



chapter 1 MORE THAN ECONOMICS

THE ARTS, THE ECONOMY, AND ARTS POLICY

The arts economy refers to the direct and indirect influence of artistic endeavour on national income, output and employment. Writers, painters, sculptors, craft workers and other visual artists, musicians, singers, dancers, choreographers, actors, designers and other creative workers make up the main artistic occupations. These professionals work in a wide range of industries, but especially in the cultural industries that have been a growing part of the Australian economy over the past thirty years.

Public patronage of the arts is obviously concerned with much more than their direct economic contribution. Governments have long acknowledged the importance of the arts for our self-respect as a confident and productive nation. External cultural programs are recognised as being important for Australia's image abroad and for assisting the long-term growth of our general export trade.

The great leap forward in Australian arts policy was the formation of the Australian Council for the Arts in 1968 (succeeded by the Australia Council in 1973, which became a statutory authority under the *Australia Council Act* in 1975). While giving priority to excellence in performance within the scarce funds available in its first budget, the vital role of innovation and experimentation was recognised from the outset. Other policy criteria – such as community participation and access – also quickly claimed their place on the arts policy palette.

There was a growing recognition during the formative years of the Australia Council of the economic importance of the arts, and that public sector patronage could encourage the arts to contribute to economic growth. Annette Stevens's and Paul Brenac's study for the Australia Council, *Financial Assistance to the Arts*, dates back to 1975. The first study of an individual artform for the Council, Arthur Meadows's *Subsidised Theatre in Australia*, was also published in 1975. Three years later Brenac and Stevens compiled the first of three Australia Council studies of the book industry. Two others followed in the 1990s: H H Guldberg, *Books: Who Reads Them?* (1990) and ABS, *Books: Who's Reading Them Now?* (1995).

The early 1980s represented another watershed in the Australia Council's thinking. The Council became concerned that the needs of the individual artist were not properly understood and were being neglected in its work. This motivated it to set up an Individual Artists Inquiry under the chairmanship of David Throsby, which resulted in a landmark report, *The Artist in Australia Today*, in 1983. Further studies followed: D Throsby and D Mills, *When Are You Going to Get a Real Job?* (1989) and D Throsby and B Thompson, *But What Do You Do for a Living?* (1994).

The Artist in Australia Today spread the understanding that the economic circumstances of the typical artist or performer were anything but affluent. Other studies, such as H H Guldberg, *The Australian Music Industry* (1987), reinforced this. Even people who were otherwise very knowledgeable expressed surprise at the finding of the music industry study that only a tiny minority of rock musicians were rich, and most made very little money indeed! This finding applied with variations across the music artforms – popular as well as classical – except for those that lived on public funding, such as the major symphony orchestras.

In 1984, the Australia Council established an Arts Employment Inquiry to investigate the impact of its Community Development Program on the long-term development of the arts and related issues affecting the employment of artists. It also responded to recommendations of the Individual Artists Inquiry concerning career prospects in the arts. Chaired by Michael Crosby, Council Member and Federal Secretary of Actors' Equity, the *Arts Employment Inquiry Report* was published in 1986.

Also in the early 'eighties, the Australia Council began publishing a compendium, *The Arts: Some Australian Data*, which is now in its fifth edition. Measuring the output and employment in key cultural industries was a prominent feature from the outset. Australia Council General Manager Di Yerbury in the second edition (1984, page v) flagged plans to further improve the existing statistics.

In 1987 the Cultural Ministers Council set up a Statistical Advisory Group with representation from all States and the Australia Council. Over the next five years this group developed the first ever Culture/Leisure Statistical Framework and collected comprehensive data on the arts. This led to the Australian Bureau of Statistics (ABS) setting up a National Centre for Culture and Recreation Statistics which has continued to develop the database. Australia is today in the forefront of nations in understanding the extent of its cultural industries. As this study is being finalised for the printer, the ABS is in the final stages of a major revision of its

culture/leisure statistical framework – a major undertaking involving protracted industry consultation to ensure consistency across all industry and occupational groups.

The present study did not produce a one-sided picture of success for professional artists as we have defined them. There are serious issues to consider, not least the decline, over the decade to 1996, in the average and median incomes of individual arts professionals of all types.

With strong growth in the number of artists, why have their incomes fallen? It may be argued in economic rationalist terms that the growth in numbers has led to an oversupply of artists. It is also possible, however, that the position of individual artists has been weakened in relation to the often substantial and powerful firms that employ them in the cultural industries, or organise the sale of their works.

WHAT THIS STUDY IS NOT

This is *not* an economic impact study purporting to measure the ultimate output or employment effect of investing in cultural projects. Such effects of course exist, and numerous reports have set out to demonstrate the 'multiplier' effects of a given expenditure on output, income and employment.

Governments commission economic impact studies of major cultural or sporting events to justify their grants of public funds to these events. The results are often presented in statements relating the amount funded to the total economic impact: 'We provided funding of \$1 million for the event and it added \$12 million to the State product'. This is a legitimate statement, but does *not* imply a multiplier of 12.

Impact studies deal with events (such as festivals), or local attractions (such as art centres). The direct expenditure by festival organisers, audiences and performers goes to industries such as the performing and creative arts, advertising services, retail trade, local transport, printing, hotels and restaurants. These industries will spend some of the money they receive within the area, creating successive ripple effects through the local economy which determine the size of the multiplier.

Economic impact studies are ideally based on local statistical tables measuring the flow of transactions between industry sectors, to the final consumers, and into and out of the area. The two axes in the tables show industry sectors, with the *output* of one sector representing *input* into another.

To take an example from the 1980s, Peter Brokensha and Ann Tonks studied the impact of the 1984 Adelaide Festival. In their final report, *Culture and Community: Economics and Expectations of the Arts in South Australia* (Social Science Press 1986), they used a set of rigorously constructed input–output tables of the South Australian economy divided into 36 industry sectors. The average output multiplier of 2.2 is a fair measure of the effect of a major capital city festival on a State economy. It means that the total impact of each thousand dollars of direct expenditure resulted in an increase of \$2,200 in the State's gross product.¹

In smaller centres, relatively more activities are generated in other areas, so the local multiplier effect is smaller. But in their efforts to demonstrate how a little bit of extra public funding can have major effects on a small local economy, some reports have fallen into the trap of confusing the 'seed money' with the total direct expenditure on a project. The multiplier should be calculated relative to total direct expenditure, not just the public funding.

The ABS National Centre for Culture and Recreation Statistics has laid down some guidelines for economic impact studies of festivals (*Measuring the Impact of Festivals* (1997)). It commends a number of studies from the 1990s evaluating the impact of the 1990 and 1996 Adelaide Festivals, the Fifth International Barossa Music Festival, the Melbourne International Festival of the Arts, the Melbourne International Comedy Festival, and the Sydney Gay and Lesbian Mardi Gras.

Despite the endorsement, impact studies have deficiencies. The direct economic impact is limited to the brief period of the festival; once it is over, most industries revert to their previous state. The input–output tables used to identify specific industry sector multipliers do not deal with short-term events, which makes it more difficult to substantiate the flow-on effects of festivals over and above the direct expenditure.

But if we look at, say, the Adelaide Festival (and Fringe), it does appear to have long-term effects on the economy of the 'Festival State'. It supports Adelaide's reputation as a cultural centre, though the statistical effect is difficult to estimate. Just as the impact of the arts on Australia transcends the employment and income-generating capacity of the arts sector, it may be argued that the full impact of major cultural events extends far beyond the actual period when they are staged.

Looking more widely at economic impact, the large-scale econometric models developed by universities and government agencies can be asked 'what if' questions. What, for example, is the viability of a project that plans to attract

independent travellers (who tend to have a more 'cultural' bent than the typical 'packaged tourist')? By varying the assumptions on cultural tourism, the sensitivity of the project to alternative assumptions can be established – *provided* the model contains the relevant cultural statistics needed to respond reliably to the question.

Unfortunately, like the input–output tables, the existing econometric models contain few specific data on arts and culture. The models are more suitable for the analysis of large industrial projects, where one or two variables (such as commodity prices) may be crucial. The impact of the arts depends on a rich mix of factors which cannot all be incorporated into an econometric model with a limited number of major industry sectors.

THE BROAD IMPACT OF THE ARTS

To their credit, Brokensha and Tonks immediately qualified their input–output analysis of the impact of the 1984 Adelaide Festival. They noted the lack of specific arts industry sectors in the input–output model. Another problem noted above, the lack of a measurable permanent employment impact of a temporary event, caused them to abandon any analysis of employment multipliers. A related issue concerned the distribution of the economic impact over time: how long does it take for a given 'effect' to materialise, and what does it mean anyway when the event lasts only a few days or weeks?

Impact studies emphasise 'quantitative economic effects without giving expression to qualitative and other non-economic effects,' so Rod Jensen, a leading input–output analysis guru in the 1980s, reminds us.²

Despite the growing recognition of the problems associated with applying impact analysis to arts-related events and projects, the approach in the 1980s was to try overcoming the limitations of multiplier studies by broadening the definition of 'economic impact' to cover intangible effects, and by introducing a concept of 'benefits' based on surveys of participants and audiences.

A Canadian study classified the impact of the arts into four levels, of which the first two were the direct impact of an investment project and the multiplier effects. The two missing layers were:

- ✦ Direct and non-quantifiable impacts such as invention, innovation and diffusion, productivity, industrial structure, volunteerism.

- ✦ Indirect and non-quantifiable impacts such as quality of life, cultural identity, cultural pluralism, alternative economic futures.³

As the 1990s progressed, there was a growing realisation that the real world is far too complex to fit comfortably into a quantitative shell, and that the future is essentially unpredictable.

This by no means discredits numeric analysis, nor does it render impact studies obsolete as long as the rules and limitations are strictly set. But it does open the door wide for formal inclusion of a broader spectrum of factors. We can begin to look at the evidence of the growth in the arts sector over the past 30 years in terms of much broader socio-cultural, technological, economic, environmental and political factors. We might consider questions like the following in that light:

- ✦ What sparked Premier Joe Cahill's vision to promote a world-class Opera House at Sydney's Bennelong Point back in the 1950s, and the subsequent choice of Jørn Utzon's futuristic, but risky and untested design?
- ✦ Why did public funding of a broad range of the arts start in the late 1960s?
- ✦ What were the factors behind the strong increase in the number of arts professionals between 1971 and 1996?
- ✦ What caused a spate of modern cultural centres to be built in capital city centres, suburbs and provincial towns over the past 30 years?
- ✦ Why, with all this growth, has the real income of the typical arts professional fallen over the past ten years?

And so on.

Part of the reason for the strong growth must be sought in Australia's 'coming of age' as a self-confident nation in its own right. The 'mother country' still loomed large when Donald Horne wrote *The Lucky Country* in 1964, advocating a republic as a then radical catalyst for independent thought. As a young recent migrant around 1962, I remember being struck by a forecast that Australia would reach maturity as a truly independent cultural entity in 1977. That has certainly happened, and perhaps not too far from the predicted year.

One implication of 'coming of age' is the observation that Australian artists no longer have to go abroad to make a major career. This was considered almost

obligatory in the 1950s and 1960s in fields such as composing, professional singing and acting. People still go abroad today, of course, but actors are more readily recognised as Australian with appropriate acknowledgment and often maintain an Australian base. Cate Blanchette and Geoffrey Rush are only two of the latest examples in the film industry, which together with opera is the most internationally exposed of the artforms.

THE REST OF THIS VOLUME

The next five chapters look at the quantitative evidence, which goes some way towards defining the 'arts economy' of the title – it just doesn't tell why events turned out as they did.

Chapter 2 provides a 'snapshot' of the state of the arts economy in the late 1990s based on recent publications by the Australian Bureau of Statistics. The main arts activities covered in these publications are commercial art galleries, the performing arts (music and theatre), and arts museums. While falling outside the main arts activities as defined in this volume, some material on film and video production, and radio and television services, is included in Chapter 2 for comparison.

Chapters 3 and 4 trace the growth in the number of arts professionals, their incomes and other indicators of the value of their work in the arts economy. Chapter 3 also deals with the growth in participation in arts-related pursuits based on recent ABS surveys of paid and unpaid leisure/culture activities.

There is a separate chapter (5) on Indigenous artists, who have a cultural and 'economic' value far beyond their numbers. Other subjects, such as the growth in the number and capacity of cultural centres, the growing importance of intellectual property rights in the arts economy, and the exposure of cultural issues and the arts in newspapers, are taken up in Chapter 6.

Five appendices provide the numerical data backing up the narrative and graphical presentation of Chapters 3 to 6.

Where are we going from here? What beacons are illuminating the way ahead? To what warnings are the watchdogs of the future alerting the sensitive listener? What triggers can impel us along one path rather than another? What alternative scenarios for Australia's arts economy look plausible for the first decades of the new century?

Rather than attempting to paint such scenarios, it is salutary in a historical investigation of the arts culture over 30 years to 'go back to the future' and envisage the situation in the smaller arts world that existed 25 to 30 years ago. What visions guided those who introduced the modern arts funding policies? In the concluding chapter of this study, these visions are encapsulated in the light of what actually happened. The author hopes this provides a useful approach to the almost impossible job of illuminating the black hole that lies ahead.