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CULTURAL HERITAGE: A COMPARATIVE
ANALYSIS OF INTERNATIONAL
PERSPECTIVES, LAWS AND METHODS OF
GOVERNANCE

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Overview

“Art is the activity by which a person, having experienced an emotion, intentionally transmits it to others” (Lev Tolstoj). Art is important in society because it is a remarkable way to change and shift ideas in a community. Cultural heritage and traditions are a bridge linking us with our ancestors; preserving cultural heritage means not losing this connection and creating a sense of belonging to a certain community. The objective of this dissertation is to demonstrate how culture can be used as a tool for national economic growth. The first chapter of the research aims at introducing the concept of cultural goods and provides grounds for government intervention. Primarily, this task will be accomplished through an analysis of several direct and indirect measures that the government can take to preserve National heritage and engage citizens in its protection. Subsequently, the study will explore to what extent private individuals and corporations can intervene in cultural matters, highlighting how, if well managed, a collaboration between private and public sectors can significantly contribute to a sustainable development of the National Patrimony.

The second chapter of this dissertation is a case study comparing and evaluating differences between Italian system of cultural administration with its English and French correspondents. The survey initially opens with a comparison between British *National Trust* and Italian *Fondo Ambiente Italiano*, two non-profit and non-governmental institutions, aiming at the protection of national heritage. In the United Kingdom, it appears how the absence of a strict legal system regulating the cultural sector produces some complications when a decision on which legal provision to apply needs to be taken. However, this characteristic allows for a more solid synergy between private cultural institutions and the Government. Conversely, Italian legal system has a rigorous set of rules to employ that however, considerably limit decision-making power of museums and foundations.

The second part of the chapter is dedicated to analyse how France and Italy have tried to solve the problem caused by lack of public funds destined to cultural sector. Both countries, among other provisions, have established a hybrid body combining private and public characteristics, respectively *établissements publics administratifs (Epa)* and *Fondazione di Partecipazione*. This effort turned out to be more successful in France, because its Government has ensured the financial and decision-making independence of such institutions.

Chapter I

Introduction

The relationship between culture and economic development is drawn from an assessment of the extent to which various cultural traits enhance or hinder economic development. The objective of the dissertation is to analyse different models of governance and intervention that aim at reinforcing the value of cultural goods, debate that captures the attention of many economists.

The first chapter introduces the issue and tries to give some insight of how both public and private sectors can intervene in cultural development.

Section 1.1 aims at identifying a general definition of the cultural sector and cultural goods. Section 1.2 addresses the point in which culture and economics converge. Section 1.3 analyses, from a theoretical point of view, the concept of market failure and positive externality in order to give a rational for government intervention. Section 1.4 provides an examination of some of the most effective programmes undertaken by the European Union to increase the growth of the cultural sector. Section 1.5 presents a general overview on different European government administration model of cultural policies, hence introducing an analysis that will be undertaken more in detail in the second chapter of the dissertation. Section 1.6 divides public support in direct and indirect measures, including in the study the instruments that some European governments implement for encouraging investments in arts and culture. Section 1.7 spotlights tax benefits that Italian law guarantees to owners of cultural goods. Section 1.8 describes fiscal exemption concerning third party cultural contributions. Section 1.9 is an inquiry on how private firms and individuals may participate in the enhancement of their National Cultural Heritage through investments and donations.

1.1 The concept of cultural sector and cultural good

In today's evolving society the definition of cultural sector needs to be broadened to incorporate innovations and changes in how culture is envisaged. Culture cannot be considered only as a static concept aiming at the intellectual and moral formation of the individual, nor as a mere sector of economics. It is rather a dynamic set including a variety of different areas of social and economic life. Culture is a powerful tool and sustainable resource that contributes to the diffusion of knowledge, creativity, as well as innovation, social cohesion and economic growth.

To the extent of this research, culture is defined as a sector focusing on the creative art and having an economic influence reflected in its ability to create social benefits. The definition of culture given by the European Framework for Cultural Statistics (EFCS) divides it in sixty different fields categorized in eight "domains" (artistic and monumental heritage, archives, libraries, books and press, visual arts, architecture, performing arts and audiovisual/multimedia) and six "functions" (conservation, creation, production, dissemination, trade and training).

Cultural goods, on the other hand, as the ensemble of artwork, historical, cultural and scientific testimony, have been so far considered as something to protect and safeguard.

Art.9 of the Italian Constitution says: "La Repubblica promuove lo sviluppo della cultura e la ricerca scientifica e tecnica. Tutela il paesaggio e il patrimonio storico e artistico della Nazione", translated, the Italian Republic promotes the development of culture and scientific and technological research, it furthermore protects landscape and the historical as well as artistic heritage of the Nation. To decide how to intervene in this framework it is necessary to give a definition of cultural good. With the term "cultural good" we normally refer to all goods incorporated in the cultural heritage of a country: historical, archaeological, architectural, artistic, environmental, anthropological, literary and fields giving testimony of historical and cultural value. This broad definition includes those activities that aim at forming or spreading an expression of culture and arts. Cultural goods differ from other goods because people recognize them as enclosing the symbol of something else. Professor Arjo Klammer defines cultural goods as "[People] may ascribe to it artistic, aesthetic or sacred qualities. They may draw inspiration from it, or value it because it gives rise to hatred in some and antagonizes others. Let us say, then, that the good has cultural value in that it is a source of inspiration or symbol of distinction. Therefore, we call it a cultural good."¹

¹ KLAMMER, A. 2011. "Cultural Goods are Good for More than their Cultural Value".

From a normative point of view, Italy does not make a distinction between museums, monuments or archaeological sites. It classifies them under the term “cultural goods” and treats them in the same way. On the contrary, other European countries, such as France or United Kingdom, mark a clear distinction between museums, monuments or archaeological sites, differences reflected in how the Government manages each class. A more exhaustive analysis of how the two different approaches influence the performance of cultural institutions will be given in the second chapter.

The evolution of Cultural economics reflects the changing mentality that in the last decades has seen art no longer as a distinguished occupation, but also as a set of economic choices, putting works in the framework of investment products. It is a relatively young discipline born with the appearance of Baumol and Bowen’s *Performing Arts: The Economic Dilemma* in 1968, where, among other things, the authors strongly supported government intervention on the arts, particularly through the implementation and distributions of subsidies.

1.2 How do Economics and Culture intersect? The “Value Paradox”

Art and economics intersect when we consider a key concept in both fields: value. The economic value consists of use (or market) value and non-use value. The former is reflected exclusively on the exchange value of a good, or its price. The concept of non-use value refers to the value that individuals associate with cultural goods or services even though they do not personally benefit from them. Non-use value can additionally be divided into option, bequest, existence, prestige and educational. However, the value of cultural goods is explained by a different viewpoint. The value of art namely goes beyond its exchange value. It is reflected in intrinsic aesthetic worth and in consumer experience, unrelated to the place a specific cultural good has in the economic scenario. Cultural values are classified as social, symbolic, aesthetic, spiritual, historical and authenticity value.

1.3 Why should governments invest in the arts?

Cultural heritage is identified with historic monuments, buildings, archaeological sites, works of art, as well as with the intangible expressions of creativity, such as traditions, music, dance, rituals that are passed down from generation to generation and describe the set of values, beliefs and human activity overtime. Preserving and promoting cultural heritage means saving part of our past and contributing in the evolution of present societies. Therefore, policy makers and institutions should

develop programmes, policies and strategies aimed at the conservation of cultural heritage to make it accessible to a large audience.

Governments can intervene in the cultural sector through various strategies. For instance, they can implement subsidies for merit goods, apply low fees for ticket entrance or design a favourable tax system for cultural institutions. There are several reasons for which governments should support the cultural sector. For instance, culture should be accessible to everybody and, in this respect, it can be considered as a public good - even though some economists argue that art is better classified as a common good, a good shared by a group of people without a clear legal definition of ownership. Public good is a product whose consumption is non-rival and non-excludable. Non-rival means that one person's consumption does not detract or prevent another person's utilization – in other words the marginal cost of supplying the public good to an additional individual is zero. Non-excludability instead implies that benefits derived from consumption of the good cannot be confined solely to those who have paid for it, creating what economists call the “*free-rider*” problem, i.e. when some individual benefits from resources, goods or services without contributing to their payment, which is entirely borne by the rest of the community.

Goods presenting both non-rivalry and non-excludability are referred to as *pure public goods*. Some classic examples of pure public goods are national defense, a lighthouse, public water supply or flood control systems.

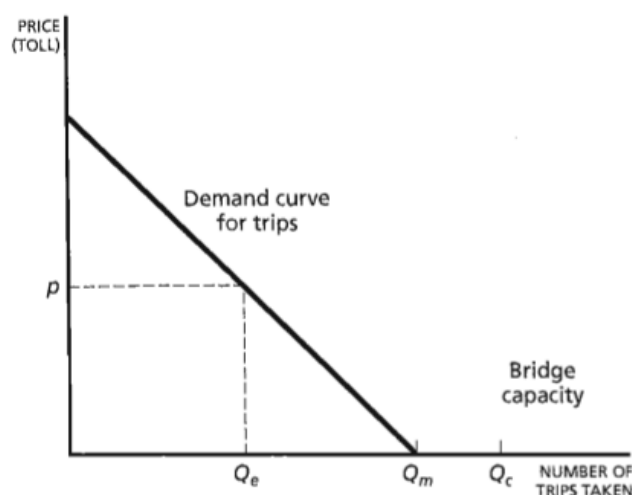


Figure 1.1 Bridges: how a user fee can result in underconsumption.

There are two types of market failures related to public goods: underconsumption, which stems from exclusion of non-rival goods, and undersupply, which instead is caused by non-excludability. Both cases can be explained with a single example: let's assume that a town's municipality builds a bridge connecting two sides of a river, if all citizens can cross the bridge without having to pay anything, more people than what the bridge could support would take advantage of it. On the other hand, if a fee for crossing the bridge would be imposed, only individuals whose opportunity cost exceeds the price of the required fee would pay for it, leading to underconsumption. Figure 1.1 shows how a user fee may result in underconsumption.

A second rational for government intervention is that art and culture carry a positive externality. Externalities occur when one person's actions affect another person's well-being and the related costs or benefits are not reflected by market prices. They may be either positive or negative. Positive externalities are benefits that are infeasible to charge to provide; negative externalities are costs that are infeasible to charge to not provide, when one's actions harm the community. The presence of a negative externality implies that marginal social costs are higher than marginal private costs, and the market equilibrium will result in an excessive production of the commodity. In figure 1.2 Q_m represents market equilibrium, while Q_e marks the efficient level of output.

Markets related to externalities result in inefficient allocation of resources (in the case of art and culture supply exceeds demand). While individuals who benefit from positive externalities without paying are considered free-riders, it may be in the interest of society to encourage the consumption of goods generating the externality, which is exactly what governments try to achieve with cultural policies. When a positive externality exists, an individual or a firm providing for the good or service

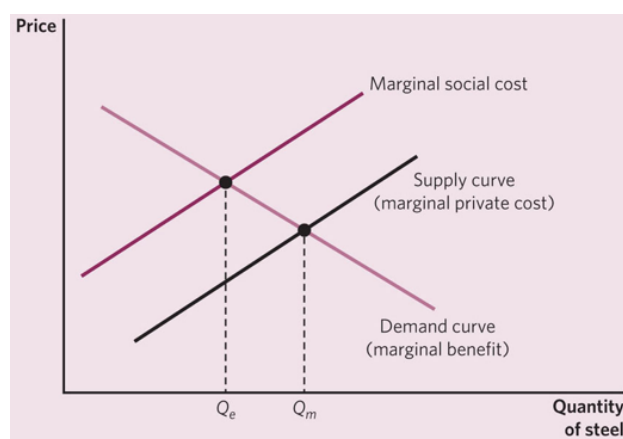


Figure 1.2 Excessive production of goods yielding to positive externalities.

generating the externality does not receive the full benefits of it. Thus, the benefit of the individual

or firm is less than that of society. In an unregulated market the marginal benefit curve of individual facing the decision is less the marginal benefit of society.

In such conditions, production and consumption are less than their optimal levels. As it is showed in figure 1.2, under free markets the economy supplies quantity Q_1 at price P_1 . As we include external benefits in the analysis, socially efficient output rises at Q_2 , therefore, at the free market equilibrium, the social marginal benefit is greater than the social marginal cost and society would benefits from increasing output until Q_2 . A possible solution to solve for the market failure is the implementation of a subsidy. The subsidy has the effect of shifting the supply curve downwards from S_1 to S_2 and hence causing the price to fall from P_1 to P_2 . People would now consume more, from Q_1 to Q_2 . Finally, with this solution consumers end up paying the socially efficient price, which includes the social benefit.

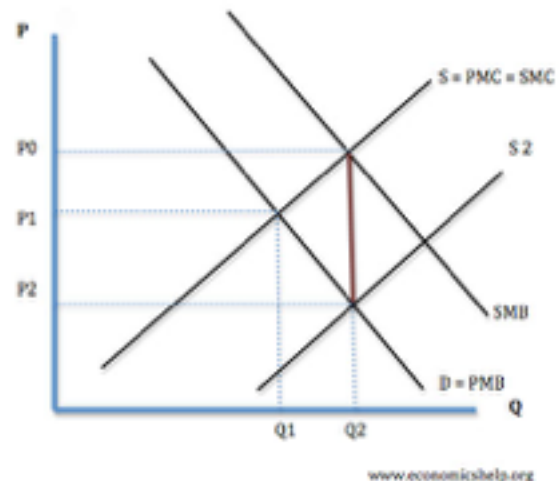
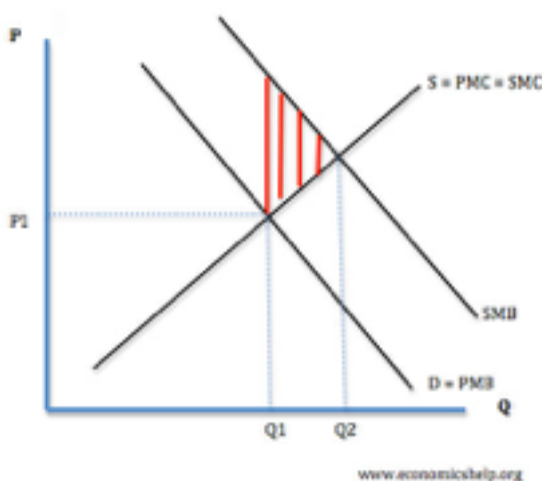


Figure 1.3 Effects of government subsidies on equilibrium. Source: economicshelp.org

The graphs in figure 1.3 show how a government subsidy enhances efficiency by reducing prices and increasing quantity at a level where Social Marginal Benefit (SMB) is equal to Social Marginal Cost (SMC).

Art and culture can be considered as carrying positive externalities, among many other reasons, for they attract tourism and hence are a fundamental source of growth for the local government.

Market failures and positive externalities for tourism however, are not the only relevant rational for government intervention. As a matter of fact, new arguments can be brought up: first, if a country, city or geographic area aspires to become an innovation district, a rich and encouraging cultural environment is fundamental for drawing investments and the mobile “creative class”.

Another reason to why cultural public spending is important and is beginning to observe a recovery is the big contribution that it gives to the economic growth through social inclusion policies. Cultural integration has indeed become one top priority in industrialized countries, given the size of the immigration phenomena.

1.4 Public policies towards the arts

Government support of culture can be divided in seven categories, respectively economics, politics, employment, regional affairs, education, geography, state finances. This study aims at analysing the economical solutions and policies that the state may undertake to protect the national heritage, arts and culture.

Public policies have many goals, for instance enhancing economic growth, ensuring stability and full employment, or resolving for market failures. The cultural sector has grown significantly over the past few years: the European Union has opened a programme, *Creative Europe*, a new framework programme for the cultural and creative sectors to be implemented between 2014 and 2020. It comprises of many sub-programmes aiming at different ways to enhance the cultural sectors. The program is managed by EACEA, Education, Audiovisual and Culture Executive Agency, an agency of the European Commission located in Brussels and established in 2006 that administers parts of the Union's programs for education, culture and audiovisual fields. Other than *Creative Europe*, EACEA regulates *Erasmus+*, *Eurydice*, *Europe for Citizens* and *EU AID Volunteer*.

Creative Europe aim is to bring together past programs, *Culture*, *MEDIA* and *MEDIA Mundus*, under a common framework to introduce new facilities and simplify the access to finance. With such action the European Commission proposed a 37%² increase in the budget devoted to cultural and creative sector. This important plan is in line with European 2020 strategy aiming at promoting smart, sustainable and inclusive growth. Moreover, the program provides European Capitals of Culture with €1.5 million funds every year³. These funds have had in the past an already eight-fold leverage effect on revenues, producing between €15 and €100 million worth investments, involving hundreds of volunteers and workers, enhancing cultural capacity, infrastructure and image. In 2008 creative sectors amounted for 4.5% of European GDP and 3.8 of its labour force. As a

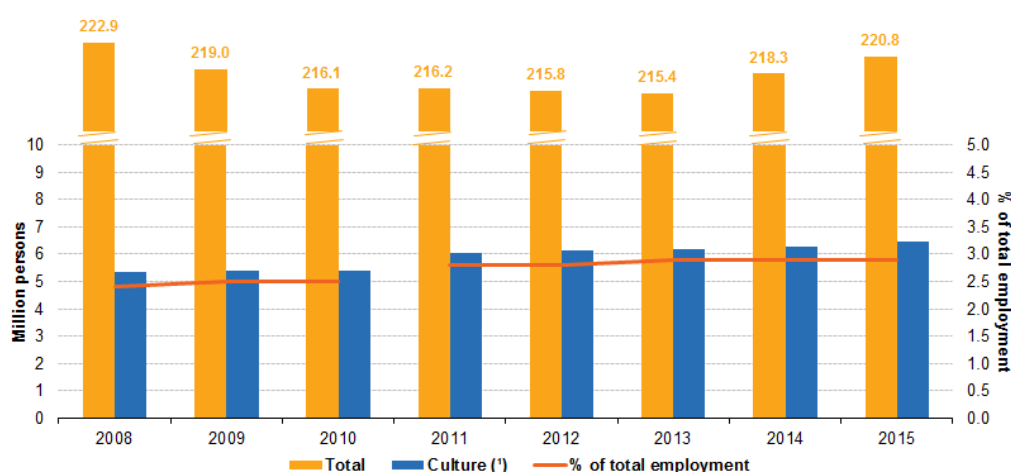
² COMMISSION, EUROPEAN. 2011. "*Creative Europe – A new framework programme for the cultural and creative sectors (2014-2020)*", page 2.

³ *Ibidem*, page 3.

matter of fact, employment in the cultural industry has grown faster than in other sectors. From 2008 to 2010, it rose annually by average of 0.4%. If compared to total employment, it represents stunning performance.

The cultural sector has registered a certain resilience to the crisis, while during the same period, as highlighted in figure 1.4, employment has experienced a negative annual growth rate, namely -1.5 %⁴.

Culture and creative industries have a great impact also in other sectors of the economy. Art can indeed be a mean through which governments can reach many different goals. Maintenance of goods having cultural, historical and artistic value can have a significant economic consequence on



Note: different scale on the left and right axis.
(¹) 2011: general break in time series for cultural employment due to ISCO revision.

Figure 1.3 Cultural employment and total employment, EU-28, 2008-15. Source: Eurostat (cult_emp_sex) and (ifsa_egan2)

jobs, growth, social inclusion and social innovation. Tourists attracted by artistic heritage spend money on a wide range of goods and services, which is translated into economic growth for the entire Nation. In Germany, investments in the cultural sector has a great influence mostly on small and medium-size enterprises. Comparably, in 2011 the French Ministry of Culture has invested over 100 million euros in restoration of various historical sites with the intention of protecting jobs in the cultural sector. With this initiative, French government has managed to stimulate economic development regardless of the economic crisis.

The European Union previous sub-programmes for the cultural and creative sectors have helped improving growth of the sector while increasing and easing the circulation of artworks, as well as professional workers, also committing to the cause of linguistic diversity.

⁴ Source of data: Eurostat.

The *Cultural Programme* (2007-2013) allocated to the cultural sector a budget of €400 million (€57 million per year, on average) for financing projects and activities related to the promotion and protection of heritage and cultural diversity. This programme focused on promoting cross-border mobility, succeeding in helping artists and organizations working together and developing partnership across member states, consequently improving skills, knowledge, opportunities and participation. Many new projects have been undertaken, including the translation of over 500 literary works. Millions of citizens have been reached both directly and indirectly. This has developed the cultural sector but also triggered research and education, as well as pushing both private and public investments⁵.

Another sub-programme of *Creative Europe* concerning the period from 2007 to 2013 is the *MEDIA Programme*, a “financial support in the development, distribution and promotion of European Union film and audiovisual industries” (European Commission, 2011). The budget dedicated to the programme is relatively small, only €100 million, however, it has allowed, through a careful cost-benefit maximisation, to develop European competitiveness. European films constituted in 2009 54% of the total industry, while in 1989 they were only 36%⁶.

By financing a great variety of films and projects, *MEDIA* has fostered cultural diversity, investing in more than 400 projects in 475 cities. Moreover, like *Culture Programme*, *MEDIA* engages in training professionals, increasing their skills and cross-borders networking activities. As a matter of fact, networking activities, such as co-production forums and training, pool together professionals from different countries, enabling them to undertake projects that gain 2.3 times more circulation potential than national films. Films produced in this way were 34%⁷ of the European total in 2009. *MEDIA* created some networks (EAUE, Cartoon or ACE) which are now the groundwork of European film industry.

MEDIA Production Guarantee Fund was established in 2010 and facilitates the access to private and public funds. The above-mentioned plan works through a guarantees mechanism allowing banks to share the risks incurred in awarding grant credits. Since 2011 ten different member states have adhered, resulting in dozens of guarantee loans for €15 million value. European Commission and Europa Nostra award each year the European Union Prize for Cultural Heritage,

⁵ EUROPEAN COMMISSION, “Creative Europe – A new framework programme for the cultural and creative sectors (2014-2020)”, page 3.

⁶ *Ibidem*, page 4.

⁷ *Ibidem*, page 4.

which is considered Europe's highest honour in the field of cultural heritage. In 2017, 29 winners were selected out of 202 participants, on the grounds of their creativity, innovation, sustainable development and social participation in cultural matters throughout Europe in four categories: conservation, research, dedicated service and education, training and awareness-raising. In addition, during the ceremony that took place on 15th May in St. Michael's church in Turku, Finland, seven winners were named Grand Prix laureates and received €10 000 each.

Market failures are the dominant argument for debating cultural economics for they happen when the market cannot solve all problems related to supply, demand and price determination. This is the case of public goods, offering benefits that are often unachievable without government intervention. As underlined by Dick Netzer in his 1978 work "*The Subsidized Muse*" market failure provides a rationale for government intervention. However, the extent to which government should intervene can't be explained with such concept. One important factor in the production of cultural goods and in cultural policy is direct public support. Governments may participate in the art sectors with the applications of cultural grants, constructing facilities or subsidizing and selling admissions to cultural events at a reduced price. This helps increasing demand for cultural products and allowing the market to reach a certain equilibrium when it is characterized by excess supply.

A 2006 study requested by the European Parliament's committee of Culture and Education has underlined how the aim of cultural policies varies among member states⁸. In line with the objectives of the European Community, support of creativity, preservation of National Heritage and protection of cultural diversity are common almost everywhere. However, different Nations have different priorities. Nordic countries, Netherlands, Austria and Luxemburg focus on supporting individual artists. Sweden, France, the United Kingdom and Denmark instead put a great emphasis on art education. The absolute priority in Italy is the conservation, restoration and development of its cultural heritage. A late trend has seen countries like the United Kingdom, Germany, Denmark or the Netherlands looking at the economic effect of culture while planning cultural policies. Moreover, some governments have been trying to intervene in private support with policies that could encourage private investment⁹.

⁸ KLAMER A., PETROVA L., MINGOSA A., Policy Department, Structural and Cohesion Policies, "*Financing the Arts and Culture in the European Union*", 2006.

⁹ *Ibidem*, page 16-49.

1.5 Cultural Policies

As for the diversity in the objective of cultural policies, there are different trends in Europe for the implementation of those strategies. More in detail, we can observe three different models. Most countries have a centralized structure where the ministry bears the majorities of responsibilities. Other less important organs may have some authority but generally they are directly controlled by the main Ministry. This is the case of Italy, Cyprus, France, Ireland. Countries like Germany, Austria, Belgium instead, have a federal organization. These countries have a decentralized structure where the central Ministry may not even exist. Here, Länder, counties or municipalities are responsible for most cultural matters.

One third group can be labelled as the “Nordic model” in terms of cultural policies. Countries in Northern Europe as a matter of fact, follow a similar path in certain aspects regarding public policies; they put a special emphasis on cooperation and the importance of equality. Moreover, Nordic Countries differentiate themselves for the generous support that their governments provide to individual artists and the importance given to artistic quality as the decisive criterion for granting support.

Notwithstanding, a process of decentralization and désétatisation has been taking place, mostly towards the private sector. Indeed, the tendency to give private individuals and firms the opportunity to invest in the cultural sector and simultaneously operating in it is common theme in Europe having its grounds in the idea that, especially when culture is taken into consideration, the State has given up some of its responsibility to the second and third sectors (i.e. to the market and civil society). Such a conversion is driven by the stronger awareness of the importance of supporting the arts and culture. Italy in this framework has overtook its tradition of public dominium of cultural sector with a steady privatization of activities connected to heritage preservation and management.

The second chapter of the disquisition will be dwelling with a more in-depth analysis of governance models in some European Countries, namely Italy, France and United Kingdom. Such governments have been chosen as they represent meaningful examples of the above-mentioned patterns of cultural administration.

1.6 Direct and indirect public support

Public support includes both direct and indirect measures. The former is delineated as any support coming from governmental and public bodies. It includes subsidies, awards, grants and, more in general, money directly transferred from public funds. On the other hand, indirect support is a set

of measures designated to benefit cultural organizations, without the involvement of a direct transfer of money. Usually they take the form of legal acts and tax reductions for investments destined to the arts and culture.

It is useful to detain some of the considerations made in the following paragraph as the second chapter of the dissertation will deal with a similar analysis. However, as already asserted, the case study focuses the attention on three countries and on public indirect measures to attract private investments and boost profitability of the cultural sector.

From the beginning of the century direct support for the arts increased in Central and East Europe. National spending on culture as a percentage of GDP varied between 0.3% and 1.2% among countries. From an analysis of available data provided by European Countries and published in the Council of Europe/ERICarts in 2006, it is possible to have a detailed hint on how much each state has dedicated to culture. One of the most significant results is Denmark, which in 2006 dedicated 2.5% of public expenditures in Culture. Denmark has a decentralized structure which led regional and local bodies to spend more on culture than the central Danish Government. The Netherlands are another relevant example, as during the first years of the new millennium the average growth in public cultural expenditures amounted for 32%. This increase was due to the abolishment of TV licences and to an increase in other cultural sectors. In the Netherlands, local cultural expenditures prevail 62% of total support (without taking broadcast expenditure into account). The country is characterized by a decentralized system where support from regions increased at a rate up to 27%¹⁰ during the last ten years. However, in 2013 Dutch government has announced a 22% reduction in public funding for the arts while municipal government budget dropped on average by 10%-20%, leading to an overall loss of €632 million¹¹. This sudden and unexpected change left dozens of cultural organizations unprepared and forced many of them to shut down. As stated by the Dutch Ministry of Education, Culture and Science *“As a result of changes in society, support for funding culture has diminished and the extent of the funding has declined in society. As a result, support has also declined in the political sphere. The feeling has arisen that, when providing funding, the government has paid insufficient attention to the audience or to entrepreneurship when providing funding. The government expects cultural organizations and artists to be more entrepreneurial and*

¹⁰ *Ibidem.*

¹¹ HAGOOD L., ROBERT BOSCH FELLOW XXXI, *“A Paradigm Change: The Case for Private Philanthropy in the Arts in Germany, the Netherlands, and France”*, 2016.

earn a greater part of their income themselves.”¹². Dutch government has since focused its actions on promoting and establishing cultural entrepreneurship, mostly through indirect measures to encourage private intervention.

In 1998, Germany has created the position of Federal Government Commissioner for culture and the media (BKM), to bring together all the Federal Government tasks about culture and media policies. The Minister of State for Culture and the Media’s budget in 2016 was €1.4 billion. In Germany, public cultural expenses increased by 3.8% in 2003 but the share of public expenditure from GDP decreased from 0.43% to 0.39% in the same year¹³. Germany is characterized by a cultural federalism, where each Land or local government is responsible for promoting culture. The role of the Federal Government instead is to ensure a favourable environment for art and culture through Federal Legislation, for example with copyright laws, to provide funds for cultural institutions of a national importance, including the German National Library and the Prussian Cultural Heritage Foundation. Approximately in 2014 €9.4 billion were spent on Culture, of which 13.3% came from the Federal Government, 41.9% from Länder and 44.8% from local authorities¹⁴. Art. 13 of the French constitution states: “*The Nation guarantees children and adults equal access to education, professional training, and culture. The administration of free public and secular education at all levels is a responsibility of the state*”. In virtue of this, French government puts a careful attention in its investments, hoisting tourism as well as other sectors of economy and aiming at promoting and celebrating their cultural heritage, bearing the responsibility of funding many projects and managing its artistic infrastructure. The robust annual budget dedicated to art amounts to €15.77 billion, of which more than half came from the state¹⁵. Furthermore, as France is characterized by a large presence of immigrants and second-generation population, the government uses culture and education to foster social inclusion of marginalized groups. Notwithstanding, similarly to Germany and the Netherlands, France has seen a shift in its policy making, encouraging partnership with the private sector, mostly through a legal system promoting private giving *mécénat*. The situation in Italy is different to the one of the countries above listed as Italian system is much more centralized,

¹² *Ibidem*, page 6.

¹³ KLAMER A., PETROVA L., MINGOSA A., Policy Department, Structural and Cohesion Policies, “*Financing the Arts and Culture in the European Union*”, 2006.

¹⁴ HAGOOD L., ROBERT BOSCH FELLOW XXXI, “*A Paradigm Change: The Case for Private Philanthropy in the Arts in Germany, the Netherlands, and France*”, 2016.

¹⁵ *Ibidem*, page 7.

even though it is currently following European trend of désétatisation, allowing local governmental bodies to increase their autonomy. With the nation struggling with recession Italian government is now looking for collaborations with private corporation to preserve its cultural heritage. “Our doors are wide open for all the philanthropists and donors who want to tie their name to an Italian monument,” Italy’s culture minister, Dario Franceschini, said in an interview with New York Times. “We have a long list, as our heritage offers endless options, from small countryside churches to the Colosseum”¹⁶. Distribution of funds is in line with the Italian priority in terms of cultural policies: expenditures in cultural heritage are dominant, they amounted to 41% in 2000, while only 14% was directed towards the performing arts¹⁷. In 1985 Italy established the *Fondo Unico per lo Spettacolo* (FUS) which aimed at reorganizing the performing arts sector. To have access to funds distributed by FUS, it is necessary to prove that the organization carries out a professional activity. The introduction of the fund contributed to enhance transparency in the allocation of resources from the ministry. Indeed, it is very popular among states to finance individual artists and the cultural sectors through Arts Councils and National Cultural Funds or Foundations. The latter may distribute capital in the form of lottery funds or grants. This form of funding is rather new, but has become important in Europe. Lottery funds are directed to culture as well as to many different fields, such as health and social activities. Financed by individuals and collected by the State they are then awarded to public ventures. Among the countries that have adopted lottery funds we find United Kingdom, Greece, Belgium, Germany, Italy, Finland, Denmark. Collection and distribution varies among states, they might be either managed by the public sector, by private institutions or by mix of the two, as for example in Germany. In the United Kingdom, the Lottery Fund has allocated €800 million, accounting for one-fifth of all foundation spending¹⁸. However, no policies setting how much to distribute through lottery funds generally exist, only Italy provides its cultural heritage with a fixed number of funds every year.

An important form of government intervention is indirect support, or “fiscal support of

¹⁶ PIANIGIANI, G., and J. YARDLEY. 2014. “Corporate Medicis to the Rescue”, *The New York Times*. 15 July.

¹⁷ KLAMER A., PETROVA L., MINGOSA A., Policy Department, Structural and Cohesion Policies, “*Financing the Arts and Culture in the European Union*”, 2006, page 37.

¹⁸ *Ibidem*, page 31.

governments to private support to culture”¹⁹. Indirect subsidies deriving from the implementation of tax incentives provide extra funds for culture. The government has various mechanisms to encourage investments in the cultural sector: they might be charged as tax exemptions, tax deductions and special (lower) tax rates for art and cultural institutions, for example as gifts and inheritance tax and corporate income tax, tax deductions and tax credits for companies and individuals donating or investing in the arts, and finally as different VAT (value added tax) rate on “cultural products”.

Although getting empirical data to prove the strength of the impact of indirect involvement on cultural investments is difficult, considering indirect expenditures in evaluating government support to culture is extremely significant. In some countries, indirect support is as large as, or sometimes even dwarfs over, direct provisions. If we look at the US case, only direct assistance is very low with respect to other countries, if instead we count for indirect expenditures, it becomes one of the biggest supporters. In 2004 in Ireland adding taxation and indirect policies to this evaluation increased expenditure pro capita in culture by 50%.

Indirect expenditures rise further when the reduced rate of Value Added Tax applied to cultural products is examined. O'Hagan (2003; 455) argues that VAT concession for the arts in Europe is not just the major tax concession in Europe, but that it alone is “*large...both in absolute terms and in relation to direct funding to [arts] institutions*”. Nevertheless, tax expenditures do not come free of costs. For instance, a donation is partially paid by the benefactor, although the rest will be borne by tax payers. Notwithstanding, taxation does not affect government budget for cultural

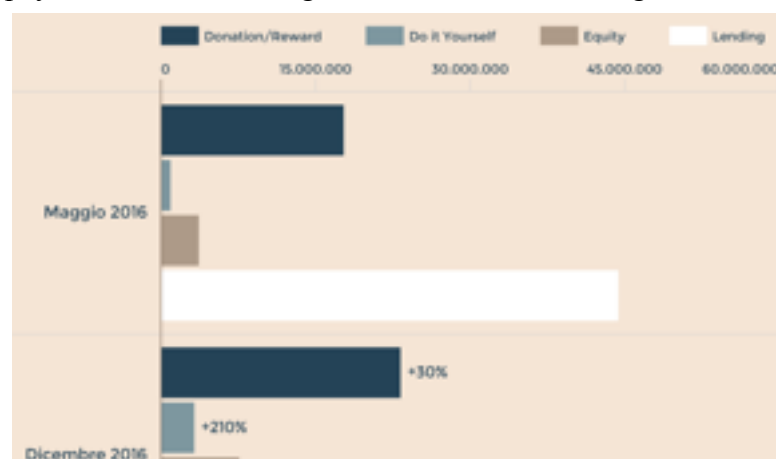


Figure 1.5 Market growth for crowdfunding in Italy, May – December 2016. Source: *ilsole24.it*

¹⁹INKEI, P. 2001. ““Tax relief for business sponsorship and donations to culture: Incentives or Reward?”.” *Creative Europe - Culture and Business in the 21st Century*”

funds and hence it can be a preferable measure for those countries, like the Netherlands in 1994, that have imposed ceilings for the budget share dedicated to subsidies. As far as Italy is concerned, tax relief is granted to owners of cultural goods as well as to contributors to cultural enhancement. The Italian government has opted for an indirect support for facing the lack of sufficient public resources available for the cultural sector. In 2014, the Italian Ministry of Cultural Heritage and Activities and Tourism promoted *Art Bonus*, a Law Decree aimed at increasing private investments in art and cultural projects for the economic development and tourism recovery. “It is the first time that Italy has such a strong tax incentive”²⁰ said culture minister Dario Franceschini, explaining that the scheme was designated for donors waiting to donate from €10 to €10 million. The new law hopes to encourage mécénat, or patronage, by offering “credito d’imposta”: three years tax bonuses equal to the reduction of 65% of the gift destined to restoration, protection, maintenance of public cultural goods; realization of new structures; contribution meant for public bodies and institutions carrying out non-profit making activities in the performing art sector. Furthermore, the law includes a 30% reduction for touristic structures that invest in the reconstruction and modernization of their sites.

The tax benefits are not extended to donations made in favour of entities owned by a non-profit, private legal person (e.g. clerical bodies). The above-mentioned cases are subject to what is listed in the TUIR (*Testo Unico delle Imposte sul Reddito*).

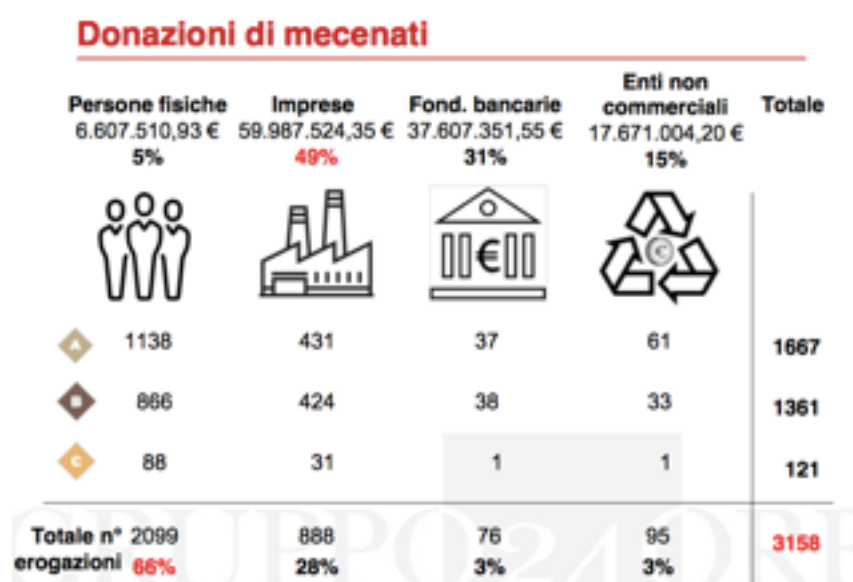


Figure 1.4 patrons' donations. Source: ilsole24.it

To be entitled to the bonus donors have to specify the entity that they want to support, while donation needs to be made through bank transfer, debit or credit card, or by any traceable mean. *Art Bonus* is an initiative that addresses to donor 3.0, the one that uses online platforms to channel funds to make donations, often just a small sum, and wants to be part of the

²⁰ SCAMMEL, R., 2015. ““Saving Italy's cultural heritage by modern means” in The Guardian.” 2015 March.

cultural growth of his society. Indeed, 9.4% of Italian online crowdfunding platforms directly deals with culture, a percentage that is rapidly growing.

In the first two years since its implementation, *Art Bonus* has collected €122,735,069,70; as it can be seen in figure 1.6, 66% of donations came from physical persons, 28% from enterprises and 6% from institutions such as banks and non-commercial organizations. Respectively the three different actors donated on average 1.670 EUR, 167.290 EUR and 132.152 EUR²¹. Many corporations have contributed in the restoration of several historical sites in Italy. Rome has recently been theatre of numerous interventions, the restoration of the Colosseum, financed by the luxury group Tod's with 25 million EUR, is one significant example. Equally remarkable are the restorations of the Trevi fountain, entirely financed by maison Fendi with over 2 million EUR, and the project undertaken by Bulgari, that invested, 5 million EUR to preserve the area of the Spanish Steps. The house of Salvatore Ferragamo financed with 600.000 EUR the intervention in the Basilica Santissima Annunziata and a wing of the Uffizi Gallery in Florence, while 14 million EUR have been spent on the Arena di Verona, 7 million of which offered by Unicredit Banca.

Regardless of critics, as far as corporations do not take advantage of the investment to advertise their company and truly donate with philanthropic intentions, *Art Bonus* can be a very affective way through which the private and public sector can merge their efforts to enhance and preserve our cultural heritage. Tax benefits for private entities investing in culture are popular measures among European countries. A noteworthy example is the one given by France, where the 2003 *Loi Aillagon* allows individuals to deduct 66% of their gifts from the tax load (up to 20% of the taxable income). Additionally, corporations can write off 60% of charitable donations from their tax load. The Dutch law, to promote cultural entrepreneurship and philanthropy, entitles private

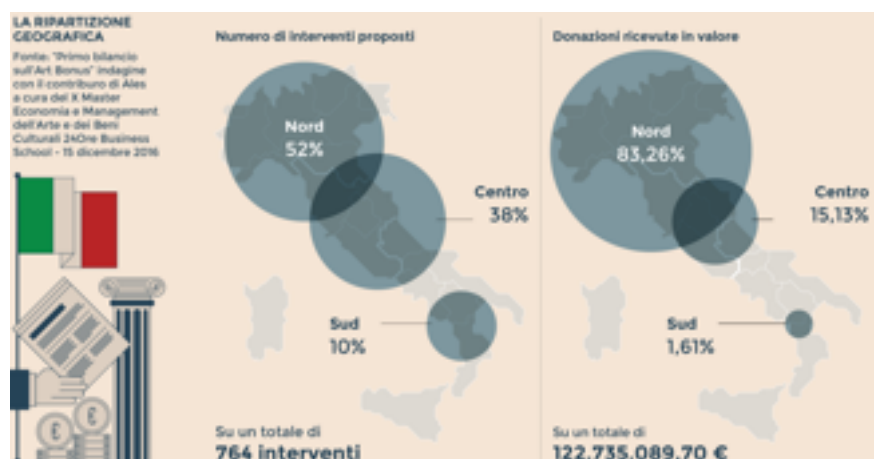


Figure 1.5 2016 analysis of Art Bonus results. Source: ilsole24.it

²¹VITRUGNO, F. 2015. "Chiamata alle arti, ecco come funziona l'art bonus". 24 October.

donors to deduct gifts from their personal taxable income, at a rate of 125% and up to €1,000, while corporations can count donations to culture as business expenses and can deduct those expenses from profits up to 50% and up to €100,000.

1.7 Tax benefits for owners of cultural goods

Incentives concern both direct and indirect taxes. Regarding direct taxes, law n. 413/1991 (sect. 11, sub-sect. 2) states that the income of real properties having a historical and artistic interest as defined by law n. 1089/1939 (now replaced by the Dlgs. n. 42/2004) is determined by applying the minimum among the cadastral evaluation parameters, set for buildings located in the same census area. This gives historical buildings a tax abatement, with respect to regular buildings, since the determination of their yearly income is not calculated with the actual cadastral value nor by the rent received. There is a second type of direct tax relief on cultural property, the one levied on goods with an historical and cultural value requiring maintenance expenses. The Code of Cultural Goods imposes to owners of goods belonging to cultural heritage to guarantee their preservation. In case of negligence, the Ministry for Cultural Goods can oblige owners to operate with conservation intervention. Those expenses are partially, or even totally, borne by the owner and sect. 15 of the Italian Consolidated Income Tax Act (Testo Unico Delle Imposte sui Redditi, TUIR) provides for a 19% tax reduction. To be entitled for the reduction two conditions are required:

- Expenses not legally compulsory must be ascertained by the Ministry of Goods and Activities
- A change in the final use of the good cannot be undertaken without the approval of the Ministry, while the State acquires rights of pre-emption on cultural goods.

When the restoration expenses are faced by owners of ordinal residential properties, to half of the 19% abatement a further 36% reduction can be applied, as set by law n. 449/1997, bringing the maximum tax reduction rate to 45.5%. This treatment engages also non-trading companies.

A different and more extended tax incentive is instead applied to trading companies. Section 100 of the Consolidated Income Tax Act sets up for full deduction of these expenses from the taxable income of the enterprise. This additional facilitation is applied only if the good at issue is an investment good and not a capital one. Otherwise, the ordinary tax treatment for corporations is implemented.

Additional tax relief is associated to indirect taxes. To the transfer of real properties having historical, artistic or archaeological value a 3% registration fee is imposed, which is less than the 7% rate for ordinary goods. Referring to the Value-Added Tax (Imposta sul Valore Aggiunto, IVA),

transfer of real properties manifesting historical or artistic value are subject to a 20% tax rate, while services related to the visit of any cultural site are exempt from taxation.

In 2001, law n. 838 has eliminated transfer taxes on cultural good, leaving the gift tax in the presence of the two following conditions: beneficiaries must not be closely related to the donor, and the value of the individual's share must be higher than €80.758,81.

If the value of the share exceeds the aforesaid limit, beneficiaries of the concerned real property are required to pay the ordinary mortgage and cadastral tax rates and the reduced registration fee for the additional part of the value.

1.8 Tax benefits concerning third party cultural contributions: patronage and sponsorship

Intervention for preserving cultural goods can be financed by third parties. These may be private individuals, non-trading companies or individuals and partnerships. Private individuals and non-trading companies can contribute through “patronage”, while trading companies can also intervene with sponsorships. Patronage occurs as a monetary support donated by individuals or enterprises aimed at a worthy purpose. Sponsorship is a non-conventional contract between two parties: the “sponsor” who offers an amount of money for the organization of an event, and the “sponsee”, that in exchange promotes the donator's brand during the initiative at issue. These two different forms of investors are treated differently as far as tax exemption is concerned.

Patronage represents an allocation of the operating income rather than an operating cost, and for the donator, it is deductible from the taxable income. The beneficiary instead, can account it as part of the taxable base, only if the latter is making a deal with non-trading company. Regarding sponsorship contribution, the sponsor bears an operating cost deductible from the taxable income.

The study will first analyse patronage contributions of enterprises and then move on to scrutinize sponsorship donations.

Section 100 of the Consolidated Income Tax Act underlines a clear distinction between contributions for “*study and research activities of a noteworthy cultural and artistic value*” and contributions made to the advantage of cultural projects. The former is a voluntary allocation of money to whoever is directly involved in the research program. These contributions are allowed only if the research activity involved had been previously authorized by the Ministry of Cultural Goods and Activities. The ministry, as a further constraint, set a maximum period for before which contributions must be spent, otherwise contributions at stake are entirely transferred to the State.

Notwithstanding, if the mentioned donation is spent for the purchase, restoration or maintenance of a good belonging to the National Cultural Heritage, they can be unlimitedly deducted from the taxable income of the enterprise. Contributions must be paid with payment system allowing for appropriate controls, such as bank and postal current account, non-negotiable checks and postal orders. If instead the State is the beneficiary, donations should be addressed to the Provincial Offices of the State Treasury.

Voluntary contributions for cultural projects represent allocation of an amount of money to the State, Regions, institutions, organizations, foundations or associations with the objective of improving the performance of their institutional duties or helping planning and coordinating programs in the cultural sector. Such expenses are deductible from the taxable income under certain circumstances: first, beneficiaries of these allotments must be listed by the D.M. BB.AA.CC 3 October 2002. They include, other than State, Regions, institutions, organizations, foundations or associations, also private legal persons like owners or managers of museums and other cultural sites open to the public at least 5 days a week and private legal persons involved in activities for the promotion of cultural and artistic expression. Second, both donors and beneficiaries must provide via web information about contribution made or received, within the 31st January each year. Third, within 30th April, beneficiaries are required to pay the 37% of the revenue exceeded the limit imposed by the Ministry of Economics together with the Ministry for Cultural Goods and Activities. This limit in 2003 amounted to about 139 million.

Enterprises can commit to the enhancement of cultural goods also through sponsorship of either private or public events. Tax advantages from sponsorship instead, derive from the classification of sponsorship as “advertising expenses” rather than “entertainment expenses”. As a matter of fact, while advertisement expenditure can be fully deducted from taxable income, entertainment expenses are deductible only to the extent of the one third of the share. Sponsorship expenditures are considered advertising expenditures as long as there is a contract regulating the relationship between sponsor and sponsee and a link between the brand advertised and the event at stake exists (Ris. Min. n. 9/204/1992 and Ris. Min. n. 148/E/1998 and Corte di Cassazione, sez. V Trib. sent. n. 7803/2000).

1.9 Private support towards the art and culture

In the last decades, the interest for cultural intervention has increased not only in foreign countries, like United States of America or Great Britain, but it has spread also in Italy. The

reason for this trend lies in the fact that corporations, cultural organizations, the State and citizens are suddenly understanding how important it is to protect our heritage. Italian cultural patrimony is indeed as rich and complex, as it is difficult and expensive to preserve it. It is hence inevitable that the Italian public administration cannot intervene by itself. Consequently, a public-private collaboration is necessary. There are two different types private co-financing: the first one, that has already been covered previously in the chapter, is private sponsorship, the second one instead, is the phenomenon called cultural patronage, or mécénat.

In an evolving society where communication continuously changes, companies develop their corporate responsibility and governments are forced to deal with budgetary crisis, philanthropy has grown rapidly. According to the French association Admical, business patronage was born in France in the late 1970s, when companies discovered the power of communication, advertising and marketing not only in selling products but also in adding value and prestige to the image of the company.

Private support for culture comprises any financial support provided by individuals or non-public institutions. From the analysis point of view, it can be divided into business support, individual giving and foundations and trusts. *Business support* aims at capital returns from investments, sponsorships and capital donations; *Individual giving* includes transactions made by private individuals that want to contribute in cultural enhancing, so it does not include future financial returns. Intermediary institutions supported by private endowment instead, can intervene to reinforce culture through *Foundations and Trusts*.

In 2011 the European Parliament has conducted a study directed at underling the importance of the “*economic, political and cultural aspects of the funding modes and mechanisms developed by governments to encourage private investment in the culture sector and the spread of the use of such modes and mechanisms*”²². The research aims at analysing the various forms of private investment from the point of view of cultural policies and systems encouraging private involvement. Fundraising has become an integral part of cultural institutions and in the last decades the support coming from the private sector has sharply increased. Nowadays, private support is indeed fundamental for the cultural development. In Italy, public intervention has remarkably decreased from 2008 and private institutions are intervening more and more to carry on cultural projects. The deviation from public

²²European Parliament, Directorate General for Internal Policies, “*Encouraging private investment in the cultural sector*”, July 2011, page 9.

to private funds has become necessary because of significant cuts of the budget directed to culture (in Italy they amounted to almost 50% after the 2008 financial crisis). Some of the most important cultural institutions of the country hence, had to look for crowdfunding and partnership with the private sector. Maxxi Museum in Rome has developed agreements with several companies, Eni, Bnl, Telocom Italia and Acea, for the support some exhibitions. Peggy Guggenheim Collection in Venice has been dealing since 1992 with a group of businesses that help the creation of various projects. Private contribution is approximately 14% of the institution's total entrants, while 57.5% of revenues come from the sale of tickets. This partnership, Progetto Impresae, comprehends 19 Italian and foreign enterprises; the minimum subscription is two years with €53 million capital financing. Finally, Bsi Bank contributes to the fund for the enlargement of the collection.

When cultural institutions look for alternative sources funds, they should take into consideration third-sphere entities. Non-profit organizations fall in this category. There are different types of non-profit organization: Foundations, trusts and associations. A foundation is a private, independent and non-profit organization, usually created by a single large investment, whose aim is to collect funds to support other organizations with gifts and donations, or providing a source of funding for its own charitable purposes. To be classified as such however, a foundation must allocate its fund to educational, cultural, social, religious or other public benefit purposes either by supporting association or by operating their own programs.

With the current European governments allocating less and less subsidies to Cultural associations and with the private sector becoming the largest source of funds it is necessary to involve citizens and raise awareness of the importance of their cultural heritage. Foundations are indeed a powerful tool for civil engagement and an expression of a self-conscious society that bridge the cultural sector to the business world. Germany, for example, counts more than 20,000 foundations, with a cumulative portfolio of €17 billion, 15.5%²³ of which have culture as their priority. German Robert Bosch foundation holds assets worth €5 billion²⁴. In Italy, savings bank foundations detain half of the country's philanthropic capital. Moreover, many small foundations taking advantage of tax benefits are emerging in Europe.

To turn what could potentially be one of the most dramatic funding crisis of the last century

²³ BROWER HAGOOD, L., and FELLOW XXXI ROBERT BOSCH. 2016. "A Paradigm Change: The Case for Private Philanthropy in the Arts in Germany, the Netherlands, and France" .page 2.

²⁴ *Ibidem*, page 12.

into one of the biggest opportunities, cultural bodies have to look for many different forms of financing; it is undoubtedly crucial for a private cultural institution to diversify its sources of funds. As a matter of fact, business support and foundations are often not enough to cover the big gaps caused by the cuts in cultural budget. Private gifts may come either indirectly, through some intermediary institution, i.e. foundations and trusts, that channels funds among different projects or organizations, or as single donations. Individual giving has indeed become a significant source of

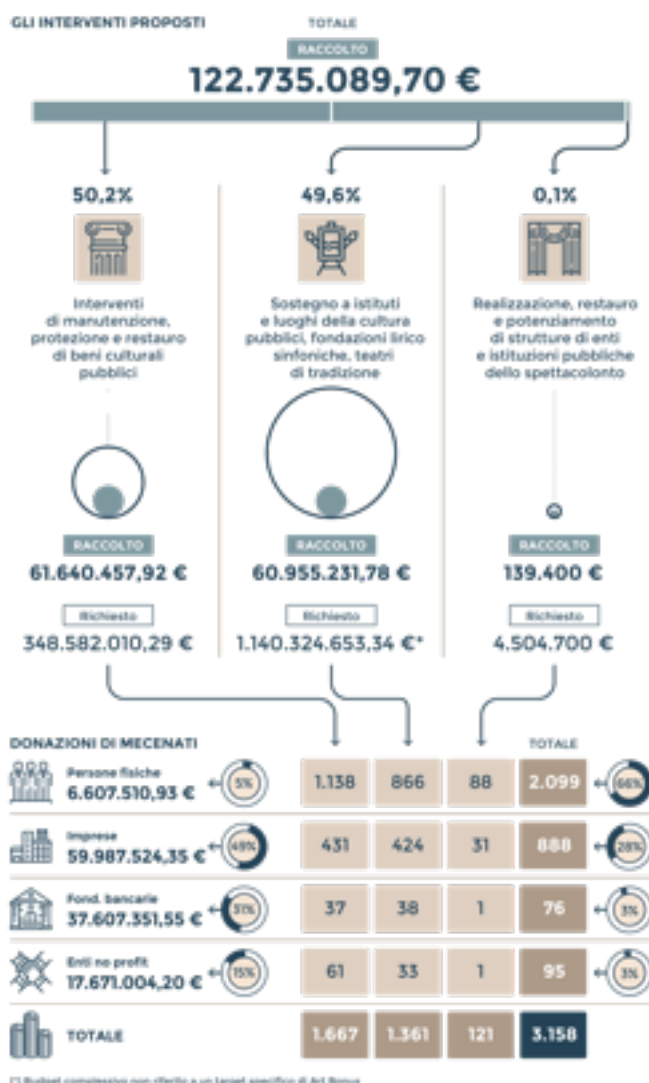


Figure 1.8 donations, patrons and interventions undertaken. Source: ilsole24ore.com

funds. Recent technological innovation has brought up new means of crowdfunding; digital fundraising utilising mobile, tablets and online platforms, that have contributed to the rise of private investments. The United Kingdom is the most generous country in this regard: private sector accounts for 15% of total donations directed to the arts and culture, 7% of which comes from individuals, mostly among the young population. A report by *Fondation de France* that studied individual giving towards all sectors, not only art, has in fact highlighted that in Europe it amounts to €24 billion²⁵, nearly half of which come from the UK.

As far as Italy is concerned, we can consider the *Art Bonus* as a platform for crowdfunding. The initiative works with an online list of monuments, foundations, theatres and cultural bodies that are currently seeking funds; any private individual can, through the website, donate any amount of money. A compelling example is given by

²⁵ Fondation de France, 2015. "An overview of philanthropy in Europe". Edited by Observatoire de la Fondation de France / CERPhi, page 22.

Rome. Stuck with a crashing debt and a stagnant economy, the Eternal City cannot manage all its patrimony by itself. Politicians are hence looking for help from the private sector to preserve Roman treasures. They have sent out an SOS to companies, citizens and philanthropist to help restore its historic sites and monuments. “Our doors are wide open for all the philanthropists and donors who want to tie their name to an Italian monument,” Italy’s culture minister, Dario Franceschini said to an interview with American newspaper *The New York Times* in July 2014²⁶. The list of monuments and historical sites that need maintenance is long, precisely a €500 million appeal to prevent roman patrimony to fall into ruin. Donors can contribute to the restoration of 80 roman fountains, the excavation under the forum or, with €9 million, to the creation of a walkaway around the remains of the Aurelian walls, and many other projects. *Just pick*. The implementation of a 2014 law degree *Art Bonus* has created an alliance between private corporation and Italian cultural heritage. Among the various patrons there are several fashion houses that have answered to the appeal launched with *Art Bonus* and decided to participate to the restoration of roman monument: *Fendi* donated €2.5 million with the project “*Fendi for Fountains*”, Diego della Valle (*Tod’s* major shareholder) has given out €25 million for the intervention on the Colosseum, while more recently *Bulgari* has undertaken a €1.5 million refurbishment of the Spanish Steps.

To conclude, there are many possibilities that the government can exploit to engage the private sector in the preservation of National cultural patrimony, namely, subsidies, lottery funds or by granting tax reductions and building partnerships. The latter can in turn occur in various ways, depending on the degree of centralization of powers and the flexibility granted by the legal system. Next chapter will focus on the effectiveness of such ties, examining the relationship between public and private sectors from the point of view of Italy, France and United Kingdom.

²⁶ PIANIGIANI, G., and J. YARDLEY. 2014. “*Corporate Medicis to the Rescue*”, *The New York Times*. 15 July.

Chapter II

Introduction

This chapter analyses three different models of governance: Italian, English and French. In Europe, there are several approaches on cultural matters. For instance, on the one hand there are countries such as the United Kingdom, characterized by a fragmentation of power and where the Government traditionally delegates some of its responsibilities to either decentralized bodies, such as local entities and municipalities, or to the private sector. On the other hand, countries like Italy and France have more publicist attitude towards the designation of cultural policies. However, both are now willing to collaborate with the private sector, hoping to empower and enrich their cultural heritage, despite budget restrictions.

Section 2.1.1 provides an overview on how cultural matters are managed in the United Kingdom, focusing on the interaction of public and private sectors. Section 2.1.2 explores the comparison between British *National Trust* and its Italian counterpart, *Fondo Ambiente Italiano* (FAI). Section 2.1.3 closes the discussion with further insights on Anglo-Saxon model and with an evaluation of advantages and disadvantages of both the Italian and the English system. Section 2.2.1 opens the analysis of French administration and museums structure. The inquiry continues in section 2.2.2, where a comparison between *Musée du Louvre* and *La Biennale di Venezia* highlights strengths and weaknesses of public-private bodies.

2.1.1 United Kingdom

In the United Kingdom, the legal system does not give a unitary definition of cultural goods, neither there is a single governmental body managing the sector. The tendency to delegate public and private institutions with some of the responsibilities that in other countries are borne by the central administration has led English legal system to be characterized, as far as cultural goods are concerned, by a clear distinction between public and private. This divergence positively influences the realization of cultural policies and government intervention, thanks to the dialogue between different actors and multiple institutions.

The interaction between the two parties in England is identified by an interest discrepancy. On the one hand, we find public interest aiming at the protection of cultural, historic and artistic goods. On the other hand, private individuals or corporations are becoming key players in the management cultural institutions, contributing with their less conservative view to the development of new forms of museums organization. The private sector addresses the promotion and diffusion of cultural goods, and has indeed obtained legislative recognition with the formation of National Trusts. The strong participation of the private sector in cultural matters implies that individuals and corporation become not only simple beneficiaries of art works and culture, but rather an audience that, through foundations, organizations and charitable trusts, take consulting and managerial role. Indeed, private participants become fundamental actors in the future of cultural goods: their propensity to invest and participate in cultural development turns national heritage not only into a powerful tool for economic growth, but also into an opportunity to build up social conscience and awareness, consequently reducing the need for direct government intervention. In 1984 English Government, has established the *Business Sponsorship Incentive Scheme*, implemented by *Arts and Business*, a non-profit organization whose purpose is to encourage private entities to finance cultural activities. Among its tasks the association was charged with the introduction of a system of fiscal advantages for enterprises

The British model shows a strong presence of “arm’s length body”, i.e. an organization which itself doesn’t directly belong to the government but to which the government gives a certain degree of power. As a matter of fact, the Secretary of State allots funds to Non-Departmental Public Bodies (there are 60 NDPBs in England), those funds will later be distributed among various selected projects. NDPBs aren’t part of the state structure and hence have a strong level of independence, even though they remain accountable to the Secretary. The idea underlying the principle of such bodies is to limit political intrusion in decision making. The government finances arts and culture, but the fact that it operates through other, non-governmental bodies significantly limits its influence. The use of

arm's length body can furthermore imply less room for lobbying. On the other hand, however, arm's length bodies may have some disadvantages. For instance, even though the strategic objectives at which cultural policies aim are set by the Secretary of State, the State itself cannot influence by any means the direction of such policies. Yet, government collaboration with the private sector has benefited the valorisation and management of cultural goods. Particularly worth mention is the Society for the *Protection of Ancient Buildings*, established in 1877 to safeguard and reevaluate historic and archaeological buildings.

Charities and *trusts* are association that may be created with various goals. For instance, during the 1980s the *Museum Association* was established to fight illegal traffic of artworks, adopting some of the principles that UNESCO instituted in 1970 for the acquisition of works of art. Charity institutions may also be set up “for the advancement of the art, culture, heritage or science”²⁷. Private cultural institutions, besides intervening to the preservation of national heritage, have the power, and certainly the interest, to favour the enjoyment of cultural matter from a wide public. Additionally, we may find association with some scientific competences, for example the *Council for British Archaeology*, the *Garden History Society* and the *Gregorian Group*, which carry out consultative activities in the enactment of policies, guidance and best practices, that in turn aim at the refinement of the sector.

2.1.2 British National Trust and Fondo Ambiente Italiano (FAI)

The *National Trust* was funded in 1894 under the name of *National Trust for Places of Historical Interest or Natural Beauty*. It was then broken down and rebuilt according to the *National Trust Act* in 1907 as a statutory charity with legal personality. The *National Trust* has been recognised in 2005 as one of the most important museum authority of the country. For the crucial role that it plays, it has been granted the right to intervene in the enhancement and management of cultural property of artistic collections. The *National Trust* owns more than 150 collections, each of them having obtained recognition from the *Museum, Libraries and Archives Council*.

The *National Trust* carries out many activities. For instance, it deals with the acquisition of historic, architectural or artistic goods and consequently undertakes actions aiming at protection, safeguard and management of such sites. These operations are possible thanks to fundraising projects,

²⁷ LUXTON, P. 2001. *"The law of charities"*. Oxford: Oxford University Press.



Figure 2.1 National Trust logo.
Source: nationaltrust.org.uk

that continuously allow the *National Trust* to finance its plans. Furthermore, the *National Trust* includes commercial activities, such as publication of catalogues, organization or rent of facilities for conferences to third parties, within the limits denominated by the *National Trust (Enterprises) Ltd*. Above-mentioned activities can be initiated as they are subsidized by annual membership fees or by donations made by private individuals, either generated thanks to fundraising, online and non, or by *National Trust (Enterprises) Ltd* commercial actions. The latter has lately tried to focus on sponsorship and partnership with the private sector. In this respect, it is important to underline that the *National Trust* doesn't receive any direct fund from public bodies. As just highlighted, private institutions are the main source of financing, but significant shares of capital may also come from banking group and commercial enterprises. Recently the *National Trust* has signed an agreement with the broadcasting company Sky, to implement the *National Trust Discovery Programme*, which has allowed the organization of many events and activities held in the sites owned by the association.

As a matter of fact, British Law allows charities to undertake economic and trading activities directly related to public utility, i.e. what are called the *primary purposes trading*. With respect to those economic activities that not in straight connection with the *primary purposes*

trading, the charity should set up a subsidiary company committed to carry them on.

The British *National Trust* has inspired in 1975 the creation of *Fondo per l'Ambiente Italiano (FAI)*, the Italian non-profit foundation affiliated to the INTO, *International National Trusts Organization*. FAI's objectives are: to take care of Italian cultural and natural sites, promote

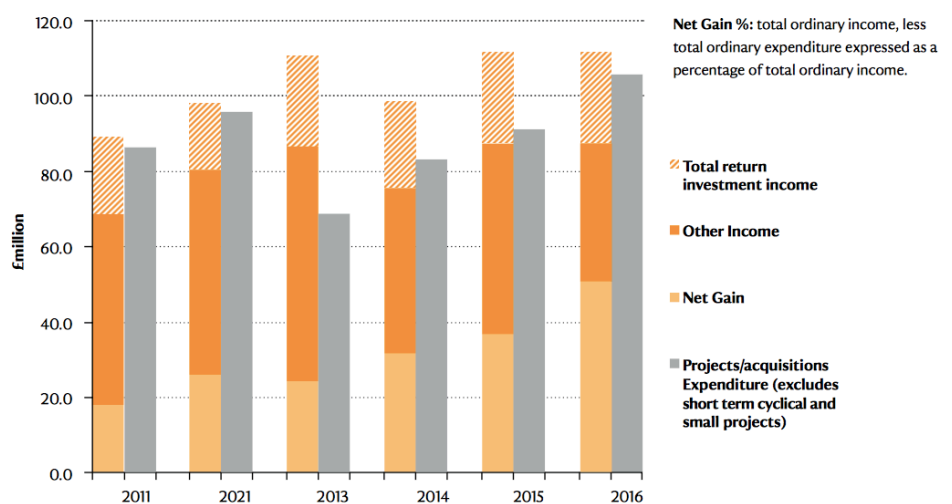


Figure 2.2 trends in income and expenditures. Source: *National Trust 2015/2017 annual income report*, nationaltrust.org.uk.

education, love, awareness and enjoyment of the environment, landscape and natural, artistic and cultural patrimony and, as expressed by art. 9 of the Constitution, to protect national heritage. Art. 2 of the Article of Association describes as exclusive scope of the foundation the “*education and instruction of the community for the protection of the environment, artistic and monumental patrimony*”²⁸. Clearly, as learnt by the English model, FAI established to plan, manage and coordinate all the cultural goods owned by the institution itself. Often funds are granted by opening to the public some of the sites belonging to the foundation’s portfolio, or by engaging in consulting activity, organization of shows and cultural demonstrations and touristic promotion. Financial support comes from both private individuals and enterprises deciding to join the foundation and hence contributing with a registration fee. Contributions are to be treated as donations and, as such, can benefit from fiscal reduction. Moreover, 2014 law decree *Art Bonus* has significantly increased allotments, thanks to its 65% tax credit that benefactor can enjoy when investing in Italian cultural heritage.

Nevertheless, FAI doesn’t limit its action to the mere conservation and enhancement of historic or cultural goods. FAI has indeed a long tradition of sponsorship and partnership. As a matter of fact, in 2001 the foundation has established the *Corporate Golden Donor*, that accords advantages and opportunities for corporations acquiring membership to the programme. Therefore, FAI addresses to citizens allowing them to directly participate to the promotion of the environment and cultural heritage, giving them the opportunity to discover sites that would otherwise remain secret. To reach this goals, FAI organises *ad hoc events*, such as *Le Giornate della Primavera* and *FAI Marathon*, with a direct approach to young population, that are involved as “*apprendisti-ciceroni*”.

With any doubt, the activity carried out by *Fondo Ambiente Italiano* is much less extended than its English counterpart, that in turn, thanks to the national recognition obtained, manages and treasures 2000 historic and artistic buildings as well as of many artworks and collections.

2.1.3 Private sector financing art and culture: The Association for Business Sponsorship of the Arts and Business

From 1980s, Margaret Thatcher’s Government implemented a restrictive policy reducing public funds destined to culture. This move forced English museums and cultural associations to address the private sector when seeking for funds.

²⁸ FAI - Fondo Ambiente Italiano . n.d. *Statuto della Fondazione*.

Lately, with Tony Blair, England saw an upturn, and public intervention increased. The government as a matter of fact, tried to enhance national economy through cultural heritage, and hence tourism, employment, boosting profitability of artistic patrimony and through social development. However, according to statistics appearing in the *Guide to Arts Funding in England*, published in 2007 by the Ministry of Culture, private investments are still extremely relevant when it comes to culture. The phenomenon of patronage, membership and sponsorship is indeed widespread in the UK, more than in other European countries, such as Italy, that has opened to a more private-based source of financing only in the last decade. In the United Kingdom, private funds come mostly in the form of liberal donation, but individuals and corporation may also carry out grant-making activities or fundraising events to collect money to be spent in the cultural sector.

Cultural activities are hence financed largely by private entities, but also by public subsidies. The Department of Culture directly finances only National Museums, imposing on subsidized institution restrictions on management and actions. However, indirect funds may be granted through the *Arts Council of England*. As expressed earlier in the chapter, the use of arm's length body is a popular provision in the United Kingdom. As a matter of fact, the *Arts Council of England* is an institution benefiting from a certain degree of freedom, being it separated from the central government, and able to control how to allot its funds. It has however, the duty to follow the path imposed by the ministry. Charitable institutions are the major actors investing in culture and arts. Tax exemptions are in fact planned for such entities. Charities can for instance, be exempted from taxes as long as their activities concern charitable and social purposes.

As emerged by 2006 publication by *Art and Business*, individual donations are increasing and in 2005 amounted to £244 million, while £199 million were obtained from patronage and sponsorship. Individual contributions can occur as fundraising campaigns or by registration fees directly paid to the association. English government has instituted financial incentives for this kind of allowances, such as *gift aid scheme* and *payroll giving*. The former allows organizations to receive additional capital from the government for each pound donated to charitable purposes, the latter instead was established in 1980s and guarantees employees and employers the possibility to grant some of the deductions from salaries to non-profit organizations.

In conclusion, it can be stated that in Great Britain two different approaches towards cultural administration coexist. On the one hand, English government strongly encourages private intervention, while on the other hand, it tries to maintain direct control through semi-public agencies, or arm's length bodies. Although this attitude has managed to obtain a big response and great support

from private individuals and corporations, it cannot be denied that such a model presents some issues. First, similarly to the Italian scenario, it is difficult to outline the degree to which the government should cut public funds and rely on the private sector. A second argument against English model brings out the lack of legislation: cultural matters are regulated by administrative acts that draft non-binding guidelines and are issued by organizations operating in the sector, rather than by public bodies. This aspect is opposed to Italian model. Our legal system, as analysed in the previous chapter, provides with many law and provisions regulating sponsorship, patronage and intervention on cultural heritage. The absence of a clear legal structure in the English framework has created some difficulties, since it is more burdensome to identify which judicial tool to apply. However, this deficiency can also be considered as a strength, since it creates a more solid dialogue between parties at stake, and generates more efficient policies.

Undeniably, the presence of different realities, both public and private, represents a huge advantage. The variety of actors operating in the sector is translated in a wide range of possible actions to be implemented for the safeguard of cultural heritage. Italy has yet to achieve the results attained in the UK thanks to the degree of freedom granted to English private charities and foundations. Likewise, the developed network of fundraising makes Anglo-Saxon model more dynamic and competent than Italian system, which

relies more on public funds than on private collection. Finally, it can be asserted that England's success is rooted in the collaboration between private and public sectors, in the complexity of the administrative model that relies on guidelines rather than on strict legislation, and the diffusion of non-profit organizations collecting generous funds favouring the preservation of cultural goods.



Figure 2.3 FAI Properties (December 2015). Source: *fondoambiente.it*

2.2.1 France

French legal system marks a distinction between the concept of *patrimoine* and *bien*. The former, which translates with the term patrimony, better embodies the perception of inheritance, transmission of historic legacy to future generations and hence, more appropriately refers to cultural traditions. This categorization explains the importance given by the government to the preservation of national heritage, duty falling in the burden of responsibilities of legitimate owners of such goods. Classification of cultural heritage dates to XIX Century and has broadened with time. As a matter of fact, its first definition included solely castles, royal palaces, churches. Lately all other goods having historic and social value were included in the category.

With respect to the administration of cultural matters, French government has traditionally borne the responsibility of protecting and promoting national heritage. Museums management is in the hand of *Réunion des Musées Nationaux*, a public body having no legal personality and acting on behalf of the Ministry of culture since 1895. Despite this long tradition, the 1990s in France mark a turning point in cultural policies that culminated with the 2003 constitutional reform. The government has indeed reduced its level of control by implementing a decentralization of power. Ownership of most cultural institutions slowly passed to regional authorities, municipalities, and local departments; today national museums are subject to the Ministry of culture. Moreover, since 2011, *Réunion des Musées Nationaux* has obtained the authorization to undertake commercial and financial activities for many museums and *Grand Palais*.

Created in 2004, *Code of Patrimoine* explicitly establishes the concept of public museum, notion that first appeared during the French Revolution, when art collections and historic buildings were confiscated from the Monarchy and Clergy. The *Code of Patrimoine* has drafted a uniform regulation for those museums classified as *Musées de France*. To fall in this category, institutions are required to send a request that will then be examined by the *Haute Conseil des Musées de France*, consultative body composed by members of the Parliament, Government, local entities experts.

Furthermore, dispositions on how to manage and classify cultural heritage are laid down in the *Code du Patrimoine*. Here, required provisions are differentiated, according to whether the goods at stake belong to a public body or to private individuals and corporations. In the first case, classification is made by the Ministry, while in the other circumstance, to proceed with categorization, it is necessary to obtain authorization by the owner. Once the private good has been correctly classified, the owner is under the obligation to preserve it, ensuring security and engage in eventual maintenance operations. Whenever public administration believes that the good needs restoration, the government

will contribute to the renovation with a subsidy covering at least 50% of the expenses. If the owner of the good doesn't undergo the required intervention the State has the right to initiate infringement proceedings against him and even decide to transfer ownership to third parties. The government has the authorization to undergo scientific and technical controls, to make sure that museums follow dispositions indicated by the law. Museums, in turn, benefit from public resources and services. Anyway, the above-mentioned dispositions are implemented only to those institutions having applied for the denomination as *Musées de France*. The strong participation, 1200 museums has adhered to the initiative, indicates how most of the main museums agree with the way in which the government regulates the cultural sector, which in turn implies a more democratic and modern structure.

2.2.2 Different approaches to museum administration: comparison between “La Biennale di Venezia” and Musée du Louvre

France, as the rest of Europe, recently had to deal with the economic crisis that forced European countries to cut expenses and funds destined to culture. Governments thus, had to find different solutions to continue subsidizing the sector. As previously analysed in this dissertation, some countries opted for the introduction of financial benefits encouraging private intervention. In some



Figure 2.4 Louvre logo. Source: *louvre.fr*

other cases, central administration decided to decentralize power and create hybrid management tools. France introduced in 2002 a new form of public body, called *établissements publics administratifs* (*Epa*), separated by the central ministry. Although the government ensures a considerable degree of independence to the institution, *Epa* are still required to follow guidelines on general administration, internal organization and commercial practices, given by the State. To the administrative board in an *Epa* is attributed the power to manage the activities which the museum engages in, and its financial returns, which are determined by ticket sales, as well as public funds or profits coming from private sponsorship.

Louvre museum is the most significant example representing the new direction that French government has taken in terms of cultural policies. France has indeed emphasized the commercial aspect of museum management, following American tradition, conscious of the necessity of cultural institutions to be self-sufficient in monetary terms. However, financial and commercial activities are conferred to public bodies, satellites of the central Ministry, rather than having institutes converted into private enterprises.

Being it the first institution to be transformed into an Epa, Louvre benefits from a strong independence from the State. However, in 2003 the Ministry of culture and the Parisian museum have signed an agreement in which they laid down purposes to be reached and obligations tying the two parties. Louvre has chosen to adopt the strategy of brand personality with its Abu Dhabi subsidiary,

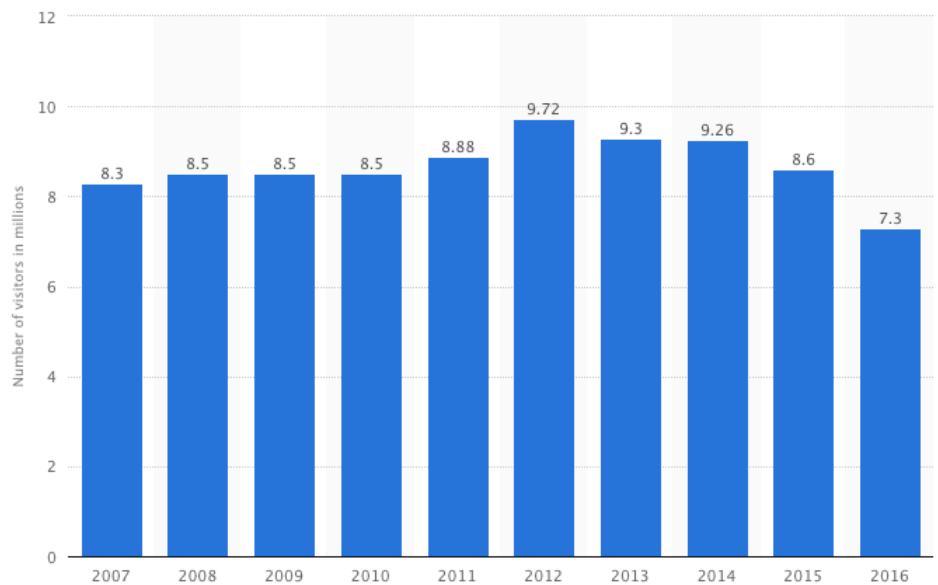


Figure 2.5 *Number of visitors to the Louvre Museum from 2007 to 2016.*
Source: *statista.com*

inaugurated in 2007. The allocation of funds coming from the capitalization of brand “Louvre” and their subsequent reinvestment have allowed a sharp growth and innovation of the activities offered by the institution. France has hence succeeded in granting its museums a greater freedom, mostly on budget administration, empowering the cultural sector. This outstanding result was undoubtedly attainable thanks the State acting behind it, which had recognized the importance of such scheme and, mostly, how impossible it was to directly implement it.

Italian scenario can apparently be similar, but has produced significantly different results. Museums aren’t regulated based on a standard procedure, including all associations of this kind. They are instead managed in many ways, according to the sector they operate in. The legislation they refer to depends on the body they are subject to and sometimes it doesn’t require to specify goals and organizational models. Besides the confusion than may result from the lack of a standard administrative procedure, the absence of predefined objectives is detrimental since it doesn’t allow public provisions to be precisely channelled. As a consequence, Italian government has set as its primary target the identification of tools able to seize the strengths of private and public sectors, merge them and take advantage of them. Among the initiatives that end up combining public and private efforts, as widely discussed in the previous chapter, Italy has developed a system of tax

benefits directed to encourage private intervention in cultural matters. Furthermore, Italian government has introduced a cultural body, which presents both private and public characteristics.



Image 2.6: logo.
Source:
labiennale.org

Since last decade, Italy has witnessed to the introduction of *Fondazione di Partecipazione*, which differentiates from regular foundation on the degree of autonomy and participation of its members. This model seems particularly beneficial as it allows to allocate capital for art and culture, while putting the association under periodic public controls. Each department of the foundation has decision powers and can independently establish how to allot funds coming from the State or local entities. The most remarkable example of *Fondazione di Partecipazione* is “La Biennale di Venezia”. Founded in 2004, despite the denomination as private entity, its members are exclusively of public nature (Venice major, President of Venetian municipality) and the foundation is subject to controls typical of public and centralized bureaucracy. This organization implies that private individuals and corporations cannot contribute to the administration of the foundation. On top of that, *Fondazione di Partecipazione* presents a further limit: there isn’t, in fact, a provision requiring the institution to maintain an adequate patrimony for the achievement of its goals. The absence of such an important element implies potential financial instability and difficulty of managing existent resources when waiting for public funds.

Differently from France, Italy has created a hybrid body, mixing up elements from private and public sectors, that has however demonstrated how weak Italian administration system is so far. The limited attention given to financial stability is the primary cause of the poor outlay of resources typical of the cultural sector. *Fondazione di Partecipazione* may initially seem like a good alternative, but only on a short-term basis. In the medium and long run evaluation, this model may not solve the problems that cultural institutions face because of their restricted budgets. Italian government should hence deviate from its strictly public approach and intervene to restore financial equilibrium by allowing a more private-based form of administration.

The different approaches undertaken by the two countries analysed above have produced equally different outcomes. In Italy, there are nearly 4000 museums, while in France they are only 1900. Yet,

French cultural sector covers approximately 3.2% on national GDP²⁹. This number seems even more remarkable if we consider that, in Italy, even though museums are almost twice as much as in France, per share of GDP earned by culture barely amounts to 5.4%³⁰. Moreover, all Italian public museums comprehensively earn less than *Musée du Louvre* taken alone. In addition, only 1% of the above-mentioned 5.4% share is lately reinvested in the cultural sector (data gathered Eurostat). In France, instead, most of the profits are capitalized in favour of art and culture, creating employment and promoting National heritage.

In conclusion, when it comes to economic crisis, arts and culture are among the first sectors to undergo budget cuts. Countries therefore, try to tackle this situation by attracting private funds. France and Italy have both created a hybrid body, *établissements publics administratifs (Epa)* and *Fondazione di Partecipazione*, classified as private institutions but presenting some characteristics typical of public organizations. The results obtained by comparing the two elements has underlined how different approaches may produce opposite outcomes. France has aimed at ensuring a significant degree of freedom in the decision-making process to the private members of the newly established cultural organizations. This has led to a strong involvement of the private sector in cultural matters and to a gradual self-sufficiency of museums and institutions. On the contrary, Italian government has failed to recognize the contribution that the private sector can give to culture and to the development of museums, impeding private subjects to engage in decision-making.

²⁹ MOSCOVICI, P., and A. FILIPPETTI. 2014. "Etude conjointe sur l'apport de la culture à notre économie confiée à l'inspection générale des finances et à l'inspection générale des affaires culturelles".

³⁰ STELLA, G. A. 2013. "*Tutti i musei pubblici d'Italia guadagnano meno del Louvre*" in *Corriere della Sera*.

Conclusion

Cultural patrimony is defined as the identity of a community, as the expression of costumes, traditions and as individuals' emancipation. Consequently, safeguarding heritage means protecting natural landscape and keeping the history of a population alive. Undoubtedly, cultural sector has a great relevance in countries like Italy as well as in the rest of Europe, as it has a strong impact also on other sectors, for instance on tourism, economy and politics. Notwithstanding, in the last decade cultural goods have suffered from budget cuts that consequently limited the resources available to cultural institutions.

The purpose of this analysis is to investigate to what extent governments can intervene in the cultural sector, and to analyze the reasons behind the implementation of public policies. Public intervention is not always able to sufficiently manage the cultural sector. Therefore, inefficiencies may be solved by conferring some of the powers to the private sector, or by decentralising public authority, delegating it to minor or local bodies. As it has been envisaged in the first chapter, the European Union has implemented a cultural programme, *Creative Europe*, that aims at introducing new facilities, opportunities and incentives to promote European cultural sector, to make it more competitive in an international scenario and to allow a sustainable and inclusive economic growth of each Member State. The plans proposed by the European Commission provide European governments with guidelines to pursue and set long term goals to be achieved in a specified timeframe. However, they give each Country a certain degree of freedom in the choice of what policy to implement. As a matter of fact, governance model differs among each State. Most countries have a centralized structure and concentrate authority in the hands of central a Ministry. Alternatively, in federal countries such as Germany or Belgium, local bodies or municipalities are responsible for cultural matters. Anyway, the financial crisis has led governments to reduce budgets and funds toward the cultural sector, making it necessary to innovate policy-making process.

In this framework, Europe is trying to attract private investments through a favourable fiscal system granting benefits to institutions financing cultural projects. Two relevant examples of this trend are given by Italian law decree “*Art Bonus*” and 2003 French *Loi Aillagon*. Moreover, most European countries are following a similar path, shifting the concentration of powers in favour of decentralization and looking for partnership with the private sector. Private-public partnerships are indeed popular measures for governments that want to overcome the problem created by budget cuts. However, it has been observed that in Italy there is a strong resistance to fully transfer powers to the

private sector, or to draw away from its traditional centralized system of cultural administration. Cultural goods are deemed to be public property and, as such, their protection is considered a duty falling into the State's burden of responsibilities. Nevertheless, in the last decade new institutes and organizational models have been introduced also in the Italian legal system, leading to an innovative approach to policy-making.

As a final remark, relying on private funding through public-private partnerships may benefit the cultural sector in terms of financial stability. The cooperation between the two sectors can add value as it enhances efficiency, effectiveness and transparency. If correctly involved, the private sector can provide cultural institutions with managerial and commercial abilities, as well as capital contributions and technical knowledge, improving their overall economic performance. It is also true that different parties have different interests: often such a discrepancy is difficult to overcome and consequently risks to be detrimental for the development of cultural sector.

The second chapter of the dissertation has discussed the relationship between public and private sectors, focusing on the effectiveness of public-private partnerships. The study is divided in two parts: the first part deals with a comparison between Italy and United Kingdom's approach towards cultural administration. From the inquiry, it emerges that, although the absence of a clear legal system makes it more complicated to identify which judicial tool to apply, the British model has managed to strongly encourage private intervention, through *gift aid scheme* and *payroll giving*. Therefore, private non-profit organizations, such as The British *National Trust*, can achieve remarkable results in promoting culture and protecting national heritage. On the other hand, Italian legal system highly regulates patronage, sponsorship and intervention. However, Italy has yet to achieve the results attained in the UK because of the low level of independence granted to Italian foundations. *Fondo Ambiente Italiano*, despite the high level of government intrusion, successfully manages its funds to coordinate the cultural goods owned by the institution itself.

Finally, the second part of the chapter discusses how Italy and France have developed public-private partnerships to overcome the problem caused by budget restrictions. French and Italian governments indeed, have established respectively *établissements publics administratifs (Epa)* and *Fondazione di Partecipazione*, two hybrid bodies that combine characteristics coming from both private and public sector.

The difference between the two countries lies in what the governments have attempted to obtain with such institutions. France has directed the reformation of cultural sector towards a decentralization aimed at granting financial autonomy. Therefore, leaders of the sectors have obtained

more responsibilities and freedom to operate, leading to innovation of the cultural sector. The emphasis on the managerial aspect of administration and on the creation of brand responsibility, suffice it to mention Louvre case and its Abu Dhabi subsidiary, has contributed to a progressive self-sufficiency of cultural institutions. Conversely, Italian government has introduced an establishment that formally appears as privately owned, but that rules out any kind of private interest, impeding private subjects to participate in decision-making.

In conclusion, the attention paid to national cultural heritage aims at protecting national patrimony, as well as boosting economic sector - which is linked to tourism and international cultural exchange - and may represent, if well developed, a powerful source of economic growth for a country.

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