

For a Few Euros More – How Public film financing shapes
creative decisions in Germany

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Abstract

A stated goal of German film funding is the protection of a distinctly German film culture against market forces that incentivize filmmakers to make risk-averse decisions, which are considered detrimental to artistic exploration. Widespread criticism, albeit subjective, suggests that the success of these policies does not match the funds allocated to that end.

Previous economic work has shown how financing can shape project strategies. By viewing interactions between filmmakers and politics through a principal-agent framework one can examine how these interactions shape the decisions of artists. By understanding the channels through which artists are affected, it is possible to assess whether the functioning of the subsidy apparatus is beneficial to the reaching of its goals.

This study is based on a series of semi-structured expert interviews with filmmakers that have released films in Germany. They were asked to explain their approach to filmmaking and how they dealt with challenges of financing. By asking them to recount individual projects and their financing processes, it was possible to find commonalities between their individual interactions with public financiers to answer the following research questions:

1. In what way does the landscape for film funding in Germany help to achieve its cultural goals?
2. In what way does German public film funding shape project strategies employed by filmmakers?

The key takeaways of this study were that filmmakers are effectively incentivized to favour quantity-oriented strategies over quality. Filmmakers perceived difficulties in predicting principal-behaviour and thus struggled to form consistent strategies. At the same time, they face looming liquidity problems if cash flow is not continually generated, meaning that they are virtually forced to keep maximizing their chances to obtain funding. Being unsure how to maximize the chances of individual projects, the dominant strategy becomes raising the expected value of funding by maximizing the number of applications. Instead, the same effort could be redirected towards optimizing individual ideas.

Similarly, artists are incentivized to make their ideas easy to digest and less specific, because in their experience there is little in-depth engagement of decisionmakers with individual projects, due to the modus operandi of most

subsidy committees. Without this in-depth engagement, intricacies would be missed or misunderstood, which would result in a denial of funding.

Keywords: Film industry, subsidy, state aid for film, project strategy, cultural policy

1. Introduction

In the early days of cinema, German films were considered to be among the most innovative in the world. Film students who seek to understand the roots of stylistic choices that are commonplace in cinema today often start their journeys with the likes of Fritz Lang or F.W. Murnau. More recently, however, German films have had to contend with somewhat of an image problem. Audiences, critics and industry members alike frequently criticise German films as being unoriginal or derivative. Often, these accusations are paired with critical remarks against film subsidies, noting the amount of money spent on both artistically and commercially unsuccessful films, or giving them part of the blame for this decline in artistic quality (Boeser, 2014; Gass, 2015; ZDF Magazin Royale, 2021).

Like the film industry itself, film subsidies can be highly complex, especially in a country like Germany with its notoriously federalist approach to cultural policy. The goals of such subsidies can differ between cultural or economic goals - some support schemes follow a double objective, and there is a multitude of actors to consider on both the distributing and the receiving end of those subsidies. As Murschetz et al. (2018) explain, these complexities are part of the reason why state aid for films as a topic has not been given as much attention by economists as subsidies for other cultural sectors have (Austen-Smith, 1984).

While artistic quality is difficult to measure scientifically, economists should always be asking if public funds are being allocated efficiently and hold policies to the standards they set. If one of the goals of state aid for films in Germany is the proliferation of culturally valuable cinema, such widespread criticism should raise eyebrows as to how the subsidies are being allocated. Such a discussion is especially pertinent in light of calls for reform from within the industry (Die Deutschen Kinofilmverbände, 2024) and ongoing plans by German ministries to introduce changes.

Because this is an economic paper, assessments of the cultural merits of the subsidies will be left to other fields better equipped to make them (although the literature review contains some economic studies that have researched this aspect). What economics *can* help with is to explain how incentives affect decision-making. This study will therefore seek to examine how German cultural policy has affected the degree to which it can reach its goals, by shedding light on how the mode of distributing subsidies to German filmmakers affects their strategizing and their decisions. This study will augment the understanding of how the institutional setup of German film funding influences the success of its cultural goals. It will also fill a gap in research on the functioning of the funding schemes on the micro level to complement the multitude of studies on their macro-effects.

2. Theoretical framework

State aid for filmmaking exists in almost every country with a film industry. The goals for these subsidies differ from country to country, as do the structures for the support schemes but for the most part they are aimed at ameliorating the same basic economic and operational complexities encountered by filmmakers. In order to meaningfully analyse the German support landscape and how it affects the decisions of filmmakers, it is important to understand the challenges they face. This chapter will thus begin with an overview of the economics and structure of filmmaking in general before a review of how the German state addresses these complexities and how scientific literature has analysed public support for films in Germany and elsewhere can begin.

2.1. The organisational economics of filmmaking

Filmmaking is a complex endeavour which requires high up-front investment with unpredictable returns, that are also subject to a significant time lag. The required creative inputs are considered multiplicative in nature, otherwise known as the “O-rings property” (Kremer, 1993), meaning that a lack of quality in one input cannot be compensated by increasing investment in other departments. Bad dialogue cannot be saved by even the best acting, bad visual effects will take viewers out of otherwise good stories, and without the right equipment, films would look and sound worse than many videos found on YouTube. (Chisholm and Liu, 2020)

2.1.1. Financing

The investments into these inputs are mostly considered sunk costs until the film's release months, or even years after the money has already been spent. Predicting a film's success *ex-ante* is notoriously difficult and some projects are never finished. "Nobody knows anything" (Goldman, 1984) is probably one of the most cited adages in scientific literature about filmmaking economics, although Pokorny & Sedgwick (2009) suggest that there is at least a degree of predictability, based on the continued success of major Hollywood studios. In recent years, analytics-driven approaches have also been suggested as means to curb uncertainty (Behrens et al., 2020; Bruneel et al., 2018). Attempts have also been made to find determinants for a film's success but so far none of the results are clear or replicable enough to act as a base for the formation of replicable investment strategies, especially considering the high sunk costs. Some studies indicate, for example, that actor name recognition is positively correlated with movie success, but seeing as acquiring big-name actors is in itself a costly investment, while at the same time there is ultimately still no guarantee for success, such findings hold little in the way of strategic value. (Bagella and Becchetti, 1998; Elberse, 2007; Basuroy et al., 2003). Other studies have also contradicted this conclusion which discourages even further from using such findings as basis for strategy (Ravid, 1999).

Similar to predicting the success of the project, recouping investments is also mostly tied to the film's release. While the cost of physical equipment is significant, most of the resulting monetary value comes from the exploitation of the intellectual property by selling tickets *to* or copies *of* the film. Most of the costly creative inputs only hold value in the context of the project and are thus non-fungible, meaning that if the project fails, there is little collateral for investors. Selling the rights to the underlying story is possible but subject to the same difficulties as the film itself, because determining the value of a screenplay involves subjective judgements about its potential (Caves, 2003; Chisholm and Liu, 2020).

The process of filmmaking is usually project-based. While medium to larger sized production companies do have permanent employees, most of the professionals working on a film project are independent, temporary workers, whose employment is linked to only that film, repeated cooperations

notwithstanding (Faulkner & Anderson, 1987). This can also apply to physical equipment, which is often rented, especially in smaller productions, further limiting the available collateral. Medium- to larger sized production companies tend to have a catalogue of films they hold the rights to as possible collateral, but most smaller companies, who produce fewer movies with smaller returns, are more limited in that regard.

At this point some quick remarks on the difficulty in clearly and consistently defining roles in the film industry are necessary. Rigorous scientific process would ask for clear definitions of what a “producer” is in this context, compared to a “director” or “filmmaker” but although there are reoccurring, semi-standardized job descriptions in the industry, clearly delineating the exact impact on creative decisions of any stakeholder is not always possible. (Chisholm and Liu, 2020; Bechky, 2006) This can vary from person to person, but also from project to project: Some directors are known to frequently exert significant influence over creative decisions that would be considered the domain of the producer or other stakeholders during their projects, while others tend to mostly execute the vision of others. Films can be written, directed and produced by a single person or written by the producer, who then hires a director. Other producers seek out existing screenplays with potential that they then further develop into a film with the help of either the writer or a director, or even an outside investor. Creative decisions can be made by the producer or someone specialised in a specific part of production like a screenwriter or editor. Perhaps especially pertinent for this paper is also the role directors can play in obtaining financing, as they themselves can act as a signal of quality for the project in negotiations with investors. This circumstance is unlikely to meaningfully impact the overall analysis of this paper and the corresponding remarks are only intended for clarification and context for the following paragraphs and sections. Unless stated otherwise, “filmmaker”, “director” and “producer” will be considered as the agent(s) in the principal-agent relationship explained in the following subsection and thus used interchangeably unless explicitly noted. The role of principal will thus be assigned to financiers. Seeing as the focus of this paper is the influence of public financiers specifically, overlap between the roles of producers as creative decisionmakers and financiers can be seen as inconsequential for this analysis.

This will be corroborated by the heavy reliance of German producers on outside financing explained in the following paragraphs.

These conditions result in high transaction costs in the financing process, where reputation and quality signals play a crucial role. The resulting common structures for financing can become appropriately complex. The availability of inhouse funding is mostly restricted to bigger companies, who have the possibility to diversify risks by cross-financing or slate-financing, where ideally successful films will compensate for the losses incurred by unexpectedly unsuccessful films (Debande 2018). For especially risky projects, even leading Hollywood studios will try to diversify risks by choosing to co-produce the film with other major studios, even when they have the necessary capital to finance the film on their own. Such cooperations can also happen when smaller production companies co-produce a film with a bigger company that can contribute their own resources to the project. (Goettler and Leslie, 2005; Palia et al., 2008)

Of course, mere cash flow is also a limiting factor, for which sufficient excess revenue has to be generated repeatedly and continually, to be available for new projects. Smaller ventures tend to not have the capacity to work on multiple projects at once and the smaller scale of their films also limits their revenue upside. (Debande, 2018).

In terms of outside financing, classic loan-based funding by institutional lenders does not play a significant role, due to the lack of collateral, outside of a few specialised actors who have the institutional knowledge to judge a project's prospects. But even in these cases, reputation capital and quality signals are crucial. In Europe there is also a lack of common standardized accounting practices for film productions which increases transaction costs by lowering perceived transparency. This effect is compounded by the fact that most production companies are not sizeable enough to warrant public listing and thus assessing their economic viability is even more difficult (Debande, 2018).

Up-front financing is therefore usually acquired via a link in the value-chain that has not been mentioned yet. Distributors, broadcasters and, more recently, video-on-demand (VOD) services have taken the role of institutional investors for filmmaking, by buying the exhibition or broadcasting rights pre-shooting. Multiple such participants can be involved in such agreements by dividing the exploitation rights by region, channel of distribution (i.e. cinema,

streaming or TV) or timeframe. Sometimes, VOD services and broadcasters will also commission a project by themselves. This financing model limits upside for potential revenue compared to other modes of financing (Debande, 2018; Filson et al., 2005).

Lastly, some countries, regional or supranational organisations provide public funds, although they require their funds to be matched by private funding to varying degrees. Availability of such funds also differs from country to country. In bigger markets, production companies can launch projects without relying on pre-shooting subsidies. The United States for example only employ tax credits for the most part. (Towse, 2010) German productions raised on average 47,4% of their budget through combined subsidies (EU, federal and state level), although the *Filmförderungsanstalt* (FFA), which publishes the data does not differentiate between public and private TV broadcasters in their reporting. Since 32,3% of German film financing came from TV stations, that could mean that the public share of film financing exceeded 50%. The specific role of public broadcasters will be touched upon later on. The average film production in 2023 cost just over 6,4 million EUR, although there are significant differences in production cost between different types of films. The average documentary for example seldom cost more than 1 million EUR in any given year, whereas children's movies, which are more often animated, tend to raise the average, due to the higher production cost for animation. (FFA, 2024) Less than 40% of German film production companies can be considered financially stable (Castendyk & Goldhammer, 2012).

2.1.2. Principal-Agent relationships

Depending on the scope of the project a combination of these sources of funding will become necessary, which further increases transaction costs and complicates the resulting principal-agent structures. These constellations will be explored in more detail in the following paragraphs as they form the jumping-off point for this thesis.

Inherent in these constellations are risks, pertaining to a divergence of objectives and definitions of success between agent (filmmaker) and principal (investor). (Holmström, 1979; Jensen and Meckling, 1976) The investor will usually seek financial gains, although in the case of public investors non-monetary goals are also common. For the filmmaker on the other hand, success is relatively

more likely to be measured in artistic quality, whether that be out of an intrinsic passion for filmmaking or in order to build reputational capital to secure future work (Bechky, 2006; Caves, 2003). Value generation can also be defined in terms of upstream and downstream generated value. For private investors, the most important form of value is revenue, which is generated downstream. Public investors beholden to their voters may prefer value generated further upstream, in the form of investments within their constituency instead of elsewhere or jobs created. (Gaustad, 2018) Aghion & Bolton (1992) discussed ideal models of ownership and oversight for such so-called “incomplete contract” constellations, where future variables, such as the success of a film project, cannot be measured or predicted and can thus not form part of the financing agreement. The relevant constellation for the film industry would result in debt-like financing agreements or issuing convertible stock. Translated into filmmaking terms this means that failure of the project would result in the defaulting of the story rights and rights to the production company’s catalogue to the investor.

Circling back to potentially misaligned principal and agent objectives, we can distinguish between bilateral (between principal and agent) and delegated common agency problems (between different principals) (Holmström, 1979, Jensen & Meckling, 1976). Misaligned objectives will lead to ambiguous project strategies, which can further increase the risks that are already inherent in the transaction. (Artto 2008; Caves, 2003; Fee, 2002; Gaustad, 2018; Lampel et al., 2000) For example, some public funding schemes have the goal of promoting the region they are based in. A filmmaker trying to raise funds for their hypothetical avant-garde science fiction film could thus be faced with private investors who deem avant-garde too risky to their revenue prospects and the regional funding organisation incentivising them to somehow incorporate their home region. Failing to devise a consistent project strategy in such a case would result in critics disappointed by a “too conventional” film and audiences wondering what the local countryside has to do with outer space making the end result an artistically worthless film with no audience, failing the objectives of all stakeholders but the regional funding body.

Depending on the degree of objective misalignment, the right balance between autonomy for the producer and control for the investor is also crucial. Too little control for the investor and they may deem investment too risky. Too

little autonomy for the director and they may lack an incentive to give all their effort for the project, because the investor may just seize the intellectual property anyway (Fee, 2002; Caves, 2003).

Alignment of goals can be accomplished either through the market, by negotiation or a combination of the two. (Gaustad 2018) The degree to which alignment can be achieved therefore depends on the size of the market and flexibility of the involved parties. Alignment through the market means choosing the funding option with the most compatible objectives but in smaller markets those options may be limited. This is in fact the case in most countries outside of the United States (Debande, 2018). Negotiating is also easier in larger markets as distributors with high liquidity reserves could be willing to fund less economically viable projects with high artistic value if they can be convinced that resulting gains in prestige lead to higher returns to their funded projects in the future¹. Investors that see themselves under economic pressure would thus be more inclined to play it safe and prefer more mainstream-oriented projects (Gasmia, 2024). Smaller markets are also more dependent on public funding which in democratic societies is under the obligation of fair and equal treatment for everyone, which usually means applying the same standards and criteria to every project, in addition to their goals being determined by politics. This obviously limits the degree to which negotiations can influence project strategies on their end, although the right legal framework will still allow for sufficient flexibility.

This makes challenges for the German market apparent: Although it is one of the biggest film industries in Europe, it is still relatively small in absolute terms, seeing as US-films achieve the biggest market share in Germany every year (FFA, 2024). Little private investment means that there are few means for principals and agents to use the market for a priori strategy alignment. Little private investment also makes producers more dependent on public funding, which means that negotiating for aligned objectives becomes even more difficult; a higher number of individual investors also means there are more objectives to reconcile with one another and some of them may not be all too inclined to change their approach. Devising a funding scheme that applies the same criteria to everyone while also being flexible enough to allow for diverse projects to be

¹ Cultural goods are often referred to as “experience goods” (Nelson, 1970): qualities of a product cannot be assessed prior to their consumption. Signalling quality is therefore important to attract consumers.

realized is obviously not easy to achieve but these considerations show the importance of implementing the right funding framework and the right incentives to stimulate diverse private investment.

2.2. The German film industry

2.2.1. Funding Bodies

“We cannot overemphasize the complexity of German film funding institutions” (Bomnüter & Schulze, 2019). In typical German-federalist fashion the film funding landscape consists of several funding bodies on the federal, state and regional level, as well as funding by the European Union. Each of these organisations typically administers more than one funding scheme to also address the steps upstream (Screenwriting & development) and downstream (distribution & exhibition) of film production itself. The focus on this paper lies on how creative decisions are affected so downstream funding will not be discussed in detail. As explained in the previous section, downstream elements do play a role in film financing and therefore project strategies but the mechanism through which public exhibitor funding exerts an influence over creative decisions is likely too indirect to fit the frame of this paper.

The goals of public film funding depend on the scheme. Some funding schemes are purely economical and aim to increase the supply and budgets of films and attract investment in the German film industry (Deutscher Bundestag, 2019), others are culturally oriented and aim, for example, to “increase the artistic quality of German film” and “support the cinema as a cultural venue” (Beauftragte der Bundesregierung für Kultur und Medien (BKM), 2024). The regional funding bodies meanwhile put a strong emphasis on so-called “regional effects”, that their funding seek to accomplish. For the most part this means increased investment in their respective constituencies but cultural aspects also play a role, in that projects whose content is related to the corresponding region is often preferred. (Bomnüter, 2018)

The most important funding body on the federal level is the *Filmförderungsanstalt* (FFA, German Federal Film Board), which receives its mandate from the *Gesetz über Maßnahmen zur Förderung des Deutschen Films* (also known as *Filmförderungsgesetz*, FFG, Film Subsidy Act). The FFA then also administers funds for the *Deutscher Filmförderfonds* (DFFF, German Federal Film Fund) which is under oversight of the *Beauftragter der Bundesregierung für*

Kultur und Medien (BKM, Federal Government Commissioner for Culture and the Media) and the BKM themselves. In 2016, the German Motion Picture Fund (GMPF) was added to the landscape, which focuses on Television.

Among the chief tools of film subsidies are² conditionally repayable, zero-interest loans and nonrepayable grants for movie production. The FFA calls these project film funding and reference funding, respectively. Project film funding is awarded by committees whose members are appointed for three years by members of German polities, industry stakeholders and members of the clergy in some cases. (FFA, 2020) This applies to both the federal and the regional level, with the exception Berlin-Brandenburg, where the head of the funding institution has the power to make funding decisions on their own. Some funding bodies make the members of their committees public, others do not. This is likely done in order to increase transparency in the case of publishing the committee members or to avoid attempts at unduly influencing funding decisions in the opposite case.

Reference film funding is awarded retrospectively, conditioned on reaching certain success benchmarks, such as ticket sales or awards. Reference funds are earmarked for the production of future films but may also be used to improve capitalisation for production companies (FFA, 2023). Reaching more benchmarks increases the awarded reference funds. Seeing as reference funding is tied to specified benchmarks and thus involves fewer human factors, it is also less likely to influence filmmaker strategies in any meaningful way that would be relevant to this paper. From this point forward, *project funds* and *public funds* will be used interchangeably; reference funds will not be discussed unless specifically necessary.

The DFFF is divided into the DFFF I and II. The DFFF I funds entire film projects, whereas the DFFF II aims to incentivize bigger international productions to outsource parts of production to Germany by including production service companies like visual effects or animation, that work for productions with budgets upwards of 20 million EUR. The GMPF was added to add TV-funding to the otherwise cinema-oriented DFFF.

Furthermore, the BKM can award 500.000EUR, in exceptional cases up to 1 million EUR to film projects via its “cultural film funding”. Funding decisions are taken by juries of industry experts and stakeholders. The BKM also sponsors

² Cf. Palin, M. & Jones, T. (1970)

industry awards with endowments that somewhat fall in both the reference and project funding categories as they are awarded by juries like in project funding but are earmarked for the development and production of future projects like most reference funding. Last but not least, the *Kuratorium Junger Deutscher Film* (Advisory Board for Young German Film, henceforth *Kuratorium*) in cooperation with the BKM seeks to support newcomers by funding the first and/or second films of young filmmakers (as well as children’s films).

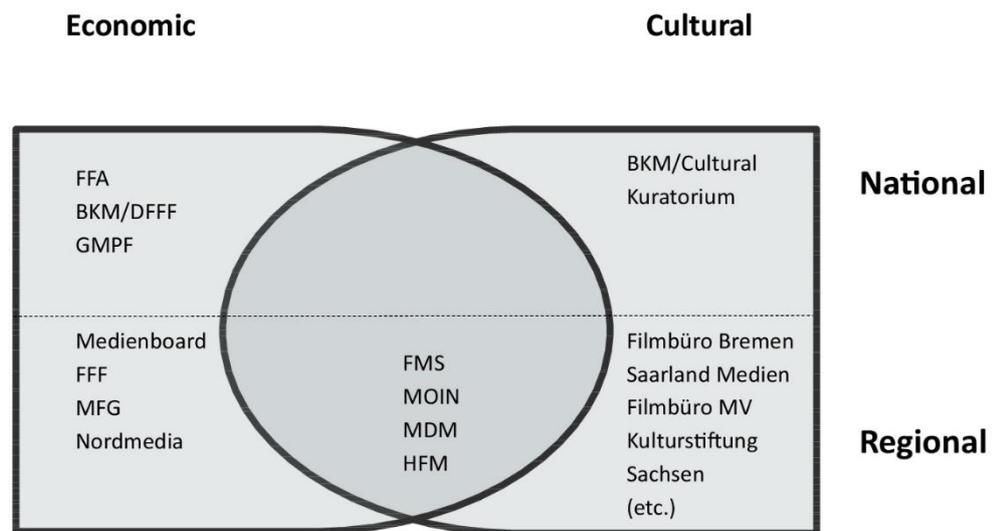


Fig 1. “Categorization of German Film Funding Bodies” (Bomnüter & Schulze, 2019; recreation)

One level of federalism deeper, most states have their own funding schemes as well. The three biggest are operated by the states which host three of the biggest German media regions in Munich, Cologne and Berlin with the *FilmFernsehFond Bayern* (FFF Bavaria), the *Film- und Medienstiftung NRW* (Film and media foundation Nordrhine Westphalia, FMS) and the *Medienboard Berlin Brandenburg* (Media Board Berlin Brandenburg, MBB) respectively. The corresponding budgets of these three lay between 35,72 million EUR (MBB) and 41,15 million EUR (FFF Bayern) in 2022 (FFA, 2023a).

The seven remaining regional funding bodies had budgets between 3,65 million EUR (*MV-Filmförderung/ Film Funding Mecklenburg-Vorpommern*) and 17,36 million EUR available to them (*MOIN-Filmförderung HH-SH/MOIN-Film Funding Hanse-city Hamburg-Schleswig Holstein, MOIN*)³

³ Mitteldeutsche Medienförderung (Central-German Media Funding, MDM; Saxony, Saxony-Anhalt, Thuringia), Medien- und Filmgesellschaft Baden-Württemberg (Media- and Film Society Baden-Württemberg, MFG),

Funding from different public sources may be combined as long as they are matched one to one by private funds, with the exception of certain genres and films made by newcomers, which may source 60% of their budget from public funds. If these explanations seem too complex, Fig. 1 shows a classification of the different funding bodies according to their reach and main objectives, that can also be found in Bomnüter and Schulze (2019).

2.2.2. Funding criteria

Criteria for obtaining reference funding are rather simple and, as mentioned, funding is automatic upon reaching milestones of economic and cultural dimensions. Funding criteria for the non-automatic funding schemes are much vaguer, partly by design. Defining the cultural criteria too narrowly would unduly restrict artistic freedom and increase legal liability.

For the regional funding bodies one of the most important criteria has already been mentioned: the regional effects. Seeing as national and supranational funding bodies already exist, German states have to justify the existence of their separate funding schemes to their constituents. In order to obtain these regional funds, applicants have to prove that they will spend and invest money in that region equal to or more than the amount of public funding that is granted. Some states require at least a simple one to one match, while other states require applicants to spend an amount of up to 150% of the awarded public sum in the region, meaning that for every Euro of public money, 1,5 Euro of privately sourced money has to be spent in that constituency.

Implicitly or explicitly, most schemes also require a proof of feasibility, most often in the form of a letter of intent by a publisher or distributor. Although only 17 percent of all nominally repayable funding is recouped (FFA, 2023a), making the vast majority of project funding de-facto grants, the funding organisations still aim to be repaid, at least in theory. BKM support for screenwriting for instance requires a letter of intent by a production company that has already published a feature film. In this instance, having written at least two screenplays that resulted in a released film is also an option, likely owing to the

pivotal position in filmmaking that screenwriting plays and the relatively much lower grants involved. (FFA, 2022).

Project funding also requires applicants to receive counselling from a consultant associated with the funding body. This aims to streamline the application process and help with bureaucratic requirements but as the interviews for this paper have shown, they can also play a pivotal role in assessing and adapting project strategies. Committee members partake on a voluntary basis and do therefore not have the capacity to enter detailed negotiations with applicants. The counsellors are usually full-time employees and can give guidance regarding the prospects of a film in committee meetings.

2.2.3. German film subsidies in scientific literature

The most recent and extensive analysis of the governance of the German funding landscape has been a study conducted by Bomnüter & Schulze (2019). In it they describe how the structure of the existing schemes has been shaped by the New Public Management (NPM) paradigm. They use the framework of Howlett (2009) to demonstrate how market logics have come to dominate the setup of cultural policy. They also note a dominance of competitiveness over other political goals that are present in other sectors of German media policy (Bomnüter & Schulze, 2019; Knorr & Schulz, 2009; Storm, 2000). Notably, the omnipresence of regional effects in funding criteria is also emphasized as a consequence of NPM-market driven policy.

Policy Level			
	Macro level: governance arrangements	Meso level: programs	Micro level: On-the-ground measures
	<i>Media and cultural policy, federal system</i>	<i>Funding bodies (national & regional)</i>	<i>Funding schemes</i>
Policy goals	General economic and cultural goals	Economic and cultural objectives	Targets: e.g. “quality”, “regional effects” etc.
Policy means	General implementation preferences: market governance	Policy tools: Subsidies	Tool calibrations: reference, automatic and selective funding

Fig. 2: “Components of German film policy design” (Bomnüter & Schulze, 2019; Howlett, 2009)

Studies have also repeatedly pointed to a lack of benchmarks, both for the economic and the cultural dimensions of funding (Bomnüter, 2018; Bomnüter & Schulze, 2019; Duvvuri, 2007). Publications by the funding bodies make frequent mentions of individual success stories like notable awards won by films financed with the agency's loans or record numbers of German releases but these mentions are always made in a vacuum and never compared to previously set goals. One exception are perhaps, once again, the regional effects that are easily comparable against the requirements set for applicants and regional publications often provide detailed data for achieved regional effects. (MFG, 2024)

Attempting to benchmark the German system against the neighbouring French subsidies, Bomnüter (2018) noted higher returns for funding money spent in France in terms of films released and box office, although possible structural, cultural or other reasons for this discrepancy are not considered. The same study also highlights a lack of success for German films on international markets. It also indicates that public funding has contributed to cultural success by listing festival awards that have been won by publicly funded films, although without a benchmark these numbers lack context. An econometric study by Weber et al. (2022) found no positive impact of German subsidies on movie quality but concluded that most economic indicators are positively affected by the subsidies. However, there was no discussion of efficiency in this regard. The study also demonstrated a positive effect of actors' star power on attracting public funds but no effect of director star power. The former is consistent with previous findings that actor star power is one of the driving forces behind movie success and therefore an important quality signal for public investors who want to recoup their investments. The latter is explained by star directors being able to attract sufficient private funding to not need substantial public investments (Elberse, 2007; Weber et al., 2022).

Other studies and publications can be found without the use of benchmarks, showing that increased public funding has increased the number of released films in Germany and that this increase has itself had a net positive effect on the economy at large (Berger, 2014; Goldmedia, 2017). Ferreira et al (2012) estimate that without subsidies, the German film industry would decline in size by 74%.

Wiedemann (2021) led an extensive study involving 95 stakeholders, alleging a failure of public film funding to allow for new concepts and ideas. The topic and design of the study are similar to this one but the theoretical framework is entirely sociological and thus the direction is ultimately a different one. The results do bear mentioning because they highlight some issues relevant to the study at hand. The unpredictable prospects of projects, for example, had been found to lead to a stark aversity towards taking risks. Interestingly, this did not only apply to producers but also to individual exhibitors that were interviewed. The study thus showed that, down to a micro level, the German film industry lacks driving forces towards enabling risks. This risk aversity was also reflected in funding decisions by public and private investors who both highly value quality signals in the form of past success. The study also claims that, by recruiting their members from the existing structures of the film industry, the funding committees would perpetuate existing structures, making it harder for new concepts and ideas to enter the industry. These structures were also found to favour wealthier economic backgrounds; once again through the high degree of uncertainty and resulting possible lack of income, but also socio-demographic factors like perceived feasibility of filmmaking careers. Lastly, and this will be elaborated on in the discussion of results, the role of public broadcasters was highlighted in gatekeeping the industry. A large share of “private” financing agreements involves public TV stations, which, according to the findings of Wiedemann, are known for insisting on a high degree of influence on creative decisions. Leadership of these broadcasters is mostly the result of political processes and one could make the argument that they form a peripheral part of the public funding landscape, although most studies focus solely on the financing institutions laid out in the previous sub-section. This has likely to do with the relative autonomy of these broadcasters in their day-to-day operations, compared to the funding bodies themselves.

Lastly, scholars and stakeholders alike frequently criticize the dominance of regional effects in funding criteria of regional funding bodies as incentivizing inefficiency. This is related to studies indicating a shift of focus away from maximizing profits towards maximizing public funding volume exhibited by producers (Duvvuri, 2007; Knorr & Schulz, 2009). After having laid out the financial pressures on the German film industry and the multitude of funding

bodies, it should come as no surprise that “subsidy tourism” is a ubiquitous term in discussions of German subsidies (Bomnüter, 2018). Projects are incentivized to target several programmes at once if they want to maximize the absolute size of the low-risk public share of their budget, especially productions with bigger budgets that would otherwise fail to attract sufficient private investment. This often results in an inefficient use of resources and sometimes even affects creative choices due to the requirements for local spending and preferences by some institutions for content that is related to their constituency. Operating and coordination costs increase, as do transaction costs because it also increases the number of investor-principals, which in turn affects strategy harmonization.

To conclude, the literature shows clear gaps which can be addressed by this study. Like with many public investment schemes, there is ample literature concerning the economic effects of the subsidies, in this case with little scrutiny regarding efficiency or considerations of alternative models of film subsidies. Due to the ephemeral nature of artistic quality, the effects on the cultural goals of the German system are harder to quantify and thus results have been inconclusive at best, with studies of subsidies in other countries even alleging detrimental effects of subsidies on artistic quality.

In any case, nearly all studies on *Filmförderung* have focused on the macro and meso levels and only one study (Weber 2022), considered by this paper pointed out the potential for examining how subsidies affect filmmakers on a per case basis noting that “strategic insights might be hidden in the individual funding channels” (p. 23). A possible reason for this pattern is the complexity of filmmaking which makes it challenging to gather conclusive results but at the same time this complexity should give all the more reason to examine these channels through which the subsidy landscape shapes filmmaking decisions. The following research questions can therefore be asked:

1. In what way does the landscape for film funding in Germany help to achieve its cultural goals?
2. In what way does German public film funding shape project strategies employed by filmmakers?

3. Methodology

3.1. Operationalization

The previous chapter has clearly laid out how the film industry is shaped by principal-agent constellations and what shape these relationships can and habitually do take in the German film market. To operationalize these concepts previous scientific work has been built on. Nijzink et al. (2017) conducted a study on diverging objectives in cultural policy employing expert interviews with stakeholders in Dutch cities. These interviews were aimed at uncovering possible divergences between the objectives of public investors and creative stakeholders, similar to the principal-agent constellations in the film industry.

Artto et al. (2008) distilled existing project strategy and management literature (DeFillipi and Arthur, 1998; Patanakul & Shenhar 2012) into a model that can guide this research as it closely mirrors the filmmaking process. Artto et al. define projects as temporary organisations, which is the missing link from orthodox principal-agent theory to the modus operandi of filmmaking. They also construct a framework that classifies projects by the degree to which goals diverge and, in a second step, what strategies are likely to result from the implemented governance structures. While trying to assign classifications from this model to the German film industry could be interesting for project management literature, it would not contribute too much to answering the research question at hand. Nonetheless, this model is very useful in informing research methods. This model has also already been applied to Norwegian film funding, although the scope of that study did not include analysis beyond the macro and meso level (Gaustad, 2018). Combining the established knowledge from the previous chapter with the classifications resulting from the Artto-model and this research, implications for outcomes of German film subsidies can be formulated.

Such intricacies are hard to quantify with numbers and thus this background favours a qualitative approach to answer the research questions posed in the previous chapter. It was therefore decided to use a series of semi-structured interviews with filmmakers who have released films in Germany to gauge first, roughly, which situation within the Artto-framework they encountered and which project strategy they employed, second, to what degree they succeeded in reaching their set objectives and lastly, how they modified their strategy over the course of their filmmaking career. These sub-questions are helpful in filling the gap pointed

out by Weber et al. (2022), who quantified the outcomes of these decisions but noted a lack of knowledge about the channels through which these outcomes are generated.

The literature review has shown how the market pressures filmmakers to make their work palatable to as many viewers as possible. While mass-appeal and artistic quality are not mutually exclusive, market forces still have a limiting effect on artists that want to stray from established paths, at least in the practice of the German market, due to the financial risks involved. One can also easily argue that pressure to merely reproduce existing ideas is detrimental to artistic exploration on an individual and systemic level. From this follows that a high degree of autonomy for filmmakers is a strong contributor to a culturally successful market and thus also an appropriate measuring stick to assess policy with. This sentiment is also echoed by funding regulations for most funding bodies, who intend their culturally oriented programmes to alleviate economic pressures on artistic choices. In the terms of the applied literature, it can be asserted that if filmmakers manage to reach their objectives to a high degree, German cultural policy can be considered successful.

It has to be acknowledged that the Arto-framework is perhaps best suited for case studies of single projects and its applicability to systemic questions is limited at best. For this study, this restriction can be circumvented by, on the one hand, simply aiming for a bigger sample size where the results would hopefully become representative of the system and on the other hand by adding the aforementioned sub-question over choices on a career-timeframe. This question is especially relevant for funding landscapes with committee funding as committee decisions and their inherent subjectivity will heavily skew results that are gained from isolated cases. Analysing careers in this case will happen through the micro and macro level, meaning individual project strategies but also the strategy for the career as a whole. The sample size benefits of analysing several projects are obvious but changes in career strategies will add a new dimension, or channel, through which funding affects cultural outputs.

This question is inspired by Wiedemann (2021) who had found that the German film industry at large pressures stakeholders to eventually conform to an established way of strategizing and operating. Isolated interactions with investors will shape individual projects through negotiations and coordination, but repeating

patterns of these interactions could eventually shape the coordination process itself. This could have several reasons. Stakeholders on both sides could grow weary of repeated lengthy and mental resource intensive negotiations, which could cause filmmakers to choose to divert that energy towards finding new ways to accomplish their goals within existing structures instead of trying to form new structures. Alternatively, those repeated negotiations could adversely affect reputational capital for the filmmaker and they do not want to become seen as “difficult to work with”.

3.2. Interview Sampling

Seeing how crucial financing and strategizing is to this approach, the interviews feature mainly stakeholders involved with production in some capacity, as they are likely to be involved with both aspects. In more concrete terms, this means that for this study directors and producers that have previously made and released films in Germany were sought after.

Different stakeholders are also specifically targeted by ancillary subsidies like the aforementioned downstream subsidies or subsidies for screenwriting but including them specifically would exceed the scope of this paper. This need not mean that such subsidies will be actively excluded, due to the often-blurry lines between job titles in the film industry. Therefore, it is possible for screenwriting subsidies to play a role in the analysis while screenwriters who are not involved with more downstream steps of production are not targeted for the sample, for instance.

A different point that has to be highlighted is that the experiences made by filmmakers will differ, depending on which parts of the subsidy system they employ, specifically. For productions with bigger budgets, trying to obtain funding from as many organisations as possible is common, but for smaller productions, applying for only one or two programmes is often sufficient. Due to the relatively limited scope of this paper, this means that the interviews are unlikely to yield a holistic image, as some funding programmes are likely to end up missing from this analysis. Nonetheless, due to the similarities in their operations, robust findings can be expected, that can be applied to other funding bodies as well, albeit perhaps with some caveats.

Lastly, the interview partners are also subject to availability. Established and famous filmmakers have a different experience than a film student working

on their debut feature, yielding a distinct perspective that could enhance the findings for this paper. Alas, those established filmmakers are more at risk of receiving too many requests for interviews or cooperation than too few and are thus much more difficult to contact. A filmmaker still trying to make a name for themselves is more incentivized to have more publicly available channels of communication. They can also be expected to be more likely to agree to an interview of this kind. But this does not need to be a limiting factor for this study. Big name directors have proven that they can head a successful project, which is a crucial signal to investors in an environment with so many uncertainties. This makes it easier for them to attract private funding, making them less dependent on subsidies but can also have a relaxing effect on funding criteria as has been stated by many participants in the study of Wiedemann (2021).

Being limited to emerging filmmakers also helps to pre-empt a possible survivorship bias in the findings. Considering the results of Wiedemann, it is easy to imagine that a lack of success within the German funding system will deter some filmmakers from further pursuing their career in the field and lead them to ultimately leave the industry, leaving only those that have managed to work within the existing system. Restricting the inquiry to those actors would omit some, possibly crucial, issues from the results, with possible policy changes based on such findings failing to address those issues.

One more possible bias should also not go unaddressed. During the process of the literature review it has become apparent that critiques of the cultural film subsidies are far easier to find than statements praising them, especially from stakeholders on the creative side. This does not necessarily mean that critics of the system outnumber its defenders. Ostensibly, discontent is a bigger motivator to speak up publicly than contentment and thus this skewed ratio of public statements could feasibly omit a silent majority of filmmakers who see no problem with how financing works in Germany. A possible bias that can be deduced from these considerations is that discontent filmmakers could be more willing to agree to such an interview than content ones, distorting the results in the process. This would only be the case in the aforementioned scenario and not if criticism for the German funding landscape is indeed widespread. Given the literature that was used for this paper, it should be possible to put the results into a sound context without significant distortions.

The resulting sample consists out of eight filmmakers in directing, producing and screenwriting roles. Those involved in screenwriting had also been involved in the filming and production of their scripts. Most of the participants could be described as independent filmmakers, working with relatively small budgets, although the study also includes three producers with their own production companies who had been working in the industry for many years. One of these two producers has been retired from filmmaking since the early 2010's but their insights were relevant nonetheless as they corroborated and expanded on some points aspects that were brought up by the still active filmmakers. Another producer was employed by a medium-sized production company, in German terms (referred to as "Writer/Developer" in the appendix). The list of interview subjects can be found in Appendix A.

Except for the more experienced producers, all of the participants can be described as being relatively new to the industry. All of the participants have requested to remain anonymous and therefore their statements will be referenced in such a way as to not allow for their identification or the identification of the work they have produced, with one interviewee declining to be recorded, who will thus not be quoted. The interview subjects received the consent form that can be found in Appendix C, that all of them verbally agreed to.

The interview subjects were contacted via email, either directly or through their agents, except for one filmmaker who was contacted using WhatsApp. The majority of interview requests was not responded to with scheduling issues being another common cause for rejection. Contact information for potential interview subjects was acquired through a list on the webpage of the German producer's guild and a list of signatories of an open letter to reform film funding in Germany, which will not be explicitly named in this study for reasons of anonymity. Two filmmakers' contact information was acquired through family members that were familiar with the intent of this study.

3.3. Interview questions and Interpretation

As to how the interviews were led and analysed, some points have already been briefly mentioned. Seeing as polities themselves state enabling artistic freedom in harsh market environments as one of their key goals, statements by the interview subjects relating to artistic freedom were used as evidence for or against the success of their policies. This meshes well with the notion of filmmakers

succeeding in their project strategies that was established in the previous paragraphs.

The goal of the interview questions was to allow for a degree of comparability between the experiences of the participants but it was often deemed worthwhile to deviate from the previously prepared interview guide in order to more deeply explore questions that emerged during the interviews. The interviews were thus planned to be semi-structured, to better fit the ad-hoc nature of filmmaking and thus allow for more flexible discussions of individual projects and experiences.

The common thread throughout the interviews was to first establish the participant's career background as context. From there, the questions started moving towards individual projects to assess previous experiences of the filmmakers, as well as how they approached financing. After questions were asked regarding how these filmmakers may or may not have adapted to their previous experiences, they were asked concretely about which aspects of the German subsidy landscape they saw as detrimental to their goals, and which aspects they considered to be an asset.

Finally, the interviews were analysed, guided by grounded theory methods, especially the constant comparative method. Despite to the uniqueness of each project, a cross-case analysis was expected to reveal commonalities in the experiences of the filmmakers that would reveal the channels through which the funding system exerts influence. (Babbie, 2016) An overview of the interview questions can be found in Appendix B.

3.4. Expectations

Formulating expectations based on this approach and the relevant literature is difficult due to the complexity of the German film industry and its subsidies. Different funding bodies have different priorities and modes of operation. Even within the same organisation priorities can shift over time as committee members rotate or new management gets appointed.

On the other hand, these complexities were expected to play a role in the interviews as well. Forming strategies for interactions with principals requires a reasonably clear image of their respective goals and strategies. This is somewhat feasible in a case like the MBB, where the sole intendent's previous decisions can

be used to search for patterns from which preferences can be deduced, but if a committee's members are not publicly known and subject to regular changes.

Publications outlining the cultural goals of the funding bodies exist, obviously, but as was mentioned previously, almost all of these publications are intentionally vague. Ultimately, funding decisions, public and private, for film or other cultural goods, will heavily depend on the tastes and assessments of the persons involved. While a filmmaker will not necessarily change their entire concept to cater to any one investor, they will certainly try to optimize the way in which they represent their ideas to their prospective principal in the first few meetings. If such adaptations are made more difficult, one should expect suboptimal results for filmmakers and to which degree they can achieve their goals.

Given the ubiquity of the term “subsidy tourism” and the emphasis put upon it by the regional financiers, one should also expect pre-emptive adaptations of project strategies regarding regional effects to be part of project strategies. The interesting part here was in which ways specifically these adaptations were made.

4. Analysis

4.1. Objective alignment

In order to develop a strategy for interacting with financiers, *their* goals and strategies have to be assessed. Publicly available papers, statements and past funding decisions can help with that assessment but as could be seen, these statements can be too vague to form a clear strategy. This was echoed by most of the interviewed filmmakers, who indicated difficulties in predicting committee reactions to their projects and some even perceived contradictions in their behaviour. This was the case despite close cooperation with and oversight of the “pitch-phase” by the project-referents. One filmmaker recalled a project that was received well by the referent in spite of the project's potentially unorthodox structure but later denied funding by the committee for precisely that structure.

Section 2.2.2 mentions the mandatory counselling applicants have to undergo. Guidelines (FFA, 2024a) imply that part the counsellors' job is making sure that committees are not flooded by unfeasible funding requests but the interviews have shown that they also play a crucial role in project strategy coordination and often replace the job of the financier from the classic framework in this regard. Secrecy over who is in the committee theoretically combats undue

influence on decisions but it also makes it impossible for agents to directly interact with their public principals before funding decisions are made. The degree to which these counsellors coordinate with the committees was unknown to the interviewees for the most part but all indications point towards them not discussing individual projects with committee members before committee meetings. The mostly voluntary work of the committees, together with the high degree of specificity involved in film pitches makes in-depth discussions of individual pitches unlikely and one interviewee even mentioned as an anecdote that some committee members do not even review the project proposal themselves but rather rely on excerpts and summaries of these already condensed proposals. (Interviewee 1) This anecdote was corroborated by another filmmaker who reported being told that committees do not even discuss pitches unless they already have a member backing the idea coming into the meeting. (Interviewee 5)

While these anecdotes should be seen as just that and not necessarily indicative for the system as a whole, it does shed light on a potential reason for a common criticism aimed at German cinema that was also echoed by some interviewees: the perceived reluctance of German cinema (and TV) to embrace unconventional material. The fact that most decision makers over funding have full-time jobs means that they are unlikely to have the time to thoroughly engage with individual proposals. The aforementioned anecdotes were corroborated by the counsel received by interview subject 4, who was told that most committee discussions are based on summaries and excerpts, which do not lend themselves to unconventional approaches:

This is a thing I noticed time and time again, working with this editor. He knows his colleagues do not manage to read everything, so the dialogues can barely have any subtext and have to say everything explicitly.

(Interviewee 4)

This filmmaker was thus incentivized to strip their pitches of such nuances as irony or subtext and to instead adapt their script to state more explicitly what is meant and intended.

Although it was not explicitly stated, this also implies that visual aspects of storytelling, at least for this phase of project planning, are virtually relegated to almost an afterthought. Of course, this does not preclude filmmakers from telling their stories in visually innovative and interesting ways but many acclaimed films'

plots are not easily summarized in a plot outline or even truly appreciable through their script alone. Such projects will have a harder time receiving funding if all decision makers have to base their decision on are summaries of summaries of scripts.

This problem is of course not exclusive to German public film funding. Most initial pitches likely have the form of a verbal or written description of what the film will be, which makes it potentially difficult for investors to gauge the feasibility of films that favour visuals over script for their storytelling. However, these challenges can be mitigated by personal interactions between the involved parties, where the director can more thoroughly explain their vision, clear up emerging questions and just overall present a clearer picture of their ideas than they would be able to in pure text. This brings to light another issue highlighted by the interviews: German committee funding lacks a way of aligning principals' and agents' goals through coordinating and negotiating.

Recalling earlier chapters, it was established how important ex-ante objective alignment can be to secure funding, especially in markets with limited potential principals like Germany. Budgeting practices incentivize polities to not enter a new fiscal period with any leftover budget so the absolute output of films is likely unaffected by this lack of coordination but it does limit the range of possible projects that can receive subsidies. This so-called development phase allows filmmakers to more thoroughly explain their ideas and help other parties get a better sense for what they plan to achieve, or clear up misunderstandings about missed subtext et cetera. Vice versa, investors can induce changes in the project that make them more likely to agree to fund the film.

The practice of project funding does not allow for such explanations or adapting strategies if investors remain unconvinced. The interviewed filmmakers were unanimous in explaining that being rejected by a committee spells the de-facto demise for the project, even though re-applying for funding with a different version of the same project is formally possible, as stated by respondent number 6:

Normally, a project that has been rejected would be difficult to apply with again. In theory it is possible but it is not desired and once rejected, a project can be considered "bunt". (Interviewee 6)

This goes hand in hand with a lack of feedback or justification for many funding decisions. It is easy to imagine that many a proposal has been rejected despite at least committee members seeing potential in the concept. In such cases, knowing which aspects or even details ultimately led to the rejection could allow filmmakers to make the necessary adjustments instead of having to start over with an entirely new idea, rendering the time spent on their old pitch worthless sunk cost. Most filmmakers uttered a wish for some sort of support for such development. Proposals for such support included financial support to bridge the potentially time intensive development phase, but also workshops that would give room for more detailed coordination and alignment with committee goals. A lack of feedback and cooperation also makes it harder to predict committee behaviour regarding future applications and forming long term strategies.

The feedback that was reported tended to happen through rather informal channels. In one case, after a rejection, a filmmaker was approached by one of the committee members who that filmmaker had an existing working relationship with. In other cases, feedback was only obtained via referents who the filmmakers had had good interpersonal interactions with. Due to the committees being comprised of industry stakeholders these informal channels do sometimes lead to a resurrection of the project, but, importantly, this is not a feature of a system but happened upon the initiative of individuals. In one case, a pitch that was rejected by a funding committee was referred to a different producer by a member of the committee and could thus be further developed (Interviewee 1). Other post-rejection feedback referred to the scale or format of the proposed material. In these cases, the committees were unsure whether the proposed material could result in a successful project, given the proposed scale and style. The director associated with those projects saw this as indicative of a larger trend in the German film landscape to reject ambitious and unconventional ideas and has since felt disincentivized from trying to make bold choices. (Interviewee 1)

Lastly, it was at least implicitly, sometimes explicitly speculated that many of these restrictions do not apply for filmmakers of a sufficient pedigree, and somewhat corroborated by the interview with the now retired producer. Every system where humans are involved will eventually encounter situations where that human factor plays a role and it is not at all unimaginable that big names would open doors or that well connected producers would use those connections to

influence committee decisions. Conceivably, these personal relations would become more impactful with less transparency over the decisions. If committee members are not published prior to the meetings, well connected individuals with access to such insider information are at an advantage. Likewise, vague committee decision criteria, while ostensibly enabling a greater range of possible projects to receive funding also limit accountability because there are no objective criteria decisionmakers can be beholden to. This makes it easier for well connected filmmakers to influence funding decisions. How much this is unique to the German system is a different question, however, and every funding system that involves such subjective decisions will be subject to attempts at influencing those decisions from outside. At the same time these considerations should be kept in mind during the design of future iterations of public funding systems.

4.2. Incentives to favour “quantity over quality”

Another core issue that emerged from these interviews, albeit already mentioned in the literature review, was cash flow. What the interviews clarified is how financial concerns influence the creative process. While early phases of film production mostly do not yet require big monetary investments, at some point production companies will encounter problems with cash flow. Screenwriters can theoretically work with nothing but pen and paper, for example but they need to pay rent and some may wish to conduct potentially (relatively) costly research to enhance the realism and immersion for their stories.

Support schemes for screenwriting exist but unless the writer has already invested substantial time to work out a somewhat convincing skeleton of a script for free, these schemes are de-facto reserved for already established or relatively well-connected writers or participants of formal, institutionalized filmmaking education. And even they have to invest time to work on applications. This again favours more conventional scripts. This is not to claim that German arts education indoctrinates new filmmakers to adopt a specific style but it does exert an influence, nonetheless. And in a risk averse environment like the German film market, a requirement to either have already written a successful⁴ screenplay or work with an established producer in order to receive funding is a de-facto limitation on what type of script is likely to receive subsidies. A new screenwriter who favours unconventional stories for example, would have to convince a

⁴ i.e. having been adapted into a published film.

producer to commit to their script. In order to do that, they would already have to have worked out at least the cornerstones of said script because producers are unlikely to make investment decisions based on two pages of dialogue written by an unknown newcomer. Working out these cornerstones takes time, so this hypothetical writer requires either sufficient free time or funds to bridge a gap in income. These restrictions exclude newcomers without those means and at the very least, create uncertainty over the funding to start a project, because even with support from a producer or a proven track record, script funding also hinges on subjective assessments. This tendency towards financial elitism was made explicit by a director, filmmaker 4, who had to bridge a multi-year timeframe while they were working on developing a script several times over, during which income prospects were uncertain. In this case, said director also had a newborn at home, a circumstance that disincentivizes such time investments in most cases, because income insecurity is something that budding families would try to avoid, ideally. Here, one could also make a point about the impact of family-friendly structures on gender equality and gender ratios within industries but other authors are probably better equipped to explore this topic.

Going one step in pre-production further, having finished the script, the production company would set out to plan the filmmaking process itself, which is time-consuming due to its now well-established complexities. Applying for public funding also tends to fall into this phase and employees need to be compensated without knowing if their work will receive subsidies. Bigger companies that can develop and release multiple films at once can cross-finance development with films that are currently generating revenue but smaller entities do not have the capacities to work on more than one project (or very few anyway) and cannot afford to spend too much time developing any individual project without jeopardizing their financial stability. Subject 2 who works in a medium-sized production company stated that cross-funding works reasonably well to bridge these gaps, but subject 3 who focusses on more niche films indicated severe financial pressure during those phases.

Well, bridge financing is always a tricky topic. Now in this last project with a budget of half a million, I noticed this towards the end. When the first few rates of financing arrived we were already halfway into the shoot. In that case I was lucky because I could bridge the gap with, well, private

funds, or if I was an LLC, using operating assets, and I made relatively many films last year so I could inter- and cross finance myself. For example, project A had still some 30.000€ left on the account that I knew would only be needed in autumn, but project B would need them right away so I bridged the gap. But if that hadn't been possible I would have had to apply for bridge financing with the bank and that would have been expensive relatively fast in my area. (Interviewee 3)

They further described their options as either having to take out loans at unfavourable conditions or working on a project effectively for free in the hopes that the project will generate revenue in the future.

This phase lacks a dedicated support scheme, at least to a sufficient extent. Such constraints compound the incentive to keep a film's themes simple and on the surface that results from the structure of project funding decision making. They virtually force independent filmmakers to favour quantity over quality. Facing uncertainty regarding committee reactions, filmmakers and production companies cannot bank on any one project to receive subsidies, without which a project is not feasible and will not ever generate revenue. Considering that the average German production company faces liquidity problems, such diversification is their only realistic option to survive financially. This pressure was perceived by most of the interviewed filmmakers, especially the more auteur-style filmmakers, but also the producers in financially more secured positions, and it applied to both the screenwriting and pre-production phases. Two filmmakers mentioned projects that they would have liked to develop more thoroughly but were unable to due to cash flow concerns. One director described a multi-year development process during which they did not have a steady income. During this process they tried, together with a public broadcaster, to adapt the material that the filmmaker had written prior, to maximize the chances of receiving funding. From the description of the situation, many of these adaptations could be called guesswork, as committee preferences were largely unknown. (Interviewee 4)

Even without immediate cashflow concerns, filmmakers are incentivized to favour quantity over quality, as exemplified by this statement by filmmaker number 5.

You become numb against rejection. Most of the time you hand in an application, expecting a rejection and are surprised if you end up receiving funding. (Interviewee 5)

Not knowing if any given project will receive funding means that there is little incentive to spend too much time developing that project because there is a high likelihood that the project will fail, rendering the time and effort invested sunk cost. One filmmaker, number 5, stated that a rejection is considered by them to be the norm and a positive funding decision a pleasant surprise. Another, who works for a medium-sized production company more or less described this as their *modus operandi* (Interviewee 2). For small companies this approach is vital to their survival but even in more financially stable operations, it is nothing but sound business practice. It seems at least doubtful that such an approach would yield better cultural results than an approach where artists can take the time to more thoroughly develop ideas and work out details that would elevate a film's artistic merit.

4.3. Control mechanisms

Rounding out the cornerstones of the Artto-model, the investor-filmmaker relationship became much less restrictive after funding was secured, at least in regard to the subsidies themselves. Strict project oversight and involvement by other state entities is not uncommon but this will be discussed later on. The interviewees reported little interaction with the funding bodies during filming and production beyond progress reports and proof that the subsidies were being spent according to funding regulations and agreements. In theory this means that filmmakers are relatively free to make unilateral decisions to alter parts of the project or try to expand the range of possible interpretations of what the funding agreement entails. Contracting will of course behold the final product to the financing agreement but in such a scenario the final product could already be set in stone at that stage.

In Practice there are several limitations to how and how far filmmakers will deviate from their pitch. One producer, filmmaker 6, pointed out for example, that producers invest reputational capital in every new project and therefore do not want to become known as rogue artists. This is both in respect to the committees themselves but also habitually risk averse private investors. An independent filmmaker using their own money to fulfil the private funding requirement could

try to test the boundaries of what the financiers will tolerate but would then face difficulties with future projects. Less independent filmmakers are free from direct oversight by the funding bodies but still have to answer to their private investors.

The other limitation is, again, time. When the rational strategy for filmmakers was described as “quantity over quality” that was not to say that film pitches could be mass-produced. Even “superficial” stories require effort to yield a coherent product. Trying to alter an already coherent story (or other aspects) would again require intensive planning as not to create dissonance. The aforementioned producer also remarked upon the time limits imposed by funding agreements.

For one, the aforementioned time constraints are also at play here and producers are incentivized to limit shooting and production time to limit overhead and operating costs. But funding agreements also impose deadlines by contractual means. Together, this means that producers will likely be reluctant to invest substantial time into replanning and will instead prefer to, literally, stick to the script. For example, filmmaker 1 described the following:

We received the letter of approval in November. And you have to prepare the shoot and put everything in motion as if it would work. And we knew at the end of November we would start shooting. So therefore there would not have been time to apply for anything else because we knew if that thing with the FFF would work, then that means that we more or less immediately start, because everything was prepared. (Interviewee 1)

On the other hand, these time constraints are not exclusive to the German subsidy landscape, or subsidies as a whole. Even without these contractual obligations, filmmakers will be under pressure to limit production time as much as feasible.

There are other areas where the funding bodies exert control that at least indirectly influence artistic choices. Any application for project funding must include a measure of business plan, which includes revenue predictions, whereupon the awarded amounts are based. As the literature review has shown, one of the more predictive factors for film revenue is actor name recognition. Since one of the stated goals of most funding schemes is financial sustainability, most committees will more likely accept a pitch that already has well-known actors attached to them because those increase expected revenue, making it more

likely that the conditions for repaying the loans are met. Increased expected revenue also consequently increases funding sums, provided, of course that the big names stay on the project. If such an easily recognizable and potentially financially impactful artistic choice is altered, the funding bodies reserve the right to retroactively adjust the awarded sum. Filmmaker 6 explained this as follows:

I think there would be problems if numbers change significantly. For example, if you promised Brad Pitt would play the main character and instead you hired a totally unknown actor. That would cause a project to lose in value. (Interviewee 6)

Similar retroactive adjustments can be made if minimum spending thresholds in some areas or regions have not been reached, for example if the regional effects of a film are smaller than announced in the application. These insights into financing agreements were given by a producer who had been active since the turn of the millennium.

4.4. Career choices

Since most of the filmmakers who participated in this study are best described as relatively new in the industry, meaningful observations over career alterations specifically induced by the funding system are relatively scarce, although one statement stands out in this context. Filmmaker 1, a director who had applications rejected due to being considered “too ambitious” or too unconventional in its format explicitly stated that they now feel discouraged from including anything in their films that could be considered too far from the norm. After the findings explained in the previous paragraphs, such statements should hardly be surprising, as filmmakers will be under pressure to keep their chances of receiving funding as high as possible.

It influences me in my development work insofar as I think ‘oh god... nothing novel or ambitious!’ Which is, if you think about it, totally awful. Especially a country like Germany that doesn’t have such a big film industry as the USA can only stick out from the masses by doing something crazy or ambitious and executing that. And that does not seem to be [possible] in this funding system. (Interviewee 1)

Similarly, a different filmmaker reported being in the process of pivoting their career towards more commercial projects after having previously specialised in niche films (Interviewee 3). The reasons for this were not made explicit enough

to allow attribution for this change to the public financing system. This producer had, earlier in the interview, talked extensively about the financial pressures they had faced, especially during phases of development, which were exacerbated by the relatively small margins generated by their successful films. They indicated that they wanted “to be able to make a living from their work” (Interviewee 3) but their statements did not allow to judge whether the precarious financial situation was the result of the nature of the films they specialised in, meaning films with relatively small returns, or how much of their situation was due to the insecurity with regard to the financing of future projects and being forced to work on projects in return for a mere chance to be compensated. This change in direction also came about due to feedback they received from a committee, that reportedly wanted to “see the next step” from said producer, meaning that they wished to receive more financially viable applications from them in the future with prospects of higher financial returns.

Filmmaker 6, meanwhile, focussed their career strategy on viability of their applications. According to their description of their development process, they tended to strongly prefer projects that seemed matured enough to commence shooting upon receiving favourable project funding decisions. This implies knowledge of the committee decision making-logic that was explained in previous paragraphs – knowledge that has likely been gained through experience and time in the industry. This approach is aided by the use of the producer’s personal and professional networks that can be used to better gauge the viability of and demand for certain projects in order to make more efficient decisions as to which projects to start developing and which projects to forgo. (Interviewee 6)

4.5. Regional effects

Regional effects tend to play a role in early stages of production already, starting with choosing what material to develop, according to said more experienced producer, who otherwise implied that they would normally prefer to apply for funding with sufficiently developed projects, but would make an exception if a project could be a good fit for a specific region. One step further, most other filmmakers confirmed, that during writing and further developing regional effects are a constant consideration, again “starting at the very beginning” of the writing process, as another producer put it. (Interviewee 2)

These considerations can take various forms. For example, filmmaker 2 explained the writing process as first figuring out the general idea for a plot, after which almost immediately possible locations for said plot were considered, with a specific eye on recognizable landmarks that could be used to convince a regional funding body to fund the project. The plot was then further developed to conform to that shooting location. As it turned out, however, the shooting location that was first decided on was later determined to not be ideal for shooting after all, after which an entirely different location had to be chosen. For that second location a similarly recognizable relation to the region had to be maintained in order to also maintain the high likelihood to receive subsidies. Seeing as the resulting new location was considerably different from the original location, the script, that had been worked on in the meantime had to be altered, too, to better fit the new prospective location. Although the producer did not go into further detail regarding the plot, purely judging from the two locations themselves, the alterations must have been considerable, which was confirmed by the producer.

In other cases, while regional effects did play a considerable role, these considerations did not lead to such distortions of the script. Other projects could incorporate these considerations in a more opportunistic manner. One director (Interviewee 4) explained that they had had access to a shooting location free of charge, which is eligible for inclusion in the budget and also counts towards the private investment that has to (out)match the public funds in a given region. In that specific case only light adaptations were necessary in order to include that shooting location in the story. A producer mentioned cooperations with other production companies as a possibility to generate those regional effects if those other companies are located in said region.

A special case could be found in the field of animated films, where subsidies tend to have more economic goals, as exemplified by the DFFF II. Here, a producer indicated less strict content-related requirements, seeing also as animation films, by their nature, do not have an actual shooting location. Instead, the regional effects were habitually “synthesized” by having the animators be physically located in the respective region during the duration of production, which is sufficient to meet the local requirements. To this end, sometimes even foreign animators were invited to live in local accommodation provided by the production company for the duration of shooting. (Interviewee 2)

4.6. Public broadcasters and bureaucracy

To close this analysis, some light should be shed on an aspect of German film funding that gets little attention in literature but, one could argue, forms a peripheral part of the funding landscape: Public broadcasters. As mentioned before, they are usually considered independent actors – and they are, strictly speaking. But in the context of German film funding, the interviews have shown that a closer look at how they influence public financing is warranted, especially given that their actions, albeit through different channels, are also influenced by political decisions.

Although it is not a formal requirement, independent filmmakers need support from broadcasters in order to receive a positive funding decision. This was the experience made by most of the interviewed filmmakers and even the advice received by some of them. As was laid out, private funding is generally hard to come by without reasonable expectations of returns that outmatch the not unlikely risk of incurring a loss. And while the public broadcasters are operated much similar to their private counterparts, their public mandate and, largely, public financing give them slightly different priorities than other potential private financiers. They share with the BKM, for example their mandate to distribute artistically valuable cultural goods and are under the obligation to contribute to public education. (MStV, 2023) They even have dedicated programmes that are aimed at accelerating the careers of emerging filmmakers, similar to the *Kuratorium Junger Deutscher Film* from the cultural subsidy framework.

This makes them supposedly ideal partners for filmmakers wanting to pursue less-commercial paths or filmmakers still trying to build their reputational capital that they can later use to more easily gain access to funding. Every year a percentage of 32 percent of total investment into films comes from public broadcasters (FFA, 2023a). Despite this, here, too, interview subjects reported being incentivized to make certain decisions they disagreed with.

One director, who had reached an agreement with an editor from a public broadcaster to develop a script together, recalled spending two years working on said script, completely altering the tone of the story the director had originally written, in order to make it more palatable to general audiences (Interviewee 4). According to the director, these changes were also motivated by the anticipation, that public funding committees would reject a project that relied on “dark

humour” to such an extent, such as it was described by the director. At the same time, the editor reportedly pushed for changes in order to include a political message, only to later roll back those changes because the editor felt unsure if the message they had included was indeed the right one. This director further described their experiences with these interplays between public broadcasters and funding committees as “a game of cat and mouse”, where parties wait for one of the other actors to indicate approval before they themselves give theirs. The participant shared this experience with other interviewees, who also reported either funding bodies or editors being reluctant to embrace a project unless it had the endorsement of others:

I heard from referent-circles that with films it is like: Look, this film, someone else believes in it too. And I like to compare it to... It is like... who moves first. If funding scheme one moves and accept this film then the next funding body says “ah, yes they are in it too, then we are in as well.” And it is the same when a broadcaster first says “we’re in”, then they say... That makes it easier for any one of the participants to join the project. (Interviewee 4)

There are several takeaways from this. For one, it seems as though there is a very similar mindset between public broadcasters and the funding committees when it comes to risks. This may be in part due to some editors also being members in the funding committees, more on that later, but it also raises the question if such an interplay between public broadcasters and subsidy committees is conducive to enabling creative freedom. Ostensibly, the goal for both the broadcasters and the public investors would be to promote filmmaking that can be relatively free from purely economic logic, but these cases display a behaviour that would otherwise be expected from private investors under pressure to generate a sustainable income. This can partly be explained by the, at least theoretical, requirement for financial sustainability for both the broadcasters and funding organisations. While funding for the broadcasters is not directly tied to viewership, they are still, at least on paper, incentivized to produce content that the general public, their financiers, want to consume. If they do not, questions over the legitimacy of their source of funding would grow louder. Similarly, although the mandate for the funding organisations states that they should help

detaching filmmaking from economic pressures, the committees still, on paper, award loans, not grants.

What this means, essentially, is that there is a conflict of objectives for parts of the German funding system, which was explicitly pointed out by several of the interviewed filmmakers, who raised the question whether the main objective of German film policy is economic or cultural in nature. This is, despite the existence of dedicated economic subsidies like the DFFF II, whereas project funding should arguably be more detached from economic thinking. This is not necessarily to criticise using loans instead of grants. Subsidies for culture can be difficult to justify as is and indiscriminately distributing grants for films with no regard for whether or not audiences actually want to see the film would certainly call into question the legitimacy of such subsidies. But these interactions from the preceding paragraphs clearly show how such conflicting incentives affect not one but two organisations associated with film financing in Germany. How these incentives are to be reconciled – if they can be – should no doubt be one of the focal points for potential reforms. Also relevant in the context of conflicting interests is the make up of the committees. While having the committees be comprised of industry stakeholders helps with assessing the efficacy of applications, at least some stakeholders may be incentivized to favour some projects over others. One director relayed a conversation they had with an editor from a public broadcaster, who indicated that they felt incentivized by the stakeholders of that broadcaster to favour material that would air on their station. According to the director, the editor felt it hard to justify towards their stakeholders if they contributed to the distribution of funds for films that would appear elsewhere. (Interviewee 4)

Similar to the intricacies of German public broadcasting, applicants to public funding have to be well versed in the logic of bureaucracy if they want to maximize funding. This should hardly come as a surprise; a reasonable amount of paperwork should be expected in such processes, but the extent of the documents that are required for some funds was described as a hurdle by some filmmakers and others' descriptions of the process indicated knowledge about German bureaucracy that, one could argue, surpasses what could reasonably be expected from a person that has specialised in filmmaking.

Even devoid of financial considerations, every filmmaker has to deal with a healthy amount of paperwork, be it shooting permits, licensing or contracting. But more than one filmmaker posed the question at what point the amount of paperwork becomes a hindrance to the creative process. One director relayed their accounts of the application process for their debut picture, for which multiple documents were required that all related to the plot of the film that would be shot, only in different lengths. They invested significant time into producing multiple different-sized outlines of their project that could otherwise have been used to further develop the film itself. (Interviewee 1) The importance of these outlines was emphasized by a producer, who described their approach as trying to make their projects appear to be fitting the committee's preferred profile as much as possible, in other words, these outlines, unsurprisingly, act like a pitch meeting in the absence of in-person interactions. (Interviewee 6) This is made more difficult by most applicants not knowing the preferences of their pitches' audiences. Given that apparently some of these documents are not treated with the appropriate attention to detail by committee members, one could argue that the time invested in this strategically important paperwork would be better spent elsewhere, especially, considering the relatively lengthy review windows at the disposal of the committees.

As has been explained the committee members execute their functions mostly during their free time and thus a reasonable timeframe to assess the pitches seems appropriate. But, considering the cash flow concerns facing filmmakers, such lengthy timeframes can jeopardize the financial stability of smaller ventures and one filmmaker questioned why the deadline for handing in the required documents can be months apart from committee meetings, during which time the decision whether production can commence or not hangs in the air. (Interviewee 1)

But knowledge of other areas of bureaucracy has also been found to be necessary. While some of these findings may not have a direct impact on creative decisions, they do shed a light on how the German funding landscape functions and what meta-strategies ultimately lead to success. Filmmaker 6, a more experienced producer, for example, described how they tried to time their application according to estimates of the budgetary situation for the funding bodies. If, during committee sessions earlier in the year, relatively large sums

have been awarded, committees are expected to be more restrictive in their funding decisions during the latter sessions in that year:

One adjustment we make is timing: [...] funding bodies [...] like to award more money in the earlier sessions [...], meaning that in sessions later in the year, less funding is available. (Interviewee 6)

Thus, a producer who seeks to maximize the sum awarded to them by that specific committee would wait for a committee meeting in the following fiscal year. That is, if their financial situation allowed for such idleness. Filmmaker 1 reported having received an unexpectedly positive funding decision after having applied during the final round of funding decisions in that year, due to leftover budget needing to be allocated.

This form of strategizing may seem straightforward in hindsight, but as was pointed out, waiting for a fresh round of committee sessions is not financially viable for some artists. Furthermore, it can be argued, if and how much funding a project receives should be based on its artistic (and perhaps economic) merits and it should not be decided by such quirks of the system. Film projects and their financing are complex enough as it is, without having to consider such intricacies, on top of which come the extensive documentation required pre-, during and post-production, that has already been and will be elaborated on in more detail.

A similar such intricacy that arguably has an already familiar effect on creative freedom is the pressure on polities to distribute allocated funds before the end of the fiscal year. Since the mandate of support schemes is to deliver said support, any money that remains on government accounts instead of being spent is considered a failure to fulfil said mandate. One director reported being told by a referent that if there are delays between positive funding decisions and the actual distribution of the allocated funds, leadership of the funding bodies has to justify these delays in front of the responsible politicians. (Interviewee 4) This results in an incentive for funding bodies to strongly prefer mature projects that can begin shooting right away, instead of projects best described as promising but still in the earlier phases of development. Calling back to earlier considerations, it is better for filmmakers to work on the practical aspects of their prospective productions, rather than depth of content if they want to maximize their chances of receiving funding while at the same time minimizing the time they need to bridge without having a secured cash flow. This set of incentives exacerbates at least the

“quality” side of the “quantity versus quality” considerations for artists, seeing as logistical and operational considerations are similarly time-consuming as artistic considerations.

4.7. A slightly different perspective

It is important to note, that despite the extensive criticisms levelled against the German public funding system during the interviews, the takeaway should not be that the experiences of these filmmakers were universally negative. If there was one opinion shared universally among all interview participants, it was that they did not think that they would have been able to make films without the subsidies at all. Filmmaker 3 in particular emphasized that their strategy actually fits rather well with the preferences of public broadcasters and committees, seeing as they specialised in niche films with political and societal relevance. Despite having found the multiple inefficiencies and contradictions of German film subsidies, no one would argue that the subsidies, such as they are, constitute an overall detriment to artistic freedom, compared to a fully free-market situation.

It should also be mentioned that most of the issues that were addressed are more heavily present, the smaller the production company and the smaller the accrued reputational capital. The retired filmmaker that was interviewed, for example had been working in the German media landscape for decades prior to entering the film industry and could therefore make use of personal contacts and influence that other filmmakers had no chance of having.

As it was put to one of the directors (Filmmaker 4) that were interviewed, while they were still assembling their cast:

“You don’t even have to try to submit until you have them. So you only have any chance at all if there really are names behind it.” Then I was lucky because I had a name. (Interviewee 4)

The aforementioned producer meanwhile, through their work contacts had met one of Germany’s most well-known, and previously Academy Award nominated, directors who they produced several films with afterwards:

If I take [Redacted for anonymity] as an example, the feature film that I produced with [aforementioned director; redacted for anonymity], then of course the name [Redacted] was always pretty important. I mean, of course, he... He was a door opener for things like that. And yes, and then the cast was also important, [Redacted for anonymity], for example, was

an important cast member who was of course immediately, with the funding body... And also the cameraman and so the German staff, that was of course... So of course there was also funding that we got in Berlin, Brandenburg and Hamburg for the film. (Interviewee 8)

This producer made no mention of failure to obtain public funding for any of their film projects, even in cooperations with less-known producers, including a debut film. They attributed this to their reputation that they had gained in their years working in the industry and, importantly, from their cooperation with the mentioned famous director. Crucially, however they also talked about their experience with funding committees:

You didn't go directly to every single person on the committee, but... I can only say from my own experience that you kind of got along very well. Of course, that also has something to do with the fact that I also produced [Aforementioned famous director] and therefore had another opportunity to get funding that way. (Interviewee 8)

This should of course come as no surprise, considering all that was discussed so far. A funding system that, at least in theory, aims to recoup its investments is incentivized to invest in more secure project. Committees sourced partly from industry insiders would conceivably be more familiar, even on a personal level, with more experienced professionals. Closer acquaintances could become committee members over time as the committees change. Some of this was also implied in the interviews with the rest of the filmmakers but never so directly from personal experience.

These same human factors obviously also exist in the free-market studio context. Risk aversion would lead studio executives to more likely invest in projects with big names already attached to them and personal networks can greatly shape how film projects progress. But this does not mean that these observations do not merit being mentioned in this study because, for one, they corroborate what for most other filmmakers was mostly hearsay and personal perception. On the other hand, it should be noted that the stated goal for the subsidies is precisely to free German film projects from free market pressures, especially the risk aversion. As participant 6 put it:

I also think a very clear separation of cultural and economic promotion is good, because I think that's always a bit of a problem with regional

funding, that they actually always try to promote the location, the economy and culture at the same time and then you sometimes ask yourself why films like Til Schweiger, Schweighöfer, Elyas M'Barek films, which could also be financed in other ways, are financed with funding that is partly dedicated to culture. Not that the films aren't good and entertaining in the end, but it would be nice to have this central pot that covers this and to have this smaller cultural funding that is more strictly separated and that really tries to promote culturally valuable films with committee decisions that would otherwise not be made. (Interviewee 6)

5. Conclusion

This paper has used the financial intricacies of filmmaking, together with the principal-agent theory in the context of the work of Arto (2008) to lay the groundwork for analysing the strategies that filmmakers in Germany employ when interacting with the public funding system and to what degree these strategies are conducive to the production of culturally successful films. During the analysis of the semi-structured interviews several pivotal points could be found, where strategizing of artists was impacted:

5.1. Key takeaways

Several factors contribute to filmmakers being disincentivized from emphasizing a thorough development of individual scripts in their strategies. For one, they face difficulties in anticipating funding committee or intendent behaviour or preferences and can thus not effectively tailor their applications to the audiences that will first evaluate them the same way they could with a classic investor. This poses an incentive to make their projects appealing to as many people as possible. Furthermore, the inability to gauge the likelihood that a project will receive funding sooner or later exerts financial pressure to receive funding for any project, in order to keep generating cash flow. This is exacerbated by a lack of dedicated support schemes for the development of a project pre-shooting. In effect, filmmakers are forced to allocate their resources towards the development of a higher number of projects, instead of being able to engage with individual materials more deeply. This problem is more acute for smaller and less commercially oriented ventures. Artists who wish to make more dedicated and detailed edits risk encountering severe financial problems because they have no way of knowing if their time investment will end up yielding results. To go even

further, public fiscal practices pressure funding bodies to forgo projects in earlier stages of development in favour of more matured projects with less work required before shooting can commence. Artists who are more restricted in their resources are therefore incentivized to prioritize practical aspects over content in their strategizing.

In theory this should be counteracted by the *Förderreferenten*, who provide counsel and insights, but the interviews have shown that ultimately their insights proved too limited to allow for sound strategy formation and sometimes the advice was even contradictory to the actual behaviour of the decisionmakers. The existing modus operandi has not been found to allow for adequate objective alignment between principals and agents. This lack of coordination is exacerbated by the design of most committees, where members lack the capacity to adequately engage with the applications they are tasked to assess. Due to the mostly voluntary nature of their function, they can often lack the time required to thoroughly engage with the material and thus artists are advised to design their applications in such a way that avoids intricacies that could be missed upon less in-depth analysis of the scripts and outlines. Similarly, this same set of incentives puts films emphasizing non-textual storytelling at a disadvantage and limits the range of possible stylistic and artistic choices that are likely to receive funding. Here, too, a lack of means by which to align objectives plays a role. Finally, the fact that it is virtually impossible for a project to proceed once it has been denied subsidies also discourages artists from investing too much time developing their projects if they want to minimize sunk costs.

Next, it was found that delegated common agency problems preclude the German funding system from effectively counteracting market forces and encouraging more risky, less financially motivated artistic choices. While a main objective for polities is enabling choices that would be impossible in a free market regime by alleviating financial risks, the practice of funding decisions and referent counselling speaks to a similar aversion towards risks to what the free market would display. This is the result of the mode of fund distribution via loans instead of grants, which means that there exists an obligation for funding bodies to distribute their funds in a way that feasibly allows for their recuperation. Similarly, the in-practice requirement for independent filmmakers to cooperate

with public broadcasting, compounds this objective misalignment, as the broadcasters, too, face incentives to produce mass-oriented content.

Finally, formal requirements force artists to incorporate considerations over bureaucratic processes into their strategizing to such a degree that some filmmakers saw it as an impediment to their process.

In conclusion, it can be said that the cultural success of German film subsidies is impeded by the aforementioned factors, by incentivizing strategies that favour quantity of prospective film projects over their quality. Unaligned objectives within German politics lead to strategies on their end that are perceived as ambiguous and at times contradictory by their agents.

5.2. Implications for future policy design

The major consequence resulting from these findings should be clear in that objective alignment between principals and agents should be facilitated. The common delegated agency problems also constitute an issue that needs to be addressed, but the reasons for these problems seem so deeply rooted in the design of German public broadcasting and bureaucracy that it is unlikely that meaningful changes could be made without also changing fundamental aspects of German fiscal practices or public broadcasting. Whether or not such changes could or should be made is best discussed elsewhere.

The findings of this paper give reason to assume that the problems resulting from the misalignment of objectives within German politics can be ameliorated by more strongly incentivizing objective alignment between financiers and artists. This would not be without its own challenges but giving artists a possibility to more adequately explain and justify unconventional artistic choices could keep projects alive that would otherwise be stopped by an outright rejection from a committee whose members did not have the time to engage with the project deeply enough to understand its intricacies. This should be coupled with mechanisms to alleviate financial pressures during the development phase of film projects in order to allow filmmakers to invest more time in working on details or subtext. Improved objective alignment would also ostensibly provide more planning security for artists, with the consequence that perceived randomness would be limited and filmmakers can better decide which projects to focus on, no longer needing to figuratively play the lottery.

Implementing such changes would of course come with its own, very real challenges. All of these suggested changes would require meaningful investments of different resources. Support for the development phase would, for example, require adding or reallocating funds within the budget. Improved objective alignment likely necessitates a significant investment of working hours. If this coordination were to involve committee members, the principle of these committees would have to be reconsidered. Adding referents dedicated to more closely accompanying development would not necessarily impact the number of cases where counsel from referents contradicts the behaviour of decisionmakers, at least not without, presumably, more time investment by those decisionmakers, again, with the aforementioned hurdles to that approach.

One filmmaker specifically lauded a project launched by the *MOIN-Filmförderung* where artists can participate in workshops dedicated to the development of their ideas. (Interviewee 2) The effects of this project remain to be seen as this initiative is a new one and they could be the subject of future research.

5.3. Limitations and avenues for future research

There is of course a fundamental limitation in scope. Conducting a study of the extent of Wiedemann (2021) would naturally lead to more robust findings but would also lead to an untenable amount of effort in the analysis for this scale of paper. The scope of this study was also limited by access. Emerging filmmakers with fewer credits to their name have had fewer interactions and possibly less bargaining power with investors. Many of the described struggles can and have been ascribed to the power of personal networks and the creative freedom that comes with proven success, a resource emerging filmmakers naturally are yet to obtain. More well-known filmmakers could therefore provide yet a different perspective, but they also tend to be harder to contact on account of their popularity and, presumably, busier schedules. Nonetheless, a study such as this one, featuring mostly independent filmmakers has merit and has succeeded in highlighting unique issues and mechanisms through which the structure of public funding has impacted strategizing. Nonetheless, an increased sample size would likely yield more robust findings and perhaps uncover channels that were not encountered by the participants of this study.

A similar approach aimed at examining the perspective of the principals could achieve interesting results as well. The conclusions from this study are

based on the literature review and the statements of actors on the receiving end of the subsidies, without the possibility to consider theories and ideas that are not readily deducible from the available material. The quality and soundness of the conclusions could be greatly enhanced with a better understanding of the processes and inner logic of the funding organisations. A similar study could be conducted with the goal of gaining the opposite perspective of the participants in this study.

Lastly, the literature review has indicated a similar gap in research to the one addressed by this study in other countries. Gaustad (2018), for example provided a useful framework for this paper but did not further examine the implications of their theory. Comparing the experiences made by German filmmakers to those in other countries could yield information that might be used in policy design by learning from other's mistakes and following successful strategies.

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Appendices

Appendix A. Overview of the collected data

#	Function	Location	Date	Length
1	Writer/Director	Zoom	22.02.2024	1h15m16s
2	Writer/Developer	Zoom	29.02.2024	0h31m15s
3	Producer	Zoom	01.03.2024	0h52m55s
4	Writer/Director	Zoom	04.03.2024	0h53m21s
5	Writer/Producer	Zoom	05.03.2024	1h12m07s
6	Producer	Zoom	05.03.2024	0h47m52s
7	Producer	Zoom	18.11.2024	0h48m06s (not recorded due to privacy concerns)
8	Producer	WhatsApp-Call	11.12.2024	0h49m09s
Total time: 7h10m01s				

Appendix B. Interview guide

1. Career goals

When and how did you enter the film industry?

At what point in your life did you start to consider filmmaking as a career path for you?

Did you receive a formal education in filmmaking? Where? How long?

2. Role in the film industry

What kind of projects have you been working on?

Who was the target audience?

How high was the budget?

In what capacity did you work on your projects?

How did you find your projects?

3. Financing

How do you finance your films?

How did you find/approach the investors for your film?

Which public money funds did you receive funding from?

What form did interactions with your investors before/during production take?

In what way did they monitor progress?

Did investors want you to make changes before or during filming?

How do interactions between different investors differ?

What role does financing play when you conceptualize a film?

Can you give examples from your past projects?

4. Career Progression

Did you change the way you plan a project after your first filmmaking experience?

What changes? What were the reasons for those changes?

5. Conclusion

Is there anything else you would like to add?

If you were in charge of German film funding, what would you change? What would you not change?

Appendix C. Consent form

CONSENT REQUEST FOR PARTICIPATING IN RESEARCH

FOR QUESTIONS ABOUT THE STUDY, CONTACT:

Fabio Moreno, Am Westhang 7; 53639 Königswinter; D, fabio.moreno@t-online.de, +4915787267424

DESCRIPTION

You are invited to participate in research about public film funding in Germany. The purpose of the study is to understand how the funding framework influences cultural outcomes.

Your acceptance to participate in this study means that you accept to ~~participate in a survey /~~
~~participate in an experiment /~~ **be interviewed** / ~~be part of a focus group /~~ ~~be observed while you X.~~

In general terms, the questions of the interview will be related to how your interactions with film funding institutions have shaped your work.

Unless you prefer that no recordings are made, I will use a tape / video recorder for the interview.

You are always free not to answer any particular question, and/or stop participating at any point.

RISKS AND BENEFITS

I am aware that the possibility of identifying the people who participate in this study may have consequences for future professional interactions with peers and other stakeholders in your industry. For that reason—unless you prefer to be identified fully (first name, last name, occupation, etc.)—I will not keep any information that may lead to the identification of those involved in the study. I will only refer to participants in abstract terms that will not allow for identification of individuals or individual products of their labour. I will use the material from the interviews and my observations exclusively for academic work, such as further research, academic meetings and publications.

TIME INVOLVEMENT

Your participation in this study will take approximately 45 minutes. You may interrupt your participation at any time.

PAYMENTS

There will be no monetary compensation for your participation.

PARTICIPANTS' RIGHTS

If you have decided to accept to participate in this project, please understand your participation is voluntary and you have the right to withdraw your consent or discontinue participation at any time

without penalty. You have the right to refuse to answer particular questions. If you prefer, your identity will be made known in all written data resulting from the study. Otherwise, your individual privacy will be maintained in all published and written data resulting from the study.

CONTACTS AND QUESTIONS

If you have questions about your rights as a study participant or are dissatisfied at any time with any aspect of this study, you may contact –anonymously, if you wish— Dr. Valeria Morea, Department of Arts and Culture Studies (morea@eshcc.eur.nl).

SIGNING THE CONSENT FORM

If you sign this consent form, your signature will be the only documentation of your identity. Thus, you DO NOT NEED to sign this form. In order to minimize risks and protect your identity, you may prefer to consent orally. Your oral consent is sufficient.

I give consent to be audiotaped during this study:

Name

Signature

Date

I prefer my identity to be revealed in all written data resulting from this study

Name

Signature

Date