

Cultural impact

Measuring the economic effects of culture

Major capital projects in the cultural sector are increasingly being asked not just to perform a cultural or educational role but also to boost their local or regional economy. So how can they make a difference? And how can the true impact of such projects be accurately predicted or measured? Daniel Anderson and John Nurick, senior consultants with Locum Destination Consulting, investigate.

In recent years, it has become more and more common to find major new museums, galleries and performance venues at the heart of urban regeneration schemes in the UK. Many have enjoyed fanfare openings and widespread media coverage, thanks in large part to the iconic architecture of the buildings they inhabit. But some commentators have questioned whether the role of regeneration catalyst should be assigned to cultural destinations at all. Certainly, if museums and galleries were to be judged solely on the number of visitors they attract or the jobs they create, the case would be dismissed out of hand.

As consumers, we would not buy a car without being able to look under the bonnet. But when it comes to investing in major cultural projects in the context of regeneration, it is extremely difficult to do likewise. Why? One problem is that forecasting their likely economic impact will, to a large extent, rely on outdated information. The input-output tables or multipliers on which an appraisal must rely are themselves based on data from a time before an appraisal is conducted. The appraisal must explicitly or implicitly model the economic effects of the project for years after completion, but it can only do so by using equations that describe how the economy in question has behaved in the past.

The conventional economic appraisal of existing projects begins (and all too often ends) with the measurement of the measurable: visitors attracted, jobs created, income generated. The measurable impact of the Guggenheim Museum in Bilbao is often cited as a classic example of culture successfully leading economic renewal. The Guggenheim cost some €100m, has 11,000 square metres of exhibition space, and is the pinnacle of a massive urban regeneration programme that includes major improvements in the city's transport infrastructure. It is also primarily a tourist attraction. In 2000, only 18 per cent of Guggenheim visitors were local (i.e. from the Basque Country); 36 per cent were from elsewhere in Spain and 46 per cent from other countries, and more than 80 per cent of tourist visitors surveyed said that the existence of the Guggenheim had either prompted their visit to Bilbao or had caused them to plan a longer visit than they would otherwise have made.

The Tate St Ives in Cornwall, meanwhile, has also achieved success within its own right, and has played a wider role in attracting visitors to its host region. Prior to its opening in 1993, it was projected to receive some 70,000 visits per year. In fact it did far better, stabilising between 180,000 and 200,000 visits per year. In 1996, the West Country Tourist Board estimated the economic impact of Tate St Ives at approximately £16 million on the basis of surveys which, among other things, reported that 55 to 60 per cent of visitors cited the gallery as their principal reason for visiting the area.

In London, Tate Modern has breathed new and exciting life into the former Bankside power station, and millions visit every year (whether for the building or the art is debatable). In revenue terms, Tate Modern is thought to be worth between £50 million and £70 million per annum to the borough of Southwark, and £100 million per annum to London as a whole. A number of new hotels have been opened in the

locality, building on the publicity generated by Tate Modern's launch, employing local people on innovative labour schemes. These are among the estimated 3,000 new jobs for which Tate Modern is estimated to have been directly or indirectly responsible.

There is no denying the scale of these achievements. But as Fred Manson, then director of regeneration and environment for the London Borough of Southwark, recognised in a piece carried in the Winter 2001 issue of *Locum Destination Review*, Tate Modern has had other, equally significant, effects on the lives of its local residents:

'Culture can help an area by changing its perception of itself and its future and by the direct provision of employment, but that is not enough. Regeneration is not just about shiny buildings and employment: it is about a change of attitude and opinion.'

Herein lies the challenge to conventional impact analysis methodologies: they do not reflect such 'immeasurable' effects on the places and regions in which cultural projects are located. In Southwark, as in Bilbao, the image and aspirations of a place have changed out of all recognition. But where and how is this quantified?

'Immeasurable' factors

As well as attracting tourists, cultural institutions and events can attract both labour and capital. The cultural amenities in a region are among the factors that combine in the quality of life offered by the region, and there is increasing evidence that quality of life, or 'quality of place', is becoming a more and more important factor in the locational decisions of both skilled workers and of investors.

Investment capital has always been the most mobile factor of production and is now more mobile than it has ever been. Today's most skilled and creative workers



Measurable impacts of Guggenheim Bilbao

	1998	1999	2000	2001
Visits ('000)	1,307	1,058	975	930
Direct expenditure (€ m)	190	203	192	150
Generation of GDP				
Direct & indirect effects (€ m)	148	158	149	123
Direct & indirect & induced effects (€ m)	n/a	n/a	n/a	168
Jobs supported	3,906	4,161	3,937	4,415

The measurable effects of the Guggenheim Bilbao are impressive, but the figures only tell half the story: the museum has helped to transform perceptions of the city

are also more mobile than any previous generation. Without skills, capital is unproductive, so inward investment must either go to places that have the skilled labour that is needed or else bring key workers along with it. Either way, the quality of life a place offers is a major factor in whether skilled, mobile workers will be willing to stay there. Consequently, a city or region's ability to attract investment now critically depends on the quality of life it can offer its residents.

As well as adding a new dimension to quality of life, cultural projects can greatly strengthen a city or region's brand and cause it to be perceived more favourably. The Sydney Opera House is an extreme case of a stunning building that paid off in the long run despite an inauspicious start. The building has acted as an iconic magnet to domestic and international visitors, and is still regarded as one of the world's most exciting examples of modern architecture. Most recently, it acted as the backdrop to Sydney's world-beating millennium fireworks display and the closing ceremony of the 2000 Olympics.

The problem for economists is that while the improvement of a city or region's quality of life and brand image both support economic development and inward investment, these factors are not amenable to conventional economic appraisal.

The TSA ... and beyond

So how do we go about creating a new methodology, one that is capable of taking into account the breadth and depth of the impact of cultural projects? One example of a new methodology that looks deeper than the superficial facts and figures is the Tourism Satellite Account (TSA). A TSA attempts to produce a more accurate way of assessing the overall contribution made by tourism within a regional or national economy. It is run in parallel to the main national or regional economic account, but is configured differently so as to measure the size of tourism as an economic sector that is not discretely defined as an industry in its own right, other examples including transport and foreign trade. It is useful for enabling comparisons between the size and importance of tourism and other, traditionally defined, industries, such as agriculture, manufacturing and financial services, within an economy.

Authorities in other countries are finding that this information, when reported in a cogent set of satellite accounts, enables better and more efficient policy development and planning. We must never forget, however, that a TSA can measure one dimension of the tourism phenomenon, but not all of them. It is designed to trace the path and measure the impact of one thing only: visitor spend. The whole edifice is built

on the principle that visitors will come into a region and spend money. The people that take their money will spend it on inputs, and the suppliers of those inputs will spend money on *their* suppliers, and so on. The TSA is probably the best model at our disposal for measuring - in aggregate - the sum of those transactions and the impact that they have on incomes, output and employment.

But even a TSA cannot offer a complete interpretation of economic impact or contribution. Take, for example, the Angel of the North. What has its economic impact on Gateshead and the rest of the North East been? If all we used to answer this question was a Satellite Account or similar model, then we would not be too pleased with the answer. It does not attract a great many people to Gateshead *in its own right*. The whole experience can be had by just driving past it, so it doesn't provide any real incentive to *stay* in Gateshead any longer. Nobody is employed to manage it and it does not directly generate any visitor spend. It does not have any significant operating expenses of its own, so it does not generate any business for local suppliers. Indeed, there was more than a little resistance to the statue from the outset. It would cost £800,000 - which could have been better spent in the town's schools and hospitals - and nobody really knew what it would do for the town.



The rejuvenation of the Baltic Flour Mills (above) into a cutting-edge 'art factory' has prompted a range of major commercial developments in the vicinity, including the Baltic Business Park (right)



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It pretty much just stands there. But its *real* economic impact has been enormous. Look at the activity at Gateshead Quays, with its £46 million contemporary art gallery, its £70 million music centre, and - critically - the £100 million of private investment in residential, commercial, leisure and office space that is springing up all around them. Among the new developments that have been attracted to the area is the Baltic Business Park and Knowledge Campus, a £250 million development, designed by Red Box Design Group, which will create 1.5 million of new office space, and, 5,000 to 10,000 new jobs. The Park will be a complete working village, with a pedestrianised central square, cafes, restaurants and community facilities. It is also proposed that a transport interchange be developed on a site adjacent to the metro line, forming a hub for all public transport carriers.

Talk to anyone in Gateshead and they will tell you that the regeneration of Gateshead Quays began with the Angel. Such is the affection in which the Angel is held by locals that when Newcastle United set off for the FA Cup Final four years ago, supporters crafted an Alan Shearer shirt for *their* Angel. It was a recognition of how art dignifies a place and conveys a sense of the value of the people who live there.

No doubt the Millennium Bridge, the Baltic, and the Music Centre had all been in

gestation since long before the Angel descended on Gateshead. The Angel itself was but a culmination of a 15-year programme of scattering some 30 pieces of public art throughout the district, including mosaics in metro stations and other statues in the town centre. However, with its £800,000 price tag and its hard fought battle to win the public's heart, the Angel proved to be the big, bold gesture that enabled all of the projects that followed. As the *Economist* reported:

'[The Angel] convinced the Arts Council and various other bodies which put up the £800,000 to build the Angel that the council could do the job. Moreover, it has also earned the council another £33 million from the Arts Council to convert a disused riverside flour mill into a contemporary arts gallery.... But the Angel will be the most visible symbol of Gateshead's cultural renaissance. Local opinion, which initially regarded it as a monstrosity, seems to have swung round in favour of it. "I knew we had won," says Alan Sykes, one of the original champions of the sculpture, "when a local football team changed its name to Angel Wanderers."'

Perhaps it was fortunate that the North East had no Satellite Account at the time.

Some bright spark might have realised that the 'economic impact' of the Angel would be - statistically speaking - next to nothing. As the example of the Angel illustrates only too well, conventional methodologies, even those at the cutting edge, still have some way to go.

At Locum, we work closely with destination makers and regeneration authorities to help them understand the likely outcomes of investing in major capital projects. At the heart of our approach is the belief that, in today's 'global village', a strong 'sense of place' will be profoundly important to the continued growth of all destinations. We believe that cultural projects can be among the most powerful means of reinforcing local and regional identity, and that it is the degree to which such projects can help to build the sense of place that will ultimately determine the breadth and depth of their contribution to a local or regional economy. It is a complex process, which relies not simply on a thorough knowledge of market trends and physical contexts, but also on an innate understanding of destination dynamics. We claim not to be practitioners of a foolproof science, however, but rather of a highly specialised art. As Albert Einstein's famous maxim reminds us: 'Not everything that counts can be counted, and not everything that can be counted counts.'