised in *Table 18*.

In the past one and a half decades, cultural expenditure in the broader sense of the word has fluctuated remarkably. In the first few years after the political change, cultural expenditure compared to GDP rose, due to the fall in GDP

primarily, which trend continued until 1993. A continuous fall followed afterwards until 1997, after which we could witness another period of growth until 2004. In 2005 and 2006, GDP-proportionate expenditure was approximately the same while, considering the appropriations for 2007, the rate of expenditure is to fall sensibly as a consequence of the convergence programme.

On the whole, the total general government expenditure on culture in the period of 1989–2006 rose 13.4 times which, considering the 11.1-time inflation rise, meant 20 per cent growth in real value. Expenditure on cultural activities in the narrower sense rose even faster: state subsidies in real value grew 1.5 times approximately.

In Hungary, the cultural expenditure compared to GDP is most favourable since, during the above period, the EU average was 1 per cent, although with significant differences considering individual countries. Within the 1 per cent average, considering Western European countries, the rate was 0.4 per cent in Greece, 0.5 per cent in Great Britain, 0.7 per cent in Germany, 1.2 per cent in Portugal, 1.4 per cent in Spain and 1.5 per cent in France. As regards former socialist countries, the GDP rate of cultural expenditure was 0.9 per cent in Poland, 1.2 per cent in Slovakia and 1.3 per cent in the Czech Republic.

■ As regards the subsystems of public finances, it is the central budget and local governments that play determinative roles. The majority of the cultural expenditure of the *central budget* is presented in the budgetary appropriations of the *Ministry of Education and Culture and its legal predecessors*. Other budget chapters with appropriations for certain public collections or cultural ensembles are not negligible, either, however.

The budgetary appropriations for culture of the Ministry of Culture, later Ministry of National Cultural Heritage and, today, Ministry of Education and Culture, have

undergone hectic changes in the period of 1989–2007. (See Table 19)

Table 19

**BUDGETARY SUBSIDIES FOR CULTURE OF THE MINISTRY OF EDUCATION AND CULTURE AND ITS LEGAL PREDECESSORS**

Year	HUF million
1989	2 793
1990	3 537
1991	4 387
1992	9 111
1993	10 189
1994	10 053
1995	13 155
1996	14 129
1997	16 505
1998	18 156
1999	32 618
2000	40 347
2001	43 856
2002	58 626
2003	52 495
2004	62 507
2005	66 620
2006	60 014
2007	56 059

In the *years 1989–1991*, cultural subsidies, expressed at today's prices, equalled HUF 30 billion per annum, compared to HUF 60 billion in 2006. Three quarters of the expenditure went to national public collections and art institutions. Central budget subsidies for individual target duties were most untypical.

In the years to follow, the ratio of development subsidies and (target) subsidies earmarked in chapters of the central budget gradually increased. In the years *1992–1993*, the cultural subsidies provided by the ministry rose to HUF 47.43 billion expressed at today's prices, due to an increase in the subsidies for national institutions primarily.

In *1994–1998*, institutional subsidies rose from HUF 6.3 billion to HUF 10.5 billion at

current prices but, due to the high inflation, the subsidies fell to almost one half (53 per cent) in real value. There was an even higher loss in value in the case of chapter-managed appropriations.

In the year 1995, when museum reconstruction projects were launched, the earlier stagnating development subsidies multiplied, to be followed by another significant rise as a consequence of the National Theatre investment.

From the almost annually changing title entries of chapter-managed appropriations, it is difficult to make conclusions on the subsidised goals. In 1992–1996, the rate of subsidies rose nominally, in which the growth of the public education target subsidy as well as the appropriations for the Hungarian Creative Arts Foundation and the celebrations of the Hungarian conquest had a major role. In 1997, there was a little fall in subsidies, followed by a drastic fall in 1998.

In 1999–2002, there was a sharp rise in the budget appropriations for the then newly independent culture ministry. In 1999 already, subsidies grew more than 1.5 times in real value. From 1999 to 2002, subsidies, expressed at today's prices, grew from HUF 49 billion to HUF 70 billion. The level of subsidies for institutions doubled at a nominal value, partly because of the 50 per cent salary increase.

Development subsidies multiplied. The amounts spent on museum reconstruction sensibly increased and the construction of the new National Theatre progressed at a rapid pace. There appeared millenium investments in a value of billions.

The amounts of chapter-managed target subsidies multiplied. To traditional subsidisation targets, new targets were added like the celebration of the one thousand years' statehood, the funding of acts on culture, the subsidisation of cultural public benefit associations and, last but not least, the national heritage policy.

In 2003–2007, the overall funding of culture decreased. Institutional subsidies rose until 2004, after which they stagnated nominally but decreased in real value. There was a drastic fall in development subsidies. The only exception was the year 2004, when the investment appropriations of HUF 7.9 billion for the Millenium Cultural Centre significantly increased the amount of subsidies.

Until 2005, there was a rising trend in chapter-managed target subsidies but they have shown a decrease sensible even in absolute value since then. If the latter trend becomes permanent, the state subsidisation policy as well as the allocation of duties between the central budget, local governmental budgets and the National Cultural Fund will have to be strictly reconsidered.

■ Closely related to and in fact complementary with the funding by the Ministry of Education and Culture, there is the *National Cultural Fund* with significant surplus sources for culture. (See Table 20)

Table 20

**BUDGETARY APPROPRIATIONS  
OF THE NATIONAL CULTURAL FUND**  
(HUF million)

Year	Revenue	Expenditure
1992	2 350.0	2 170.0
1993	250.1	200.9
1994	2 043.0	1 983.0
1995	2 269.3	3 079.1
1996	1 537.3	1 513.7
1997	1 457.0	1 457.0
1998	3 713.9	3 332.6
1999	4 628.0	1 628.0
2000	4 600.0	4 600.0
2001	5 550.0	5 500.0
2002	6 000.0	6 000.0
2003	7 250.0	7 250.0
2004	8 887.0	8 887.0
2005	9 600.0	9 600.0
2006	10 215.0	10 215.0
2007	8 615.0	8 615.0

Table 21

**DISTRIBUTION OF NATIONAL CULTURAL FUND**

(HUF million)

Name	1998	2005	2006	2007
Historic building protection	–	426	412	390
Museums	145	363	403	510
Archives	67	361	321	300
Libraries	172	710	364	329
Industrial arts	140	235	261	248
Architectural arts	–	138	107	104
Photographic arts	59	130	137	131
Fine arts	204	209	350	330
Theatre	243	366	331	280
Music	200	402	453	450
Dance	131	216	211	200
Film arts	252	372	399	400
Literature	435	395	403	356
Folk arts	98	255	247	270
Public education	262	419	464	410
Popular science	–	371	307	268
<b>Professional budget total</b>	<b>2 408</b>	<b>5 468</b>	<b>5 170</b>	<b>4 976</b>
Special projects	–	1 462	350	852
Funds to be disbursed by the minister	990	1 493	1 840	1 959
<b>Subtotal</b>	<b>3 398</b>	<b>8 423</b>	<b>7 360</b>	<b>7 787</b>
Operational costs	.	.	930	869
Reserves	.	.	–	48
<b>Total</b>	.	<b>8 290</b>	<b>8 704*</b>	

\* including surplus receipts of HUF 204 million from 2006

Table 22

**CULTURAL EXPENDITURE OF LOCAL GOVERNMENTS**

(HUF million)

Name	2005	2006	2007*
Cultural activities and services	96 256	105 440	99 105
Sports and free time activities and services	43 939	47 357	45 910
Broadcasting and publishing activities	1 547	1 510	1 676
Other community and cultural activities	4 152	3 830	4 396
<b>Total</b>	<b>145 894</b>	<b>158 137</b>	<b>151 087</b>

\* appropriations

The appropriations of the fund, nourished by obligatory cultural contribution payments, depend on the changes in the range of goods and services subject to contribution payments, the rate of payments as well as from the

turnover certainly. It is the fall in the turnover that accounts for the fact that the appropriations for 2007 are so limited. The use of the resources of the fund is presented in *Table 21*.

The data prove that the use structure of the

fund has undergone significant changes. New fields of funding have emerged, like architectural arts, historic building protection, popular science and special projects. The weight of museum, archival and folk art tenders has grown significantly, while that of literature and theatre tenders has decreased.

Due to the fall in state budget subsidies, the range of activities financed from the fund should be reconsidered and restructured.

■ The highest share of the general government expenditure on culture goes to *local governments*.

In 1994, the net operational expenditure of local governments on culture (excluding own income) was HUF 17,214 million. From this, HUF 5,327 million were covered from the central budget, i.e. local governments covered HUF 11,887 million, some 70 per cent of their expenditure, from their own or from transferred sources.

In 2006, local government expenditure was HUF 105,458 million, of which HUF 30,704 million were covered from state subsidies, so the earlier rate did not change practically. In twelve years, expenditure increased 6.1 times, which, considering the 3.6-time price rise during the same period, means 70 per cent growth in real value. Closely related to the subsidisation of cultural activities and services in the narrow sense, there is funding for the sports, free time and other community activities of local governments, too, which amounted to HUF 52,767 million in 2006. The distribution of cultural expenditure in the broad sense in the past years is presented in *Table 22*.

The data reveal first of all that the distribution of expenditure of local governments is essentially different from that of the central budget since, while in the central budget, the ratio of expenditure on culture in the narrow sense and that on sports and free time activities is three quarters to one quarter, it is two thirds to one third in the case of local governments.

In local government expenditure, subsidies from the central budget have a determinative role. Central budget subsidies for local governments in the past years are presented in *Table 23*.

*Table 23*

**CENTRAL BUDGET SUBSIDIES USED  
IN LOCAL GOVERNMENT CULTURAL  
EXPENDITURE**

Year	HUF million
1992	4 431.0
1993	5 200.2
1994	5 326.8
1995	5 952.2
1996	3 611.6
1997	6 180.4
1998	13 672.9
1999	15 989.3
2000	6 543.5
2001	6 997.6
2002	7 640.5
2003	13 243.6
2004	30 931.2
2005	32 667.7
2006	30 704.2
2007	29 555.0

The central subsidies for local government expenditure on culture have changed considerably in the past years. From all the subsidy titles, it is only subsidies for theatres and orchestras that have appeared every year. Other forms of subsidisation have been present for various periods. It is the normative subsidies for local and county public education that were the highest amounts until 1999 and have been the highest since 2004 once again. Public education subsidies were introduced in 1998 so as to complement local expenditure. There were central subsidies earmarked for art cinemas and zoological parks in 2003–2006 and to museums in 2004–2006.

In addition to the funding of culture from the operational subsidies of local governments, some of the subsidies earmarked for development purposes are also spent on culture. From

the latter subsidies, an amount of HUF 7,449 million was spent on culture in the year 2006 and 6,642 million in 2007.

■ Considering the total general government expenditure on culture it is easy to see the incidental nature of the subsidisation of *broadcasting* and publishing activities. Until 1995, the subsidies nominally increased, after which they fell to only a fraction of the previous amounts in 1997–1998. Periods of increase and fall followed alternately when, after several years' stagnation, subsidies for the media started to rise once again in 2007.

The summarised data of central budget appropriations for media subsidies are presented in *Table 24*.

*Table 24*

**MEDIA SUBSIDIES FROM THE CENTRAL BUDGET**  
(HUF million)

Year	Subsidy
1991	1 134
1992	2 432
1993	7 854
1994	5 073
1995	7 842
1996	5 374
1997	4 625
1998	8 861
1999	10 393
2000	11 129
2001	13 980
2002	17 638
2003	42 396
2004	46 858
2005	44 564
2006	46 464
2007	52 242

In the past one and a half decades, media subsidies have multiplied even in real value. There are very few appropriation targets in public finances in the case of which subsidies have risen at a similarly great extent.

There was an especially great change in 2003 when the central budget contribution to television operational duties rose by HUF 20 and later by 25 billion, doubling earlier appropriations.

■ The future of *cultural financing* is primarily determined by the role of culture in society, serving as a basis for economic development. The role of the state is important in all fields of culture but its weight should vary according to its function. The role of the state is obvious in establishing the legal framework of culture, in representing culture on the international stage and in maintaining the cultural heritage.

It is the duty of the state to participate in cultural financing but the segregation of duties in financial subsidisation between the state, local governments, local communities, sponsors and the population as users is differentiated according to professional fields. It is both an economic and a political responsibility to establish the ratios.

In financing state duties, the financing of

- institutions and
- professional programmes and development should be differentiated.

Central budget funds are limited; in future, it is budget restrictions rather than increase opportunities that should be expected. Therefore, efforts should be made to differentiate state subsidies and establish focal points.

There are no means for the full-scale financing of the operation of institutions even today, which justly causes tension and misunderstanding. The way to solve this problem is to select what are referred to as 'high priority institutions', for which it is necessary to guarantee

- the financial conditions of operation for several years,
- sensible loosening of financial management restrictions.

The main criteria for a high priority institution is a national role in cultural activities, high professional standard as well as the readiness to



provide professional assistance to central or local governmental institutions operating in the same field.

It must be made clear that the extent of state subsidies to institutions outside the high priority circle is not guaranteed and, in case of necessity, organisational changes may also take place.

Partly in the subsidisation of institutions and especially in the financing of professional programmes and development, the professional targets of cultural policy are to be implemented. Important targets, with no intention to aim for completeness, include the following:

- strengthening the educational and training role of museums through cooperation with educational institutions,
- developing the culture of reading by skill development methods,
- protecting endangered archival materials,
- modernising the cultural heritage institutional system,
- stabilising the financial provision for art institutions and ensembles (orchestras, choirs, dance troupes),
- working out an act on theatres,
- establishing a uniform motivation system for creative arts (literature, fine- and industrial arts, etc.),
- organising major events and festivals,
- increasing the activity of local communities by the establishment of a uniform subsidisation system for live folk culture,
- widening the international representation of Hungarian culture.

The list of targets to be considered and set could be certainly continued but it should be appreciated that target subsidies based on focal points can be made greater use of by increasing the efficiency of accomplishment.

One way to increase the efficiency of accomplishment is to properly choose the operational form. It should be analysed, for example, if certain artistic or public education activities could

most efficiently be accomplished within the framework of a budget institution, an enterprise, a foundation or an association.

The segregation of duties between the sub-systems of public finances should also be reconsidered. It should be segregated on the basis of duties what should be financed from the central budget, by local governments or from the National Cultural Fund and overlapping responsibilities could thus be avoided.

Finally, it is imperative to prepare a long-term policy on the basis of which the extent, rate and pace of permanent state involvement and the role of the market could be established.

## FINANCING CHURCH RELATIONS

Churches traditionally take an important role in establishing the norms of social coexistence, in forming morals and behaviour. In this sense, church life is part of culture. Churches take significant roles in education and social care; their public collections and historic buildings are parts of the Hungarian cultural heritage.

Considering the above, it is obvious that the state provides regular subsidies to churches. The framework of the current subsidisation system was established by

- Act IV of 1990 on the Freedom of Conscience and Religion and
- Act CXXIV of 1997 on the Financing of the Public Service and Religious Activities of Churches.

An agreement signed in the City of Vatican on 20 June, 1997, which served as a basis for the latter act above and which was promulgated under Act LXX of 1999, was determinative in this respect.

■ From the financial conditions for church activities, *real estate compensation annuities* are of a decisive amount. Relating to one-time ecclesiastical real estates not claimed back by the church or not transferred to the ownership

of the church, the state pays an annuity to the claimant church until the church is dissolved without a legal successor. In 1998–2001, the annuity paid by the state was 4.5 per cent of the valorised value (corrected on the basis of exchange rate or inflation changes) of the source of annuity, which was raised to 5 per cent in 2001.

■ There are remarkably elaborate regulations on the eligibility of churches for *1 per cent of the personal income tax* of private people who make a statement of disposal. Under Article 4 (2) of the act promulgating the Vatican Agreement, if the amount granted by disposing parties fails to reach 0.5 per cent of the progressive personal income tax revenues of the previous year, it is complemented by the state to the 0.5 per cent level until 2001.

Article 4 of Act CXXIV of 1997 on the Financing of the Public Service and Religious Activities of Churches already rules that, if the total amount granted to churches fails to reach

0.5 per cent of the personal income tax planned for the year of the statement of disposal, the sum to be transferred shall be complemented from the central budget for four years, from 1999 onwards.

Before the deadline of the act was to expire in 2003, Article 4 of the Act on Financing was amended, under which the extent of complementation was raised to 0.9 per cent, without a deadline.

The above two sources serve the state subsidisation of church life, congregational activities, administration, charity, media and press costs, etc.

■ The Act on the Financing of Church Activities has special provisions for financing *religious education*. Under Article 7 (3): “The state budget provides funding for subsidising religious education, considering the prevailing average hourly pay for teachers.”

In 2006, there were 486,361 students in 44,686 study groups of 46 churches who were

Table 25

**CHURCH SUBSIDIES**

(HUF million)

Name	1998	2005	2006	2007
Church life subsidy	4 164.8	10 902.2	24 507.4	24 491.1
including: real estate annuity	–	5 417.8	7 767.0	8 710.0
PIT, basic institution subsidy	2 050.0	3 615.0	11 829.8	10 819.0
religious education	753.9	1 809.4	3 305.4	3 305.4
salary supplement	–	–	1 535.2	1 620.7
other subsidy	1 360.9	60.0	70.0	36.0
Development subsidy	1 715.0	5 057.4	120.0	140.0*
Subsidy for public service activities	5 715.6	26 022.3	65 631.5	71 414.9
including: public education	3 687.6	18 082.0	43 164.2	45 010.0
higher education	1 062.5	3 821.9	8 943.7	10 260.0
social care	800.0	3 700.0	11 518.0	15 000.0
cultural subsidy	165.5	418.4	2 005.6	1 044.9
Church subsidies total	11 595.4	41 981.9	90 263.9	95 946.0
Expenditure on real estate settlement	4 025.0	5 994.0	4 543.8	7 125.8

\* excluding the investment on Matthias Church

given religious education, church accounts reveal. This number corresponds to 29 per cent of all students in public education and 59 per cent of all primary school students.

Under Article 7 (4) of Act CXXIV of 1997: “Further budget subsidies may be granted for the basic- and other public service activities of the church, which are established by Parliament in the annual budget act for targets identified by the church.” It is on the basis of the latter that the Millennium Religious Fund, for instance, was granted several years ago and that international relations have been subsidised and priests in small settlements have received salary supplements in the past few years.

In the year 2006, 4,381 priests in Hungary and 640 priests beyond the borders were granted salary supplements. Since the Federation of Hungarian Jewish Communities has no way to make use of this grant, the keeping up of 13 graveyards in the countryside within the framework of the Jewish Heritage Foundation was financed as a way of compensation.

According to the records of the Ministry of Education and Culture, all church subsidies for church life, development and public services were as follows, presented in *Table 25*.

In 1995–2007, church subsidies rose 8.3 times on the whole which, considering the tripling of consumer prices, means a 2.8-time rise in real value. The above includes subsidies for church life, which doubled in real value. Development subsidies were used to finance the reconstruction of various, mainly historic buildings. From 2004 onwards, development subsidies fell to a minimum. There has been a most significant rise in subsidies for public service activities. Subsidies for education, social care and culture have almost quadrupled, but the duties involved have also increased proportionately.

Under Article 5 (1) of the Act on the Financing of the Public Service and Religious Activities of Churches, “The central budget

subsidisation for the educational, higher educational, cultural, social, health care, sports as well as child and youth protection activities of the maintainers of church institutions shall be granted on the basis of the general rules on state and local government institutions and at a similar level.”

Under the act, churches are also entitled to complementary subsidies, to be established on the basis of the relevant sectoral expenditure of local governments, minus their own income and the amount of central subsidies.

Churches are furthermore entitled to receive a certain amount of subsidy from the annual budget for the maintenance and development of church-owned real estates serving activities of public use as well as works of art and for the operation of church-owned public collections.

The real estate settlement expenditure is the budget consequence of settling real estates through government decisions, relating to the transfer of one-time ecclesiastical real estates. From the appropriations of HUF 7.1 billion for 2007, for instance, HUF 4.2 billion are to be paid to churches, HUF 2.4 billion to local governments and 0.5 billion to other (government) organs.

The budget subsidisation of the church life, development and public service activities of churches will not be in question in future, either. The legal titles and extents of subsidisation do not comply with the Vatican Agreement in several fields, however. It is therefore necessary to revise the subsidisation system and adjust it to the 1997 agreement.

**AS A WAY OF SUMMARY** it can be established that, since the political change, the state financing of culture has been fluctuating but satisfactory on the whole. There is sensibly no financing strategy spanning several government cycles, based on a political consensus. Working out such a strategy has become an inevitable professional and political task by today.