

Valuing the arts: Pitfalls in economic impact studies of arts festivals

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Economic impact studies have been used to value goods with both public and private good characteristics, like arts festivals, and have been useful in providing a quantifiable monetary estimate of their worth. However, such studies have been fraught with methodological pitfalls which call their accuracy into question. The paper discusses these methodological problems using economic impact studies conducted on four international arts festivals. It is argued that, in order to make an effective case for the public or private support of the arts, calculations of the value of cultural events need to be taken a step further than economic impact studies allow. It is concluded that even the most accurate of such studies do not include an estimation of the value of the positive externalities provided by arts festivals and that a willingness to pay study should be conducted in conjunction with more traditional economic impact methods.

1 Introduction

Economic impact studies have been used to measure the value of a variety of public and mixed goods, such as arts festivals, sports facilities and educational institutions, and so to motivate for public funds. The attraction of this sort of study rests largely on the fact that it produces a quantifiable monetary measure of the value of a project as opposed to a less easily valued qualitative study. A public officials, boosters and the media accept the >quantifiable= which appears to represent reality in order to justify a desired project@ (Johnson and Sack 1996:370).

Seaman (1987:724) pointed out that arts impact studies have been useful in Aclarifying industry and sectoral interaction in local economies and improving predictions about income and output changes@. It has been argued (Crompton 1995; Johnson and Sack 1996; Seaman 1987) however, that economic impact studies, while appearing to provide useful monetary estimates, are in fact plagued by a number of methodological problems.

AThose who produce impact studies have been criticized primarily for confusing the unit of analysis; failing to calculate costs associated with the project, especially the opportunity costs of not using the land and other resources for another beneficial project; assuming that all spending is new and would not have occurred in the absence of the project; ignoring leakage from the local economy; and applying an inflated multiplier to estimate indirect spending@ (Johnson and Sack 1996:374).

These problems, among others, and their application to examples of economic impact studies conducted on arts festivals, will be the topic of section 2 of this paper. In section 3, following on the work of Throsby and O=Shea (1982) and Thompson *et al* (1998), the authors will also suggest that a more accurate measure of the value of the arts to society can be obtained by using a combination of economic impact and willingness to pay (WTP) studies. The latter quantifies the positive externalities or spillover effects of goods with public good characteristics (like arts festivals) and, it is argued, form an important part of the value of cultural goods.

The four arts festival impact studies under discussion will be: the Standard Bank National Arts Festival, Grahamstown (Antrobus *et al* 1997a and 1997b); the Edinburgh Festivals (1996); the Adelaide Festival (1990) and the Melbourne International Festival of the Arts (1996).

2 Methodological pitfalls associated with economic impact studies of arts festivals

Calculating the economic impact of an arts festival is not a simple process and the reliability of the final figure depends very much on the validity of the variables used in doing so. This section focuses on some common problem areas and analyses the economic impact studies of four arts festivals with regard to these possible areas of misrepresentation or error (see table 2.1).

X Defining the area of study

Depending on how the area of impact is defined, widely differing results for a particular festival can be obtained. It is thus vital to define the study area as accurately and clearly as possible. As would be expected, the larger the area under consideration, the less would be the leakages and thus the greater the multiplier and the reported economic impact. Crompton (1995:25) pointed out that, in impact studies done on sports facilities, there has been a tendency to expand the traditional market area of an economy in order to report a greater impact and thus to encourage sponsorship of the event. This is a particularly strong temptation in many countries, and especially in developing ones like South Africa, as the arts must compete for sponsorship (public or private) with other areas needing support, like housing, health and education, which are regarded as more urgent.

In general, the four arts impact studies under discussion have taken great care over defining their areas of study. The Edinburgh (1996:5) study defined the impact area carefully, providing impact assessments for several area sizes: Edinburgh, Lothian and Scotland and combinations thereof. The Adelaide study (1990:1) also defined the impact area precisely: the metropolitan area of Adelaide (defined as the area within an 80km radius of the city centre), with the regional impact area separately defined. The Melbourne (1996:20) study defined their areas of analysis as the City [of Melbourne] and Suburbs and Greater Melbourne. The Grahamstown study was somewhat less precise in their report. However, the chief researcher indicated that part of the research brief was to establish the number of visitors from outside the Albany district. This includes small farming villages like Salem, Alicedale and Riebeek East, but falls short of including any larger towns and thus enlarging the traditional Grahamstown area.

X Including local spectators

Once the area of study has been defined, Crompton (1995:26) pointed out that only attenders outside this area should be included in the study, since their spending does not represent injections of new

money, but merely the recycling of money already in the area. However, the widespread admonition from economists to disregard local expenditures ... is frequently ignored because when expenditures by local residents are omitted, the impact numbers become unacceptably small to those commissioning the assessments (Crompton 1995:26).

Again, this problem has occurred in the four festivals under consideration. The Grahamstown festival studies (Antrobus *et al* 1997a and 1997b) used two methods to calculate visitor numbers, the ticket sale method and the accommodation method. The former method clearly showed the proportion of tickets bought by Grahamstonians (21%) and excluded them when using these numbers to calculate impact (Antrobus *et al* 1997b:25). It is particularly interesting to note that, in both surveys (Antrobus *et al* 1997a:i and 1997b:ii), 40% of visitors were from the Eastern Cape (the region which includes Grahamstown). While a regional impact study may have produced higher numbers (as suggested above) it would have been offset, in this case, by the exclusion of a large number of visitors who would have fallen inside the region.

A good example of the importance of local spectators can be found in the Melbourne (1996:13) study, which showed that 219 000 of the 300 000 visitors were Melburnians (73% of attenders) of which 27 000 resided in the city of Melbourne. The expenditure of Melburnians was excluded from impact estimates regardless of their reason for visiting the city: The direct expenditure of Melburnians who purchased tickets was estimated to be \$3.14 million, but it was assumed that this money would have been spent in Melbourne even if MIFA had not been held (Melbourne 1995 festival study : 1996:15).

The Adelaide festival study (1990:13) excluded the spending of most locals, with an added degree of sophistication: Adelaide residents remaining at home to attend the festival rather than holidaying elsewhere is equivalent, in economic impact terms, to the festival attracting visitors to Adelaide. Therefore, there were nearly as many Adelaide residents >holidaying= at the festival as there were visitors. This is an interesting point and may be valid, since, if the festival had not taken place, this spending may not have occurred in Adelaide, but elsewhere. The study also made a point of mentioning that when the area under consideration was enlarged (for regional impact) spending by visitors in this region now represented intra-state transfers, and therefore must be excluded from an assessment of the impact on the state economy as a whole (Adelaide festival study, 1990:15).

The 1990 - 1991 Edinburgh festival study (1991:9) included the one million pounds spent by residents of the region which is additional to normal economic activity. Exactly how the parts of local expenditure additional to what would normally have been spent was calculated is not specified, however. It is assumed that this additional expenditure resulted from the choice of local residents to remain and spend at the festival rather than at some other event or holiday outside the region.

However, before one can simply add the expenditure of locals, one must first determine the degree to which the money would have been spent anyway on other local goods, and the opportunity cost of the alternative spending on the arts. It is thus important to ask how local spending is being funded. If it is from savings at a local bank, the secondary effect would be a reduction in the available pool of loanable funds for, perhaps, local investment or consumption projects far removed from the arts (Seaman 1987:732).

While Crompton (1995:27) argued that spending by local residents who had stayed in town specifically to attend the festival could legitimately be regarded as new money entering the region, he admitted that, these types of estimates are very tenuous and economists invariably recommend that all expenditure by local residents should be disregarded.

X Including Time switchers and Casuals

Another area of the expenditure that could inflate economic impact figures and should not be counted is from visitors who would have come to the area regardless of the event being measured. Crompton (1995:27) referred to these visitors as Time switchers and Casuals. Time switchers are people who may have been planning to visit the area for some time - to visit family and friends or to experience some other feature of the area, like museums and game parks - but have switched the time of their visit to co-incide with the festival or event. Casuals are visitors who may already have been in the area for whatever reason, and decide to attend the festival rather than do something else. In both cases, it can be argued that these visitors would have spent money in the area regardless of whether there was a festival (or other event) or not and their expenditure can thus not be counted as being a consequence of the event. As will be seen from the following discussion, the importance of this refinement may vary according to the attributes of the various areas and festivals.

Other than asking foreigners whether the festival was their main reason for coming to South Africa, the Grahamstown festival studies (Antrobus *et al* 1997a and 1997b) did not check for the presence of Time switchers or Casuals. Firstly, it was argued that, unlike larger cities, Grahamstown does not have many other attractions which may account for the presence of a significant number of tourists at other times or for other reasons. Secondly, when conferences or council meetings were organised specifically to co-incide with the festival, few of the attenders stayed on for the festival and, after some complaints were received, the practice was discontinued.

The Melbourne festival study (1996:7) did test for the presence of Time switchers and Casuals. The results showed that a significant number of incidental tourists attended: Of the 81 000 (27% of total) non-Melburnian attendees, 24% gave the Melbourne International Festival as the only reason or main reason for visiting Melbourne (1996:7). In calculating the economic impact of the festival, these Time switchers and Casuals were first included and then excluded (1996:16 - 17). As

Crompton (1995:27) predicted, a considerable difference in total impact was noted: the impact of non-Melburnians who purchased a festival ticket was \$20.11 million, while the impact of non-Melburnians whose main or only reason for visiting Melbourne was to attend the festival was only \$14.2 million.

The Adelaide festival study (1990:7) also tested for the main reasons that visitors to the festival were in Adelaide. It was found that only 51.4% of visitors were there primarily to attend festival related activities, but that a further 900 people (8.6% of visitors) had extended their stay in Adelaide primarily to attend the festival. Expenditure during this extended part of the trip was included in the economic impact. The remaining visitors attending the festival were in Adelaide for reasons unrelated to the festival, and therefore, their expenditure was not included in the economic impact@ (1990:11).

The Edinburgh festivals studies examined (1991 and 1996) showed no evidence of having checked for Atime switchers@ or Acasuals@. However, the nature of these festivals, a number of which run concurrently, seems to have made other problems, like the attendance of some visitors at more than one festival, more important (1996:8).

X Determining the size of the multiplier

Once visitor numbers and expenditure have been calculated, a multiplier is used in order to arrive at the final economic impact figure. AThe multiplier recognises that changes in the level of economic activity created by visitors to a sports facility or event bring changes in the level of economic activity in other sectors and, therefore, create a *multiple* effect throughout the economy@ (Crompton 1995:18). An arts festival would have a similar effect and is measured in a comparable way. However, calculating the size of the multiplier accurately can be a problem and inaccuracy at this stage can result in very debatable results.

The size of the multiplier depends on the extent of the Aleakages@ from the economy being considered. ALeakages@ represent the amount of money that is taken out of the host economy in the form of profits taken by non-local artists and traders who leave at the end of the festival and spend in other economies, money earned at the festival by locals, but spent outside the local economy and savings. AOnly those dollars remaining within the host community after leakage has taken place constitute the net economic gain to that city@ (Crompton 1995:18 - 20). The quite common practice of using a multiplier from similar studies done in other areas is thus highly debatable Abecause the combinations of business interrelationships in communities are structured differently so linkages and leakages will be different@(Crompton 1995:29). Since calculating a multiplier is time consuming and expensive, however, the tendency in the festival studies examined seems to be exactly that, i.e. to use multipliers which have been derived for the region, or for other events, or simply to use an estimate

(see table 2.2). In most cases, no detailed discussion of how the multiplier was calculated or whether it is appropriate was included in the report.

The Grahamstown festival multiplier of 0.18 (Antrobus *et al* 1997a and 1997b) seems to have been based on an educated guesstimate and is not supported in the report by any additional evidence. AGiven that Grahamstown has a small manufacturing base, importing a large percentage of locally consumed goods and services, and exporting little to other regions, the indirect expenditure generated is relatively modest@ (1997a:22).

Of a total visitor expenditure of R25,9m, only R4,2m in indirect expenditure was claimed (1996:23). However, it should be noted that, before the multiplier was applied, the earnings of fringe and main performers was subtracted to give a value for direct expenditure retained in Grahamstown - R23,3m (Antrobus *et al* 1997a:23).

The 1990 - 1991 Edinburgh festivals study made no mention of how the multiplier of 0.22 was calculated - only stating that the analysis was carried out by Leisure Research Services (Edinburgh festivals study, 1991:8) and that direct expenditure of 43.9 million pounds generated an additional 9.2 million pounds in Alocal income@ (Edinburgh festivals study, 1991:10). The 1996 Edinburgh festivals study seemed to have used more reliable multiplier values taken from the 1992 Scottish Tourism multiplier study (Edinburgh festivals study, 1996:6). However, this study did not provide a multiplier for the Lothians as a whole (only for Scotland and Edinburgh separately). Following an independent study on the Hogmanay festival, the Lothians multiplier was simply assumed to be 10% higher than that of Edinburgh (1996:6), presumably because it covered a larger area and thus decreased the size of the leakages.

The Melbourne festival multiplier of 1.1 was derived from the 1992 Adelaide Formula One Grand Prix study undertaken by Price Waterhouse who used value added multipliers from the input-output tables for South Australia which had been developed by the Centre for Economic Research (Melbourne festival study 1996:25). These multipliers, while not directly applicable, could at least trace their lineage back to a reputable economic research institution. One of the recommendations of this report was that Aa suite of appropriate multipliers be developed@ (Melbourne festival study,1996:26).

The multiplier of 1.15 used in the Adelaide festival study (1990:21) were taken from a 1998 report to the South Australia Government by the Centre for South Australian Economic Studies. Although this is a credible source, no information as to how applicable it was considered to be to Adelaide was provided.

In order to further compare the multiplier values for the four festivals discussed it would be necessary to consider, not only visitor numbers and and the size of the impact area, but also the level of imports

into, and exports out of, the area, which determines the size of the leakages.

X The employment multiplier

The employment multiplier shows how many full-time jobs are created as a result of the event or festival. This figure is regarded as particularly important in countries with unemployment problems and thus provides an incentive to overstate employment figures in order to argue for government funding. However, as Crompton (1995:22) pointed out, the employment multiplier is most unreliable because it assumes that, All existing employees are fully utilized so an increase in external visitor spending will inevitably lead to an increase in the level of employment. This is especially true of a once-off event, like a festival, where it is unlikely that many new jobs would be created. Rather, existing employees would work overtime or A casual short term help would be hired for the period of the event.

The large number of unemployed people in South Africa makes the A job creation potential of any event very important. However, the Grahamstown festival studies (Antrobus *et al* 1997a and 1997b) did not fall into the trap outlined by Crompton (1995:22) above. The 1996 study did not claim that any permanent jobs were created by the festival other than those already in existence regarding year-round Festival organisation and planning which are funded directly by the Festival title sponsors, Standard Bank. The study also reported the varying wage rates. For example, an additional 1 160 jobs for street traders were created during the festival, but only paying R385 each. The study also calculated that 1 200 workers earned overtime payment (1997a:ii). An interesting point, which Crompton (1995) does not take into account, is that not all the jobs created will necessarily be filled by people from the impact area. For example the 1996 Grahamstown festival study found that, of the 387 temporary jobs created by visiting traders, only 36% were taken by Grahamstonians (1997a:15).

The 1995 Melbourne festival study (1996:24) did not give a figure for employment created by the festival, possibly because the study points out that a short term event like the festival does not create much Along term sustainable employment. A The major increase in employment for the duration of these events is through the use of part time jobs, or utilising existing employees through overtime and extra shifts.

The 1990 - 1991 Edinburgh festivals study (1991:9) however, did indulge in the kind of misrepresentation which Crompton (1995:22) described: A In Edinburgh and the Lothians, 44 million pounds of direct expenditure means 9 million pounds local income and 1,300 full-time equivalent jobs. The report contained no further discussion of the wage rate or temporary nature of the jobs created.

3 Including opportunity costs and non-market costs and benefits

It should be borne in mind that while an economic impact analysis provides a measure market benefits, it does not take into account the opportunity costs of public or private spending on the event as well as any negative impact that the event may have. Positive aspects which were not recorded in any market transaction should also be included. These aspects will now be examined with regard to the festival studies under consideration.

Firstly, Crompton (1995:32) pointed out that local government spending on the event cannot be counted as an injection of new funds into the area because the money had come from local residents in the form of taxes. He also pointed out that public funding from outside the region could only be counted as Anew money@ (and thus included in the economic impact) if it would not otherwise have been spent in the impact area.

In discussing the economic impact of sports facilities, Johnson and Sack (1986:376) agreed that one needed to ask, AWould a similar or larger amount of state support now be available for a project with more direct economic impact if the tennis complex had not been built?@. While they conceded that this question may be unanswerable, respondents in their study agreed that some of the city=s Apolitical capital@ had been spent in lobbying for state funds for the project, which, the authors argued, should be acknowledged as a cost (Johnson and Sack 1996:376).

The Grahamstown festival studies (Antrobus *at al* 1997a and 1997b) showed no evidence of having considered this area. It should be noted however, that local and national governments provided very little in the way of monetary support for the festival - the national government funding only about six Fringe productions on average per festival. Given the town=s small size and the largely rural nature of the area however, spending by Standard Bank (the private title sponsor) would be most unlikely were it not for the festival. Contributions by local government in the form of increased police presence, refuse removal etc were not subtracted from the total.

Especially in an area with such a large indigent population, the opportunity cost of spending on the festival should be carefully examined. The small amount of local sponsorship and spending by local government suggests that the money spent on housing or other poverty relief programs would not confer the economic benefits on Grahamstown East (the township) that earnings from the festival do. However, because of a lack of such a comparison, arguments that the festival costs the town money and confers few or no benefits on the poorer population (who, it is argued, do not attend shows and so do not gain from subsidised tickets) abound. The Johnson and Sack (1996:378) study on the provision of a new tennis stadium in New Haven, found that, rather than uniting the town, the project, Aexacerbated deep-seated political tensions among social classes@, which they argue should be counted as a cost to the area.

Likewise, the Melbourne festival study (1996:5) recorded the sources of sponsorship for the festival,

including \$ 0.50 million contributed by the City of Melbourne, but showed no evidence of having subtracted it from the total impact.

The 1996 Edinburgh and 1990 Adelaide festival studies did make provision for funding provided from inside the region. AOnly those funds received from outside the state can be validly included in an economic impact study. Hence state (and local) government funding represents a transfer and is excluded from this study@ (Adelaide 1990:14). Only the 1996 Edinburgh study however, attempted to determine how much of the funding from outside the region would have been spent in the area if the festivals had not taken place.

The 1996 Edinburgh festivals study was careful to note that the part of sponsorship spending which would have occurred in the area anyway was not added to the final impact. ALike visitors= expenditure, net direct impacts have been measured on the basis of where the money would have been spent if not on the festivals. It has been agreed that expenditure by public sector agencies with an Edinburgh remit would have been spend entirely in Edinburgh, and that their net impacts are therefore nil@ (1996:9). In order to establish to what extent NGO and government funding would have taken place in the region, had they not supported the festivals, the study conducted a telephone survey of these organisations (1996:9). These estimates could also have been used to establish the opportunity cost of what the money could have been spent on other than the festival. This highly speculative aspect was not, however, discussed in the report.

Other than the Grahamstown festival studies (Antrobus *et al* 1997a and 1997b) none of the studies considered any of the negative effects of the festivals. Crompton (1995:33) noted that, AToo often, only positive economic benefits associated with visitors are reported, and costs or negative impacts inflicted on a community are not considered@. Johnson and Sack (1996:376) agreed that one of the most important failings of economic impact studies is that, where Aintangibles@ are identified, costs are ignored and only the positive externalities reported on.

The 1996 Grahamstown festival study considered a wide variety of costs, or negative impacts, such as the pressure on infrastructure, traffic flow problems, overcrowding of the town centre, increased crime, increased competition to local stores and a feeling of antagonism by local store holders to visiting traders. The study also mentioned inconvenience to local residents (mainly caused by the crowds and lack of sufficient parking), noise and litter (1997:22). Although a variety of such costs were recorded, no attempt was made to give them a monetary value and then to subtract them from the final impact.

Seaman (1987:732) argued strongly that, to the extent to which visiting traders provide competition to local stores (areas such as food and clothing) the receipts from these activities should be accepted as a substitution for the earnings of those in the local community and thus subtracted from the Afirst

round spending in economic impact calculations.

Studies could also consider the possible opportunity costs of festival refugees - those local residents who deliberately leave town when the festival is in progress to avoid the inconvenience. This is a phenomenon observed frequently in Grahamstown. However, since many of Grahamstown refugees then let their houses at a profit to festival visitors, the cost imposed by the loss to the town of the spending of this group during festival is probably not significant.

Except for the Edinburgh festivals studies (1991 and 1996), at least a brief mention of the non-market or intangible benefits provided by the festival was made in each report. In most cases, the benefits mentioned were directly related to future economic development. The 1996 Grahamstown festival study (Antrobus *et al* 1997a:22) made the point that, 'Ascribing a numerical value to the annual economic impact of the festival on Grahamstown inevitably underestimates the true worth of the festival to the city'. Benefits not included in an economic impact analysis included the generated media interest which does much to place Grahamstown on the map (1997:22), the attraction of out-of-season tourists and the promotion of local schools and Rhodes University. Likewise, the 1990 - 1991 Edinburgh festivals study (1991:10) pointed out that 'Other economic benefits which are harder to measure include the possibility that the festival may attract tourists and industries to the region.

Seaman (1987:740) however, argues that the optimistic idea that the presence of the arts in an area may induce workers to accept a lower wage in that region, and that firms may thus be willing to relocate to that area so as to make use of workers who will accept a lower real wage *and* who may be more educated, has not become a reality. In fact, regional growth and decline have been found, contrary to popular opinion, to be almost totally unrelated to such inter-regional firm mobility (Seaman 1987:740). This view is supported by Swindell and Rosentraub's (1998:2) research on the impact of sports facilities. They argued that, while such facilities may attract many visitors, there is no evidence that these facilities have significantly changed employment or residential location patterns.

In direct contrast to this view, Dziembowska-Kowalska and Funck (1999:2) in their study on the role played by cultural initiatives in the development of the economic region of Karlsruhe, Germany, argued that it has been shown that the arts have considerable potential to influence the economic development of an area. They saw culture as another economic sector, providing inputs, either sold in the market or as public goods, for other sectors. As traditional local factors, such as transport and material costs, begin to lose their dominant influence on the locational decision making of firms, 'soft' and 'quasi-soft' factors, like 'the presence of a creative and stimulating socioeconomic environment', become more important.

Recognising the importance of the cultural sector for the economic performance and development of urban regions and the understanding of its sources, let us come to the conclusion that the arts should not be seen by

the urban authorities only as a cost factor for achieving a higher non-economic goals in society, but should be seen in the context of the economic prosperity of the region as a whole (Dziembowska-Kowalska and Funck 1999:2).

The intangible benefits which the Melbourne festival study (1996:5) reported as not being included in an economic impact study were, the benefits of raising Melbourne's national and international profile, cultural development and long term promotional benefits for the city. This is a much broader idea of what the festival could offer in terms of externalities and suggested that this might be a significant omission from the study.

4 Other problems with economic impact studies of the arts

Other than the methodological problems discussed above, a number of authors have questioned the value of even the most accurate arts impact studies. Even if the arts could be shown to be the major export industry in a city, a true candidate for basic industry status, there would not necessarily be a strong reason for local public officials to view that industry as a critical lever with which to influence growth (Seaman 1987:738).

Seaman (1987:744) suggests that it is futile to argue that the arts deserve public funding because they have pecuniary externalities (as measured by the multiplier effect). Since almost every industry can claim these effects, from shopping malls to schools, the fact that the arts provide pecuniary externalities of even quite a large magnitude, does not qualify them for public support. Arts proponents should ask themselves why the case for public support for education is rarely tied to this array of pecuniary externalities (Seaman 1987:744). This view is supported by Cwi (1980:56) who pointed out that if economic impact was the only or main reason for public subsidy to the arts, it could lead to funding levels insufficient to support an institution's artistic aspirations.

Seaman (1987:744) argues that it is the real externalities which should be taken into account, that is, those externalities which have the potential to create market failure, where prices do not reflect the marginal benefits of goods consumed or the marginal costs of goods produced.

Johnson and Sack (1996:379) agree that, because economic impact studies commonly produce flawed numbers, due to the inherent difficulty of the task, faulty methodology and unrealistic assumptions and do not include intangibles, they are of limited value. Any study must calculate a facility's contribution to the success of the overall plan, not merely the facility's apparent independent impact (Johnson and Sack 1996:380). They further argued that, even if the event or facility failed to cover its costs, it may still be worth it if it fulfilled a larger developmental role in the community as measured by intangible externalities (Johnson and Sack 1996:380).

A further argument against the importance of the arts as providing purely economic benefits comes from Hendon and Starvaggi (1992:157) who argued that the non-profit arts are not likely to become economic growth engines because of the nature of demand and supply side barriers. There are many barriers to using the arts as growth mechanisms. It is the structure of the profitable arts industries and the nature of local non-profit institutions that may create some of the greatest barriers to arts access and participation and consequent economic growth (Hendon and Starvaggi 1992:173).

Seaman (1987:746) concludes that Arts proponents, therefore, are involved in a dangerous game when they resort to impact studies. In a sense, they are choosing to play one of their weakest cards, while holding back their aces. In other words, it is the positive spillovers provided by the arts to society, the primary cause of market failure, that should be used to motivate for public support to the arts and not the more frequently cited economic benefits.

The measurement of the positive externalities provided by public goods is also a methodologically difficult area, but has been gaining steadily more acceptance amongst economists. The contingent valuation (CV) method asks respondents directly what they would be willing to pay (WTP), or willing to accept (WTA), in a hypothetical market situation to conserve or expand some public good (Ready *et al* 1997:439).

The National Oceanic and Atmospheric Administration review on the use of CV studies published in the Federal Register in 1994, states that,

This [CV] approach allows the valuation of a wider variety of nonmarket goods and services than is possible with any of the aforementioned techniques (site-specific valuation methods such as travel cost, factor income approach, or hedonic pricing models) and is the only method currently available for the express purpose of estimating passive use values (Mundy and McLean 1998:294).

4 Combining WTP and economic impact studies

Given the above analysis, it will be argued that the most accurate and fulsome measure of the value of a partly public good, like an arts festival, can be obtained by using a combination of research methods. The economic impact method is best used to measure financial or market benefits, while the WTP method can provide data on the social or non-market externalities. Three such studies will be examined.

The first example of such a combination study is that of the Mildura Arts Centre in Victoria, Australia (Throsby and O'Shea 1980). The Centre consists of a theatre (used for drama, music, films and conferences), a gallery and a museum. It was built between 1964 and 1967, financed mostly (56%) by Mildura City Council loans and the State Government (20%). It is used for a wide variety of activities (music, drama, opera, operetta, dance, film, visual arts) and is used by the majority of local residents with only a mild bias towards the higher socio-economic groups (Throsby and O'Shea

1980:9 - 18).

The researchers point out that although such community projects usually aim to provide some social benefits or increase the quality of life, these non-market benefits are not included in determining the value of either proposed projects or ex post value studies (Throsby and O'Shea 1980:17).

Many residents of the Mildura district, for example, may value the Mildura Arts Centre's existence and may even be prepared to pay (through local government rates) to maintain it, even though they themselves never set foot inside the Centre. This benefit conferred on all people in the area is no less real for its not being reflected in market transactions (Throsby and O'Shea 1980:18),

The Mildura Arts Centre study, therefore, included both the traditional cost-benefit analysis, measuring the financial quantities from 1965 to 1982, including capital and operating costs and revenues, as well as a willingness to pay study which accounted for estimates of consumer surplus, imputed benefits to unpaid admissions and public good benefits (Throsby 1982:5). When incorporated into the cost-benefit analysis, the valuation of the public good characteristics was the largest single benefit item (Throsby 1982:6).

Once the public good valuation of the Centre was included in the cost-benefit analysis, the Centre's estimated rate of return could be seen to be favorable (about 8.5% as opposed to the borrowing rate for local authorities of 5 - 7%). Throsby (1982:10) argues that it is unlikely that an arts centre may appear to be a profitable operation on paper, but that if public good values are included, a profitability can be judged in terms of overall community benefits and that when these are accounted for, a rate of return can be obtained that may be compared with other more commercial investments.

The second study regards the measurement of the impact of the arts on the Kentucky economy which, like the first example, contained both the conventional economic impact approach and a contingent valuation study, which examined the contribution of the arts to the quality of life of Kentuckians (Thompson *et al* 1998:1). In addition to money spent on tickets, Kentucky households stated that they were willing to pay \$21.8 million in order to avoid a 25% decline in the number of arts performances in Kentucky. The value of these donations [WTP] give a minimum estimate of the difference between the value that Kentuckians place on the arts and the amount they pay for arts performances through ticket prices (Thompson *et al* 1998:7), and thus provide an indication of the monetary value of the public good benefits provided by the arts.

The economic impact of the arts in Kentucky was calculated to be \$22 million and provided 1 324 jobs (Thompson *et al* 1998:18). By including the contingent valuation measure of the value of the arts as a public good, the estimated value of the arts in the Kentucky economy was almost double what it would have been if only the economic impact figures had been used (Thompson 1998:3).

The third example of such a complimentary WTP study was conducted on the Standard Bank National Arts Festival in Grahamstown. In addition to the R23,5 million in economic impact (Antrobus *et al*, 1997b:22) which the festival brought to the area, it was estimated that the positive spillovers were worth a further R2,3 to R3 million a year (Snowball 2000: 115). Although this figure may seem comparatively small, it should be noted that it may prove to be the most important factor in motivating for public support. While much of the purely economic benefit of the festival accrues to the wealthier Grahamstown population, a large proportion of the value of festival externalities belongs to the poorer residents who rely on the festival, not only in an economic sense, but also as a valuable source of culture and education.

5 Conclusions

This paper has argued that the use of economic impact studies to measure the value of a partly public good, such as an arts festival, is fraught with methodological problems. An examination of economic impact studies conducted on four arts festivals has revealed that even studies on large international festivals have failed to take all the methodological pitfalls of this study type into account.

It is also suggested that even the most accurate economic impact study of a public good (or a good with both public and private good characteristics) will not account for its full value because such a study cannot give a monetary value to the positive externalities which such goods provide. A number of writers (Hendon and Starvaggi 1992; Seaman 1987; Johnson and Sack 1996) agree that a better estimate of the true value of an arts festival, and thus a better case for public funding, can be made by using contingent valuation methods, which quantify the positive spillovers (externalities) of such events, in conjunction with traditional economic impact studies. A few examples of such combination studies were briefly discussed.

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Table 2.1 Calculating impact area, visitor numbers and the employment multiplier

	Grahamstown	Melbourne	Edinburgh	Adelaide
Area definition	Somewhat vague: Albany district included small farming villages, but no bigger cities.	Well defined: separate studies for Acity of Melbourne and suburbs@ & Agreater Melbourne@.	Well defined: separate studies done for several areas.	Well defined: 80km radius & separate regional impact.
Including locals	Tickets bought by Grahamstonians excluded: 21% locals.	Excluded all spending of Melburnians: 73% locals.	Included spending by locals which was Additional to normal economic activity@: 1 million pounds.	Excluded most local=s spending except residents Aholidaying at the festival@.
Including Atime switchers@ & Acasuals@	No check. Did ask foreigners main reason for visiting SA.	Did check: only 24% gave festival as main or only reason for visit.	No check.	Did check: 51,4% of visitors there primarily to attend festival. AExtended stay@ also counted.
Employment multiplier	No permanent jobs claimed other than the organisers. Temporary and overtime workers and their wages recorded. Not all from impact area.	No permanent jobs claimed, only part-time and overtime employment recorded.	Probable overstatement. 1300 full-time jobs claimed.	No mention of employment created.

***Table 2.2 Determining the Multiplier Value for Four Arts Festivals**

Festival	Year	Multiplier Determination	Direct Impact	Indirect Impact	Multiplier Value
Standard Bank National Arts Festival	1996	Using a factor of 0,6 for leakages ^o (1997a:15)	R25.9 million	R4million	0.18
	1997	as above	R23.5 million	not calculated	not calculated
Edinburgh Festivals	1990 1991	Carried out by Leisure Research Services No discussion of how the multiplier ^o was calculated.	43.9m Pounds (Edinburgh and the Lothians)	9.2m Pounds (Edinburgh and the Lothians)	0.22
	1996	Scottish Tourism multiplier study (1996:6)	122m Pounds (Edinburgh)	30m Pounds	0.24
Adelaide Festival	1990	input-output multipliers generated by Centre for South Australian Studies (1998)	\$8.8 million (S. Australia)	\$10 million (S. Australia)	1.15
Melbourne Festival	1995	The derived multipliers for the 1992 Adelaide Formula One Grand Prix have been used to undertake a formal economic evaluation of the 1995 MIFA ^o (1996:25)	\$18.37 million	\$20.11 million	1.1

*Source: Except for the Standard Bank National Arts Festival, no actual multiplier values were given in any of the festival reports. The above values are thus obtained by inference (comparing direct and indirect income) and may thus be subject to error or over-simplification.