**Measuring the “economic importance” of the arts: problematic issues**

In Britain, the economic argument with relation to the arts acquired popularity in the 1980s, as a reaction to Thatcherite cultural policies. Subsidies were frozen (a reduction, in real terms, of the funding available) and the arts were pressed to become less reliant upon state subsidies, consequently, the need arose to present the case for the arts in a different, more convincing way. “Subsidy” became a wholly unfashionable expression and was quickly substituted by the word ‘investment’. The state was thus invited to “invest” in what were now referred to as the “cultural industries”. As the argument went, the state should not recede from its commitment to the cultural sector in consideration of the remarkable contribution that the arts make to the economy of the country, by producing wealth, contributing to urban regeneration, creating employment and attracting investment from private businesses. This economic argument in favour of public support of the arts was ultimately glorified in the study published, in 1988, by John Myerscough and significantly entitled *The Economic Importance of the Arts in Britain*. This was a highly controversial publication, strongly criticised particularly by cultural economists, yet, it opened the way to an increasing number of similar studies claiming to be able to prove and measure the importance of the arts sector to the local and national economy. Myerscough’s work was admittedly motivated by an attempt to advocate for the subsidised cultural sector. Even today, most economic impact studies are commissioned by organizations directly involved in arts administration or funding. This has in itself generated criticism and scepticism about their objectivity, to the extent that economists involved in impacts measurement have become, in Sir Alan Peacock’s words, a useful ‘hired gun’ for the cultural establishment. Such criticism, though, albeit not rare, has left the belief in the economic value of the arts largely unscathed, as proved - for example - by the DCMS’ publication *Creative Industries: 1998 Mapping Document*, which provided an overview of the contribution of the British creative sector in wealth and job creation, an exercise that was repeated in 2001.

There are many different possible types of economic impact studies: they can focus on the economic importance of a single cultural event or organization (a festival, a national tour, etc.) or the entire cultural life of a town or region. A more ambitious study might even attempt to measure the economic impacts of the cultural life of an entire country. However, the most common form that this type of study tends to take is the registration and measurement of the short-term economic impacts of the cultural activity or organisation observed, attempting to differentiate between direct, induced and indirect effects (Hansen 1995).

The *direct effects* are the employment and income that are directly generated by the arts organisation/activity (for instance the number of people directly employed by an arts organisation). The *induced effects* of the arts concern the so-called ancillary spending that accompanies cultural consumption. When spending on the arts, the customer is very likely to spend his/her money not only to access the cultural product, but also on things such as transport, food and drink and, in the case of cultural tourists, also accommodation and other forms of recreation. It thus follows that cultural spending induces consumption and consequently, income and employment also in other sectors of the national economy. Finally, the *indirect effects* (closely linked to the previous two) are constituted by the ineffable yet revered multiplier effect. Put it simply, the multiplier operates on the principle that one individual's expenditure is another individual's income. Whenever any extra consumer spending happens, this gives rise to a series of further incomes and expenditures. The overall increase in spending is much higher than the initial injection of additional expenditure. The greater the proportion of the extra income that is spent, the bigger the multiplier effect will be. Thus, to estimate the multiplier effect of the cultural sector on the economy it is necessary to establish to what extent the money spent on culture circulates within the local economy, thus creating additional local spending and positive indirect effects on the local economy at large. In this context, the supporters of the economic impact of the arts claim that the arts sector generates a high multiplier effect, as they tend to stimulate extra-consumption and spending in other local businesses (local transport, restaurants, etc.), thus minimizing "leakages" of the additional income from the local economy. Therefore, according to the champions of the economic argument, the cultural sector is an important player in the national economy because of the high number of people it employs, because of the wealth it generates - directly and indirectly - by stimulating additional spending within the local economy. Furthermore, there is a diffuse belief in the capacity of a vibrant cultural sector to make an area more attractive for business relocation. According to this view, moving to a lively and culturally vibrant location appeals to firms as it makes it easier for them to attract highly skilled professional labour.

However, these are hardly uncontroversial claims. In fact, there are a number of problematic issues concerning the way impact studies reach their conclusions. Some of the complications arise form the ambiguity of the very concept of the measurement of the "economic importance" of the arts. This can be interpreted as referring to the measurement of that section of the local or national economy that has to do with the arts. In this case, the impact study would attempt to measure and register the actual size of the cultural sector (how many people it employs, its annual turnover, the tax revenue it generates, etc.). If the study aspires to provide a strong justification for the public support of the arts, though, this type of study would not represent an effective advocacy exercise. Registering the proportion of the arts sector within a country does not prove that the subsidies are public resources well spent, or that it might be worthwhile to maintain or increase current subsidy levels. Rather, in order to provide effective advocacy ammunition, an impact study should strive to measure to what extent the cultural sector is able to generate economic *growth* (that is *new* consumption and *new* jobs) as opposed to a mere diversion of consumer spending.

Surprisingly, though, this type of study represents a minority percentage of extant impacts studies. In fact, the advocacy of many impact studies is based on a clear exaggeration of the economic impacts observed. This exaggeration is the result of considering consumption, employment and tax revenues as gross quantities rather than trying to establish if the arts sector has produced new consumption and new employment. Furthermore, it is not enough to show that the arts generate income, employment and tax revenue, for all sectors of the economy do that. For the advocacy argument to hold, impact studies also need to prove that investment in the arts is *more* beneficial (in terms of economic growth) than investment in other sectors. Regrettably, impact studies have failed, so far, to convincingly sustain the claim that in order to help economic development the best option is to invest in the arts. One more argument that impacts studies have failed to substantiate is that the arts are a crucial factor in business relocation decisions. Indeed, there is evidence (Seaman, 2000) that businesses still consider infrastructures and other business-related factors as more decisive in their choice of a suitable location. Therefore, if we followed the argument to its logical consequence, it would make more economic sense for the state to redirect available subsidies to other activities (such as infrastructure improvements) rather than the arts, if it wanted to achieve the highest possible economic returns for its investment. One final important reason to be cautious about economic impacts studies is that they tend to encourage an instrumental view of the arts, according to which they are evaluated in relation to their economic – and, more recently, social – impacts, rather than for their intrinsic purpose (which is *not* to generate new consumption and employment). Unfortunately, the impacts on the national cultural life, on the population's quality of life, identity, and creativity (which are the areas where the arts could really represent a long-term investment in the development of society) don't lend themselves to a short-term economic evaluation, and are thus unsuitable for a type of research that often equates to an advocacy exercise.

## Bibliography

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