Arts, culture and the economy – A review of the practice as to how the arts and the economy are understood to interact

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Keywords
Arts, economy, value, community benefit.

Abstract
The economic contribution of arts and cultural activity is often presented by arts sector managers as an important reason for why the government should provide support and subsidies for the conduct of arts activities. This paper provides a review of how such contributions are assessed, and the issues involved. The paper argues that while the economic contribution is an important facet of the arts sector, claims as to the level of that contribution, need to be presented appropriately. This is done, the paper argues, by not just considering aspects such as employment generated, but by recognising the economic issues from the context of a benefit cost evaluation framework. This recognises that the market failure arguments within the arts sector underpins the relevance of estimating the value of benefits for supporting the arts from a community perspective.

Biography
Barry Burgan is Associate Professor and Head of the Business School at the University of Adelaide, teaching at various levels in corporate and business finance. His research interests are in the areas of public finance issues, cost benefit evaluation (particularly in cultural industries) and regional modelling. He was previously Director of the South Australian Centre for Economic Studies and has been at the University of Adelaide for 18 years. Prior to the University, he worked as a management consultant.
Introduction

The relationship between the arts sector and the economy, that is an economic perspective of the arts, is generally poorly understood and applied. As this paper will demonstrate, multiple methodologies are used across different studies with limited comparability. While there is an argument from within the arts community to suggest that the value of the arts placed it “above” commercial consideration, it is unequivocal that market demand is one measure of the value in the “product” in a more traditional economics view.

Therefore this analysis provides a review of the major methods by which the arts/culture-economy relationship is commonly reviewed – ranging from the very common methodology-based studies which focus on the contribution with respect to jobs and employment creation, to those less common which look at the broader perspective of economic value.

However even then, estimating the value is not the story – every sector has a value in just about every one of these frameworks. A better story or focus would be why the arts might not be achieving the value it could, and how could it best achieve much greater value? So the more interesting economic arguments are about the system failures (market and other) that constrain the value creation, and how they can be dealt with.

The concept of relevant economic value is not agreed by economists

It is quite common to see reports that discuss and measure the economic contribution of this or that sector of the economy, or of that activity. These reports are written usually so that the project or sector being reviewed can argue for special treatment, or for subsidies and grants from government (see Madden (2008)). What those reports might cover can be very different – and this is the same for a review of the cultural sector, or events or activities.

An economic perspective is different from a business perspective. A business perspective is related to profitability of the sector. Therefore the business question is “what was the box office of that film”, and “what was the return on investment” – and often for a film or a cultural product the answer is “negative”. Higgs, Cunningham and Pagan (2007) indicate that 6.6% of Australian GST registered businesses are from the creative industries or perhaps cultural (for a distinction between cultural and creative see Cunningham (2002)), while 10.8% of businesses without GST registration are creative. Surveys in South Australia (undertaken for the ARC Linkage project Creative Economy: Investigating South Australia’s Creative Industries (2004)), indicate that around 5% of businesses in South Australia are creative, and their average gross profit margin is around $50,000.

However the major perspectives in considering an economic framework for the sector can be summarised as:

- the first, and more common view is to look at the contribution of the sector in terms of the jobs created and incomes earned with the sector
- the second is the contribution in addition to the above – the flow on and whole of economy view
- the third is the context of the value of creativity in terms of its community feel and quality of life, and the inter-relationships with other sectoral elements and the importance of this in terms of ongoing developments.
All of these aspects of the creative sector are undeniably significant. That these views are all valid constructs is summarised by the US National Research Advisory Committee (2004) who stated that “Impact assessments in the arts and cultural sector have typically been framed in terms of economic multipliers, or return on investment ratios. Recently however there has been a tremendous interest in the finding that a region’s cultural and artistic activity or ‘scene’ can be a strong predictor of economic success in apparently unrelated sectors” (p. 3). These comments about the importance of arts and culture of course have led to the broader view on the role of creativity more generally and the interactions between cultural and creative activity as discussed earlier.

Therefore it is relevant in a review of methodologies to consider the varying perspectives. It extends the discussion of the current contribution by putting the analysis into a comparative framework – i.e. the contribution relative to the rest of the economy. This comparative framework is also used to comment on the inter-relationships within the economy and therefore given the policy issues and industry constraints consider the implications of growth or decline in the sector. Lastly there is some specific comment concerning an economic context of a broader view of value of the sector – and the policy implications of how recognising all these perspectives of value can be of benefit to the sector.

The concept of current economic contribution – jobs and incomes

Recent work in Queensland (see Higgs, Cunningham & Pagan 2007), ARC Centre of Excellence for Creative Industries and Innovation at Queensland University of Technology and also Innes, Anyanwu, Burgan, and Sorell (not published, but available from web site) *Creative Economy: Investigating South Australia’s Creative Industries* have both focussed on employment from the Census as the starting point, and has discussed what is called a trident approach in terms of recognising creatives or cultural employees in creative or cultural businesses, non-creatives or cultural employees in creative or cultural businesses, and creatives or cultural employees in non creative or cultural businesses – all as being valid in the discussion of the sector and its size. Using this concept, Higgs, Cunningham and Pagan (2007) summarise the contribution of the creative sector in Australia using Census data as follows:

- the cultural sector employs around 300,000 people (2.2% of the economy)
- around 134,500 of these would be cultural occupations, and the balance is in non-cultural (technical and administration)
- around 137,000 people are in cultural occupations in non-cultural industries and sectors.

These numbers represent a perspective of the economic contribution of the sector and the Census data as a source of information about industry structure provides a solid base for review, but it should be considered only an indication of the broad contribution in that it involves some significant limitations, the major ones of which can be considered as follows:

- It offers a partial perspective only, it provides information only on the industry and occupation of the main employment role of the individual, and provides incomes data as a whole or for households. This is very limiting in areas such as creative industry employment where, as the survey shows us, there is a lot of part-time and casual employment.
- The timing of the question – the Census is taken on June 30th every five years, and the question asked is about recent employment experience. There is therefore an understatement of employment outcomes in occupations that have seasonal characteristics, and certainly some elements of the creative sector would be considered to have seasonal
features (for example in the context of events and festivals which tend to occur across Spring to Autumn).

- Self selection – obviously the Census process is for individuals to self select their answers to the questions, and again because of the issues surrounding the sector, there is the potential for bias in the way in which questions are answered.

- Industry definition – the standard definitions for industry of employment in the Census is an ANZIC code. There are some sectors that clearly fit within the creative sphere (e.g. Segment 90 Creative and Performing Arts Activities), but others which are less directly relevant.

- Employment concept in industry – the standard definition in measurement terms are for full-time and part-time employment. Employment in parts of the creative sector do not fit this concept (or at least it is insufficient as a definitional construct, in that intermittent employment can be common (i.e. periods of intensive employment, more than full-time, and then periods of no activity), or where people have multiple jobs to make up the equivalent of a full-time job (see Throsby & Hollister 2004).

In addition to the employment data, there is the supporting structure of the national accounting information. The national accounting system measures the extent of economic activity, defined primarily as Gross Domestic Product – a measure alternatively of final demand in an economy and of value added in industry – the returns to labour and industry.

The most detailed construct within the national accounting systems is the input output table – which is part of the national accounts – and shows the production function of an industry (inputs) including value added, and sales function (outputs) including intermediate demand and external demand. The Australian national input output tables describe the economy in a broken down form to 109 industry sectors, and regional tables – available for most regions are usually slightly more aggregated.

The advantages of using this framework to investigate the contribution of a given sector is that relative to other sources of information it is complete, comprehensive, and an internally consistent picture of the economy at a given point of time (and of course by comparing tables across time it tells us something of how the sector changes).

However, it is also necessary to recognise that there are limitations in using the national accounting framework for assessing economic benefits. It should be noted that there are a number of indexes of quality of life that are used to assess the living standards of a given economy – and while GDP is always part of the measuring block, it is usually supplemented by other factors. In short the major disadvantage is that there is a distinction between what economics measures as social welfare and the level of economic activity.

In the case of the input output tables themselves they are again restricted in measurement terms by being defined with ANZIC terms. Within these 109 sectors, the three specific creative sectors identified include:

- publishing
- motion picture, radio and television services
- libraries, museums and the arts.

In addition to this employment and value added data there are a number of periodic Australian Bureau of Statistics surveys that are undertaken, which give more detailed
information on performance of the sector. While these surveys provide more detail, the information tends to be ad hoc and fractional. It is collected at different times, and not across every area of the sector.

To supplement this data, the ARC Linkage project, Creative Economy: Investigating South Australia’s Creative Industries undertook a survey of creative businesses that produced the following key data, based on a coverage of 90 businesses in South Australia. The key features of the survey results include the following:

- Average employment per entity was fourteen. On average 25% were described as full-time creative, 28% as creative contractor, and 11% non-creative. The balance was part-time employment. This proportion of part-time employment is far more significant than the community as a whole.
- The financial characteristics were not available for the full survey base (therefore having a high standard error), but indicated that:
  - Average sales were $566,000 per entity, and sales to local markets was the largest on average, overseas exports not far behind, but dominated by a small number of companies.
  - Wages represented 50% of sales revenues and 55% of total expenditure. Of the other purchases of the order of 88% were from South Australian sources, 20% imports into the state and 8% taxes.
  - The sector primarily sells to local consumers, with local businesses also being an important source of demand.
  - Wages represent the greatest cost, while those responding (and again this was extremely limited) indicated that they purchased inputs either from local suppliers, or from overseas.

An artist survey supplemented this business survey (106 artists surveyed, who were broadly spread throughout the sector) and indicated that:

- The average hours worked per week by those surveyed was 47 hours.
- Of this time 18% working for salary full-time, and 13% for salary part-time. Fifty-eight percent of the time was spent as self-employed/freelance (10% as company).
- Only 49% of work time on average was spent in the primary creative field – and only 6% of the respondents worked 100% of their time in their primary creative field. Nine percent of their time on average was spent in their secondary creative, 11% in other work in creative industries, and 3% in creative skill training. Therefore around 20% in non-creative sector work.
- The average income of respondents was $52,000, of which 64% was derived from creative activity. It should of course be noted that, for individuals the situation ranged from zero income derived from their creative pursuit to a maximum of $350,000.
- There was also an average spend of $21,000 in supporting creative skills (or 40% of average income from all sources, and 60% of creative work income). This again varies markedly from individual to individual, and there are a large number who spend well over what they earn from their creative pursuit in the cost of pursuing the creative pursuit. The average creative sector income was $12,000 on average, after allowing for costs. The major costs included materials and consumables, freight and travel, equipment, and agents’ commissions.
All of the above information reflects the supply side. An alternative perspective on the value in culture is found based on what people are prepared to spend on it. The 2006 ABS *Household Expenditure Survey* indicates the following cultural spend (average dollars per week per household) at the national level, with specific items identified as:

- Musical instruments and accessories: 0.67
- Art and craft materials: 0.46
- Cinema fees and charges: 1.93
- Live theatre fees and charges nfd: 0.02
- Music concert fees and charges: 0.72
- Live theatre fees and charges nec: 0.85
- Dance and nightclub fees and charges: 0.54
- National park fees and charges: 0.03
- Zoo fees and charges: 0.21
- Art gallery and museum fees and charges: 0.15
- Clubs and association subscriptions (excluding sports clubs): 0.70
- Cultural fees and charges nec: 0.05
- Culture course: 1.14
- Culture and recreation lessons (excluding sports lessons) nec: 0.17
- Recreational and educational services nec: 1.75

If it is assumed that the last item involves 50% of spend on cultural or creative times it suggests that the average Australian household spends $8.53 per week on creative or cultural activities. There will also be expenditure on other creative activity, for example involved in education costs.

The concept of flow-on or multiplier effects

Using the information as above, in the Innes, Anyanwu, Burgan, and Sorell (no date), ARC Linkage project, an input output table has been prepared which focuses on the cultural sector. This table is used to generate multipliers – and the argument is that in addition to the direct contribution of the creative economy as discussed above, final demand for the products of the creative sector will have impacts on other sectors due to the flow-on effects. A multiplier in effect shows the increase in regional value added, in income or employment resulting from an exogenous $1 increase in final demand.

The following three tables indicated the multipliers for South Australia, calculated from the input output creative industries table as discussed. They indicate that for every $1 million extra or new final demand in South Australia, for example for the publishing sector, there would be $0.6 million of direct value added (i.e. returns to labour and capital in the publishing industry) and an additional $0.39 million in flow through effects, giving a total outcome of $1.01 million. There would be 6.0 jobs (FTE’s) created directly (i.e. in the publishing sector) of which 1.1 would be defined as a creative occupation and the balance as not creative (management, or support). When flow through effects are considered, there would be a total of 11.1 jobs created, of which 1.2 would be considered creative.

**Value added multipliers, creative industries focus input output table, Sth Aust, 2002/3**

<table>
<thead>
<tr>
<th></th>
<th>Initial Impact</th>
<th>Prodn Induced</th>
<th>Consum Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publishing</td>
<td>0.6168</td>
<td>0.1851</td>
<td>0.2040</td>
<td>1.0059</td>
</tr>
<tr>
<td>Motion picture, radio &amp; TV</td>
<td>0.4150</td>
<td>0.3847</td>
<td>0.2793</td>
<td>1.0790</td>
</tr>
<tr>
<td>Libraries, museums &amp; the arts</td>
<td>0.4955</td>
<td>0.3108</td>
<td>0.0672</td>
<td>0.8735</td>
</tr>
</tbody>
</table>
It can be argued, and has been consistently applied in reports, that the multiplier concept is a relevant approach to assessing economic contribution, and helps to interpret the total value created due to spend on the output of the cultural sector.

Screen Australia provides national multipliers for the screen content industry on their website (http://www.screenaustralia.gov.au/gtp/mpmultinational.html), and these in turn are derived from the Australian Cultural Ministers Council Cultural Data Online (http://www.culturaldata.gov.au/), with sectoral multipliers as follows:

<table>
<thead>
<tr>
<th>Creative occupations employment multipliers, creative industries focus input output table, Sth Aust, 2002/3</th>
<th>Initial Impact</th>
<th>Prodn Induced</th>
<th>Consum Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publishing</td>
<td>1.0966</td>
<td>0.0523</td>
<td>0.0319</td>
<td>1.1808</td>
</tr>
<tr>
<td>Motion picture, radio &amp; TV</td>
<td>1.4212</td>
<td>0.3032</td>
<td>0.0437</td>
<td>1.7680</td>
</tr>
<tr>
<td>Libraries, museums &amp; the arts</td>
<td>1.5256</td>
<td>0.1465</td>
<td>0.0105</td>
<td>1.6826</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total employment multipliers, creative industries focus input output table, Sth Aust, 2002/3</th>
<th>Initial Impact</th>
<th>Prodn Induced</th>
<th>Consum Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publishing</td>
<td>5.9940</td>
<td>2.4418</td>
<td>2.6575</td>
<td>11.0934</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2.7063</td>
<td>4.1307</td>
<td>3.2003</td>
<td>10.0373</td>
</tr>
<tr>
<td>Motion picture, radio &amp; TV</td>
<td>2.9558</td>
<td>4.7565</td>
<td>3.6389</td>
<td>11.3512</td>
</tr>
<tr>
<td>Libraries, museums &amp; the arts</td>
<td>6.1984</td>
<td>4.0038</td>
<td>0.8753</td>
<td>11.0774</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Australian production ($m)</th>
<th>Output multiplier</th>
<th>Gross value added multiplier</th>
<th>FTE employment multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>4,861</td>
<td>2.75</td>
<td>1.29</td>
</tr>
<tr>
<td>Newspaper printing/publishing</td>
<td>4,462</td>
<td>2.70</td>
<td>1.33</td>
</tr>
<tr>
<td>Other periodical publishing</td>
<td>1,240</td>
<td>2.74</td>
<td>1.31</td>
</tr>
<tr>
<td>Book and other publishing</td>
<td>1,894</td>
<td>2.76</td>
<td>1.29</td>
</tr>
<tr>
<td>Architectural services</td>
<td>1,107</td>
<td>3.03</td>
<td>1.60</td>
</tr>
<tr>
<td>Advertising services</td>
<td>3,342</td>
<td>2.93</td>
<td>1.41</td>
</tr>
<tr>
<td>Commercial art and display services</td>
<td>1,246</td>
<td>2.86</td>
<td>1.49</td>
</tr>
<tr>
<td>Film and video production and distribution</td>
<td>474</td>
<td>3.05</td>
<td>1.80</td>
</tr>
<tr>
<td>Motion picture exhibition</td>
<td>545</td>
<td>2.61</td>
<td>1.28</td>
</tr>
<tr>
<td>Radio and TV services</td>
<td>3,328</td>
<td>2.83</td>
<td>1.39</td>
</tr>
<tr>
<td>Libraries and museums</td>
<td>783</td>
<td>2.98</td>
<td>1.74</td>
</tr>
<tr>
<td>Parks and gardens</td>
<td>591</td>
<td>2.65</td>
<td>1.64</td>
</tr>
<tr>
<td>Music and theatre productions</td>
<td>397</td>
<td>3.09</td>
<td>1.79</td>
</tr>
<tr>
<td>Creative arts</td>
<td>463</td>
<td>2.59</td>
<td>1.55</td>
</tr>
<tr>
<td>Services to the arts</td>
<td>601</td>
<td>2.50</td>
<td>1.40</td>
</tr>
<tr>
<td>Video hire outlets and photographic studios</td>
<td>1,044</td>
<td>2.68</td>
<td>1.38</td>
</tr>
<tr>
<td>All cultural industries</td>
<td>26,377</td>
<td>2.79</td>
<td>1.39</td>
</tr>
</tbody>
</table>
Burgan and Molloy (2006) discuss the definitions of multipliers and the use and misuse of them, and warn that application of models at the national level is a dangerous thing (though the current economic crisis weakens some of the arguments) and at state or regional levels should also be used cautiously. The tendency for multiplier concepts to be mis-applied by practitioners, who don’t understand them – or their limitations, has led to significant cynicism in their use.

Multipliers are a simple economic construct derived from whole of economy models which are aimed at defining the impact of an exogenous shock on the economy through a whole of economy context. The two basic options for whole of economy models are:

- **Input output models** – economy-wide models with some very simplifying assumptions applied. An input output (IO) model can be used to assess economy-wide activity impacts, and then the implications for other economy-wide issues (supply constraints, macro effects) considered if necessary by additional assumptions.

- **General equilibrium models** (CGE) such as the Monash model – these are economy-wide models based on an underlying input output framework where the economy-wide factors are modelled internally, using generally arbitrary assumptions about parameters. While theoretically much more sound than an input output model – through incorporating supply side constraints and more detail on labour markets, and capital market constraints, they still have some limitations in their capacity to capture complex implications of projects – changing economies of scale, building interactions, and they, like IO or any other modelling framework, are also highly dependent on the closure assumptions that are used. Multi-region models are now common place and allow the shocking of a regional economy and modelling the impact at both a state and national level (including feedback effects).

There are also econometric linked models where time series and econometric based macroeconomic relationships are distributed across industry sectors by use of an underlying framework.

All of these models are based on an underlying IO table, and generally assume constant returns to scale (although this can be relaxed in some cases), and are historic tables. All ignore some linkages or are bound by specific assumptions in this regard (and particularly the dynamic profits, investment linkage).

There is no question that CGE based approaches are absolutely essential when considering economic outcomes of large programs, policies or projects at the national level – and even more so when the issue is one of cost or supply side effects. For example, the question of the relationships involved in the market distortion effects of tariffs would not have been as clearly understood other than through the application of CGE models, and input output tables would not have coped with this type of issue at the national level. In addition to the underlying input output framework, the CGE modelling framework requires information on demand and supply elasticities for all sectors/products.

Whatever model is used, one thing that is important is that the modelling is undertaken with an “incremental” emphasis – transfer (export and import replacement) within the context of the economic shock. The base case needs to be fully understood, with a key question in this context being what proportion of project depends on government support? Almost paradoxically, it can be easier to accommodate these issues (e.g. diminishing returns to scale for some industries) in the case of a simpler construct like input output than in more complicated frameworks.
Value from a broader economic perspective

The jobs perspective and size of the sector is widely used (see Americans for the Arts 2008) but represents a narrow perspective of the value of creativity from an economic framework. The broader question of value and its relevance begins in the policy question as to why the arts are not achieving the value it could as a sector, and how could the arts best achieve much greater value? This leads to the economic arguments, which are about the system failures (market and other) that constrain the creation of benefits, and how those failures can be dealt with. The common market failures that are discussed with respect to the arts and cultural sector as in industry include critical mass, externalities, infant industry, skills base. While such issues exist for most industries the key is to recognise the specific issues for the arts sector, and how best value can be created. Cunningham, Ryan, Keane and Ordonez (2008) for example look at the issues of the role of commercial media, including in terms of economies of scale and its impact on cultural sector financing in China, Latin America, and Indigenous Australia. Doust, Hayter, Burgan and Molloy (2005) and other studies and debates point to the critical need to enhance business management understanding and skills of arts community – at least part of the response needs to be in a market context.

Recognising the question of value is a broad one, and linked to market failure issue there is a need to consider the perspectives on economic value additional to the employment creation argument.

Value from a financial perspective

The narrowest view of the relationship between arts and the economy is the view of a business entity – that the value of the arts and culture is in the profits that can be made from supplying arts and cultural services. The key questions are “what is the profit margin?” and “what is the rate of return on investment?” These are critical issues in order to attract private sector investors into the sector.

Still taking a business or private investor perspective, you could take a balance sheet view – the value of art works, musical equipment, arts facilities, but this leaves an equally vexing question (this time from the accountant – how do you value the art work or facilities).

Information of these business aspects of financial performance are limited. The sources will include Australian Bureau of Statistics information, and financial ratios from public and subscription based information providers.

The value beyond market price

Australian consumers spend significant amounts directly on culture. How much they spend depends on the price the market charges for a specific product, and this in turn will depend on the price that attracts sufficient attendees to validate the product. But there is, for many consumers, a value beyond that – this is in economic terms usually referred to as willingness to pay (rather than what had to be paid), and the value is called consumer surplus. They do not have to pay this price as the price is set at what the marginal attendee will pay (although some of the value can be captured by things like souvenirs, by adding on food and beverage options, by programs). There are a number of international and national studies that attempt to put value on this aspect of culture, but they are limited in depth.

Value to participants in the sector

It is widely understood that many of the participants in the sector invest their time at a lower rate than they could otherwise earn (and sometimes at nothing). They do so
because of the value they get from this activity – pleasure, enjoyment. Example of studies in this area includes the value of volunteer time, or the willingness of an artist to spend time in a creative pursuit when they could alternatively spend time in a higher paid occupation. This is also sometimes considered to be underemployment.

Social good externality effects

There are a range of studies that indicate that investment in culture provides improved outcomes in other areas of the community, including the benefits in reduced crime – and the associated lower crime prevention costs, improved education and the longer term benefits. Many studies focus on this aspect of the benefit of art and culture. Baum, O’Connor and Yigitcanlar (2009) emphasise the relationship between the creative sector and urban development outcomes. Gibson and Robinson (2004) discuss the links between creative networks in non-metropolitan areas in terms of impact on jobs and then with a social focus on issues of youth unemployment and out-migration. They conclude that creative networks in non-metropolitan areas face problems of informal and itinerant membership, and anti-socialisation attitudes, yet seem to have a substantial role in improving the conditions of viability for vulnerable cultural producers.

Gibson, Murphy and Freeborne (2002) provide an interesting, differing but not contradictory, perspective in a study that suggests that urban renewal, housing market pressures and intra-regional migration all mediate Australian experiences of the cultural economy, again emphasising the importance of externality effects that pervade the cultural sector.

Impacts on the level of innovation in the economy

Again there are a number of studies which emphasise the contribution of the creative and cultural sector to a more dynamic society (the idea that culture is a significant underpinning for an innovative economy, and that innovation is critical for income growth). This has been most commonly discussed in what has become called the Florida effect (see Florida, 2002), and it is this aspect of creativity that is of interest. Florida and others have advocated that investment in cultural and creative infrastructure is important because it can be seen be linked to improved economic growth in the long term. With respect to the arts and culture, Potts (2007) says it this way: “Yet the arts I argue have their greatest value in the process of economic and cultural change” and “the arts industries are critically connected to the evolution of economic systems by the way of the market for new ideas and the process of change”. He further reinforces the validity of these two alternative perspectives in that “In this view, the arts are still an industry that produces cultural and public goods, but they are also, and more significantly, a social technology for the origination, adoption and retention of new ideas” (p 11). Potts and Cunningham (2008) investigate four models for looking at the link between the economy and the cultural sector, with the models based on welfare, competition, growth and innovation. They find the relationship is best explained by the growth model approach – emphasising this dynamic link.

Links to other sectors

Links of creativity into other economic and community activity, and specifically the link into tourism directly and indirectly is a further way by which value of culture can be considered. In terms of the direct link it can be noted that the tourism industry benefits from arts festivals and cultural events, and events commonly have a cultural construct. Cultural festivals provide cultural value for local residents, as well as attracting visitors into the state. These visitors spend money in the state and therefore create economic activity – a contribution that is not counted in the above. The conference and convention sector has a similar link into tourism, and of course conferences and conventions typically have heavy creativity, technology and innovation themes.
As a specific and separate example of the tourism effect, there has been a lot of attention to the value of events. Because events in themselves have significant public good and externality characteristics they are often supported by government funding, and in South Australia they are supported by Australian Major Events, with similar bodies in other states. To validate that this is an appropriate use of government funds, events are often reviewed.

The Cooperative Research Centre in Sustainable Tourism has recommended in its publication (Jago, 2005), *ENCORE Festival and Event Evaluation Kit* the use of an events evaluation methodology: “the Encore Kit enables organisers and sponsors to assess the magnitude of new funds that are attracted to the host region and/or State as a result of a festival or event. This enables the economic evaluation to be consistent, allowing for comparisons between events. Encore collects key demographic, marketing and visitor satisfaction data that will assist events in being more successful over time”.

The importance of the expenditures identified above is that they will sustain turnover in local industry, and specifically this will support local jobs and incomes. The Encore kit stops at collecting expenditure therefore interpreting the total increase in expenditure as the increase in economic spend in the region. However in the national accounts framework it is the value added (and the associated jobs) that are taken to be a more relevant measure of economic impact or benefit, netting out items such as expenditure on imports.

It is also generally acknowledged that, in addition to the jobs in direct suppliers to the services (e.g. the event itself, hotels, restaurants), the expenditure has a multiplier effect within the community, extending the spend effect and the impact through the expenditure of wages and purchases of the direct suppliers, and indeed it is often this aspect that is important to the hosting community. The financial return of the event itself is usually of no direct interest to the community; it is the jobs and incomes created in local businesses that matters.

The use of multipliers/input output table approach has been a prominent process for translating the direct expenditure into jobs and incomes, and for establishing the extent of multiplier impact. The Encore method does not include this step, for two prime reasons. The first is the non-availability of IO tables for relevant regions and states, and the second is that there is a significant level of academic argument about appropriate models for converting increases in external expenditure (final demand) into regional economic impacts (multipliers and IO models versus CGE versus cost benefit assessment).

South Australian examples of value creation through arts and culture by creating employment and incomes outcomes in other sectors of the economy include WOMADelaide and the Adelaide Fringe. These events in 2008 (information provided by the organisers of these events) were assessed as having the following economic outcomes:

- WOMADelaide – attracts approximately 9,000 new visitors to the state, who spend 51,000 nights within the state. Visitors and retained local spend is estimated to be in the order of $7.9 million in supporting their attendance in areas such as accommodation, food and beverages, local transport. This is estimated to generate a $7.2 stimulus to Gross State Product, and support the equivalent of 100 jobs (Full Time Equivalents). As noted above, this economic contribution is only one element of the benefit of a major event. There is considerable value to South Australians in attending the event, and a significant contribution to the cultural fabric of
the state (and therefore the quality of life). From the survey 99% of Adelaide respondents who attended the event considered the event important to the state, with most (88%) considering it very important.

- **Adelaide Fringe** – there are an estimated 14,300 estimated new visitors to the state (i.e. those who came primarily because of the 2008 Fringe program). Created expenditure associated with these visits to the state is estimated at $9.3 million. This new visitor expenditure is estimated to create incomes in the state (contribution to Gross State Product) of the order of $89.4 million and create of the order of 110 full-time equivalent jobs directly and indirectly. Again the evidence suggests that the value both economically and socially goes well beyond this narrow economic view, and there is overwhelming community support for the event.

In summary the creative sector is an important component of a region’s (in this case South Australia’s) total tourism product. Tourism infrastructure includes not only hotels and transport services, but also activities such as heritage items (visits to museums, historical walks), general entertainment, events and performances. Cultural activities will therefore be an integral part of directly and indirectly attracting tourists to regions nationally and internationally.

**Conclusions**

When considering the issues of economic contribution or evaluation, studies have in the main focussed on what might be considered a narrow view – value added (contribution to GDP), profits and jobs. This view is valid at the regional level, and also at the national level at times where there is some level of involuntary unemployment.

More complete studies, either at regional or national levels, consider the broader range of value constructs. The Department of Communications, Information Technology and the Arts (DCITA) and the Australia Council for example collaborated on a study (Cassidy 2003) to gather evidence on the economic and community impact of cultural programs in two regional centres, Port Lincoln and Maryborough.

It can be demonstrated that under all measures discussed, the arts have value. There are methodological arguments about the measuring of employment and incomes outcomes. Broader outcomes measures are difficult to identify and quantify, but the general feeling is that these impacts are even more significant than the narrower jobs context. Arts Council England (2004) strongly argue for the need for research and attention to better valuation frameworks that are comprehensive, and not single dimensional. Gibson (2002) provides a note of caution by suggesting that the economic development agenda of “the creative industries” has become the “buzz word”, suggesting that it is counterproductive to have such an emphasis relative to the importance of cultural rights – the underlying sociological context of the significant social effects of cultural production and consumption. Gibson argues that focusing on one or two aspects of the economic value will result in poor policy outcomes, and specifically that there is a need to understand the needs of the creative practitioner – within the context of a multiple array of social, cultural, political and economic effects.
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