

# THE ART OF USING POWER

A political economic analysis of decision-making on free admission to national museums in the Netherlands (2001-2007) and England (1996-2002)

Myrthe Feddema

Student number: 274372

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Faculty of History & Arts, Erasmus University Rotterdam

Supervisors: Prof. dr. R. Towse / Prof. dr. A. Klamer

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## **Preface**

Prosperity makes decision-making complex because society has the means available to look after many interests, institutionalized in decision-making procedures that developed over the past centuries. The supply of government policies on free admission to national museums in both countries illustrates that. But this research also sheds a light on several aspects on which interest groups cannot always anticipate, independent of the complexity of society, such as the use of emotions in bargaining, a veto right that is sometimes exercised by political leaders, and external interests that suddenly influence decision-making.

This balance of control versus unpredictability will keep on fascinating me after the completion of this thesis. Writing it has been a stimulating introduction to the scientific tradition which public choice scholars have built to analyse the patterns that characterize non-market decision-making.

Furthermore, I am grateful to all interviewees for their openness and willingness to contribute, and I would like to thank my supervisors for their compliance to my suddenly quite tight schedule, as well as for all other sorts of advice I received.





## **Introduction**

### **An old fascination**

In the past year I have done an internship at the Dutch Ministry of Education, Culture & Science. A phenomenon that very much interested me during these months was how decisions were made, and how difficult it is to ensure that these result in an optimal allocation of resources. Second, during my studies I have had a strong interest in public and private funding of the arts, which is not surprising considering the field in which I will graduate.

This thesis is a combination of these interests and ideas. I will use the debate on free admission to museums in the Netherlands and England as a case study for public choice theory, from the perspective of cultural economics. I have chosen this theoretical framework because I consider public choice theory -being an economic analysis of non-market decision-making-, as one of the most exciting theories available at the moment that could give us new insights in public financing of the arts.

Nowadays, cultural policy is increasingly focussed on its contribution to economic development and on encouraging cultural entrepreneurship in both the publicly supported arts and in the private cultural industries. Economic impact studies and willingness to pay studies are used as ammunition in the discussion on the economic importance of the sector, steering the underlying and never ending debate on the level of public subsidy to the arts in a world in which the business sector starts to have an increasing interest in the creativity symbolizing the arts, eager to incorporate it in renewal and corporate responsibility programmes.

As once mentioned by Ruth Towse, a driving force of a great deal of change at the moment is digitalisation and the internet. This lies behind many of the copyright law reforms. Central to the creative economy is the importance of copyright and other intellectual property rights that intend to protect, reward, and provide incentives to both the creative artists who produce the primary content and the industries that market and process their work.

### **The added value of this research**

As one understands, cultural economics is developing itself in many directions besides traditionally focussing on the economic rationale for public support. But concerning public support, there are still questions that wait to be answered. In my opinion the question with regard to public support to the arts should be whether to subsidise, but how much, and in what

form to subsidise. Exchanges in the arts sector form a complex network that can be interpreted as a combination of different principal-agent relationships that so far barely have been analysed, but do influence how much and in what form the arts, and in this case, museums are subsidised.

Public choice theory is known for measuring such relationships. In that light, I am curious as to what public choice theory could teach those who design decision-making procedures in the arts. Further, public choice theory is characterized by scattered knowledge on the channels of influence and the efficacy of lobbying in a multi-stage organisation of policy making. Because such situations are often to be found in the arts, as well as in these two public policy cases, this research will hopefully contribute to the development of public choice theory.

And from the point of view of the cultural sector, it is my wish to increase insight in the allocation mechanism of both governments; what the opportunities for lobbying within the system are, how museums organise production, and to compare this with the assumptions as expressed in Public Choice Theory. It could give insight in the institutional problem of selecting the optimal incentive schemes to reduce information rents and improve social welfare.

### **Why free admission?**

The substantial amount of economic analysis of the consequences and effectiveness of free admission plus the many stakeholders involved in decision-making in both countries, make it an excellent opportunity to analyse governmental decision-making in the arts from a public choice perspective. It is interesting to compare to what extent the differences in decision-making are inherent to institutional structures, and the opportunities it provides to influence the allocation of resources. The main reason for comparing England and the Netherlands is that England is the only European country where entry to the core collections of national museums recently became free for all, while the Dutch Minister decided at 21 June 2007 that national museums will be free to children until they turn thirteen years old from 2009 on. Further, due to a stronger tradition of private giving, museums seem to have a more prominent position in society than in the Netherlands, which might influence the extent to which interest groups mobilise themselves if it comes to defending or campaigning for museums interests. Comparing the Netherlands and England might reveal different patterns of advocacy by museums.

## **Research questions**

The central research question that results from these considerations and theory is the following: How did interest groups, bureaucrats, and legislators influence decision-making in the case of free admission to national museums in the Netherlands and England in the period between 2001- 2007 ( the Netherlands), and between 1996-2002 (England), and have they been successful?

The domain of research has been set in accordance with political decision-making on free admission. The lobby by interest groups and museums in England started in 1996, with National museums being free since 2001. In the Netherlands free admission was first brought up by the Secretary of State for Arts and Culture in 2001, and then disappeared from the agenda in 2002. After an interval of three years it has been very actively promoted by Members of Parliament since 2005, but opposed by both the Secretary of State as well as the majority of the sector. Recently, the newly appointed Minister for Education, Culture & Science announced that he will implement free admission for children up to thirteen in national museums from 2009. As this was not known at the time I set the domain of research and because the debate was most intense before the former Cabinet resigned in November 2006, I focused on the period from 2001 till 2007. The subject of analysis will therefore be the period from 2001 till the composition of the new cabinet. Where necessary, references will be made to the situation after December 2006.

The supporting research questions are:

1. In what way have arguments been used in both countries that are in accordance with economic reasoning on how to increase access?
2. Did interest groups in both countries develop a rational influencing strategy regarding free admission to museums?
3. Was this strategy genuinely different for stakeholders in England than in the Netherlands?
4. Was 'representation' the most important means of influencing in England, while 'pressure' was that in the Netherlands?
5. If interest groups chose to 'lobby', did they mostly lobby politicians directly?
6. What are the direct and indirect monetary costs that have been made influencing decision-making by stakeholders in both countries?

## **Structure of the thesis**

In order to be able to answer these questions properly the structure of this thesis is the following: The first chapter describes the economic organization of museums, its rationale for government support, and the scientific arguments in favour or against pricing policies.

The second chapter explains what public choice theory comprises and how it differs from traditional welfare economics. Additionally, it will deal with the limitations of models simulating decision-making processes, and what has been done on this matter in the field of arts and culture.

The third chapter will be used to analyse and compare the Dutch and English museums policy of the past 30 years and its instruments, emphasizing access policies, matters of ownership & control, costs and actors. It is followed by a short chapter explaining the research design and the effectiveness of the chosen methods.

Chapter five will be a case study of how interest groups, bureaucrats and legislators influenced decision-making on free admission to national museums in England, with a similar pattern in chapter six for the Dutch situation. Chapter seven acts as the concluding chapter in which the research questions are being answered, followed by recommendations.

## **Research findings**

The case studies demonstrate that decision-makers are not always interested in informational problems about the economic consequences of policies, as well as their valuation, but more in implementing what they believe to be right. In cases like these, the possibility that the outcome of the free admission policy increases social welfare depends on the functioning of the political market, but not so much on the capacity of politicians to control the bureaucratic tier. Due to social ties there are much more varying channels of influence that also have a bearing on the decision-making process, beyond the relation between politicians and bureaucrats.

Although not all stakeholders like to see their efforts being labelled as a campaign, they did mostly all had a strategy on how and when to communicate their message or exert pressure. The whole process shows the strong influence of the upper legislative tier if backed by the sector to which the plans may apply. In the end only a part of the plan has been implemented, on their conditions. However, in the Netherlands we cannot speak of a campaign such as in England.

Representation and especially having access to high level decision-makers was crucial to being heard in England. In the Netherlands, pressure has been a powerful instrument for the

coalition to influence decision-making with. Other means used to exercise influence, such as lobbying through strategic transmission of information, pressure, and social ties have also been important. In fact it is hard to say what has been the most popular means because social ties are not a means on its own, but a prerequisite for lobbying. I have doubts if motions and amendments are a strong form of lobbying, or a means to exert pressure. Although these do inflict a direct cost on the policymaker, it can sometimes take very long before they are going to be implemented, and the Secretary or Minister often tries to qualify them.

Interest groups indeed solely lobbied Members of Parliament (NL), Lords (England), as well as Ministers and Secretaries of State. The special advisers to the Ministers and Secretaries of State appeared to act as gate keepers to the upper legislative tier. Because the campaigns had a political impetus it is not that surprising that most activities were targeted at influencing the legislative tier. Characteristics that appeared to be instrumental for the strength and success of interest groups were having a high social status and encountering favourable oppositional and coalitional forces in the political arena.

The ultimate decision that free admission would be (partly) secured has been paid for in an indirect way in both countries. It has mostly been time and effort that has been invested to realize it, besides the research commissioned. Most interviewees could not even estimate how many hours they invested in it, because the debate was spread over such a long period. That also makes it very difficult to relate time spent to payments. Furthermore, some of the English stakeholders involved are charities paid for by membership by individuals, firms and arts organisations. As such, their expenditures or fees do not or not directly have an effect on public spending. None of the organisations hired professional lobbyists to press their case in Parliament.

#### *Have they been successful?*

The Dutch decision to compensate national museums for providing free admission for children up to thirteen years can be seen as a victory for both the advocates and opponents. It must be a relief for the coalition that finally the Government has partly met their wishes. On the other hand the Government came off well because it has done the minimum to meet the request of the coalition. It is the national museums that have really come out as the winners, as they are being compensated for something they already partly provide. This decision eliminates a debate on what way society should fund museums; only directly funding maintenance and display of the collection, or combined with a budget for educational

activities and the like. It is questionable if society will be better off by the introduction of this policy. It is not likely that free admission in this form will increase access.

The English non-charging national museums have been relatively successful because their problem has been recognised and partly solved, and the charging national museums have been relatively well compensated. Further, the legislative and bureaucratic tier must have also been pleased with the outcome. In terms of Public Relations it has already been a success for both the Government and the Department for Culture Media and Sport, constantly being communicated as one of the achievements of the Labour Government in its battle against social exclusion. However, it still has to be shown that free admission is also a success in terms of meeting the objectives of the policy: increased access. The first results are to be expected in late 2007.

Looking back, the single most important feature of success seems to be whether interest groups have been able to match their values with those of decision-makers, being bureaucrats, or more important legislators.

# **Chapter 1. The economics of museums, its rationale for government support and charging**

## **1.1 Introduction**

The theoretical framework for this thesis has been provided by cultural economics and public choice theory. Public choice theory deals with an economic analysis of non-market decision-making, interested in how resources are allocated following a decision-making process. By doing so it shows that welfare economic arguments do not always motivate government decisions. In that sense, it is supplementary to an economic rationale for public support of the arts.

In order to understand what the economic framework is which influences how a museum allocates its resources and what the economic implications are of the policies it chooses to implement, it is necessary to have insight in the economic organisation of museums. Further, it helps to understand the economic consequences of the different scenarios for free admission (for children and the elderly, for everybody etc.). Cultural economics provides this framework, which will be sketched in this chapter. This also means that research on pricing structures and (visitor) demand will be reviewed. Later on, this makes it possible in combination with the case studies to assess in what way arguments have been used in both countries. I will investigate if they are in accordance with economic reasoning on how to increase access, and what the actual implications of decisions are. As a start, the origin of cultural economics as a branch of economics will be explained.

## **1.2 Cultural economics**

Traditionally, economics paid scarce attention to the arts. Some economists have dealt with the issue, especially in German and English speaking countries. During the past forty years, economists have started to look at this sector related to the economic analysis of supply and demand characteristics, resource allocation decisions in arts administration, the case for public support and the efficiency of it, as well as topics such as the creative industries, the art market and international trade in cultural goods, and the labour market for artists and intellectual property rights.

According to Zimmer and Toepler (1999), the discovery of arts and culture as a specific policy arena was closely connected to the expansion of the welfare state. The

breakthrough took place during the hey-day of the social democratic doctrine with its emphasis on equity and egalitarianism. Because efficiency arguments have come to dominate the debate in cultural economics, public policy research has almost exclusively focussed on the role of the government.

As is common within economics, the existence of different theoretical approaches has resulted in the creation of different groups of cultural economists. Some authors such as Peacock initially used purely neo-classical economic tools to apply to the arts. Other economists such as Klamer, Throsby, Hutter and Frey argue that it is partly necessary to adjust economics to apply to the arts, by including disciplines such as psychology, sociology, law, and anthropology. Nowadays it is generally accepted that in order to further reach theoretical and empirical progress, a variety of economic theory and techniques could help define theory more precise, such as public choice theory.

With this in mind, we can now turn to how museums have been analysed and defined from a cultural economic perspective.

### **1.3 The economic organisation of museums**

We all know that museums preserve country's objects of educational and cultural value. Many of them are research institutions and visitor attractions. As a result, they use substantial amounts of labour and capital in performing their tasks.

According to Johnson and Thomas (1998:75), museums may be viewed as productive units (firms). In order to achieve certain objectives, they engage in the transmission of inputs into a mix of outputs that are valued by others. As defined by Peacock and Godfrey (1974:370), on the input side, labour consists of a combination of highly specialized skills by art experts, historians, restorers, marketing personnel and relatively unskilled staff such as attendants, cleaners & sales staff. As a result, the supply side tends to be marked by relatively high fixed costs, reflecting the staff costs and the costs for maintenance and upkeep of the collection. The marginal costs of servicing additional visitors are likely to be very low up to capacity limits. This indicates that the long run average costs cannot decrease much; museums are characterized by limited economies of scale. The stock of capital inputs takes the form of the museums' collection, and private and public funding, and sometimes its premises and land if owned by the Board of Trustees.

Peacock and Godfrey (1974:22) mention that the important characteristic of the range of products that a museum produces is that the enjoyment of it cannot really be traded. Consumer participation is essential to the process of production. It may be prolonged without



attendance by reproductions or digital access and so on (there is a parallel here between museums, theatre and performances), and those who do not themselves enjoy the products in question may derive satisfaction from the enjoyment by others. Publications and videos may even be a substitute for a visit, and a lucrative source of income. In that respect, Johnson (1998) rightly emphasizes that it is surprising that the debate over charging does not seem to extend to those forms of output, but only on free admission to the museum itself.

### *1.3.1 Objective function*

Museums are often non-profit organisations that are funded by various organisations, and constrained by limited resources. As such, the museum management and its funding bodies have a say in what Peacock, Godfrey (1974), and Throsby (1994) used to call the 'objective function'; the objectives pursued by the respective funding bodies and/or managers that determine the required input mixes necessary to produce the desired output. According to Johnson and Thomas (1998), these funding bodies raise questions about how different objectives relate to each other, how decisions are reached on what mix of outputs to produce (e.g. conservation, and outputs related to visitor experience such as display, education, entertainment and so on). They also have an opinion on the perceived efficiency with which the different outputs are produced, the nature and determinants of demand, and how museums relate to each other in the market place for finance and visitors. Such objective functions are also central in public choice theory; logically these are composed to assess whether or not an interest groups objective function is maximised.

Funding Agreements often reflect the pursued objective function by the funding bodies. In England for example, the Department for Culture, Media and Sport works with Funding Agreements for its national museums, in which it is stated what levels of performance have to be met by the respective museums. In the Netherlands the Handboek Verantwoording Rijksmusea has the same function, although performance contracts are not as detailed as those in England.

On the contrary, contracts with private funding bodies are often aimed at results that benefit the organisation and its employees such as free entrance or events, instead of optimising national welfare, such as are assumed to be the intention of the government. However, one has to realize that the negotiated benefits in essence do not really differ that much, only the scope is different.

Maximizing the relevant objective function could be subject to one major constraint caused by the frozen nature of the capital stock, because parts of the collection often cannot

be sold. Anyhow, recently, in the Netherlands and in the United Kingdom there has been a trend of deaccessioning by selling items from the collection that do not fit in the collection policy, in order to fund other purchases.

Related to the objective function, it is assumed that economists have little to contribute to what the proper objectives and outputs of museums are, although they can examine the economic implications of different objectives. In my opinion economists should either be less modest or less rigid because there is no reason, especially in the public realm, not to use this information in decisions on the allocation of resources and its opportunity costs. There might be limitations to the techniques developed which have to be taken into account, but that is no excuse not to include economic analysis in decision-making on arts policy.

In the light of political decision-making on museums, one must realize that the mix of types of governing authorities varies across location, over time and by museum type. It might predict their institutional behaviour because it plays a role in the delivery of museum services offered to the public, as Schuster (1998:31) argued. In addition to the above standing, the policy objectives available to managers of cultural organisations are often alike, nevertheless the weighting of strategic choices depend on the relevance of policy objectives in relation to each other. The existence of an objective function does not mean that it is maximised during negotiations between financiers and museums. Both might not have the incentive to do so, and/or other interests prevail.

#### **1.4 Why museums are often non-profit organisations**

In fact, there are no technical characteristics of museums and galleries that do not make it possible to exploit them like any other profit firm, because those who do not want to pay for the goods and services offered can be excluded if they resist paying entrance fees. But Dutch and English national museums are all non-profit organisations governed by an independent Board of Trustees. It are hybrid organisations (Schuster:1998), because they have a substantial amount of autonomy and may raise funds from private sources so that they function much like entities that are formally private, non-profit organisations.

However, there are several explanations as to why most museums have a non-profit structure. Just as e.g. in the performing arts (Hansmann, 1986), the fixed costs are high comparable to the variable costs. That makes it difficult to fully recoup costs by charges paid by direct users, except for long run exhibitions or blockbusters. If a museum requires grants and gifts in addition to income from sale and services in order to survive, the non-profit form

is the only practicable corporate structure to satisfy different stakeholders and especially donors, caused by the externality argument that is attached to their output on which later more in reasons for public support.

On the other hand, as Hansmann (1980) asserted, the non-profit firm is well suited to deal with situations in which consumers are incapable of evaluating the goods delivered or promised. Non-profit firms will not have the incentive to take advantage of consumers because there is no gain to managers from doing so. Any surplus of the revenue or expenditure may not be appropriated by the managers of the organisation, but must be reinvested in ways that further the purposes of the organisation.

Obviously, these museums will not continue to exist unless the organizers and managers expect and realize some economic rewards, including compensation for their services and non financial rewards such as personal status, may be derived from the fact that they are responsible for producing cultural goods and services that would be absent without their effort. This theory of incentives, which has been developed by e.g. Barnard (1938), will recur in the next chapter on public choice. An interesting question for which evidence will be sought to be able to answer it is therefore if and how the governance of museums influences their chosen strategies to decision-making regarding free entrance.

## **1.5 Transaction cost theory**

Besides asking why museums are non profit organisations, one could also ask why they even exist at all, and if it is not cheaper to hire personnel every time society requires an exhibition. Transaction cost theory aims to provide an explanation for the existence of museums, and their contractual relations with and expectations towards other organisations that they maintain relations with.

Transaction costs are incurred costs when negotiating, monitoring and controlling exchanges, which come about due to the need to monitor performance and safeguard elements of production and know-how. The existence of transaction costs has also been used to explain the existence of bureaucracy. It is too expensive to contract out all the activities necessary in the production process and therefore it is better to make long term deals with employees. This type of explanation has been applied to both the private (Coase, 1937; Williamson, 1975) and the public sphere (Williamson, 2000). Incomplete contracts are a common phenomenon in many sectors of the arts and cultural industries, just as in other sectors. In the film and music industry for example, producers buy the option to produce a script into a movie once new

information shows that chances increase that it will be a profitable project to minimise risk and thus costs (Caves, 2001:8).

Apparently, due to incomplete contracts which led to situations of asymmetric information that caused free riding and moral hazard, it was socially more efficient to establish museums. We will see in the case studies whether the remaining transaction costs inherent to the systems of decision-making might influence the costs made in favour or against free admission.

## **1.6 Public good aspects of museum output**

Now that it has been explained how museums organize production, based on their specific characteristics, one might be interested in how the rationale for government support relates to these characteristics (and has influenced their organisational structure).

Whether or not the arts should be supported is a normative issue, which focuses on the question of whether the private market misallocates the resources in the domain of the arts. A rationale for government support is based on the assumed occurrence of market failure.

Policy objectives based upon an economic rationale are efficiency and equity. Efficiency considers the optimal relationships between inputs and outputs. The social efficiency case for intervention in the market is basically that free market forces cannot work to provide the social optimal outcome (Towse, 1999; 3). Usually it also compromises effectiveness. This is defined by Gillespy (2005; 3) as to how far objectives are reached with measured output. Equity is mainly about the distribution of opportunities to benefit from artistic activity and about the distribution of costs.

On the demand side several market failures are recognized that are categorized as efficiency arguments. These are the external benefits derived from production & consumption; that museums may be seen as providing merit goods because they generate a better educated and informed public and may stimulate collective public pride. The equity argument stimulating public intervention is that only experts' possess the information that consumers need to demand the goods that museums produce. In addition, it is considered as a positive form of income distribution to the benefit of the less well-off. At last, people may value the option of visiting a museum for themselves or future generations, although never attending one. To express this wish the government allocates resources to museums.

From the supply side, public funding may also be justified on the grounds that a welfare optimizing price, based on marginal cost, would be near to zero, at least up to

capacity limits, and would therefore not ensure financial viability (Johnson, 2003:318). The provision of museums is a case of supplier induced demand because information problems are solved by regulation instead of informing consumers directly. The government controls the supply so that it conforms to expert designated standards, which apparently have a lot of power in the arts.

The case against public funding is that it may encourage inefficiency, lead to government failure and favour the well-off. This is because in general the audience, which concludes a number of tourists, is well educated, from the upper or middle class and with well-paying jobs (Kaminski, 1988). Cultural economists committed to free market ideas remain unconvinced that the market failures really exist to any relevant extent. To a certain extent this discussion remains a matter of belief because research on supply and demand for museum services cannot exactly be determined.

Having said this, the question remains whether to subsidise organisations (supply) or individuals (demand). West (1986) and Grampp (1986) discuss the issue of arts vouchers vs. grants, and second, to subsidise directly or indirectly. What is striking about the entire and somewhat old-fashioned debate is the virtually universal consensus among economists in favour of public subsidies to the arts with only Grampp (1989), and Cowen (1998/2006) as the radical right standing out against the rest in favour of letting markets rule without interference of the state. Because market failures cannot really be quantified, to a certain extent it all remains a matter of rhetoric for the believers and non-believers in direct public support to the arts. In his latest book and being a non-believer, Tyler Cowen presents his 'solution' to the debate on public support to the arts. He hopes to bridge the gap between what he sees as the two opposed parties, the economists and aestheticians, by means of decentralization of funding and indirect subsidies to the arts (2006:139). This might sidestep many difficult and irresolvable questions about aesthetics (value judgements).

Nevertheless, some unintended side effects of institutional structures are difficult to change because these are path-dependent. Second, government intervention is also subject to failure, a notion which is central to public choice theory.

## **1.7 Pricing policies**

Regarding the economics of museums, the question of charging for admission to publicly financed museums is where economists confront the equity/efficiency case most clearly. According to Blaug (2001:127) it was first being raised by Robbins (1971) and Frey (1994).

Related to the social objective of access the meaning of access becomes one of equity, assuming that barriers to consumption are partly price related. And from the point of view of a museum maximizing its income free admission is an efficiency case. However, given the different functions of museums (collecting, preserving, exhibiting, studying) and the multiple objectives of its principals and agents (trustees, donors, public funding agencies, directors and officers of museums), it is not at all clear just what is meant by the efficiency of museums' activities.

In relation to the discussion on free admission, often arguments against have been used that are to a certain extent based on economic analysis of pricing policies. For a museum, the revenue from entry charges has everything to do with elasticity of demand. The effective price faced by the visitor of a museum comprises several elements which include the cost of travelling to the attraction, additional costs of consumptions and finally, the entrance fee. Thus it is likely that in demand studies the observed entrance price elasticity of demand will be small. According to Darnell (1998:189) demand is said to be price inelastic if, as the price rises by 10%, demand falls less than 10%. If demand is price elastic, demand would fall by more than 10%. Of course this holds for a finite range of prices, there must be a price beyond which demand is zero. Overall, price elasticity of museums is known to vary on average between  $-0.2$  and  $-0.1$ : a price increase of 1% results in a decline of museum visits of 0.1/0.2% (Goudriaan et al, 2007:66).

Internationally, relatively few studies have focussed on price elasticity of demand for museums. Recently, the Dutch Government commissioned a cultural sector wide research to obtain insight in the price elasticity of demand in the arts and heritage. The results are not yet available, but a preliminary study (Goudriaan et al, 2007) already gives an overview of other studies that have measured price elasticity of demand (see figure below). As to be expected, the price elasticity of entrance fees are low since the effective price faced by the visitor of a museum comprises of more elements than solely the ticket price. Especially for foreign visitors, ticket prices stand not in proportion to travel costs.

### Price elasticity museum visits

Study	Museum	Price elasticity
O'Hare (1975)	Boston Museum of Fine Arts	-0.10
Goudriaan (1984/1990)	10 National Museums ( the Netherlands)	-0.14/-0.11
Darnell et al (1990)	Beamish Open Air Museum (UK)	-0.55
Darnell et al (1998)	Bowes Museum (UK)	-0.26
Luksetich & Partridge (1997)	755 museums, itemized to 7 collection types ( USA)*	-0.23/0.00

\* Visual arts, zoology, heritage sites, history, natural history, scientific and general. The price elasticity of heritage sites, history, natural history and general museums does not significantly differ from zero.

Source: Goudriaan et al (2007:66),originally derived from Frey and Meier (2006) and Goudriaan et al (2002)

Of course, price elasticity of demand varies per museum according to the nature of the collection, its location and the number of foreign tourists that a museum welcomes per year. Price elasticity is relatively low for modern art an historical museums. Further, Luksetich & Partridge (1997) concluded that the adverse effects of admission charges on attendance are easy to alleviate, because they found that quality (defined as collection value) has important effects on museum demand.

As Darnell explains, if these effects are not liked by the government, it could either shift the demand curve by advertising the museum or improving the quality of the presentation of the exhibits, abandon entrance fees (to a certain extent) or set targets for the number of visits by members of lower socio economic groups in the Funding Agreements with museums (as is being done in England).When making this decision, it is of interest to know how sensitive demand is to such changes.

If demand is insensitive, one should search for other means to reach access targets, while considering the costs of shifting demand. Logically, before any decision on access targets can be made, the costs of different scenarios and the sensitivity of demand should be measured. Effects that are important are the relation between visitor spending and admission prices. Indirect costs of free admission are the possible effects on donations, sponsorship, volunteer's efforts and admission prices (of other institutions). Only if potential revenues and opportunity costs are modelled, optimal pricing will be reached.

Ideally, sensitivity of demand is also why price-discrimination schemes should exist. Organisations who are price discriminating effectively will extract a higher full price from less price elastic visitors than from more price elastic visitors. Further, a zero price removes

price constraints related to access, but it may reduce the funding available for other objectives such as conservation, display, research and education.

As Van der Ploeg (2005:14) concluded based on research by Maddison & Foster (2003) free admission was harmful for the British Museum due to congestion, especially because exhibits are unique and not reproducible. Using valuation data before realisation of the Great Court by Norman Foster, they estimated that the congestion costs imposed by the marginal visitor to the British Museum are eight pounds. This seems high, since one should also add other marginal costs of admission (security, maintenance, cleaning etc.).

To estimate the crowding and museum recognition effects of free admission over time, it would require demographic and behavioural data on visitors over a continuous interval of time. This is what is being done in England since the introduction of free admission. The effects of the policy will be described in chapter 3.

It is not only the elasticity of demand of the price of a museum visit that has a bearing upon the effectiveness of free admission or the optimal way to achieve it. Taste formation and the perception of quality also play a role. If the quality of displaying the collection of a museum is low, free admission might not bring more visitors in. The question is then if quality should be provided at all costs and how objective quality judgements are.

Moreover, the idea that early exposure to the arts or investment in human capital increases interest in art consumption has been supported by various studies; Ekelund and Ritenour, 1999; Smith, 1998; Dobson and West, 1997; McCain, 1995; Lévy-Garboua and Montmarquette, 1996. Related to taste formation is the issue of quality. Regarding the performing arts, Tobias (2004) referred to a statement by Lévy-Garboua and Montmarquette (1996) that when tastes are given but unknown, consumers only discover them through learning by consuming. Hence, the subjective perception of quality and thus the demand for theatre may also depend on earlier exposure. This holds true for museums as well.

## **1.8 Alternative methods to measure consumer demand and objectify decision-making**

There are several methods by which demand as willingness to pay for museum visits can be measured, which are also instruments for museums and their funding bodies to shape their policies with, measuring which scenario's increase willingness to pay, improve access or indicate performance against targets. For example, referenda allow people to express directly their preferences and their willingness to pay for a specific service or good. The use of this instrument would directly influence the decision-making process leaving less space for



bureaucrats to manoeuvre. On the other hand, propaganda can influence the outcome, participation may be limited and its realisation is expensive.

Next to referenda, economists propose the use of other methods to detect people's willingness to pay for art and culture. Frey and Oberholzer-Gee (1998) put forward a couple of methods by which this could be compared: Hedonic pricing, the Travel Cost Method, Contingent Valuation, Cost-Benefit Analyses and combining these methods with referenda.

For the purpose of this thesis we will explain the Contingent Valuation Method in greater detail. The Contingent Valuation Method (CVM) can reveal the divergence between objectives and willingness to pay to alter these. It is a non-market valuation technique that has primarily been used by economists to value environmental goods with public good characteristics such as non-excludability and non-rivalry in consumption (Poor & Smith, 2004; 217).

CVM could be used to compare policy objectives for museums based on an economic rationale, divided into efficiency and equity objectives, efficiency being concerned with output measures such as quantity, quality, type of work etc., and equity with fairness, in particular access, in order to correct market failure because there are certain externalities of consumption which would be underprovided by the market (Towse, 2003; 44), with willingness to pay for museums. The outcome could be used to alter the efficiency of policy objectives set and performance indicators related to evaluate them, assumed that respondents have been fully aware of the demand of future generations for some aspects of the museums resources such as the preservation of the collection, and that the quality of the survey design has been well, besides a fair distribution of willingness to pay values.

Ultimately, the question remains whose values count if those of the population enclosed in a CVM study and those of bureaucrats diverge. The political decision makers might have different (paternalistic) objectives, and in the end allocate the funds different from general interest although they might have got a mandate from the electorate. Regarding free admission, we will see if there has been a divergence between objectives of decision makers within and outside museums.

## **1.9 Performance indicators**

Accordingly, when a subsidy is allocated, the receiving and granting organisation can have many reasons to adapt actual performance to their interest. That is where research on performance indicators comes in. According to Trimarchi (2003; 373), performance indicators

are a safeguard to minimise discretionary behaviour on the part of museums and their financiers, dependent on their contractual power. Different decision makers such as museum directors, museum management, visitors, fundraisers, politicians, bureaucrats, and donors may have different interests regarding museums activities and hence may prefer different indicators. But performance indicators will often be used for control purposes rather than for organizational learning, while still providing the incentive for grant maximization. Those who compile data might tend to distort information in order to present themselves in the best light. At the moment the use of performance indicators is widely accepted and therefore would be interesting to assess whether this increased transparency would increase the willingness to pay for the non-market value of museums or the arts as expressed in CVM studies.

But incentives to overcome these information problems that lead to adverse selection and moral hazard are weak, because in the arts we cannot focus on the price level as measure of value. Further, there could be a bureaucratic resistance to such an analysis and there is a fear to restrain artistic, creative and cultural freedom. This makes it difficult to allocate subsidy in a satisfying way.

Anyhow, a scientific instrument that comes close to a potentially fair and effective manner by which to measure the relative efficiency of museums as one big performance indicator is Data Envelopment Analysis. Basso and Funari (2004) and earlier Pignataro (2002; 67) put forward the Data Envelopment Analysis (DEA) to evaluate the relative technical efficiency of museums. It represents the ability to maximize the amount of output given the input available or to use smaller quantities of input to achieve the same output as being the natural objective of any organisation. An index is build based upon a weighting process of inputs and outputs, where the weights should reflect the relative importance given by the decision maker resulting in a conclusion about increasing or constant returns to scale. It could be used to analyze the relative efficiency of any given set of organizations. A disadvantage of this approach is that it cannot be applied to an individual museum on its own, and it is not convenient to include non-relevant inputs and outputs, otherwise a museum could be judged on its minor features. It is promising that it is able to integrate other qualitative or quantitative approaches in the analysis of museum performance and it could include environmental factors so that one can compare different museums operating in different environmental conditions.

### **1.10 Concluding remarks**

All together, I am afraid that we just have to accept that the determination of the value of museums, and as a result the awarding of the required funding, remains a tricky business. The policy objective function is not adequate or complete if it contains only economic value, on the supposition that this captures all that matters. But these two aspects are so strongly interrelated that you cannot speak about one without mentioning the other. For example, how to calculate the rate of present value of museums in order to define how much to invest for future generations? Some economists such as Throsby (2001:149) and Klamer (1996) therefore use the concept of cultural capital as a useful concept to think not only in economic terms but in cultural terms as well. Both simply argue to admit cultural value alongside economic value in the consideration of the overall value of cultural goods and services. This can be done by allowing individuals to rank cultural objects or events according to cultural value, as well as in terms of willingness to pay.



## **Chapter 2. Public choice theory and museums**

### **2.1 Introduction**

What can be learned from the former chapter is that the fact that there is a rationale for public intervention in the markets for museums does not mean that an allocation of resources to museums results in more or better museums, or attracting more visitors. One should be careful to distinguish between the well-developed arguments for government financing of public services and the arguments for the bureaucratic supply of these services, as also argued by Niskanen (1994:9). In the former chapter, I therefore touched upon reasons why museum managers and museum funding bodies might not always allocate resources in a way that increases welfare.

What has been described as government failure, instead of market failure, is one of the major claims made by public choice theory in that it assumes that fully informed and far sighted planners do not exist. By applying public choice theory, this chapter gives insight about theories and models that deal with the allocation mechanism of the government and its stakeholders. Further, it deals with the limitations of models simulating decision-making processes, plus what has been done on this matter in the field of arts and culture. It will be instrumental to analyse the decision-making process of free admission to national museums in England and the Netherlands in the following chapters. So what are the risks of letting the bureaucratic tier decide on the allocation of budgets?

### **2.2 Back to the roots**

Public choice theory is the economic study of non-market decision-making, or simply the application of economics to political science (Mueller, 1989:1). The subject matter of public choice theory is the same as that of political science: the theory of the state, voting rules, voter behaviour, party politics, and bureaucracy and so on. Public choice has a strong root in positive analysis (what if), but is also used for normative purposes (what ought to be) to identify a problem or suggest how the performance of the system could be improved by changes in constitutional rules. The development of theory started with a (neoclassical) normative approach directed at how to design institutions that would lead to Pareto improvements. It deals with the examination of individual and group decision making in the conduct of transactions which, while analogous to those of the market, do not replicate market

situations in which the outcome of those decisions will be a set of prices and outputs. And if markets cannot be established in public goods, then the central problem becomes one of examining the institutional problem of selecting the best possible incentive schemes (such as voting systems or other decision-making systems) that would reduce information rents in order to increase social welfare (Peacock, 1992).

Prior to public choice theory, many economists tend to consider the government as an agent outside the scope of economic theory whose acts depend on different considerations than those driving economic agents. It was the decision of the pioneers of public choice (Downs, 1957; Buchanan & Tullock, 1962) to equate the behavioural motivation of the *homo politicus* with that of the *homo economicus*. Bergson (1938) and Arrow (1951) inspired Downs' *An Economic Theory of Democracy* (1957) classic. In his model, the government already appears not merely as a voting rule or black box into which information on voter preferences is fed, but as an institution made up of real people each with their own set of incentives and constraints.

Public choice theory originates from incentives theory (Barnard, 1938) that originally focused on decision-making in markets. The immediate cause for the development of public choice theory was the stronger role of governments in regulating markets in the 1930s and the discussion on optimal social welfare functions that derived from it. In the beginning, there were different views about the effects of lobbying on welfare. The Chicago school (Stigler, Peltzman, and Becker) argued that competition between lobbies would discipline policy making and lead to an efficient outcome. The Virginia school (Tullock, Tollison, and Buchanan) emphasized those private agents waste resources in rent-seeking activities and that policy makers would choose inefficient forms of redistribution in order to disguise the transfers to powerful interest groups. These artificial differences between the Chicago and Virginia school are now outmoded views. In an early stage both schools focussed on the demand side, because they assumed all the action took place on the side of interest groups. The government remained a black box ignoring the supply side; the political and regulatory institutions as well as the extent of information asymmetries. It contradicts the earlier, more complete approach that Downs already proposed, by taking internal processes into account.

Essentially, the invention of public choice theory was to introduce information asymmetries in the problem of designing democratic institutions. In spite of the unrealistic fundamental assumption such as the unlimited variety of available contracts and a fully rational and benevolent judicial system, this analytic approach has offered a powerful methodology for investigating information rents in political decision-making. That is helpful

because policymakers are confronted with informational problems about the economic consequences of policies, as well as their valuation by citizens. And citizens seek for ways in which to become well informed to guarantee that their interests are being represented.

### **2.3 Principal-Agent Relationships**

To understand the transactions among politicians, bureaucrats, voters and interest groups one could think of a chain of principal-agent relationships (Trimarchi, 2003, Mignosa, 2005:39). In a representative democracy, politicians are the agents of the electorate whose preferences they are supposed to represent, interpret and realize. At the same time politicians are the principals of bureaucrats. The latter are the agents who should implement the decision of the principals, the politicians. Both bureaucrats and politicians can be the principals of the museum director, the agent. Depending on the type of decision that needs to be made actors switch between these roles.

Often, agents have an information advantage over the principal, such as museum Directors have that over politicians or bureaucrats. Agents can exploit the information they have to pursue their own objectives, even if they conflict with those of the principal, because of incomplete principal-agent contracts, the difficulty of monitoring and the lack of incentives. Public policies would then satisfy specific interests, namely the agents' interests instead of social welfare, which is the electorate's preference. The possibility that the outcome of public policies maximises social welfare depends on the functioning of the 'political market' and on the capacity of politicians to control bureaucrats (Mignosa, 2005:39). The awareness of public choice scholars of such processes very much showed me that it is important to bring about the information advantages of stakeholders and how these have been used in the process. Therefore, I intend to design the questionnaire for the qualitative interviews in such a way that the answers could reveal what the nature was of relationships they maintained with each other.

### **2.4 Interest group behaviour**

In the public policy sphere, principals and agents have different means at their disposal to influence decision-making with. Each voting system or decision-making procedure has implications for the allocation of public goods, because of the opportunities it offers interest groups to influence policy making. Policies can be affected by interest groups in two ways: directly by influencing the behaviour of policy makers and indirectly, by influencing the behaviour of voters. Depending on the stage of decision-making, the nature of the issue, and

their resources, interest groups (agents) consider to campaign by means of offering contributions such as campaign donations, or by means of strategic transmission of information to influence decision-making. As a result, theoretical and empirical models investigating market and non-market decision-making is based on different assumptions about means and channels used. All together, there is consensus about the means and channels worked with. The following definitions will therefore help to break down the means and channels used in England and the Netherlands, and have been useful to structure questions of the questionnaire by aiming to obtain an overview of the approach of the various stakeholders.

## 2.5 Definitions

The definition of exerting *influence* on decision making varies according to the focus of the theoretical models on the transmission of information or 'goods and services' (jobs, money etc.). An interest group can be any sender that has an interest in a certain outcome of a decision making process. A civil servant has to be employed by the government, and a politician has to be a member of a political party and/or have a seat in parliament. More problematic are the definitions of the multiple means and channels that interest groups *and* bureaucrats or politicians can use, as formulated by Mazza & Van Winden (2003). The multiple means available are defined as lobbying, pressure, structural coercion and representation.

Lobbying is usually associated with maintaining a reputation while pressure is typically exerted to build up a reputation. According to Sloof and Van Winden (2000:82) lobbying has been modelled in literature as paying explicit bribes, implicit payments through 'wining and dining', or as a means of strategic information transmission. In this particular case lobbying must often equal strategic transmission of information because it is highly unlikely that politicians or the arts world have been able and willing to bribe Secretary's of State, bureaucrats or politicians. Moreover, the case of free admission very much centred on the perceived need for it, which makes it plausible that (scientific) information on the development of visitors and costs has played a central role convincing opponents. However, what equals lobbying on free admission in England and the Netherlands needs to be concluded from the case studies.

The difference between lobbying and pressure is highlighted in the article by Sloof & Van Winden (2000:83). Lobbying is associated with a kind of verbal persuasion (words; please do this...) and pressure with explicit enforcement of a threat (actions; if not I will...).



In their model the difference between lobbying and pressure was reflected in two assumptions; in contrast to lobbying, exerting pressure inflicts a future cost on the policymaker, and contrary to the opportunities for exerting pressure, the opportunities to lobby are independent of the e.g. policymakers' actions. Giving access to lobbyists and listening to their speeches bears some opportunity costs for the policymaker or politician, and the same holds for threats. However, these costs are low in comparison with the costs of the actual enforcement of a threat. Thus, lobbying is verbal persuasion by speech and on paper and without threats, while pressure includes threats.

Structural coercion (Van Winden, 2002:16) refers to constraints on the behaviour of a policymaker, interest group or politician which are not related to direct influence attempts. This could be technological developments or a brain drain. It has not very well been defined in literature, and it is not very likely that this category will appear often in the case of free admission in both countries, although it can be of decisive importance for the feasibility of a proposed decision. An example could be the change of powers such as in 1997 when the Labour Party won the elections, which turned out to be in favour of the case for free admission. It created a momentum for an intense lobby to realize free admission.

Ultimately, representation is the presentation of interests directly among policymakers, interest groups or politicians (Van Winden, 2002:15). It may be achieved through "multiple positions" (e.g. obtaining the position of policymaker), 'revolving doors' (offering future career opportunities) and 'social ties' (ties of friendship). What is difficult is that lobbying is closely related to social ties, because verbal persuasion is only possible when one has established access (because of friendship or work relations) to those that need to be convinced or work for you. Social ties make lobbying easier. Regarding social ties, I will therefore pay special attention to *newly* created ties of 'friendship' for the purpose of reaching campaign goals in the case studies. Because there are no models incorporating representation as a type of influence it is not possible to relate the outcome of the case studies to earlier research. Nevertheless, in literature it is widely assumed, and sometimes empirically proved that interest groups prefer to influence legislators with similar attitudes and/or 'friends', and that those influence attempts are more successful (Potters & Van Winden, 1992:284, and Sloof & Van Winden, 2000).

The multiple channels are described as the best way to approach policymakers at the legislative or bureaucratic tier at national or local level by interest groups (Van Winden, 2002:16). But also whether an interest group decided to go for it alone, hire professionals, form alliances with others or support an intermediary organization. For this purpose I do not consider these last options as multiple levels or tiers, but more as a strategy to succeed convincing those at the bureaucratic or legislative tier. Therefore, I define multiple channels as the choice to approach policymakers or politicians at the legislative or bureaucratic tier at national or local level. On the other hand it can also be a strategy by a bureaucrat to approach interest groups to lobby politicians (Legislative tier), and vice versa.

To conclude, several means are available to bureaucrats, legislators and interest groups to influence decision-making in the Dutch and English situation. These can be classified in one of the four categories:

### Means of Influence

Lobbying	Pressure	Structural Coercion	Representation
Unofficial/informal meetings/briefings	Motions	Change of powers	Efforts to obtain positions
Official/formal Meetings/briefings	Amendments	-	Jobs offered to opponent
Telephone Conversations	Sanctions	-	Social ties-Building new relationships: networking
Letters	-	-	-
Memoranda	-	-	-
Research reports	-	-	-
Parliamentary debates	-	-	-

During the case studies we will see whether this categorization is appropriate or not, and how it has to be expanded.

## 2.6 Modelling decision-making processes

So how do public choice scholars model non-market decision-making processes in order to falsify hypotheses to falsify theory?

Originally, scholars focussed on vote functions that reflect different voting systems in order to design a decision-making structure that would reflect the interest of voters in increasing welfare. But voters are not always a factor of influence. They can choose to keep aloof from elections or referenda because they are rationally ignorant, such as regarding the arts. Further, voters sometimes do not have a say in decision-making, such as when the Arts Council England or the Dutch Council for Culture advise the Secretary of State on the allocation of budgets.

Because vote functions deny the existence of interest groups in society, scholars developed theoretical models of interest group behaviour in which a voting system is irrelevant. An example of one of the first models is Becker (1983). These models revealed a focus on the modelling of how interest groups imposed pressure to obtain a specific rent such as a license, or funded political campaigns in order to receive a contestable rent later on.

But interest groups cannot only mobilise resources or votes, they are also sources of information for bureaucrats and politicians. Therefore, the models of interest group behaviour developed initially in two directions. Becker (1983), Stigler (1971) and Peltzman (1976) focussed on the electoral role of interest groups and their ability to mobilize resources and/or votes. And for example Moe (1989) and Wilson (1980) focussed on the role of interest groups as sources of information (asymmetric information) for both bureaucrats and politicians.

The government remained a sort of black box in these models, theoretically not able to respond to the signals and offers of interest groups. Therefore interest group models were developed that took into account the maximization problem of the legislator, and often investigated the influence of interest groups activity in the definition of the objective function of the policy makers. These works have tried to reduce the gap between the theory of interest groups (Becker, 1983) and the theory of bureaucracy (Niskanen, 1971). It explicitly introduced lobbying in the interaction between politicians and regulatory agencies, while retaining a principal-agent structure. As Mazza (2001:49/50) described, this idea developed in two directions. It developed into a theory of regulatory capture (Spiller, 1990 & Laffont and Tirole, 1991) that assumes that bureaucrats are a common agent of two principals: interest groups and legislators. The agent can extract rents from the competition between the principals by obtaining their favours. At the same time, the existence of those rents implies a competition among individuals applying to become an agent. The other group of papers follows a different approach where interest groups favour the supervision of the legislator, by

acting as watch dogs of the latter and providing valuable information on an agency performance (Banks & Weingast, 1992).

What such models do not incorporate is the possibility that bureaucrats and interest groups share an interest and combine forces to influence the legislative tier. I am curious as to whether the case studies will show they did.

While the above standing explains the common approaches towards non-market decision-making, recently developed models have become increasingly complex, making the often quite abstract assumptions more realistic. A first invention is that while in earlier models the costs of lobbying were assumed to be exogenous, but recently developed models assume that costs are endogenous. In new models interest groups decide themselves what resources are allocated to influence decision-making in competition with another interest group in order to receive a contestable rent. Initially, endogenous policy models described how self-interested agents influence choices made regarding government policies (Mazza and Van Winden, 1998/2003), and rent-seeking models described how resources are expended by interest groups in the same quest for political favours. Other models combined endogenous policy with rent-seeking outlays (Bennedson & Feldmann, 2001), or focussed on the use of campaign contributions to influence policy (Grossman & Helpman, 1996).

Normally only single policymakers of levels of government are portrayed as subject to influence. But as Mazza and Van Winden (1998) argue, government organisations are usually structured in more than one decision-making level. Generally at least two levels of policy discretion exist, in the form of a legislature and a bureaucracy, with different means available to influence them. Their model of endogenous policy concerning a hierarchical government (2003) therefore received a warm welcome.

Further, interest groups using different means to influencing different tiers of decision-making at the same time are now also being modelled. Drawing conclusions from studies focusing on just one means or channel can be dangerous, because the use and impact of these different instruments is not likely to be independent. That makes it difficult to explain why different groups use different means and why these are complementary or substitutes in producing influence, which are so important for the case studies. The conclusions derived from theoretical and empirical models that do incorporate different means or channels (on which more below), have also very much guided the formulation of the research questions.

## 2.7 Multiple means and channels

So which insights are offered by models that incorporate different means and channels?

### 2.7.1 *Multiple means*

Looking for theoretical models that incorporate interest group activities other than campaign contributions, it must be said that these are not as rare as empirical models doing so. Sloof and Van Winden (2000) incorporate both lobbying and pressure in a model, of which the outcomes are interesting. Both lobbying and pressure are modelled as a means of strategic information transmission, with the former being interpreted as persuasion through 'words' and the latter through 'action'. The model consists of an interest group with a strong and a weak reputation and a policymaker. After the preliminary lobbying stage, there are two rounds of the policymaker choosing action X and the interest group subsequently choosing its reaction Y.

It appears that pressure is never used to maintain a reputation, whereas lobbying is. When the weak interest group is actually given this opportunity to exert pressure by the policymaker, it has to take it to build up a reputation, while this does not necessarily hold for lobbying. If the interest group does not get the opportunity to exert pressure (repeated) lobbying may substitute for it. To maintain a reputation, the established interest group may still once in a while have 'to show their teeth' in order to keep a reputation for being strong (2000:110). The question is now whether pressure is indeed only used to build a reputation regarding the debate on free admission in England and the Netherlands.

Another theoretical model combining different means being mentioned by Van Winden (2002) is developed by Bennedsen and Feldman (2001). They combine a common agency model with a persuasion game to allow an interest group the choice between lobbying and pressure via contributions. According to their analysis contributions are a more effective means of influence, which may crowd out the search for transmission of information. However, it is highly unlikely that the respective interest groups will have the opportunity to offer contributions to policymakers or politicians. Probably their conclusions cannot be compared to the case studies.

### 2.7.2 *Multiple channels*

In addition to the model by Sloof and Van Winden (2000) on the preferred means used to influence decision-making by interest groups, the 2003 model of an Endogenous Model of Hierarchical Government by Mazza & Van Winden is a good one to get insight in the theoretical allocation of contributions by interest groups at different tiers.

It assumes that policies are the outcome of choices of a legislator deciding on the size of a budget to be spent by a bureaucrat. Two groups lobby both L and B about the division of the budget. But B can only disregard the preferences of L at a personal cost, for example in terms of career prospects or loyalty. Assuming that both groups are completely informed about L and B's preferences, they start to offer contributions to L and B. The authors simulate the policies selected in case one of two lobbies at both stages (monopsonistic lobbying), and those selected in case the two groups lobby at both tiers, compared to a situation without lobbying.

All together, they concluded that lobbying has ambiguous effects on the payoffs of the policymakers and interest groups. What they see is that competitive lobbying favours B because both groups compensate B for moving away from the policy that B finds optimal. But if one lobby is hardly effective, it harms both L and B. And if the political influence of the groups is comparable, both groups will lose because of the then wasteful expenditures because nobody wins. Is that what the case studies will demonstrate as well?

Relating the outcomes to the question how lobbying increases the size of the public sector in spending terms, they thus concluded that the effectiveness of a group lobbying B may not only negatively affect the budget provided to B, but even the level of the public good provided to that group. It is wise to lobby L as well, because if L does not want B to lobby, it manipulates the budget so that the interest groups and B may be worse off, while the other interest group may be better off. In the end it thus seems as if L mostly boosts the size of the public sector, although it is often thought that B does so.

What the authors offer as a potential explanation is that normally authors mistake bureaucratic discretion for scarce monitoring by legislators due to ineffectiveness of control. It could be ineffective to monitor B if all groups have access to lobbying, because if competition among lobbies is balanced, the policy selected by B will match the preferences of L. This explains why it is or can be profitable to lobby L instead of B, if the lobby of L results in a stronger control of L over B, because that results in reduced lobbying expenditure. Following such a line of reasoning, the question becomes how the interest groups in the case

studies perceived the need to lobby L or B, and if they made such choices consciously considering the controlling powers of L.

Just as Mazza & Van Winden (2003) suggested, Sloof (1996) found that for the legislator delegation is thus a trade off between a more informed policy and the risk of bureaucratic drift. It resulted that the interest group would lobby the legislator for delegation if the cost of lobbying the bureaucrat is larger than of lobbying the legislator. This issue will be considered, as we will look in the next chapter at the institutional framework that guides or structures museums policy in both countries, considering the room to move of the stakeholders involved during the debate on free admission, following the case studies with the actual actions.

### *2.7.3 Characteristics of influential interest groups*

Studies have also provided insight in the characteristics that influence the success of interest groups. The question after the issue who to approach, is how to do so. Johnson (1996) modelled the choice between working alone and hiring a lobbyist. Interesting is that he concludes that internal political staff of a given size is more effective than influence purchased on the market from outside the firm. On the other hand, an internal department is more costly, and thus the corporation trades off political influence with the expense of an internal political department (1996:331). One wonders what seemed more efficient for interest groups campaigning for or against free admission.

Focussing on the theoretical characteristics of successful interest groups, Katz and Tokatlidu (1996) conclude that large groups benefit less than small groups from entering in the second round of the contest because the prize of the first round has to be divided among more members. In addition, changes in the size of one group affects the first-round rent seeking expenditures of the other group which has a positive influence on how the rent is divided among the two groups after the second round.

Based on a review of empirical models of interest group behaviour, Potters and Sloof (1996:407) further expand on the internal variables that affect the strength (and thus political success) of an interest group. In general, large and geographically concentrated groups are usually stronger, while the results for the effects of income were ambiguous. But being in need, having a strong bargaining position and a high social status does help to get favourable government intervention. The external variables that indicate strength is the extent of oppositional and coalitional forces an interest group is likely to encounter in the political arena, either organized or unorganized. If there is not much opposition by policy makers and

politicians the interest group tends to be more powerful. 'Since greater competition expands the scope of conflict within the political system; interest group power would be checked by the need of the political parties to broaden political support for their candidates and policies (Ibid: 421)`. I am curious which characteristics of interest groups and the political system have had a positive influence on the achievements of certain groups campaigning for free admission, something which must come about during the interviews.

Further, moving from theoretical models to empirical ones, it has also been shown that lobbying activities do have a significant impact on policy outcomes and/or regulation. For example, Potters & Sloof (1996) and Hoyt and Toma (1993) find lobbying expenditures by the National Education Association to have a significant impact on salary and teaching staff. But often these models only measure the impact of a single group.

However, it is interesting having Potters & Sloof (1996) mentioning that Jones and Kaiser (1987) found that campaign contributions appear to have a larger effect when there is low public visibility. That says something about the strong influence of the media manipulating the public, and the strong values policymakers attach to that regarding policy decisions. Remarkably is that the media are not considered as an interest group by itself in models, although they appear to have an influence on the outcome of a lobby. Having read this, I wonder what value is attached to the media in the free admission case.

## **2.8 Public Choice Theory and the arts**

Theoretical and empirical progress made by public choice scholars has filtered through to cultural economics, not in the least because economists specialised in public economics and information theory also have an interest in the economics of the arts and culture. Outcomes largely subscribe to findings of mainstream public choice literature. Due to hybrid funding structures, the cultural sector provides a wealth of mixed institutional settings that provide insight in the consequences of different sorts of government intervention and information asymmetries. So how has public choice theory been applied in the arts and how relevant are the outcomes for the case studies?

Grampp (1989) was the first to argue that rent-seeking is an important reason why governments assist the arts. General literature on the role of regulation in heritage policies can be found in publications by Peacock and Godfrey (1974), Peacock (1994/1998), Rizzo and Towse (2002) and Mignosa (2005). Mazza (2002) presented explanations for the centralised decision-making process characterizing the administration of cultural heritage in Sicily, and



concluded that the institutional framework was consistent with his hypothesis that the regional legislators aim to serve the interests of his/her constituency.

Mignosa (2005) deepened the analysis of this phenomenon. In her case studies of Scotland and Sicily, Mignosa compared the decision-making process in both countries with theory of bureaucracy and devolution. As both theories already predicted, the cases demonstrated that mainly bureaucrats were in charge of decision-making. Because they are risk averse, they choose conservation projects with higher chances of success and because it brings them more prestige personally. Budget maximisation is therefore something they are familiar with. One wonders if bureaucrats in this case have also had such influence on the outcomes.

Searching for literature in cultural economics on how lobbies are organized and what the determinants of interest group behaviour are, I only came across a thesis by Terpstra (2006). She mentioned the conditions necessary for an effective lobby, which could be summarized as having consistent arguments, carry out many informal lobby activities, and to obtain a strategic information position. As such it coincides with findings by public choice scholars.

Austen-Smith (1984) developed a theoretical framework for analyzing public funding for arts markets in which both a national-level arts council and local governments are potential donors. It is not immediately relevant for this thesis because it focuses on rent-seeking behaviour by local governments. But his conclusion is interesting because he is convinced that theatre management recognized that there was a game to be played. Actual grants in theatres were generated as equilibrium outcomes to a game played between the donors in each district. His and Jenkins work (1982/1980) on grant-giving by the Arts Council of Great Britain and others to provincial repertory theatres in England was aimed at the development and testing of theatre managements` behaviour in response to subsidies. It appeared that *ceteris paribus* larger capacities and longer seasons are associated with smaller grants and higher production and previous Council grants with higher grants. Further, subsidies encourage presentation of relatively higher levels of minority interest plays, but also slightly discourage high levels of activity. However, the data set used was not yet substantive enough to draw solid conclusions.

Maybe inspired by Austen Smith, Schulze & Rose (1998) studied funding of the Kulturorchester in the various regions of Germany. Orchestras are heavily funded in Germany: 94.6 % of public subsidy comes from local councils counting for 80% of the total budget of these orchestras. They concluded that the level of orchestra support depends

positively on the size of the overall and the cultural budget and negatively on the level of public debt.

Although it is positive that these findings underline that there is no reason to diverge from the framework that is used in public choice theory to apply to museums policy, the findings of Krebs and Pommerehne (1995) did shed a light on an underexposed aspect of decision-making that is at least relevant to the performing arts. Krebs and Pommerehne investigated the politico-economic interactions of German public performing arts institutions. It is interesting that they concluded a variable like ticket price is not important to interactions between funding bodies and Directors. They argue it is probably caused by a refuge in the realm of the non measurable indicators of performance by theatre managers. This implies that the legislator to a certain extent prefers to be led by rhetoric instead of measurable indicators of performance. This assumption inspired me to assess whether stakeholders in the debate on free admission also preferred to substantiate their case based on non measurable indicators of performance, and what would cause that.

Klamer (1996) also recognized this behaviour and argued that arts managers prefer to emphasize the non measurable aspects of performance because they have a different definition of utility. He compares the arts and economics with a square and a circle. The square stands for science and rationality, the circle for passion, emotion and morality. In economic science the objective is to capture the phenomena to be explained in square terms, which are terms that can be quantified. Culture, in the sense of shared values has no place in such analysis because it does not fit the square. Klamer suggests making utility, in his opinion the only element of the circle in the square, the subject of inquiry. Although this is a noble idea, I am not convinced that the level of utility society perceives from the arts will ever meet the utility value it attaches to e.g. the building of more schools and hospitals. Therefore, it might remain a wise strategy for arts managers to underline the non measurable value of the arts, as long as a rational cost-benefit analysis might show that they do not produce enough value compared to their public spending targets. But we will see how that worked in the debate on free admission.

An article that provides valuable insights in a rationale for free admission from a principal-agent perspective is a study on optimal pricing and grant policies for museums by Prieto-Rodríguez and Fernández-Blanco (2006). It is inspired by the free admission policy of the English Government. They developed a principal-agent model for museum financing and considered two sources of income: public grants and ticket revenues. Using this framework they determined the optimal financing policy and the optimal managerial effort both when

there is symmetric (where the public agency can control the manager's effort) and asymmetric (the effort cannot be controlled) information. Their model justifies public funding of museums under symmetric information; the public sector has to cover the deficit of the museum budget where it has not been covered by ticket sales. Under asymmetric information, the budget has to be linked to results because the principal needs to provide some incentives to the manager in order to get high effort levels, as effort is difficult to control. It is argued that ticket prices should be set by the public agency in accordance with the social valuation of a visit, so that grants can be used as the incentive mechanism to achieve optimal managerial effort. The authors conclude that the decision to provide free admission to all national museums in England is therefore a good decision from the perspective of optimising grant policies. However, a drawback of their approach is that results are based on the condition that the principal can fix a public valuation for each visit to the museum. This is questionable because such undertakings can be subject to government failure if experts become involved. It is also difficult to measure willingness to pay for a museum visit. Further, the authors assumed that museums operate at low congestion levels and that marginal costs can be zero which have an effect on optimal prices. This is not realistic. Nevertheless, it sheds a new light on an incentive to provide free admission or for any other pricing policy by the Government. We will see if that has played a role in England, where the Government favoured free admission.

Equally interesting is the study by Maddison (2004) in which he examines the causal influences determining differences in the level of central government funding provided to English national museums. He tested the hypothesis that increasing non-grant income is met by an equivalent reduction in subsequent levels of government grant, and he found strong evidence that it indeed results in a future reduction of central government funding.

From a similar theoretical and normative approach, Van der Ploeg (2005:34) formalized what happens if cultural policy is delegated to an Arts Council, while a Minister is able to set its mission. In a comprehensive way he sketches the optimal strategy on how to delegate this task to the Arts Council, without modelling the opportunities to lobby the Arts Council or Minister. By giving the Arts Council a fixed mission, society is stuck with the risk that they cannot respond if afterwards an extra policy goal is important as well. The Minister of Culture can respond to changing preferences and devotes effort only to the task ex post preferred by the electorate. This advantage is not so strong if voters are not too risk averse and relatively certain about their ex-post preferences. In that case it seemed best to let the Minister of Culture set the mission of the Arts Council.

As an excellent example of government failure, Frey (2000) investigated the consequences of rent-seeking by the management of the Salzburg Festival in Austria and by the officials that provide the festival a government grant if the budget restrictions are extremely weak. Because a law has been promulgated forcing the state to carry whatever deficit arises, the directorate of the festival pursues a remarkable redistributive policy. Entrance tickets are sold at prices below the equilibrium price, which results in demand exceeding supply. The festival direction claimed to charge socially appropriate prices, although the resulting costs have to be born by the taxpayer. The festival was also able to hand out tickets to Festival administration workers, press and individuals from which political support may be expected. Further, artists and administration workers received considerably higher wages than elsewhere. At last, the organisers of the Festival have little incentive to keep down costs; thus plays have been selected independent of the expected monetary net return, sometimes violating cost considerations (Ibid:12).

This all underlines the various rent-seeking problems that arise from strong government involvement. However, literature does not yet provide empirical insight in how arts organisations (or interest groups), and museums in particular, actually influence decision-making, especially in the agenda setting stage. Hopefully the case studies will do so.

## **2.9 Criticisms on Public Choice Theory**

Although literature provides many analytical leads for how to approach the debate on free admission, one should not forget that in real life decision-making processes develop themselves beyond the insights public choice theory has to offer. Public choice theory does give a frame of reference and/or sketches the benefits/ disadvantages of certain institutional systems. But by doing so it can never fully meet the complex reality, which is also one of the major criticisms on public choice theory.

It is very well possible to construct a model that would track decisions within one organisation accurately by doing interviews, collecting data and working together with sociologists, psychologists and economists. But it can never be exactly re-used, and applied to another organisation. That also makes the search for a universal model to explain behaviour of political actors ridiculous. In general it will always remain difficult to judge the effectiveness of the performance of a political economy, because we can never compare it to a political economy where interest group activity is absent, neither do we have an exact specification of the kind of activities where resources are being spent on in empirical models.

We still do not know much about the nature of the mechanism through which money or effort buys votes or support.

It must not be a surprise that this is being recognised by public choice scholars. This already resulted in an increased modelling of group behaviour and social interest groups, to which these case studies also help to add insights. In fact, the 'unreality' of public choice has never really been overlooked, but the pioneers of public choice just believed that the ultimate defence of the.... behavioural assumption must be empirical' (Van Winden, 2006:5).

Apparently, it was not possible to model agents that not only made rational cost-benefit calculations, but who also let their hearts speak and sometimes would behave irrational. That is also why two major critics of the rational choice approach, the political scientists Green & Shapiro (1994), were sympathetic to Simon (1947) who studied organizational behaviour that built on the assumption that individuals are satisfiers instead of maximizers. However, the current trend to complete public choice theory with the affective side of human decision-making responds to the cry for more realistic models. In order to add such notions to theory, Van Winden (2006:14) suggests trying to measure the emotional responses to e.g. taxation and expenditure because they can if negative be considered as an emotional hazard and thus a social welfare loss that politicians might want to take into account. Models that are built on such notions are promising. The first results of laboratory experiments on the dynamics of social structures in groups and emotions in bargaining are very helpful in understanding the social (affective) aspects of decision-making in and between groups ( See Sonnemans et al, 2006 or Ben-Shakar et al, 2007).

Besides fundamental criticism on the concept of public choice theory there is also room for improvement of a couple of other aspects regarding the modelling of interest group behaviour. For example, the focus on campaign contributions is remarkable. Many campaigns by interest groups in the agenda setting stage have nothing to do with manipulating a budget, but with trying to avoid a policy being implemented at all by influencing the composition of the objective function of the legislator and bureaucrat, such as concerning free admission to museums.

In addition, it has never been mentioned that the political strength of an interest group influencing the social welfare function attached by the legislator to this group is probably not so much related to size or geographical concentration, but to political party affiliations. Maybe political party affiliations and social ties in general have a larger bearing on the

composition of the social welfare function that a legislator attaches to a problem, rather than its wish to enforce efficiency or equity.

Lack of data sometimes constrains the assessment of the influence of interest groups on public policy. For example, the analysis of impact of interest group actions is largely concentrated on legislative voting (aimed at the American situation). Often the success or failure of an interest group in influencing policy in one particular area is evaluated, while an interest group may well try to affect policy concerning a variety of issues. Further, proxies for relevant but unobservable variables are often relied on, causing problems of interpretation as well as over- or underestimation of the (relative) influence of groups (Van Winden, 1999:21).

Models using an influence and cooperative game function that model interest group competition (Becker, 1983) (Mazza & Van Winden, 2003), assume that influence is produced by spending resources. However, Potters and Van Winden (1992:285) mention that it is not modelled on what these resources are being spent, and why these should receive a favourable response from the policymaker. Often, there is no penalty on lying although reputation (credibility and reliability) is very important for interest groups focussing on the strategic transmission of information, because it should matter while developing and maintaining relationships.

Perhaps, the largest progress in the study of interest group influence could be made by broadening the scope of systematic empirical inquiry (Potters & Sloof, 1996:433). On the other hand systematic theoretical progress can be made by doing more laboratory and computer experiments, as often suggested by public choice scholars. By measuring behaviour under controlled conditions scholars can develop better behavioural hypotheses. Further empirical testing could then provide a better fit with the assumptions of these models. I would be interested in an integrated model, in which a choice between multi tiered lobbying by means of lobbying and/or pressure is extended with a weight to balance the size of interest groups and the strength of their social ties. Empirical research could provide likely proxies to value size and social ties.

## **2.10 Conclusion**

Central in this chapter stood the theories and models that deal with the allocation mechanism of the government and its stakeholders developed under the header of public choice theory, pointed at museums and its stakeholders in particular. As such, public choice theory has offered a powerful methodology for investigating information rents in political decision-making, thinking about the transactions among politicians, bureaucrats and interest groups as

a chain of principal-agent relationships. As we have seen, principals and agents have multiple means and channels at their disposal to influence decision-making with. These are lobbying, pressure, structural coercion and representation at the legislative or bureaucratic tier.

Interesting is then of course to know what to use at which point in the decision-making process. It is assumed that pressure is never used to maintain a reputation, whereas lobbying is (Sloof and Van Winden, 2000). Theory also offered an explanation as for why interest groups would rather lobby a legislator than a bureaucrat, as long as the cost of lobbying the bureaucrat is larger than of lobbying the legislator. In the case studies we will see if the stakeholders choose a similar approach.

Hypothesizing what variables influence the political relevance and strength of interest groups, it has been found that large and geographically concentrated groups with members that have a high social status are usually stronger. The external variables that indicate strength refer to the oppositional and coalitional forces an interest group is likely to encounter in the political arena (Potters & Sloof, 1996). Such conclusions very much structure a search for particular characteristics of the decision-making process and the behaviour of interest groups that have been involved in the debate on free admission. And since the application of public choice theory in the arts largely subscribes to the conclusions of public choice literature, there are no drawbacks to a direct application of public choice theory on museums policy. A remarkable insight that an article by Krebs and Pommerehne (1995) provided me with is the assumed refuge of theatre managers in the non measurable indicators of performance during budget negotiations. This inspires me to question in what way arguments have been used in both countries that are in accordance with economic reasoning on how to increase access, which needs to be concluded from the case studies.

By doing so, we have to remain aware of what public choice theory cannot offer, namely an instant reproduction and prediction of reality. Although scholars develop increasingly complex models, incorporating different means and channels, its biggest achievement is simply that it helps to sketch the implications of the design of procedures and institutions, and that it gives insight in the activity of democracy. Eventually, it helps to show how managerial strategies positively or negatively influence the effectiveness of Dutch museums policy and what the likely positive and negative effects are of developing different decision-making structures for museums policy.

In the next chapters we will see what insights it can bring us, applying the above mentioned outcomes and observations on Dutch and English museums policy.





## **Chapter 3. Museums policy in the Netherlands and England**

### **3.1 Introduction**

The governments of both the Netherlands and England believe in direct and indirect government support to the arts. But what type of governance have they chosen for to support the arts with? What are the politico-economic interactions between museums and the national government? What are the institutional opportunities to influence decision-making and does that correspond with the insights the former chapter provided us with?

In this chapter Dutch and English museums governance and policy will be analysed and compared, emphasizing access policies. This will serve as a background for the empirical chapters, where we will assess the relevance and application of public choice theory to the free admission case. Describing the institutional structures helps to understand the latitude of the actors. Thus, this chapter will reveal the institutional boundaries that restrict intervention and have a bearing on the principal-agent relationships that appeared during the debate on free admission.

It is the last piece of the puzzle that has to be described before we can actually analyse how the different stakeholders influenced the case of free admission to museums, using the instruments they had at their disposal derived from their nation's institutional endowment. Let us first look at the funding of museums in England and the Netherlands from a European perspective.

### **3.2 National funding for the arts and culture in England and the Netherlands**

While European countries have provided substantial support for the arts and culture for a number of centuries, the development of explicit cultural policies is a relatively recent phenomenon. For example in the Netherlands, a Ministry of Education, Arts and Science was founded in 1918 (Ministry of Education, Culture and Science, 2002). In England the Arts Council was set up in 1946. Thereafter, the French Ministry of Culture was founded in 1959, and the National Endowment for the Arts (NEA) was established in the United States in 1965; in the same year the first junior Minister with special responsibility for cultural policy was appointed in England (Zimmer & Toepler, 1999:33).

A recent study on how the arts and culture are financed in the European Union by Klammer et al (2006) as well as the Council of Europe/ERICarts "Compendium of Cultural

Policies and Trends in Europe, 8th edition" ( 2007, www.culturalpolicies.net, last accessed 15 July 2007) provides us relevant data about funding in the respective countries today.

### 3.2.1 Direct funding of the arts

As mentioned in the first chapter, governments support the arts for several reasons. Support can be given through direct subsidies (the European tradition) or through tax incentives (the American tradition). England and the Netherlands use a mixture of the two. In the Netherlands, the centre of gravity of funding to the arts and culture are the performing arts (except Public Broadcasting), followed by museums and heritage.

In €	2001	2002	2003	2004	2005	2006
<b>Arts</b>	336.700.000	358.600.000	360.200.000	363.200.000	370.000.000	380.500.000
<b>Libraries</b>	43.300.000	46.800.000	48.800.000	47.300.000	50.600.000	53.500.000
<b>Media</b>	836.100.000	881.300.000	880.700.000	867.500.000	845.000.000	758.500.000
<b>Museums &amp; Heritage</b>	260.100.000	232.100.000	237.400.000	273.000.000	377.800.000	403.500.000
<b>Total</b>	<b>1476200000</b>	<b>1518800000</b>	<b>1527100000</b>	<b>1551000000</b>	<b>1643400000</b>	<b>1596000000</b>

Including foundations

Source: Kerncijfers OCW 2001-2005, p. 131 & Kerncijfers OCW 2002-2006, p. 125

In the United Kingdom expenditures on the arts and heritage are reported separately for Wales, Scotland, Northern Ireland, and England. However, in England museums and galleries have the highest spending priority according to the figure below.

£ million	Museums and Galleries (England)	Libraries (England)	The arts (England)	Historic buildings, monuments and sites (England)	Broadcasting and media (UK)	Other gambling and gaming bodies	Culture Online
1996/97	219	121	195	162	97	–	..
1997/98	223	102	196	156	43	–	..
1998/99	241	123	193	143	99	–	..
1999/00	270	105	230	145	99	–	..
2000/01	294	114	239	145	104	–	1
2001/02	323	117	254	140	103	1	1
<b>Total</b>	<b>1570</b>	<b>682</b>	<b>1307</b>	<b>891</b>	<b>545</b>	<b>1</b>	<b>2</b>

Source: Department for Culture, Media and Sport

According to the figures above and counting a population of 16.3 million inhabitants over 2005 in the Netherlands and 49.1 million inhabitants in England over 2001 it can be said that central government cultural expenditure amounts to € 51.28 per capita over 2005 (except

broadcasting expenditure) in the Netherlands, and to £ 17.02 (€ 27,23) in England over 2001/2002 (except broadcasting expenditure).

### *3.2.2 Decentralization*

However, that does not say anything about the dominance of local, regional or central government funding. According to the Compendium of Cultural Policies and Trends in Europe, England was over 2003/2004 characterized by a dominance of local government funding of 59.6% of total public expenditure on culture and central expenditure on 40.4%. In the Netherlands (2004) local cultural expenditure prevails at 63% of total support, and central cultural expenditure at 29%, if we do not consider broadcasting expenditure. Throughout Europe the figures differ. Central Eastern European countries are characterized by percentages of central government funding of arts and culture above 60%, except for Poland (2005: 20.2%) and Romania (2005: 44%) which are more close to the English and Dutch situation. Italy (2000: 52.2%) and France (1996: 52.30%) are somewhere in the middle, while in Germany (2003: 13.4%) and Spain (2003: 17.10%) regional and local authorities are responsible for the gross of cultural expenditure.

### *3.2.3 Indirect spending on the arts*

The funding of artists and institutions compromises direct government funding, as well as at arms' length funding through allocating budgets to foundations which on behalf of the government individually make funding decisions. However, indirect funding of the arts and culture through tax incentives and National Gambling Bodies also provide substantial amounts of income to cultural institutions and artists.

Decision-making about the distribution of lottery funds to culture is the responsibility of existing government agencies, (Estonia, Sweden, and United Kingdom), non profit organisations (Germany & the Netherlands) or directly by the lottery company itself. State expenditure on culture is extensively supported by funds from the (state-owned) lotteries in Finland (54% in 2005), Italy (35%) and the United Kingdom (38%). Annually, lottery funding for culture represents 17.7% for Poland and 9.4% in the Netherlands (Klamer et al, 2006:31).

Private interventions (gifts, sponsorship and the like) are a third source of income. As stated in the Compendium of Cultural Policies and Trends in Europe, in England private investments amounted to £ 452.1 million (€ 723.36). This is derived from the Arts & Business 2004/2005 Private Investment Benchmarking Survey, and covers business investment,

individual giving and trust and foundation investment. In the Netherlands, private investments totaled € 619 million over 2003 (Schuyt & Gouwenberg, 2005:11).

Especially in the Netherlands, private giving is being facilitated by tax incentives which thus implicate that part of the private investments are indirectly paid for by taxpayers. A strong argument in favour of tax incentives for the arts is that tax incentives can encourage a demand-driven supply of the arts and heritage. The supply-driven approach mainly caters to the tastes of the professionals who decide on the allocation of direct subsidies and do not always have to take into account the preferences of the broader public.

Unfortunately, the lack of information on tax incentives makes it difficult to state their effectiveness; the costs of tax incentives for the arts are still less visible and less controllable than the costs of direct subsidies, as tax incentives are often structured with an open-end budget (Hemels, 2005:439). The Dutch Government experienced that the costs are less controllable when introducing a tax incentive for private investors in Dutch films in 2003. Over 2003-2007 the fiscal advantages of this scheme totaled around € 200 million. Hemels (2005:440) has tried to measure the annual monetary value of Dutch tax incentives and estimates that at least € 809 million is spent on tax incentives for the arts in 2005. Compared to direct central Government funding of € 798,4 million over 2005, this is a lot of money. In general, Hemels counted 36 tax incentives across several tax laws, such as Value Added Tax, Personal Income Tax, Corporate Income Tax and the like.

Although the total value of tax advantages in England has not been measured, the Government has designed various incentives to stimulate private sector giving to the arts or museums. As a result of the free admission campaign, museums are able to reclaim VAT without charging for admission. The Government stimulates private sector giving through the Private Treaty Sales Scheme, so that an owner may negotiate a reduced sale price with an approved institution in exchange for an agreed deduction on tax liability. Further, it provides acceptance in lieu schemes whereby ownership of works of arts that satisfy a pre-eminence test may be transferred to a museum and avoid all or part of the inheritance tax due. There is a Business Sponsorship Incentive Scheme and gifts of cash to charities attract income tax relief.

While European governments favour direct support to the arts, the United States are the champion of the indirect approach. According to Cowen (2006:33) rough estimates suggest that Americans donated over \$ 29.4 billion (€ 21.7 billion) to the category Arts, Culture and the Humanities in 2003. This amounts to \$ 100 (€ 74) per capita. If one considers this as government policy one could say that the USA subsidises demand while in Europe

governments focus on supply side funding. Including estate taxes and other direct donations to non profits the fiscal sacrifice is in the range of \$ 26-41 billion (€ 19.2 – 30 billion) to support the arts. American foundations gave over 1999 an estimated \$ 1.55 billion (€ 1.2 billion) to the arts, including museums.

In comparison, the most prestigious American arts program by the government conducted by the National Endowment for the Arts (NEA) works with an annual budget of about \$ 122 million (€ 88.7 million). It is an independent government agency whose chair reports directly to the president. Other governmental arts support comes from a wide range of public sector institutions, such as the Smithsonian Institution which runs fifteen museums, a research institute and the National Zoo. It is an independent institution inside the federal government with a budget of about \$ 498 million (€361 million) annually. Subsequently there is the National Gallery of Art which also receives its funds from federal government, not to forget state and regional arts agencies such as the New York State Council of the Arts which budget approximates the NEA budget. So a strong tradition of indirect support of museums, does not imply that the Government is absent as a decision-maker. At that point the American situation resembles the English and Dutch situation.

### **3.3 Governance of museums and galleries in England**

Having an idea of what is being spent on arts and culture, we continue with how museums are being governed in England. Since its foundation in 1992 the DCMS, and before 1997 the Department of National Heritage (DNH), has four power resources: ministerial activism, the arms length principle, systematic scrutiny, legislation, policy guidance and finance. While DCMS is theoretically responsible for directing and championing the interests of the sector, in practice its remit is restricted to England, and many of its policies and legislation refer only to the national museums directly funded by the government. The Scottish Executive, the National Assembly of Wales and the Northern Ireland Assembly are responsible for museums policy in their respective countries. The most important documents that define the legislative functions and responsibilities of the Boards of Trustees of the national museums towards the Government and vice versa are the National Heritage Act 1982, the Museums and Galleries Act 1992, the British Museum Act 1963, and the Museums and Galleries Admission (Admission Charges) Act of 1972.

There are nearly 2000 registered museums and galleries in the UK with about 1500 of these in England. Of the 19 museums that the Museums Libraries and Galleries Unit of the Department for Culture, Media & Sport (further being referred to as DCMS) funded between

1997-2002, 17 are recently classified as Non-Departmental Public Bodies (NDPBs), as well as the Museums, Library & Archives Council (MLA Council), which was at that time known as the Museums & Galleries Commission (MGC) and since 2001 as the MLA Council. Of the 17 NDPB museums, 15 are regarded as 'national' museums, defined as collections of national importance that have been established by statute and for which Government provides a substantial component of annual funding. The remaining two museums sponsored by DCMS at that time that were not classified as NDPBs include one major local authority service (Tyne & Wear Museums) and the National Coalmining Museum (Funded by DCMS since 2001) which is an independent charity.

The museums and galleries that are NDPBs are governed by independent Boards of Trustees whose members are generally appointed either by the Prime Minister or Secretary of State according to rules laid down by the Commissioner for Public Appointments and controlled by charity. The collection and land or other property belongs to the museum or gallery itself, being governed by the Board. However, the Board is only allowed to sell parts of the collection under very strict conditions. Part of its premises or land can only be sold after approval of the Secretary of State or Prime Minister. The Directors are appointed by the Board with the approval of the Prime Minister or Secretary of State, whilst DCMS has no influence on appointments in non-NDPB museums. The Trustees are not civil servants and receive allowances in respect of expenses or loss of remuneration as the Secretary of State may determine with the Treasury's approval, but they are otherwise unpaid. These bodies are also exempt charities. Trustees are selected on the recommendations of an independent panel having regard to the skill needs of the Board. The Department is not involved in the day to day running of the museums and galleries that it sponsors but is accountable to Parliament for the grant-in-aid that it pays them. They, in turn are accountable to ministers and through ministers to Parliament for the public money that they spend and for the effective and efficient management of their institutions.

Over 1996-2002, 11-12 people were responsible for governing the national museums, being located in the museum & galleries division and the museums & cultural property division at DCMS, of a total number of 25 civil servants working on culture.

### **3.4 Governmental advisory body**

As mentioned, the Museums & Galleries Commission (MGC) was designated as the public body that has an advisory role to DCMS, in practice mainly representing the interests of the regional museums that DCMS funds through specific sector programmes as well, although

those museums remain the primary responsibility of the local government. The MGC comprised of 15 unpaid Commissioners appointed by the Prime Minister together with 46 professional staff in 1999.

### 3.5 Central Government funding of national museums in England

Compared to other European countries and the United States, the English system to fund museums and galleries is a combination of traditions. There is a culture of private giving, being encouraged by legislation. On the other hand the national museums are funded directly by the central Government itself. Grant-in-aid accounts for about 30% to 60% of the income of these museums. These 19 museums operate in total 40 different venues, about half of which are in the regions and half in London. These range from Sir John Soane's Museum with just over 20 staff to the British Museum with over 1,000.

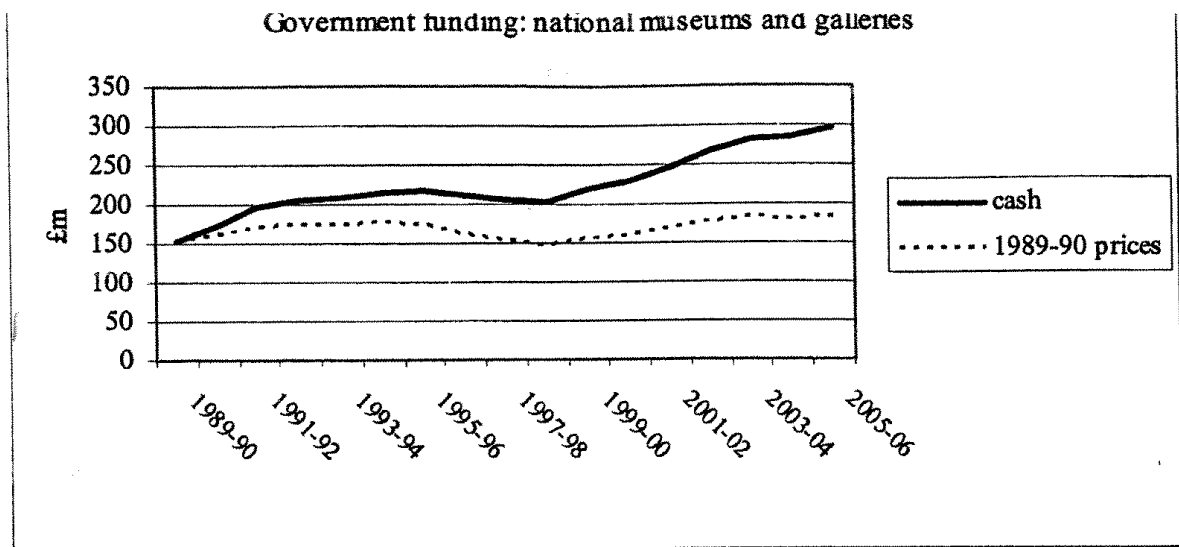
The Department pointed out that whilst the real value of government support for museums and galleries fell by 15 % between 1992-1997 it has been increased, in total by 17 per cent over 1998-2002. However, the Department also said that half of this increase was to compensate those institutions that previously charged for income lost through going free. Another source of income controlled by DCMS is the Heritage Lottery Fund, set up by Parliament in 1994 and controlled by DCMS to distribute a share of money raised by the National Lottery. The money raised is paid into the National Lottery Development Fund, administered by DCMS. Its eleven distributing bodies such as the Heritage Lottery Fund draw funds from this source. Again, these are NDPBs operating independently but within a policy framework determined by DCMS. Over 1997-2002, it was responsible for an enormous amount of indirect funding being granted to museums.

#### Exploitation Funding Museums and Galleries by DCMS

(£ million)	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	Total
<b>Museums and Galleries (19)</b>	219	223	241	270	294	323	<b>1.570</b>
<b>Of which administration costs M&amp;G Div. DCMS</b>	3	3	3	4	4	4	<b>21</b>
<b>Heritage Lottery Funds M&amp;G Grants*</b>	322.6	173.9	173.5	117.8	116.2	134.4	<b>1.038</b>
<b>Museums Libraries and Archives Council</b>	10.2	9.4	11.8	16.3	16.8	24.1	<b>89</b>
<b>Total</b>	<b>554.8</b>	<b>409.3</b>	<b>429.3</b>	<b>408.1</b>	<b>431.0</b>	<b>485.5</b>	<b>2718</b>

\* To all museums

Source: DCMS Annual Reports/Heritage Lottery Fund



### Central Government Funding

Source: House of Commons, CMS Committee (2002:12)

These museums and galleries have also acquired funding from additional sources, and on average this has amounted to about 27% of revenue per year. These additional sources are funds from sponsorship, donations, legacies and other charitable giving as well as from other charges for services that they provide, also entry charges from special exhibitions. In 2001-2002 for example, the Tate raised over 50 % of its annual income itself, the bulk of it from trading (House of Commons, CMS Committee, 2002:Ev.28).

### 3.6 Monitoring of national museums

In practice, it is accepted that the Department does not get involved in many areas of the museums' operations, including acquisitions, exhibitions; conservation, curatorial decisions, business management, and income generation (see figure below). Rather, DCMS exerts influence over the museums through funding allocations and through the powers set out in the financial memoranda and management statements. Decisions on policies such as admission charges are formally and ultimately a matter for each Board to determine in the light of the interpretation of their statutory responsibilities of caring for the collections and providing public access. However, the money they receive from DCMS comes with strings attached, and one of the strings may be that they maintain free entry.



**Where does DCMS/Government intervene in the running of the sponsored museums?**

<b>Yes</b>	<b>No</b>
Allocation of grant in aid	Additions to the collections (though disposals are restricted by statute)
Approval to capital projects above a delegated limit	Exhibitions schedule
Approval of pay settlements	Personnel policies
Appointments to the Board	Approval of strategic plans
Free admission	Lottery bids
Answering questions in Parliament	Income generation activities

Source: DCMS, B. Cowell

Since 1999, the Government’s objectives are achieved through individual funding agreements with each sponsored body that set out what the body will provide in return for grant-in-aid that it receives against performance targets (*Public Service Agreement Targets*) monitored by the Department and determined through the *Comprehensive Spending Review*, published by the Treasury. Ministers sign three year funding agreements with each of the bodies, setting out levels of funding and targets for performance in six key areas. The bodies are obliged in return to prepare six-month and annual reports on progress towards achieving the funding agreement targets. These set out the financial and administrative boundaries within which the institutions are expected to operate, for example: requirement for monthly statement of financial information, treatment of gifts and donations, pay of staff, insurance, external audit. In addition, the museums report on a ‘balanced scorecard’ of 23 performance measures, which are currently under review.

Before 1999, there were only one year funding agreements, without performance indicators. The three year agreements have been established on instigation of the National Heritage Select Committee (1996) so that the ‘Secretary of State should *not* be inhibited from intervening in the operations of funded bodies` (Taylor, 1997:452). This because being the smallest Government department with a high number of NDPBs, the nature of its relationship with and the degree of its influence over its NDPBs is crucial for achieving its policy objectives. Apparently, the arm had to be made shorter.

*3.6.1 Assymetric information*

As a consequence of the strong wish of DCMS to have the possibility to intervene in the operations of the funded bodies, there has been some criticism on the process of allocating funds to national museums during those years. According to the Director of the British

Museum, Mr Neil MacGregor in 2002, 'the process is on the gentlest formulation opaque' (House of Commons Culture Media & Sport (CMS) Committee, 2002:17). The Director of the Natural History Museum, Sir Neil Chalmers, supported this description saying 'We write what we think is a very clear statement of what our future funding needs are...What emerges is a very short letter saying, we are now going to give you a sum of money'. In reply to these statements the Secretary of State said that reaching the settlement was the result of quite a lot of discussion with the Public Expenditure Committee, and negotiations with the Treasury and Department of Education & Skills. She has the impression that the Directors simplified the process. At the same time this also revealed a quite inward looking perspective.

The Select Committee therefore concluded that 'her emphasis upon discussions within the Government more than discussions with institutions probably reflects the real balance of priorities for occupants of her cabinet seat' (Ibid, 17). Their recommendation was that 'if in reality decisions are dependent on the Treasury's fiat, then either the Treasury must be involved round a table or the other parties really should not waste each other's time' (Ibid, p.18).

In the written Government response (February 2003, p. 3) to these statements, the Government explained that decisions about funding were based on three main considerations: the strength of the case, the availability of funds, and the strength of the accelerative to competing demands. They also explained that during the 2002 Spending Review, officials gathered evidence from the sponsored Museums and Galleries, in consultation with the National Museums Directors' Conference. This was then used to support the Secretary of State's overall case for funding in discussions with Treasury and Cabinet and subsequently to inform the allocations. Prior to the allocations there were discussions with representatives of the Museums and Galleries at both official and ministerial level. By saying so, DCMS does not weaken the argument that the discussions between Government and Treasury are quite opaque.

### **3.7 Access policies of museums and galleries in England**

In the period towards the introduction of free admission, England's museums policy has very much been revised in general. In the mid nineties, the UK had no coherent museums policy. It largely developed in response to events or issues. This started to change in the late nineties with DCMS publications such as *Museums for the Many* (1999), in which the Department described its long term strategy stressing access, in which free admission would perfectly fit, from an ideological perspective.

General admission charges for national museums and galleries were first announced by the Heath Conservative Government in 1970 in order to raise an estimated € 1, 5 million per annum. The Museums and Galleries Admission (Admission Charges) Act of 1972, which was implemented from January 1974 allowed the national museums to introduce admission charges as they seemed necessary. Before, it was *forbidden* to charge.

Charges were again abolished in the spring of 1974 by the newly elected Labour Government. Afterwards, the successive Conservative Governments after 1979 did not reintroduce compulsory charges, but stressed this was a matter for the Boards of Trustees. But due to declining budgets, a number of museums introduced charges for their permanent collections during the 1980s, beginning with the National Maritime Museum in 1984. However, many flagship institutions remained free all the time, on instigation of its Boards of Trustees as a matter of principle.

Museums had been subject to various pressures since 1993/1994, most of which also typified the previous decade. They were expected to attract private finance and generate own income, improve visitor numbers and if necessary charge visitors if it improved service provision. Contradictory to these tendencies was the re-emergence of the debate about admission charges in the second half of the 1990s, and the increasing feeling that museums could help realize social change. The admission charging debate was boosted by the Victoria & Albert's decision to introduce compulsory charges, and the prospect of the British Museum charging, caused by a fear that the Lottery capital funded developments could only be sustained by revenues from charging, succeeded by the controversial findings of the Museum & Galleries Commission's enquiry into admission charges (Bailey et al, 1998) which cast doubt on the assumption that charges necessarily affect visitor numbers and profiles. The debate revolved around the moral principle of free access and museums ability to reach a wider audience.

In the months before the 1997 election, the Department of National Heritage, at that time within DCMS responsible for museums policy, sought to change the climate for museums. It published two publications dedicated to museums, one on museums education (*Setting the Scene*, 1996) and a review of museums policy (*Treasures in Trust*, 1996), the first since the 1930's. It also contained various proposals to increase access in general. A number of these recommendations were implemented before the elections such as the granting of new powers to the Heritage Lottery Fund to enable it to support access under the National Heritage Act.

Since the May 1997 elections, the DCMS museums policy is based on the same principles as its other activities: access, excellence, innovation, education and fostering the creative industries. The policy commitment from the outset has thus been to deliver accessibility through free access to the permanent collection. The second objective was to strengthen museums and galleries core services, to develop their educational services, particularly for children and to improve delivery by building up the capacity of regional museums. DCMS devised access standards (DCMS, 1999), developed its own code of practice on access to museums and galleries, and insisted that the production of access plans became a future condition of its grant funding plus promoted museums as Centres for Social Change (DCMS, 2000). Since 2002, DCMS provided additional funding for the regional museums through the Renaissance to the Regions Programme, a large capital investment in new developments at national museums and galleries of £ 149.2 million (€ 238.4 million), supported by £ 224.4 million (€ 359.1 million) from the Heritage Lottery Fund and the Millennium Commission. This was not at all a bad strategy since barriers to visiting according to a 2001 MORI survey of museums and gallery use; admission charges are not the only barrier to visiting. For example, admission charges usually compromise at most 25% of the effective costs of a visit (Goudriaan et al, 2006:22). The identified barriers were:

	<b>Barriers to visiting</b>
41%	Nothing I want to see
12%	Museums are boring
12%	Difficult to get/Health reasons
10%	Admission Charges too high
8%	Poor Transport/too far to travel
8%	inconvenient opening hours
6%	My children wouldn't be interested
6%	No time

Source: MORI (2001)

The result of the commitment of the Department, the Ministers, interest groups and media to free admission to the core collections of the national museums and galleries was a phased programme, in the words of DCMS 'according to priority groups and the availability of funds'. In April 1999 admission charges for children were dropped, in April 2000 free admission for people over 60 was introduced and on 1 December 2001 free admission for all was introduced after the Treasury agreed to an amendment of the VAT regime, because initially museums could not reclaim VAT for business activities if not charging.

Compensation for these charges provided by the Department totalled £ 106.2 million (€ 169.92 million) from 1999/2000 up to 2004/2005 (House of Commons, 10 February 2005). From 2004/2005 onwards, a separate amount is not paid, but funding for free admission is taken into account in the allocation of all funds to DCMS sponsored museums.

Although it was quite an achievement as we will conclude from the lobby process to be described in the fifth chapter, it should not be forgotten that most museums already did not charge for their core collection and that charging museums did not charge or less at the end of the day anyway. The overview below gives insight in the consequences of the policy.

<i>National Museums and Galleries</i>	
<p><i>Always Free</i>            The British Museum            The National Gallery            The National Portrait Gallery            Tate Modern            Tate Britain            Tate Liverpool            Sir John Soane’s Museum            The Wallace Collection            The Geffrye Museum            The Horniman Museum            The National Museum of Photography, Film and Television in Bradford (part of NMSI)            The Bethnal Green National Museum of Childhood (part of the V&amp;A)            The Tyne and Wear Museums</p> <p><i>Free from November 2001</i>            The Victoria and Albert (V&amp;A)            The National Museum of the Performing Arts (part of the V&amp;A)</p>	<p><i>Free from 1 December 2001</i>            The Imperial War Museum            The National Maritime Museum            The Natural History Museum            The National Museum of Science and Industry group (NMSI)            The Royal Armouries in Leeds and at Fort Nelson, Portsmouth            The Museum of London            The Museum of Science and Industry in Manchester            The National Museums and Galleries in Merseyside</p> <p><i>Free in 2002</i>            The National Coal Mining Museum for England (from April)            The Imperial War Museum of the North, Trafford (opened to the public on 5 July)</p>
<p><i>Those which continue to charge for adults</i>            The Imperial War Museum’s Cabinet War Rooms, HMS Belfast and Duxford airfield; Tate St Ives; Wellington Museum, Apsley House; Royal Armouries at the Tower of London (included within the Tower of London entry fee charged by Historic Royal Palaces)</p>	

Source: House of Commons, CMS Committee, 2002:12

**3.8 Effects of free admission**

Before starting off with Dutch governance of museums and museums policy, it might be informative to pay attention to the actual effects of free admission as far as these are being measured to date. Usually, free admission leads to an increase in visitors of 30-40% (Goudriaan et al, 2006:22). Research undertaken by MORI and presented at the Museums Association conference in September 2002 showed that 45 % of those interviewed had visited a museum or gallery in the previous 12 months, up from 35 % at the same time in 2001. In the first year after the introduction of free admission, visitor numbers increased with 69.2%. Over

the past three years it can be concluded that visits increased by 74.8%, but the increase differs between museums from +19.3% to +113.4% (see figure below). Although this seems a big success, DCMS and the museums have often been punished for how they represented their figures. This because a 'new' visitor just means that his person had not visited a museum in the past twelve months, and a 'new' visitor of the National Gallery can be an existing visitor of the Victoria & Albert. Further, although about 50% of the new visits have been made by 'new' visitors (HopkinsVanMil, 2007), it is not just free admission that shows such an increase in visits. A widespread publicity campaign and the other (Heritage Lottery Fund & DCMS) investments in infrastructure and displays certainly helped. In addition, the many marketing initiatives surrounding temporary exhibitions for which was/is being charged may also have partially caused increased visits. In that case, a visit to the core collection is a paid visit to the temporary exhibition.

#### Development visitor numbers English national museums after free admission

	Visitors 00/01	% Increase 01/02	% Increase 02/03	% Increase 03/04	% Total Increase 00/01-03/04
<b>Free since 2001</b>	7818000	69.2	1.2	1.7	74.8
<b>Always free</b>	19229000	2.1	-3.7	11.4	9.6
<b>Total</b>	<b>26947000</b>	<b>21.6</b>	<b>-1.5</b>	<b>7.4</b>	<b>28.5</b>

Source: Goudriaan et al, February 2006, p. 27 ( Original source:DCMS)

An interesting side effect is that the nationals that have always been free do not attract as many visits as those who previously did not. For example, visits to the British Museum increased with an average 9.6% over three years (Goudriaan et al, 2006). Those that face declining visitor numbers complain that income from museum shops and restaurants decline as well (Goudriaan et al, 2006, see figure below). In 2004, the National Audit Office came to similar conclusions. The income of museums from commercial activities increased in the first year after free admission was introduced from £ 21.2 million (€ 30.4 million) to £ 21.9 million (€ 31.4 million) (+3.4%). This implicates a decline of spending per visit of 20%. Of course not all commercial activities are profitable. The profit margin is circa 15% and there are large differences in the potential for commercial activities between museums.

### Development spending in three English national museums 2002

	Example 1	Example 2	Example 3
	<b>National Railway Museum</b>	<b>Natural History Museum</b>	<b>Museum of Science &amp; Industry</b>
	York	London	Manchester
Visitors	33%+	70%+	67%+
<b>Spending</b>			
Museum shop	6.5%+	2.5%-	38%+
Restaurant	6.5%+	14%-	65%+
<b>Spending per visit</b>			
Museum shop	20%-	43%-	18%-
Restaurant	20%-	50%-	1%-

Source: House of Commons, Culture, Media & Sports Committee (2002)

Another negative aspect is the substitution effect for charging museums. Since free admission has been introduced visits to non-national museums have decreased with 15% in York. Further, ignorant visitors who suppose all museums are free now complain at the desks of charging museums for having to pay for a visit (Goudriaan et al, 2006:28).

Analysis by socio-economic class showed that over a five year period, people from almost all groups had made more museum visits; except for the DE socio-economic group, which stabilized at the 1999 level. Anyhow, the success of the policy now depends on if the public service agreement target on free admission will be met by the national museums. In order to ensure that spending meets expectations, DCMS and the Treasury agreed that one of its three public service agreement targets is that the number of priority groups (C2/D/E socio-economic groups) accessing museums and galleries collections must be increased by 2% in 2008. This performance indicator is part of the Funding Agreements. The results are to be monitored through the first *Taking Part-The National Survey of Culture, Leisure and Sports* that started in 2005/2006. The 2005/2006 outcomes function as the baselines. As such, the first results can be provided in late 2007, which have to be matched with the figures of the national museums. Over July 2005-July 2006, 28% of members of C2DE groups have visited a museum at least once. In late 2007 at least a percentage of 30% has to be reported to meet expectations.

### Impact Free Admission: Visitor Patterns England (%)

	1999	2002	2004
<b>Age</b>			
15-34	35	45	34
35-54	33	43	43
55+	42	48	35
<b>Socio-Economic Class</b>			
AB (higher middle class)	56	62	59
C1 (lower middle class)	39	53	46
C2 (skilled working class)	29	39	25
DE (working class+those at the lowest levels of subsistence)	23	25	20
<b>Total</b>	35	45	37

Source: Goudriaan et al, 2006, p. 29 (Original source: MORI (2003/2004))

### 3.9 Governance and funding of national museums in the Netherlands

The Department of Education, Culture & Science allocates an average of € 150 million per year towards the Dutch museums over 2001-2006. A substantial part of its annual budget, 101 million, has been divided based on the Cultuurnota 2001-2004 of which € 79 million a year has been allocated to the former national museums, which have been privatized since 1993. The Department allocated funding for individual, one-off projects of museums and visual artists to the Mondriaan Foundation. According to the Central Bureau for Statistics (CBS), there are 828 museums in the Netherlands, which are being visited by 20 million visitors annually, of which 4.9 million visits accounts for the 20 national museums over 2006.

Government funding to former National museums (20) makes up 50-85 % of a museums income. Over 2001-2007, 11 of the 35 employees of the Department of Cultural Heritage worked on the development and implementation of museums policy. Unfortunately, the administration costs of the Department were only available for the Department as a whole, instead of itemized per field. It totalled at about € 3 million annually.



**Exploitation Funding Dutch Museums  
by OCW**

(x € million)	2001	2002	2003	2004	2005	2006	Total
<b>Museums (40)</b>	138.4	141.4	140.6	157.7	166.7	158.5	<b>903.3</b>
<b>( National) Museums subject to free adm.</b>	74.0	73.3	73.3	74.5	114.2	121.9	<b>531.2</b>
<b>Administration costs Department Cultural Heritage</b>	0.0	0.0	0.0	0.0	2.9	3.3	<b>3.3</b>
<b>Mondriaan Foundation*</b>	12.8	13.9	20.1	24.7	22.6	17.1	<b>111.2</b>
<b>NMV**</b>	0.5	0.6	0.6	0.9	0.7	0.7	<b>4.0</b>
<b>Arts Council***</b>	2.5	3.1	3.0	3.4	3.1	3.2	<b>18.4</b>
<b>Total</b>	<b>228.2</b>	<b>232.3</b>	<b>237.6</b>	<b>242.5</b>	<b>261.2</b>	<b>304.7</b>	<b>1571.4</b>

\* Project funds for all museums and cultural heritage

\*\* Museums Association

\*\*\* Costs cannot be specified to Museums Commission only

Source: OCW Kerncijfers 03/04/05/06

Just as in England, central Government funding to the arts and heritage has its legislative base in a number of laws, including specific ones such as the Specific Cultural Policy Act, which regulates the subsidies granted to arts and culture. The Specific Cultural Policy Act (1993) obliges the Government to formulate the aims of its cultural policy every four years, and it allows the Government to fund arts and culture of national importance, based on considerations of quality and diversity. Further, the law provides the Government with three categories of grant-in-aid to subsidise the arts and heritage. It distinguishes between multi-annual subsidies to institutions, project subsidies and specific subsidies.

A logical result of the obligation to formulate the goals of its national cultural policy every four years is a four year funding structure, known as the Cultuurnota which also secures the exploitation funding of national museums and all other arts organisations to be funded by the national Government. These funds are distributed on the basis of evaluated subsidy requests, after advice of the Council of Culture and debates in the Lower Chamber. The Council for Culture does not limit its role solely to the performing arts such as in England, but to the cultural sector as a whole.

### *3.9.1 Government advisory body*

Ideally, the Secretary of State for Art and Culture is responsible for the Dutch cultural policy and its implementation, but does not make any value judgements. These are left to the Council for Culture of which all members are appointed by the Government *and* the Crown, and which advises the Secretary of State, as well as the Mondriaan Foundation who has its own and much smaller budget that can be allocated according to their own goals. The Council

for Culture (since 1997) is the successor of the Council for the Arts, established in 1947, the Media Council, and the Council for the Libraries. It is independent to the Government and advises the Government on all aspects of its arts, heritage and media policy, if it is being asked or if it feels free to do so.

However, the Minister or Secretary of State for Culture has the final say in the allocation of the available funds. (It depends on the coalition agreement whether the Minister for Education & Science will also be responsible for Culture, or a separately appointed Secretary of State).

What in the Netherlands is being called the Cultuurnota systematiek (Cultuurnota system) is being developed in the two years that precede a new Cultuurnota period (Currently 2005-2008). After the Government advisory body, the Council for Culture, has published its preliminary advice, it is to be discussed by the Minister or Secretary with IPO/VNG (Association of Provincial authorities and the association of Dutch local councils) and the city counsellors for Culture of the biggest cities. With the advice of the Council for Culture as a background, usually the level of cultural services that is provided throughout the country is to be discussed. Often, the Council for Culture already considers the cultural profile and ambitions of the Provincial and local Authorities together with the ambitions of the Government in its preliminary advice which steers the development of policy objectives by the Minister. Accordingly, the Minister formulates its policy goals for the next four years in a Uitgangspuntenbrief which is to be debated in Parliament. This is where objectives such as free admission fit in, and that is also how the current Minister published its ambition to secure free admission for children up to thirteen from 2009, which is also the start of the new Cultuurnota period 2009-2012. About six months afterwards the application procedure is opened up to all cultural organisations which require funding. The Council for Culture then advises which applicants to support and till what extent, while officials also match the plans of applicants with the formulated policy goals. Since the Ministry of Education, Culture and Science aims to fine-tune its policies with the local and Provincial authorities who have separate arts policies, the Minister negotiates the implications of its intended grant provision with IPO/VNG, and the city counsellors for culture of the biggest cities and/or regions. Only after these steps, the Cultuurnota and the grants awarded (based on the Uitgangspuntenbrief) are being published and debated in the Lower House. Parliament is very powerful in the last stage of this process because it needs to vote for or against the actual implementation of the Cultuurnota, which is being defended by the Minister or Secretary in Parliament. As one might understand, there is ample room to influence decision-making by stakeholders before

the plans are to be debated in Parliament, for example if the Council for Culture advised negatively. As a last stage in the process, the Minister sets agreements (Cultuurconvenanten) with the local authorities and Provincial Authorities after the Cultuurnota is debated in Parliament on maintenance and empowerment of institutions, as well as on the shared allocation of resources.

The whole process shows the strong influence the national Government has through the Cultuurnota systematiek on the formulation of policy goals of both local councils and Provincial Authorities. In this light it is not remarkable to hear the Minister say that he in the end wants to see all Dutch museums to be free for children up to thirteen, although he only has the authority to settle this with the museums that are funded by the central Government (Ministry of Education, Culture & Science, 22 June 2007). In the process towards the publication of the Cultuurnota such aims are to be negotiated with the other two governmental tiers.

However, the Dutch system is moving towards the English system of Funding Agreements as of 2009. In 2005, the Secretary announced that she wanted to revise the Cultuurnota systematiek because it functioned very well as an instrument of control, but not as a policy instrument. Therefore, she proposed to separate policy development and implementation, as it is now combined in the Cultuurnota. The MPs Nijs (VVD) and Leerdam (PvdA) then asked her to consider the English Arts Council model as an alternative, which she did. But together with the Lower House she decided to reject the English Arts Council model because the Ministry and Government would not have any direct influence on the policy of such a council, and because she highly valued the current practice that both local and Provincial Authorities have a say in decision-making. An Arts Council model would not reflect any of their interests. From a principal-agent perspective, it also helped to secure high commitment of lower tiers of decision-making towards national cultural policy objectives.

As a result it was proposed to give the Minister for Education, Culture & Science the possibility to fund three categories of institutions. Institutions of national importance will be directly funded by the Ministry, without direct interference of the Council for Culture (Such as the museums funded by DCMS). The Council for Culture does advise which institutions to include in this category. Others have to apply for grants at one of the various sector foundations, for the museums sector the Mondriaan Foundation. Third, all institutions can apply for specific grants for special projects at the sector foundations, independent of their exploitation subsidies. As such, the Ministry grants more authority to foundations, while it still produces a Cultuurnota every four year that should be debated on its merits, instead of on

the financial implications attached. At 19 April 2007, Parliament agreed to the necessary adjustment to the Specific Cultural Policy Act that gives the Minister the legal instruments to establish such categories. The national museums that are to provide free admission would all fall in the first category with a long-term funding perspective (25 years, revision every four years). As a result, national museums will in the future be more closely monitored by the DCH.

### 3.9.2 *Mondriaan Foundation*

In the new funding strategy, the Mondriaan Foundation will obtain a greater role. The foundation was established in 1994, and the Board and Director are being appointed by the Secretary of State. Its goal is to enlarge and extend interest in and the demand for Dutch visual arts, design and cultural heritage. The Foundation receives advice from committees of experts on the artistic and cultural-historical aspects of each application, of which the members are being appointed by the Director. Especially now the budgets of the Foundation are increasing, due to its extra tasks from 2009, museums have had strong criticism on the straitjacket in which their plans have to fit. In their opinion, the Foundation too much has its own policy (Volkskrant, 15 November 2006). Logically, they do not look forward to a second or stronger principal that wants to exercise influence on the outputs produced.

Other foundations allocating funding to museums are private initiatives and do not function at the arm's length of the government, not worth considering in this context. Nevertheless, this delegation of decision-making may result in advantages of information or in pursuing personal goals, and experts play the role of gatekeepers.

Although the extent of network control that the Ministry of Education, Culture and Science currently exercises might surprise the reader, the Department further tightens the reins through *Beheersovereenkomsten* (Maintenance agreements) with the museums it is funding.

Since their privatisation in 1993, the national museums are foundations with a Director and Board of Trustees, who often do not own the whole collection and premises they have at their disposal. The buildings are mostly owned by the Rijksgebouwendienst, who manages the properties of the State. As such, the museums have a rental agreement of 15 years with the State. They pay monthly rents to the Department of Cultural Heritage, for which they are being compensated through the *Cultuurnota*. The parts of the collections of the former national museums that are owned by the State are being called the National Collection. In order to ensure the maintenance and display of this collection, the State has long term

preservation agreements with the former national museums (30 years). Again, the museums are paid by the State for this agreement through the Cultuurnota. As the State and not the Board owns this collection, its state is being monitored by the Instituut Collectie Nederland (ICN) and the Cultural Heritage Inspection. Obviously, those museums also hold collections which they preserve on behalf of others or have been granted to the museum and not to the State.

The Boards are directly appointed by the Secretary or Minister without interference of a charity that deals with public appointments such as in England. The Director is appointed by the Chairman of the Board. In that case no approval is necessary. Usually, the Department for Cultural Heritage advises on the appointments.

In England the most important museums in terms of reputation are almost always also national museums. In the Netherlands this is different. A couple of leading museums are solely funded by the local government such as Boijmans van Beuningen in Rotterdam or the Van Abbe Museum in Eindhoven. Most large cities (Amsterdam, Rotterdam, etc.) established their own Council for Culture, who advises the city councillor on the division of a budget allocated by the local government. As such, the status of the museums funded by local authorities and the fine-tuning of policy objectives and funds reveals a quite complex funding structure of the museums sector, which has a bearing on the stakeholders that have an interest in decision-making on 'national' museums. Especially, since co-funding by national and local authorities does occur for special projects such as the restoration of the Rijksmuseum in Amsterdam.

### **3.10 Monitoring Dutch national museums**

In order to be able to advise the Minister, the Arts Council also monitors the museums funded through the Cultuurnota (all national museums). They provide the Arts Council every year with an annual report, a management report and a project report in a standardized format. Overall, the outcome of funding agreements are not evaluated by any system of performance indicators such as in England, but mostly qualitatively monitored by the Museums Committee of the Arts Council ( 5 members) through detailed reports provided by museums and conversations with the museum committee of the Council not on efficiency and effectiveness, only on ostensible satisfying behaviour. Whether there are specific guidelines for these assessments is not clear, although abstract objectives are discussed in 'Museum beleid' (Arts Council, 2003), such as that the museums activities have to be interesting for the whole

population, are of high quality and representative for their collection and have a high level of service provision. The CBS measures visitor numbers, participation and expenditures.

Further, once a year, the museums need to provide the Department of Cultural Heritage an annual report and voluntarily with a report on their activities, according to the formats published in the *Handboek Verantwoording Rijksgesubsidieerde Musea*. The Department does monitor the amount of school visits to the museums, though without strings attached.

### *3.10.1 Criticism on funding: transaction costs*

Just as the realization of the English Funding Agreements have been criticised, there is a lot of criticism on the assumed sizeable transaction costs inherent to the Dutch system. Because the system is open to every arts organisation and applications are judged on their merits, the number of applications increases every four years, having a bearing upon the administrative costs of the *Cultuurnota systematiek*, which decreases the means available to allocate subsidies. Further, an increasing number of organisations lodge an appeal against the ministerial decision, which leads to increasing legal costs at the Department and Council for Culture. Nevertheless, it is the question if the 'new' system will diminish such costs as the legal protection remains and the Department for Cultural Heritage tightens its grip on the museums it is funding.

However, Van Klink (2005:288) tried to give an indication of the transaction costs inherent to the funding of the performing arts in the Netherlands (see figure below). Although he only looks at the institutional structure producing a cultural policy, instead of the costs made by the producing institutions and generalizing over all sub sectors, it does give an impression of costs made. Unfortunately we cannot compare the costs in what he calls a top down (e.g. France) versus an arms' length system (England) because it has never been researched. Anyhow, Van Klink claims that the top down model and the Arts Council model are more efficient than the Dutch (intermediate) model (2005:290) because individual artists cannot as easily lobby for subsidy as in the top down model, and because an Arts Council is better equipped to declare an expert opinion on quality. Although I cannot agree with his line of reasoning as he conveniently forgets to mention that experts at councils can also be influenced, or that a government could employ expert officials and what the costs are of such behaviour, his overview at least gives an idea of the costs made in the current Dutch system of the provision of public funding to the performing arts.

<b>Transaction Costs Dutch Governance System</b>	<b>Performing arts</b>	
<b>Incidental ( every 4 years)</b>		
1	Sector costs	11
2	Annual exploitation Arts Council	3,5
3	Legal costs government/sector	0,5
4	Peak load government	-
		<b>€ 15 Mln</b>
<b>Structural</b>		
1	Staff costs	1
2	Foundations	4
3	Accountability costs institutions	1,2
4	Arts Council as distributive org.	-
		<b>€ 6,2 Mln</b>

Source: Van Klink (2005:288)

### **3.11 Access policies of museums funded by the central Government in the Netherlands**

Apart from the general method by which the Minister has chosen to allocate funds for its cultural and museums policy, it is time to go more deeply into specific museums policy objectives of the past years. Quite recently, the Secretary of State for Culture and Media, Medy van der Laan (May 2003-July 2006) published a new museums strategy ‘Bewaren om te weeg te brengen’ (2 December 2005), the second separate museums policy paper since 1976 (‘Naar een nieuw museumbeleid’), with a strong emphasis on the need for museums to adapt to new visitor groups and modernize their exhibitions and education material. The renewed focus upon what museums society has to offer was in a sense a continuation of the policy of one of her predecessors Van der Ploeg, and was the logical succession to earlier policy programmes that dealt with the division of responsibilities among the several authorities and museums and their privatisation, as well as an extensive programme to restore deprived collections (Deltaplan Cultuurbehoud).

Anyhow, the idea was to reach this by emphasizing access through facilitating the supply side, as was being advocated in this policy document. There was not a word in it on free admission, or extra impulses, the sole purpose was to get society to think about the role that its museums should have. In terms of funding, museums did also not really have something to complain about. Since the late eighties, Secretaries of State have always been able to secure enough funds for museums, in contrary to the performing arts that were more often subject to cut backs. Although access has always been an issue for policymakers in every Cultuurnota, the extent to which it is a political priority varies.

Before Medy van der Laan, the Secretary of State Rick van der Ploeg (1998-2002) very much stressed access and participation in his Cultuurnota Cultuur als Confrontatie (2001-2004). Van der Ploeg wanted to introduce a free weekday for children, but there was no majority for his idea in Parliament. He was taken by the idea of free admission for children up to 19 years following the outcomes of a report on the accessibility of museums (Commissie Ex, 2000), that he commissioned. Based on the outcomes he explicitly favoured free admission for specific groups as an instrument against social exclusion and for education, completely in line with his policy strongly underlining participation. Ideologically the English Secretary of State Chris Smith (1997-2001) and Rick van der Ploeg were close. In 2001 the Actieplan Cultuurbereik 2001-2004 (Cultural Outreachplan) was introduced as well, which is being continued over 2005-2008 by Van der Laan. It was the first programme of its kind in which the National, Provincial and Local Authorities combined their forces according to the principle of matching funds, to increase participation in the arts and heritage. The Government invested € 13.4 million, matched by the other authorities. An important aspect of the programme is to encourage structural cooperation between cultural institutions of any kind and schools. Currently, 38% of Dutch citizens visits museum annually. Itemized in education levels it means that 16% of those with primary school, 26% of those who have completed VMBO, 26% of those with a HAVO/VWO diploma and 58% of those who obtained a bachelor or master degree at least visit a museum once a year ( Van den Broek, Huysmans, Haan, 2005:13). Because there is no direct relation between educational level and socio-economic class, these numbers cannot really be compared to English numbers although it does give an indication. Interesting to note is further that the average price of a normal ticket without reduction to the 20 most visited museums is € 9.05 (2007), and this list includes 9 national museums that are subject to free admission (Goudriaan et al, 2007:22).

Anyhow, the current debate on free admission started in Parliament in 2005 just before the presentation of 'Bewaren om teweeg te brengen', was being accelerated during the Budget Negotiations of the Ministry of Education, Culture and Science in November 2005 by the spokesman for culture of three political parties (VVD, PvdA, and SP), who also initiated the Arts Council discussion. The idea of free admission sort of came out of the blue, lacking the political ground swell that characterized the English process. Their ideas were immediately being opposed by the Secretary of State for Culture, the national museums themselves and officials. As such, the Dutch political case for free admission to national museums did not have the same strong political impetus as in Britain.



Having the wish to provide free admission to the National Collection, the debate focussed on the 20 museums that have a Beheersovereenkomst (preservation agreement) with the Department of Cultural heritage because they preserve parts of the National Collection. Other institutions subsidised by the Department do not have this responsibility, and have thus not been included (See list below). Costs have also been calculated based on these 20 museums. The costs are based on assumptions derived from the effects of free admission in France, where national museums are free accessible a Sunday per month, as well as on general literature on the effects of free admission (Goudriaan et al, 2002:118-122). In Chapter 6 we will further expand on the means and channels used in the debate to influence decision-making with, which have led to the outcome that free admission to the former national museums will be provided for children up to thirteen from 2009.

<b>Dutch (National) Museums subject to free admission</b>	
1	Museum Boerhaave
2	Museum Catharijneconvent
3	Geld- en Bankmuseum
4	Kroller Muller Museum
5	Paleis het Loo
6	Mauritshuis
7	Museum Meermanno-Westreenianum
8	Muiderslot
9	Naturalis
10	Rijksmuseum van Oudheden
11	Afrika Museum
12	Rijksmuseum Amsterdam
13	Nederlands Scheepvaartmuseum Amsterdam
14	Rijksmuseum Twente
15	Van Gogh Museum
16	Rijksmuseum voor Volkenkunde
17	Zuiderzeemuseum
18	Joods Historisch Museum
19	Prinsessehof
20	Teylers Museum

Source: Goudriaan et al, 2002

**Costs free admission and influence on visitor numbers Dutch national museums**

Costs in €	Extra visitors	Increase Visitors	Compensation visits	Compensation future demand	Additional costs (a)	Costs Nat. Museums (b)	Comp. Other Museums	Total costs (c)
Free admission 1 weekday	67.000	0,3%	4.400.000	800.000	400.000	5.600.000	200.000	5.800.000
Free Sunday per week	100.000	0,5%	9.500.000	1.500.000	800.000	11.800.000	300.000	12.100.000
Free Sunday per month	51.000	0,3%	2.300.000	500.000	200.000	3.000.000	100.000	3.100.000
Free admission 1-18 years old	389.000	2,0%	2.200.000	2.300.000	1.800.000	5.600.000	500.000	6.100.000
Free admission to all	592.000	3,0%	29.900.000	11.900.000	6.000.000	47.900.000	3.600.000	51.500.000
Free admission core collection	503.000	2,6%	24.000.000	9.500.000	4.800.000	38.300.000	2.900.000	41.200.000

(a) Maintenance costs

(b) Sum Column 3,4,5

(c) Costs national museums plus compensation other museums ( 2005 price level)

Source: Tweede Kamer der Staten-Generaal, 30300 VII, nr.200, p. 7& nr. 205, p. 3 ( Original source: Goudriaan et al 2006)

### **3.12 Concluding remarks: comparing England and the Netherlands**

This chapter revealed the institutional boundaries that restrict or stimulate intervention and have a bearing upon principal-agent relationships that characterise the development of museums policy in both countries. Both in England and in the Netherlands, the implementation of a cultural policy is laid down in legislation and pseudo legislation (The *convenanten* in the Netherlands). It may be surprising for the reader that funding and governance of (former) national museums is so carefully husbanded in *both* countries by Departments responsible for museums policy of similar size.

This contradicts the assumption of Van der Ploeg (2005:29). He assumes that Europe has three basic systems of allocating supply volume subsidies. The French and Italian systems are top-down and state-driven, so bureaucrats and politicians have a strong say in who gets subsidy. At the other end Van der Ploeg projects the British system because in England the Arts Council takes responsibility for allocating funds to the applicants out of reach of democratic checks and balances. As such, there should be less room for political lobbying and rent seeking (and no danger of a state taste being imposed). But English national museums are directly funded and monitored by DCMS, so not all funds are allocated outside the Government, having implications for the status of the English system.

Although in general the mix of types of governing authorities is more complex in the Netherlands than in England, the delivery of museums services offered to the public is carefully guided by the national Government, the absolute principal if it comes to cultural policy making in both systems. The Museums Sponsorship Division at DCMS and the Department of Cultural Heritage at the Dutch Ministry of Education have obtained the exclusive rights to impose their respective museums objective functions on the national museums through the Funding Agreements and the *Cultuurnota*. In order to overcome information constraints and thus minimise any rent-seeking behaviour on behalf of the national museums and to diminish transaction costs, performance indicators (England) and/or monitoring are used as a safeguard to minimise discretionary behaviour on the part of the agents; museums.

Whereas the Dutch national government does not really distribute authority among different levels of government regarding the museums it is directly funding, and with which it has signed *Beheersovereenkomsten*, it is interesting to note how the national government anticipates on the substantial role (also in terms of funding!) that the local and Provincial authorities have, by involving them into the *Cultuurnota* systematiek. It might be cost efficient as funding is aimed at similar policy objectives, but it could also lead to the

oversupply of public goods compared to the demand of local communities. By involving local and provincial authorities, the national government effectively reduces competition and transaction costs and exert a high amount of network control. On the other hand, this structure gives lower tiers of decision-making an opportunity to convince the national government to preserve or stimulate what they consider important.

An important detail is that till recently the Dutch Department of Cultural Heritage did not had the luxury of Cabinet representation, as DCMS has had since its instigation. Normally, Cabinet representation is known to give a Secretary or Minister greater authority in his/her relationship with the policy networks and other Departments (Taylor, 1997:454). Although we cannot judge the effect of Cabinet representation on Departmental influence, the Dutch situation does show that incorporating local and provincial authorities in decision-making is a good substitute for Cabinet representation, as long as government involvement in the cultural sector is substantial in terms of funding.

In general, both governments maintain a system of political decision-making instead of public decision-making through funding the supply side: mainly subsidising institutions instead of potential visitors. There is a gap between cultural policy and people's preferences: experts play the role of gatekeepers, which are in this case the Council for Culture and to a lesser extent the Museums and Galleries Commission (Now MLA Council). As such, both governments have an interest in efficiency objectives that increase the efficiency of funded institutions, as well as an interest in equity objectives to ensure that the output museums produce are available for everyone. How these are actually designed very much depends on the political colour of the appointed Secretary and/or Minister.

An additional means to tighten the influence on the strategic direction of museums is the institutional use (legally required) of social ties as a system of appointments. Whereas in the Netherlands the Secretary or Minister appoints the Board of Trustees and the members of the Council for Culture (being advised by the Department for Cultural Heritage), in England the museums and galleries that are NDPBs are governed by independent Boards of Trustees whose members are generally appointed either by the Prime Minister or Secretary of State according to rules laid down by the Commissioner for Public Appointments and controlled by charity. Through the establishment of a system of appointments that is being controlled by charity, the English system seems to value accountability higher than the Dutch Government where this is absent.

In general, and as to be expected, the Boards of Trustees of English national museums function slightly more independent (at arms` length) from the national Government than the

Dutch Boards, because the English Boards 'own' the land and premises of the museum, which is one of the most important assets besides the collection that compose the stock of capital of museums. As such, it ensures a theoretical degree of financial independency which the Dutch national museums do not have. That Dutch national museums are being compensated for their monthly rents through a policy document, namely the Cultuurnota, instead of through a separate agreement symbolises the current merger of administration tasks and policy guidance at the Department. From 2009, those two objectives will be worked on separately in the new funding structure. And from that time on the Minister also diminishes the for museums fruitful information advantages due to the currently loose monitoring system. If performance targets will be set alongside funding agreements, museum Directors will not longer have the relative freedom of writing their policy plans towards the policy goals of the Department and at the same time setting own priorities. If extra money is requested it will no longer be possible to receive it from the Department for Cultural Heritage, museums have to apply for funding at the Mondriaan Foundation. Thus it is likely that museum directors have to lobby stronger than they do now in order to receive funding for projects outside their funding agreements, just as in England.

It is remarkable to note the lack of interest in the volume of indirect subsidies to museums through tax incentives, which are in the Netherlands estimated at € 809 million over 2005 (Hemels: 2005). Probably those expenses on behalf of the taxpayer are not that interesting for both Departments as these are currently being registered by the Treasury so that it is difficult to monitor the use, and neither bureaucrats nor legislators can derive influence from it.

All together, the institutional structure does not restrict any of the means to influence decision making with available to bureaucrats, the upper legislative tier (Minister, Secretary of State), lower tier legislators (politicians), museums or interest groups outside the government in both countries as defined in chapter 2. As to the channels available, Dutch interest groups could benefit from lobbying the local and regional authorities as well as the national authorities, because the Dutch system of funding for culture requires support among various levels of government. In England the national government sets its cultural policy objectives more independent from the lower tiers of decision-making, or grants it to institutions that function at arms' length such as the Arts Council. The forthcoming two case studies will demonstrate how all stakeholders involved have tried to impose their views on each other and how they have used the supposed effects of a free admission policy in the debate.



## **Chapter 4. Research design and evaluation**

### **4.1 Methodological position**

Having formulated the theoretical framework that guides this research, and working towards the empirical chapters, I will now first reflect upon the methodological position I took towards how to gain knowledge on the social reality of influencing government policy on free admission to national museums.

The central question of this research is to assess how interest groups, bureaucrats and legislators influence decision-making in the case of free admission to national museums in the Netherlands and England, and if they have been successful in achieving their aims. Having a comparative nature, the aim is thus to analyse the relationships between ‘independent’ variables (means and channels) that influence the ‘dependent’ variable (influence) in both England and the Netherlands, guided by principal-agent theory and studies on the use of multiple means and channels for influencing decision-making (Mazza & Van Winden, 2003 and Sloof & Van Winden, 2000).

Although normally the methodological position of public choice scholars is that of the empiricist, aiming to describe laws governing social facts and thus emphasizing methods of data collection and analysis that are largely quantitative, I am forced to take an interpretive position towards how to gain knowledge on the social reality of influencing government policy on free admission to national museums, as I aim to understand behaviour and choices in these two cases. Moreover, the value of a quantitative approach is questionable, as there are some methodological drawbacks to the models developed, which I cannot deal with (which have been aired in chapter 2). Furthermore, there are no large datasets available that could be used, neither can these be collected for the purpose of this thesis.

### **4.2 Qualitative research methods**

Concerning free admission, I believe that stakeholder’s words provide greater access to their subjective meaning than do statistical trends. Being confronted with two decision-making processes that we would not necessarily better understand by quantifying the means and channels used, I decided to combine qualitative research methods. This is because as we will read in the next two empirical chapters, there is not necessarily a relation between how often interest groups have written letters or have met with the Secretary of State and their actual

influence on the decision not to charge. Further, an analysis of written sources such as letters, reports of debates and government documents (which are in both countries the regularly used official forms to take an opinion forward), would give insight in their position and arguments, but do not guarantee insight in the possibly hidden incentives of interest groups to intervene in the debate, nor would it be instrumental to assess the value that the interest groups attached to the performance of related organisations or opponents that seems crucial to assess the success of the various groups.

Since the research questions express a special interest in the use of representation as a means of influence, I at least had to be able to find as much as possible about the interpersonal relationships between interest groups at different tiers in order to be able to generalize from the case-studies.

### **4.3 Selection of research methods**

Having made this choice, I considered the use of a survey, a network analysis, a focus group or qualitative interviews plus archival research. Focus groups did not seem reasonable because it would encourage participants to behave strategically and not to lay all their cards on the table. During the period reserved for data collection, the Dutch Government had not yet decided what form of free admission to introduce. Therefore, the respective stakeholders were not yet willing to discuss their roles, which implicated that focus groups would not benefit the external validity and measurement validity.

Second, a network analysis would have only been partly instrumental in answering the research questions, as it does demonstrate the strength of interpersonal relations between stakeholders. However, it would not have given insight in the value and occurrence of lobbying, pressure and structural coercion, whereas interviews do.

That left me the choice between a survey and qualitative interviews. Qualitative (telephone) interviews combined with archival research seemed to be the most informative and systematic method to reveal the behaviour of all stakeholders. Of decisive importance to this decision have been the preparatory talks with the current Head of Museums and Libraries Sponsorship at DCMS, the Director of the Association of National Museums and with the Director of Kunsten '92 (a Dutch arts lobby organisation) on their views on arts lobby processes in both countries. Independent of each other they argued that decision-making in this case was not very well structured, which implicated that I had to choose a method that was flexible enough to accommodate motives behind sudden movements in the decision-making process. I could lose out on information on incentives for stakeholders to interfere in



the decision-making by presenting them a survey with partly closed questions that could not give room to the unexpected. This method would give room to search for negative instances that would contradict the concepts I intend to measure, so that a better theory could be developed. Due to the distance, I have been forced to do telephone interviews, completed with two conversations by email with stakeholders who were willing to contribute but did not had enough time for a telephone interview

As such, the breadth of a social survey is sacrificed for depth, meaning that representation and therefore external validity may seem questionable. However, although I regard myself as a co producer of the data, the emphasis is on data collection and not on data generation because in these cases I do assume that the concepts I intend to measure have an existence that is independent of the language used to describe it. In order to establish good concept-indicator links that ensures a high internal validity, I tried to develop a grounded theory from qualitative interviews and archival research that answers the research questions. Interview material is thus used both as a topic and as a resource, as they are analysed for what they say about their experiences and for how the information is communicated. A disadvantage of this method is that new case studies might exhibit properties that force further changes in theory.

The supporting research of open-archival and open-published documents have again been approached from a realist position, where the social world is assumed to have an existence independent of language, gathering as great a volume of texts as possible and scouring them for details of who, when, where and what, to use these texts as evidence, providing facts about the social world. Because credibility is both an issue during interviews as in archival research, I have used both methods to verify statements and perspectives.

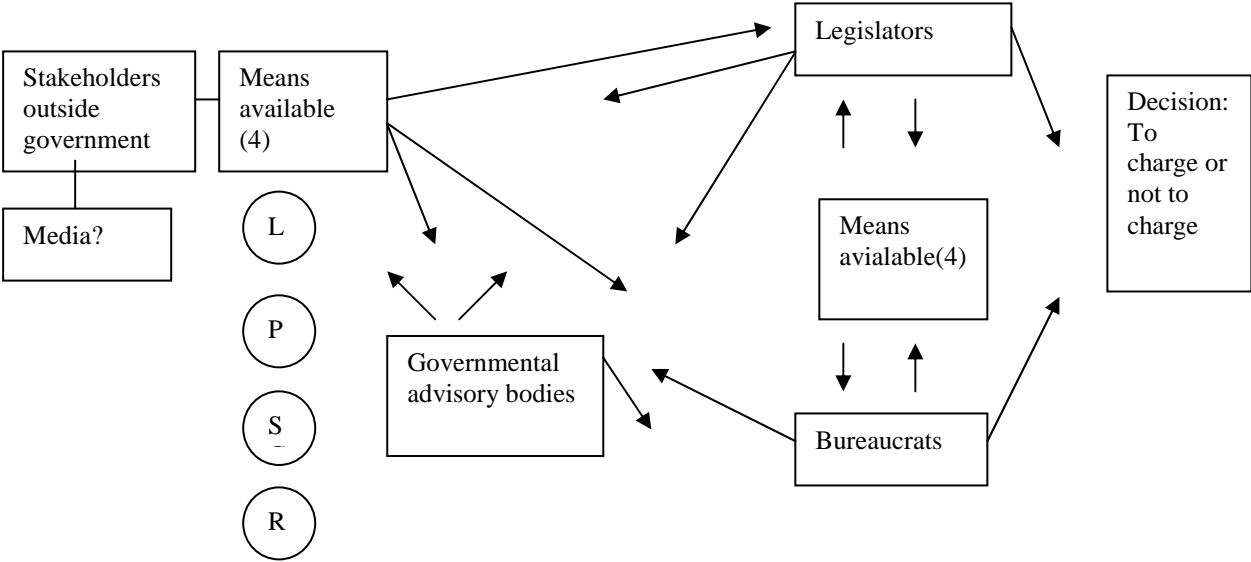
#### **4.4 Coding**

However, in order to measure the multidimensional concepts which are reflected in the research questions, I tried to draw inferences from data according to the following coding scheme that emerged from pre-existing concerns and questions aired in the theoretical chapters plus the formulated research questions. Because concepts such as means and channels are multidimensional, I formulated events and behaviour that could characterize these two cases inspired by their institutional structure, and that according to theory coincided with the definition of means and channels. As such, the coding scheme largely emerged deductively, but also inductively as I later added two categories under 'pressure' (Italic) that

appeared to be typical examples of the behaviour categorized as 'pressure' after having studied the material.

Conceptual framework

**INFLUENCE: INTEREST GROUPS**



**Means of Influence**

<b>Lobbying</b>	<b>Pressure</b>	<b>Structural Coercion</b>	<b>Representation</b>
Unofficial/informal meetings/briefings	Motions	Change of powers	Efforts to obtain positions
Official/formal Meetings/briefings	Amendments		Jobs offered to opponent
Telephone Conversations	Sanctions		Social ties-building new relationships: networking
Letters	<i>A museum that starts to charge</i>		
Memoranda	<i>Withdrawn a bequest/picture</i>		
Research reports			
Parliamentary debates			

#### **4.5 Sampling frame**

In order to operationalize the concepts so that they become measurable phenomena I chose for a relationship between the sample and the population (all stakeholders involved in decision-making on free admission) that covers a relevant range of people, but that is not designed to represent it directly. As I did not need an exact transcription of the interviews, because I do not intend to do a discourse and conversation analysis summary notes have been efficient for the analysis.

Because there was no complete list of the exact population (stakeholders involved) available, I chose for a non-probability sampling technique, network sampling, aimed at including high-level decision-makers of the various organisations as these normally steer high-level political campaigns. Initially, assumptions on the relevance of stakeholders were based on the analysis of public records, government reports and newspaper articles. The disadvantage of this method is that the more isolated members among the stakeholders will not be included in the study. However, as I aimed to analyse the general pattern of means and channels used to influence decision-making with, it does not threaten the measurement validity.

#### **4.6 Design of the questionnaire**

Open ended and flexible questions are likely to get more considered response and therefore provide better access to interviewees' views, interpretations and understandings. As such, I chose for a structured but open format.

Although I knew it would probably be impossible to approach the decision-making process as a structured campaign, I did committed myself to providing insight in the relative (hidden) costs that have been made by all stakeholders to convince opponents of their views. The idea was to put off costs such as hired expertise, commissioned research and other advocacy costs against the frequency with which stakeholders have intervened publicly in the discussion. Thus, I had to design a questionnaire that would reflect this need. Therefore, I formulated open questions (see appendix 3) explicitly covering the individual relations with other stakeholders, the coalitions built, and the time invested and costs made, that if being answered can be put off against the size and budget of the organisation. In case the questions would be too detailed, those would at least help not to miss out on certain aspects. Ultimately, the interviews have been done between April and June 2007.

Overall, the questionnaire has been very instrumental to the telephone interviews. Although interviewees often could not answer the exact questions, it helped them to structure their activities according to the categories that public choice literature provided. During the conversation the questions helped to fill in the total picture. We often started off with talking about the stakeholders' motives and approach and gradually moved on to the more detailed questions. As such, it might have been wise to convert the rank of the questions, starting first with the last ones. But that was also easily being changed during the conversation, always having the possibility to expand on issues and situations mentioned.

#### **4.7 Qualitative data analysis**

The coding of the summary notes of the interviews and passages of Public Records, newspaper articles, and Government documents turned out to be a type of indexing, marking sections that seemed to contribute to the conceptual framework. The use of a specially designed computer programme for qualitative analysis could have helped to develop a more refined coding scheme and to count behaviour more precise, in order to reassure the reader that I have not simply trawled through a mass of data and selected anecdotes that support my bias. But working with such a programme is very time consuming and in this case it was not possible to realize that. Therefore, qualitative analysis is done without particular reference to a specialist methodological approach. This is being termed by Seale (2004:314) as qualitative thematic analysis, and it also worked well. What did hinder the analysis was that the use of the various means to influence decision-making could not exactly be counted, because the interviewees could not always answer questions in such detail. However, it appeared that counting such aspects did not necessarily contribute to the development of theory, as their description of their general approach and the process as a whole also revealed a preference or need for certain behaviour.

#### **4.8 In retrospect**

Looking back, the data collected indeed provided answers to the research questions, except for the sub question on direct and indirect monetary costs that have been made influencing decision-making by stakeholders. I have been able to interview representatives of all major stakeholders in the Netherlands and almost all major stakeholders in England. From the perspective of the size of public sector spending and the implicit costs of the institutional endowment that facilitates Dutch and English cultural policy it is a pity that I have not been able to obtain good insight in costs expended on influencing decision-making on free

admission. This is caused by three reasons. First, I have not been able to obtain all annual reports of the stakeholders involved that would have given me an instrument to allocate these costs within the total budget. The fact that I did not have the funds to visit the respective organisations in England is very much responsible for that, which caused that there have been limits to the willingness of stakeholders to cooperate because they did not know me personally.

On the other hand interviewees often could not estimate time spent and costs made because decision-making has been spread over such a long period. Third, some organisations that have invested a considerable amount of time worked on a pro bono basis, or were private organisations funded by their members, which were not often publicly funded bodies. Their efforts have not necessarily been paid for by taxpayers' money, thus not having a bearing upon the costs inherited to the design of the institutional structure that facilitates museums policy. On itself, that of course sheds a new light on the social costs of public/political decision-making on museums policy.

However, I do not expect to have reached different conclusions if I had obtained all annual reports of the organisations involved, although I do think that I could have drawn inferences from data more carefully sometimes.

At last, I experienced it is wise to record interviews instead of making summary notes if topics discussed are politically sensitive. Although a researcher could never use quotes that have not been approved, it might help to diminish the chance of the retraction of statements afterwards.

#### **4.9 Concluding remarks**

All together, I believe the applied methodology and methods have helped to find out who the main actors are and what their incentives have been to 'campaign' in favour of or against free admission, because I have been able to cross check their view on their incentives and approach with their opponents and colleagues, supported by archival research. However, the reader should judge that by him- or herself in the next two empirical chapters. We start with the 'Free for All' campaign in England.



## **Chapter 5. Case Study 1: The 'Free for All' campaign in England**

### **5.1 Introduction**

This chapter investigates the English decision-making process on admission charges to national museums, employing the perspective of public choice theory and cultural economics as discussed in the former chapters. While analysing data, I focussed on finding out what means and channels have been used and till what extent or what economic rationale has driven the behaviour of actors. In addition, I investigated how they benefited from their institutional power or the institutional endowment of the governmental system through which museums policy is financed and developed. All together, when, what, where and why have been the leading questions.

Interviewees and questions can be found in appendix 1 and 3. Background information about the objectives and origin of the various organisations can be found in appendix 2. While the institutional endowment described in the former chapter is instrumental to understand the choices by Government, Parliament and DCMS, I now hope to give insight in how principal-agent relationships have been maintained regarding free admission and how information asymmetries have influenced the behaviour of actors and the rational influencing strategy they chose to pursue their goals with. All together, the researched documents and interviews have made it quite well possible to assess the behaviour and success of stakeholders.

I expected the English 'campaign' to be structured. Soon, I found out that the opposite was the case. To cite the Director of the National Campaign for the Arts (NCA) who initiated what by some is being called a campaign for free admission; 'we had an approach that was appropriate to real life. And real life is messy'. First, an overview of the events that guides the reader through the remaining chapter that is structured along interests.

### **5.2 Key motives and phases**

Although Labour did not included free admission in its Manifesto, earlier that year in March 1997 when Labour was still in opposition, Jack Cunningham and Mark Fisher, the shadow Ministers, published a document that entitled *Create the future: A strategy for cultural policy and the creative economy*. In a section headed 'making our national institutions more accessible' they said; 'we are concerned about the introduction of admission charges in

national museums. These great collections have been paid for and maintained by the British people. We will review the evidence of charging. Some evidence suggests that high charges can lead to a big decline in attendance`. And at 3 February 1997 in its Mansion House speech, Tony Blair said that `they worried about the introduction of admission charges in national museums (National Campaign for the Arts, 1997:2). The evidence suggests that high charges can lead to a big decline in attendance`. Obviously, there was a momentum to push free admission forward because Labour came in power in May 1997, with Chris Smith as a Secretary of State for Culture (1997-2001). The arts world expected a lot from Chris Smith, with which he was closely connected, and with him and Mark Fisher (1997-1998) as Minister of Culture the museums world expected free admission to be a matter of time.

Apparently, free admission appealed to the hardly measurable externality arguments that justify public funding such as option, prestige and existence values. As such, much of the debate has focussed on the level of the consumer, particularly as a passive participant, fitting into an equality of rights objective that matched the general ideals of the Labour Government focussing on social inclusion. In the discussion the assumed efficiency benefits of charging from a managerial perspective have been of minor importance. There was a genuine belief in the policy, although over the years research has shown that it is very difficult to increase participation to the arts and heritage as part of a more general issue of income distribution and educational attainment (Johnson, 1996). Anyhow, DCMS found important national museums on their side.

However, since the May 1997 elections and the establishment of the Labour Government, it was the formal position of the Government that they have no power to decide whether or not museum trustees impose admission charges; `It is only by persuasion that we can get our museums and galleries to maximise access, unless we were to change the Museums and Galleries Admission Charges Act of 1972 ( House of Lords, 22 May 1997). Which is not true since DCMS do has the power to decrease grant allocations which would be an incentive for museums to cooperate, but for the moment the Government hide behind regulatory arrangements? In addition, the spokesperson for DCMS and the Treasury in the House of Lords, Lord McIntosh of Haringey said that the evidence was nothing like as clear cut as indicated: We do not know that museums lose a lot of customers through introducing charges` (House of Lords, 22 May 1997).

The official Government line did not restrained Smith to state during the Labour party conference in October 1997 that his department had one overriding ambition: `to enhance the cultural life of the nation, for the many, not the few` (Guardian, 25 November 1997). But by



early November both Smith and Fisher started to speak of charges in the context of public finances: We are looking at the issue of charges for admission – a difficult issue when the public finances have to be so carefully husbanded. (Ibid)` In early November 1997 Fisher even told the museum world during a conference that museums should take Harvey Nichols, the most exclusive private shop in London as an example for how to run their businesses. This went down in history as the Governments U-turn, and forced the different stakeholders to intensify their campaigns. Eventually, Mark Fisher was sacked in 1998 by the Prime Minister, to be replaced by Alan Howarth (1998-2001). However, it is not clear whether Smith felt pressure from Government or that the reaction was influenced by the report by the Museums and Galleries Commission, which said few new visitors, would be put off by charging (Bailey et al, 1998).

So with the Treasury refusing to allocate money to subsidise museum and gallery entries, the Director of the National Portrait Gallery concluded that the only hope for preserving the principle of free entry lied with an intervention by the Prime Minister. At the time he stated that `The only way the battle is winnable is if there is a hint of a campaign building up. I don't think the Labour Party was elected to renege on free entry. They do keep a close watch on public opinion, and I think there will be a quiet edict from Downing Street next week (Guardian, 25 November 1997).

That was also when the NCA, the Independent and others enlarged their campaign, supported by artists such as Bridget Riley and David Hockney for free admission. As a result the extent of support for it began to impress the Prime Minister and Treasury. During a pre-budget meeting at the Royal Academy, Mr. Fisher told that `the campaign by the two papers before Christmas on free admission to museums had been very helpful` (The Independent, 22 March 1998).

However, the U-turn rather seemed to have a strategic impetus than that it was a change of principles. In a press release dated 8<sup>th</sup> of December 1997, Smith said; access is a cornerstone of all this Government's cultural policies, including those to museums and galleries. `We want to see access to our cultural treasures made available to the many, not just the few`. In an article in the Evening Standard at the first of December he also stated that they continued to strive to maintain the balance. December 1997 was an important period because negotiations about the 1998 Budget were going on with the Treasury. It was therefore also not surprising that the Trustees of the British Museum threatened DCMS in early December that the museum would start to charge if DCMS could not relieve its financial pressure.

What followed was an intensive campaign till 17 March 1998, when DCMS publicly announced it had been able to reserve a budget for the compensation of already free museums for free admission in the 1998 Budget because £ 40 million of Lottery money was reserved for the abolition of museum charges (Kaletsky, 17 March 1998). This meant a £ 2 million grant for the British Museum, V&A, Natural History and National (Portrait) Gallery and the Tate over three years. It was being commented on in the press as a gesture, but not a solution, so the next year's Budget had to bring the final move (Ibid). As such, it has always been considered as a supply side subsidy, instead of compensating potential visitors.

Overall, the Government's commitment to free admission came as part of a rethink of arts funding following the extra £ 290 million Chris Smith won from the Treasury in the public spending round 1999 (Lister, 25 July 1998). At 13 December 1998 Smith announced at BBC Radio 4 that £ 100 million of the money would be earmarked to guarantee free admission at all national museums, including those that charged already. Children would go in free in 1999, pensioners the year thereafter and by 2001 there would be universal free admission for the national museums. Shortly thereafter, the arts world and Parliament lined up for the next and last stage of the campaign around the VAT issue against the Treasury.

### *5.2.1 VAT issue*

Searching for aspects that could possibly point at a rational influencing strategy of stakeholders, the VAT issue revealed well-considered strategic behaviour by actors. Although identified as a problem from the late nineties e.g. by the Director of the NCA, Lord Freyberg and Earl Clancarty (Mail on Sunday, 23 November 1997), the last big obstacle that threatened free admission was the VAT issue, which suddenly threatened Museums' free entry in 2000, when the Treasury Customs and Excise warned that the decision to allow in pensioners without paying may stop museums being able to reclaim VAT.

DCMS chose for an intelligent approach that secured public support and pressure for their case, because in 1999 Howarth requested the Art Fund to draft a proposal for an amendment of the 1994 (European) VAT Act (Art Fund, 2007:3). Interest group power was needed to broaden the support for the policy since the absence of a network of consensus could reduce DNH's influence in the Government, producing a loss of central control over the policy frameworks, and a smaller chance of achieving the free admission policy.

The paper drafted by the Charities Tax Reform Group on behalf of the Art Fund proposed a number of options. It was agreed that the best chance of resolving the VAT issue lay within bringing national museums and galleries within the scope of Section 33 of the 1994

VAT Act ( Art Fund, 13 January 2000). This already allowed local authorities and the BBC to recover VAT, despite not being in business. Although officials at the European Commission made it clear that they regarded it as a domestic matter for the United Kingdom, the Treasury kept on saying that European legislation would prevent any such extension.

In fact asking for an indirect government that was estimated to be in the order of £ 50 million per year (House of Lords, 29 March 2000), this decision would fulfil an older wish of non-charging museums that could now be arranged under the header of free admission. Especially round the Millennium an enormous amount of building work was being carried out at museums all over the country, and large amounts of private finance were being used to enable that building work to take place. The risk was now that those museums probably had to pay enormous amounts of VAT on the new buildings if they remained free. With declining government grants (for all museums) as an incentive to campaign for compensation for free admission as mentioned in chapter 3, a settlement of the VAT issue was more than welcome. A long time it had been the position of the Government that it was a matter for the museums to negotiate with Customs & Excise and to seek to persuade them that they are still businesses even if they have free admission (House of Lords, 29 March 2000). Again the Government tactfully made play with the at arms' length governance of national museums, while in fact DCMS would later on negotiate with the Treasury on a settlement of the problem. Especially the last phase of the campaign around the VAT issue was just a trial of strength, because the arguments of the Government against the amendment to the VAT proposal were not valid. Possibly, it was just not wise for PR to say that they were unwilling to subsidise the arts indirectly?

Anyhow, to try to get round the impasse in achieving legislative change, Chris Smith introduced a £ 1 admission charge, which was being called the `Quid's in` policy and allowed charging museums to continue to reclaim VAT.

Besides the proposal there is lots of evidence of other informal and formal lobbying activities, for example by the House of Lords. At the 29<sup>th</sup> of March 2000 Lord Freyberg urged the Minister to do everything he could to resolve the VAT issue that threatened the implementation of free admission. All Lords present supported his views, which was indicative for the support for free admission in the House of Lords.

Despite the pressure, the government was not yet prepared to give in. In reply to the speakers of the 29<sup>th</sup> of March, Lord McIntosh made the following statement: `...the tax loss could be in the region of £ 50-70 million in this area. We are not stupid. This is public money. If the money is going out to museums and galleries and is being recovered in the form of

VAT, you do not seriously think that the Treasury Customs & Excise, and the DCMS have not taken that into account not only in the way in which the size of grant for the DCMS is framed. A number of noble Lords have spoken as if this were somehow a quick fix. The noble Lord, Lord Gibson, said that there was no repercussive effect. Of course there is a repercussive effect. If we set targets for public expenditure in this country in the knowledge that some of our expenditure is gross and sums are covered in VAT, then we are locking at the effect on public expenditure; and that is what we published in our Budget figures. ...I do not say firmly and finally that there is no prospect of change to Section 33. We shall continue to look for possibilities for change. I am not saying that there is no possibility that other ways may not be found of improving the funding of museums and galleries` (House of Lords, 29 March 2000).

Subsequent the debate both Chris Smith and the Chairman of the Art Fund, Sir Nicholas Goodison wrote to Gordon Brown, putting the case for an amendment to Section 33. Later on Smith also wrote the Prime Minister setting out the case and asking for his personal support. This was followed by a letter on 16 October 2000 to the Prime Minister from Sir Nicholas Goodison, jointly signed by 24 Chairmen and Directors of the national museums and galleries (Art Fund, 2007:4).

As part of the 2001 Budget, the Treasury announced at 7 March 2001 that national museums would be added to those bodies able to reclaim VAT under Section 33 of the 1994 VAT Act.

This left the national museums with a quite unfair situation, because the museums that had always been free were less compensated than the charging museums. Therefore, the Director of the Art Fund concluded that `We must congratulate the Government on making free admission a reality, but ministers must now match this with a determination to provide our national museums and galleries with sustained and adequate core funding. If they fail, the introduction of universal free admission could be a hollow victory. (The Evening Standard, 3 December 2001) And yet the first problem rose, because visitor numbers increased that much that costs rose steadily, to a level more than for what the museums were being compensated.

Investigating the approach of the Secretary of State who I assumed to have a decisive role in the campaign, he stated in an email of 26 April 2007 that all together the proposal to restore free admission was very largely driven by a political, rather than civil service or museum, impetus. "I had decided right from the outset, when I became Secretary of State in 1997 that I

wanted to achieve free admission. And I set about trying to get all the pieces of the jigsaw in place: persuading the Prime Minister and Chancellor that it was a good idea (they didn't necessarily think it was at first); then securing extra money for the museums budget from the Treasury (this took at least two years to do); then sorting out the VAT problem; then convincing some of the more reluctant Museums Directors that they should go along with it (the Natural History Museum for example was very reluctant); and finally getting everything agreed. It required a lot of arguing with both officials and special political advisers at 10 Downing Street and at the Treasury; it required a lot of public advocacy; it required constant reminders to my own civil servants that this was really important; it required several lunches with Gordon Brown, the Chancellor; it required one or two preliminary steps (when we didn't have quite enough money, and hadn't sorted the VAT issue) like free admission for children, and then free admission for pensioners; and it required above all a lot of determination to keep on going. A number of the key national museum Directors played a part in keeping the idea alive, even when it seemed as if it was going to be very difficult to achieve. The most important of these were Nick Serota at Tate and Neil McGregor, who was then at the National gallery. They were key allies in the fight. It's a classic lesson in how to establish a political goal, put a lot of political drive behind it, and get there eventually – but it taking a lot longer than you originally thought it would.”

The above standing explains much about the rational influencing strategy of the political lead of DCMS. But luckily for Smith various non-political stakeholders also wanted to sustain free admission. Their approach and networks will be dealt with later. As quite a large number of organisations were active during the process, the remaining of the chapter will be structured along interests, instead of chronology because this explains the lobbying process more clearly. First, some examples of the work of DCMS to achieve free admission on behalf of its Secretary of State.

### **5.3 DCMS – The bureaucratic tier**

According to the Head of Museums and Libraries Sponsorship at DCMS their argument was mainly driven by Chris Smith, who wanted to improve access. He believes that before 1997 there were no activities by DCMS on this matter. Speaking about the role of his political leaders, he mentioned that Alan Howarth and Chris Smith were a good team. Howarth was very involved as well, seeing the various people and groups outside government. Together they realized a sufficient amount of political pressure together with lobby groups, trustees and

lords to convince the special advisors of the Prime Minister and Chancellor. The personal assistant to Chris Smith was also instrumental in that. He even stated that 'what we needed were the prime ministerial advisors on our side', logically this is what has very much been invested in, through informal lobbying, by the Minister and Secretary and other politicians. The Lords lobby was also considered important, but DCMS did not had to do anything to let that happen, since they were already committed. As such, there was a lot of cross lobbying. Other departments besides the Treasury did not had an interest in this process and let DCMS do their lobbying without obstruction. With the Lords on the same line as DCMS there was no sign of a complicated principal agent relationship between officials and lower-tier legislators. Although rent-seeking behaviour by bureaucrats is mentioned explicitly in literature, DCMS has in this case been very loyal to its Minister and Secretary. A potential explanation, as already offered by Mazza & Van Winden (2003:20) could be that if competition among the lobbies is sufficiently balanced, the policy selected by B will perfectly match the preferences by L. Or the bureaucratic tier simply did not have the power and/or intention within this sphere of influence to diverge from L's interests. The importance of special advisors in the process reveals the functioning of a sort of gatekeepers system to the upper legislative tier, in which special advisors to Ministers and Secretaries prepare decisions and negotiate on behalf of their superior.

Commenting on the process and other actors involved, he stated that the Art Fund was the leading lobby, backed by the enthusiastic Sir Denis Mahon. Sometimes the Art Fund interfered in a way that DCMS considered risky, such as their direct contact with the special advisors of the Prime Minister. From the perspective of principal-agent theory, it is quite logical that DCMS was frightened to share its access to Prime Ministerial level with groups outside Government, because they were not longer able to control or foresee the full chain of events that they hoped to orchestrate if others interfered. This was unusual for a Department that had just introduced three year Funding Agreements and performance indicators for its national museums to carefully husband its objective function.

Although DCMS was not in the position to lobby, they did meet with the Secretary and the Art Fund twice a week during peak times, and there has been contact with several Lords.

Being a fully informed agent to its principal, their political leaders, the task of DCMS was very much to provide the policy framework for introduction, as later on was stated in the annual reports. As such, their strategy was very much influenced by the technical possibilities; they sought for constraints that needed to be relieved and advised their superiors from their perspective. The Head of Museums Sponsorship stated that compared to other arts

policies their investment has been fairly substantial but not exceptionally heavy. In terms of cost it was not an expensive policy to implement, all special expertise was in house, with two to four officials working on it during 1997-2001 for 50% of their time in peak times.

From the viewpoint of DCMS breakthroughs in the process have been the 'quid's in` campaign, the VAT solution, in which they were assisted by the Art Fund, the clearance from the European Commission and afterwards to sustain the success of the policy by continuous monitoring of visitor numbers. These self-named examples very much underline that they indeed derived their success from supporting the political campaign by well planned and considered (temporary) policy plans, in line with their role facilitating the legislative tier.

In order to steer the debate and have the arguments, DCMS/ the Government decided to review admission charges, of which the results were initially to be published in November 1997, before grant allocations were made in late December. Such actions underline their search for an informed policy, although it was instrumental to an already existing conviction, instead that it guided policy development. But the results were delayed for a political reason since the Trustees of the British Museum planned to meet at the 6<sup>th</sup> of December 1997 to discuss whether to charge or not to charge (Harlow, 30 November 1997). With behind the scenes negotiations going on to between Treasury, DCMS and the museum to see if Government could provide additional funding to prevent them from charging, this was not a good moment for a lot of media attention, especially since the British Museum Trustees (which was at that time the biggest London tourist attraction in terms of visitor numbers, and the country's most prestigious cultural institution) threatened the Government by its decision to charge unless the Government found £ 2 million to bail it out. The media added strength to this statement by letting the Director of the Art Fund stating that if the British Museum agrees to charges, then others will follow like a falling house of cards' (The Observer, 23 November 1997). Analysing the various means and channels that have been used in the process, this is one of the few examples of pressure, which in this case have not been used to built up a reputation, but to maintain one, contrary to the findings of Sloof and Van Winden (2000).

#### **5.4 Museums and Galleries Commission (MGC)**

Before moving to the incentives and behaviour of organisations not financially dependent of the Government, first more on the insights the research has offered to the motives of the MGC and its role. Being the Government advisory body for museums, the MGC did not have many contacts with the organisations that really campaigned for free admission, as the Deputy

Director stated (1996-2000). The MGC Commissioners advised the Government on a voluntarily basis, appointed by the Prime Minister. Officially, the MGC was committed to the principle of access for everyone to museums and galleries (Guardian, 28 November 1997). According to its Deputy Director, there was a continuing conversation with the Government on the issue. But the fact that the MGC was in a battle with DCMS to transform the organisation into the MLA Council from 2000 certainly diminished the power of the organisation.

The MGC commissioned research because they were concerned that emotions obscured a more objective assessment of the facts. Its findings, based on work carried out by Glasgow Caledonian University (Bailey et al, 1998) did not received a very warm welcome, probably since it stressed that the general public did not really see admission charges as a barrier. The critique was that there were too many examples of conjecture in the report (Rowan, 3 December 1997). It was followed by a fierce discussion in the media on how charges affect visitor numbers, after the Director of the Natural History Museum publicly stated (The Guardian, 1 December 1997) that the figures before and after the imposition of admission charges in his and other national museums were unsubstantiated.

Besides the research they commissioned, the MGC produced briefing papers to inform the Government of likely effects. Because they all advised different officials, depending on their fields, there were plenty of opportunities to discuss the issue. Only the Director incidentally met the Secretary of State or Minister to discuss free admission. Doing so, the MGC only used the institutional advisory space being granted by DCMS, perfectly fulfilling its advisory role. As an advisory body for the whole museums branch, it was also not in their sectors interest to have an explicit opinion, because regional museums did oppose the plans, afraid of substitution effects. The Deputy Director believes that the MGC did try to influence the base of the argument, but has not lobbied for the outcome.

## **5.5 National museums**

As Smith mentioned, museums largely jumped into the opportunity that Smith offered them by stating he wanted to achieve free admission. But there was a divide between those that were pro and against charging. Those national museums (National Gallery, Tate, British Museum, National Portrait Gallery, and John Soane Museum) that were strongly against charging but that were afraid not being able to sustain it very much campaigned for free admission. Shortly after the Governments U-turn the Trustees and Directors of the National Gallery, Portrait Gallery, the Tate and the British Museum claimed that unless money was



found to rescue them from financial pressure, they would have little option but to start charging the public. The non-charging museums used exactly the same equity arguments as the DCMS to increase their core funding and save free admission by higher government grants. So how did they help Smith to realize his goal?

Besides threatening the Government to introduce admission charges, they started a political and media campaign supplementary to the activities of the Art Fund and the NCA. They used their networks, PR officers, and the press to impose their views. For their Trustees, free admission was the cornerstone of democratic access to their cultural inheritance (Daily Telegraph, 27 November 1997). In addition, the Director of the National Gallery stated that museums should not be forced to sacrifice the sacred principle of free admission for the sake of a few pounds, because museums are not set up to earn money or pay taxes, but for education and lifelong learning (The Guardian, 26 November 1997).

There was also a smaller lobby by regional museums from the Liverpool area opposing the campaign, which found its way into the Select Committee report in 2002, but in general those regional museums and non national museums have not been very influential, as stated by the Managing Director of CTRG.

The charging national museums that did not favour Government compensation to provide free for all were the Imperial War Museum, the Natural History Museum, and the National Maritime Museum and to a lesser extent the Victoria & Albert Museum, which introduced compulsory charges in October 1997 out of financial necessity. They did agitated against decreasing Government grants (the underlying problem), but did not saw free admission as symbolic to that.

In early November Alan Borg, Director of the Victoria & Albert Museum was quoted by the Evening Standard as saying that to provide free entry to museums out of the public purse amounts to subsidy to the middle class (The Evening Standard, 27 November 1997), and that compensation for free admission would be finger-in-the-dyke-stuff. As such they declared to have an objective function in which efficiency was more important than equity. He challenged the manner in which the arts were being treated like other economic sectors. Ultimately scholarship and knowledge cannot be subjected to that sort of efficiency audit, he said. 'The issue is central funding. You've got to get to the centre, to the Treasury. We can make lots of positive arguments. The contribution of museums to things like tourism is enormous' (Guardian, 6 February 1998).

In reply to the announcement that free admission was to be secured, the Director of the Natural History Museum said: 'We have not asked for this. There are advantages to charging. We have charged for eleven years. We have record attendances. And charging has meant we have had to be much more responsive to our visitors than we were before, because expectations are higher' (The Independent, 25 July 1998). Another incentive to disagree was probably that in the long term it would result in a decreasing self-generated income for those museums, which had to sacrifice a bit of their financial independence. If free admission was going to be realized, it was in their best interest to sustain the pressure as long as possible so that they would be more compensated. That was also what they did, giving in just before Smith announced his achievement, while he has put pressure on the museums since 1999, when the budget had been secured according to the Director of the Imperial War Museum.

The Natural History museum for example gave in at 23 May 2001, when the Trustees decided to scrap their admission charge, followed by the National Maritime Museum, which both became free from December 2001. A bit later the Trustees of the Imperial War Museum gave in as well. There was gossip in the museum world that Chris Smith had put large pressure on the National History Museum's Trustees to fall into line. However, the Director of the Maritime Museum did state that the success of the scheme in the medium to long term depends upon a fair VAT regime and the maintenance by central government of satisfactory levels of grant in aid.

So how did they advocate their case? The Director of the Imperial War Museum strongly denied that they were engaged with others in a campaign. He emphasized that museums are not homogeneous, but a range of cultural businesses, that do not operate in identical markets and have different needs. He described their relationship with DCMS as an ongoing dialogue during 1997-1999, but the Trustees' decided that it was better to charge for admission because they believed this was a fair and effective way of maximising the resources available to them to improve and develop the services and facilities they could provide to the public. The museum already offered discounts or free admission for children and had many educational programmes. However, it cannot be confirmed that the charging museums have lobbied in Parliament such as the non-charging museums did, except for a view on their approach from the Director of the NCA. Commenting on the resistance of the charging museums, the Director of the National Campaign for the Arts stated that their campaign was indeed not very impressive although they were persistent, in her opinion because they were a minority and because they were not so closely connected to Labour

Government due to history (Charges were introduced by a Conservative Government). They were a bit behind in terms of contacts.

However, when the funds had been secured in 1999 DCMS started to offer individual deals to each museum. The offer to the Imperial War Museum has been negotiated with the Trustees. In the case of the Imperial War Museum the DCMS offer was to enable admission at IWM North to be free on a permanent basis (DCMS had previously required that the new branch's operating costs would be entirely funded from income including admission fees). As such, it was not just a matter of persuading the charging museums, but of negotiating the terms of persuasion with them. In this case, the charging museums took advantage of the independency of their Boards of Trustees according to the arms' length principle. Their other three branches remained charging, because they are more perceived as heritage sites and English Heritage charges for its sites as well. Still, the Director does not agree with the base on which free admission was compensated. He argued for a more challenging but commercial system of compensation based on what we would have earned from charges (adjustable for inflation and to take account of new and improved services) from the actual number of visitors we received rather than what is in effect a depreciating fixed increase in the level of core grant in aid. That also puts question marks at the value of the policy for society in the long term.

The agreements further resulted in an interesting concession towards public opinion. For example, the Director of the National Maritime Museum stated in December 2001 in the *Independent* that it was great that people could now visit regardless of their capacity to pay.

In a sense I am surprised that especially the non-charging museums still favoured the Government to compensate for free admission because most of them have acquired a superstar status (Frey, 2003). Superstar museums are characterized by great prominence among tourists and have acquired world fame among the general population, such as the Museum of Modern Art in New York, or the Louvre in Paris. As a result they are known to have hybrid funding structures, attracting both public and private funding bodies. This phenomenon has first been conceptualized by Rosen (1981) and Adler (1985) on differences in income between artists. In the United Kingdom the Tate Gallery, Victoria & Albert, the British Museum and the National (Portrait) Gallery would suit this definition. But having a world-wide reputation and relatively easy access to resources they should be able to find other parties that are willing to secure free admission in the medium or long term. Why do they need the Government to compensate them for free admission that they value so highly?

Literature on the economic organisation of museums has taught us that museums are confronted with relatively high fixed costs on the supply side, whereas the marginal costs of servicing additional visitors are likely to be low up to capacity limits. They can never fully recoup costs by charges paid by direct users. With the underlying problem being decreasing government funding and a VAT ‘problem’ that had not yet been solved, they might have made their case towards the Government because they expected the transaction costs of convincing the Government of compensation for free admission to be less than if private funding bodies would have been approached, because of social ties and/or because of the opportunity Chris Smith gave them.

Another possible explanation might be that due to decreasing funding, the Boards of Trustees might have felt that the merit good argument they attached to the mix of outputs they offered visitors has been undervalued by the Government. They probably sought a reward for their efforts.

Most convincing is probably that the national museums wished to be compensated by the central government because Maddison (2004) confirmed that increased non-grant income results in a future reduction of central government funding. Apparently, the English museums knew that they would not be able to maximise their budgets if they would be compensated for free admission through private funding.

The suggestions could also explain the focus upon access as being free admission, instead of having a broader discussion on access to other outputs of museums besides the visit to an exhibition, as Johnson (1998) suggested.

## **5.6 National Museums Directors’ Conference (NMDC)**

Independent of the incentives for museums to influence decision-making, the organisation that ideally functions as an intermediary between national museums and the Government did not appear to be very influential in this case.

With its members having different views on free admission for all, it has mainly been single Directors who campaigned for free admission such as the Directors of the Tate, National Gallery and British Museum, and not the NMDC as a whole. Considering the fact that DCMS negotiated individual deals with the museums this is not very surprising combined with the fact that all museums individually had access to high-level decision-makers. Although according to the Head of the Museums Division at DCMS they officially remained an important spokesperson for the Government, they have not been a very powerful lobby

club during the process. The Director of the Natural History Museum characterized it as a gentleman's talking shop (House of Commons CMS Committee, 2002: Ev 24).

In fact, according to its Chairman over 1998-2001, 'the subject of entrance charges had polarised the NMDC for years, but the arrival of the Labour Government changed the basis of the argument. Those who were strongly pro-charging realised that it was likely that the government would insist on making all the national museums free, in which case the job of the Directors was to argue as strongly as possible that they should be compensated for loss of revenue. In this they were relatively successful, but this also upset those that had remained free (E.g. the National Gallery) since they received little benefit - their grants did not increase as much as those of the charging museums. In subsequent years the level of compensation for charging has not increased, so that all the museums are now operating with lower budgets. Museums that charged included special exhibitions in the entrance charge; those that were free charged for exhibitions' (5 April 2007).

As a typical example of rent-seeking behaviour, the charging museums also argued that the non-charging museums had already been rewarded by receiving higher grants because they did not charge. They argued that without compensation, they would no longer be able to operate their museums and would be faced with having to cut staff, opening hours etc.

### **5.7 Museums Association (MA)**

Contrary to the NMDC, it was a conscious decision for the MA not to operate at the central line in this discussion, because of the pros and cons to free admission and because the MA is supposed to serve the benefits of all its members. Its Director did not see it very much as a campaign, more as a debate that developed during the years, also because the museums did not really organize themselves (but one could question if collective organisation is a prerequisite to calling it a campaign). Although the MA was positive about free admission, it also very much saw the pain it caused for non-national museums. Its members experienced various substitution effects and angry visitors who thought that all museums in the country went free from December 2001. Therefore, the MA did make themselves heard by the Government and press, as an ongoing process of building relationships, but it did not so much take the initiative, but responded to questions. Another incentive not to act on the central line had to do with the position of the MA as a growing organisation. As the Director explained, due to their increasing size, they became more interesting for the Government as a partner to implement regional funding programmes. But their responsibility to the Government in those

cases did not always match with their wish to remain an independent branch organisation instead of a central Government facilitating organisation.

Nevertheless, the press fancied this idea from the beginning and did not so much paid attention to the downsides. He very much sees free admission as a political instead of principal decision, because the Labour Government could use it as one of its achievements, and Smith has been essential in realizing it.

### **5.8 House of Lords – The upper legislative tier**

In such campaigns with a political impetus, one expects Parliament to have a large influence on decision-making. Analysing reports of debates, written questions and newspaper articles, it appeared that especially the House of Lords has been influential. The House of Lords, and especially the Earl of Clancarty and Lord Freyberg (Hereditary Peer, trained as a fine artist) very much kept the issue on the agenda (E.g. the Guardian, 1 December 1997). Both were very passionate about free admission.

Speaking with Freyberg about his efforts and ideas, he explained that when he started to push the issue forward in 1996, it was a constant search for data on visitor patterns that were often difficult to obtain. For him it was a process of making speeches, putting down questions, writing letters to the press and a lot of lobbying through debates that sometimes occupied him all week. Besides regular consultations with peers, the NCA and the Art Fund, Freyberg also used to have many contact with VAGA, the Visual Arts and Galleries Association. Although he could not provide me with the statistics used at the time, he was convinced that imposing charges would have a devastating effect on visitor numbers. It would harm the value of arts education for the social fabric and the economic benefits for museums and its direct surroundings.

Elaborating on his contacts with other (governmental) organisations, he mentions that although the bureaucratic and legislative tier had a good relationship, officials did have to be convinced of the need of free admission. He tended to be on the telephone with civil servants, in order to explain his arguments. In his opinion the institutional memory was being lost in DCMS because all civil servants that had dealt with the last debate on free admission during the Heath Government in the seventies had retired. This underlines the assumed importance of path-dependency for policy outcomes.

All together, in his opinion there was no single organisation that was driving the process. Many felt strongly about it and it has really been the groundswell that made it happen,

although he never knew till the last moment whether the Government would give in. That demonstrates the exceptional influence of the Prime Minister/Treasury within the Government. Because all parties have been uncertain as to whether the Government would give in, one wonders how to explain the indulgence of the Government.

He assumes that the political pressure in Parliament, by the arts and in the media, as well as the assumed regenerative benefits (for education of children, for the social fabric) have been key for the final decision. In the end it was a fight of Chris Smith with the Treasury for funding, in which Lord McIntosh has probably been very instrumental, because he exactly knew the budgets and figures, and knew where there would be any room left for increasing budgets. In the end he believes that the decision to compensate has not been a sort of a bargain, but that it came down to Public Relations. The Government was continuously being portrayed as a poor custodian of the nation's heritage in the press and Parliament, which was devastating for the image of a Labour Government.

Freyberg assumes that Lord McIntosh of Haringey (Labour) has been very influential in the final negotiations between the DCMS and the Treasury. This had everything to do with his position. Being active in the House of Lords since 1985, he was very experienced and influential. As the Government spokesperson in the House of Lords for the Treasury *and* Culture, Media and Sport over 1997-2001, he acted as the Lords minister for both Departments, acting as the fully informed intermediary between both Departments. Moreover, he was also appointed as Deputy Chair of Committees between 1997-2001, Government Deputy Chief Whip during 1997-2003, and Deputy Speaker over 1999-2002. During debates his double position was met with great merriment in the House (29 March 2000). As Viscount Falkland (Liberal Democrats) stated; 'we have had from various noble Lords a foretaste of what the noble Lord's reply to the debate may be and the difficulties in which he may find himself among the various functions he performs so expertly... one imagines that the noble Lord might be tempted to appear in the fashion of a music hall comedian, perhaps in a suit of which half is that of a tax collector and the other half that of a Minister for the Arts and having an argument with himself`.

## **5.9 House of Commons – The lower legislative tier**

The House of Commons did not have such a prominent position as the House of Lords. Except for a couple of questions being asked in the House of Commons, Members of Parliament have been (quite) absent in the discussion. Only afterwards the Select Committee of the House of Commons, the Culture Media and Sport Committee investigated the funding

and free admission issue (2002). That does not mean that they were against the idea. In the report the Committee stated that 'we wholeheartedly support the principle of free admission to the nation's key artistic, cultural and scientific storehouses, but more specific work needs to be done to achieve the objective of broadened access. Since the Government has called the tune, it must keep paying the piper (2002:25).

As being said by the Director of the NCA, MP's were not as active as she would have liked them to be before 2001. In her opinion, one of the reasons might have been that the House of Commons was so busy debating new legislation made by the new Government that they simply could not pay too much attention to such issues, as long as no legislation was involved.

Because the House of Commons only has the power to comment afterwards on the proposed Budget, it was a logical choice of the stakeholders to campaign for free admission through the House of Lords in the agenda setting stage. Being appointed by the Queen and unpaid, they are considered to be more influential than MPs, due to their status and contacts. This contradicts the larger responsibilities of MPs because the Lords act as a revising chamber for legislation and its work complements the business of the Commons. That the Lords have put such a weight in the campaign does say something about the hierarchical organisation of English society and the importance of nobility, which have always valued the arts highly. Their natural inclination towards support for the arts made them very suitable to stand up for the principle of universal free admission.

According to the Director the NCA, the support of the various Lords, Earls and Dukes within the legislative tier very much opened doors during the campaign. As such, it appears as if reputation has been crucial in the campaign as a convincing 'weapon' in a situation in which the Prime Minister and/or the Treasury had a veto right, so that only the select group that had the position to influence them had a chance of being successful.

### **5.10 National Campaign for the Arts (NCA)**

To come back to those organisations that really campaigned for free admission it can be said that the NCA has been influential in the first phase of the campaign. According to Lord Freyberg the NCA was a driving force in turning the opposition against charging into a campaign. In 1996, the secretary of a small advocacy organisation for artists approached the Director of the NCA about the possibility that national museums might have to start charging. She was strongly against the idea because as a volunteer she experienced how important it



was for disabled children to have 'access' to art. The organisation she volunteered for could not afford to pay the entrance fees that might be imposed.

With this complaint as the immediate cause, the NCA (which exists out of a Director and an assistant) started to think about the subject and decided to take it forward, although it normally foremost represents performing arts organisations, because that are mostly their members. Their first aim was to get this in the Labour Party Manifesto, which did not happen, although Tony Blair did mention it in a speech, as said earlier.

So how did they work on a ground swell? The NCA tried to get as many people round the table as possible. The NCA has spoken separately with representatives of all sorts of organisations and artists. The group of important British artists such as Richard Hamilton and Bridget Riley (who was a Trustee of the National Gallery as well) that joined the campaign was very active. In a letter to the Independent (December 1997), twelve of Britain's most prominent artists added their voices to the campaign, and at 2 December 1997 a group of artists (some of them from the Turner Prize shortlist that week) also presented a petition to DCMS, together with a letter to be delivered to the Treasury. According to the Director, in a meeting of Riley and the NCA with the Minister she made big fuss about the whole idea of charging, saying it was a breach of the principles of fairness and justice and she expected better of a Labour Government. The artist Richard Hamilton also designed campaign posters that hung all over London, because they wanted their works to be seen. The artist Sean Scully pointed out, in an article in the Mail on Sunday, that when he was a painter and decorator he had travelled every lunchtime to Tate Britain to see Van Gogh's "The Chair" which had been his inspiration as an artist.

Further, the NCA compiled a publication "Free for All" with facts and figures and a cover using the British Museum's "Free for All" poster (National Campaign for the Arts, 1997). They joined up with the Director of the National Gallery, National Portrait Gallery, the Tate, British Museum and various smaller arts lobbying organizations and trade unions. In addition, they prepared briefings to the House of Lords and worked together with Lord Freyberg. According to the Director they then got lucky because the Art Fund decided to come behind them. As the only organisation having a budget to campaign she explains their help was very welcome. Their campaign office, publicist and parliamentary lobbyist started to do all the press work and put some money into the research. The Art Fund also brought the major benefactors in. At the same time, the National Gallery and the Tate brought in the freelance publicists that dealt with their portfolio, which were Erica Bolton and Sarah Macaulay of Bolton & Quinn and Hopsbawn & Macaulay.

The NCA continued together with several Lords and Dukes (such as Lord Freyberg) to convince other more reserved politicians and museum directors. They also got the London All Party Group for Arts & Culture and Local Councillors involved. Speaking about aspects or elements of their campaign that she found important, she mentioned a couple of aspects that revealed the importance of social ties as a means of influence.

In her opinion it was important to get the right people to speak about it. They were very sensitive to hear key players such as the minister Lord McIntosh of Haringey saying that 'he would not pop across the road every morning to the National Gallery if he had to pay`.

Commenting on the process, she did had the impression that Chris Smith was quite close to Gordon Brown and that he did not ideologically opposed it. Furthermore, he used to be a campaigner for free admission at university in the early seventies. Another important factor was that Sarah Macaulay, now Mrs Brown, was a partner in Hobsbawn Macaulay, the PR firm that also did the PR for the National Gallery. She was known to be passionate about free admission.

But for a new Government so many things are going on that they needed a groundswell to realize the commitment from the Treasury. The public very much had to show the Government that they really wanted it. In 1999 when the VAT issue came up, the Art Fund took the lead in what was the second phase of the campaign.

### **5.11 National Art Collections Fund (Art Fund) & Charities Tax Reform Group (CTRG)**

It was the NCA that asked two members of the Art Fund in 1997 to join their steering group, and they agreed. Later on, they persuaded the leadership of the Art Fund that it was a cause to support. The Art Fund launched it as the *Free for All* campaign, and has in fact led the VAT campaign from 1999 on instigation of Arts Minister Alan Howarth. In the summer of 1999 he agreed to a suggestion from former MGC Commissioner Sir Hugh Legatt and Sir Denis Mahon, that the Art Fund would be an appropriate independent body to lead a campaign on the VAT issue (Art Fund, 2007:3). Howarth suggested that the CTRG should be approached for technical advice. All this resulted in a proposal prepared by CTRG at the request of the Art Fund, presented to the DCMS and Treasury at 13 January 2000 by the Chairman of the Art Fund, Sir Nicholas Goodison (Art Fund, 13 January 2000).

The campaign office of the Art Fund produced visitor statistics, commented on the debate, and continuously fed new statistics to press and supporters. The Art Fund's director

also made numerous appearances on television and radio. In parliament, their lobbyist included the 'Free for all' campaign in their portfolio.

#### *5.11.1 CTRG*

In cooperation with the Art Fund, CTRG has been very active supporting the campaign during a relatively short but intense period. For the CTRG, who became involved in 1999, it was a two level campaign: the Art Fund has dealt with the political/media level, whilst they did the technical campaign. Minister Howarth, who brought the Art Fund and CTRG together, knew CTRG from previous work. CTRG had the juridical expertise to work out the proposal for an amendment of the VAT law, and worked on a pro bono basis. After they drafted a VAT proposal with the help of various policy and tax advisers they used to work with, the Managing Director started to secure European approval for their proposal. Together with Sir Denis Mahon, CTRG negotiated with the European Commission directly, which was easy because CTRG chaired the European Charities Commission on VAT. Further, CTRG delivered content and explanations during briefings in the sector to agree on the way forward organized by the Art Fund, as well as presentations to Ministers and Parliament on the proposal (rather than officials), often close before debates. They briefed the Minister of their proceedings through his parliamentary office, since they had a supportive and not leading role. She estimates to have spent approximately 150 hours in 2000 on the campaign.

Commenting on the role of the national museums she registered some hesitance. Some directors (the free admission camp) were closely involved due to social ties; they could just get along well with decision makers in Government and at the Art Fund. Together with the Art Fund, CTRG very much brought the donors into the campaign that wanted their works to be seen. These were newly established relations for the CTRG. It seems as if especially the NCA and CTRG have invested in new networks, as outsiders within museums policy decision-making processes. The others already had access.

Asking about likely breakthroughs, the Director said to believe that the turning point in the process was that she saw Sir Denis Mahon approaching the Prime Minister at a reception at Downing Street no. 10, while a prominent journalist and special adviser were close to him. He passionately advocated his case and in her opinion, the Prime Minister was less reluctant since that time.

Looking back, she is convinced that essential for the success of the campaign was the single-minded goal of the various stakeholders, coordinated by the Art Fund. In her opinion, national museums never felt the need to cooperate before because they all have access to high

levels to advocate their views, although it is not always in their best interest to operate individually. This time, everybody brought in their expertise and was complementary to each other.

### **5.12 Sir Denis Mahon (1910 -)**

Mahon has been one of those key persons in the discussion that seemed to be influential, because his opinion was often being referred to during debates in the House of Lords (e.g. 29 March 2000) and in the press (e.g. Breen, 28 October 1997). Besides having influential friends, he gained his recognition as an art historian and patron. Having collected Italian baroque paintings that were first despised and later regarded as masterpieces, his collection was the only one to fill the gap between the 16<sup>th</sup> and 18<sup>th</sup> century from the 1970's. Mahon very much used the importance of his collection to bludgeon the government into allowing national museums that do not charge an admission fee to recover VAT. His collection and bequest very much functioned as a carrot for the Government. In his opinion the state had a clear responsibility to finance the running of galleries because the taxpayer had paid for the contents.

He threatened the Trustees of the National Gallery (of which he was a Trustee himself as well), and those of the National Galleries on Merseyside and National Museums of Ireland, in 1997 that he would withdraw his pictures and cancel his bequest if they would start charging. He enforced this threat when the Walker Art Gallery, part of the National Galleries on Merseyside started to charge; he transferred his pictures to the National Museums of Ireland.

As an excellent example of pressure, Government was very sensitive to his threats. In the House of Lords, Lord McIntosh of Haringey agreed that the Government should consider the effects of the idea of Mahon to withdraw all his pictures on loan (22 May 1997). In his opinion it seemed highly desirable that the Secretary of State should meet him and talk about it. Eventually, the Lord even flew to Bologna to discuss the issue with Sir Denis Mahon (House of Lords, 29 March 2000). Although Sloof and Van Winden (2000) concluded different, pressure was in this case certainly used to maintain a reputation, and not only to built one.

Threatening was not the only thing Mahon was very good at. Together with the Managing Director of the CTRG he lobbied the European Commission. During several weeks in 2000, when there was much debate about the VAT discussion. According to the Managing Director of CTRG, he used to call the Managing Director every Friday evening to discuss last

week's proceedings at a European and national level and what their next steps would be. Although the CTRG chaired the European Charities VAT Committee, he personally did the correspondence with Romano Prodi.

### **5.13 Media**

A last relevant interest group, besides the Treasury, includes the media such as the more intelligent newspapers and the BBC. There was a very broad support among the media for free admission for all. The general opinion as expressed by the Guardian (8 November 1996) was that free admission to museums was considered as a defining national characteristic of Britain. 'The freedom to be able to browse in a museum or gallery, even for half an hour, is a small but vibrant British freedom which is not worth destroying just to raise a few millions ... the salami slicing that defines the Treasury's approach to public expenditure on the arts is also slicing off subtle freedoms, that once gone, will never return. People should not have to pay to see their own heritage'. Rather than an equity objective, the Guardian thus represented it as a principal stance that did not need any supporting arguments.

To press the case, especially when DCMS experienced hard times convincing the Treasury, a couple of journalists from newspapers such as The Independent, the Mail on Sunday, the Times, the Guardian, the Daily Telegraph and the Observer published a stream of articles supporting the idea. The BBC was supporting television and radio coverage. Their opposition was partly orchestrated by the Art Fund, who sought actively for their commitment and sent press releases. The many letters to the editor by the interest groups and museum directors also helped to keep free admission high on the agenda (e.g. Mail on Sunday, 23 November 1997, MacGregor, 26 November 1997, Barrie, 3 December 2001, Jenkins, 5 October 2001). These newspapers and television channel scrutinized the Government as cultural philistines, opposing the wish of the public to have free admission for all too national museums.

All together it has to be said that the respective media have been very influential on its own to press the case. In addition to pressure from Parliament, they very much showed the Government that the public was very concerned about it, and being a Labour Government preaching social inclusion and the value of education, they really had to give in, otherwise their image could be seriously damaged.

## 5.14 Conclusion

Passion and ideological concerns have been the driving forces to push the Government and Treasury to fund free admission. Especially for most national museums this was not only a matter of principle, but also instrumental to secure more government funding for their services because grant-in-aid declined since the mid-nineties.

### 5.14.1 *Economic rationality versus economic thinking*

Institutional behaviour very much centred upon the central government that should compensate the national museums for free admission, probably due to the wish to receive acknowledgement for the service they offer society, or because it was convenient for the Boards of Trustees to settle this with the Government, having appointed a Secretary of State who wanted to achieve free admission.

Although such aspects might have influenced the base of the argument, it in principal does not discharge the national museums, Parliament and advisory organisations from a duty to strive for the most informed policy, so that social welfare will indeed increase. But the debate on charging in England seemed to focus on the principle of free access (presented as an English value) to the nation's cultural heritage as in this case preserved by national museums. Apparently ideology does not need fundamental research, but persuasiveness and ostensibly satisfying statistics. As such, both the advocates and opponents primarily mastered economic thinking, conveniently avoiding a thorough discussion on the economic rationale of free admission, as the MGC tried to initiate. Till a certain extent it was also difficult to predict what the result would be of free admission to 'all' national museums. To be able to sustain the policy DCMS now closely monitors visitor numbers and patterns, of which the first results are to be expected in late 2007. Except for the question of the opportunity costs, that research will hopefully demonstrate the value of the investment compared to other arts policy achievements, as far as these are measurable.

### 5.14.2 *Public choice theory*

Reflecting upon the process of decision-making from a public choice perspective, it is remarkable to note that non-measurable prestige, option and bequest values plus ideals such as equality of rights had a large bearing on the social welfare function that the legislative tier attached to the debate on free admission, rather than a wish to enforce efficiency. It has been the legislative tier who boosted the size of the public sector, instead of the bureaucratic tier

as is often being assumed. Further, governmental decision-making appears to have a very layered and hierarchical structure, which is more complex than principal-agent theory assumes. Influence is to be derived from both hierarchical positions and social ties, and special advisors act as gate keepers filtering information to be sent to the upper legislative tier, being a strong factor of influence on them. Their unwillingness to sympathise can be a serious constraint in achieving political or legislative change, considering the efforts interest groups and DCMS have made to get them on their sides. In this case, influence meant access to Prime Ministerial/Treasury levels, which is also a reason why the House of Lords were more suitable than the House of Commons to build support for free admission for all. Whereas the House of Commons has the legislative power, the House of Lords has the access to highest levels of decision-making through social ties and status. Typical for the strong influence of the Prime Minister and the Chancellor of the Exchequer (The upper tier legislators) was that many of those interviewed said that they did not know until it was announced if the Government would give in. That was also the informational constraint that was an incentive to secure a groundswell and high-level political support.

The bureaucratic tier was not very much a factor of influence on itself in this campaign, because it acted most of the time on behalf of their Minister and Secretary of State who took the initiative. Interest groups mostly lobbied the legislative tier. And due to similar interests, the bureaucratic tier acted as the perfect (and fully informed) agent to the legislative tier. They had to, because it was also to the concern of other interest groups outside government as well as Parliament plus the Secretary and Minister to have DCMS officials supporting their goals and in order to seek solutions together with Treasury officials once they had political support for free admission. What happened was a mild form of (strategic) transmission of information to keep them informed, such as the Art Fund and Lord Freyberg did. All together, interest groups have all been individual rent seekers who happened to have the same interest in free admission from the perspective of the donor, the Board of Trustees and/or the public. It has been their individual interests that have helped to orchestrate a groundswell.

Further, the system of at arms' length governance of national museums has worked to the benefit of both the Government and the national museums to maximise rents. Whereas the granted independence to the Board of Trustees has helped them to use pressure as a means to influence the Government, the Government and/or DCMS have used it to shift responsibility for the achievement of free admission to the national museums, minimising a chance for reputational damage and obligations.

As Krebs and Pommerehne (1995) already stated that a variable like ticket price was not used as an indicator of performance during budget negotiations between theatre managers and officials (value for money), interest groups have especially during the VAT campaign tried to neglect the fact that VAT recovery was a substantial indirect subsidy in order to strengthen the image of the Government as poor custodians of the nations' heritage. Where it did suited the interest groups, information, meaning research reports, and visitor and funding statistics have absolutely been used strategically. In case of the VAT dispute juridical knowledge has even been a condition for the accepted solution. The *believe* in free admission and the fact that *nobody knows* (Caves,2000), a common characteristic of production in the cultural industries as well and in public decision-making in general, Caves, 2001) have made that the role of statistics on costs and visitor patterns have been adapted to the conviction of its advocate.

Prieto-Rodríguez and Fernández-Blanco (2006) argued that a desired increased control over the managerial efforts invested by the museum management can be an incentive to establish a free admission policy. However, I have not found any indications that this was a hidden incentive of DCMS to strive for a free admission policy.

The newspapers and television channel that have campaigned for free admission during the process have very much been a factor of influence on their own. Neglected as an individual interest group in public choice theory, this case shows that the media can seriously affect the drift of reporting and are carefully followed by the Government who aims to have public opinion on its side.

#### *5.14.3 A rational influencing strategy*

Although not all stakeholders like to see their efforts being labelled as a campaign, they did mostly all had a strategy on how and when to communicate their message or exert pressure. The Secretary of State and Minister carefully built a campaign, anticipating on likely obstacles that could negatively affect decision-making. For example in 1999, they already asked the Art Fund to lead the VAT campaign, whereas it started to be frequently mentioned in the media in early 2000. Other interest groups were also very much aware of what was needed to improve their chances of success. It was no coincidence that the British Museum Trustees came together to hold an emergency consultation in early December 1997 on the issue of charging, a few weeks before grant allocations were to be made. Similarly, there was a strong upsurge of news coverage and letters to the editor in the same period, as well as between January-May 2000 when the interest groups strongly campaigned for VAT recovery



because the Budget announcements by the Treasury were on their way. Further, the Art Fund and earlier on the NCA had people (volunteers at the NCA) solely working on this campaign. And the PR officers of the National Gallery and the Tate were being asked to do the PR for the campaign, besides their normal work.

To continue with the variables that according to this investigation seem to influence the political relevance of interest groups, it must be said that size or geographical concentration have not been crucial, as Potters & Sloof (1996:407) suggested. The reputation/status to be derived from their professional networks and/or social ties has been of larger importance. Quite small organisations such as the NCA, who employs two persons, can turn into powerful organisations, as long as they are able to commit enough others to their campaign. It cannot be said if an internal political staff of a given size is more effective than influence purchased on the market from outside the organisation, as Johnson (1996) concluded, because none of the interest groups had the means available to be able to make such choices, except from the Art Fund, which is essentially a campaigning organisation, having established a campaigns office.

Looking back, the categorization of means and channels to be used to influence decision-making by interest groups has met reality. Representation and then especially having access to high level decision-makers (through social ties) was crucial to be heard in England. Interest groups have carefully built new relationships with high level decision-makers. That shows the importance of trust and reputation in such processes. Not having access to decision-makers meant that a stakeholder was a bit behind, such as the Director of the NCA suggested that the charging museums were, because they were not so closely connected to Labour Government due to history. The NCA and others also tried to have influential people on their side, building a network of like-minded people.

Regarding the means used to exercise influence, lobbying through strategic transmission of information, pressure and social ties have also been important. In fact it is hard to say what has been the most popular means because social ties are not a means on its own, but a prerequisite for lobbying. Many opportunities have been seized to bring the issue out into the open, such as receptions and lunches. Interesting is that pressure has not been used to built up a reputation, but to maintain it, such as the British Museum trustees threatening to start charging, and Sir Denis Mahon who threatened to withdraw his pictures from charging museums.

Interest groups indeed solely lobbied Lords, as well as Ministers and Secretaries of State. The special advisers to the Ministers and Secretaries of State have been frequently lobbied as well, which are normally not mentioned while speaking about the legislative tier. Because the campaigns had a political impetus it is not that surprising that most activities were targeted at influencing the legislative tier.

#### *5.14.4 Costs*

The final decision that free entrance would be secured has largely been paid for in an indirect way. It has mostly been time and effort that has been invested to realize it, besides the research commissioned by the MGC that has indirectly been paid for out of their government grant. Most interviewees could not even estimate how many hours they invested in it, because the debate was spread over such a long period. That also makes it very difficult to relate time spent to payments. As the Director of the NCA already stated, the only organisation with a budget to campaign was the Art Fund, while the CTRG worked on a pro bono basis. The small publication published by the NCA and three others only cost £ 1000, for which all paid £ 250. The communications consultancies that already did the PR of the Tate and National Gallery also only made indirect costs, because it was part of their contracts. Furthermore, these are all for profit firms or charities paid for by membership. Their expenditures or fees do not or not directly have an effect on public spending. Because contributions have not played a role in the campaign it cannot be assessed whether these are a more effective means of influence than strategic transmission of information. Considering the total transaction costs of the process oriented upon governmental decision-making, it cannot be said that these would be lower than if to be secured from a non-governmental source of income. Nevertheless, it is plausible that this was the easiest way to secure funding for free admission due to the political impetus of the campaign.

To conclude, we have to guess as to what finally convinced the Prime Minister/Treasury. Most interest groups think that fear of the Government being scrutinized as cultural Philistines in the end paid out. And subsidising what has been called a middle-class perk could have seemed a good idea to give the middle class the feeling that they did not only lose financially, because the middle class largely had to bear the Treasury's tax and welfare reform in the succeeding years (The Times, 17 March 1998).

## **Chapter 6. Case Study 2: The debate on free admission in the Netherlands**

### **6.1 Introduction**

Just as the former chapter, this one is devoted to an analysis of the Dutch decision-making process on admission charges to national museums, employing the perspective of public choice theory and cultural economics. Again, I analysed what means and channels have been used and till what extent or what economic rationale has driven the behaviour of actors. In addition, I investigated how they benefited from their institutional power or the institutional endowment of the governmental system through which museums policy is financed and developed. Interviewees and questions can be found in appendix 1 and 3. Background information about the objectives and origin of the various organisations can be found in appendix 2. While the institutional endowment described in chapter 3 is instrumental to understand the choices by Government, Parliament and the Department of Cultural Heritage, I now hope to give insight in how principal-agent relationships have been maintained regarding free admission and how information asymmetries have influenced the behaviour of actors and the rational influencing strategy they chose to pursue their goals with. All together, the researched documents and interviews have made it quite well possible to assess the behaviour and success of stakeholders.

There are many differences in the decision-making process between the Netherlands and England, because there was not much public support for the idea of free admission. Recently, the Minister announced that national museums will be free for children up to thirteen from 2009. Where in England it became a sort of an ideological crusade, it has mainly been the downsides that have been stressed in the Netherlands. However, there are similarities in the means used to influence decision-making with.

### **6.2 Key phases**

The first time the idea of free admission was launched in 2001, it was an idea of the Secretary of State himself, influenced by Chris Smith. In general, the economist Rick van der Ploeg (1998-2002) was a Secretary of State with many ambitions. Cultural diversity, social inclusion and stimulating cultural entrepreneurship have been his primary objectives during his period as a Secretary (Ministry of Education, Culture & Science, Cultuurnota (2000).

Educated in England, and being a member of the Dutch Labour party he was inspired by the ideas of Chris Smith, with whom he also used to have contact, according to a senior policy adviser at the Dutch Department of Cultural Heritage (DCH). The 'success' of the English free admission policy and his ideas about access made him decide to install a committee that had to investigate the accessibility and outreach of museums in 1999, known as the Commissie Ex. Further, the Dutch Labour Party manifesto included the ambition to provide a free weekday for children up to nineteen in its national museums. The Commissie Ex published its report in 2000 and recommended to invest in marketing and education, as well as in market research in order to improve access to national museums (Commissie Publieksbereik Hedendaagse Kunst en Musea, 2000). Following the report the Secretary took up the idea to make national museums free one day per week, which he discussed in Parliament in October 2001. The Lower Chamber asked for additional research into the likely effects, which Van der Ploeg commissioned (Algemeen Dagblad, 4 October 2001). In general, the museums and the political parties were quite enthusiastic about his ideas, provided that compensation would be guaranteed, and thus looked forward to the research conclusions (Ibid). In the meantime the Stichting Museumjaarkaart grabbed its opportunity and offered the Secretary the possibility to realize his goal by providing children a Museumjaarkaart (Stichting Museumjaarkaart, 25 January 2001).

The positive attitude of the stakeholders changed after the research outcomes were published in February 2002 (Goudriaan et al, 2002), because it was concluded that free admission would not automatically lead to a substantial number of new visitors, and that the costs would be substantial as well (Trouw, 12 March 2002). According to a special policy adviser at DCH, the DCH advised the Secretary a free Sunday per month. A month earlier the Arts Council already advised negatively on free admission. The Dutch and National Museums Association started to oppose against this centrally imposed idea by writing letters to Parliament (Nederlandse Museumvereniging, 11 March 2002). Around the same time, the spokesmen for Culture in Parliament also started to ask questions to the Secretary (Tweede Kamer, 19 March 2002).

As such, and with elections coming up in 2002, Van der Ploeg was not in the position to make a decision anymore. He was replaced after 2002 elections and because his successor was not taken with the idea it disappeared from the political agenda without lobbying, although the Christian- (Christen Unie), Socialist- (SP) and Labour party (PvdA) still mentioned a free weekday or something similar in their manifesto (Trouw, 13/15/18 January 2003).

Free admission suddenly came back on the agenda during the 2006 Budget negotiations of the Ministry of Education, Culture & Science (MECS) in Parliament at 28 November 2005 when Annette Nijs of the Liberal Party (VVD), launched the idea not to charge for the core collections of national museums for Dutch nationals (Tweede Kamer, 1 December 2005). In her opinion citizens already paid for the National Collection through taxes, and therefore their cultural heritage should be accessible free of charge. Not necessarily being presented as a solution to a problem (access), but more as a principal stance, her opinion was quite similar to the one expressed in England at the time.

The then Secretary of State Medy van der Laan (D66, Liberal Democrats, 2003-2006) was unpleasantly surprised by the idea of her former colleague, Nijs, who had returned to Parliament in June 2005 as spokesperson for Culture after she had to resign as a Secretary of State for Education, because of a conflict with her Minister.

Initially, there was no majority in parliament to support her idea because it was financially not well-founded (NRC Handelsblad, 6 April 2006). However, the Select Committee of MECS did drafted a list with 25 questions on free entrance to be answered by the Secretary, in advance of a debate in Parliament on the new museums policy document *Bewaren om Teweeg te Brengen*, offered to Parliament at 2 December 2005 and to be debated in April (Vaste Kamercommissie OCW, 15 December 2005). In addition to the answers, DCH also decided to commission additional research into the effects of free entrance in advance on behalf of the Secretary. This could be interpreted as the first sign of DCH developing a rational influencing strategy to be able to have the ammunition that would be needed to have an answer to the claim with which the Lower House would confront the Secretary of State.

During a debate on museums policy with the Secretary in Parliament at 6 April 2006 a coalition of VVD, PvdA and SP did suggested to make the twenty national museums that preserve the National Collection free for all within two years (Tweede Kamer, 28 April 2006).

The Secretary chose to go on the defensive, based on arguments instead of anticipating on the balance of power. She stressed that it was unfeasible and needless. Arguing from the efficiency perspective, it was unfeasible because museums could not distinguish between the core collection and temporary exhibitions and because it is not allowed to discriminate tourists by law. Furthermore, it would not lead to more visitors, only more visits. A substantial innovation budget for museums was assumed to be more effective (Ibid). As expected, the Museums Association and National Museums Association were not amused for

the same reasons and started to lobby against the plans of the coalition, together with the national museums.

After all the consternation the coalition finally started to speak with the Dutch Museums Association, National Museums Association and several museum Directors, to discuss their definitive plan. This was presented in a debate in Parliament at 8 June 2006, followed by three motions to secure free admission of which two passed at the 13<sup>th</sup> of June (Nijs c.s, 8 June 2006). After the debate at the 8<sup>th</sup> of June, the coalition also presented a Manifesto on why and how museums should become free to the press (VVD, PvdA, SP, 8 June 2006).

But when Cabinet resigned at 30 June 2006 due to a crisis about the functioning of its immigration Minister (caused by D66, the political party of the Secretary), the succeeding temporary Cabinet suddenly did not necessarily had to implement the motion. Instead, the newly appointed and temporary Minister Van der Hoeven of Education, Culture and Science (CDA) announced to support a cultural pass for children up to eighteen that would give them free admission to a range of cultural institutions, such as museums (Zwolve Courant, 28 August 2006).

After this first helping hand by the Minister, to smooth the decision-making process, the coalition submitted an amendment to start pilots with free admission to museums to test the implications of the policy in October 2006 during the 2007 Budget negotiations of the MECS, as a concession to Cabinet and the museum world (Leerdam c.s. 23 October 2006 & Nijs c.s., 26 October 2006). The Minister accordingly announced to be willing to investigate if such an experiment was a good idea, but that she advised against the amendments. (Minister of Education, Culture & Science, 30 October 2006). That gave her time to postpone a decision and leave it for –again- her predecessor after elections in November 2006, who recently announced that he is willing to provide free entrance for children until they turn thirteen to national museums from 2009.

All together, this political battle showed that in this case it was quite difficult for the lower legislative tier to combat against an unwilling Cabinet (The upper legislative tier), without public support. It also shows how a chosen influencing strategy very much has a bearing on the chain of events and resistance stakeholders will encounter. Although it now seems as if the debate was mainly held in Parliament, there was quite a lively debate and lobbying process outside Parliament, with the majority being against or highly critical about the idea,

such as the media. But what means and channels have the stakeholders used to influence the process?

### **6.3 Secretary of State for Culture & Media (2003-2006) – Upper legislative tier**

The debate about free admission had a positive influence on the relationship of the Secretary with the museum world. In an interview following the publication of *Bewaren om Teweeg te Brengen* in 2005, she accused museums of having a dusty image, and being too predictable (NRC Handelsblad, 2 December 2005). That did not really benefit her relationship with them. She felt that at the moment she stood up for the national museums in this discussion their relationship very much improved.

At the time there was in her opinion enough time to eliminate the plans of the coalition at a governmental level, but the representation in the press had to be dealt with immediately. Her initial political strategy was to reject the idea with arguments based on the content of the proposal, because it was not that well-considered and she felt that she still had two years to get rid of the idea. In the media she chose for a very confrontational approach so that the public would be alarmed that this was not a good idea at all, and useless to implement; 'museums would go bankrupt if free for all' (De Volkskrant, 6 December 2005). However, she chose for a frontal attack of the coalition in Parliament when they did not turn out to be susceptible for her arguments, shouting that she was deeply shocked and very emotional about their perseverance and their ill considered proposal (Tweede Kamer, 8 June 2006). Anyhow, this example of the use of emotions in bargaining as a strategy has not led to the desired effect.

That it seemed as if political party interests overruled an interest in a social welfare maximising outcome of the decision-making process came as a surprise. Looking back, she mentioned that she could have introduced the idea of pilots earlier to meet the wishes of the coalition. This would probably have given her an argument to definitively reject the idea, assuming that the pilots proved that free admission would not lead to increasing access.

It is not surprising that the Secretary advised against the motions submitted at the 8<sup>th</sup> of June. Funding museums for their basispublieksfunctie as the coalition proposed would largely remove the influence of the upper legislative tier on the strategic direction of the state funded museums with a National Collection.

Looking back she said to be very satisfied with the drift of the reporting by the media, which was a classic example of balanced reporting and very much helped her to stand strong in Parliament. She also believes that the support of the PvdA for Nijs' proposal was a result of

the support of the VVD for a Huis voor de Culturele Dialoog (House for the cultural dialogue), now Kosmopolis, which Leerdam very much wanted to realize. But Nijs, the initiator of the coalition between the PvdA, SP and VVD strongly denies this.

When the debate started to run out of all proportion and into a media case in June 2006, the Government and the Chairman of the National Museums Association, who was a member of the VVD, lobbied to force Nijs to end the conflict with the Secretary on this issue and withdraw the proposal. But the VVD was unwilling to do so. An explanation that has been aired is that the party did not want to drop Nijs for the second time after her earlier conflict with the Minister, but that cannot be confirmed. If so, reputation was apparently more important than the costs and outcome of the decision-making process.

Although there was a lot of media attention, Van der Laan has been less than average involved compared to other cases such as public broadcasting. She estimates it at a couple of hours per week during peak times, e.g. in preparation of debates, being assisted as usual by her personal adviser and communication specialist, and backed by the DCH. According to her there was not that much lobbying because it soon became a matter of principal, just as in England, which was irresolvable; the coalition argued it was a feasible plan because museums could compensate their loss of income by being more entrepreneurial and by restructuring funding to museums, she argued it was not. There have been several telephone calls and a meeting with Nijs, as well as lunches with Leerdam.

## **6.5 Department of Cultural Heritage**

The DCH has not been susceptible to the idea of free admission, because of costs and based on the outcomes of the commissioned research, published in 2002 and 2006 by Goudriaan et al. Thus, they advised Van der Laan to reject the proposal on its merits. As such, they had a good relationship with the Secretary, acting as fully informed advisors to the Secretary.

The costs were too high and it did not brought museums a substantial amount of new visitors, referring to the research by Goudriaan et al (2002, 2006) and the English situation. In addition, both DCH and the Secretary stated that it would certainly not be an incentive to act more entrepreneurial for museums, as Nijs argued, because that would take away price discrimination as a marketing instrument from the recently privatized national museums, and it would be a coup de grâce for the Museumjaarkaart that provided almost free entrance to 400 museums for € 25 per year. Third, European legislation would not allow the discrimination of tourists. At last, it would cause undesired substitution effects for local non-national museums (Tweede Kamer, 28 April 2006). Doing so, and with help from the



commissioned research, they have been quite good at mastering an economic rationale as ammunition in their protest against the ideas of the coalition.

All together, a substantial amount of money has been spent on research into the effects of free admission. The initial report in 2002 and its two extensions in 2006 cost € 113,170 excluding 19% VAT (APE, 29 December 2005/26 October 2006).

At the time the personal assistant of Nijs had contacted the Department with questions about facts and figures. Although the bureaucratic tier did provide him/her with the requested information, Nijs felt that she did not always get full cooperation. Implicitly, Nijs thus assumed that she has been confronted with strategic transmission of information as a form of rent-seeking by the agents, the bureaucratic tier. However, this cannot be proved. Concerning the transmission of information, I have therefore not observed any form of rent seeking typical for principal-agent relationships. All together the matter has never fully occupied the Department. During peak times it must have cost two to three people a couple of hours a day. A senior policy adviser estimated that one must have spent three or four weeks on it all together since 2001.

## **6.6 VVD – Spokesperson for Education, Culture and Science, Annette Nijs - Lower legislative tier**

As one could expect, there are differences in the perception of the process between the Secretary and Nijs, the leader of the coalition and initiator of the discussion. Overall, Nijs was surprised by the substantial amount of media attention that has been given to her plans. The immediate causes of her ideas about museums are to be traced back to her period as Secretary of State for Higher Education. As a Secretary for Higher Education, she had been interested in the British educational system. Later on, as a member of the Select Committee of EC&S she wondered what could be learned from their cultural policy. As a result she became curious about the organisation of free admission to national museums in England, and started to develop ideas and outlined the likely costs. As she stated during the interview, she saw free admission to national museums in the Netherlands as an instrument to force the Government to a transparent division of responsibilities towards museums. In her opinion, the Government should make a division between the funding of their primary tasks; preserving our cultural heritage and providing access to it, and other educational and scientific goals. That would have put the museums more at arm's length, because the Government would not have had an influence on the strategic direction of its national museums anymore, and could probably force them to become more entrepreneurial running their additional businesses.

Having this belief, she started to look at the financial feasibility of her plans, not having the intention to genuinely disadvantage museums. She deemed it possible, and after a second try she was able to build a coalition with the PvdA (John Leerdam) and the SP (Fenna Vergeer). Both parties had an incentive to support free entrance. The PvdA joined the 'coalition' because Leerdam very much wanted to diversify visitor patterns, pointing at a lack of visits by the lower socio-economic groups and ethnic minorities. His party also stated in its manifesto that museums should be free once a week, just as the SP. In general the SP is naturally inclined to support such policies being the Socialistic Party.

An interesting fact about the financial basis of their proposal was that they initially suggested that free admission for Dutch citizens could partly be funded by compensating museums for the insurance premiums they annually had to pay through an improved indemnity scheme, which they estimated at € 2 million (De Volkskrant, 6 April 2006). This was an issue which was brought up by museums earlier, and they now used in their own interest. Later on, the coalition focused on a budget of 5-10% of the total exploitation funding granted through the Cultuurnota to museums that could be used to compensate national museums for free admission (Tweede Kamer, 28 April 2006, VVD et al, 8 June 2006). They stated that this could be a different interpretation of the budget that the Secretary announced in Bewaren om Teweeg te Brengen (Wesselingh et al, 2005) to prioritise access to national museums. However, this percentage is not mentioned in the document, although the Secretary did give reason for such an argumentation in her reply to the remarks of Nijs (Tweede Kamer, 28 April 2006, p. 10). Further, museums could possibly compensate a small part of their decreasing income by gaining more income from commercial activities such as shops and restaurants.

All together this is quite remarkable if the underlying aim was to structurally revise the funding of museums and galleries in order to only fund their most fundamental tasks directly. This is even more surprising considering the discussion the Secretary wanted to steer about the role of museums in society by publishing her new museums strategy. As such, it is difficult to assess what their objective function consisted of. Has it been efficiency arguments instead of equality of rights as stressed in England, or have they just been reluctant to change?

Forming a majority in the Lower House, the coalition took advantage of their institutional power. When the coalition definitively launched their ideas at the 6th of April, it immediately became a hot issue within the cultural sector and in the media. In the following 2 months until the coalition submitted various motions at the 8<sup>th</sup> of June (Tweede Kamer, 13

June 2006), which were accepted in Parliament at the 13<sup>th</sup> of June, and presented its final proposal.

So what means did the coalition use to receive support for their ideas? In line with Nijs, wish to raise support for their ideas based on its merits, they/she very much just tried to influence public opinion by airing their opinion in the media, if they were asked to do so. Nijs, as well as Leerdam approached the Secretary to discuss their arguments, but the Secretary was not willing to reach a compromise. They called the respective museums for additional financial information, which they received. In fact, it has mainly been the personal assistants of the three MPs that have done much of the preparatory work, which concentrated around the debates in Parliament. All together it seems as if they were not really prepared for a campaign, and were very surprised about the attention and fierce opposition. They did not so much have a rational influencing strategy, anticipating and calculating on possible drawbacks or resistance.

However, the museums and other interest groups did find their way round to the coalition. Nijs told that many national museum directors approached them to show their disagreement, while some local museums expressed their support or interest in their ideas. The Association of National Museums and the Museums Association both responded in writing before and after debates and in the media (Vereniging van Rijksge subsidieerde Musea 10 April 2005, 7 June 2006 & Nederlandse Museumvereniging, 22 May 2006). Before a debate in the Lower House at the 24<sup>th</sup> of May they have had a conversation with the coalition, together with a couple of museum Directors, at their request. Following a radio discussion with the Director of the Association of National Museums and Nijs, they took up the idea to let the coalition express their views during a general meeting of the Association in September 2007. Since Cabinet resigned in June, this never happened. Nijs also told having received many suggestions per email from all over the country as to how free admission should be implemented. All together, it is highly remarkable that the coalition chose to defend their plans only in Parliament, neglecting the branch that had to implement the plans if accepted on behalf of the Secretary. As will be referred to later on in greater detail, a likely explanation is that they probably did not really have strong ties with the museum world, so that they could launch their plans unseen, and subsequently it was difficult to influence them.

When the issue 'escalated' in May 2006, because the museums and political parties realized that the coalition did not have the intention to give in and resign, they started to lobby the leaders of the three political parties to stop their members. Although the political parties did not withdraw their support, Nijs explained that both members of the lower and higher

chamber asked the three of them about their arguments, in her opinion hoping to reveal some disagreement. According to the Director of the Association of National Museums, the Director of the Museum for Cultural Anthropology gave Leerdam a severe scolding during one of the meetings of its supervisory board, of which Leerdam was a member.

### **6.7 Association of National Museums (ANM)**

At the time the perseverance of the coalition did not only surprised the Secretary, but also the ANM. Although all stakeholders chose to reject the ideas of the coalition on its content they soon found out that it did not result in any change. The Director estimates that she must have spent about 150-200 hours on the issue between November 2005 and 2007, with most of the work at an ad hoc basis, writing letters and responding to questions by journalists. The DCH, the Secretary and the ANM fully agreed with each other, so the ANM, sometimes on behalf of the Museums Association, chose the same arguments to convince the coalition of them being wrong. With the principal, the Secretary on their side, they just had to sustain their opposition, and thought to be on the safe side.

The director explains that she had regular contact with DCH to discuss progress and events. The ANM helped the DCH to respond to questions in Parliament on behalf of the Secretary. In taking position against Nijs, she frequently consulted her members, and she received considerable support from various members, such as the Rijksmuseum Amsterdam or the Museum for Cultural Anthropology who lobbied against the coalition through their networks as well. She further explained that the financial Director of the Gemeentemuseum in The Hague also lobbied within the PvdA against the plans, due to his relation with the Museums Association. As known, the Chairmen of the ANM, (the Mayor of the city of Rotterdam) also sounded the leaders of the VVD about their support for Nijs' plans. According to the Director, he was told that they did not want to drop her again after her debacle as a Secretary.

Overall, she described the politicians as not being very accessible and avoiding contact, although this has not been confirmed by Nijs. Besides the spare meetings with the MPs, she estimates to have had about six telephone calls with the personal assistants of the MPs to discuss the issue and search for consensus or room for withdrawal. Again the advisors and/or personal assistants functioned as gate keepers to Members of Parliament

## **6.8 Museums Association (MA)**

When the debate first appeared on the agenda, both the earlier mentioned Stichting Museumjaarkaart and the MA were involved. The Stichting because it wanted to facilitate the introduction of a Museums pass to children in early 2001 (Stichting Museumjaarkaart 25 January 2001), and the MA because it opposed the ideas of the Secretary of State, Rick van der Ploeg. In 2003 both organisations merged. When the discussion regenerated in late 2005 the MA was adrift and paralyzed because it was searching for a new Director. Therefore, it has not interfered that much in the process as it normally would. Although not having an advisory role, the parallel with the English MGC is striking.

In line with the Director of the ANM, its PR/Marketing Manager agreed that due to their internal problems it was mainly the ANM who acted on their behalf. The MA did not personally approach politicians or officials. She also argued that it was logical that the ANM took the lead, because the plans of the coalition foremost directly affected the museums preserving the National Collection. A member of the Board of the MA (the Director of the Groninger Museum) did speak up within its political party, the PvdA (Traditionally the PvdA is most oriented upon the arts, just as in England Labour is), as well as the Chairman at various other public occasions such as during the opening of the Museum Weekend by the Queen, but not much more.

## **6.9 Council for Culture**

Having the upper legislative tier and the bureaucratic tier on their sides, the Museums Committee (5 members) of the Council for Culture maintained a formal relationship with the Department on this matter, and did not contact any politicians. Although the Committee expressed sympathy for the ideas of Nijs, the Secretary of the Committee explained that it would harm the recently developed impulse to foster cultural entrepreneurship by removing price as a marketing instrument. Furthermore, it would harm the existence of the various price discrimination schemes that already worked well and it seemed useless to introduce free admission without additional investments in education and presentation, as they learned from the English system. To put it briefly, in their opinion it was not much value for money. However, the Council for Culture was inclined to support free admission to national museums for children till 18 years in the belief that this had an influence on taste formation for the visual arts, referring to studies that concluded that there was a relationship. But it did not claim as firmly as the ANM that free admission would absolutely not result in new visitors, because that has never been proved.

It was remarkable to hear the Secretary of the Committee characterising the coalition as outsiders in the museums world, and that they would have never introduced it if they had more knowledge about how museums function.

Having an intermediary role representing the sector and Government at the same time the Committee did spoke about the issue with various Directors during already planned appointments that were being held as apart of the monitoring of museums performance by the Committee. According to the Secretary, the committee never specifically met with the lobby organisation Kunsten '92 or the ANM to discuss free admission, because that was not in their interest as an independent advisor on Government policy. Nevertheless, the issue has been discussed with the ANM, the Mondriaan Foundation and Instituut Collectie Nederland during an expert meeting organised around the ideas of the Government to revise its museums policy and to restructure its funding schemes from mid 2005, when the Lower Chamber placed the topic on the agenda.

Because the Council had the impression that there was a lack of clarity about the actual effects of the implementation of the policy in England, the Committee decided to ask HopkinsVanMil (A London based consultancy, of which they knew one of the Dutch partners) to do additional research on the effects of the policy in England. It enclosed a critical review of visitor profiles as being monitored by DCMS, which cost £ 1000 (€ 1.600 HopkinsVanMil, 2006).

In general, he admitted that the Committee was less than average involved in this issue, compared to other cases. All together, he estimates that the Committee must have spoken about the issue during three regular meetings, plus a couple of minutes during monitoring appointments. He has done some preparatory work up to 25 hours.

#### **6.10 National Museums (Rijksmuseum Amsterdam)**

The subject of entrance charges has not polarised the national museums over the years such as in England. Because all museums used price discrimination schemes it was also never perceived as if it was too expensive to visit museums by decision-makers. Owners of a Museumkaart (Museum Pass) often went in for free, as well as children till twelve or eighteen such as in the Rijksmuseum in Amsterdam and the Museum of Cultural Anthropology was free for all at Wednesdays (Vereniging van Rijksge subsidieerde Musea, 23 January 2006).

Because the ANM acted as the spokesperson of the national museums, its Director officially represented their views during the debate and coordinated the preparations. According to the controller of the Rijksmuseum, the museums did saw free admission as an

attack on their independent position, since their privatisation in the nineties. But with all their arguments against being aired by the ANM, and the Government on their side, they did not really have to campaign themselves. The controller mentions that their Director has done some informal lobbying against her ideas. In addition, the Rijksmuseum opposed the ideas in the media, just as other museums that were asked for a reply by journalists.

Important is that both the ANM, the MA and the museums took into account that it could be in their interest that the Secretary was only elected till mid 2007. So delaying tactics could help the opposition to first postpone the introduction, and then dismiss the idea, which indeed in the end worked out as they hoped for.

While in 2002 the non national museums Museum Jan Cunen in Oss (4 October 2001) and the Westfries Museum in Hoorn (Westfries Museum, 12 March 2001) sent letters to the Secretary to express their approval of his plans, in 2005/2006 only the Museumgroep Leiden officially expressed their concerns towards the Select Committee of ECS, condemning their plans (Museumgroep Leiden, 24 May 2006).

Both in England and the Netherlands the Boards of Trustees of national museums have the freedom to set admission charges. In principal, it is highly remarkable to note that the Secretary of State has never used this in the Lower House or in the media as an argument to reject the idea. The coalition even put a lot of effort into convincing the Secretary, instead of the museums. On the other hand, why did museums did not take a principal stance against the proposal of the coalition, including their ideas about a *basispublieksfunctie*? It is likely that the very strict principal-agent relationship maintained by the Secretary and the museums as described in chapter 3 offer no room for museums to exert their relative independency. Further, the museums probably already profit from information advantages over their principal, the Secretary, so that they rather maximise their budgets?

The absence of the traditional arts lobby organisations in this debate was striking, which are Kunsten '92 plus the recently established Cultuurformatie (2006). The Cultuurformatie is an alliance of Kunsten '92, de Federatie Cultuur, FNV KIEM en de Federatie van Kunstenaarsverenigingen, which usually mainly represent the interests of individual artists or the performing arts. Although the Cultuurformatie was not yet established when the debate was set off, the Director of Kunsten '92 has also said that that it was initially a task of the ANM to represent the interests of the national museums. While the Director of the ANM and the Director of Kunsten '92 just started to have regular contact about their businesses, the ANM has stood up for museums independently of Kunsten '92 and the like.

## 6.11 Conclusion

The case of decision-making on free admission in the Netherlands shows that it is difficult to influence the outcome of an issue once the rules of the game are adopted after the agenda setting stage; decision-making is then largely set by the internal dynamics and political constellations of the system.

### 6.11.1 *Economic rationality versus economic thinking*

Institutional behaviour again centred upon the central government, which should compensate the national museums for free admission. Just as in England, in the Netherlands opponents and advocates essentially had a dispute on the museums' objective function, with the Government and national museums (associations) arguing that it was not worth the money to provide free admission for all and the coalition arguing that it could easily be funded, and that it would be fair to provide free access for all to Dutch cultural heritage that has already been paid for. The research by Goudriaan et al (2002, 2006) which the Department of Cultural Heritage commissioned provided a powerful instrument to demonstrate that the effects of free admission to the core collection seemed to be negligible. In the first place because it would not really bring new visitors and second because they found strong substitution effects for non national museums that had to be compensated, which made it all very expensive. Just as the MGC at the time, the reports by Goudriaan et al did use an economic rationale, but it has never been criticized on its drawbacks, namely that it only measured the effects for museums, instead of also the consumer value for potential and actual visitors such as school classes, plus for the surrounding shops and restaurants.

The opponents clearly better mastered how to apply an economic rationale to political decision-making than the advocates, partly because they were better informed, but also because they were more experienced. The members of the coalition were relatively newcomers in the museums world and only mastered an economic way of thinking, seeking uncomplicated financial solution for their principal stance that museums should be free that were not well-considered. As a result, these could easily be rejected, instead of opposing the research findings or steering a debate on the basispublieksfunctie. Together with the fact that there was not much support among decision-makers they therefore turned out to be on the losing side, whereas the different political impetus in England caused that advocates did not had to proof a thorough understanding of the opportunities and effects, only having to master an economic way of thinking because that was enough to be convincing.



The notion that there was a social (opportunity) cost to free admission has been much better communicated in the Netherlands than in England, probably because these have been sketched in the research by Goudriaan et al (ibid), which influenced the line of reasoning by the Government and (national) museums. Instead of facilitating free admission, the Secretary rather invested in innovation budgets to museums. At the same time the effects of such budgets on access have never been measured so it cannot really be presented as a more efficient alternative to free admission. However, it is questionable if society will be better off by the introduction of this policy. The costs are estimated to be € 4.6 million, according to the Department of Cultural Heritage. But only free admission is not enough to increase access. It are the national museums that have really come out as the winners, being compensated for something they already partly provide, and avoiding a debate on in what way society should fund museums; only direct funding for maintenance and display of the collection, or combined with a budget for educational activities and the like.

#### *6.11.2 Public choice theory*

The social welfare function of the upper and lower legislative tier has not been the same. Whereas the Secretary rejected free admission because it would encourage inefficiency favouring the well-off, the coalition argued from an equality of rights perspective and efficiency perspective, with free admission as an incentive for the Government to restructure its funding of national museums and encouraging the museums to become more entrepreneurial. It has been the lower legislative tier that boosted public spending instead of bureaucrats as is usually being assumed.

Where decision-making in England meant getting access to Prime Ministerial/Treasury level, this was not an issue in the Netherlands. Because the coalition did not organise a groundswell, but sought a confrontation with the Secretary in Parliament, it has mainly been a trial of strength between both tiers. Having created a lower chamber that can encourage the Minister or Secretary to develop regulation by submitting motions or amendments; they took full advantage of their institutional power. As such, they could stick to their proposal even though as long as other stakeholders such as voters and their respective political parties would not undermine their institutional power. It shows how institutional arrangements strongly influence policy outcomes, and dictates the means and channels to influence decision-making with *after* the agenda-setting stage. While advisors or personal assistants to MPs have acted as gate-keepers to MPs, it cannot be proved that they have been

crucial for the outcome of the decision-making process, as in England where DCMS stated that it needed to have the special advisors on their sides.

Again this case underlines the importance of social ties as a prerequisite, more than a means to influence decision-making. That the Secretary of State explicitly used emotions to increase the pressure on the coalition to withdraw their proposal underlines the importance of the use of emotions in bargaining, as are now being investigated as a new research strand (affective public choice, mentioned in chapter 2) of public choice theory.

Public choice theory portrays the bureaucrat as an agent to the legislator, which is the principal. Implicitly, Nijs assumed that she has been confronted with strategic transmission of information as a form of rent-seeking by the agents, the bureaucratic tier. However, this cannot be proved. Concerning the transmission of information, I have thus not observed any form of rent seeking typical for principal-agent relationships. Interest groups outside government used what was a mild form of (strategic) transmission of information to keep the bureaucratic tier informed.

The whole process shows the strong influence of the upper legislative tier if backed by the sector to which the plans may apply. In the end only a part of the plan has been implemented, on their conditions. The Dutch discussion on free admission did not really result in a campaign. It was more an ongoing debate that has known a couple of upsurges in terms of time and effort invested combined with increased media coverage. The relative small amounts of time that have been invested by stakeholders during the years underline that as well.

### *6.11.3 Rational influencing strategy*

That the debate in the Netherlands has not been so intense and that not as much stakeholders have been involved as in England does not mean that there was no rational influencing strategy among stakeholders to influence decision-making. The opponents chose to obstruct the ideas of the coalition by delaying tactics and declining the proposal on its merits, hoping to be able to sustain their refusal till the next elections or until the coalition would give in, probably being forced to do so by their respective political parties. At the same time they chose for a frontal attack in the media. Both the coalition and the opponents very much tried to manipulate public opinion by means of the media. It did help them to postpone the decision and then to trim down the plans. However, the Secretary stated that another strategy could have been to keep the coalition satisfied with sops such as a pilot, and then to reject the idea.

As Potters and Sloof (1996) already mentioned, in the political arena the real challenge is often to decrease the scope of conflict so that support for policies and candidates will not be endangered threatening established powers.

Whereas the English case-study confirmed that it has indeed been a strategy to neglect the cost-benefit ratio for consumers and the Government of a policy that is to be implemented (as Krebs and Pommerehne (1995) earlier suggested), in the Netherlands the cost of the policy has been a powerful argument for the Government to influence public opinion.

The coalition just wanted to discuss the plan on its feasibility and merits, having the luxury of having a majority in the Lower Chamber. It seems that it has not been a conscious choice not to built support within the museums sector. Probably their plans also met fierce resistance because they underestimated the reaction and influence of interest groups.

That the media are indeed considered as a separate stakeholder in public decision-making is to be derived from the fact that the Secretary of State has spoken about a political and media campaign to influence decision-making. But as the drift of reporting was quite balanced it cannot be concluded that the media have been of decisive importance for the outcome of the process.

To continue with the variables that according to this investigation seem to influence the political relevance of interest groups, it must be said that size or geographical concentration have again not been crucial, as Potters & Sloof (1996:407) did suggested. The reputation/status of organisations as to be derived from their professional (membership) networks and/or social ties have been of larger importance. It cannot be said if an internal political staff of a given size is more effective than influence purchased on the market from outside the organisation, as Johnson (1996) concluded, because none of the interest groups had the means available to be able to make such choices. Furthermore, none of the interest groups outside government decided to lobby so strongly that such options have been considered.

Looking back, the categorization of means and channels to be used to influence decision-making by interest groups has met reality. As hypothesised, pressure appeared to be an important means to exert influence on decision-making, as we have seen the coalition doing. Although motions and amendments can be seen as a means to exert pressure, structural coercion appears to diminish the actual bearing that such formal means have on decision-making. When Cabinet resigned, these have lost part of their power because the new Cabinet had less moral obligations to implement them, as long as ferious public pressure is lacking.

Besides pressure, social ties were instrumental as a means of influence to support lobbying through strategic transmission of information. It was especially instrumental in trying to stop the coalition. Politicians have always been lobbied directly, but the involved politicians have not always been lobbied directly, sometimes being approached by colleagues on instigation of interest groups such as the Board of the Association of National Museums, if they felt they could have access to them.

It is suggested that the fact that the VVD eventually chose not to give in and kept on supporting Nijs probably had different causes than that they were not convinced by the arguments of the Government and museums. If so, it seems that for political parties (as clubs) the risk of a less informed policy is not as important as the reputation of its members. Their shared good, the signalling quality of their reputation as a positive externality, may have been so important for the utility its members derive from their membership, that it could not be sacrificed to increase social welfare.

#### *6.11.4 Costs*

To conclude, the (transaction) costs inherent to this process of decision-making are difficult to estimate because these were mostly indirect. Besides the direct cost of the research conducted by Goudriaan et al (2006, 2002), (€ 113,170 excluding 19% VAT) and HopkinsVanMil (£ 1000: € 1,600) all costs equal time and effort invested. Most interviewees could not accurately estimate how many hours they invested in it. That also makes it very difficult to relate time spent to payments. None of the organisations hired professional lobbyists to press their case in Parliament.

## **Chapter 7. Conclusion**

### **7.1 Introduction**

The aim of this research was to understand the decision-making processes on museums policy through the analysis and comparison of two case studies on free admission to national museums in the Netherlands and England. These have been based on qualitative interviews and the study of Public Records, annual reports, newspaper articles, and government documents. The preceding chapters demonstrated the conditions that determined the influence of stakeholders on the introduction of free admission. These also showed large differences in mentality, principles and resources invested in both countries. As such, the conclusions to be derived from these findings are valuable to both cultural economics and public choice theory.

### **7.2 Cultural economics**

Cultural economists are aware of the fact that there are no instant answers to why and how to fund the arts. That makes this branch of economics a valuable addition to mainstream economics and public choice theory, being ahead of the development towards increasingly complete consumer utility/objective functions. At the same time the scientific tools developed by scholars to facilitate decision-making (such as Data Envelopment Analysis) that do help to provide insight in different sorts of values of museums to the community, did not really land among policymakers and funding bodies. Probably such methods are too progressive, too expensive or not well communicated to those dealing with museums policy. Another possibility is that decision-makers chose to remain rationally ignorant as we have seen Krebs & Pommerehne (1995) explaining regarding negotiations on funding to the performing arts, concluding that theatre managers might profit from an emphasis on the non-measurable aspects of performance.

Based on the case studies it must be said that what cultural economics has to offer has only partly guided the debate on the effects of free admission, which preceded the decision made by both Governments. Often, the stakeholders involved indeed tried to avoid a debate on the actual value of the consequences preferring to present simplistic or one-sided statistics that underlined their principal stance.

On the other hand, the societal cost of more informed decision-making might be so high that society might be better off with less informed decision-making. But this thesis does not answer that question, because it firstly seemed wise just to analyse how interest groups,

bureaucrats and legislators influence decision-making in the case of free admission to national museums in the Netherlands and England (and how successful they have been). Nevertheless, it does remain the ultimate question that waits for an answer. As a recommendation I will do a few suggestions as to how research could further facilitate an answer to this question, because the perspective of public choice theory employed here, certainly contributes to that.

### **7.3 A difference between economic rationality and an economic way of thinking**

Anyhow, both the advocates and opponents of free admission frequently used the equity or efficiency arguments that are normally used to foster public support to the arts to build their case. The advocates underlined that free admission is a positive form of income distribution to favour the less well-off (equity). The opponents stated that it may encourage inefficiency, favouring the well-off (both an equity and efficiency argument). All parties realized that there were opportunity costs to this decision, but did not use any of the methods that cultural economics suggest to assess how citizens value museums compared to other goods and services. That is remarkable because the case of free admission very much centred on the perceived need for it. Representative data on the development of visitor numbers and costs after free admission was imposed could have played a central role in convincing opponents. So how has economic theory been used?

In England the majority saw free admission as a small but vibrant English freedom which was not worth destroying for a few millions. They stressed that museums were not set up to earn income or pay taxes, but for education and life-long learning. The Government were portrayed as a poor custodian of the nation's heritage, not keeping her promise to diminish social exclusion where possible. Opponents argued that free entry to museums out of the public purse amounted to subsidy to the middle class. Compensation for free admission would outshine the real problem of decreasing central funding of national museums. They further mentioned that there were advantages to charging since museums have to be much more responsive to visitors than before because expectations are higher.

To found their principles, both parties came with figures on visitor statistics and costs that underlined their statements. The attempt by the MGC to stimulate a more informed debate by commissioning research (Bailey et al, 1998) to investigate the effects of free admission provided quite a thoughtful approach. But because most results did not suit the advocates and opponents, results were used only if applicable to their story.

It is interesting to note the absence of thoughts on whether to subsidise the supply side (compensating museums) or the demand side; compensating potential visitors. A reason could

have been the underlying problem of declining grant-in-aid for national museums. With a Labour Government emphasizing social inclusion, free admission was a suitable approach to secure more funds for exploitation, without just asking for money. As such, it was not in museums' interest to campaign for demand side subsidies.

Sometimes it has been fruitful for the advocates of free admission not to mention the distributive effects of free admission in the campaign. An example is the VAT issue which when settled resulted in a substantial indirect subsidy to museums, much more than what the museums would annually be compensated for directly (£ 106.2 million (€ 169.92 million) from 1999/2000 up to 2004/2005). But during the debate it was being communicated as an important but minor detail, and that it was a shame that the Government was not willing to give in to the well-considered proposal by the Art Fund. Apparently, as Krebs and Pommerehne (1995) already stated, the interest groups did realise that it was strategically not in their benefit to communicate the price society pays for this vibrant English freedom.

Returning to the issue of demand versus supply side funding, the Dutch coalition in favour of free admission did suggest providing all Dutch citizens with a pass that would give them and their children free admission to the core collection of national museums. But this was more an easy way out to realize their plan instead of a serious attempt to implement free admission through subsidising the demand side (It is not allowed by EU law to discriminate other EU citizens and impossible to implement for the Inland Revenue).

Just as in England, the Dutch opponents and advocates essentially had a dispute on the museums' objective function, with the Government and national museums arguing that it was not worth the money to provide free admission for all, and the coalition arguing that it could easily be funded. In their opinion it was fair to provide free access for all to Dutch cultural heritage that has already been paid for. The research by Goudriaan et al (2002, 2006) commissioned by the Department of Cultural Heritage, provided a powerful instrument to show that the effects of free admission to the core collection of national museums seemed to be negligible. In the first place because it would not really bring new visitors in, and second because they found strong substitution effects for non national museums that had to be compensated, which made it all very expensive. Just as the MGC at the time, the reports by Goudriaan et al did use an economic rationale, but they have never been criticized on their drawbacks. The drawback was that the research only measured the effects for museums, not including the consumer value for potential and actual visitors such as school classes, plus for the surrounding shops and restaurants. In fact, the Dutch opponents better mastered how to

use an economic rationale than the advocates, partly because they were better informed. At the same time, the coalition sought an uncomplicated financial solution for their principal stance that museums should be free, presenting solutions that were not well-considered so that these could easily be rejected, instead of opposing the research findings or steering a debate on the basispublieksfunctie. Luckily for the Government and the museums, the coalition primarily mastered an economic way of thinking. Together with the fact that there was not much support among decision-makers they therefore turned out to be on the losing side. The different political impetus in Britain caused that advocates did not had to proof a thorough understanding of the chances and effects, only having to master an economic way of thinking because that was enough to be convincing.

As mentioned earlier, it is amazing that it has never been an issue during the debate if increased government funding could result in government failure. For example, increased funding could have adverse effects on the incentives for more entrepreneurial behaviour by museums. Interestingly enough, the Secretary of State interpreted government failure as the effect of the implementation of free admission as the coalition proposed; namely that she would be responsible for any shortages that would appear (Vaste Kamercommissie OCW, 8 June 2006). As to be expected, she was not willing to give up part of her influence on the strategic direction of museums, since she also advised against the motion by the coalition on the basispublieksfunctie at the 8<sup>th</sup> of June 2006.

#### **7.4 Public choice theory**

Public choice theory provided the theoretical perspective to investigate how public decision-making process about free admission took place in England and the Netherlands, and what the risks are of letting the bureaucratic tier decide on the allocation of budgets on instigation of politicians. At the same time it is also very difficult to assess what the benefits and drawbacks are of a system different from one in which politicians and bureaucrats call the tune because policies are path-dependent, and any division of responsibilities is historically grown. Therefore, I here like to reflect upon which findings underline or deviate from what public choice theory assumes, in addition to what cultural economics offered these case studies.

The first difference between theory and the case studies is that public choice theory assumes that policymakers are confronted with informational problems about the economic consequences of policies, as well as their valuation by citizens. The case studies demonstrated that policymakers are not always interested in informational problems about the economic consequences and valuation of policies, but more in implementing what they believe to be



right. The case studies also confirmed that voters are rationally ignorant regarding the arts, which gave at least the museums branch an incentive to campaign for its own institutional interests, making assumptions on what would be optimal for those who visit their institutions, and selling that to decision-makers. As such, the principals and agents did care more about realizing their goal than about realizing the most informed policy. Since principals and agents appeared to be biased, the free admission policy indeed satisfied specific interests, as long as it was not sure if free admission would increase social welfare or not. In cases like these, the possibility that the outcome of the free admission policy increases social welfare depends on the functioning of the political market, but not so much on the capacity of politicians to control bureaucrats. Due to social ties there are much more varying channels of influence that also have a bearing on the decision-making process, besides the relation between politicians and bureaucrats. All together, I rather speak of a political decision-making process instead of a public decision-making process.

Often, public choice theory portrays the bureaucrat as the agent of the legislator, which is the principal. Implicitly, the leader of the Dutch coalition assumed that she has been confronted with strategic transmission of information as a form of rent-seeking by the agents, the bureaucratic tier. However, this cannot be proved. Concerning the transmission of information, I have thus not observed any form of rent seeking typical for principal-agent relationships. In England this was not an issue because the House of Lords and officials were on the same line, whereas in the Netherlands there was an ongoing struggle about who called the tune; the Secretary backed by bureaucrats or the coalition. Therefore, the sometimes quite strict defined principal-agent relationships do indeed not fully reflect the hybrid coalitions that are created on the political market.

However, regarding the effects of the outcome of the decision-making process on the payoffs for policymakers and interest groups, I cannot conclude that competitive lobbying turned out to be beneficial for bureaucrats, as hypothesised by Mazza and Van Winden (2003). In the Netherlands, bureaucrats have not been compensated for moving away from the policy that they found optimal, whereas conclusions cannot be drawn from the English situation because bureaucrats went home with the first prize. Anyhow, I have to agree with Mazza & Van Winden (Ibid) that if one lobby is hardly effective, or two groups are just as strong, it harms both the legislative- and bureaucratic tier as well as society as a whole. The decision by the Dutch Government to provide free admission for children until they turn thirteen leaves the Dutch society with a policy that is estimated to cost about € 4.6 million a year, while the 20 national museums already have various price discrimination schemes or

free entrance for children,. Further, research has shown that free admission up to nineteen years old is more effective (Goudriaan et al, 2002). In fact, museums can now walk away with the rent; they have maximised their budget. Apparently, budget maximisation was in this case a motive for museums, instead of for bureaucrats as often is described in literature (Mignosa, 2005).

Inspired by the conclusions of Prieto-Rodríguez and Fernández-Blanco (2006) and from the perspective of the English Government optimising its grant policies towards national museums, the free admission policy could be viewed as an instrument to secure high commitment by the Boards and Directors of the national museums towards performance targets of the Funding Agreements. However, the case study did not give rise to the assumption that this was a hidden incentive for DCMS.

Reflecting upon the characteristics that have been instrumental for the strength and success of interest groups, having a high social status and encountering favourable oppositional and coalitional forces in the political arena was to the benefit of interest groups. But that is also something they realized by investing in their networks. In addition, in England it certainly helped that most national museums and campaigning organisations were located in London, close to the Government. More difficult is to conclude if it is more efficient for interests groups to work alone or hire a lobbyist. In this case interest groups did not really have a choice because they did not have enough funds to do so.

## **7.5 A rational influencing strategy**

Although not all stakeholders like to see their efforts being labelled as a campaign, they did mostly all had a strategy on how and when to communicate their message or exert pressure. As mentioned in chapter 5, the English Secretary of State and Minister carefully built a campaign, anticipating on likely obstacles that could negatively affect decision-making. For example in 1999, they already asked the Art Fund to lead the VAT campaign, whereas it started to be frequently mentioned in the media in early 2000. Other interest groups were also very much aware of what was needed to improve their chances of success. It was no coincidence that the British Museum Trustees came together to hold an emergency consultation in early December 1997 on the issue of charging, a few weeks before grant allocations were to be made. Similarly, there was a strong upsurge of news coverage and letters to the editor in the same period, as well as between January-May 2000 when the interest groups strongly campaigned for VAT recovery because the Budget announcements by the Treasury were on their way. Further, the Art Fund and earlier on the NCA had people

solely working on this campaign. The PR officers of the National Gallery and the Tate were being asked to do the PR for the campaign, besides their normal work.

In the Netherlands the strategy of the opponents was twofold. They chose to obstruct the ideas of the coalition by delaying tactics and declining the proposal on its merits, hoping to be able to sustain their refusal till the next elections or until the coalition would give in, probably being forced to do so by their respective political parties. At the same time they chose for a frontal attack in the media. Both the coalition and the opponents very much tried to manipulate public opinion by means of the media. It did help them to postpone the decision and then to trim down the plans. However, the Secretary stated that it could have been another strategy to keep the coalition satisfied with sops such as a pilot, and then to reject the idea. As Potters and Sloof (1996) already mentioned, in the political arena the real challenge is often to decrease the scope of conflict so that support for policies and candidates will not be endangered threatening established powers.

The coalition just wanted to discuss the plan on its feasibility and merits, with the luxury of having a majority in the Lower House. It seems that it has not been a conscious choice *not* to built support within the museums sector. Probably their plans also met fierce resistance because they underestimated the reaction and influence of the museums.

The whole process shows the strong influence of the upper legislative tier if backed by the sector to which the plans may apply. In the end only a part of the plan has been implemented, on their conditions. However, in the Netherlands we cannot speak of a campaign such as in England. It was more a process that has known a couple of upsurges in terms of time and effort invested combined with increased media coverage. The relative small amounts of time that have been invested by stakeholders during the years underline that as well.

## **7.6 Representation versus pressure**

Representation and especially having access to high level decision-makers (through social ties) was crucial to be heard in England. Interest groups did carefully build new relationships with high level decision-makers. That shows the importance of trust and reputation in such processes, which have also been instrumental in the Dutch process. However, it was not really necessary for Dutch stakeholders to invest in new relations because they knew from the beginning that none of the groups would shift its ground.

Not having access to decision-makers meant that a stakeholder was a bit behind, such as the Director of the NCA suggested that the charging museums were, because they were not

so closely connected to Labour Government. The NCA and others also tried to have influential people on their side, building a network of like-minded people.

Regarding the means used to exercise influence, lobbying through strategic transmission of information, pressure and social ties have also been important. In fact it is hard to say what has been the most popular means because social ties are not a means on its own, but a prerequisite for lobbying.

In the Netherlands, pressure has been a powerful instrument for the coalition to influence decision-making. Confronting the Government with various accepted motions and amendments, they secured that their wish had to be met at a certain point and to a certain extent by the Government. The means that the Government and the museums used to relieve the pressure was to defer decision-making until elections as anticipating on a form of structural coercion. Although the use of social ties as a means of gaining influence again supported lobbying by the opponents to stop the coalition, it did not occur on the same scale as in England. The coalition has not really lobbied at all, trusting on their majority in the Lower Chamber.

All together, the categorization of means and channels has met reality, although I have doubts if motions and amendments are a strong form of lobbying, or a means to exert pressure. Although these do inflict a direct cost on the policymaker, it can sometimes take very long before they are going to be implemented, and the Secretary or Minister often tries to qualify them.

### **7.7 Did interest groups mostly lobby politicians directly?**

Interest groups indeed solely lobbied Members of Parliament (NL), Lords (England), as well as Ministers and Secretaries of State. The special advisers to the Ministers and Secretaries of State have been frequently lobbied as well, which are normally not mentioned while speaking about the legislative tier. Because the campaigns had a political impetus it is not that surprising that most activities were targeted at influencing the legislative tier.

Comparing in what sense this strategy was different for stakeholders in England and the Netherlands, it can be said that in the Netherlands the media reported from both sides, whereas in England the media very much chose the side of the advocates of free admission. Getting the public opinion on their side as a means of exerting pressure was an objective of

every interest group. Accordingly, stakeholders in both countries tried to anticipate on the likely technical problems and statements of opponents, but have not always been successful doing so by making misjudgements. Because the English campaign was more centred on pre-set deadlines for Budget announcements, they could campaign more towards specific events. In the Netherlands the coalition set the rhythm of decision-making.

### **7.8 Direct and indirect monetary costs that have been made in both countries**

In England, the ultimate decision that free entrance would be secured has largely been paid for in an indirect way. It has mostly been time and effort that has been invested to realize it, besides the research commissioned by the MGC that has indirectly been paid for out of their government grant. Most interviewees could not even estimate how many hours they invested, because the debate was spread over such a long period. That also makes it very difficult to relate time spent to payments. As the Director of the NCA already stated, the only organisation with a budget to campaign was the Art Fund, while the CTRG worked on a pro bono basis. The small publication published by the NCA and three others only cost £ 1000, for which all paid £ 250. The communication consultancies that already did the PR of the Tate and National Gallery also only made indirect costs, because it was part of their contracts. Furthermore, all organisations mentioned above, except the MGC and museums, are profit firms or charities paid for by membership. As such, their expenditures or fees do not or not directly have an effect on public spending.

The costs made in the Netherlands are also difficult to estimate because these were again mostly indirect. Besides the direct cost of the research conducted by APE (€ 113,170 excluding 19% VAT) and HopkinsVanMil (£ 1000: € 1.600) all costs equal time and effort invested. Most interviewees could not accurately estimate how many hours they invested in it. That also makes it very difficult to relate time spent to payments. None of the organisations hired professional lobbyists to press their case in Parliament.

### **7.9 Have they been successful?**

Having all this said, one question still remains unanswered; and that is whether the interest groups, including bureaucrats and legislators successfully came through this decision-making process. Of course that depends on the definition of success; has it been a victory of one group over the other, a long-term solution of a problem to the benefit of society, or both?

In England the national museums that were already free campaigned to sustain free admission in order to increase central grant-in-aid, which significantly declined during the years before as well as during the campaign. They have been relatively successful because their problem has been recognised, and partly solved. On the other hand all national museums are not being compensated in real time, but based on forecasts of visitor numbers. Actually, the number of visitors has been considerably higher than expected. That imposes extra costs on museums, for which they are not being compensated.

The charging nationals must have considered free admission as a disappointment, but they have been relatively more compensated than the non charging nationals. In case of the Imperial War Museum free admission has even been negotiated as a relatively profitable deal for the museum, enabling admission at IWM North to be free on a permanent basis (DCMS had previously required that the new branch's operating costs would be entirely funded from income including admission fees).

For the involved groups that did not directly had a financial interest in the outcome of the campaign, such as the (quality) newspapers, Charities Tax Reform Group, the Art Fund, and the National Campaign for the Arts the announcement must have been an unqualified success anyway.

The legislative and bureaucratic tier must have also been pleased with the outcome by defeating the opposition by the Treasury. However, it still has to be shown that free admission is a true success in terms of meeting the original objectives of the policy; increased access for all, and not only for the middle-class. The first reliable results on this matter will be published in late 2007.

In terms of public relations it has already been a huge success for both the Government and the DCMS, constantly being communicated as one of the achievements of the Labour Government in its battle against social exclusion.

The Dutch decision to compensate national museums for providing free admission for children up to thirteen years can be seen as a victory for both the advocates and opponents. It must be a relief for the coalition that finally the Government has partly met their wishes. On the other hand the Government came off well because it has done the minimum to meet the request of the coalition. Both have not lost their face. The decision has certainly given the Minister and the Department for Cultural Heritage credits within the museum world who fiercely opposed the plans. They were afraid of a serious cutback of Government funding.

It is the national museums that have really come out as the winners, as they are being compensated for something they already partly provide. This decision eliminates a debate on what way society should fund museums; only directly funding maintenance and display of the collection, or combined with a budget for educational activities and the like. It is questionable if society will be better off by the introduction of this policy. It is not likely that free admission in this form will increase access.

Looking back, the single most important feature of success seems to be whether interest groups have been able to match their values with those of decision-makers, being bureaucrats, or more important legislators. In England interest groups campaigned for free admission as a vibrant British freedom; while in the Netherlands interest groups emphasized the independence of museums as well as that visitors in principal have to pay for quality. Logically, informal relations and associations have been very important to convince opponents of their views since these are more a matter of belief than truth. This observation accommodates the view of Klamer and Zuidhof (1999) that besides the two realms in which financial transactions are known to take place (the market and the government) there is another 'realm' that is characterised by informal associations, relationships of reciprocity and donations; the third sphere. It is inextricably bound up with the other two.

### **7.10 Recommendations**

Although this thesis has increased insight in how stakeholders have tried to influence decision-making in these two cases of political decision-making on museums policy, it cannot indicate the differences in transaction costs inherent to both systems of museums funding. More (qualitative) case studies of decision-making in the (performing) arts, heritage and media could increase insight in the costs of the agency problems that characterise the cultural sector, as well as in the institutional differences across countries and continents. Such studies are a prerequisite for any discussion on which system of decision-making on museums policy serves the stakeholders' objective functions best from an economic as well as cultural point of view.

Especially in the museums world, which is characterized by hybrid funding structures, it would be interesting to focus on the whole range of influencers that museums are confronted with, instead of solely public policy making. I therefore recommend a wider application of the principal-agent model for museums funding under asymmetric information as done by Prieto-Rodríguez and Fernández-Blanco (2006). Including private funding as a

source of income besides public grants and ticket revenues to such models could be interesting.

Further, the strong role that social ties and emotions have played in the debate in both countries underlines a need for a further development of theoretical models of interest group behaviour that extend the use of lobbying and pressure with a proxy for social ties. It does not seem necessary to complete these models with social ties as an independent means because the case studies showed that it is mainly a prerequisite for lobbying. I also encourage the further development of laboratory experiments on the dynamics of social structures in groups and emotions in bargaining. These are very helpful in understanding the social (affective) aspects of decision-making in and between groups, which are according to the case studies probably more important than means and channels on itself.

The case studies demonstrate that individual newspapers or television stations can perfectly act as interest groups. They occupy an interesting position having similar means and channels available to influence decision-making as interest groups, while at the same time being an instrument for lobbying through strategic transmission of information. Empirical models that try to assess their influence would be a valuable addition to what we already know about the functioning of the political market.

One of the factors that challenge the realisation of well informed policies concerning museums is that it is accepted that decision-makers and interest groups take refuge into the non-measurable effects of performance, or just take a principal stance. This hampers the efficiency of resources allocated. From a social welfare perspective, evidence based policy making should therefore be encouraged. This implicates that data collection has to be improved on the outputs that museums produce, their pricing policies, the background of the visitors they serve, and their willingness to pay (by means of CVM studies for example). Assuming that this is a general problem of decision-making within the cultural sector, it could be expanded to other disciplines. Second, an increased use of performance indicators could be an instrument to minimise discretionary behaviour on the part of museums, but also to increase the accountability of the funding bodies, and the transparency of results. Although performance indicators still provide the incentive for grant maximization, it could be preferred above more loose attempts to comply input with output. A repetition of the Data Envelopment Analysis such as done by Basso/Funari (2004) would provide the scientific arguments for a specified hierarchy of performance indicators so that the level and composition of grants for museums (in the Netherlands) will better reflect the willingness to pay for the arts, and the individual contribution of museums to society. In my opinion, especially in the public realm,



there is no reason not to use the techniques economists provide us with that measure the effects of different policy objectives on social welfare.



## Appendices

### Appendix 1 Interviews

#### Telephone Interviews

##### Interviews England

	<b>Institution/Person</b>	<b>Position</b>	<b>Date</b>
1	DCMS	Head of Museum & Libraries Sponsorship 2000-2005	3 May 2007
2	DCMS	Head of Museum & Libraries Sponsorship 2005 -	9 March 2007
3	Museums, Libraries & Archive Council	Director of Policy & Advocacy	14 May 2007
4	Museums & Galleries Commission	Deputy Director 1996-2000	1 June 2007
5	Museums Association	Director	14 May 2007
6	Imperial War Museum	Director - General	10 May 2007
7	Art Fund	Acting Head of Public Affairs	26 April 2007.
8	National Campaign for the Arts	Director	4 June 2007
9	National Museums' Directors Conference	Chairman 2001-2005	10 May 2007
10	Charities Tax Reform Group	Director	27 April 2007/4 May 2005
11	Charities Tax Reform Group	Consultant	27 April 2007.
12	House of Lords	Lord Freyberg	18 May 2007

##### Interviews the Netherlands

	<b>Institution/Person</b>	<b>Position</b>	<b>Date</b>
1	Ministry of Education, Culture & Science ( OCW)	Secretary of State for Culture & Media	10 May 2007
2	Ministry of Education, Culture & Science ( OCW)	Senior Policy Advisor ( Museums)	4 June 2007
3	Member of Parliament	Member of Committee ECS	14 May 2007
4	Association of National Museums	Director	11 May 2007
5	Museums Association	PR/Marketing Manager	4 May 2007
6	Rijksmuseum Amsterdam	Controller	11 May 2007
7	Kunsten '92	Director	28 March 2007
8	Council for Culture	Secretary of Museums Committee	10 May 2007

Emails: English Secretary of State for Culture, 1997-2001 (26 April 2007) and Chairman NMDC, 1998-2001 (2 May 2007)

## **Appendix 2 Background and objectives interest groups England**

### *The National Campaign for the Arts (NCA)*

The NCA was established in 1985 when two lobbying organisations - the National Lobby for the Arts (NLA) and British Arts Voice (BRAVO) - joined forces. The organisation was formed in response to a growing concern among members of the arts community that cuts in arts funding and the abolition of the metropolitan authorities were leaving the arts world increasingly vulnerable. The primary aim of the new organisation was to advocate on behalf of the arts and arts practitioners and raise an awareness of the importance of the arts on cross-party political agendas. The NCA has always operated as a membership organisation, and had a very small office of two people running the organisation.

### *National Art Collections Fund (Art Fund)*

Since its inception in 1903, the Art Fund campaigns under three broad headings – to save works of art for the nation; to secure proper government funding for museums; and to promote the widest possible public access to works of art. In its charter it is stated that it shall ‘secure by purchase, gift, exchange, bequest or otherwise works of art, and objects of national and historical importance for presentation or loan to public art collections in our United Kingdom’. For any campaign to succeed, they consider the public profile and reputation of the Art Fund promoting the issue, as well as the Art Funds’ reputation in the media as crucial.

### *Charities Tax Reform Group (CTRG)*

The Charities' Tax Reform Group (CTRG) has over 400 members of all sizes representing all types of charitable activity. CTRG was set up in 1982 to make representations to Government on charity taxation and it has since become the leading voice for the sector on this issue. It is a subsidiary to Central Lobby Consultants (CLC), an independent parliamentary and public affairs consultancy. The Managing Director of Central Lobby is also the Director of CTRG.

### *National Museums Directors' Conference (NMDC)*

Founded in 1929, the National Museum Directors' Conference represents the leaders of the UK's national collections. These comprise the national museums in England, Scotland, Wales and Northern Ireland, the British Library, National Library of Scotland, and the National Archives. While its members are funded by central government, the NMDC is an independent and non-governmental organisation, paid for by membership. The Chairman of the NMDC

was the Director of the Victoria & Albert Museum over 1998-2001 and over 2001-2006 the Director of the Imperial War Museum took over this task.

#### *Museums Association*

The Museums Association (MA) was set up by a small group of museums in 1889 to look after the interests of museums and galleries. It is entirely independent of government and is funded by its membership, which is made up of individual museum professionals, institutions and corporate members. The MA now has approximately 5,000 individual members, 600 institutional members and 250 corporate members.

#### *Museums Libraries and Archives Council (Before 2000 the MGC)*

The Museums and Galleries Commission (MGC) was originally established as the Standing Commission on Museums and Galleries in 1931, in accordance with the recommendations of the Final Report of the Royal Commission on National Museums and Galleries of 1929. In September 1981 the Commission was renamed and given new functions. It was a registered charity and was incorporated under a Royal Charter which came into effect on 1 January 1987. The MGC comprised 15 unpaid Commissioners appointed by the Prime Minister together with 46 professional staff (in 1999). It was funded by the Department for Culture, Media and Sport (formerly the Department of National Heritage) and was responsible for giving advice on museum and gallery affairs to the UK government, including the Department of Education for Northern Ireland, the Scottish Office and the Welsh Office. It also advised the Heritage Lottery Fund and the Arts Council of England on museum and gallery related lottery applications. MLA was launched in April 2000 as the strategic body working with and for museums, archives and libraries, tapping into the potential for collaboration between them. The new organisation replaced the Museums and Galleries Commission (MGC) and the Library and Information Commission (LIC), and includes archives within its portfolio. As such, the Museums, Libraries and Archives Council (MLA) is the lead strategic agency for museums, libraries and archives. They are part of the wider MLA Partnership, working with nine regional agencies. It is set up as a NDPB.

#### *The House of Commons*

The Commons is publicly elected. The party with the largest number of members in the Commons forms the government. Members of the Commons (MPs) debate the big political issues of the day and proposals for new laws. It is one of the key places where government

ministers, like the Prime Minister and the Chancellor, and the principal figures of the main political parties, work. The Commons alone is responsible for making decisions on financial Bills, such as proposed new taxes. The Lords can consider these Bills but cannot block or amend them.

### *The House of Lords*

Members of the House of Lords are mostly appointed by the Queen, a fixed number are elected internally and a limited number of Church of England archbishops and bishops sit in the House. The Lords acts as a revising chamber for legislation and its work complements the business of the Commons. The House of Lords is also the highest court in the land: the supreme court of appeal. A group of salaried, full-time judges known as Law Lords carries out this judicial work.

### *All Party Groups*

Parliament has a number of all-party subject groups concerned with a wide variety of subjects. Membership of these groups is drawn from backbench members of all political parties in the House and they provide an opportunity for cross-party discussion and co-operation on particular issues. All-party groups sometimes act as useful pressure groups for specific causes helping to keep the government, the opposition and MPs informed of parliamentary and outside opinion.

### **Appendix 3 Background and objectives interest groups the Netherlands**

#### *Association of National Museums (ANM)*

The Association of National Museums was set up in 1993 alongside the privatization of the nationally funded museums. It is independent of the government and funded through membership. It is also responsible for the negotiations of the conditions of employment with the trade unions. The ANM now has 29 members, of which all 20 museums that are responsible for the National Collection. It is being led by a full-time director since 2003, administratively assisted by its members.

#### *Museums Association (MA)*

Established in 1926 as a branche organisation, its aim is the professionalisation of its members and the promotion of museum visits. The MA has 441 members, of which 40 associated members, which are not necessarily museums and between 10-13 staff. An instrument they have at their disposal to stimulate museum visits is the Museumjaarkaart which it issues since the MA merged with the Foundation for the Museumjaarkaart in 2003. Till 2005 it has been heavily funded by the Ministry, as a service organisation because it also implemented several funding programmes that furthered the professionalisation of Dutch museums. This is now being cut back because the MA wants to function more as a branche organisation instead of as a sort of NDPB. Part of its funds are being transferred to the recently established organisation Erfgoed Nederland, which is also going to work for the museums sector to provide expertise to museums, which is being funded by the Ministry. The MA now derives its income from the Museumkaart as well as the Bank Giro Lottery, as well as a bit from its members and from the Government.

#### *Dutch Parliament*

The Dutch Parliament or States-General consists of a Lower House or Second Chamber and an Upper House or First Chamber, also referred to as the Senate. Both houses of Parliament discuss proposed legislation and review of the actions of the cabinet. The Second Chamber also has the right to propose or amend legislation. Members of the Second Chamber, generally considered the more important House, are elected directly every four years with a list proportional representation. Members are chosen on personal title, so in the relatively rare case that a member no longer agrees with his (or her) party, the member can decide to stay in the chamber, either as an independent representative, or connected to another parliamentary

party. If a member decides to resign, the empty seat falls to the original party collecting the votes, and can be filled by a member of that party. Coalition governments may fall before their term ends, which usually results in early dissolution of the Second Chamber and new elections. Members of the First Chamber are elected indirectly by provincial councilors, again every four years, just after the elections of the provincial councils, via a system of proportional representation. This election method reflects the historical roots of the First Chamber as a representative body of the different regional entities that formed the Netherlands. Nowadays, the Senate is mainly considered to be a body of elderly statesmen reconsidering legislation at ease.



## Appendix 4 Questionnaires

### *Questionnaire Interest Groups*

1. What was your position related to the campaign at that time?
2. Total staff?
3. What have been the core arguments of your plea in favour of/against free admission?
4. How was the organisation roughly funded during these years? ( additionally; annual reports)  
...% National Government  
...% Private Giving  
...% Membership  
...% Corporations
5. Who initiated the debate in favour of free admission to National museums?  
We did  
Civil servants  
Minister or Secretary of State  
Museums, .....  
MLA/Arts Council  
Museums Association  
Politicians  
Other,.....
6. How would you describe your relation in this case with the legislative tier  
Formal            12345  
Informal         12345  
Friendly         12345  
Constructive    12345  
Business like   12345  
Other, ....      12345
7. How would you describe your relation in this case with the bureaucratic tier  
Formal            12345  
Informal         12345  
Friendly         12345  
Constructive    12345  
Business like   12345  
Other, ....      12345
8. How would you describe your relation in this case with (other) museums/councils and associations?  
Formal            12345  
Informal         12345

Friendly 12345  
Constructive 12345  
Business like 12345  
Other, .... 12345

9. Did your organisation approach the respective Minister directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
10. Did your organisation approach the respective Secretary of State directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
11. Did your organisation approach politicians directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
12. Did your organisation approach the Committee of Culture directly regarding the case of free admission?  
Yes/No.....If yes, how many members?..... How?....How often?.....
13. Did your organisation approach civil servants directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
14. Did your organisation approach a council directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
15. Did your organisation approach other interest groups regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
16. Which already established relations turned out to be of important value during the debate?  
Civil servants  
Minister/Secretary of State  
Councils  
Other interest groups, e.g. ....  
Others,.....
17. Have you invested in any relationships in particular in order to be able to express the views of your organisation more clearly?  
Civil servants  
Minister/Secretary of State  
Councils  
Other interest groups, e.g. ....
18. Did your organisation built coalitions with others in order to convince opponents of your point of view?

Yes/No....If yes, with.....

19. Did your organisation hire any type of professionals?

Yes/No.. If yes, a lobbyist/researcher/communication specialist

20. Did your organisation develop a certain strategy for influencing decision-making?

Yes/No... If yes, how would you describe it in four sentences?.....

21. On what was this strategy based?

Reputation of your organisation 12345

Experience with these sort of debates 12345

Steering by the board 12345

Close ties with other stakeholders 12345

Other,..... 12345

22. Compared to other cases, how actively has your organisation been involved?

Very involved/similar to other cases/ less than average

23. Could you estimate how much time your organisation invested in expressing its views on a monthly basis between 1996-2001 or 2001-2007 on average?

2 hours a month

4 hours a month

A day per month

Other, .....

*Questionnaire Civil Servants*

1. What was your position at that time?
2. Total staff at the department for National museums?
3. Main argumentation?
4. Who in your opinion initiated the debate in favour of free admission to National museums?  
We did  
Minister or Secretary of State  
Museums, .....  
MLA/Arts Council  
Museums Association  
Politicians  
Other,.....
5. How would you describe your relation in general with the legislative tier (Minister, Politicians) in this case?  
Formal            12345  
Informal         12345  
Friendly         12345  
Constructive    12345  
Business like   12345  
Other, ....     12345
6. How would you describe the relation of your department in this case with (other) museums/councils and associations?  
Formal            12345  
Informal         12345  
Friendly         12345  
Constructive    12345  
Business like   12345  
Other, ....     12345
7. How would you describe your relation in this case with the bureaucratic tier  
Formal            12345  
Informal         12345  
Friendly         12345  
Constructive    12345  
Business like   12345  
Other, ....     12345
8. Did your department approach the respective Minister directly regarding the case of free admission to advise and inform him/her?  
Yes/No.....If yes, how many?..... How?....How often?.....

9. Did your department approach the respective Secretary of State directly regarding the case of free admission to advise and/or inform him/her?  
Yes/No.....If yes, how many?..... How?....How often?.....
10. Did your department approach politicians directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
11. Did your department approach the Committee of Culture directly regarding the case of free admission?  
Yes/No.....If yes, how many members?..... How?....How often?.....
12. Did your department approach colleagues at different ministries or departments directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
13. Did your department approach a council directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
14. Did your department approach other interest groups regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
15. Have you been approached by the Minister/Secretary of State directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
16. Have you been approached by politicians directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
17. Have you been approached by museums directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
18. Have you been approached by other councils and associations directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
19. Which already established relations turned out to be of important value during the debate? Those with:  
Colleagues  
Minister/Secretary of State  
Councils  
Other interest groups, e.g. ....  
Others,....
20. Have you invested in any relationships in particular in order to be able to express the views of your department more clearly?  
Colleagues  
Minister/Secretary of State  
Councils  
Other interest groups, e.g. ....

21. Did your department built coalitions with others in order to convince opponents of your point of view?

Yes/No....If yes, with.....

22. Did your department hire any type of professionals?

Yes/No.. If yes, a lobbyist/researcher/communication specialist

23. Did your department develop a certain strategy for influencing decision-making?

Yes/No... If yes, how would you describe it in four sentences?.....

24. On what was this strategy based in particular?

Reputation of your organisation 12345

Experience with these sort of debates 12345

Close ties with other stakeholders 12345

Other,..... 12345

25. Compared to other cases, how actively has your department been involved?

Very involved/similar to other cases/ less than average

26. Could you estimate how much time your organisation invested in expressing its views on a monthly basis between 1996-2001 or 2001-2007?

2 hours a month

4 hours a month

A day per month

Other, .....

*Questionnaire Legislators*

1. What was your position at that time?
2. Total staff? ( if relevant)
3. Who in your opinion initiated the debate in favour of free admission to National museums?  
I did  
Politicians  
Civil servants  
Minister or Secretary of State  
Museums, .....  
MLA/Arts Council  
Museums Association  
Other,.....
4. How would you describe your relation in this case with politicians?  
Formal            12345  
Informal        12345  
Friendly         12345  
Constructive   12345  
Business like 12345  
Other, ....     12345
5. How would you describe your relation in this case with civil servants?  
Formal            12345  
Informal        12345  
Friendly         12345  
Constructive   12345  
Business like 12345  
Other, ....     12345
6. How would you describe your relation in this case with (other) museums/councils and associations?  
Formal            12345  
Informal        12345  
Friendly         12345  
Constructive   12345  
Business like 12345  
Other, ....     12345
7. Did you approach politicians directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
8. Did you approach the Committee of Culture directly regarding the case of free admission?  
Yes/No.....If yes, how many members?..... How?....How often?.....
9. Did you approach civil servants directly regarding the case of free admission?

- Yes/No.....If yes, how many?..... How?....How often?.....
10. Did you approach a council directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
11. Did you approach other interest groups regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
12. Have you been approached by civil servants directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
13. Have you been approached by politicians directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
14. Have you been approached by museums directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
15. Have you been approached by other councils and associations directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
16. Which already established relations turned out to be of important value during the debate? Those with:  
Civil servants  
Minister/Secretary of State  
Councils  
Other interest groups, e.g. ....  
Others,.....
17. Have you invested in any relationships in particular in order to be able to express your views more clearly?  
Civil servants  
Politicians  
Councils  
Other interest groups, e.g. ....
18. Did you built coalitions with others in order to convince opponents of your point of view?  
Yes/No....If yes, with.....
19. Did you hire any type of professionals?  
Yes/No.. If yes, a lobbyist/researcher/communication specialist
20. Did you develop a certain strategy for influencing decision-making?  
Yes/No... If yes, how would you describe it in four sentences?.....
21. On what was this strategy based?
- |                                       |       |
|---------------------------------------|-------|
| Reputation of your organisation       | 12345 |
| Experience with these sort of debates | 12345 |
| Close ties with other stakeholders    | 12345 |
| Other,.....                           | 12345 |



22. Compared to other cases, how actively have you been involved?  
Very involved/similar to other cases/ less than average
23. Could you estimate how much time you invested in expressing your views on a monthly basis between 1996-2001 or 2001-2007?  
2 hours a month  
4 hours a month  
A day per month  
Other, .....

*Questionnaire Politicians (Legislators)*

1. What was your position at that time?
2. Total staff? ( if relevant)
3. Who in your opinion initiated the debate in favour of free admission to National museums?  
I did  
Politicians  
Officials  
Minister or Secretary of State  
Museums, .....  
MLA/Arts Council  
Museums Association  
Art Fund  
Other,.....
4. How would you describe your relation in this case with (other) MP's/Lords?  
Formal            12345  
Informal        12345  
Friendly         12345  
Constructive   12345  
Business like 12345  
Other, ....     12345
5. How would you describe your relation in this case with officials?  
Formal            12345  
Informal        12345  
Friendly         12345  
Constructive   12345  
Business like 12345  
Other, ....     12345
6. How would you describe your relation in this case with museums/councils and associations?  
Formal            12345  
Informal        12345  
Friendly         12345  
Constructive   12345  
Business like 12345  
Other, ....     12345
7. Did you approach the Minister or Secretary of State directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
8. Was there any bias in the Committee of Culture regarding the case of free admission?  
Yes/No.....

9. Did you approach civil servants directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
10. Did you approach a council directly regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?
11. Did you approach other interest groups regarding the case of free admission?  
Yes/No.....If yes, how many?..... How?....How often?.....
12. Have you been approached by officials directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
13. Have you been approached by other MP's/Lords directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
14. Have you been approached by museums directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
15. Have you been approached by other councils and associations directly?  
Yes/No.....If yes, how many?..... How?....How often?.....
16. Which already established relations turned out to be of important value during the debate? Those with:  
Other Lords  
Civil servants  
Minister/Secretary of State  
Councils  
Other interest groups, e.g. ....  
Others,....
17. Have you invested in any relationships in particular in order to be able to express your views more clearly?  
Civil servants  
Politicians  
Councils  
Other interest groups, e.g. ....
18. Did you build coalitions with others in order to convince opponents of your point of view?  
Yes/No....If yes, with.....
19. Did you hire any type of professionals?  
Yes/No.. If yes, a lobbyist/researcher/communication specialist
20. Did you develop a certain strategy for influencing decision-making?  
Yes/No... If yes, how would you describe it in four sentences?.....
21. On what was this strategy based?  
Reputation of your organisation                    12345  
Experience with these sort of debates            12345

Close ties with other stakeholders	12345
Other,.....	12345

22. Compared to other cases, how actively have you been involved?  
Very involved/similar to other cases/ less than average

23. Could you estimate how much time you invested in expressing your views on a monthly basis between 1996-2001 or 2001-2007 on average?  
2 hours a month  
4 hours a month  
A day per month  
Other, .....

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