



# The Determinants of Subsidization: A Case Study of the Nederlands Filmfonds Foundation

**A Film Industry Analysis and the Economic vs Artistic  
Factors of Public Expenditure to Film Production**

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**Master Thesis:**  
15 September 2021

## Abstract

The subsidization of the film sector is a subject which has not been as researched considering that it absorbs the larger amount of public expenditure distributed to the cultural sector nationally and internationally. This thesis aims to uncover the determinants of subsidization of the film production using as a case study the Nederlands Filmfonds Foundation. The study provides an empirical investigation of the influence of economic, cultural and artist factors on the amount of the Filmfond Foundation funding distributed in 2019 by applying an OLS model. The intention of the study is not only to elucidate the determinants of funding of the Filmfonds, but also to reveal the emphasis of the fund among cultural, artistic, and commercial creation compared to its claiming policy goals and purposes. The results of the research indicate a variety of influences on the amount of funding such as the stage of the production, the genre of the feature film, the director's past work selected for a domestic film festival as well as the country of production.

*Keywords: film cultural policy, subsidization, public financing determinants, Nederlands Filmfonds Foundation, film industry*

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## Preface

I would like to dedicate this thesis to the cultural economists and researchers from which I have driven inspiration to pursue a career path in the cultural sector. Since a young age, I knew I would like to work for the cultural sector, however I struggled to find the way which I could combine the creative industries with my passion for business administration and economics. After conducting this master's program, I felt closer to making my dream come true and contributing to the cultural sector through my own lenses and skills. Therefore, part of my strong will to contribute to the sector is this thesis which aims to shed new light on the Filmfonds Foundation, a vital stakeholder for the sustainability of the film sector in the Netherlands, regarding its funding distribution policies. This research is an effort of practically contributing to the Filmfonds Foundation's efficiency considering its policy goals and inspiring further research on the matter.

Nonetheless, I would not be able to have achieved my current research level without the guidance and support of Prof. Mazza Isidoro which patiently gave me precious and thorough feedback throughout the process and to whom I will always be grateful. I would also like to express my gratitude to Prof. Brouwer Frans with whom I worked as well for over five months and contributed determinately to my research and consultancy abilities through the course Project: Entrepreneurship.

Last but not least, I would not achieve anything without the support of my parents and friends who stood by my side through conducting a master's program during COVID-19 at a foreign country. It was a very challenging task to fulfill which dared my mental resilience. They never questioned my choices and abilities and constantly reminded me of my strengths and dreams. I owe them my mental strengthening and continuance.

I hope you enjoy reading this thesis.

Irene Tsitse

## 1. Introduction

The subsidization of the film sector is characterized by political, economic, artistic, and cultural factors which challenge the distribution of the limited resources of a public institution.

Historically, film cultural policy has been linked to national identity building, cultural sovereignty or even propaganda. The last years, in Europe, it has been heavily linked with the effort of the national film markets to compete the American imperialism, and the “Hollywood effect” which predominates the film market internationally. The fragmentation of the European film market, however, mainly due to the language barrier, limits the competitive ability against the American production conglomerates (Bakker,2005: Morawetz et al., 2007). In addition, the market failure which characterizes cultural goods in general and unavoidably the film sector remains, challenging even further the distribution of funds (Towse, 2019). On the one hand, suppliers are responsible for offering artistic creation which consumers do not necessarily comprehend causing a demand sided market failure, although people could acknowledge the benefits of cultural goods for social welfare, heritage, and national identity. On the other hand, the efficiency and effectiveness of such funds to the cultural sector is being questioned by economists regarding the fostering of competition, profitability, and the strengthening of the national film infrastructure in the long-term. Hence, a collision is detected among artistic and economic criteria regarding public subsidization.

In the European Union, especially, the idea of protecting national domestic film production for the shake of national protectionism has been popular and the main argument in favor of public intervention. Hence, governments have adapted multiple trade instruments and policies to safeguard the heritage and growth of such values against the US competition such as subsidies to local producers. Nevertheless, according to Messerlin and Parc (2017) the subsidization of the film market has benefits as well as challenges. It encourages artistic liberty for the suppliers to produce film regardless of the market commands in favor of both national protectionism and cultural diversity. However, the heavy subsidization has shown long-term financial dependence on public support and the lack of strong film infrastructure. Furthermore, even though a film could be publicly financed, the probability of the film to be released in the market is still uncertain constituting subsidies to the film market a high-risk public “investment”. Therefore, question rises regarding which criteria a public institution is currently using and

which could use to serve artistic creation, national and cultural values as well as the continuity of the sector.

However, not all public institutions share the same values and purposes, neither their funding decisions are always aligned with their policy goals. Hence, my study is focusing on the determinants of subsidization of film production of the Nederlands Filmfonds Foundation. More specifically, it investigates the economic and artistic factors which influence the amount of funding distribution by the fund by collecting the data for 100 fund distributions to feature film and documentaries in 2019 and analyzing the influence of factors on the amount of funding with the use of Ordinary Least of Squares (OLS) quantitative model. The intention of the study is not only to shed light on the determinants of funding of the Filmfonds, but also to indirectly understand the emphasis of the fund among cultural, artistic, and commercial creation and propose different perspectives according to its policy goals, the research results, and academic literature. Hence, the overall research question is:

*What are the determinants of public subsidization of the Film Production of The Nederlands Filmfonds Foundation in 2019?*

This empirical work is distinct from other research done so far for two main reasons. Firstly, the focus of the research is subsidization and the contradictions between economic and artistic logics, which - although discussed before - have not been analyzed in a public expenditure framework. For this reason, the research is showcasing the literature on public intervention, public expenditure policies and their effects on the film industry as well as the political, artistic, and economic phenomena that characterize the film industry. Added to this, the research analyses the peculiarities of the sector and the conflicts between artistic and commercial logics outside and within public financing. Secondly, the research becomes distinctive due to its focus on the Filmfonds fund which constitutes the most significant among the six public institutions funding the film sector due to its high specialization and contributions to the Dutch film market. This work highlights the potential determinants of subsidization of the foundation and compares them with the set policy goals for the period of 2019 in an effort to contribute to its growth and policy effectiveness. The results of the research indicate a range of influences on the amount of financing such as the stage of the production, the genre of the feature film, the director's past work selected for a domestic film festival as well as the country of production.

The outline of the thesis displays five main chapters. The following chapter includes a literature review and is divided into five sub-sections which highlight different topics. Firstly, issues of public intervention and cultural policy are discussed, with a special focus on the conflict of artistic and economic values, quality uncertainty, taste formation, and cultural sovereignty which all set a general theoretical baseline for the research. The next sub-section investigates the film industry, describing important economic phenomena which characterize the sector: economies of scale, network and superstar effects, gatekeeping, and distribution attributes of the sector as well as the influence of consumer preferences. In the third sub-section, cultural policy and public financing issues are addressed in relation to the film industry where the national protectionism and cultural sovereignty are discussed together with the subject of cultural diversity and the influence of the new established video-on-demand platforms on the domestic film market. Then the fourth sub-section elucidates more deeply the conflict of business and artistic logics in the subsidization policy measures and provides the practices which seem to consist of a crossroad between the two paths. The last sub-section enumerates the public financing institutions of the film sector in the Netherlands, the market shares, and facts of the Dutch and other European countries' domestic production as well as more information regarding the research-focus institution: The Nederlands Filmfonds Foundation.

Chapter three explains the research design, and methodology. It also includes a description of data and the descriptive statistics. Results then show the influence of four set of variables (the descriptive, artistic, commercial, and cultural diversity variables) on the amount of funding. The descriptive variables refer to the type and time of production and the genre of the feature film while the rest to artistic, commercialization and cultural diversity indications. The final chapter draws some conclusions about the funds' distribution and few recommendations are provided, with references on academic literature and the policy goals of the fund. Finally, future research topics on the subsidization practices in the film industry are proposed and this research's limitations.

## 2. Literature Review

### 2.1 Public Intervention & Cultural Policy

Cultural policy is a broad term that includes a variety of government interventions and initiatives which aim to fulfill multiple purposes. From a normative economic point of view, the reasons are mainly the existence of market failure and redistributive goals. However, it is common for the government to supply economic support in times of crisis, and to also intervene for other reasons such as cultural diversity at cultural production and supply, existence value. Such interventions may or may not involve public expenditure and may be direct or indirect, for example increasing cultural demand through education, or supporting entrepreneurial advisory and education for artists and creatives (Towse, 2019). According to David Bell and Kate Oakley (2014), “cultural policy is the branch of public policies concerned with the administration of culture” (p. 45). Explaining public policy, they add that cultural policy is the sum of governmental activities for culture and the governmental choices related to culture; both what they decide to do and not to do.

However, the fact that public policy is involved with issues regarding cultural and artistic production is not often well received by economists nor the public. The incentives of supporting specific cultural outputs instead of others could be challenged as well as the criteria from which the limited amount of support is distributed (Kauffman, 1990; Epstein 1996). Furthermore, the cultural sector is characterized by a mix of public and private ownership where the amount of involvement of each might vary (Towse, 2019). In this respect, an issue that rises is the managerial control of cultural organizations that are mostly publicly funded. It is suggested that public funding implies for the organization a reduction of control over its outputs, policies, even location. According to Towse (2019), however, in many European Countries, “the policy of privatization has been implemented for cultural facilities allowing the managerial control to autonomous non-profit organizations” (p. 30). More specifically, in the Netherlands, most museums are “ABNI” which means “Public Benefit Institutions” and are governed by Supervisory Boards. The economic crowd-in effect is a major contribution of public financing to cultural organizations regarding private support or donations. Public financing signals credibility allowing for the funded organizations to gain financial support from multiple funding sources. Therefore, public expenditure is believed to be one of the main governmental tools to support the

creative sector among others such as regulation and taxation (Giardina & Rizzo, 1994). Common types of direct public financial support are the fixed subsidy per person usually in the form of vouchers, and the lump sum subsidies which are either distributed as short-term support for artists and cultural institutions or as a long-term public administration method (Frey, 2013).

### 2.1.1 Artistic vs Economic Value

The public financing of the cultural sector remains valuable for multiple reasons. According to Ruth Towse (2019), the lack of information on the part of the consumer to evaluate cultural outputs and the “experiential” nature of the goods pose a challenge on the financial sustainability of the cultural sector and thus, its entire existence. Cultural goods such as a film, a theater play, a music festival, a museum exhibition require knowledge and consumption capital with which individuals would be turned into cultural consumers. Thus, the existence of imperfect information combined with supplier-induced demand are basic reasons for which the cultural market faces predominant challenges. Suppliers should have the artistic liberty to create and produce cultural outputs regardless of the market commands. In this case only, artistic value could potentially be created, which could also lead to economic value. However, consumers might not be able to appreciate the various cultural outputs and therefore, their lack of support could pose an “existential” risk for those outputs. This demand-side market failure justifies governmental intervention in the creative market for policy to increase cultural production beyond the “the level of output that results from private market signals alone” for future generations and social welfare (Towse, 2019, p. 185).

Nevertheless, many concerns arise, and one main dilemma is whether cultural products, which evidently have external consumption benefits, should attain market orientation characteristics, and turn more towards the consumer, or even try to cultivate demand through education, especially at early stages. According to Towse (2019), it has been proven the “strongest predictor of later consumption is childhood participation” (p.153). It is also suggested that the higher the educational level, the higher the probabilities of cultural participation and number of visits (Falk & Katz-Gerro, 2016). Some cultural economists though suggest that market orientation involves satisfaction of the demand side which may not encourage and serve the artistic principles of freedom and expression. Artistic creation entails imagination and the creation of original ideas which uniquely interpret the world and are expressed through physical

forms such as image, text, or/and sound (UNCTAD, 2008, p. 9) Therefore, the freedom of idea generation and creation outside the market indications are necessary for artistic expression. A vivid example of market orientation, however, is the cultural industries in the US film industry, “Hollywood”. The purpose of most US film production companies is to reach a mass audience through both distribution and promotional channels and the repetition of pre-established formulas for commercial success.

### 2.1.2 Quality Uncertainty & Taste Formation

Other economists support that the taste formation for cultural goods is social in nature and not individual which might justify the commercial success of Hollywood due to its ongoing popularity. However, the difficulty in understanding taste formation and predicting consumer behavior remains and as Caves (2000) suggests “nobody knows”. Other issues such as quality uncertainty and the popular lemon’s problem regarding experience goods rise where the quality of a cultural product is indistinguishable before purchase and the supplier has the incentive to promote low-quality outputs as higher-quality ones while the high-quality products are pushed out of the market due to consumption at the average price (Akerlof, 1978, Nelson, 1970, 1974). Nonetheless, there are methods such as word of mouth, advertising, price, and critiques, which transmit quality signals by lowering the information asymmetry among the buyer and the supplier, or even by discouraging the supplier to lie about quality (Nelson, 1974; Kirmani & Rao, 2000). More analytically, according to Kirmani and Rao (2000), if an organization transmits false signals to a rational consumer, this is “economical unwise” (p. 66). In fact, since an organization invests to advertise a cultural product, it is logical to assume that it puts faith on the advertised product’s quality. Furthermore, if the product has a high price and high quality, the supplier will benefit from repeated purchases. Setting a high price at a product of low-quality would lead to disappointing quality reveal after the purchase. In that case, the event of repurchase is doubtful. Hence, the strategy of high introductory price of a product would only benefit an organization whose product quality is indeed high. Lastly, positive critiques signal higher quality due to the expertise of the critic. Even so, quality remains uncertain due to the subjectivity of taste which causes welfare and cost-analysis problems (McCain, 2003).

From a welfare point of view since the arts are often considered to be cultivated taste, preferences could potentially change. According to McCain (2003), cultivation of taste is

characterized by experience and therefore, change of taste. Hence, questions rise at whether the new or the old preferences are the suitable basis for the judgement of benefits. According to McCain (2003), the route of analysis chosen by Stigler, Becker, and himself, is the model where there are constant underlying preferences, and that taste formation results in the change of the expression form of preferences and not the preferences themselves. Anyhow, taste formation analyses are highly related to consumption capital. Therefore, from one side there is a world where the basic needs of humanity are not still served and from the other side the arts which require cultivated taste and hence, consumption capital. Public financing, then, faces major dilemmas of allocation of recourses.

### 2.1.3 Consumer Sovereignty

Yet, a basic tenet of welfare economics is the consumer sovereignty principle. Therefore, consumers should be able to recognize the positive impact and cultural importance of the creative industries and are willing to accept public support financing them individually. On the other hand, public funding of the cultural sector may jeopardize market competition and efficiency (Peacock, 2006). As discussed, individuals do not always have the necessary consumption capital to support every form of art, or even new more disruptive and innovative forms. Frey (2013), from the other hand, claims that individuals also recognize the value of the public support even if they are not willing to actively contribute or participate to the arts. Moreover, someone could further suggest cultural diversity as a form of innovation that entails high risks and requires public support. Hence, the increase of cultural capital could encourage individuals to consume less popular cultural goods and deviate from organizations that monopolize the creative market. Furthermore, the public good attributes of cultural goods and the elevation of cultural diversity underline culture's anthropological importance and exclude it from the simplistic marketing orientations of "what is the market gap", or "what are the most likable product's characteristics in the market".

## 2.2 Films as Cultural Goods

The Creative or Cultural Industries are consisting of a sector which contributes to the national economy and includes nonprofit organizations, freelancers, and enterprises. UNESCO suggests a broad term to define the industries such as "sectors of organized activity whose principal purpose is the production or reproduction, promotion, distribution and/or commercialization of goods,

services and activities of a cultural, artistic or heritage-related nature” (p. 430, Towse, 2019). The term of the “Creative Industries” (CI) started in the United Kingdom where they were the first to start conceptualizing the creative economy and cultural production (Towse, 2019). Copyright law is a substantial part of the CI providing the creatives and artists the ability to commercialize their works and profit from their creations. Intermediaries then most probably retain the rights and distribute the goods to the market. The variety among the nature and characteristics of the cultural outputs and art forms consisting of the CI merely allows for many generalizations. However, most of them are influenced by economic phenomena like economies of scale, network and superstar effects, the tendency to competition or monopoly, supplier induced demand as well as the subjects of intermediation and gatekeeping (Towse, 2019).

The film industry is a well-established industry worldwide which regularly provides the highest contribution to the country’s GDP among the creative industries. Film production is a substantial force for the creative economy as well as the creative production itself. The main current film distribution channels are the movie theaters and the subscription video on-demand (SVOD) services such as Netflix, Amazon Prime, Disney+ etc in the European Union (Grece, 2021). According to Grece (2021) the SVOD services have become the main source of revenue on the video on-demand (VOD) market in the last couple years, and the principal development driver of the EU28 audiovisual market. Furthermore, the nature of the film industry requires the employment of multiple professions, such as screenwriters, directors, actors, production staff, video-editors leading to high fixed costs. Furthermore, it is fragmented into production, distribution, and promotion and, according to Nicoli (2016), the coordination of all elements is a challenge especially because it leads to lack of control and cohesion over the output. Hence, film production does not only have the potential to contribute highly to the economy, but it also requires relatively higher production costs and coordination comparing with other creative outputs.

### 2.2.1 Economies of Scale & Network Effects

The film industry is mainly consisted of either predominant conglomerates which vertically integrate most parts of the production, or independent film producers who try to survive in the market using diversified portfolio. Historically established corporations in the US, Warner Brothers, Universal Pictures, 20<sup>th</sup> Century Studios et al., are characterized by high

integration and low outsourcing to establish lower fixed costs per unit and increase profit margin. Therefore, they are able of producing high-budget films which sometimes require high expertise in digital tools and expensive equipment in contrast to an independent film agency. The increase of high profit margins is leading to the ability of financial sustainability and continuous investments on new productions providing the potential of high-budget films.

As discussed by researchers on the film industry, there is a positive correlation between the budget and the revenues of a film (Litman, 1983; Ravid, 1999). More specifically, Ravid (1999) discovered that big budgets might signal high revenues to the film market, albeit they do not contribute necessarily to higher profitability, which might be a positive outcome for small independent film production companies. Furthermore, the number of reviews and critiques is proven to lead to higher revenues as well as if the film is a sequel. A possible explanation for the reviews could be the role of positive network effects among stakeholders where “the value of a unit of the good increases with the expected number of units to be sold” (Economides, 1996: p. 678). In this case units could be the number of tickets, or even the purchased downloads/screenings on VOD platforms. More specifically, critiques might create a snowball effect, where more and more film experts are interested in expressing an opinion on a film leading to higher expected value among stakeholders and vice versa. Due to the experiential nature of the film as a cultural product, many potential viewers reach for those reviews and the buzz before purchase. In combination with the cascade effect, where “it is optimal for an individual, having observed the actions of those ahead of him, to follow the behavior of the preceding individual without regard to his own information”, the demand is increased and thus the films’ revenues (Bikhchandani et al., 1992: p.994).

### 2.2.2 Superstar Effects

In contrast with the star fever of big production companies, it is suggested that including star actors/directors in the production does not contribute to the financial success of a film. The source of spending is irrelevant to the revenue acquisition leading to questions regarding the reasons of financial success of the US movie productions (Ravid, 1999). However, it would be naïve to ignore the impact of superstars to the audience reach and their contribution to positive network effects. According to Epstein (2017), consumers have limited time and resources to explore all their options, hence they choose among what they are aware of. The main success

factor of SVOD platforms such as Netflix are the recommendations algorithms which push consumers towards the trends exploiting the overwhelmedness they experience due to the abundance of choices; this is “the tyranny of choice” highlighted by Schwartz (2004). Although those platforms claim that they are advocates of the long tails, spending millions on more niche markets, still they promote the top movies in terms popularity contradicting the long-tailed hypothesis by Chris Anderson where the future of entertainment are millions of niche markets (Epstein, 2017; Papadimitriou, 2020). Moreover, according to Owen and Wildman (1992), the higher the production costs, the higher the audiences that would be interested in watching the film. Hence, indirectly, while stars might influence the popularity of a film, thus the audience reach, or even the production costs, no direct link can be found regarding their justified impact on its revenues. However, although star participation might signal high production costs, it is sometimes proven that stars are gaining the smaller piece of the pie (Ravid, 1999). The “Titanic” was a production of 200\$ million were, according to *New York Times*, Leonardo Di Caprio received about 2.5\$ millions and Kate Winslet less than 1\$ million. Therefore, possible explanations of big production companies on repeatedly choosing big names are the security those portray in times of great uncertainty regarding the potential likability of the film among stakeholders in general. A cycle is being created where signaling high production costs is leading to higher probabilities of retaining high budgets and therefore, revenues. It seems that executives prefer stars, knowing that they signal security among stakeholders and hence, they manage to safeguard high production budgets. Therefore, the concerns of executives are mainly oriented to signaling high production costs to gain revenues in addition to or instead of profits (Ravid, 1999).

### 2.2.3 Gatekeeping & Distribution

The executive’s concerns regarding the positive impressions of the stakeholders are justified because as discovered by the European Audiovisual Observatory, in 2016 only a small amount of the 6000 featured films produced managed to be distributed to international markets (Focus, 2017). Therefore, the role of the gatekeepers in the film market seems to play a predominant role which not only determines the market economically, but also socially and artistically. By choosing one film from another, while they compete for being distributed in the same market, and investing in their promotion, impact is made upon the values that are also being carried and promoted through those decisions. As discussed by Smits (2019), the overall

impact of those values shapes the distribution processes of films as well as the film supply in general.

More specifically, the process of distributing film is organized by sales agents and distributors. They are characterized as traditional gatekeepers who have built their reputation in the market and are considered key business partners and organizations in the industry. Sales agents are responsible for distributing the film to international markets by representing the films and their producers. They are the intermediary between the producers and the distributors in international market by selling to them the rights of the film. Distributors then acquire the distribution rights and can sell the films to the local or national markets (Smits, 2019). Sales agents and distributors are “then the primary gatekeepers that invest in films and add values to those films by inserting them into the distribution process” (Smits, 2019: p. 3). Together, they have high control over which films will make it to the marketplace, using their skills and expertise critical for the film positioning.

Hence, the role of the sales agents and distributors is defining for the market. The reputation of the sales agents, and the distributors, their network, as well as the productions they choose to support instead of others are of a great importance on whether a film could potentially reach its audience. Alternatively, all production costs could even be considered sunk costs. Similarly, to the art market, the role of the primary markets, such as galleries and the secondary markets, such as the auction houses, are once again highlighting the importance of the gatekeepers. As for a painting, a film, might never reach the consumer lacking the support of the intermediary: the gallery, or the sales agent, respectively. In the film market, this aspect also becomes more complex due to the existence of two intermediaries in the supply chain. Specifically, in order for a film to reach a movie theater for example, first it requires the sales agent to cooperate with the producer which would sale it to the distributor. However, rarely the distributor is the movie theater itself. It is common, especially in the Europe and Asia, that the “primary” distributor will have to sell the film to a “secondary” distributor such as the cinema exhibitors, DVD/Blue-ray retailers, the national/private television broadcaster, or/and an online platform. However, the “secondary” distributor does not acquire any rights regarding further distribution or commercial exploitation of the product.

#### 2.2.4 Consumer Preferences

According to Fernández-Blanco and Prieto-Rodríguez (2003) who investigated the Spanish film market, emphasis should also be placed upon the knowledge of the film audience to improve the economic health of the market. Although there is skepticism whether the goal of the commercial movie industry should be the maximization of profits, they support a marketing approach of researching and detecting the audience's tastes, the most favorable genres, the socioeconomic factors which influence film consumption. In this way, film producers can direct their focus to film types according to those attributes, identify the audiences and create marketing campaigns accordingly and even establish the most appropriate ticket-pricing policy. Through their research, Fernández-Blanco, and Prieto-Rodríguez (2003) found out that "Spanish cinema has two faces: traditional and domestic movies, and modern and international films" (p. 154) where American movie fans are more interested in commercial films and reject the "artistic" ones and Spanish cinemagoers prefer the dubbed version of films. Another interesting insight is the fact that cinemagoers pay attention to the more artistic qualitative characteristics of a film such as the plot, the director, and the cast while less on critical reviews if the film is domestic. A possible explanation, according to Fernández-Blanco and Prieto-Rodríguez (2003), might be that, for Spanish movies, reviews are not so important because of the usage of informal communication, known as "word of mouth". Lastly, it seemed that more frequent cinemagoers do not tend to pick domestic films due to the monopolization of theaters by the Hollywood majors which reserve "the best screens, dates and timetables for American movies" (p. 154). Therefore, distribution for the domestic film market seems to be crucial for Spain where less accessibility is unavoidably leading to lower popularity and thus, ticket sales.

According to the above insights, Fernández-Blanco, and Prieto-Rodríguez (2003) pose interesting recommendations for the strengthening of the national film market. Although those attributes might not characterize all markets, it would be interesting for every national market to research and discover the distribution of its audiences, their tastes and film consumption habits. It seems that consumer preferences should not be ignored by the film stakeholders if the purpose of the production is to reach a higher audience. However, someone could counter-suggest that not every film aims to reach commercial success nor that following the preferences of the audience will guarantee ticket sales. As Henry Ford has interestingly said: "If I had asked people what they wanted, they would have said faster horses". Artistic creation might lead to roads

where preferences cannot be defined due to the high innovation level of the output. Moreover, Economists such as de Vany and Ginsburgh (2004) and Throsby (2006) have underlined the uncertainty of the demand in the film market multiple times, highlighting the high financial investment risks in the film production sector.

Furthermore, national policy related to film might not prioritize the financial strengthening of the sector through the commercial success of domestic films. Paradoxically, the financial strengthening of the sector might lead to “unwanted” results, such as financial independence and lower demand of public financing. Therefore, the national influence over the film outcomes is being lowered leading to film content possibly unrelated to national purposes, content which does not promote national identities and values or, from a paternalistic perspective, specific political parties, movements, or ideologies while serving governmental purposes.

## 2.3 Film Public Financing

### 2.3.1 Protectionism & National Cultural Sovereignty

Films through their entire existence have portrayed national values, tackled social issues, addressed cultural diversity and equality with local, national, and international appeal and have used as instruments of soft power policies in favor of political parties, nations, or even corporations. For instance, in Italy when the Fascist dictatorship in 1924 took power, they used film production as a means of propaganda of their political views and interests (Nicoli, 2016). Furthermore, another more contemporary example is the Chinese Government which legislated an official ban on Hollywood films in 1950 due to the Communist victory in 1949 (Grimm, 2015). Furthermore, US from their side continue using film production as an instrument of cultural imperialism to the rest of the world at an effort of imposing their set beliefs, values, behavioral norms, and style. Films played a major role in globalization promoting the “American dream”, labels and popular brands combined with consuming behavioral trends and lifestyle.

Public intervention in the film industry has been a debatable topic by researchers and policymakers for some decades now. The idea of protecting national domestic film production for the shake of supporting national values and language has been very popular especially for the European market. The main assumption therefore for public intervention in the film industry is that “a film represents more than a mere commodity to be bartered against others” (Nicoli, 2016: p. 67). In the case of national protectionism, films shape cultural values and identity. Hence,

governments have adapted multiple trade instruments and policies to safeguard the heritage and growth of such values against the US competition. Specifically, such trade instruments are tariffs, import licenses, import quotas, taxes, while domestic cultural policies include subsidies to local producers, screen quotas, national festival et. al. However, researchers are concerned by the application and effectiveness of those instruments.

Specifically, according to Parc (2017), import quotas seemed to be disastrous for the Korean film market in 1959 to 1986. Specifically, the Korean government imposed a quantity-based import quota where the annual share of foreign movies imported should have been 25%. This meant that for every four domestic movies screened, only one could be foreign. However, due to the large preference of the Korean audience to US produced movies, there was no positive impact to their preferences regarding domestic films. Added to that, in order the production companies to be able to import the more favored foreign films, they tried to increase their domestic production through lowering quality creating the nicknamed “quota quickies”. Therefore, a trade policy towards supporting domestic film production turned to not have no impact on audience development, but also provided low-quality motives resulting in less exports and therefore less capital to import foreign films. From the other side, in the Spanish film market, a regulation in 1999 which forced TV networks to invest 5% of their annual gross income on European audiovisual productions and 3% on productions in the Spanish language turned to be a success story. More specifically, the films in which the TV networks invested seem to be more successful at the theatrical market in contrast to those with no private or public TV participation (Fernández-Blanco & Gil, 2012). According to the study, the success was mostly attributed to the fact that higher production budgets were achieved which attracted highly skilled personnel. Thus, it is concluded that a probable effective way of supporting and protecting the domestic film production is to provide incentives for the employment of highly skilled individuals in the industry.

Concerning the effectiveness of subsidies in the film industry, although the capital for such subsidies usually consists of more than six digits, few research has been made regarding the impact of subsidization as a cultural policy. Furthermore, as discussed, many films never make it to the film market, even at national level which in that case could be considered a false public “investment” towards cultural support. However, just because the positive externalities of film

consumption have been justified, that does not imply an unjustified distribution of subsidies to film production. Although the fund distribution might often not lack criteria, economic and artistic effectiveness is sometimes uncertain. However, question rise regarding the definition of economic and artistic effectiveness. The complexity of trade and cultural policies regarding the film market is mostly caused by the clash of the economic and artistic purposes that go before the application of those public instruments. In consonance with Nicoli (2016), the aim of economic policy is to foster productivity in the sector towards economic wealth and financial sustainability. Instead, cultural interventions aim to nurture cultural values, national identity, art house creation and currently cultural diversity.

### 2.3.2 Cultural Diversity

Nowadays, the subject of cultural diversity has been first on the list of cultural policymakers for the film industry. According to Benhamou and Peltier (2007), “cultural diversity in a country means the quantitative and qualitative diversity of the production and consumption of cultural goods and services” (p. 90). Thus, it involves the number of supplied cultural products both in terms of quantity and other characteristics such as genre, languages, in a balanced manner among the diversified as possible portfolio. In the film industry, however, the term is more particular: is referred to “public support for cultures of minorities” or else “multiculturalism” (Kawashima, 2011). Also, “it represents the effective consumption of these numerous and diversified cultural product” (Benhamou & Peltier, 2007; p. 90). Hence, taste formation is a substantial factor for cultural diversity in terms of consumption as well as cultural supply diversification. Furthermore, cultural diversity has replaced the previously established term “cultural exception” supported by France and Canada fearing the domination of the domestic film markets by the American products and the lowering of domestic production. Hence, they advocated the exception the audiovisual products from the trade liberation till the end of the 1990s when they came into more neutral grounds by inventing the term “cultural diversity” which in now called the “UNESCO Convention” (Kawashima, 2011).

According to Moreau and Peltier (2004), cultural diversity is simply applied by the strengthening of non-American products in non-US markets even if other characteristics of the film might not be that diversified. Therefore, questions rise regarding the applicability of the concept of “cultural diversity” and in many cases the trade policy forces behind it. For Hammett-

Jamart (2004), however, French film policy manages to “accommodate foreign participation to the extent that it acts as a counterweight to the homogenizing impetus of the market” (p. 59). In practice, it uses instruments which limit the US majors to access helping mechanisms, but at the same time it allows market access to the same structures. Therefore, the French policy practically places emphasis on the promotion and space provision of film alternatives rather than exclusion (Hammett-Jamart, 2004). The goal is not to support the national genre so much as the national film industry. In conscience with Ptak (1990), the French policy promotes a welfare subsidy program which supports films that otherwise would not probably exist.

Nevertheless, suppliers offering a large range of cultural products and a heterogenous portfolio in the film industry does not necessarily lead to high quality. A wide variety of films in terms of characteristics such as style, gender or language may not axiomatically result to a higher quality cultural portfolio neither higher demand. Furthermore, as claimed by Benhamou and Peltier (2007), measurability and accountability are some of the challenges the concept of cultural diversity faces. Besides, due to its multidimensional nature, they propose that the metrics of cultural diversity “should rely on three criteria: variety, balance and disparity” (p. 86). Yet, the possibility of measurement combined with the social advantages of cultural diversity yield that even though cultural diversity is still a testing economical phenomenon, its benefits outstand. Kong (2005) indicates that “in order cultural policy be truly effective, cultural policies should not be measured purely by income or employment generated but should contribute towards improvement in the quality of life, social cohesion and community development” (p. 65).

A practical example of the appliance of cultural diversity in the film sector are co-productions. Co-productions offer the ability to film projects to obtain many nationalities and claim state funding from multiple sources (Nicoli, 2016). Although national policies focus substantially on locality and the development of national clusters, the continuous growth of co-productions in Europe cannot be neglected. According to Morawetz et al. (2007), co-productions in most European countries account for the 30% of the national film production and exist as a film production concept internationally since the 1950's. According to Enrich (2005) and Goettler and Leslie (2005), it is important to distinguish co-production and mere financial support with the latter allowing the exploitation of the audio-visual, but not the co-ownership. Therefore, co-production refers to the collaboration and co-exploitation of “goods, rights, or

services” in order to produce a project which could be difficult to be produced in any other way and it does not consist of a plain financial partnership (Enrich, 2005: 2). Morawetz et al. (2007) state that co-productions could be distinguished into three types: co-production “driven by creatives reason”, “driven by research of finance”, and “driven by international capital” (p. 426-427). The first type has a more idealistic approach where the “creative elements” of the production seek cross-border influences and inputs, the second refers to the productions which aim to attract multiple financing sources and the last, to co-productions which wish the exploiting of tax credits internationally and attract more investors. Although creative exchange and cross-borders “discussions” in the form of co-productions seem ideal, research suggests that the main incentive for co-production is financing leading to the conclusion that the business and financial forces in the film market are predominant (Morawetz et al., 2007).

Furthermore, films, and cultural products in general are presented with new challenges and opportunities due to the invention of the Internet which not necessarily encourages cultural diversity (Handke, Stepan & Towse, 2016). As discussed, platforms and distribution channels (such as Netflix, Amazon Prime, Hulu, Disney+, etc.) have decreased the costs of information in the film industry as well as transaction costs. Also, they have introduced new methods of reducing marginal costs of reproduction as well as positive network effects which allow them to grow even further (economies of scale). However, cultural diversity still faces the risks of being sidelined in case of low demand. Subsidization and public intervention might as well face their challenges, but they seem to be encouraging producers to engage with projects which might not have had relatively high correspondence such as in the French film market.

### 2.3.3 VOD Platforms & Domestic Production

The film market is leading more and more to the VOD platforms as they attract higher audiences. However, VOD platforms have gained so much power that are now expanding from distribution to production. There are not few the examples of TV series and movies who are solely financially supported by private VOD and SVOD services companies. Someone could counter-suggest that those platforms support film creation, however, questions rise regarding the content chosen for production. VOD platforms are now more data driven, selecting, and creating content mainly according to people’s preferences to grow their platforms even more by attracting larger and loyal audiences. Furthermore, the competition among those platforms has risen

drastically the last years with more providers to enter the “online game”. Thus, the future of projects which are not indicated from the collected data as suitable for commercial success, seems ominous. Added to this, VOD platforms are becoming more and more inclined to in-house creation with most productions made by the platforms themselves. Therefore, the role of public financing local production companies becomes vital for the film creation away from mass preferences, data-driven creation, and platforms.

#### 2.4 Subsidies: Business Logic vs Artistic Logic in the Film Industry

While the cultural values of film production have been portrayed, according to Nicoli (2016) “film is an art, and the cinema is an industry: in a capitalist economy, a film is an intellectual product because it has all the requisites of a work of art, but it is also a type of merchandise because its production and consumption require industrial and commercial operations” (p. 16). Among the CI, the film industry has been extensively discussed and researched by economists. Popular topics of interest had been the rapid growth and dominance of the US film production, “Hollywood”, the contributions to the national GDP per capita, the consumer preferences and trends, piracy, the relatively high costs related to the supply as well as the public support to the sector through direct or indirect public expenditure. However, Murschetz et al. (2018) warn that public interests clash with private (mostly economic) interests, as well as the business and artistic logics behind them. Traditionally, regulation, particularly state regulation, has aimed to achieve and/or preserve a variety of public interests, or what is referred to as the “common good” (Grofman & Feld, 1988). In case of the film industry, the common good is usually presented the support of cultural diversity, therefore international distribution, production, and promotion, aiming audience development.

Many people, however, believe that the public interest approach to regulation is naive. This conclusion comes after a slew of empirical studies showing that regulation is destined to fail in achieving the public good of supporting the cultural sector in the long-term; instead, it serves private interests, whether those of the regulated sector or the regulator (Murschetz et al., 2018). However, as it has been proven by the case the Spanish government and TV participation regulation on domestic film production, that policy could encourage positive outcomes on production. Nonetheless, according to Morawetz et al. (2007) and Bakker (2005), the fragmented nature of the European film market in different languages cannot develop a financing model to

bear the necessary budgets to effectively compete the US market by developing economies of scale. Therefore, most governments in Europe developed “arm's-length body” organizations regionally and nationally to govern and distribute funds. Added to that, the establishment of the EU Media program by the European Union initiated in 1991, extended the support provided to the sector in the form of subsidies. However, according to Dale (1997), close to the mid-1990s producers fell into a subsidy loop where in order to qualify for public financing they had to prove that their films were not too commercial, since commercial movies could attract financing through the market. Thus, most national films lacked the market orientation and therefore failed in developing and connecting with their potential audiences. This phenomenon unavoidably led to stunted revenue streams and hence to the dependence increase of the producers to subsidization (Dale, 1997). As a result, questions rise whether indeed the public interest of supporting the film market financially in the long-term is indeed served.

The complex nature of the cultural industries including the film industry which is characterized by economic, artistic, and political dimensions cannot be ignored. According to Eikhof and Haunschild (2007), the market orientation of artistic creation endangers creativity and weakens the artistic logic of the creator. Furthermore, according to Jansen (2005), the economic dimension reflects a profit-driven business orientation that should not be supported by public funds. Added to this, the artistic and cultural elements are often linked to various aspects of public-funded elite culture undermining the collective and “ecumenical” values that often idealistically characterize the art world (Pratt, 2005). This sector's multidimensional perspectives denote crossroads of industry, politics, and art (Murschetz et al., 2018). In that direction, Pratt (2005) suggests “a new conception of governance” according to which public intervention not only recognizes the existence of the market but “is actively involved in the shaping of that market. Furthermore, it should also involve the discussion of what the market is failing to do, and what can be done by other means” (p. 18).

Jansen (2005) referring to the German film industry stated that the most important reasons contributing to the success of a film industry are the functions which are related to the film's quality, such as the skills of the human capital, production management, the realization and development of the film. Furthermore, he found out that subsidies tend to financially encourage and support producers and creators that have had mediocre success with their films.

Therefore, it is concluded that the success of the films and subsidies are not linear, and that probably there are both beneficial and harming subsidies. Most precisely Jansen (2005) stated that some subsidies bring “net benefits” and others “net costs”. For example, according to his research on “reference” subsidies (distributed according to the producer’s previous success) and the “committee” subsidies (distributed after negotiations with politically appointed committee members), reference subsidies seemed to have a positive impact on the performance of the film on the box-office leading to net benefits (Jansen, 2005). However, in the case of the Italian film industry, producers managed to create net benefits because of the low investment of the production companies on immaterial elements such as actors, director etc. (Nicoli, 2016). Hence, addressing again the statements of Jansen (2005), investing on the skills of individuals closely related to the production and business management seems to contribute positively to the financial performance of the film. Furthermore, research on the matter foreshows subsidies to the infrastructure could be beneficial, while the role of the private sector could be equally important (Parc, 2018). Tannewald (2010), however, suggests that film subsidies could be a short-term solution for temporarily boosting the industry rather than a long-term effort of development and financial sustainability.

In the research of Messerlin and Parc (2017) about the “The real impact of subsidies on the film industry (1970s–present)” in France and South-Korea, it is shown that “a nonsubsidized industry can become as large as a subsidized one, and it can create domestic films as popular as those in a subsidized industry” (p. 75). Furthermore, the paper demonstrates the negative consequences of financial subsidies which are mainly caused by the lack of the urgent feeling of financial sustainability of the French film industry which was heavily relied upon subsidization. For example, since market orientation also involves keeping an eye on the Box-Office, if the film has already covered its expenses through high subsidization, the producer lacks incentive to produce a film which creates demand and therefore increased ticket sales. From the other side, the Korean film industry success was based on the international orientation of the industry which forced production companies to adopt competitive business models against their foreign competitors. Therefore, it seems that the fostering of competition among domestic films and between domestic films with foreign productions has led to the development of the necessary infrastructure to respond effectively to the internal and external competition. Hence, although

subsidies seem to promote cultural diversity as supported above, heavy subsidization might lead to opposite results.

Overall, it seems that the employment of highly skilled personnel and the development of a strong infrastructure could be ways of boosting domestic film production economically and therefore culturally as well through long-term sustainability against competition. Furthermore, the artistic and cultural values of the sector could be supported through cultural diversity and co-productions, as well as the support of the niche art house production companies and the highly skilled personnel. The predominant role of the gatekeepers in film selection, however, cannot be heavily influenced by the public. However, the public indirectly provides incentives towards certain films and thus, artistic, and cultural values by supporting the distribution and promotion of films through funds. Even though subsidies cannot certainly guarantee the selection of the films from sales agent and their way to national and international markets, they could increase the probabilities of the film's overall success by reassuring the employment of competent personal in the filmmaking procedure, supporting genres with higher demand, encouraging co-production incentives which deliver both artistic and economic value. Considering the above, it seems that the employment of skillful individuals is a potential crossroad between the economical and artistic values, while promoting both artistic quality and audience attraction (Jansen, 2005; Fernández-Blanco & Gil, 2012). Hence, questions rise regarding the determinants of film subsidies nowadays and the ways to encourage the employment of such individuals while the characteristic of competency might be considered too abstract to define.

## 2.5 Subsidization of the Dutch Film Market

The Dutch film market is mostly supported by the “Filmfonds” and six other national funds. The Netherlands Film Fund, or else *Filmfonds*, is the public agency responsible for shielding and promoting domestic film production and any film related activities in the Dutch film market. Other foundations supporting the film sector are “NPO Funds” or else the *Public Broadcasting Media Fund*, *The Hubert Bals Fund* which is linked to the International Film Festival of Rotterdam, the *IDFA Bertha Fund*, the *VSBFonds*, the *Fonds 21*, the *VandenEnde Foundation*, and *The DOEN Foundation*. However, most funds are distributed firstly by the *Filmfonds* and then by the *NPO funds* (Posthuma & Bokma, 2021). *Filmfond's* purpose is to

encourage the development and flourishing of the Dutch cinema and film culture both nationally and internationally.

### 2.5.1 The Focus: The Nederlands Filmfonds Foundation

The *Filmfonds* offers a subsidy guide at its official website where first the visitor selects its identity among “distributor”, “movie theater”, “producer”, “director”, and “screenwriter”. Then, if the visitor has selected director or screenwriter, in order to apply for a fund, it is required they can demonstrate past working experience in the film industry as the role they have selected. On the contrary, if the selected role is “producer”, it is not required that the visitor can apply for a fund even if they have not made a film before. Different options are given: “I have made movie/documentary before”, “I make my first movie/documentary”. According to the selections of the visitor, therefore, a specified set of subsidy programs are proposed. Of course, other options are given as well such as for animation, experimentation, and research, high-end tv series and short films. Furthermore, the foundation offers the ability of funding at three stages of the production: the “development”, the “realization” and post-production stage, or else “cash rebate”. The “Film Production Incentive” by *Filmfonds* distributes the post-production funding for demonstrable expenses to the applying producers when satisfying some prerequisites. The producer should necessarily have been established at least two years ago in a European Union country or Switzerland and have released at least one film in the Netherlands the past seven years (Nederlands Filmfonds, 2021). The initiative aims to encourage domestic production; however, it does not exclude co-production and non-Dutch creation.

### 2.5.2 Goals

According to the annual report of the *Filmfonds* of 2019 (Nederlands Filmfonds, 2020a), the policy of the fund for the year of 2019 was oriented mainly on four pillars: talent development, internationalization, innovation, and professionalization. The “talent development” pillar aimed to support the growth of already established and young artists through increasing the funding for the development stage of productions, the organization of workshops, labs, and trainings as well as through the attraction of more international productions to the Netherlands. The policy goal of “internationalization” is referring to the support of the non-national orientation of the fund by supporting and providing funding to co-productions. The *Filmfonds* places high importance to the support of applicants with international background or

international operation to stimulate co-productions, and hence contribute to the growth of the Dutch filmmakers and producers through international co-operations and knowledge exchange. Furthermore, through the support of young talent and the growth of the already established artists and co-productions, the fund targets the development of innovative productions or processes. “Professionalization” also is consisting of three stages: organizational, fair pay, and continuity. More specifically, the organizational professionalization includes the development sector-specific rules of conduct in addition to the Fair Practice Code. Fair pay, from the other side, is referring to whether the costs that are budgeted by the producers are in line with the market. Lastly, “continuity” seems as a very substantial goal for the sector which involves the income generation of film professionals outside *Filmfonds*. Analytically, the limited resources of the foundation are highlighted and the necessity of the direct exploitation of the films by the creators for the continuity of the sector. Film professionals seem to be overly dependent on subsidization leading to problems of sustainability. According to the *Filmfonds* report (2020a), the high investment risk of the film sector leaves limited financing options and therefore more breakthrough ideas are needed to encourage income generation through intensive commercial exploitation of the film projects.

### 2.5.3 Market Shares

Moreover, albeit the strong European presence of the Dutch film production companies, the Dutch film market is dominated by international films. According to the *Filmfonds*' statistics and figures (2020b), the cinema admissions market share of European films in 2019 is relatively stabilized at 24.4% while the US market dominates with the 71,1% of the pie. Added to that, the Dutch films only consist of the 11.8% of the admissions film market share in the Netherlands in 2019 which in contrast to other European countries such as France (34,8%), Italy (21,6%), Denmark (27,4%), Germany (21,3%), remains very low (Netherlands *Filmfonds*, 2020b). Additionally, the Spanish, the French, the Polish, and the Danish domestic movies consisted of almost half their national box office revenue in contrast to the foreign productions while Italy almost reaches 60% in 2020 (Statista, 2021). Furthermore, the total video demand provides the higher revenues in the Netherlands, but it is as well ruled by foreign players. Similarly, foreign productions lead the theatrical distribution where they dominate both the number of screens and releases. Lastly, as claimed by *Filmfonds* (2020b), the foundation's bigger slice of funding in

2019 was distributed to Feature Films and Documentaries while arthouse feature films received more than double the amount of funding in contrast to commercial/mainstream films.

### 3. Research Design

The purpose of this chapter is to describe the research methodology. Firstly, the econometric method is provided as well as the justification of the method choice. The chapter aims to give information regarding the selected variables, the reasoning behind their choice and the sources from which they were retrieved. Lastly, the sample is being analyzed using descriptive statistics.

#### 3.1 Method

The purpose of this study is to reveal the determinants of subsidization of film production in the Netherlands, and more specifically the economic and artistic factors which influence the funding distribution. The study investigates the influence of those factors on the amount of the Filmfond Foundation funding distributed in 2019. The intention of the study is not only to shed light on the purposes of funding of the Filmfonds, but also to indirectly understand the emphasis of the fund among cultural, artistic, and commercial creation. Thus, recommendations could be proposed for the distribution of funds regarding the cultural, commercial, and artistic factors, which according to literature can contribute to both the financial sustainability and artistic creation of the film market, in alignment with the policy goals of the foundation. Therefore, the overall research question is:

***What are the determinants of public subsidization of the Film Production of The Netherlands Filmfonds Foundation in 2019?***

In this regard, the hypotheses refer to the relationship of the commercial, artistic, and cultural elements and the amount of funding. More specifically:

- ***H1: There is a negative relationship between the genre of the future film and the amount of funding.*** Fernández-Blanco and Prieto-Rodríguez (2003), investigating the Spanish film market, discovered a positive link between the genre of the film and the commercial success domestically. Thus, if the *Filmfonds* has taken that into consideration, chances are that some genres have a negative influence on the amount of funding than others. More specifically, it is expected that the comedy genre due to its

popularity in the Spanish market, it can be commercially successful without the financial assistance of the fund. Similarly, it is expected that the genre of drama and family negatively influence the amount of funding as well, considering their popularity in the European Union in 2019 (Statista, 2020). According to the *Filmfonds* report (2020a), the fund aims to support cultural and artistic diversity, therefore it is expected that other types of genres have a positive influence on the amount of funding. Productions which are less mainstream in genre and thus, do not share the same popularity should be a priority for the fund to serve artistic development (Nederlands Filmfonds, 2020a).

- ***H2: There is a positive relationship between the documentary type of production and a negative relationship between the feature film type of production and the amount of funding, respectively.*** According to the *Filmfonds* report (2020b), both the feature films and the documentaries receive the higher amount of funding in contrast to other types of production such as animation or cinematic experimentation. However, between the two, it is expected that the documentary productions which are more particular and experimental in nature would be stronger supported by the fund in an effort to support and encourage innovation and artistic creation. On the contrary, feature films seem to be more popular in the film industry leading to higher commercialization and hence, higher revenues. As discussed in the *Filmfonds* report (2020b), the lack of popularity of the documentaries has led to a long-term shortening of documentary film initiatives and applications leading to questions regarding the existential sustainability of the film type. Therefore, the fund is expected to tackle this issue by providing higher amount of funding to documentaries in order to signal support in the sector and encourage documentary productions. On the other hand, due to the limited amount of funds, and the higher popularity in terms of both demand and supply, the assumption that the feature film type of production might negatively influence the amount of funding is made.
- ***H3: There is a positive relationship between the post-production and realization stage of production/subsidization of the film, and a negative between the development stage and the amount of funding respectively.*** More specifically, it is expected that the post-production and the realization stages in contrast to the development stage, influence positively the amount of funding because either the film is more feasible to be completed or it has already been established and released to the film market. On the contrary, the

development stage of funding entails higher risks because of the uncertainty that comes with the completion of the project and its very early stage of production (Nederland Filmfonds, 2020a). Therefore, it is hypothesized to negatively influence the amount of public financing by the *Filmfonds*.

- ***H4: There is a positive relationship among the film's receipt of other Dutch public funds and the amount of funding.*** The receipt of other funds could potentially signal the credibility of the project and its involved parties, mostly regarding its fulfillment; therefore, it is expected that it influences positively the amount of financing. However, someone could counter suggest that it could cause a crowding-out effect instead of a crowd-in, or even both. According to Payne (2009), though, public funding is not academically proven to cause crowd-out effects neither for private nor public financing.
- ***H5: There is a positive relationship between the production organization's released projects and the amount of funding.*** The rich portfolio of the production company/foundation could potentially signal the credibility of the applicant about undertaking and successfully managing to release the projects in the film market. Hence, it is expected that number of released projects of the production organization influences positively the amount of funding.
- ***H6: There is a negative relationship between the selection of the director's and screenwriter's past work for domestic or/and international film festivals and the amount of funding.*** According to Jansen et al. (2005, 2012), the qualifications and skills of the human capital involved in the film production is fundamental for a film's financial and artistic success. However, in consensus to the *Filmfonds* report (2020b), the fund prioritizes artistic progress, but also talent development. Therefore, the director's /screenwriter's selection from a domestic or/and international film festival might positively influence the selection process of the application (which cannot be confirmed by this research) but not the amount of funding. In this way, the fund could encourage and support new filmmakers in the sector due to their probable limited acknowledgement and thus, ability to gather neither private nor other public funds. Hence, although *Filmfonds* might consider the film festival selection profile of the director or/and the screenwriter during the application process, the selection of their work for domestic

or/and international festivals is expected to have a negative influence on the amount of funding.

- ***H7: There is a positive relationship between whether the director or/and the screenwriter, respectively, have participated in an award-winning film project in the past at a domestic or/and international film festival and the amount of funding.*** The purpose of this hypothesis is to investigate if the *Filmfonds* foundation considers the director's or/and screenwriter's award-related accomplishments in the distribution of funds. It is expected that if the film professional has participated in an award-winning project at a national or/and international film festival, the amount of public financing is positively influenced for the sake of artistic development. As already discussed, the *Filmfonds* aims to support productions which contribute artistically to the progress of the sector, and since the quality of the stuff involved plays a vital role for artistic success of a play, it is expected that the fund considers the award receipt of the director or/and the screenwriter as a signal of quality to support the production accordingly (Jansen, 2005: Blanco & Gil, 2012: Nederlands Filmfonds, 2020a).
- ***H8: There is a positive relationship among the co-production variables, the country of production, country of operation of the director or/and screenwriter and the amount of funding, respectively.*** Co-productions and diversity of the place of operation of the film crew according to the literature serve values such as cultural diversity, artistic exchange, and the financial support of the filmmaking procedure. Furthermore, according to the policy goals of the *Filmfonds* (2020a), the support of internationalization and talent development through co-productions and the inclusion of culturally diverse Dutch or international film professionals are on top of the list. Consequently, a positive relationship is expected with the co-production variable and the amount of financing due to the policy goals of the fund. Contradistinctively, a positive relationship is also expected among the country of production and the director's or/and the screenwriter's country of operation and the amount of funding respectively, although both variables are dichotomized as: Netherlands or not Netherlands. It cannot be avoided that the *Filmfonds* remains a national institution and its inclination might be to stronger support Dutch productions and filmmakers/screenwriters.

Concerning the methodology, the main quantitative model used to test the above hypotheses is the Ordinary Least of Squares (OLS). The model describes the relationship of the independent variables and the dependent variable providing the most relevant estimation by minimizing the sum of errors or else the differences between the observed and the predicted influence on the dependent variable. Therefore, the Linear Regression analysis aims to describe in the best possible way the relationship between the dependent variable which is the amount of funding and the independent variables (Baltas & Repoussis, 2018). Considering the heteroscedasticity of the variables, according to Bryman (2016), the OLS's model might lead to biased results when the residual value is increasing with the increasing values of the independent variables. In the OLS model there is the assumption that the variance of the residuals does not depend on the independent variables, therefore a Breusch–Pagan test is conducted to test the null hypothesis of homoscedasticity. According to the test since the p-value is higher than the significant level of 5 percent null hypothesis of homoskedasticity is accepted and heteroskedasticity is rejected leading to unbiased errors and coefficients of the analysis.

## 3.2 Data

### 3.2.1 Variables' Description

The dependent variable of the thesis is the amount of funding distributed by the Filmfonds foundation in 2019. The data set is consisted of 100 distributions to Feature films or Documentaries supported by the foundation in 2019 and thus, 100 units of analysis. The data are published online and were also shared to me by the Communication Manager and Analyst of the Fund, Mr. Jonathan Mees. Unfortunately, due to time constraint the analysis cannot include other years of public financing due to an extensive need of further research related to the independent variables. Regarding the independent variables, they are enumerated, and the necessity of their examination is justified below:

#### 3.2.1.1 Control Variables

We include some independent, descriptive control variables such as the type of production (@typeofproduction), the genre of the film (@drama\_genre, @comedy\_genre, @family\_genre), the fund receipt (@otherfunds), and the stage of production (@development\_stage, @realization\_stage, @cashrebate\_stage). Analytically, the type of production variable is referring to whether the film project is a feature film or documentary. Furthermore, the genre is

solely about the feature films because documentaries are generally not categorized according to genre but are sometimes considered as genre themselves. Lastly, the fund receipt variable is about whether the feature film or documentary has received funds from other public Dutch foundations. Considering the type of production variable which is dichotomized between “feature films” and “documentaries”, documentaries are traditionally perceived as a film type which “genre-ly” allows for higher levels of experimentation and majorly contributes to artistic creation. In some cases, it even requires higher budgets than an average feature film. Feature films though when more mainstream due to their higher popularity, they signal higher commercialization, and therefore according to the Filmfonds’ reports (2020a, 2020b) are not a funding priority. Therefore, it is interesting to determine whether the type of production is playing a role on the amount of funding due to their particularities even though the facts might indicate so. Furthermore, in consonance with the literature, the genre of the feature film is sometimes an indicator of commercial success due to consumer preferences (Fernández-Blanco and Prieto-Rodríguez, 2003). However, the genre of the film is hardly a sole indicator of commercial success, and it is also highly related to the artistic aspect of the film, therefore the variable was chosen to be categorized as a control variable. Lastly, the stage of production is about the level of development for which the film received the funding. In case of the development stage, the scenario is starting to be developed, the suitable crew is being collected and general planning might be taking place. The realization stage refers to the time of production where the making of the film takes place. Lastly, the cash rebate is funding which is distributed post-production when the film is already released in the market. According to the Filmfonds’ report (2020a), an effort is being made to increase the amount of funding distributed for development. As suggested, most funding is distributed to the realization and post-production stage due to the risk related to the development stage. Therefore, it would be interesting to confirm or reject such claim.

#### *3.2.1.2 Commercial Variables*

The sole independent variable referring to the level of commercialization of production organizations is the *released projects* of the production company/foundation (*@releasedprojects*). Although the foundation seems to prioritize non-mainstream film projects, in any case production companies/foundations require the ability to manage and financially support the creation and fulfillment of a project by releasing to the film market either at theaters,

at film festivals, online distributors, private/public broadcasters or all the above. Therefore, the production company/foundation's completed and released projects is an indicator of the commercial sustainability of the production organization and hence, their support serves the fourth policy pillar of the *Filmfonds*: professionalization and more specifically, continuity. However, someone could counter suggest that the fund aims to prioritize the commercially weaker and the above claim might be inconsistent. On the contrary, though, the financial support of more "commercialized" production organizations might contribute to the increase of competition withing domestic and between domestic and international producers leading to a stronger infrastructure (Messerlin & Parc, 2017; Parc, 2018). Therefore, the number of released projects as an indicator of commercialization ability and continuity is a variable aiming to uncover the actual practices and financing determinants of the foundation in terms of professionalization.

### *3.2.1.3 Artistic Variables*

Similarly with the commercial variables, the *selection of the director's and screenwriter's past work for domestic or/and international film festivals* (@domestiselection\_director, @internselection\_director, @domesticselection\_screenwriter, @internselection\_screenwriter) and the *participation of director or/and the screenwriter in an award-winning film project in the past at a domestic or/and international film festival* (@awardiwning\_director, @awardwinning\_screenwriter) are variables investigating mainly the first and fourth policy goal of the *Filmfonds*: talent development and professionalization. More analytically, they are consisting of dummy variables which describe whether the director and the screenwriter have been selected or/and have participated at an award-winning project at a domestic or/and international film festival. In line with the literature, the skills, and the quality of the human capital of the film production are the crossroad of artistic and commercial success (Jansen, 2005; Fernández-Blanco & Gil, 2012). The quality of the crew which is portrayed by the director's and the screenwriter's experience selected for a domestic or/and international film festival and their participation in an award-winning project, is important for a film's artistic and commercial success. However, due to the quality uncertainty and the difficulty to determine criteria related to quality in the film labor market, the importance of the film festivals as quality gatekeepers in the film market emerged as a convenient research solution (Smits, 2019). From another point of view, though, talent development also refers to the support of upcoming film professionals who

might not portray any relevant experience to the field through film festival selection and thus, face difficulty in financing their film projects. Therefore, although supporting more experienced and qualified film professionals could again lead to artistic development, more commercially successful productions and therefore the financial independence of the sector, the support of upcoming film professionals is as well vital for the “existential” sustainability of the sector. Hence, along with the purpose of artistic creation, continuity is also being served with the above variables as an indicator of such.

#### 3.2.1.4 Cultural Diversity Variables

Researching cultural diversity, variables such as the *co-production* status of the funded projects are used (*@coproduction*), the *country of production* (*@countryofproduction*, *@countryofproduction\_belgium*), the *country of operation of the director* (*@countryofoperation\_director*) and the *country of operation of the screenwriter* (*@countryofoperation\_screenwriter*). Regarding the co-production status, a dummy variable is used to indicate if a film project is co-produced or not. Added to this, the country of production variable is another dummy variable which describes if the country of production is the Netherlands or not, and the country of operation of the director and the screenwriter are again dummy variables to indicate whether the film professional is Dutch or not. The purpose of these variables is to investigate the policy goals of internationalization and talent development of the *Filmfonds*. As discussed, one main way of boosting internationalization is the promotion of co-productions, other countries of production, and film professionals with international backgrounds or/and places of operation. However, it is unfortunately expected that in terms of the country of production and the director’s/screenwriter’s country of operation, the fund will be confirmed to have a domestic orientation due to its national identity. Conclusively, it is interesting to unveil the factors behind subsidization, especially regarding cultural diversity while the foundation claims its prioritization (Netherlands Filmfonds, 2020b).

#### 3.2.2 Sources

The main sources used for the data collection are the *Filmfonds*’ website where with the assistance of Mr. Jonathan Mees, I retrieved 100 unit of funding contributions to feature films and documentaries. Furthermore, for every observation through the website, the stage of the production was provided along with the name of the film project, the production

company/foundation, the director, the screenwriter, and the year of funding (Nederlands Filmfonds, 2014-2021). Therefore, since the name of the production was available, the type of production could be retrieved from usually the website of the production company/foundation as well as the receipt of funding from other public Dutch foundations, the genre of the future film, the co-production status, and the countries of production. Furthermore, due to the provision of the name of the funded production company/foundation undertaking the film, the number of released projects of the organization up to 2019 could be retrieved from the website of each organization. The number of released projects were counted till the year of 2019, so the variable is relevant with the researched data set. Moreover, the main source of collecting the country of operation of the director and the screenwriter was the personal website of each which along with their personal information, they also uploaded and promoted their portfolio. Additionally, the website of each film professional was used to supplement the missing information regarding the film project that could not be found at the website of the producer. Lastly, the information whether the director's and the screenwriter's work were selected for a domestic or/and an international film festival was mainly retrieved from IMDb along with the information of whether they have participated at an award-winning project at a domestic or/and international film festival.

### 3.2.3 Descriptive Statistics

Before delving into the determinants of financing of the Filmfonds in 2019, it is important to showcase the descriptive statistics of the dependent variable which the funding assignments to

*Table 1: Funding of Filmfonds*

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Sum	Mean
Funding of Filmfonds 2019	100	5000	998084	24810905	248109.05
Valid N (listwise)	100				

each film project (see Table 1). Overall, the minimum fund that was distributed in 2019 by the *Filmfonds* to feature films and documentaries was 5,000 euros while the maximum, 998,084. However, it is important to mention that each film project could receive till three funds as many as the stages of production. Therefore, a maximum assignment might indeed be 999,084 euros,

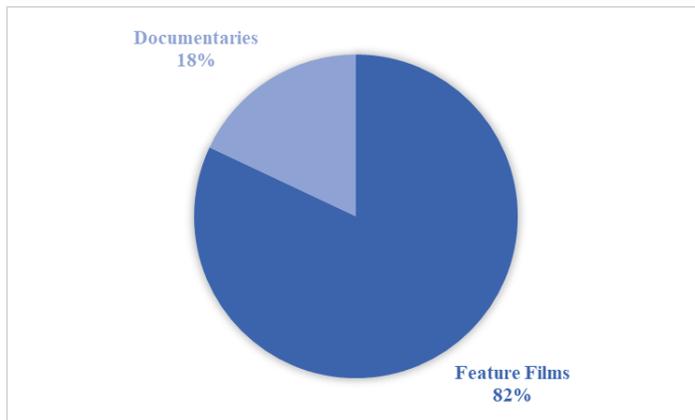


Figure 1: Type of Production

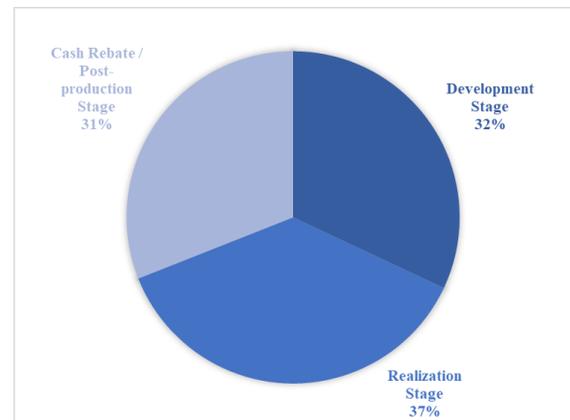


Figure 2: Stage of Production

nonetheless one project could receive more. Specifically, 8 projects received funding at two stages of their production. Furthermore, the overall amount of funding distributed to feature films and documentaries in 2019 was 24,810,905 million euros. More analytically, the amount of funding distributed to feature films is 23,039,401 far exceeding the amount for documentaries, 1,771,504 million euros. Notice that the maximum fund assignment to a documentary is 188,689 euros, the maximum for feature films is 998,084 euros, almost one million.

Regarding the independent control variables, it seems that most film projects are feature films (82%), while documentaries consist only the 18% of the sample (see Figure 1).

Furthermore, considering the stages of funding: 32% of film projects received funding at the development stage, 37% at the realization stage and 31% at the post-production stage -cash rebate- (see Figure 2). It seems that the *Filmfonds* aimed to distribute equally to each stage the funds, with a little more emphasis on the realization stage. Also, approximately 20.3% of the feature films that received funding were considered family films, 52.2% drama films, 11.6% comedy films and 15.9% other types of films. However, it should be stated that out of the 82 feature films, 69 could only be identified in terms of genre because some were still at an early development stage. Moreover, it is interesting to determine that only 78.3% of the 83 film projects did not receive funds from another public Dutch foundation, and only the 21.7% did in 2019, which leads to the conclusion that *Filmfonds* remains the predominant funding institution for the Dutch film sector. Again, not all 100 projects could be confirmed if they had received other public funds due to their development stage.

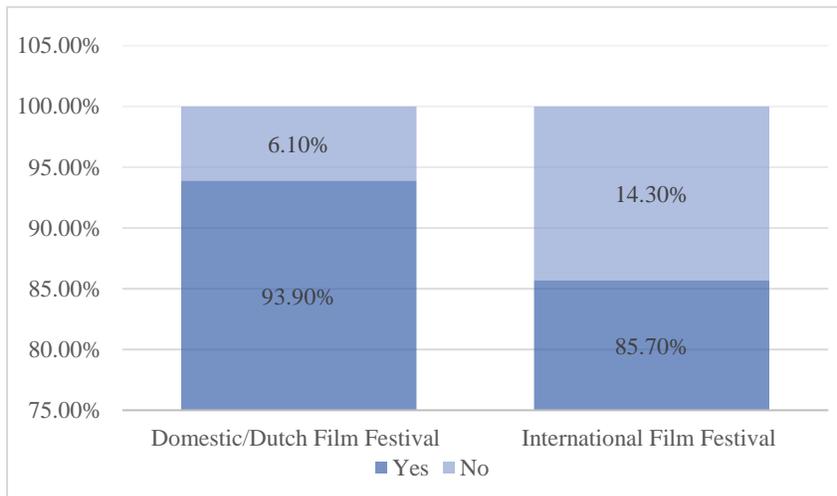


Figure 3: Director's past work selection

Other descriptive statistics about the commercial variable of released projects show that the 95 production companies or foundations who received funds for applied projects, have a minimum of 2 released projects and a maximum of 300. The foundation who has received and produced more than 300 projects is the Rotterdam Films Foundation, which also supports the International Film Festival of Rotterdam. Furthermore, regarding the artistic variables, for most directors their work has been selected in the past for a Dutch film festival (93.9%) and for an international film festival as well (85.7%) (see Figure 3). Similarly, the screenwriter's past work has been selected 85.7% of the times for a domestic film festival and 71.6% for an international one. Added to this, they have participated 85.9% and 82.5% times at a domestic/international film festival, respectively. However, it is important to state that the director and the screenwriters 60.6% of the times consist of the same person in our sample which explains the similarity of the variables. Nonetheless, 39.4% of the times, the director and the screenwriter are differentiating, therefore it would still be interesting to distinguish the variables. Moreover, the analysis of the cultural diversity variables showcases that 58.1% of the film projects are co-produced while 89.8% of them include a Dutch production company/foundation and 28.6% of them a Belgian and a Dutch production company/foundation. It seems that only a 10.2% of co-productions do not include the Netherlands as a country of production at all (see Figure 4).

Lastly, the director's and the screenwriter's country of operation is mostly the Netherlands with an 84.8% and 85% respectively.

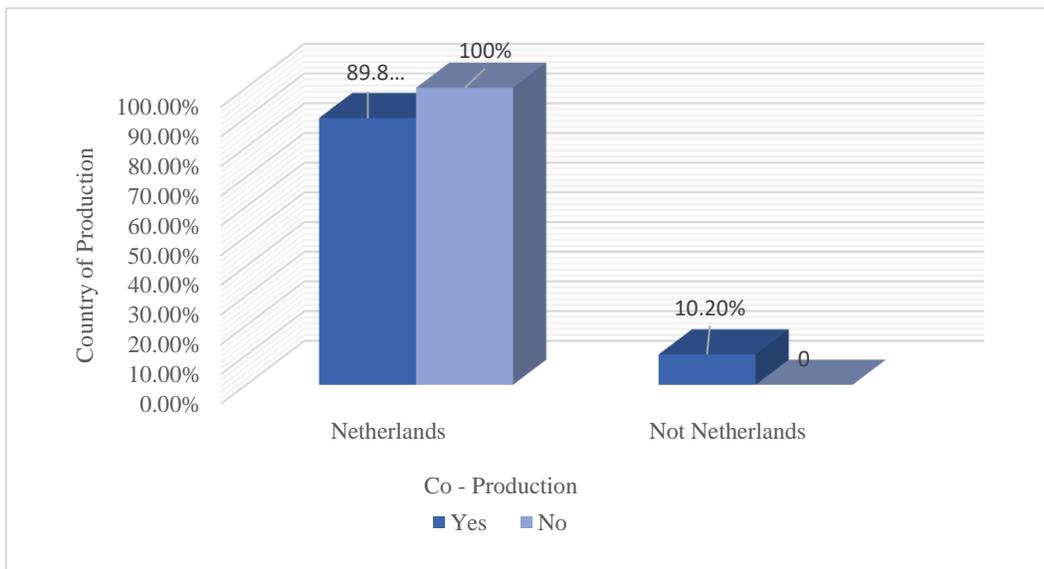


Figure 4: Co-productions including the Netherlands

### 3.3 Results

Starting from the model fit, it is showcased that the independent variables used in the model manage to explain 78% of the variance of the dependent variable: the amount of funding (Bryman, 2016). Therefore, it seems that 78% of the data used fits the regression model (see Appendix A). Added to that the p-value is lower than the significant level of 5 percent rejecting the null hypothesis of the ANOVA analysis that all population means are equal and stating the significance of the analysis (see Table 2). It is important to say that because of the many independent variables, multiple models were estimated, each with a more limited number of variables. However, either no significance occurred, or if the model was significant, fewer coefficients showed significance.

Table 2: Coefficients

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	322073.376	181216.227		1.777	.083
	Stage of Funding (Development/Other)	-402069.603	69046.961	-.651	-5.823	.000
	Stage of Funding (Realization/Other)	215900.997	70076.017	.369	3.081	.004
	Genre of Feature Film (Family/Other)	-299149.659	101173.786	-.431	-2.957	.005
	Genre of Feature Film (Drama/Other)	-216588.639	64555.298	-.385	-3.355	.002
	Genre of Feature Film (Comedy/Other)	-151640.479	92781.162	-.186	-1.634	.110
	Received Funds from another Dutch Organization (no/yes)	-179106.551	74584.691	-.241	-2.401	.021
	Production Company / Foundation's completed & released projects (Feature Films & Docs up to 2019)	-.860.272	433.378	-.172	-1.985	.054
	Co-Production (no/yes)	24511.178	56226.116	.041	.436	.665
	Countries of Production (Not Netherlands / Netherlands)	388757.769	117709.428	.351	3.303	.002
	Countries of Production (Not Belgium, Netherlands / Belgium, Netherlands)	40627.353	68215.979	.050	.596	.555
	Screenwriter's country of operation (Not Netherlands/Netherlands )	196126.388	72615.298	.274	2.701	.010
	Director's past work selected for a Domestic Film Festival (no/yes)	-525308.021	178343.854	-.525	-2.945	.005
	Screenwriter's past work selected for a Domestic Film Festival (no/yes)	229323.548	185912.243	.249	1.234	.225
	Director's past work selected for an International Film Festival (no/yes)	19143.338	78847.618	.027	.243	.809
	Screenwriter's past work selected for an International Film Festival (no/yes)	-79170.927	65862.861	-.130	-1.202	.236
	Participated in award-winning film at Domestic/ International Film Festival (no/yes)	220528.581	135753.046	.256	1.624	.112
	Participated in award-winning film at Domestic/ International Film Festival (no/yes)	-160912.982	153319.531	-.197	-1.050	.300

a. Dependent Variable: Funding of FilmFond 2019

### 3.3.1 Control Variables

Specifically, it seems that significant relationships among the amount of funding and control independent variables are found with the development and realization stage of funding, the family, and drama genre of the feature film. Analytically, if the film project is at the development stage when requesting to receive the fund, that negatively influences the amount of funding. On the contrary, if the stage of production is realization or cash rebate, then the amount of funding is positively influenced (see Table 2)<sup>1</sup>. Both results seem to be aligned with the third hypothesis (H3) of the research which supports that the realization and the cash rebate stage of production hinder lower risks of completion and therefore are granted more financing. Additionally, accepting the first hypothesis, both the family and comedy genre seem to have a negative influence on the amount of funding (H1) suggesting that the *Filmfonds* chooses to purposely support feature film productions of less popular genres which might not end up being national commercial successes according to Fernández-Blanco and Prieto-Rodríguez (2003). Moreover, the dummy *@otherfunds* which refers to the received funds from other Dutch public institutions, in this model is not shown to influence neither positively nor negatively the amount of the distributed funding. Hence, according to this model, it could be concluded that the fund does not consider the financing contributions of other Dutch public funds regarding the amount of funding they would provide. Finally, the dummy *@typeofproduction* seems to be highly correlated with the amount of funding - as the budget of the film would - and therefore it cannot be included in the analysis (see appendix C). In line with the report of Filmfonds (2020a), this could be justified by the fact that the supply of documentaries is low due to chronic provision of limited license contributions from broadcasters leading to limited applications requesting of funding for documentary production. Thus, the amount of funding distributed to documentaries is unavoidably lower than the feature films' amount of financing.

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<sup>1</sup> Since the dummy *@development stage of funding* which is dichotomized as 0=Other (meaning of Realization and Cash rebate) and 1=Development, is significant: the development stage has a negative relationship with the amount of funding. Added to that, the dummy *@realization stage of funding* which is dichotomized as 0=Other (meaning Development and Cash rebate) and 1=Realization, is significant: the realization stage has a positive relationship with the amount of funding. From the above then, it can be concluded that cash rebate is also positively and significantly related to the amount of funding.

### 3.3.2 Commercial Variables

Similarly, with the @otherfunds, the scale variable @releasedprojects which refers to the completed and released projects of the funded production organization, does not seem to influence the amount of funding at all since the significance level of the variable is higher than 5 percent. Interestingly, the fund appears to not be impacted by the commercialization abilities of the production company/foundation regarding the proportion of funding contradicting Messerlin and Parc (2017) and Parc (2018) who reinforce the idea of a more competitive and thus stronger film infrastructure through the support of commercialized production organizations. Again, this claim can be made only regarding the use of our specific regression model, because with the use of another the result might differ (see Table 2).

### 3.3.3 Artistic Variables

Regarding the variables showing artistic and talent development orientation, it appears that if director's past work has been selected for a domestic film festival, the amount of funding is negatively affected. Thus, the sixth hypothesis (H6) is being accepted which is line with the policy goal of the fund to encourage the growth of new film professionals instead of already established Dutch filmmakers which have been selected domestically. The fund seems to aim to prioritize non-established filmmakers for talent development purposes. However, from the frequencies analysis, 93.9% of the funded directors have been selected for a domestic film festival which indicates that although the fund still desires to support festival selected filmmakers, financially it prioritizes newly established ones. Conclusively, the fund seems to consider Jansen et al.'s (2005, 2012) academic findings which indicate that qualified filmmakers highly contribute to a project's artistic and financial success. Though, it seems that the screenwriter's past work selection for a domestic film festival and both the director's and the screenwriter's participation in an award-winning project are neither positively nor negatively influencing the amount of funding according to this model (see Table 2).

### 3.3.4 Cultural Diversity Variables

Furthermore, it results that the fact that the country of production is the Netherlands and the amount of funding distributed to the film project are positively related. This result could be justified simply by the fund's identity and mission which is the support of the Dutch film sector leading to the acceptance of the eighth hypothesis (H8). However, the co-production status of the

film project, even if the countries of production are the Netherlands and Belgium, as well as the director's and screenwriter's country of operation, does not impact the amount of financing according to the current model (see Table 2). Since of the policy goals of the *Filmfonds* (2020a) is the support of internationalization and talent development through co-productions, it was expected that the amount of funding distributed to those initiatives would be influenced accordingly. However, it is shown that the priority of the fund practically is to provide the most financing possible to Dutch producers, which again due to the identity of the fund, could not be entirely unjustified.

Finally, there is a positive relationship between the realization and post-production stage of production, the Netherlands as country of production and the amount of funding leading to confirmed assumptions regarding the financial risk related to the development stage of production and the national orientation of the fund. Also, in line with speculations, it is shown that there is a negative relationship between the family and dram genre of the future film and the amount of funding confirming the prioritization of the fund of alternative, less popular genres for artistic development purposes. Similarly, the negative relationship between the selection of the director's past work for domestic film festival and the amount of funding confirms the funding orientation of the institution to new film professionals for the talent development of the sector.

#### **4. Discussion & Recommendations**

The research manages to unveil some interesting results regarding the factors influencing the amount of funding distributed by the *Filmfonds* in 2019. Also, considering the policy goals of the foundation, the results in combination with the researched academic literature could provide valuable insights and recommendations related to the foundation's funding distribution. More analytically, starting from the control variables, the influence of the production stage to the amount of funding seems to be aligned with the funds' claims about the risk related to the completion of the film project. Hence, it is understood that the foundation prioritizes feasibility and the production which have already moved further in the process contradicting its claims about prioritizing talent development at early stages. However, in favor of the foundation, the percentage distributed to the development stage seems to have been increased according to the report (2020a) in contrast to previous years. Similarly, the family and drama genre of the feature

films appear to constitute a negative factor for the amount of funding while Fernández-Blanco and Prieto-Rodríguez (2003) highlight the commercial value of the popular genres. Nevertheless, the fund can offer limited resources and the prioritization of other genres which might face “existential” risk due to lower demand is justified by the policy goal of the fund regarding continuity. Added to this, the fund seems to discourage the creation of the more popular genres in an effort to encourage more alternative ones and thus, artistic development. However, in that way, the foundation hinders the support of genres which could contribute to the commercialization of films and the financial continuity of the sector. Hence, it could be proposed that the foundation keeps a natural position regarding the amount of funding distributed to different genres aiming to support both cultural diversity and the financial sustainability of the sector since both policy goals are part of its agenda. Although commercial projects could understandably not be prioritized compared to arthouse ones, the balance between the two project types is too subtle due to the range of what is considered commercial and what is considered arthouse. Therefore, a discussion about commercialization at the level of a single feature film element, such as the genre, becomes even more complicated and inefficient. Furthermore, according to the research, it seems that the fund receipt from another Dutch public institution does not play any role in the amount of financing. However, considering the limited resources of a public institution, this could constitute an extra criterion to prioritize the productions which did not manage to gather any funds and influence the amount of funding accordingly.

Furthermore, it appears that the fund does not consider the commercialization abilities of the production organization/company. Even though, the literature suggests that commercially more capable producers could contribute to the competitiveness and the boosting of the film infrastructure, it is understandable that the fund would also like to support producers with less experience in the sector or with more arthouse production (Messerlin & Parc, 2017; Parc, 2018). Nevertheless, funds remain a short-term solution and a strong infrastructure might contribute higher to the artistic and financial independence of the sector in the long-term (Tannewald, 2010; Parc, 2018). Therefore, different funding schemes could be established which focus entirely on the development of the production companies/organizations themselves regardless of a film project. For example, funding could be directed for equipment development purposes and marketing trainings. In this way, even arthouse production companies could find their segment in

the market through niche positioning. According to Fernández-Blanco, and Prieto-Rodríguez (2003), films can rise their demand through market research, segmentation and targeting causing the strengthening of the domestic film market. However, as discussed, not every film has the goal of commercialization. Nonetheless, an effort can be made in the direction of audience development through marketing techniques for the purpose of artistic sharing and financial independence. Therefore, the fund can encourage activities and initiatives in that direction for serving the purpose of continuity.

Additionally, it appears that if director's past work has been selected for a domestic film festival, the amount of funding is negatively affected. Analytically, this result is aligned with the goal of the foundation regarding talent development since it shows that established filmmakers in the sector should not be prioritized for the sake of new creators. Even though the frequencies analysis indicates that 93.9% of the funded directors of feature films and documentaries have been selected for a domestic film festival, the amount of funding is negatively influenced by this characteristic. Added to this, according to Jansen et al. (2005, 2012), qualified filmmakers highly contribute to both the artistic and commercial success of a film project satisfying both the goals of artistic innovation and continuity through income generation. Therefore, the fund seems to intelligently combine the conflicting goals through predominantly funding film festival selected directors, but most likely provide higher amount of funding to non-selected ones. However, for the sake of new talent development, the number of non-selected directors could still be increased.

Finally, albeit the foundation places emphasis on internationalization, the co-production status of a film project and director's and screenwriter's country of operation, seem to not influence neither positively nor negatively the amount of funding which again appears to be inconsistent with the policy goals of the foundation. Therefore, the Filmfonds should either change its goals or purposely place greater emphasis on the co-production of feature films and documentaries. On the contrary, if the country of production is the Netherlands, the amount of funding is positively affected which is consistent with the general goal of the fund to support domestic producers.

Consequently, although public intervention and subsidization specifically might not be able to resolve market failure or contribute enormously to the continuity of the film sector, the use of

the funds in line with the foundation's policy goals remains a challenging subject for most public institutions supporting the cultural sector. Hence, this thesis aims, even at a small scale, to contribute to the improvement of the decision making regarding the criteria of the amount of funding of a single institution with the purpose of encouraging similar studies and most efficient policymaking in the film sector.

## **5. Limitations**

The current research of the determinants of subsidization of the *Filmfonds* could include more independent variables influencing the amount of funding, such as national sovereignty variables possibly retrieved from the content of the funded film projects, or economic variables such as the budget of each film. However, the analysis would become too lengthy for the purposes of a master's thesis and the budget as an economic determinant would be highly correlated with the dependent variable causing the model to fail. Furthermore, it would be interesting to research not only the determinants of the amount of funding, but also the factors which influence the funding receipt by comparing applications which received funds and applications which did not. Nonetheless, the information of the rejected applications is sensitive and is not publicly shared by the fund. Finally, due to the limited timeframe of the research, the investigation was confined to the funds distributed only in 2019 to feature films and documentaries.

## **6. Future Research**

Future research could be conducted on the influence of the gatekeepers of the Dutch film ecosystem on the amount of funding or funding receipt of a film project, as well as on the political-economical forces and possible monopolies created among film production companies. Due to technological advancements, the video-on-demand platforms as gatekeepers are shaping the film market in different ways providing chances which could be exploited by the suppliers of the film sector for the purpose of financial sustainability and continuity. The revenues of private and profit driven platforms such as Netflix, Hulu etc., are constantly growing. Therefore, subsidization policies could be researched and proposed in that direction supporting and encouraging the strengthening of the sector while involving the use of those platforms. Added to that, the percentage of the films that are created in contrast to those who are released in the

market is still very high leading to questions regarding the role of gatekeepers and their influence on the market while the risk of subsidizing the film sector remains high. Furthermore, the crowd-in or crowd-out effects of public subsidization of the film sector are yet to be researched leading to important questions about the public financing effects at the sector. Additionally, for this research, the names and the released projects of each production company were collected which could allow a further political and economic analysis on the lobbying forces and monopolies in the Dutch film sector possibly affecting the distributed funds.

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## Appendix

### Appendix A: Model Summary

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883 <sup>a</sup>	.780	.686	158750.436

a. Predictors: (Constant), Participated in award-winning film at Domestic/ International Film Festival (no/yes), Stage of Funding (Realization/Other), Genre of Feature Film (Comedy/Other), Director's past work selected for a Domestic Film Festival (no/yes), Production Company / Foundation's completed & released projects (Feature Films & Docs up to 2019), Countries of Production (Not Belgium,Netherlands / Belgium,Netherlands), Received Funds from another Dutch Organization (no/yes), Screenwriter's past work selected for an International Film Festival (no/yes), Genre of Feature Film (Drama/Other), Co-Production (no/yes), Director's past work selected for an International Film Festival (no/yes), Screenwriter's country of operation (Not Netherlands/Netherlands), Countries of Production (Not Netherlands / Netherlands), Stage of Funding (Development/Other), Participated in award-winning film at Domestic/ International Film Festival (no/yes), Genre of Feature Film (Family/Other), Screenwriter's past work selected for a Domestic Film Festival (no/yes)

## Appendix B: ANOVA

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.571E+12	17	2.101E+11	8.335	.000 <sup>b</sup>
	Residual	1.008E+12	40	2.520E+10		
	Total	4.579E+12	57			

a. Dependent Variable: Funding of FilmFond 2019

b. Predictors: (Constant), Participated in award-winning film at Domestic/ International Film Festival (no/yes), Stage of Funding (Realization/Other), Genre of Feature Film (Comedy/Other), Director's past work selected for a Domestic Film Festival (no/yes), Production Company / Foundation's completed & released projects (Feature Films & Docs up to 2019), Countries of Production (Not Belgium,Netherlands / Belgium, Netherlands), Received Funds from another Dutch Organization (no/yes), Screenwriter's past work selected for an International Film Festival (no/yes), Genre of Feature Film (Drama/Other), Co-Production (no/yes), Director's past work selected for an International Film Festival (no/yes), Screenwriter's country of operation (Not Netherlands/Netherlands), Countries of Production (Not Netherlands / Netherlands), Stage of Funding (Development/Other), Participated in award-winning film at Domestic/ International Film Festival (no/yes), Genre of Feature Film (Family/Other), Screenwriter's past work selected for a Domestic Film Festival (no/yes)

## Appendix C: Type of Production Correlation

### Correlations

		Type of Production (Feature Film/Documentary)	Funding of FilmFond 2019
Type of Production (Feature Film/Documentary)	Pearson Correlation	1	-.269**
	Sig. (2-tailed)		.007
	N	100	100
Funding of FilmFond 2019	Pearson Correlation	-.269**	1
	Sig. (2-tailed)	.007	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).