

The Role of Arts and Culture in Liveability and Competitiveness - Precis

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Material drawn from the Arts Victoria/Applied Economics submission to the Victorian Competition and Efficiency Commission's *Inquiry into Enhancing Victoria's Liveability*.

Introduction

The relationship of arts and culture to both 'liveability' and economic competitiveness encompasses the following concepts:

- 'Arts and culture' can be seen as a set of products and services that have both economic and social value.
- Governments intervene in arts and cultural markets for sound economic and social equity reasons.
- The 'liveability' of a place depends on a combination of social, environmental, economic and cultural attributes that combine to create a good quality of life and sense of local identity.
- 'Liveability' attracts new residents – in particular, the 'creative class' – as well as business investment.

There is increasing evidence that arts and culture make a positive contribution to the liveability of a city or region, and hence to its competitive advantage; and in particular with regard to:

- the strategic positioning of Melbourne as an international centre for innovation and a cultural tourism destination
- the development of suburban and regional communities to attract new residents and businesses.

Arts Victoria is pursuing policy initiatives that support the contribution of arts and culture to liveability and competitiveness.

Investment in cultural precincts, along with support for vibrant and diverse arts programming statewide, are two ways of enhancing the reputation and attractiveness of Victoria as a place in which to live, work and invest.

Defining 'arts and culture'

'Culture' can refer to a 'way of life', a set of values, or a set of 'products and services' that have definable economic characteristics. In the latter concept, referred to here as 'arts and culture', cultural products and services are distinguished by their creative means of production or delivery, in addition to their 'artistic' meaning.

Arts Victoria directly promotes and develops 'culture' in this sense, and particularly in relation to issues of liveability. Within cultural economics, arts and culture can be defined as including the following:

- performing arts (eg music, theatre, dance, circus)
- visual arts (eg paintings, sculpture, art objects)
- film and new media (eg movies, television, electronic games)
- literature (eg books and magazines)
- cultural heritage (eg museums, historical sites, and associated collections).

Economic Characteristics of Arts and Culture

It is well-established in economics literature that the market can fail to operate efficiently when:

- a product or service has the economic characteristics of a *public good* or *merit good*
- there are *externalities* associated with its production or consumption
- the good has an *existence value*.

Most (but not all) arts and cultural goods and services exhibit one or more of these characteristics, defined briefly below.

- *Public good.* In economic terms, one whose benefits are both non-excludable and non-rivalrous. This means that people who have not paid for the good cannot be excluded from enjoying its benefits, and any number of people can do so without reducing its value to others. Most arts and cultural goods are non-rivalrous, and many are non-excludable. For example, a public artwork can be ‘consumed’ by all members of the public (ie it is non-excludable), and one person’s enjoyment does not diminish the benefit to others (ie it is non-rivalrous).
- *Merit good.* A product or service considered to be intrinsically desirable, uplifting or socially valuable. Education, for example, is often referred to in public economics as a ‘merit good’ which, if left to individual choice, may not be consumed at the ‘right’ amount. Similarly, arts and culture can be thought of as ‘merit goods’ that should be promoted and supported by Government, in order to improve the welfare of society as a whole.
- *Existence value.* Once an arts or cultural product is created, people place a positive value on its existence, over and above its commercial value. For example, a person may perceive a symphony orchestra to have a positive existence value even though they may not wish to attend a performance.
- *Externalities.* The direct effects (either positive or negative) that one person’s production or consumption have on other people’s economic wellbeing. In other words, a *positive* externality occurs when someone other than the person who produced or consumed the good receives a benefit, and that benefit is not reflected in the market price. As an example, analysis of the National Gallery of Victoria’s first three Melbourne Winter Masterpieces exhibitions (2004–06) indicates that over \$64 million of economic activity was generated, demonstrating that the private benefits enjoyed by individual attendees do not fully reflect the collective social and economic benefits to Victoria as a whole.

Government’s Role in Arts and Culture

Government can and should play a role in addressing existing or potential market failure in relation to arts and cultural goods and services.

Government interventions – which can include direct ownership of major institutions, subsidisation of non-government organisations and regulation of arts production – should also ensure equitable *access* to such goods and services for the benefit of all members of the community.

Community Attitudes towards Government Arts Funding

In a survey conducted by Withers, Throsby and Johnston, it was found that the Australian community acknowledged and agreed with the ‘market failure’ rationale for public intervention in the arts sector:

- More than 75% of respondents accepted the public good/externalities rationales for arts.
- 82% accepted the merit good rationale.
- Almost all respondents (97%) agreed with the existence value rationale.

The Role of Arts and Culture in Liveability and Competitiveness

The term 'liveability' embraces factors including the 'character' of a place, quality of life, sustainability, and various social, economic, environmental and cultural attributes. The combination of factors that make a city, suburban centre or provincial centre an attractive place to live include *tangible* features such as public spaces, urban transit, health and education services, or effective waste disposal; and *intangible* features, including a 'sense of place', a distinctive local identity, and well-established social networks.

The 'identity' of a place generally has more to do with the quality and diversity of its cultural activities and services than with its economic or commercial functions. At the same time, a vibrant cultural sector and a good place for residents to 'work, live and play' is, from an economic perspective, a place 'to invest in and make money'.

Arts and culture contribute directly to 'liveability', in particular through vibrant and diverse activities such as cultural events and celebrations. The arts, and public artworks in particular, also contribute to well-designed public space, creating attractive, accessible places where people want to meet and create new social connections.

Public art and good urban design can also have positive economic spin-offs, creating landmarks that attract tourists and residents, assisting urban regeneration and contributing to the branding of cities, towns and suburbs.

Engagement with both local communities and the local environment in the development and design of public artworks ensures strong ownership of and pride in public spaces. Research by VicHealth has indicated that well-designed public space, in which artists engage with local communities, contributes positively to social cohesion.

Melbourne's Docklands precinct is one example of urban design in which public art, through a series of major sculptures, has been created in response to the local environment, reflecting indigenous heritage, cultural diversity, industrial history and the urban interface. The result is an environment that is attractive to new residents and business alike.

In the face of an increasingly globalised economy, Victoria must continue to transform itself economically and culturally. In addition to conventional improvements to the 'hard' infrastructure of cities and regional areas (eg public transport, or cultural assets such as libraries and museums), attention must be paid to the 'soft' arts and cultural infrastructure: services and activities that encourage expressions of cultural distinctiveness and encourage networking and creativity.

Creating a Unique and Distinctive Destination

Arts and culture can play a critical role in strategically positioning Melbourne as an international centre of cultural excellence, a dynamic centre of creativity and innovation and an international destination for cultural tourism.

Europe's 'Cities of Culture' program has pursued this rationale since 1985, with stand-out successes for cities such as Glasgow in 1990 and Dublin in 1991.

Victoria's capital, Melbourne, is increasingly recognised as having a competitive advantage within Australia and New Zealand as a significant cultural tourism destination. Market research has concluded that it is seen as Australia's most vibrant, creative and 'edgy' city.

Melbourne's youthful subculture, network of 'groovy' bars and pubs, strong live music scene, and high-quality food and fashion all rate highly in comparison to other cities in the region. Its architecture, parks, distinct precincts and city walks act as a fulcrum around which both locals and visitors structure their city experiences.

Internationally, cities in the Asia-Pacific region, such as Hong Kong, Singapore and Shanghai, are making substantial investments in arts and culture through new infrastructure, funded activities and events, and the development of cultural policies linked to future economic well-being.

For example, the development of Hong Kong's West Kowloon Cultural District focuses on improving the living environment, protecting and revitalising historic buildings, and promoting creative and cultural industries. In Abu Dhabi in the United Arab Emirates, a new branch of the Guggenheim Museum and a sprawling performing arts centre are part of a major development project which also includes hotels, golf courses, resorts and housing.

Creating 'Space and Place' for the Creative Class

Social and economic theorist Richard Florida has proposed that the economic performance of a city or region is improved by its attractiveness to a 'creative class' of highly educated, well-paid professionals in a variety of industries, including the arts.

These people are drawn to certain locations by opportunities for creative work and a good quality of life. These places become centres of innovation in part because of the 'talent' that is attracted, and can avoid industrial stagnation through being able to creatively meet the challenges of global change.

Melbourne's Creative Class

The Australian Local Government Association's State of the Regions Report 2002 analysed the composition by occupational class of each Australian state's workforce. In that report, the 'creative class' comprised:

- 'creative professionals' – including management, business, finance and law professionals, technical and high-end sales managers, and health care practitioners
- 'super-creative class' – including computer and mathematics professionals, architects, engineers, scientists and social scientists, educators, library workers, and professionals in arts, design, entertainment, sports and media.

The report showed that 37.4 % of Inner Melbourne's total workforce (including the CBD, St Kilda and the Port of Melbourne) fell within the creative class of occupations, similar to that of 'Global Sydney' (37.9%), which covers a wider metropolitan area than Inner Melbourne. These figures are significantly higher than the national average (25.2 %).

The findings suggest that these areas are more attractive to the creative class. More importantly, Melbourne and Sydney appear to be equally competitive in terms of the types of businesses that are of interest to the creative class, and especially the super-creative class of workers.

These results are confirmed by other similar studies. The *Melbourne Creativity* (2004) report used the Creativity Index, a composite measure incorporating factors such as high-tech output, proportion of population born overseas, patent applications and number of artistically creative people. The State of the Regions Report used the Artistic Index, a measure derived from the proportion of the workforce employed in artistically creative occupations, divided by the national average.

Implications for Regional Victoria's Liveability and Competitiveness

The congregation of like-minded creative workers in close proximity to audiences and markets (and perhaps even funders and sponsors) will create the 'take-off' conditions for innovative and creative ideas, resulting in economic and social benefits to all who live in that city or town. This suggests that Government's programs and policies for rural development, in particular, should avoid a narrow economic focus, taking into account the linkages between local economic and social factors *and* cultural 'space and place'.

The crucial bases for competitive advantage are local, and include the presence of a skilled workforce, in addition to existing factors of production. The 'creative class' will be drawn to places where there are opportunities for stimulating work and quality-of-life amenities, including arts and cultural activities.

One way of increasing the 'drawing power' of country Victoria is to extend the concept of 'cluster development' (ie interrelated industries in which particular regions specialise) to include arts and culture. A more vibrant cultural environment will not only complement the extant

efficiencies (ie scale economies) of industry clusters, it will also help to attract both 'talent' and investment.

There is strong evidence that vibrant cultural offerings to regional communities have a positive impact on economic performance. The 2006–07 State of the Regions Report observed regional centres which have strongly improved economic performance have had high employment growth relative to population growth. The Report concluded that "a key driver of this population growth was the presence of a diversified lifestyle and cultural choices for residents".

The cultural sector is already an important element of many regional Victorian economies, suggesting a strong base offering a range of opportunities.

The cultural and recreational services sector of Victoria's economy has demonstrated the second highest growth rate in regional areas (after property and business services) between 1991 and 2001, with the highest growth rate demonstrated by Geelong over that period.

Quantitative and Qualitative Evidence

'Liveability' needs to be measured economically, socially, environmentally and culturally. Moreover, evaluation should not focus only on whether a city, town, or region is economically viable, but also on whether it is environmentally, socially, and culturally sustainable.

Economic effects are usually measured in terms of the *net output* and employment generated or expenditure incurred as a consequence of the arts/cultural project in question. Net output, employment or expenditure is measured by looking at what has resulted from a particular arts or cultural activity or program, compared to what *might* have happened *without* that activity or program.

For example, an economic impact study of the development of Hong Kong's West Kowloon Cultural District found, after taking into account the effects described above, that:

- the district will bring \$HK 2,660 million value-added contribution to GDP on opening, rising to \$HK 5,280 million in year 16
- 9,980 jobs will be created on opening, rising to 20,080 by year 16
- 2.4 million tourists will visit in the first year, and tourism will then grow at an annual rate of 2.2% over 30 years.

Qualitative approaches rely more on surveys and anecdotal data. For example, the contribution of an arts/cultural program to liveability may be evidenced by:

- a change in residents' perceptions of the place where they live
- increased social capital – the norms and networks that enable collective action
- greater participation and contribution by volunteers
- a change in the image or reputation of a place or group of people
- stronger public/private/voluntary sector partnerships
- new approaches to evaluation, consultation and representation.

Policy Example 1: Cultural Precincts

Cultural precincts or districts are an important civic investment and support the long-term development of creative economies and urban centres. They bring about substantial economic outputs and employment, as well as significant social benefits.

Successful cultural precincts directly support a range of artistic, economic and commercial activities, including locally-generated arts enterprises and creative businesses, an evening ‘food and beverage’ economy, and content ‘imported’ from outside the local area. They also contribute more broadly across economic sectors including arts and culture, design and publishing, advertising, marketing and tourism-related industries.

Building on Victoria’s nationally-recognised network of arts institutions, urban and regional arts programs, and a highly creative workforce, local cultural precincts can contribute to the life and economy of every community in the state. In particular, they have significant potential to improve liveability in regional Victoria and in Melbourne’s outer suburbs.

Cultural precincts can also contribute to the development of regional areas as major cultural and tourism destinations, and as growth areas for new residents seeking the ‘sea change’ or ‘tree change’ lifestyle.

Policy Example 2: Regional Touring

Touring Victoria is an Arts Victoria funding program that provides communities in outer-metropolitan, regional and rural communities with access to professional, artistic and cultural experiences. Project grants assist artists and arts organisations to offset the cost of touring performances or exhibitions within the state. Tours include drama, music, comedy, contemporary dance, craft, photography, ballet, heritage and contemporary visual art.

Recent evaluation of these programs has provided qualitative evidence of the importance of diverse cultural offerings to the attractiveness of regional and suburban centres, in the form of positive feedback from venue managers, arts organisations and community members. Tours play an important role in the cultural and social life of a community, as the following quotes attest:

“For rural and remote areas it provides access to arts experiences, particularly with the drought, that they don’t have the money to travel to regional centres to see.”

“Brings theatre out to the suburbs.”

“We provide professional entertainment that the community enjoys and it combats regional isolation.”

“In a small and at times a very divided community such as ours these opportunities to bring people together in a positive and powerful way cannot be underestimated for the strengthening effect they have on relationships in the community.”

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