

Political Economy of Interculture Differences: An EU Perspective

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Abstract *Economic development is always linked with systematic changes in human behavior, its basic value and cultural change are paths dependent on it. The study illustrates the culture value that converges the EU into a 'single European value landscape'. Current economic growth theories do not take into account cultural variables at national levels and economic life happens in asocial context and it affects economic development. This paper gives an overview of earlier relevant studies on cultural and economic growth and established linkage between cultural norms and its economic outcome from the EU perspective. The paper concludes that culture is ought to play a central role in devising the plan for the future of Europe. The paper suggests some recommendations that a new approach may be allowed with a change of mindset which should not practice the notion that what is not allowed is forbidden to what is not forbidden is allowed.*

Key Words: Interculture Difference, Economic Outcomes, European Perspective, New Approach, Change of Mind Set

Introduction

The ambition to create a knowledge-based economy is a greater challenge than necessitates the actual innovation and creativity. Since the sustainable economy of Europe in the future depends on cohesive Europe with new values to further its development and to face the commercialization, competitive economy of the world. Currently, political and economic power seems a dominating factor in international power structure however the significance of the culture cannot be undermined also. The role of culture in the political economy is largely missing. "The strategic use of culture goes beyond the notion of culture as arts and heritage and creates a new driving force for change and innovation in different domains of society" (EU Cultural Parliament, 2006). Introducing new ideas will energize the cohesion and ways of participation in the economy by the EU. The strategic use of culture can contribute not only to shaping the EU but also it will transform the education system towards the knowledge economy. The community of the EU countries will ultimately recognize and will allow the culture and social change to play a central role in economic endeavors.

As a matter of fact, Europe's identity is determined by the multiple languages, different heritages of states and of course dissimilar artistic traditions. Though the EU has taken the pride of glory of intellectual

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and technical past, the economic value of artistic creativity. In the 21st century, the significance of the knowledge economy has become manifold. The investment in the innovation and research can be gauged in EU but it is unable to measure the contribution of culture and creativity on the Lisbon goal to make Europe "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (The Economy of Culture in Europe, 2006. p. 23).

Hence there is an absence of discourses regarding the nonexistence of economic prominence in the cultural segment of the EU. There is a need to describe the correlation between culture and added value for the economy. The studies on the cultural impact on economic behavior are not very rich. A cultural behavior linkage with the economic outcome is in its infancy, there are certain concerns which need to be focused on this account. For example, to what extent cultural spill-over the economic gains and social change and is there any real impact of culture on the economic outcome. Economic development does not solely depend on the new institutional economics as the prescribed recipe of the 'Washington consensus' of economic growth and for that matter on technological advancement but there is certain intangible element which is collectively called as culture effects on the development outcome. In that way, the world is no flat as proclaimed by Friedman. Though in the classic economic era the culture is not given much space in the science of economics, it was not the case in the initial time of the development of economic paradigm. The human behavior has been at pivot since the time of "Wealth of Nations" by Adam Smith in 1776. The "invisible hand" of Smith is the main motivation of individual behavior. The whole economic development paradigm of human history is to trace as to how to relate the economic decision making with human behavior. This paper would look at the different cultural values and diversification effects for different EU states.

Literature Review

The "idea that culture is a fundamental determinant of economic development is not new. It was stressed by economic historians like [North in 1981](#) and in a paper, [Greif in 1994](#) emphasizes the interaction between culture, institutions and development, he points out how the different cultures of Maghribi and Genoese traders in the late medieval period led them to develop different institutions, and how it can give a roadmap for the development of nation" ([Glaeser, et al., 2004](#)). Glaeser et al. suggest that "the effect of history on current economic development reflects the accumulation of human capital" (2004).

In their two influential books, [Banfield in 1958](#) and [Putnam in 1993](#) have argued that there are pronounced differences in civic, social and economic behavior between Northern and Southern Italy. It can be traced back to their distant histories and tradition. The difference of endowments of "social capital" is contributing to meagre economic growth of Southern Italy. The Beugelsdijk, and [Von Schaik \(2001\)](#) and Knack (1997) presented a similar analysis for European regions by correlating between social capital and per capita output. Likewise, the development of the various EU states nation both in Eastern Europe and Western Europe are not unified in term of economic growth. Karl Marx proposed "a relation of causality: rather than culture determining economic relations, he proposed that technology determines the type of social structure prevailing and even the dominant culture" (Marx, 1867).

The literature suggests that economics is related to the inverse ratio. In one way economic determines culture and in another, culture also determines the economics of the society. Due to varying economic development, various nations present different shades of culture, for example in the Catholic world before Martin Luther, the interest on the investment or capital was not part of the culture. It was forbidden in Christianity. After Martin Luther and Calvin, most of the European nations who converted in Protestants started getting from investment and bonds.

Subsequently, Max Weber in "The Protestant Ethics-A Spirit of Capitalism" has given this practice as a theoretical foundation that the interest has played a vital role in the development of capitalism. Later the

Tawney in "Religion and Rise of Capitalism" in 1948 build his argument that religion played a significant role in the development of culture. Weber thought on the development of protestant and its role in economic development is based on the change of the notion that the pre-industrial Europe was based on the zero-sum game. Protestant Europe did promote the individual economic gain of the wealth as Catholic Europe was not buttressing the capitalism. In protestant Europe, Europe jumped into capitalism where they unchanged their fetters from catholic ethics. [Polanyi, Arensberg, and H. Pearson in 1957](#) agreed with Max Weber in 1905 that "religion was important to the establishment of capitalism, but also viewed religion and culture as a factor in moderating the excesses of the market" (H. Pearson, 1957).

Since culture is linked with beliefs and values thus related to the economic gains of a nation. The [Landes in 1998](#) revisited the fundamental question that what are driving factors of national economies and found that it is the attitudes such as thrift; hard work, honesty, trust, tenacity, and tolerance, which are driven by cultural factors. In his conclusion, he agrees with Max Weber's model that if we learn anything from the history of economic development, it is that culture makes all the difference.

There is another work that established a more direct link between culture and economic outcomes. [\(Fukuyama in 1995\)](#) directly relates trust to economic development. He does not distinguish, however, between the trust that arises from better institutions and the cultural component of trust. Since trust is also related to the belief system, people who are more associated with religious virtues have an enhanced level of trust in general behavior in life. Trust can affect people's economic decisions making. It is critically relevant when transactions have to be made between the two counterparts and they are not much familiar, between the groups or between the two countries entrepreneurship. International trade and its economic outcome, therefore, depend on the element of trust with their cultural definition. Guiso, Sapienza and Zingales, in 2004 used in their research regarding relative trust among European countries and to find whether and how important trust is for international bilateral trade among these countries. "They find that trust matters for all these transactions: a country that trusts another more tends to exchange more goods and financial assets with it and engages more indirect investment. These cultural biases are so rooted that they affect even the equity portfolio allocation of professional equity funds investors" [\(Giuliano, 2004\)](#).

Giuliano in 2004 in his research found that living arrangements of US families are affected not only by economic conditions but also by cultural heritage such as family size and origin of the family. In 2000 the research of Ichino and Maggi shows that in Italy preferences for shirking on the job are driven by a place of birth, which can be interpreted as a proxy for the cultural background. Similarly, the habit of saving is also related to cultural values and religious teaching of saving decisions. A link between religion and preference for thriftiness is found by Guiso, Sapienza and Zingales in 2003 "that Catholics are 3.8 percent more likely and Protestants 2.7 percent more likely than nonreligious people to view teaching thrift to their children as an important value" [\(Guiso, Sapienza, & Zingales, 2003\)](#). "The effects of other religions are often larger in magnitude, but not statistically significant. For example, Buddhists are 7.2 percent more likely to place importance on teaching thrift than the nonreligious, Hindus are 7.2 percent more likely, and Jewish respondents are 6.4 percent more likely. The counterexample is that Muslims place essentially the same value on teaching thrift to children as the non-religious, although this effect is not statistically significant. The government redistribution policies also involve the element of trust while devising a mechanism of direct and indirect taxes to raise GDP" [\(Guiso, Sapienza and Zingales, 2003\)](#).

Towards a Cultural Economics

In the growing globalization, economic growth is not infused by foreign investment and modern technology and institutional role but also cultural values commensurate with modern technology and business. Though, there can be devising a strategy for inculcating the particular cultural values in a particular society for the economic outcome. Every society has not been endowed with equal comparative advantage and the same corresponding values for economic development. The culture is defined by Herbing and Dunphy in 1998

as “culture is the sum total of a way of life, it is values, traits or behavior shared by the people within a region”. Since culture itself has no stability, if it stays static for some time, but it has to change. The culture is not fixed and for all is underline by studies mapping value change (Rosenstiel& Koch 2001: 201-203). A more specific definition of culture has been given by Hofstede in 1991, that “the collective programming of the mind, which distinguishes the members of one human group from another”. In the context of economics and national culture, Hofstede is of the view that “it is set of collective beliefs and values that distinguishes people of one nationality from those of another” (Hofstede, 1991). Therefore, the culture is conceived as a meta-behavior.

The economists look at the culture effects on economic growth very casually. Nevertheless, classical economists and sociologists such as Max Weber emphasized the region’s role in the development of capitalism (Max Weber, *The Protestant Ethic and the Spirit of Capitalism*). However, later in the development of capitalism in 20th century the culture impact on the economy was not part of the academic discourse. However, Luigi Guiso, Paola Sapienza, and Luigi Zingales 2006 in their writings directly questioned the impact of culture on the economy. They found a link to the beliefs and preferences with the economic outcome of any society which affect is moving from culture to economics and not the vice versa. These authors have highlighted two connecting mechanisms between the two. The first mechanism is culture determines the political preference of resource distribution and tax revenue, which is fundamental for economic growth. Secondly, the cultures also determine the economic choices which affect resource distribution and economic outcome.

The problem rests with the tight boundaries of each of the sectors separately and using the theoretical foundation. The academic shows that the culture, economy, and politics are crudely separated because they all affect each other however there is a lack of politics in cultural economy debates, as noted by that “lack of economy in culturally-inflected international, political theory, and a lack of culture in international political economy” ([Guiso, Sapienza and Zingales, 2003](#)).

“Culture is a principal component for the values i.e., trusts beliefs, individual efforts, general morality and lower obedience. Culture affects beliefs and values system; it also affects broader political outcomes. A large number of positive institutional outcomes associated with higher social capital, like more efficient health care systems are documented by Putnam, 1993” ([Putnam, 1993](#)). Putnam in his research used a measure of education and historical political institutions across 69 European regions as his measure of culture. His research found that both GDP per capita and growth are higher in those regions that exhibit higher levels of the “good” cultural values like trust, beliefs in individuals, generalized morality, and law obedience. This evidence strongly suggests that “better” cultural values do have a large economic payoff.

The economist paid attention to the element of trust through which culture can enter to other nations with the combination of economic interests. Gambetta has viewed the trust as “the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action”. The feature of trust can be incorporated into standard economic models of different states. Though, it is a cultural variable with severe limitations as it is not an inherited cultural variable. Trust can even be the result of optimal investment in social capital ([Glaeser, Laibson, Sacerdote, 2002](#)).

The culture of saving and ultimate investment plays an important role in economic growth. This was quite obvious in Italy particularly in middle ages where they wanted to build a welfare-related culture that should be brought to that level of freedom, which is the foundation of the German Culture. Therefore, the culture market is highly dependent on general economic activity. If economic growth grows one percent rise, it might spill over cultural growth more than one percent.

Based on the analysis it can be assumed that culture can play a key role in Europe’s economic recovery. The creative industries like film, design, television broadcasting, the music industry, and advertising are derived from basic types of art and in this sense, art and creativity influence the entire economy. Economic crises of the EU always led to increased emphasis on industrial production whereas, in the aftermath of the

current crisis, the economy will depend on creative thinking and innovation, based on the cultural behavior and creative potential. The culture industries in Europe can have a common culture of knowledge and creativity. The argument is not for cultural entrepreneurship in economic performance but that Europe needs a cultural investment instead of the support of culture, which changes the perspective. In this way, the EU will facilitate culture and sell the culture. "Culture contributes and adds value to several other policies and policy objectives. Europe needs to develop the group such as Culture and agendas; to develop concrete and convincing arguments about what culture can bring to the development of civil society. A concrete proposal to establish a platform to collect culture and agenda to collaborate efforts bring this into the real vision and that not only the policymakers but practitioners and other civil society can use to mainstream culture and to have an impact on the policy agenda of economic development. The cultural institutional landscapes are inadequate for the promotion of cultural diversity. It will have an impact on tourism industry and a creative class in Europe. This creativity can be instrumental for cohesion and integration of the EU union" ([Glaeser, Laibson, Sacerdote, 2002](#)).

David in 2001 in the context of human behavior, attempted to provide a framework within which economic concepts can be applied while keeping in view cultural issues. Lands in 1999 also concluded that "the success of national economies is driven by cultural factors i.e. thrift, hard work, tenacity, honesty and tolerance more than anything else. He agreed that Max Weber was right in suggesting the social attitudes and values which have the decisive say on economies' failure or success" (Lands 1999). The belief and preferences have an impact on individual behavior and how society allocates scarce resources. Europe needs a holistic approach in mobilization of the cultural and creative resources, they need to call partnership between culture, industry, economy, tourism and others and education. They need to involve all relevant public and private stakeholders to increase ownership and need a serious dialogue on the skill development to access to finance.

Now culture, as an element is growing to the extent of an industry and the media industry, is playing an important role in burgeoning the popular culture of one country to another. There is a need for a fresh thinking whether this cooperation between Europe to integrate economic and cultural policy can be attained through only cultural institutions.

Some of the member states such as the UK, Estonia, Wallonia, Puglia, Barcelona and Amsterdam are tapping into the extraordinary potential of the cultural and creative sectors to promote socioeconomic development while another part of the EU is not still on the same page. The following can be considered as a key policy driver to co-relate culture and economic growth:

Skill Development of Youth

The younger generation in the present age is not much attracted to learning the traditional skill of arts and crafts. They should be given training with a mix of skills needed from a very early age that will stimulate demand for more traditional and diverse products in the EU markets.

Improving Access to Finance

The government and financial institutions should be cognizant of the fact that the small size of cultural business creates uncertainty about the demands of the crafts business which creates the obstacles in obtaining external financing. Since the access of equity has become a greater issue that's why the growth of the culture sector remains underdeveloped.

Expansion of the Marketplace and New Business Models

The expansion of cultural products is somehow different than another item of consumption. Cultural products are produced on the change in audience behavior. These new approaches can translate into revenue generation. Europe is quite better in the digitalization of knowledge than any developing region,

therefore, in this context, there is a huge potential to establish a single access platform linking the digital collections.

Expanding Beyond the EU Boundaries

The attraction of the new audience is the key to the promotion of art and culture. The small organization and companies can operate at a global level in world markets to generate foreign exchange back to the EU states.

Buttressing Cross-Sectoral Fertilization

A multi-disciplinary environment is a key to the cultural dimension of economic development. Other industrial development can also help in growing culture. Any institutional intervention to develop the cross-sectoral fertilization can help the cultural sector grow.

A Stronger Regulatory Environment for Micro-Enterprises

The future of the EU integrated cultural and economic market is in attaining an integrated digital European single market for intellectual property rights. Such a market can reward integrated efforts in facilitating the cross-border culture activity in economic terms. In this case, some of the initiatives have already been taken and an assessment of the audiovisual sector is being taken forward following the Green Paper on the Online Distribution of Audiovisual Works in the EU ([European Commission Report, 2011](#)).

Facilitating the Peer-Learning

The initiatives at the EU level for acceleration and improve networking within cultural and economic in integrating the EU regional best practices and internationalization is required.

The cultural institutes like Goethe etc can play an important role in the promotion of exchange and cooperation in facilitating the funding and cluster excellence. Peer learning support should be provided to the culture industry where local policymakers can share their expertise with others.

Financial Crises and Impact of Budget Allocation

The erosion of the boundary between domestic and international politics is due to the increased interdependencies among policy spheres. This is affecting the state role in economics and politics in the increasingly unified Europe, as functional imperatives are breaking down in favor of regional entities as described by [Ohmaein 1995](#). Though the EU is 'geographically decentralized, economically competitive, politically pluralist, with a refreshed democratic life that draws upon diverse provincial and national identities there seems to be a need for re-examination of the current economic and cultural policy approach in the European region. This will include the impact of economic structure and also the issue of the public spending on culture but also the issue of connecting with the diversity of culture, languages and impact of new technologies and security concerned would have to be addressed. This brings the culture institutions into the picture, the support to the craftsman, skill worker and other stakeholders at the local and national levels of all the states in the EU.

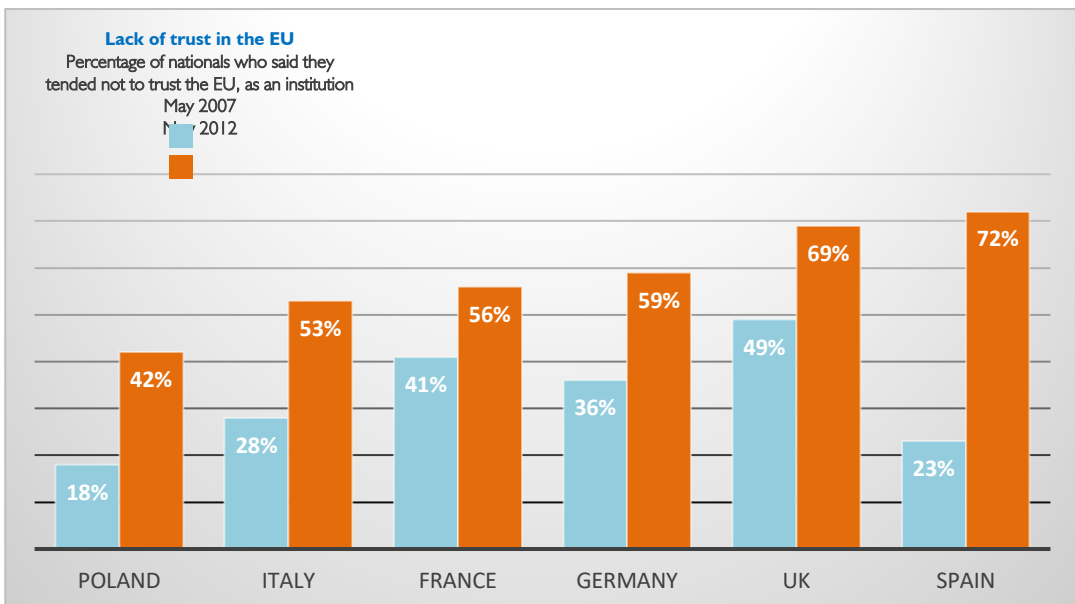
One thing seems to be evident from the crises of Euro Zone that the political status of culture in the regional EU is relatively very low, despite two decades of homogeneity and integrated policies of the region. What is culture vulnerability and what's wrong in terms of cuts in funding is the biggest question to be pondered for the debates on culture and economics.

In terms of economic explanation, the culture sector funding will not regain in the culture sector and the cuts will impinge on the cultural exhibition, box offices and of course audience income. That's the

reason why the culture sector in even the rest of the world suffers the most where it is left to the public findings.

Though one cannot find any direct and visible impact of the present EU crises on the creative sectors it will take longer where such creators will face economic challenges as the culture sector are by their very nature embedded in society and at this stage, many societies in EU region are changing and breaking. There is a greater impact on living due to migration which brings diversity and different cultural values.

There is an obvious reflection of the erosion of the people trusting the politician in the EU generally as Euroscepticism is soaring due to bailouts and spending cuts The Guardian in April 2013 on basis of a survey it has claimed that Public confidence in the European Union has fallen to historically low levels in the six biggest EU countries, raising fundamental questions about its democratic legitimacy more than three years into the union's worst-ever crisis as per following survey graph.



Source: The Guardian's survey, April 04, 2013

If we analyze the cultural trait of trust in its economic significance, we can find the situation like prisoner dilemma, a mathematical theory being used in the economic analysis also where the interaction of in divisional brings more efficient result than that where to individual betrays to each other with the greater element of mistrust. For this reason, trust facilitates the extension of anonymous market exchange and reduces the need for external enforcement of contractual agreements (Tabellini, 2010).

Since trait is linked with the doubts and fear of deception this raises the cost of transactions and ultimately reduces the gains from outside the known community and division of labor. After financial, currency and debt crises, wrenching budget and spending cuts, rich nations' bailouts of the poor, and surrenders of sovereign powers over policymaking to international technocrats, Euroscepticism is soaring to a degree that is likely to feed populist anti-EU politics and frustrate European leaders' efforts to arrest the collapse in support for their project. Another issue of Guradian (October 15, 2016), which has referred Eurobarometer surveys that why the problem persists states that each year, citizens from thirty-two countries across Europe are asked about their trust in their regional or local public authorities. Between 2008 and 2016, the level of trust in local democracy fell in 18 countries and by an average of 4% across the countries surveyed. As per the Guradian (October 15, 2016) "in May 2016, just 22% of the population

in Croatia, Serbia and Italy expressed trust in their local governments, and 23% in Greece and Macedonia. The UK was more positive, with 53% of correspondents expressing trust in its local and regional authorities, an improvement of 6% on the 2008 survey. Trust in local authorities was highest in Luxembourg, at 69% of respondents" (Guradian, October 2016).

The younger generation is feeling either exclusion or alienation from labor markets and civic networks. The youth is the most part of the educated as per age groups, the rising number of 16-25 years are not in employment are forming a new generation in the EU. This element makes them a specific cultural grouping and of course, the cultural policies in Europe are not immune to changes in the world. This group can be potential as well as a threat to economic stability.

A concerning element in the EU Economic crisis i.e., growing competition from China and India. The economic dynamism of these two countries in terms of the cultural sector is quite different i.e., confidence and sense of purpose, whereas the EU region has fallen in economic uncertainty. Though the EU views itself as a knower and supplier of the expertise and also the holder of important values to be exported what EU is overlooking is that there is a variety of the values with combination of the cultural richness which world has the potential to receive which outside box thinking. Otherwise, EU might experience itself at the end of the modern era with the doomed cultural sectors.

The financial crisis has reduced taxpayer funding for the arts though it differs from country to country, but will have an impact on cultural development policy outcomes. Public cut policies must be reviewed by the Federal Budgets as at the time when public funding is cut the focus on the preservation of the cultural sector be not overlooked.

There is a need for fundamental re-evaluation at political level in EU states regarding the role of the state and direction and one can recommend that the state should do "more for less. This will bring more radical changes. As only incremental changes or lip services in policy change and funding would not help the restructuring.

Financial crises in any way create new opportunities for exploring the better structure and model for supporting polices in culture and growth. It will seek a new *distributive* culture emphasizing clustering and networking and seeking models that are less focus on centralized institutions like a new grid model in power supply. Only the institutional outreach is not enough, the cultural work outside the institution is also very important thus bringing distributive. The institution can promote culture if they move with the times and keep a decentralization of power approach. Institutions have to become a facilitator rather organizing everything themselves. The cultural and social entrepreneurs can design the projects and cultural institutions can facilitate them. There should be bridging the gap between institutionalized and non-institutionalized culture organizations to promote collaboration based on quality of production, artistic excellence and visible commitment to intercultural projects. The government should encourage investment and consultancy in cultural ideas to facilitate the organization which is coming from economically deprived areas of Europe.

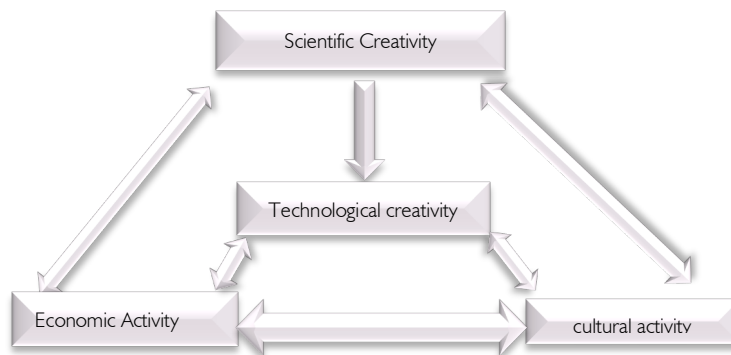
Reform and restructuring of public institutions is also a key to enable them to be more accountable. Because what history of development tells is that real innovation always happens on the local level and then adapted to local circumstances. There the future of the EU culture and economic gains will not be determined by the Berlin, Brussels or Madrid, at the macro-level, but it will be defined by the local people and local cultural production. Though, what required most are the linkages of the cities than working just on an international level.

The greater challenge to the culture policy is that cultural institutions are not able to reflect the greater diversity of society. Harnessing the competitiveness of cultural calls for a whole culture eco-system and interconnectedness between arts, education, training, management, skill and artist's development and favorable environmental conditions for operation of culture enterprises is the critical point. Without the well-being policies the capacity to produce excellent content will be compromised.

A new approach may be allowed with a changed mindset which should not practice the notion that – what is not allowed is forbidden to what is not forbidden is allowed. It will generate a focus on multilateral cultural cooperation and cultural exchange and not just traditional cultural diplomacy. Though globalization has eroded the economic boundaries concept still cultural institutions of the nation-state are expected to promote their culture as there is always a mix-economy now so multilateral approach will help the institutions.

The cultural ministries, in “European states, are not spending many funds should make a bigger effort to co-ordinate the implementation of cultural diversity policies between regions and cities and ensuring that there is an investment in public cultural spaces and recognition for the work of associations through appropriate funding regimes. The role of the British Council and Goethe Institute, need to enhance their operation not just at the EU level. Since artists are not cultural policy-makers; they should have more contact with such organizations, in order to ‘educate’ them about the arts” (Lands, 2002).

Countering a question that how does the crisis affect culture&what are the strengths and weaknesses of the European cultural sector? One needs to look for details of the economic and cultural factors with figures to study the impact, but the consumption as a culture component does not have reliable statistics but the figures of export and import in the cultural goods can just give an estimate of how cultural production can have an impact. In this context, the economy of culture is based on creativity, which consists of “artistic creativity”, “economic innovation” as well as “technological innovation” and the economic creativity is considered as a process of interactions and spillover effects between different innovative processes, as shown in the following illustrations. (The Economy of Culture in Europe, Study prepared for the [European Commission, October 2006](#)).



As it is hard to measure the cultural effect in economic outcomes in numbers, in Finland it is proposed that culture Index be released by the Ministry of Education and culture to assess the cultural life for the information. The main components of the index are as under:

- A general overview of the Information Society development through a variety of indicators of development of infrastructures and technology penetration;
- The situation regarding cultural sectors through indicators that measure the use of information and communication technologies in cultural institutions and organizations and media activities.

As such at the EU level, there is no such “creativity scoreboard”, although efforts were made to build “innovation “scoreboards. Given that technological innovation is only one out of the multiple components of creativity, this is not sufficient.

The selected European national studies on the economy on the culture, from an economic standpoint, shows a decisive impact on the overall economy of the respective states as indicated in the following table.

Table 1.

Country	Value added to National GDP	Work force (private Sector) of the total work Force
Denmark	5.3% of national GDP.	12%
Finland	3.8%	
Latvia	4%	4.4. %
Sweden	9%	10 %
Lithuania	2%	4%
Poland	5.2 %	-

To evaluate the export of tangible goods and its indirect impact on the economy, the cultural statistics can be analyzed on external trade in cultural goods which are extracted from the Euro statement database. The study shows that Danish people consume 5.5 percent of the income of their whole income. Germany has this ratio of around 4-4.5 percent. Turkish and Belgians have the lowest spending on cultural goods to the extent only 2% (Cultural Statistics, European Commission, 2011).

Similarly, the export of cultural goods from Germany was only 22 % in 2009 whereas 50% of Italy in the same financial year. The perception of the culture and access to the product shows that 42 percent of the EU citizen has declared that lack of time for the cultural activities is the major barrier, whereas 13% of the respondent of the study responded that they lack knowledge or cultural background. The same study evaluated the question of interest in arts and culture and meeting people from other EU countries. In response, 49% of them responded that they are very much interested in Art and Culture in their own country and only 14% showed their interest in arts and culture of other countries in the EU region. If we look for their interest for visit to the cultural site in the last one year, we will find that they responded that 40 percent of people in the EU have never visited any cultural site. In response to the question that what is the role of the institution in promoting cultural activities, the response shows that only 42% role is played by the cultural institutions. These figures on a very controlled observation show that the responsibility for the conditions of culture is attributed to the central government. Most of the states in their 2009 budget did not reflect the crisis as there was slighter growth in 2008.

Though the budget 2010 showed some promising towards the culture allocation of the budget, the Federal Republic of Germany increased 1.5% more. for culture in the 2010 federal budget in Germany. However, following the crunch years, the federal budget shrank in terms of the culture allocation of the funds in budge. "For that matter, Hungarian ministry froze at €4.4 and over €12 million respectively until further notice. Much higher are the cuts administered by the UK government, including €21 million were taken away from the Arts Council. In France, almost all leading cultural institutions – museums, theatres fear substantial budget cuts in the near future. In England and Wales, the list of subsidized organisations will be reduced as much as 40%" (EU, 2011).

"The cultural institutions co-financed with regional and local governments are sharing a similar fate. For example, France has €100 000 less than in 2009" (EU, 2010). Several kinds of structural adjustment due to financial crunches was also another way of cost-cutting mechanism. In Ireland the National Gallery, the Irish Museum of Modern Art and the Crawford Gallery were merged.

Cultural Budgets of Local Governments

Owing to the decentralized structure of European countries, there is a greater responsibility of the local administration for funding the cultural activities. There exist a large number of varieties of culture policy types and priorities particularly due to financial crises. Germany also had a step-by-step reduction in public cultural funding between 2001-2007, with about 85% of resources, mainly for local level in cities and

especially the Länder. Paradoxically, the downward trend in budget cuts will bring a squeeze in further tax revenue. “Nonetheless decreased cultural budgets are foreseen in probably the majority of federal states and provinces, predictably, cities in Latvia spent between 20-40% less on culture in 2009 than in 2008. Major cuts affect support for local cultural activities such as performances, concerts, festivals etc. In some cities, such expenditures were cut by more than 50%. However, some city authorities have prioritized the continuation of reconstruction projects of cultural centers funded from the EU structural funds and co-financed by the municipality” (EU, 2010).

The smaller cities of the Netherlands and Sweden are facing decision difficulty in connection with budget cuts. The rest of Europe, faced cut in the budget 2010 as compared to 2008. For example, the Basel, Switzerland budget in 2010 was cut from 4.8 to 4.2%. There are cases where the budget was increased on account of culture. In Graz, Austria, cultural spending was 6% higher than the two previous years, compared to a 4% total growth (reaching 5.13% of the city expenditure).

EU Structural Funds

Following the years since a shadow of the economic crisis prevailed and has coincided with the influx of EU structural funds to the new member states. Though a relatively small portion of investment spends on the cultural activities in those states still it made visibly different. “There was investment boom in the Cracow figures, and EU funds exert a counterbalance to the effects of the crisis in a large number of cities and regions in eastern Europe, including the most crippled, Latvia and Lithuania” (Lands, 2011).

Financial Effects by Sector

Performing

In Europe, the performing arts are less exposed to sponsorship and donations their cultural business comparatively less affected by the crisis. Germany is an archetype of this “European model”, where sponsors and donors are around only 1% of the expenditure of theatres, while 80% comes from public sources; and public subsidies were rarely reduced by more than a few percentage points in 2009 and 2010 – and quite often not at all. The same is the case of the two Polish cities quoted above, although theatre and music get less than 1% more in 2010 than in 2008 both in Cracow and Slupsk. Nevertheless, in EU countries where public budgets already suffered reductions in 2008-2009, performing arts were affected.

Festivals

depends heavily on the sponsors, who were badly hit, consider the cultural even reduced canceled. Germany’s only Indian film festival was obliged to scale back.

Museums

has undergone a basic transformation in the last 10 years than any other form of art as reflected in the relative weight of museums in the financing of culture, which is why the crisis in financing is, therefore, a particular threat to museums. German Theatres suffered a 7% fall in visitors.

Media

can help in widely advertising the thinking ‘outside the box’s strategy. The investment in cultural consultancy is much needed for smaller and less developed organizations, coming from economically and socially deprived areas.

Recommendations

Based on the above discussion following is recommendations are made.

- i. Local culture platforms should be linked with regional European platforms with other countries.

- ii. The European cities and regions should elect one or more local cultural leaders to sit as cultural representatives on urban and regional strategic partnership bodies.
- iii. The commissioning of such competition studies together information about the characteristics and effects of campaigning by the cultural sector in Europe and beyond for higher political status.
- iv. Local Government structure should be simplified for the cultural expenditure and also administrative structure to accommodate the voice of the grassroots.
- v. Education systems must be prepared for a plethora of cultures, their priorities and their values should be based on the cultural foundations.
- vi. The nations should not be "prisoners of their culture". Civic and cultural education need to go together at all ages and at all levels.
- vii. The arts and culture sector needs to open up to the values and professional characteristics of other sectors.
- viii. Importantly, some EU Member States have been looking into ways of analyzing the commercial value of creative industries without necessarily attempting to capture their cultural and social values. There is a need to develop programs to turn creativity into industrial successes.

Conclusion

Europe is not merely an economic market but culture also intersects between the political and economic domain of the EU. There is a need for the materialization of the creative hub for the EU vis-à-vis its competitiveness. The culture and innovation can be placed at the heart of the EU formation as it will be a critical need for the future of the EU. Culture would not only create an economic output but also would work for the social cohesion of the EU and will also create a sense of belonging with overall EU "enlightenment".

European states share the common cultural history, though there is diversity there is need to find a "unity in diversity" based on adherence to common fundamental values and creating a "catalog of common standards and values", in term of its community of language, heritage, Education systems, interests or values. This warrants for national cultural policies of the EU states, which will help the EU to embrace the economic opportunity in the multicultural and challenging international economy.

The contribution of the pragmatic concept of "European culture" might, therefore, be to integrate rather than to exclude. The exclusion will not help in EU unified cultural endeavors. Making global connections without any real transcendent purpose risks a narrowing rather than an expanding of human consciousness as well as economic volume. The cultural industries play a leading part in the scope of economic development can contribute towards the economy and material welfare, but above all, can work for unifying cultural identity.

The innovative partnership in production must become a priority of EU policy and new players, entrepreneurs, and the public is called to participate to bring cultural content.

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