

Politics, reviews and support for the arts: An analysis of government expenditures on the arts in Australia from 1967 to 2009

Kate MacNeill, University of Melbourne
Jenny Lye, University of Melbourne
Paul Caulfield

ABSTRACT

This paper uses econometric modelling to examine the relationships between Australian federal government arts expenditure and the political persuasion of the government and government reviews of the arts and cultural sector. The research adds to a number of international studies that have examined cultural expenditures in the United States of America, Austria and in the Organisation for Economic Co-operation (OECD) and found little evidence that the political persuasion of the government had an impact on the level of cultural expenditures. Our results express expenditure relative to total government outlays, and similarly find no consistent evidence of a correlation between political persuasion of the government and funding for the arts—however correlations are observed between government instigated reviews and arts expenditures.

Kate MacNeill <cmmacn@unimelb.edu.au> is a senior lecturer and program director of the Master of Arts and Cultural Management in the Faculty of Arts at the University of Melbourne. She has experience in policy work in the government and non-government sector. Her research focuses on arts leadership, cultural policy and the intersection between law and artistic practice. Jenny Lye <jnlye@unimelb.edu.au> holds the rank of reader/associate professor in the Department of Economics at the University of Melbourne. She has an extensive international publication record in the areas of theoretical and applied econometrics and statistics. Her recent research also includes publications in the statistical analysis of issues in tertiary education. Paul Caulfield <pcaulfi@gmail.com> has an extensive background as an arts policy adviser and business analyst, and has lectured in arts and cultural management at the University of Melbourne. His research focus is on event-based cultural tourism and government-based industry development policy for the arts and film industries.

Introduction

Public funding is a well accepted form of support for arts and cultural activity in Australia.¹ The largest single source of public funding is provided at the level of the Commonwealth government and supplemented by both state and local governments. This support takes many different forms and includes funding of professional artists and the major performing arts organisations, financing the construction and maintenance of museums and galleries and contributions to community-based arts activities. In this paper we examine the level of government funding for arts and culture over the past 40 years—from the establishment of the first formal arts funding body at a national level in the late 1960s through to 2009. We focus specifically on federal government expenditures directly from government departments and through the ‘arms length’ mechanism of the Australia Council.

Other authors have examined the policy frameworks adopted by successive federal governments (Macdonnell 1992; Throsby 2001; Craik 2007; Johanson & Glow 2008; Gardiner-Garden 2009). The focus of this article is specifically on government expenditures in order to determine whether the political persuasion of the Australian federal government has an impact on levels of funding. We also seek to determine whether funding levels are influenced by major federal government reviews of arts and cultural funding. As our base we take the period of Coalition government from 1967 to 1972. From 1972 onwards the governing party changed five times and there were six different prime ministers, from Gough Whitlam through to Kevin Rudd.² Five major reviews of government involvement in the arts and cultural sector occurred during the same period. In this research we seek to establish what, if any, significant correlation can be found between political ideology of government, major government initiated reviews and the level of federal government expenditures on the arts and culture. Our chosen method is to utilise econometric techniques which seek to identify underlying correlations, adjusting for variables that may be independent of decisions of each specific government.

Government financial support for the arts in Australia

Analyses of the government’s role in arts and culture in Australia conventionally commence in the late 1960s with the establishment of formal government funding mechanisms, described by Leonard L. Amadio as ‘the first stirrings of patronage for the arts’ in Justin Macdonnell’s survey of the activities of successive federal arts

¹ The authors wish to acknowledge the extremely useful comments and advice received from the anonymous reviewers of this article.

² In the period 1967 to 1972 there were four different prime ministers: Harold Holt, John McEwan, John Gorton and William McMahon.

ministers from 1967 to 1987 (1992, p. v). Prior to the establishment of the Australia Council and its precursor the Australian Council for the Arts, government funding for the arts was ad hoc (Gardiner-Garden 2009, p. 2). Since the late 1960s the federal government has played a significant role in funding arts and cultural activity. In 1968–69 40 per cent of funding for the arts came from the federal government and by 1988 it contributed 51 per cent of arts funding. In more recent years this percentage has declined in part due to increasing levels of funding at local government level. In this section we examine the way in which both academic and popular writing has presumed an association between Labor governments and government support for the arts. This presumption has been most strongly expressed in relation to Prime Ministers Whitlam and Keating. We then examine the outcomes of a range of government reviews, as more recent experience in government approaches to arts funding has been based on rigorous inquiries into the arts and cultural sector in general and specific industry sectors.

Political ideology and support for the arts

An assumed association between political ideology and support for the arts in Australia pervades both academic and popular writing. It derives in part from the now mythic association between the 1972 Labor government of Gough Whitlam and the establishment of the Australia Council as an arm's length funding body. However as Justin Macdonnell has noted in *Arts, Minister?*, an arts manager's insider account of government and the arts, few acknowledge that the groundwork had been laid by previous Liberal/National governments:

an astonishing number of people working in quite senior and prominent positions in the arts today, especially those in funding bodies in whose interests it is clearly to perpetuate the myth, believe that the Australia Council sprang fully grown, like Pallas Athene from the head of Zeus, by an act of Whitlam's imperial will (1992, pp. 87–88).

It was in fact the Liberal Prime Minister John Gorton's Coalition government that established the precursor to the Australia Council as a Division of the Department of Prime Minister and Cabinet in 1968. Nonetheless, the Whitlam Government was to become closely associated with expansion in the Australian arts and cultural sector (Macdonnell 1992, p. 85).

References to the Whitlam years continue to inform policy discussion in this area with the journalist and arts commentator, Christopher Pearson recently noting: 'Ever since the "It's Time" campaign swept Gough Whitlam into power in 1972, Labor has projected itself as the party of preference for artists and lovers of the arts' (2012). Support for the arts can take many different forms, and some in the arts industry attach a great deal of importance to the Minister's personal interest in the arts, and are not necessarily so concerned with the level of financial support, which is the

focus of this article. Certainly the first year of the Whitlam Government saw a doubling of the Australia Council budget, however as Macdonnell points out this substantial increase was partially explained by a transfer of functions to the Council from various government departments (1992, p. 105). The election of the Fraser Coalition government in 1975 was associated with drastic reductions in government expenditure and the creation of another myth: in Macdonnell's words that of 'the vengeful philistine Fraser descending like the wolf on the fold to wreak havoc and to freeze and reduce funds for no better reason than that he didn't like Whitlam' (1992, p. 177). The notion that the Fraser Government was philosophically antagonistic to public arts funding was based on its ideological position which associated government support with control and dependency: 'we do not see Government as the only or necessarily the major source of art patronage' (quoted in Johanson & Glow 2008, p. 42). Johanson and Glow observed in their academic analysis of cultural policy and political ideology in Australia, that when this hostility was applied to the arts it produced counterintuitive outcomes. Opposition to large government led to devolved support for community arts projects delivered through agreements with state and local based organisations and governments.

The election of the Hawke Labor government in 1983 cast the political debate over arts funding in a different light—that of a tension between excellence and grass roots arts making. As Jennifer Craik in her monograph on arts and cultural policy in Australia noted, Hawke was welcomed as being 'pro-culture', yet indifferent to high art and more inclined to popular culture (2007, p. 13). This prompted talk of a 'redistribution debate', with particular attention to the question of whether 'flagship' companies, the ballet, opera and orchestras should retain a privileged position or 'funds should be directed away from these 'heavies' and towards the smaller and more experimental groups' (Gardiner-Garden 2009, p. 9).

In 1991 Prime Minister Bob Hawke was replaced by a new Labor leader, Prime Minister Paul Keating who led the Labor Party to victory in the 1993 election. There was a perception that Prime Minister Keating enjoyed the wide support of the arts community and Labor Party policy launches attracted stellar casts from the arts community (Trioli quoted in Gardiner-Garden 2009, p. 28). The Keating Labor government was associated with strong support for Australian arts and culture, in part as a result of Keating's personal commitment to creativity and the arts: 'Keating was an arts enthusiast' (Johanson & Glow 2008, p. 43). Craik notes that 'by the end of Keating Government, the arts were rhetorically associated with Labor: cultural practitioners were believed to be of left persuasion while left governments were perceived to endorse proactive arts and cultural policy' (2007, p. 15).

Enthusiasm for national cultural imperatives led to new arrangements for the funding of 'flagship companies' and a perception of a 'return to elitism and favouritism' (Craik 2007, p. 15). So great was Prime Minister Keating's personal mark on the arts

considered to be that a fellowship scheme he established for outstanding individual artists became known as ‘The Keatings’.

The Howard Liberal/National Party Coalition government elected in 1996 applied itself to a wide range of issues of concern to the arts and cultural sector and one of its first actions was to establish a fund for regional arts support, fulfilling some of the earlier promise of the redistribution debate. It then set about establishing a number of industry sector reviews of activity in the arts, discussed in the next section. At the time, the journalist Katrina Strickland described the Howard Government’s approach to funding for the arts as follows: ‘if arts organisations wanted more money from government, they should forego warm, fuzzy talk and instead build a business case based on thorough research’ (2004, p. 9). Nonetheless, there remained a perception in some quarters that the government’s interest in the arts was restricted to the elite forms and that the support for the major flagship companies might be at the expense of other areas of arts activity. The Howard Government was criticised for not having any grand vision for the arts, however there was acknowledgement that these reviews had contributed to sustainability of the major arts companies (Strickland 2004, p. 9).

The Rudd Labor government, elected in 2007, once again presented an arts friendly appearance with the leader of the, by then disbanded, internationally renowned rock ‘n’ roll group Midnight Oil, Peter Garrett, as the Minister for the Arts. In 2010 responsibility for the arts ministry and the national cultural policy was shifted to a more senior member of the Labor government, Simon Crean who has been quoted as saying that ‘culture ... is part of the Labor brand’ (Westwood 2012a).

Government reviews

While much of the commentary on arts and culture expenditure focuses on party political persuasion, it is highly unlikely that this is the only factor that will influence arts related expenditures. For this reason the analysis also examines the influence that major policy reviews might have had on expenditure on arts and culture. Since the late 1960s a number of wide ranging inquiries have been carried out into the role of government and its agencies in the funding of arts and culture. The first of these was established by the Whitlam Government in October 1974, and was undertaken by the Industry Assistance Commission. However, with the change of government the Inquiry into Assistance to the Performing Arts reported to the Fraser Government (Industries Assistance Commission 1976), and included a recommendation that assistance to subsidised companies be phased out over a period of five years. The government rejected the Commission’s findings and as a result this inquiry does not feature in our analysis.

In 1986 the *McLeay Report*, ‘Patronage Power and the Muse’ reported on the inquiry by the House of Representatives Standing Committee on Expenditure into Commonwealth assistance to the arts. The report reinforced the principle of arm’s-

length funding through the Australia Council and stated that the Council's primary area of responsibility should be the subsidised arts (Parliament of the Commonwealth of Australia 1986). The inquiry was not concerned with levels of funding however it signalled that some support for arts activity might be devolved to the states and territories. The Australia Council responded favourably to some devolution, in areas such as community arts, touring and artists in residence schemes, provided that peer assessment was retained (Gardiner-Garden 2009, p. 19).

The Keating Government commissioned the *Creative Nation* report in 1992. An internationally significant and indeed prescient piece of government policy, *Creative Nation* was described as 'the first Commonwealth cultural policy in our history' and was considered by many to be the earliest advocacy for a creative industries approach to cultural production (Department of Communications and the Arts 1994, p. 6). It contained wide ranging whole of government recommendations both to the structure of arts funding but also to specific outlays in areas as diverse as the establishment of copyright protection agencies, television production and heritage protection.

In the years since the *Creative Nation* report there has been a shift away from a preoccupation with federal government expenditures across the arts and cultural sector to what has become known as the 'Review Cycle' implemented by the Howard Government (Craik 2007, pp. 18–23). The Review Cycle has seen a succession of reviews inquiring into the legislative frameworks, industry structure and governance of various sectors of the arts. The first substantial review was the Major Performing Arts Inquiry, commissioned in 1998 and chaired by Dr Helen Nugent, which examined the current financial position of 31 arts companies in the areas of dance, opera, music and theatre and recommended a wide range of financial and procedural actions be undertaken by both the companies and government to ensure their sustainability (*Major Performing Arts Inquiry* 1999 or *Nugent Report*, p. 100).³ The *Nugent Report* arose out of concerns that these companies were facing continual financial pressures. The Inquiry delivered its report in 1999 and in 2000 a significant amount of additional funding was allocated for the next four years as what has been described as an industry adjustment package (Gardiner-Garden 2009, p. 51). This was followed by inquiries into the visual arts and craft sector in 2002 (Report of the Contemporary Visual Art and Crafts Inquiry 2002 or *Myer Report*) and the symphony orchestras in 2005 (Review of Australia's Symphony and Pit Orchestras 2005 or the *Strong Report*). Each of these inquiries produced wide ranging recommendations designed to ensure the sustainability of the specific sector together with government financial support.

³ In 1997 a *Review of the Australian Film Industry* (Gonski 1997) examined structural issues in the film industry but no immediate changes in funding were recommended and as such it is not included in our analysis.

In October 2009 the Rudd Labor government announced that there would be a national dialogue around the arts and cultural activity with a view to developing a national cultural policy (Garrett 2009). At the time of writing there had been no announcement of the policy nor had there been any related funding commitments, however Minister Crean had indicated that he was ‘fighting vigorously for funds for his National Cultural Policy’ and was quoted in early 2012 as saying ‘I don’t think you can do it just with words’ (Westwood 2012b). As a result the analysis on the impact of government reviews concludes with the *Strong Report*.⁴

Other activities have also influenced arts expenditures. These include the bicentennial celebrations during the Hawke period, major outlays for the construction of the national museum and the establishment of the regional arts fund under the Howard Government, all of which are included in the second regression below.

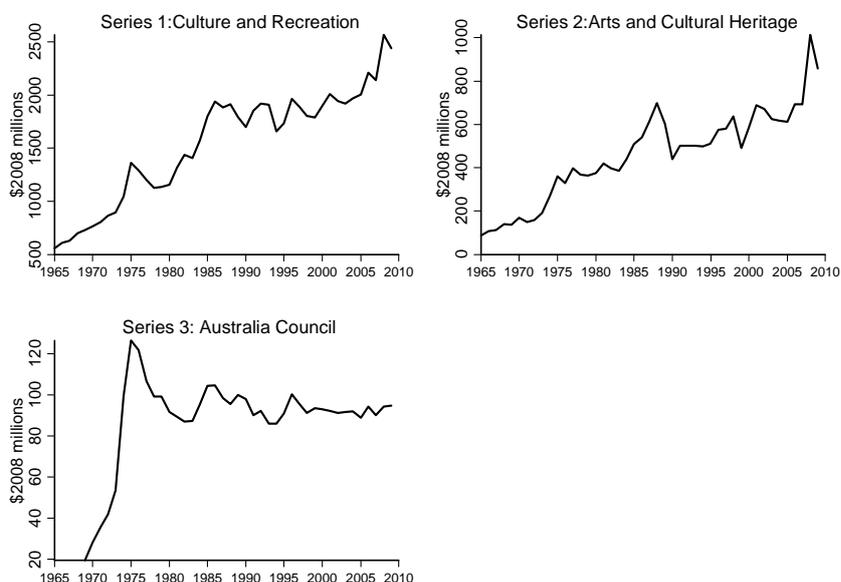
Data sources

Beginning with the broadest budget category of arts related expenditure we have modelled three data sets—each a subset of the previous category: Series 1 is the budget category Recreation and Culture, Series 2 is the budget category of Arts and Cultural Heritage and Series 3 is the Commonwealth government allocation to the Australia Council. Series 1 and 2 are drawn from the Commonwealth Budget papers for each financial year and incorporate any subsequent revisions to the budget papers. In shifting from Series 1 to Series 2, funding for sport and recreation, support for public halls and civic centres, funding to botanical or zoological gardens and national historic houses or estates are excluded. Funding for broadcasting (funding for the Australian Broadcasting Corporation, the Special Broadcasting Service, digital TV services, transmitters etcetera) is also excluded from Series 2, though Series 2 does include the funding to support the film industry. An adjustment has been made to the Series 1 and 2 data from 1999–2000 onwards to reflect the shift to accrual reporting that occurred in that year. The shift to accrual reporting resulted in a significant ongoing increase in the recorded allocations as, for example, depreciation

⁴ In March 2013 the long awaited outcome of the National Cultural Policy Review, *Creative Australia*, was announced with associated appropriations made in the 2013–14 budget. While in time, our research could be extended to include the impact of this Review, it is premature to be analysing the impact of these announcements for a number of reasons: while the budget bills for 2013–14 were passed in June 2013, expenditures are occurring over a period of years; the lagged variables in the model; and the difficulty in aligning reporting of Australia Council income from a variety of sources in a consistent data set. The Review made additional allocations to the Australia Council consisting of \$75 million over four years. Other commitments included \$20 million to elite training institutions. It would be consistent with the overall findings of our analysis if in future years we were to see a correlation between the National Cultural Policy Review and an increase in arts funding as a proportion of total outlays relative to our base year.

on assets were now included. An adjustment of .8 was used which was calculated from the variation between the budget data and the comparable results available from the Australian Bureau of Statistics.⁵ Series 3, the Australia Council allocation, is drawn from the publication *The Arts: Some Australian Data* (Australia Council 1996) and annual reports of the Australia Council from 1996/97 onwards. Adjustments have been made to this series to reflect the transfer of responsibilities between the Australia Council and government departments.⁶

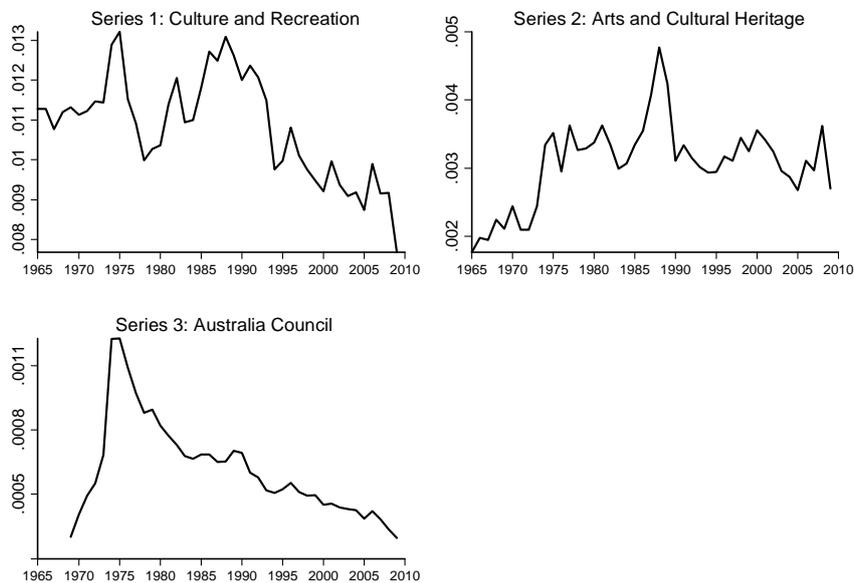
Figure 1: Real federal government arts expenditures (\$2008 millions)



An initial review of real expenditures (nominal expenditures adjusted for changes in the Consumer Price Index) as shown in Figure 1 shows real growth in expenditures in the recreation and culture series and in the arts and cultural heritage series from the 1960s onwards. However the allocations to the Australia Council, Series 3, showed rapid increases through to the mid-1970s in real terms before decreasing and remaining relatively flat for the past 25 years.

⁵ See *Cultural Funding by Government 2000–01* (Cat. no. 4183.0).

⁶ Funding of the symphony orchestras, Opera Australia, Australian Opera and Ballet Orchestra and Orchestra Victoria and other Government initiatives was transferred from the Department of Communications, Information Technology and the Arts to the Australia Council from 2000–01. This totalled \$54.861 million and represented an increase of about 41 per cent of their budget. As this did not represent an increase of funding within the Council's control an adjustment was made to the officially recorded Council budget numbers from 2000–01 onwards of 41 per cent.

Figure 2: Ratio of federal government arts expenditures to total outlays

When government art expenditures are represented as a proportion of total government outlays as shown in Figure 2, we see that Recreation and Culture, the largest category, peaked as a proportion of total outlays around 1975 and again in the late 1980s and has declined since. Expenditure on Arts and Cultural Heritage as a proportion of total outlays increased in two stages, peaking in the late 1980s before declining dramatically and since fluctuating within a narrow range. Australia Council allocations as a proportion of total outlays have declined consistently since the peak of 1975.

Modelling cultural expenditures

Previous researchers have hypothesised that the ideology of the government might play a role in funding of the arts, but have had little success in demonstrating any relationship through econometric modelling. Analysis of expenditures in Austria, the United States of America and OECD countries found no consistent evidence of a correlation between political party and arts expenditures. Getzner's (2002) modelling of the demand for public expenditures on the arts in Austria found no evidence to suggest that the ideology of the government played a role in the funding of the arts. In their analysis of the cultural spending of states in the United States of America, Lewis and Rushton (2007) considered whether more progressive social thinking might be relevant in the level of state cultural expenditures and concluded that the views of citizens on socially progressive matters mattered more than did the political persuasion of the government. Citizen liberalism rather than government liberalism

appeared to be a factor (pp. 112–113). Douglas Noonan looked specifically at the appropriation by the state government in the United States to their state arts agencies (SAAs) and found partial support for the hypothesis that SAA budgets would benefit under Democratic leadership (Noonan 2007, p. 304). However where a Republican governor was in place but not in control of the legislature larger SAA budgets were also observed (p. 304).

Research on government ideology and the allocation of public expenditures in OECD countries concluded that the ideology of the government played little role in budget allocations and that what influence was observed, was to be found in non-budgetary allocations (Potrafke 2011). Of particular interest in this research was the hypothesis that ‘left wing governments favour higher total social spending’ (p. 104) at the same time as Potrafke observed that ‘constituencies of conservative parties are expected to support traditional cultural values such as theatres, concerts, opera and art exhibitions more so than voters of the left’ (Potrafke 2011, p. 107). As noted, the analysis did not support any such correlation between spending on cultural affairs and political ideology.

An exception to the general conclusions above can be found in smaller scale research in a specific artform and at a municipal level. Schulze and Rose (1998, p. 240) analysis of one industry sector: symphony orchestras in what had been West German municipalities, concluded that municipalities with a ‘long history of conservative/liberal governments tend to fund orchestras more heavily than communities under Social Democratic/Green party rule’. Italian researchers also examined the relationship between spending on culture and a number of political characteristics at the municipal level. Nogare and Galizzi (2011) examined expenditure across 106 Italian municipalities to determine whether the ideological persuasion of the municipality and the stage in the election cycle influenced expenditure. Their analysis of the data found no significant correlation between cultural public expenditure and the political complexion of the municipality. However, they did find a relationship with the electoral cycle, in that the municipalities appear to spend less on culture towards the end of the political cycle (Nogare & Galizzi 2011, p. 227).

In our analysis of government expenditures on arts and culture in Australia we look both to the impact of political persuasion of the government and to the impact of the government initiated reviews on government expenditures in the arts and cultural sector. Given the significant differences in policy approaches and personal style of the Labor leaders Hawke and Keating, the Labor governments from 1983 to 1996 are divided into two separate periods. Using data from the late 1960s to 2009 we report on two separate series of regressions to identify the possible existence and strength of the relationship between federal government expenditure on the arts and (i) the political persuasion of the government (Table 3) and (ii) a major government

review (Table 4). Adopting a similar approach to Getzner (2002) a least squares method (OLS) was applied using the three different series of data as the dependent variable.

The model is defined as:

$$\log(c_t) = \beta_0 + \beta_1 \log(YRPOP_t) + \beta_2 \log(RP_t) + \alpha_1 T_t + \alpha_2 T_t^2 + \delta \log(c_{t-1}) + \sum_k \gamma_k P_{kt} + \varepsilon_t \quad (1)$$

where c_t is the nominal ratio of government arts expenditures to total government outlays and $YRPOP_t$ is real gross domestic product (GDP) per capita.

Getzner hypothesises that demand for public spending in relation to cultural goods is related to income, in this context national income as indicated by GDP. This is consistent with the conclusions reached by Withers (1979, p. 58) when he analysed the public expenditures in Australia by state and concluded that ‘as community incomes rise it seems Australians desire more arts expenditures, but through the public purse rather than through private outlays’. Whereas Getzner uses cultural expenditure as a proportion of GDP as the dependent variable, we use arts expenditure as a proportion of total government outlays, since arts expenditures are more likely to be sensitive to increases or decreases in real government expenditure than to changes in the broader macroeconomic aggregate of GDP.⁷ RP_t is the price level of government consumption to the price level of GDP. A nonlinear time trend is included to capture broad movements in the dependent variable that are not explained by the other independent variables in the model. A lagged dependent variable is also included as a regressor. This accounts for long-run effects, in that spending in any one year is bound by multi-year commitments.⁸

In the first series of regressions the variable P_{kt} is a dummy variable that takes the value 1 for a particular government and 0 otherwise. Since 1967 the political complexion of the government has changed five times, with the Liberal/National Coalition and Labor each holding office for three separate periods. As shown in Table 1, in our analysis we define seven dummy variables as we include a separate dummy variable for the Hawke Labor government and the Keating Labor government given the very different character of these leaders. In the regression the P_1 dummy variable corresponds to the omitted category.

⁷ The use of total outlays instead of GDP in our model is at the suggestion of a referee who made this useful observation in relation to an earlier version of the paper.

⁸ Note we also included the percentage of population with post-secondary education as an additional regressor but as it was insignificant in all regressions we do not report these results.

Table 1: Definition of dummy variables for first regression

<i>Dummy</i>	<i>Leader</i>	<i>Party</i>	<i>Year of election</i>
P_1	Holt, McEwen, Gorton, McMahon	Coalition	December 1967
P_2	Gough Whitlam	Labor	December 1972
P_3	Malcolm Fraser	Coalition	November 1975
P_4	Bob Hawke	Labor	March 1983
P_5	Paul Keating	Labor	December 1991
P_6	John Howard	Coalition	March 1996
P_7	Kevin Rudd	Labor	December 2007

In the second series of regressions the variable P_{kt} is a dummy variable that takes the value 1 over the funding period associated with a government review or inquiry, arts event or capital project and 0 otherwise.

Table 2: Definition of dummy variables for second regression

<i>Dummy</i>	<i>Description</i>	<i>Years of impact</i>
P_1	McLeay Policy Report	1987–1988
P_2	Creative Nation Policy Report	1996–1999
P_3	Nugent Policy Report	2000–2004
P_4	Myer Policy Report	2004–2007
P_5	Strong Policy Report	2006–2009
P_6	Bicentennial	1984–1989
P_7	Regional Arts Fund	1997–
P_8	National Museum	1998–2001

As defined in Table 2, over the sample period there were five major government reviews or inquiries into aspects of the government funded arts and cultural sector. Also included are dummy variables to account for bicentennial celebrations, the regional arts fund and the construction of the National Museum so as to account for other expenditures occurring during this time period.

Augmented Dickey-Fuller tests indicated that c defined for each of the series as well as $YRPOP$ and RP were non-stationary in levels but stationary in first differences.⁹ Hence the model was estimated in first differences to account for the time series properties of the data as specified in (2):

$$\begin{aligned} \{\log(c_t) - \log(c_{t-1})\} = & \beta_1 \{\log(YRPOP_t) - \log(YRPOP_{t-1})\} + \beta_2 \{\log(RP_t) - \log(RP_{t-1})\} \\ & + \alpha_1 + \alpha_2 T_t + \delta \{\log(c_{t-1}) - \log(c_{t-2})\} + \sum_{k=1}^K \gamma_k \{P_{kt} - P_{kt-1}\} + \varepsilon_t \end{aligned} \quad (2)$$

Regression results are reported in Table 3 (political persuasion of the government) and Table 4 (major reviews and events). Each table also includes the results of a number of statistical tests that were performed to assess the specification of the model. Our main focus is on the estimates of the dummy variables for political persuasion and policy reviews. In each table we have highlighted the results corresponding to the estimated coefficients of these dummy variables, which indicate the influence of political parties and policy reviews. These results will be discussed in the next section.

Results

The results in Table 3 indicate that once the impacts of national income ($YRPOP_t$), relative price (RP_t), a time trend (T_t) and past expenditures (c_{t-1}) are accounted for, all subsequent governments after the Whitlam Labor government had negative influences on the Recreation and Cultural expenditures as compared to the Holt et al. governments (Series 1). Whereas for the Arts and Cultural Heritage expenditures (Series 2) we find that only for the Hawke Government was there a negative impact once we account for these other factors while the Whitlam Government had a positive impact. This pattern was repeated in the case of Australia Council spending (Series 3) with the addition of a negative impact for the Keating Government as well.

⁹ It was concluded from an Engle-Granger test that there was little evidence of co-integration between c , $YRPOP$ and RP .

Table 3: Expenditures and political persuasion of government^a

	Series 1 ^b	Series 2 ^b	Series 3 ^b
$\hat{\beta}_1 \{ \log(YRPOP_t) \}$	-0.5034	1.7533*	0.2201
$\hat{\beta}_2 \{ \log(RP_t) \}$	-0.1506	-1.3893*	0.2496
$\hat{\alpha}_1 \{ T_t \}$	0.0402**	0.0593	0.1268
$\hat{\alpha}_2 \{ T_t^2 \}$	-0.0015*	-0.0033**	-0.0052*
$\hat{\delta} \{ \log(c_{t-1}) \}$		-0.2835**	
$\hat{\gamma}_2 \{ \text{Whitlam} \}$ ^c	-0.0088	0.1299**	0.1141**
$\hat{\gamma}_3 \{ \text{Fraser} \}$	-0.1525***	-0.0649	-0.0870
$\hat{\gamma}_4 \{ \text{Hawke} \}$	-0.2707***	-0.1667*	-0.1888*
$\hat{\gamma}_5 \{ \text{Keating} \}$	-0.2821***	-0.1587	-0.2192*
$\hat{\gamma}_6 \{ \text{Howard} \}$	-0.1801***	-0.0748	-0.1390
$\hat{\gamma}_7 \{ \text{Rudd} \}$	-0.1434*	0.2398	-0.1871
R^2	0.256	0.370	0.304
Ramsey Reset (2) ^d	0.037	0.794	4.282**
Breusch-Godfrey LM test ^e	<0.01	0.104	0.234

- a. *.1 < prob(t) < .05, **.05 < prob(t) < .01, and *** prob(t) < .01. p values based on White Heteroskedasticity-consistent standard errors.
- b. For Series 1 and 3 the lagged dependent variable was not significant. The results obtained are very similar if this variable was included or not.
- c. The omitted dummy variable category corresponds to the Holt/Gorton Government.
- d. The Ramsey Reset test (1969) is a general statistical test that determines the likelihood of an omitted variable or some other specification error in the regression model. Only for Series 3 can the hypothesis of no misspecification be rejected using a two term Ramsey Reset. However, this test cannot be rejected when the insignificant dummy variables for the Fraser, Howard and Rudd Governments are dropped.
- e. The presence of serial correlation is rejected for all three models based on the Breusch-Godfrey LM test (Breusch 1978; Godfrey 1978) for serial correlation.

The results lead us to conclude that the political persuasion of the government may not in itself be a significant factor in explaining variations in arts and cultural expenditures as a proportion of total government outlays. The only unambiguous positive results were related to a Labor government: the Whitlam Government in relation to Arts and Cultural Heritage and Australia Council funding. However, both Hawke and Keating Labor governments appear to have negative influences on Series 1 and 2, as did the Fraser and Howard Coalition governments. These outcomes suggest that caution should be exercised in making generalised conclusions of support for the arts by governments based on their political persuasion. It may rather

be the case that the particular character of the government itself is just as important as its party political persuasion.

Table 4: Expenditures and major reviews and events^a

	Series 1 ^b	Series 2 ^b	Series 3 ^b
$\hat{\beta}_1 \{\log(YRPOP_t)\}$	-0.2006	1.1187	0.5558
$\hat{\beta}_2 \{\log(RP_t)\}$	-0.2648	-0.4936	-1.1705
$\hat{\alpha}_1 \{T_t\}$	0.0222	0.0388	0.0605
$\hat{\alpha}_2 \{T_t^2\}$	-0.0012	-0.0022*	-0.0031*
$\hat{\delta} \{\log(c_{t-1})\}$			0.3287
$\hat{\gamma}_1 \{\text{McLeay}\}$	0.0025	0.1119***	-0.0927**
$\hat{\gamma}_2 \{\text{Creative Nation}\}$	0.0743**	0.0286	0.0753***
$\hat{\gamma}_3 \{\text{Nugent}\}$	0.0457*	0.0896*	0.0351***
$\hat{\gamma}_4 \{\text{Myer}\}$	0.0024	-0.1321	0.0294
$\hat{\gamma}_5 \{\text{Strong}\}$	0.1552***	0.1952***	0.1901***
$\hat{\gamma}_6 \{\text{Bicentennial}\}$	0.0267	0.1319	
$\hat{\gamma}_7 \{\text{Regional Arts Fund}\}$	-0.0499**	-0.0355	
$\hat{\gamma}_8 \{\text{National Museum}\}$	0.0154	0.0737**	
R^2	0.223	0.313	0.368
<i>Ramsey Reset (2)</i> ^c	0.724	3.555*	2.575*
<i>Breusch-Godfrey LM test</i> ^d	0.122	3.724*	0.749

- a. *.1 < prob(t) < .05, **.05 < prob(t) < .01, and *** prob(t) < .01. p values based on White Heteroskedasticity-consistent standard errors.
- b. For Series 1 and 2 the lagged dependent variable was not significant. The results obtained are very similar if this variable was included or not. For Series 3 while the lagged dependent variable was not significant better values for the Ramsey Reset test (1969) were obtained if it was included.
- c. The two term Ramsey's Reset test (1969) is marginally rejected for both the Arts and Cultural Heritage data (Series 2) and Australia Council data (Series 3) although if the dummy variable corresponding to the *Myer Report* is omitted from the regression it is not rejected.
- d. The Breusch-Godfrey LM test (Breusch 1978, Godfrey 1978) is not rejected for the Arts and Cultural Heritage data (Series 2). In this case p values are based on Newey-West standard errors (Newey & West 1987) that adjust the OLS estimates of the standard errors to take account of serial correlation.

In the second set of regressions presented in Table 4 we examined the relationship between major reviews and inquiries in the arts and cultural sector commissioned by governments during this period. The *McLeay Report* (1986) and the *Creative Nation* report (1994) were both produced by Labor governments. The *McLeay Report* occurred soon after the election of the Hawke Labor government, and *Creative Nation* was released not long before the defeat of the Keating Labor government. The *Nugent Report* was commissioned by the Howard Coalition government and implemented during its tenure in office. This was followed soon after by the *Myer Report* (2002) and the *Strong Report* (2005) also under the Howard Government.

After adjusting for the impacts of national income ($YRPOP_t$), relative price (RP_t), a time trend, (T_t) past expenditures (c_{t-1}) and a number of significant activities that have influenced arts expenditures over the sample period (Bicentennial, Regional Arts Fund, National Museum), we find that the *McLeay Report* variable has a positive impact on the Arts and Cultural Heritage expenditures (Series 2). This suggests that any impact arising from the review was felt at the level of direct government expenditures. However, it had a negative impact on Australia Council spending (Series 3). A shift away from Australia Council funding is consistent with the *McLeay Report's* recommendation to devolve some of the Australia Council's functions to the states. The positive impact of the *Creative Nation* report is on the Recreation and Cultural expenditures (Series 1) and Australia Council spending (Series 3) suggesting this report resulted in growth in expenditures relative to total outlays in these series. The *Nugent Report* had a positive impact in all three series suggesting that its impact was felt at each level of Commonwealth government expenditure. This is similar to the results of the *Strong Report* which also had a positive impact in all three series. Only the *Myer Report* appears to have no significant impact on any of the series. This might be due to the soft infrastructure support such as governance and artist's rights in its recommendations. Overall most of the reviews had a positive impact on government expenditures in the arts and cultural sector.

Limitations

There is no consistent format in which government expenditure in arts and culture has been presented over the time period of the study. For example, while data from the Australian Bureau of Statistics is more detailed, the funding categories have regularly changed, so there is only consistency for shorter time periods. Nonetheless the aggregate expenditures for arts and culture in its broadest sense presented in the Budget Papers represents a consistent reporting method and the deductions removed have been able to be identified in each year's reports. While the data sets have been refined and matched so as to produce a consistent data set, they should be treated with some reservations.

In addition to establishing a consistent data set, the data reflects total government outlays and combines capital and recurrent expenditure. There have at times been significant distortions when major capital works programs have been undertaken and while we have inserted a dummy for the national museum construction it would in future be useful to undertake the research with a focus purely on recurrent expenditure. Tax revenue foregone has over time been a significant element of funding for the film industry, and arguably cultural giving which provides tax advantages to those who donate significant objects to national collections. Our emphasis on direct government funding means that we have not sought to examine private giving, philanthropic trusts and other tax deductible contributions.

We have restricted our analysis to federal government funding for two reasons: firstly we are more confident that we can obtain consistent data for the relevant period and secondly, if we are seeking to examine the impact of the political persuasion of the government on arts expenditure then we must isolate our analysis to one level of government. The balance of government funding between state and federal and local governments has not been made transparent in this analysis with our sole emphasis being on national finances.

Conclusion

In this analysis of federal government arts expenditures we have sought to identify whether the political persuasion of the government and the staging of a major review of the arts and cultural sector have had a significant impact on arts and cultural funding. The results suggest that there is little evidence for a relationship between political persuasion and federal funding for the arts, with only the Whitlam Labor governments showing positive and significant results. At the same time the Hawke, Keating and Rudd Labor governments recorded negative outcomes in at least one data set as did the Fraser and Howard Coalition governments. The results for the Whitlam Government in relation to the Australia Council and Arts and Cultural Heritage support the perception that this particular government was a champion for the arts, but the results are not consistent across all Labor governments. The Keating Government reported no such positive results, in spite of its popularity among the arts community.

However, there does appear to be strong support for a positive impact of government reviews or inquiries on expenditures as a proportion of total outlays. The *Nugent* and *Strong Reports* recorded positive and significant coefficients across all three categories and the *Creative Nation* report showed significant and positive results in the broadest budget category and in the Australia Council allocation. It is worth noting that while the years of the Keating Government were not themselves associated with positive outcomes, the *Creative Nation* report did produce positive outcomes. The same can be said for the Howard Government, with the *Nugent* and

Strong Reports, both initiatives of the Howard Government producing positive expenditure outcomes. While it is not possible to compare the results of the two regressions with each other, we can say that a relationship between political persuasion and increased arts expenditures cannot be presumed and that government initiated inquiries into arts expenditure have consistently produced positive expenditure outcomes.

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