

# **The Reform Process: How Have Cultural Organizations Adapted To The Changed Circumstances**

Tihomira Trifonova, Institute for Politics and Public Communications

Sofia, Bulgaria

**Abstract.** This paper is about the reforms in the culture sector during the transition period in Bulgaria. It presents a survey of art museums and analysis of time series of selected indicators of their functioning during a period of 18 years starting prior to the transition until 2002. The used data was not readily available and had to be specially collected from the individual organizations in the sample. The purpose of analysis was to find out how the art museums have adapted to the changes that occurred with transition from state controlled to market economy, and what was the impact of the implemented reforms on their functioning. Throughout this paper the terms “art museums” and “galleries” should be read as equal.

In order to monitor the reform process and understand the changes in caused, as well as their impact, we follow a period of time that extends before the beginning of transition, goes through the crisis situation, the initiation of reforms, and proceeds for some time after their implementation. We start with a brief description of the setting before 1989, then examine the essence of the reform and the current cultural policies. A short literature review outlines economic research of art museums conducted in Western countries (accessible to the author). We proceed with a presentation of the collected data set and the method used to analyze trends in the functioning of art museums in the changed environment. The conclusions are read against the economic theory of museums. The final remarks present the policy implication of the outlined trends.

## **1. Background**

*The system of culture under socialism*

During the socialist period the ideological and political monopoly over the culture of the Bulgarian nation had never been seriously challenged. It was implanted in the hierarchy of

party, state and repressive structures that were inter-coalesced and served to reproduce the established ideology. The cultural activities of the time were based on the speculative identification of the “party-class approach” with common human values and ideals. The state-subsidized artistic products were cheap or free and therefore affordable to all. This mass accessibility had created the illusion of participation in the cultural life that was taken for granted and universal.

“For the over a hundred years of its modern existence the Bulgarian society has taken culture to be a value per se, always presumed to be under the protection of the state<sup>1</sup>.” In the years of socialism the state had a clear and forceful cultural policy, led by the principle “the state pays and dictates”. The artists were organized in totalitarian professional creative unions based on the idea of ideological and political control, which had replaced the idea of creative freedom. The free union of ideas had been ousted by the obligatory membership and democracy, by democratic centralism. The artists, who in Bulgaria had always been linked to the state, were then totally dependent on the party-state structure. Culture, as one of the most effective forms of influencing the public thinking, was charged with importance. A characteristic feature of the policy of the communist state was its openly elitist character that aimed to perpetuate the communist rule. The artistic unions on their behalf managed, in the course of time and using the flirting of the ruling with the artists, to build solid subsystems of financial and capital assets, which contributed substantially to their institutional stability. Another major aspect of the totalitarian organization of culture was the state ownership of its functional institutions. The employees of the cultural institutions did not depend on the public or the cultural market, but on the mercy of other civil servant.

#### *The changes of the transition period*

The first crisis of the interactions between culture and the state came in the earliest years of democracy when the breaking of the economic crisis made it painfully clear that the state finances were very insufficient and the existing means should go to things like salaries, medical care, unemployment relief and pensions. The budget quickly abandoned culture in favor of the social and economic spheres and the realization that culture was no longer a state priority gradually turned into tangible reality. After the introduction of the currency board and

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<sup>1</sup> Raina Gavrilova, Cultural Policies in Bulgaria: An Attempt at Systematization in *Policies For Culture project, regional partner initiative of the European Cultural Foundation (Amsterdam) and the Ecumest Association (Bucharest)*. Culture weekly, issue 14 of April 5, 2002

the loss of part of the national financial sovereignty, the situation was publicly articulated and institutionalized.

Meanwhile the structure of the Bulgarian customers had basically developed to reproduce the general outline of the structure characteristic of art audiences in the highly urbanized western states. Their affection for the traditional national culture was gradually fading away, pushed to the corner by the western mass artefacts that had penetrated the market of cultural products. In economic terms, the spending opportunities diversified significantly.

Audience data tells us little about what people really want from an art experience or how they perceive it but has produced a range of challenging statistics for professional bodies and marketing initiatives. For example, the UK arts marketing has found out that audience and ticketing income have remained fairly static over the last five years against a leisure economy that has grown; or that audience profiles remain largely unchanged over the years, despite investment in the development of new audiences; or the strongly evident “Pareto” effect: around 70% of ticketed income derives from 20% of customers, and the top 10% of the customers yields 50% of the income.<sup>2</sup>

As the polls of the mid-1990s in Bulgaria showed, in the new circumstances 40% of the citizens appreciate arts as providing variety for their leisure time and perceive them as entertainment that distracts and frees one from the need of reflection over the issues of life. Second biggest, between 30 and 40%, is the group of those for whom visiting the opera, theatre, music halls or art exhibitions is incidental. The people in this group are indifferent to art and could not care less about the fate of the cultural institutions. The two groups together make some 65 to 70% of the nation, which had apparently developed an attitude to arts and culture substantially different from what the previous social organization had promulgated.

Next in number and also a considerable group (some 30 to 35%) are the people interested in arts who frequent the cultural institutions. However, this is not the group of true connoisseurs who care that much about the aesthetic achievements. Rather, they search for creative interpretation of their social and psychological problems. For them the main function of art is to educate and enlighten; visiting cultural institutions is a matter of public prestige and maintaining of group identity. It is comprised of people with higher education. Although not at all the wealthiest, this is the group that spends most on art.

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<sup>2</sup> [www.marketingarts.co.uk](http://www.marketingarts.co.uk)

The last and smallest group, which does not exceed 4% of the citizens, is the group of knowledgeable art connoisseurs. Those are mostly people professionally engaged in the arts. They carefully select works of art that are modern or outstanding expressions of artistic talent, which places them outside the regular visitors<sup>3</sup>.

In all the above groups there is a clearly expressed difference between actual visits and consumption, and ideal attitude to the various cultural institutions and the arts they offer. Some people have high appreciation for a given type of cultural institutions but never visit them or do it so rarely that it is not something of real importance to them. For those people the cultural institutions only have a symbolic value, a somewhat abstract meaning. Thus, when the value of a cultural institution is rather ideal than real, people prefer to transfer the care for its functioning to supra-personal, institutional entities such as the ministry, the municipality etc. rather than be personally involved.

The situation is not dramatically different in the developed democracies. A recent study carried out by the Arts Council of England came up with a set of findings suggesting a “personal relevance gap”, namely 73% of the audience think the arts play a valuable role in the life of the country but only half of them (37%) think the arts have any value for them personally.<sup>4</sup>

Cultural life, freed from the reigns of political correctness, has finally adopted the principles of the logic deriving from the real interaction between the arts and their audiences and affiliates. The question of adapting, although far from being purely financial, is overwhelmed by financial issues. Statistical data of the National Statistical Institute after 1989 shows that the democratic state did not reduce the relative amounts allocated to culture compared with the socialist state<sup>5</sup>. However, the actual money did shrink considerably due to the economic crisis and the inflation. The state subsidies were hardly sufficient to cover the salaries of the staff. There was no money for the maintenance of the buildings, for repairs and for funding bigger projects.

### *Shift in the cultural policies*

To sum up, during the 45 years of communist rule, cultural policy was characterized by:

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<sup>3</sup> The Cultural Institutions in the Big City – 1994 (sociological survey), issued by the Ministry of Culture and the Institute of Cultural Studies, 1995. Sofia.

<sup>4</sup> Stephen Cashman, [www.statistics.gov.uk/census](http://www.statistics.gov.uk/census)

<sup>5</sup> Endnote “Expense for culture of consolidated budget” Table.

- Total centralization of the possession of cultural assets within the state administration;
- Ideological monopoly over the promotion of cultural values;
- Extensive development of totalitarian cultural institutions.

The arts were regarded as means of education and enlightenment rather than as entertainment and therefore responsibility for the arts and culture was declared as exclusive domain of the state. Nevertheless, Bulgarian artists as a whole had won a significant amount of creative independence by the end of the totalitarian period.

After 1989 there was a shift towards a new cultural policy model. Culture was one of the spheres worst affected by the economic and spiritual crisis in the course of transition. At the same time, the ongoing reforms in society have had a positive impact on it.

The most important changes that occurred during the transition period, as outlined by the Council of Europe, were:

- the ideological dependence of artists and cultural institutions and censorship have been abolished;
- cultural institutions changed their role to become a mediator between artists and the public;
- municipalities were granted independence to pursue their own cultural policies;
- the cultural scene was diversified with new actors like foundations, private cultural organizations, professional associations of a new type.

### *The system reform*

The supreme central executive body with the right to initiate legislation in the sphere of culture and formulate the main principles of the national cultural policy is the ministry of culture. The Protection and Development of Culture Act<sup>6</sup> was prepared and presented to the council of ministers with the intention to do something fundamental for culture in Bulgaria. In the opinion of the then-current minister of culture<sup>7</sup> the project had the ambition to become the common constituting law in its sphere, a symbolic wreath of the modern (harmonized with the *acquis communautaire*) cultural legislation. The Act categorized the cultural organizations

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<sup>6</sup> Published in the State Gazette, 50 from June 1, 1999, amended in 1 from January 4, 2000 and 34 from April 6, 2001.

<sup>7</sup> Москова, Е. Духът на нацията не се губи лесно, в. Стандарт, 2.02.1998 г, С.

according to their ownership as state, municipal, private and mixed. The state takes its part of the financial burden (which is the dominant part) while at the same time it manages the processes in the sphere of culture by delegating powers, creating opportunities for various managerial decisions and charging the organizations with responsibilities. At the local level, cultural policies are implemented by the bodies of local self-government.

The Ministry applies sector-specific policies through national centers, which are “hands-on” structures with an autonomous legal status and budget, one of which is the National Center for Museums, Galleries and Visual Arts. Their activities are guided by a program, approved by the Minister of culture, supervised by a deputy minister and implemented by their respective directors. The lower levels of cultural competencies correspond to the constitutional division of territorial administrative units: districts and municipalities.

In the course of Bulgaria’s transition to democracy and market economy, a series of cultural reforms have been conducted in the past 13 years, with the following objectives:

- decentralization of the administration and financing of culture;
- formation of market-oriented attitudes of cultural institutions and artists;
- amendments to cultural legislation designed to meet the new socio-economic challenges;
- harmonization with European Union legislation;
- establishment of an administrative environment facilitating cultural development and European integration;
- guarantees of the equality of state, municipal and private cultural institutions;
- strengthening the role of the non-governmental sector.

As of 1998 the Ministry of Culture has started financing the cultural activities of the institutions on a competitive basis, which makes it possible to provide differentiated support to the individual cultural institutions depending on their contribution to culture and the artistic and economic results of their activities. This new way of financing is based on the transfer of part of the state subsidies for cultural institutions to concrete creative projects on the basis of *equal treatment* of applicants. The principle of joint financing – by the national and municipal budget – has been a definite achievement.

Bulgaria’s national cultural policy priorities include preserving the cultural memory and historical heritage; creating conditions for development and enrichment of all spheres of

culture as factors for sustainable development; designing an adopting an effective mechanism of financing cultural institutions and finding alternative funding forms and sources; improving the statutory framework in the sphere of culture.

The Ministry of Culture's current concept of cultural policy formulation and implementation puts special emphasis on the *subsidiary principle*, which presupposes shared obligations and responsibilities for the common good among institutions and citizens not only and not simply in their capacity as taxpayers, but through voluntary contribution of part of their time, energy and imagination.

#### *Financing of culture*

After a long period of steady decline in public cultural expenditure, which fell to a post-1989 record low in 1996 and 1997 (which also saw record low GDP and GDP share of cultural expenditure), there was an upward trend starting in 1998. Cultural expenditure did not, however, increase in real terms, and remained below the 1990 level even in 2000. Nevertheless, the relative growth and structural reorientation of support for creative projects has been of paramount importance. There was an increase in it as a percentage of Bulgaria's consolidated budget for the first time in 1998, when it almost recovered to the 1990 level of 1.84%.

The GDP percentage of cultural expenditure is a more significant indicator. Unfortunately, the 1990 level (1.09% of GDP) has not been reached yet, but it is only logical given the currency board arrangement and severe restrictions in the entire sphere of public financing. Regardless, the GDP percentage of cultural expenditure shows an upward trend, and has risen significantly in 1998 and 1999 – from 0.44% in 1996 to 0.78% in 1999, or up by around 73%.

#### *Re-allocation of public responsibilities*

As a result of the dominance of the state, public cultural institutions retained their leading role and main responsibility for the development of culture in Bulgaria. At the same time, by steadily cutting annual public spending on culture, the state gradually relinquished its former "total" responsibility, thus jeopardizing the very survival of some of the organizations. In the past few years, the state has given priority to the re-allocation of public responsibilities to the local level.

## 2. Literature review

The econometric approach to culture has a good tradition in the Western countries. Since this study is focused on art museums/galleries, we shall make a brief overview of selected papers<sup>8</sup> that use the economic approach to valuing change and exploring the impact of various variables on the functioning of cultural institutions. Some are performance oriented: Odile Paulus (Paulus, 2003) used four quantitative indicators (costs, consumer revenues, number of visitors and total revenues) to analyze the practices of 14 museums, seven each in France and USA. She combined those with two evaluation indicators, efficiency scores and consumer benefits in a model for comparing tools that evaluate museum performance on the basis of validity, reliability, feasibility, externality and synthesis. Closely related to performance is the controversial issue of admission charges. A number of economists have tried to explain the noted reluctance of museum curators to charge for admission in terms of the “zero additionality” hypothesis, based on the belief that any additional revenues from charging would lead to a corresponding reduction in grants and subsidies. Using a case study *Access and Admission Charges to Museums: a case study of the national museum* John O’Hagan (O’Hagan, 1995) looks at the arguments for and against admission charging and provides some new evidence relating to the effects of charges. His arguments are set in the context of the policy objectives of access: the vast majority of the population do not attend national museums and evidence of this and of the socio-economic composition of those who do attend is presented for Ireland.

A similar argument is also used to explain why museums do not seek to lend out or sell the many unseen items that they possess in their vaults. Using panel data for national museums in the UK, David Maddison and Matthew Sherman (Maddison and Sherman, 2002) test the hypothesis that changes in revenues from admission charging and revenues from all sources “granger cause” offsetting changes in grants from central government. It is found that increases in revenues raised through admission charging do indeed reduce government grants but not by so much as to completely nullify the effect of revenue increases. Conversely, increases in revenue from sources other than from admission charges does not seem to granger cause changes in government grants.

Time series analyses have been used by Toepler and Kirchberg to test commercialization theories at the organizational level. They put to analysis the question of the actual efficiency

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<sup>8</sup> The selection is confined to the resources available to the author, mostly to be found in free-access databases.



of commercial activities: it is generally assumed that its purpose is to cross-subsidize the core service provision, but whether commercial activities actually do generate sufficient resources to allow for this remains unknown. The time-series analyses method of data on 15 American art museums over an 11-year period was used, which the authors argue were well suited to examine behavioral assumptions underlying the current theory, as causal relationships can be tracked over time. Been (Been et al, 2002) summarized the empirical research on the effect of free admission on attendance; Luksetich and Partridge (Luksetich and Partridge, 1997) present evidence that the value of collection increases attendance figures.

As a general antithesis, Evdoxia Baniotopoulou (Baniotopoulou, 2001) argues that not everything in life, and especially in art and culture, can or should be measured in figures. She viewed modern art museums as magnets for tourism and inward investment and recognized the potential of the cultural sector for economic development through diversifying their infrastructure and finding new sources of income by using the Guggenheim in Bilbao as an example.

The western literature covers a variety of economic aspects pertaining to museums. In Bulgaria no research of this type has been done yet. What follows is a limited attempt to use techniques established in the literature to explore phenomena of the Bulgarian transition art stage.

### **3. Time series analyses**

The present analysis is set within the confines of cultural economics, i.e. applies economic thinking to the arts. This approach to art is not restricted to financial aspects, such as subsidies and cost, but uses the economic model of human behavior (on the demand and supply sides) to throw light on certain social aspects of art.

#### ***Data and methodology applied***

The reform in culture and the cultural policies of the transition period have accumulated a solid body of anecdotal evidence, including a mounting number of press accounts of the status and grievances of art museums, among other cultural institutions. The effects of the policy environment and the reform however remain understudies. With the exception of few papers (Tomova 2001, Markov and Kabakov 2001, Koprinarov 1995) dedicated to the on-going processes in the sphere of culture in general, no specific research has been conducted so far.

Micro data, i.e. organizational level data, are needed to better understand any underlying dynamics concerning the art museums, where the data need to be available over time.

*Description of data sources and data characteristics*

Data for this study was collected for a total of 8 art museums (the two national and six city galleries) for an 18-year period stretching back to before the transition. The sample is diverse in terms of size, as well as geographically and could be considered to a certain extent representative of the art museum world in the country. Museums in the sample are: the National Art Gallery, the National Foreign Art Gallery, Sofia City Art Gallery, Plovdiv City Art Gallery, Varna City Art Gallery, Burgas City Art Gallery, Stara Zagora City Art Gallery, Veliko Turnovo City Art Gallery. The time period extends from 1985 to 2002. Past trends and relationships between the key variables about which the art galleries provided data are analyzed.

The art museums provided annual numbers for the following indicators:

- number of visitors
- acquired objects for the collection
- received donations
- restoration and conservation activities
- hosted external exhibitions
- own exhibitions hosted by other galleries
- publications
- management
- specialised staff (scientific, technical)
- administrative personnel
- ticket prices.

The following were the major objects of analysis:

- Trend in the number of visitors during the observed period
- Links and dependencies between the rate of art galleries' visits and the general economic development of the country

## Correlation between the various indicators about which the galleries provided data

The results of the analysis are disclosed on an aggregate basis for all the art galleries involved in the survey. Where relevant, galleries were also analyzed on an individual basis and compared with the respective indicators analyzed on an aggregate level.

### *Methodology*

#### *Time series analysis*

The analysis explores the data on art galleries collected sequentially over time, i.e. time series data. Descriptive analyses, including graphical and numerical techniques, have been applied to provide a clear understanding of the time series data.

Index numbers, one of the most common techniques for characterizing business or economic time series, were calculated for selected time series data collected from the art galleries to measure how it changes over time. Change has been measured relative to a pre-selected base period. The base period selected for the current analysis is year 1985, which is the first year, for which the galleries have been asked to provide data.

As it can be seen from the analysis below, the time series often have irregular fluctuations so trends are difficult to describe. Index numbers can be misleading in such cases because the series is changing rapidly. The moving average method has been applied as a technique to smooth the rapid fluctuations in the time series so that the general trend can be seen.

#### *Correlation analysis*

Regression model was used as a tool for analyzing the relationships among selected variables. Correlation coefficient was calculated to measure the strength of the linear relationship between the variables. The closer the correlation coefficient is to 1 or  $-1$ , the stronger the linear relationship between the two variables. A positive correlation coefficient implies that the dependent variable increases as the independent one increases; negative values imply the opposite relationship. If the correlation coefficient is close to zero, this means that there is no or little relationship between the two variables analyzed.

The coefficient of determination (R-squared), measured as the square of the coefficient of correlation, was used to represent the proportion of the total sample variability around the sample mean that is explained by the linear relationship between the two analyzed variables. In other words, a higher value of R-squared implies that a larger proportion of the variability

in the dependent variable analyzed is accounted for by the differences in the independent variable.

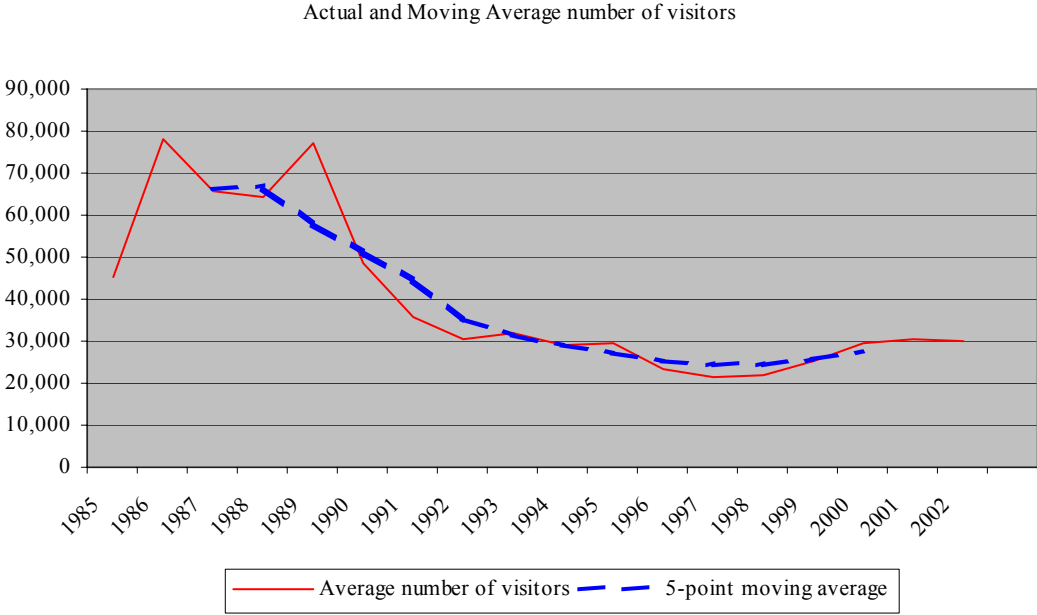
The reliability of the analysis below, however, is limited to the extent that the art galleries have provided data about all the requested indicators as well as for the whole period surveyed.

**Trend analysis of the number of visitors**

*Moving average*

The general trend in the average number of visitors per gallery on an annual basis is downward sloped. To better present the trend, the 5-period moving average was calculated and graphically presented in the chart below:

**Figure 1** Trend analysis of average number of visitors

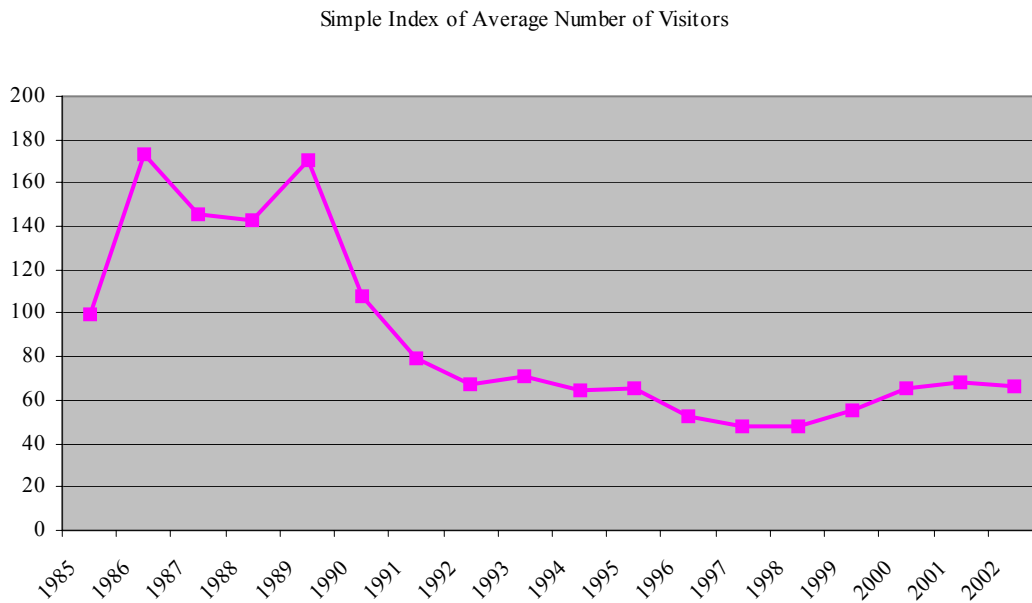


Though the general trend during the analyzed period is declining, it is clearly seen that the average number of visitors to the galleries started to increase slightly in recent years after the bottom was hit in 1997.

*Simple index*

The simple index of the average number of visitors was calculated, assuming year 1985 as a base year and an Index equal to 100.

**Figure 2**      **Index of number of visitors**



Although the index has been increasing since 1997 when its lowest level was reached (47 points), in 2002 (67 points) it is still below the base year level (100 points) and far below its highest value in 1986 (173 points).

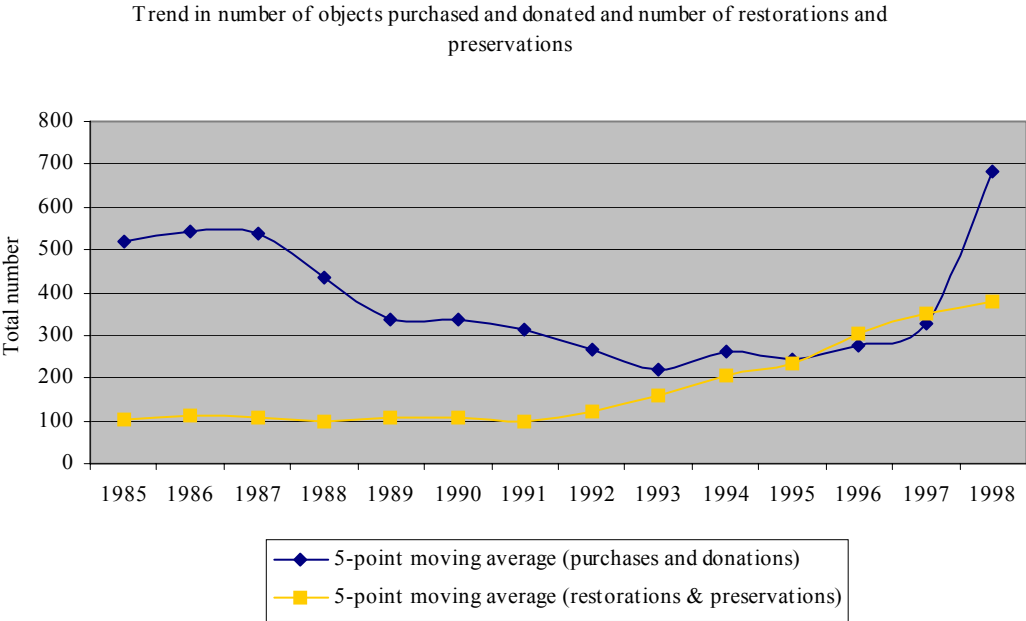
***Trend analysis of museum acquisitions (purchased or donated) and conservation activities (restoration and preservation of objects of art)***

One of the main objectives of the art galleries' function is the constant enrichment of their collections of objects of art as well as their restoration and conservation for future generations. To what extent the galleries have been successful in following this objective throughout the analyzed period can be seen from the analysis below.

***Moving average***

The 5-point moving averages of the total number of objects purchased and donated as well as the total number of restorations and conservations were estimated to outline the general trend during the period 1985 – 2002:

**Figure 3. General trend in the art objects’ purchases, donations, restoration and conservation**



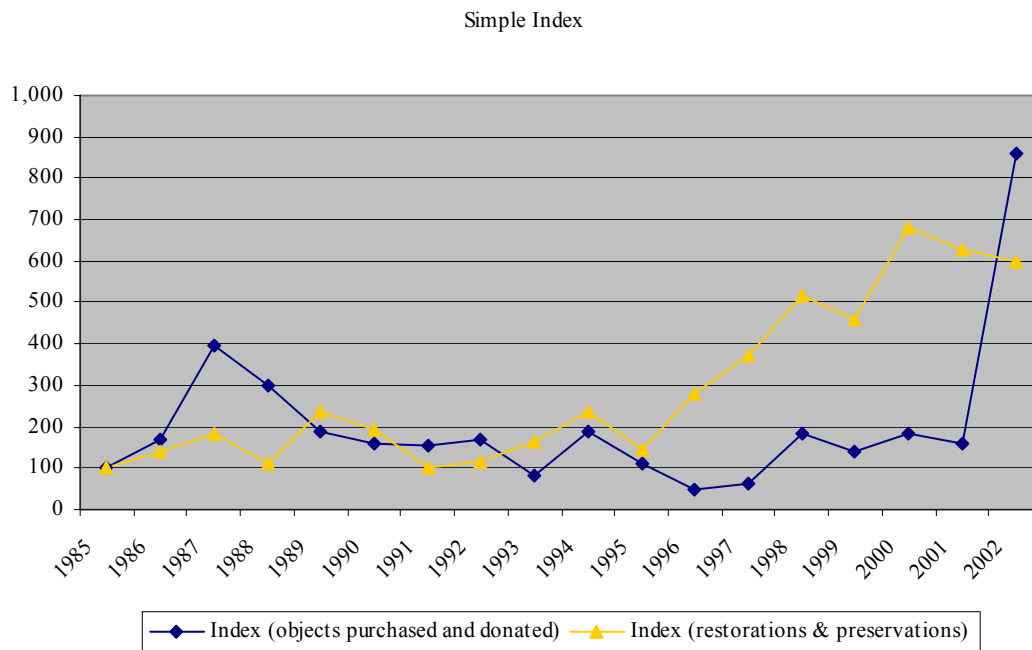
The general trend in the number of objects that the galleries managed to purchase or were donated to them was negative until 1997, and after that, similarly to the trend observed in the number of visitors, the trend changes to a positive direction.

The galleries seem to have been more successful in their objective of restoring and conserving objects of art. As seen from the chart above, the general trend was relatively flat in the period 1985 – 1991 and after that shows a clearly positive development.

*Simple index*

The simple index movement for the same variable using again 1985 as a base period is graphically presented in Figure 4.

**Figure 4 Simple index movement of the number of purchases, donations, restorations and preservations**

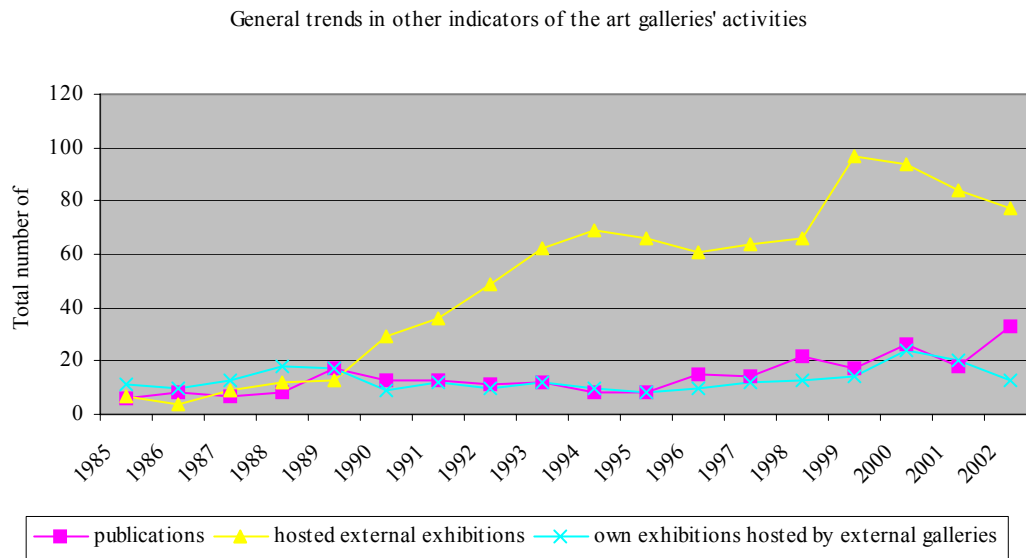


While the index of restoration and conservation performed well during the whole analyzed period, the index of the number of objects purchased and donated was fluctuating substantially and indicates a crisis situation in the period 1995 – 1998.

*Trends in other indicators of the activities of the art galleries*

The general trends in the data collected on other indicators characterizing the activities of the art galleries for the period 1985 – 2002 are graphically presented in Figure 5.

**Figure 5 Trends in other indicators of the art galleries' activities**



Clearly expressed positive trend can be discerned in the number of hosted external exhibitions throughout the analyzed period. The level of the other two indicators presented in the chart above has remained at an almost constant level. A slightly positive development of these is seen in recent years starting after 1996 – 1997.

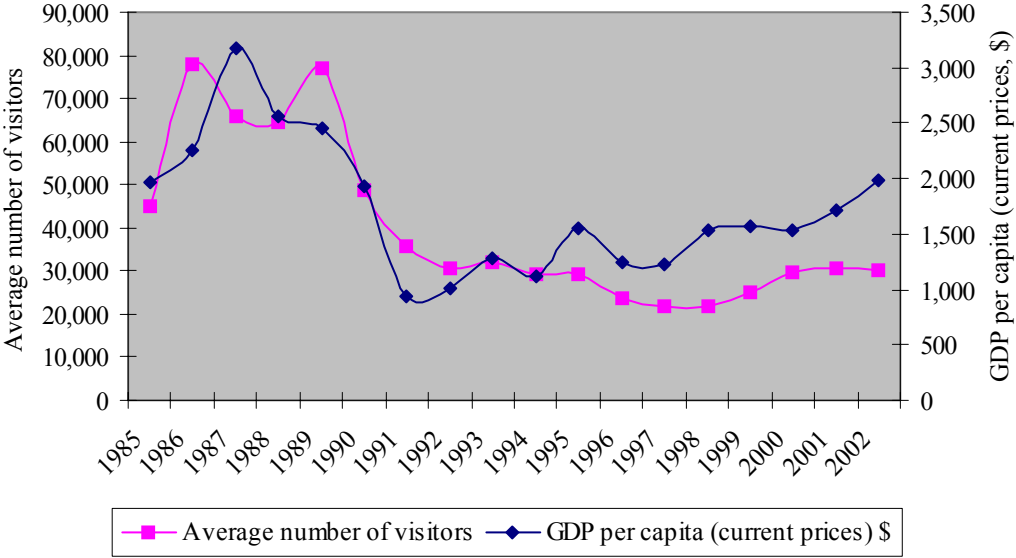
### ***Correlation analysis***

#### *Correlation between the number of visitors and the general economic trend in the country*

The relationship between the number of visitors and the general economic trends in Bulgaria was analyzed by means of correlation coefficient calculation. GDP per capita was used as a measure of the economic trends in the country.



**Figure 6 Correlation between number of visitors and GDP per capita**



The correlation coefficient of 0.8 shows a reasonably strong relationship between the level of economic well being in the country (measured in terms of GDP per capita) and the visits to the art galleries. Given the positive forecast for the future growth in GDP it could be expected that the upward trend in the number of visitors during the recent years (see Figure 1) will continue.

The R-squared calculated for the sample data above is 0.63, which implies that 63% of the variation in the average number of visitors is accounted for by the change in the economic environment in the country expressed in terms of GDP per capita.

*Other indicators relationship analysis*

A number of combinations between the number of visitors and other variables have been analyzed for any existing relationship. The correlation coefficient and R-squared have been calculated for each of the combinations. The summary of the analysis is presented in Figure 7.

**Figure 7 Summary correlation analyses of other variables**

| <b>Relationship between</b>                         | <b>Period</b> | <b>Correlation coefficient</b> | <b>R-squared</b> |
|---|---------------|--------------------------------|------------------|
| Visitors and objects purchased & donated            | 1985 - 2002   | 0.32                           | 0.10             |
| Visitors and objects purchased & donated            | 1985 - 2001   | 0.66                           | 0.43             |
| Visitors and number of restorations & preservations | 1985 - 2002   | -0.13                          | 0.02             |
| Visitors and publications                           | 1985 - 2002   | -0.04                          | 0.00             |
| Visitors and publications                           | 1997 - 2002   | 0.59                           | 0.35             |
| Visitors and number of hosted external exhibitions  | 1985 - 2002   | -0.59                          | 0.35             |
| Visitors and number of hosted external exhibitions  | 1997 - 2002   | 0.63                           | 0.39             |
| Visitors and average ticket price                   | 1998 - 2002   | 0.66                           | 0.43             |

When analyzing the relationship between the various data series one should take into account the significant changes in the economic environment marked by the movement to a market economy (after 1989) and the high-inflationary period until mid 1997. Thus, certain relationships established for the data series collected from the art galleries in the transition period might have been substantially different should the galleries operated under normal economic conditions.

Based on the summary analysis in Figure 7 it appears that there is a relatively strong correlation between the number of visitors and the number of objects of art either purchased by or donated to the galleries. This means that the more objects of art a gallery is able to exhibit, the more visitors the gallery could expect to attract.

The correlation coefficient measuring the relationship between the number of visitors and the number of publications for the period 1985 – 2002 is close to zero, which implies no relationship at all. However, if measured for the period after 1997, when the galleries started operating in a considerably different market environment, the same relationship is much stronger, showing a positive correlation coefficient of 0.6. Post the earlier years of the transition period of the country's economy the variety of cultural and leisure entertaining events increased significantly, and so publicity has become more important for directing and attracting consumers' preferences. Therefore it may be reasonably concluded that the publications by/about the art museums would be an important factor for attracting visitors.

The same reasoning is applicable to the interpretation of the relationship measured between the number of visitors and the hosted external exhibitions. Once again, the increased "competition" between the various cultural and entertainment places may have forced them to offer greater variety in order to attract more "consumers". Based on the analysis of the data collected by the survey, it seems that the art galleries have spotted this positive dependence between the number of visitors and the variety in the exhibitions. As can be seen from Figure 5 above, the number of external exhibitions hosted by the art galleries has increased significantly since the beginning of the transition period to a market oriented economy.

The correlation coefficient of the relationship between the number of visitors and the ticket price was calculated for the period 1998 – 2002 when the hyper-inflationary period was over. However, this short period is not substantial enough to arrive at more definitive and reliable conclusions about the relationship between these two variables. The positive and relatively strong correlation between the two variables for this period is more a result of their movement in the same direction (caused by different drivers) and less likely a result of any positive relationship.

#### *Visitors to number of personnel ratio compared*

As a kind of measuring the art galleries' efficiency, the ratio of visitors to number of personnel per individual gallery was also calculated. Due to lack of complete data for the whole analyzed period, this comparative ratio analysis is presented just for the period 1998 – 2002.

**Figure 8 Ratio of visitors to personnel compared**

| <b>Art Galleries</b>                             | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>Average<br/>for the<br/>period</b> |
|--|-------------|-------------|-------------|-------------|-------------|---------------------------------------|
| 1Burgas City Art Gallery                         | 5,600       | 10,200      | 10,400      | 9,600       | 10,200      | <b>9,200</b>                          |
| 2Stara Zagora City Art Gallery,                  | 7,533       | 7,475       | 7,453       | 9,220       | 10,478      | <b>8,432</b>                          |
| 3Sofia City Art Gallery                          | 3,481       | 3,288       | 3,222       | 3,167       | 3,078       | <b>3,247</b>                          |
| 4Plovdiv City Art Gallery                        | 1,392       | 1,577       | 3,451       | 3,451       | 2,541       | <b>2,483</b>                          |
| 5Varna City Art Gallery                          | 1,846       | 2,154       | 2,917       | 2,750       | 2,667       | <b>2,467</b>                          |
| 6State Art Gallery “Boris Denev”, Veliko Turnovo | 885         | 903         | 940         | 632         | 719         | <b>816</b>                            |
| 7National Art Gallery                            | 174         | 185         | 235         | 344         | 222         | <b>232</b>                            |
| 8National Gallery for Foreign Art                | 167         | 188         | 229         | 236         | 234         | <b>211</b>                            |

The list of the art galleries above has been ranked in descending order according to the average value of the ratio of number of visitors per person employed for the period. The top ranking galleries in terms of this ratio are Burgas City Art Gallery and the Art Gallery in Stara Zagora.

#### **4. Conclusions from the data analysis**

The major conclusions from the time series analysis of the data collected from the art galleries are summarized below:

The general trend in the number of visitors to the galleries during the analysed period is declining, however it is clearly seen that it has started to increase slightly in recent years after the bottom was hit in 1997.

The general trend in the number of exhibits that the galleries acquired (managed to purchase or were donated to them) has been negative until 1997, and after that, similarly to the trend observed in the number of visitors, changes to a positive direction.

The galleries seem to have been more successful in their objective of restoring and conserving objects of art. The general trend was relatively flat in the period 1985 – 1991 and after that shows a clearly positive development.

The correlation coefficient of 0.8 shows a reasonably strong relationship between the level of economic well being in the country (measured in terms of GDP per capita) and the visits to the art galleries. Given the positive forecast for the future growth in GDP, it could be expected that the upward trend in the number of visitors during the recent years will continue.

There is a relatively strong correlation between the number of visitors and objects of art purchased and donated to the galleries. This means that the more objects of art a gallery is able to exhibit, the more visitors it could expect to attract.

The increased “competition” between the various cultural and entertaining institutions has forced them to offer greater variety in order to attract more “consumers”. Based on the data analysis, it seems that the art galleries have spotted this positive dependence between the number of visitors and the variety in the exhibitions. The number of external exhibitions hosted by the art galleries has increased significantly since the beginning of the transition period to a market oriented economy.

The most popular galleries (i.e. galleries that enjoy higher number of visitors compared to the average level) throughout the whole analyzed period include the Sofia City Art Gallery and the Art Gallery in Stara Zagora.

## **5. Theoretical aspects**

The museum as an institution might have five different functions: to collect, to conserve, to study, to interpret and to exhibit (Noble, 1970). The economic approach to museums, developed by Frey and Meier in their Economics of Museums theory, relies on standard or rational choice theory. Individuals are taken to have rational behavior, and analysis focuses on market relationships.

In the process of transformation of the social organization that accompanied the transition period it was precisely the market relations that cultural intuitions had to adapt to more than anything else. This experience was entirely new to them, so in order to present a more complete picture of the proceedings we thought it important to have the opinion of the

insiders along with the solid facts of the figures. Following the theory, too, with respect to institutions it emphasizes that it is crucial to go beyond the market.

Thus, parallel with the time series analysis a survey was conducted among the management of the art museums in the sample. The survey used the method of semi-structured interviews based on a questionnaire composed of some thirty open questions. Its purpose was to measure the role of the human factor in the process of transformation and register the way the managements see the impact of reforms on the functioning of their institutions. The main findings can be summed up in the following three items: (i) the art museum directors have little knowledge and next to no experience in income maximizing activities like fundraising or attracting sponsors, and have as a consequence developed a decidedly negative attitude to this aspect of their position, illustrated with the frequently used phrase “We have turned into beggars”; (ii) the management of art museums do not perceive the provision of means for the functioning of their institutions as their obligation, or as part of good museum management; they view their mission as preservation and care taking of a national wealth, to which the entire nation must contribute on a solidarity principle; (iii) finally, what is the point of making humiliating efforts to raise extra money, if it goes back to the treasury and not (or only partly) to their organization. However, the reality of the trends in the developments going on in the sphere of production and consumption of cultural products and services clearly shows that competences and efforts in this respect could hardly be avoided in the future.

Frey and Meier determine two types of demand: private, exerted by the visitors (persons interested in the exhibits as a leisure activity or as a part of their profession); and social, as part of an organized activity (based on external effects and/or effects on economic activity).

### *The demand function*

In terms of private demand, there are three major determinants relating to prices or costs: entrance fee, opportunity cost of time, and price of alternative activities alongside the classical determinant of income. Econometric estimates reveal an income elastic demand, i.e. increasing real disposable income favors museums (Withers, 1980). Our time series analysis clearly shows this dependency in the correlation analysis part that demonstrates how once the economy started going upward, the number of visits followed suit.

It is also true that opportunity costs rise with income, therefore estimates may often be ambiguous. They will certainly be oversimplified, if we do not include another determinant of the demand function, namely the quality of the collection, or alternatively special exhibitions mounted. Luksetich and Partridge (1997) estimate that the value of the collection increases

attendance figures, especially for art museums. Important are also the marketing efforts they make, and most of all regular and attention-catching advertising. From what the data analysis gives us, it seems that the directors and management have focused a certain amount of effort in this respect. How much that was due to financial resource constraints, i.e. the management was forced to do it by the circumstances, or to strategic efforts to cope with the new challenges will remain the topic of more in-depth interpretations of further data.

Taken the external effects, museums create social values, for which they are not compensated in monetary terms. Among them will be the option value (the possibility of enjoying the exhibits at some undefined time), existence value (the benefits of knowing that the museum exists), bequest value (satisfaction from knowledge that descendents will have equal opportunities), prestige value (not dependent on actual visits), and education value. The accompanying survey of interviews with the museum directors showed that this is the aspect they are generally more focused on.

### *The supply function*

On the supply side there are the high fixed costs: building, collections, staff, insurance, technical outfit that cannot be varied in the short run. Independent of the output (number of visitors and exhibitions) the costs to running the museum remain the same. In the period of economic crisis and prior to the reform, the deficits made the art museums to even cut a serious proportion of their fixed costs. As public organizations run in a non-profitable way, art museums face a demand curve lying below the average cost curve. This makes it impossible to set a price at which total admission receipts cover the total cost of the museum. With the relative stabilization that occurred after 1997, they started to turn increasingly to the productivity possibilities.

The final output an art museum produces is not given but can be chosen by the art organization, as can the input and the technology used. As resources are scarce, the management has to make decisions where the focus should be: should they produce a lot of exhibitions, and thereby increase the number of visitors, or should they put more emphasis on raising additional income in additional amenities. There are two theoretical approaches here:

- the neoclassical approach, which builds on rational actors maximizing utility of a museum in a benevolent way;

- the institutional approach, which goes beyond the market and emphasizes the importance of institutional settings (e.g. the dependence on public support) for the behavior of the management.

When directors rely exclusively on public grants and are expected to keep within the budget, the institutional setting provides little incentive to generate additional income and to keep cost at a minimum. The directorate will not allocate energy and resources generating additional income, because any additional money goes back to the national treasury. Like Frey and Meiers have put it, if they were to make a surplus, the public grants would correspondingly decrease, which acts like an implicit tax of 100 percent on profit. The art museums' management in Bulgaria in general tends to put much more emphasis on non-commercial aspects. The directorates are not forced to cover costs using their own efforts, so they readily refer to intrinsic "artistic", "scientific" or "historical" values when elaborating on their activities. The application of non-commercial standards helps the museum directors to achieve their leading goal of prestige. In all the galleries of the sample visitors' amenities are poorly developed and little, if any, attention is paid to the profitability of shops. There is explicit reluctance to provide spaces for restaurants or cafes.

Looking for ways to boost their performance and increase their social value, and rejecting the option of commercialization, the art museums have generally aligned with the current trends in the museum world of intensifying the special exhibitions. Apparently, those were identified as the most appropriate instrument of adding value and generating additional income without descending to commercial activities, to which there is still significant resistance. When discussing special or hosted exhibitions in the interviews, the gallery directors they did not pay so much attention to the income effect, than to attracting new visitor groups, due in part to the wide advertising, the intensive promotion and media attention they enjoy. The special exhibitions were often presented as an extraordinary cultural experience. Worth mentioning is the higher demand by the business, which is much more likely to sponsor special rare events than regular activities. From the point of view of supply, too special exhibitions have definite advantages. They provide a much wider scope for professional creativity, inspire the sense of innovation, and the possibility to create artistic value, all of which are highly esteemed by museum people.

There is evidence that in recent years museums throughout the world have become more visitor-oriented. The prime responsibility of museums is now seen, both by the management and by the public, as being much more toward their visitors than towards their collections.



This shift in emphasis is partly due to the fact that public funding has not kept pace with museum growth. As museums sought to develop other sources of funding, so it has become increasingly important for them to focus on the preferences of their “customers”. It is also the case that prospective commercial and other donors are likely to be interested in how wide the audience the recipient museum would actually be able to reach. This was acknowledged by the management of all the studies art museums, for whom repeat visiting is a very important component of the demand for their services. The evidence suggests relatively limited economies of scale, at least for art museums.

The collection still remains the key asset of a museum and raises some important resource allocation issues. For example, what is the appropriate balance between activities devoted to new acquisitions, preservation and display? For many museums only a small fraction of their collection is on display at any one time – a phenomenon known as the “Prado effect”. It raises hard questions about the management of the collection, which seems to be particularly painful to the art museum world in the country. Like the results of the data analysis show, the entire decade of the 90’s of the last century was very poor in terms of new acquisitions. The big worry of the art museums directorates is that their collections have a huge gap as far as contemporary art is concerned, which undermines their competitiveness and reduces their supply diversity. On the other hand, they possess massive stock of socialist art that provides limited opportunities to curators for artistic innovation. The logical trade-off of exhibits that do not get displayed for new purchases is not a way out due to legal restrictions. Clearly, new policies will be needed to address the existing issues.

## **6. Policy implications**

The trends identified in the data analysis contain policy implications in three aspects of the functioning of the art museums in the post-transition circumstances: management, supply and demand. The likelihood of any substantial increases in the public grants for the galleries is not really very big. Therefore, they shall have to use every existing alternative opportunity that could help them achieve their mission.

Along the management line there is room for provision of more information and increasing the competences of the art museums management in coping with the customer-oriented approach. There is need for a more consistent data compilation, statistical analysis and research recommendations, which would enable the directors to take informed decisions and

even start acting proactively in view of the development of the tendencies and the respective forecasts. Useful techniques and best practices that have been identified in the countries with richer experiences could be considered in the Bulgarian context. Also, having identified their needs, the museum executives may take an active part in the formulation of the policies, rather than protest against their consequences post factum.

In terms of the supply, the central issue seems to be the quality and the good management of the museum collections and exhibits. With the economic stabilization of the country there is increasing potential to attract ever-wider attendance. Any improvement in the performance results is likely to bring along more sponsorship and increased public grants, especially in view of the high priority attributed to cultural tourism in the country's economic development. The gallery directors are right in their conviction that the ticket price is currently not an income-determining factor and that wider audiences provide better chances for higher performance indicators.

As for the demand dimension, we tend to recognize it as the development path containing the greatest capacity. We consider it essential that the tendency towards increased attendance is utilized and sustained with purposeful planned strategic actions. After several years of progress in restructuring cultural organizations, encouraging initiative and project-oriented thinking, and diversifying the cultural services, policy makers and advocates still need to think about the ways that citizens participate.

*Endnote*

**Table Expense for culture of consolidated budget**

| <b>Year</b> | <b>Relative share of expense for culture</b> |
|-------------|--|
| 1991        | 1.7  |
| 1992        | 1.8  |
| 1993        | 1.6  |
| 1994        | 1.4  |

|      |     |
|------|-----|
| 1995 | 1.4 |
| 1996 | 1.0 |
| 1997 | 1.3 |
| 1998 | 1.8 |
| 1999 | 1.8 |
| 2000 | 1.7 |
| 2001 | 1.6 |

Sources: Statistical Yearbooks of the National Institute of Statistics.

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