CULTURE AND ECONOMICS

Interview with Michael Rushton

How can we help Canadians better understand the economic benefits of culture?

I would like to begin by looking at how the economic benefits of culture have been *misunderstood*.[1] Arts advocates in Canada have followed the lead of Americans in promoting so-called "economic impact" studies of the arts. These studies purport to show the effects of the production and consumption of cultural goods and events on regional total employment, incomes, and generation of tax revenues. Here are some claims that have been made based on economic impact studies:

- "In the Central Okanagan, arts and culture accounts for a total of 2,368 full and part-time jobs (or 1,896 full-time equivalent jobs). Of this total, 1,592 jobs (or 1,198 full-time equivalent jobs) are created directly through expenditures made by the cultural sectors. The remaining 776 jobs result from the "ripple effect": the induced impact of arts and culture on employment in other sectors through the spending and re-spending of incomes earned by cultural workers, and by workers in other supporting sectors. All told, 3.8 percent of regional employment is due to the cultural economy."[2]
- "Activities in the cultural sector in the Greater Montreal region have an impressive economic impact. They generate $5.6 billion in gross total spending, 89,916 direct and indirect jobs, calculated in person-years, and $1.181 billion in government revenue, or $670 M for Quebec and $511 M for the federal government. This includes a direct impact of $3.5 billion, resulting from spending by cultural enterprises themselves, and an indirect impact of $1.2 billion, resulting from spending by the suppliers of cultural enterprises and the suppliers of these suppliers."[3]
- "Patrons spent an estimated $57.7 million in Edmonton during their trips to participate in Edmonton's "Arts and Culture" activities. The "Arts and Culture" organizations themselves spend approximately $40.3 million annually on local goods and services. These expenditures and the expenditures of visiting patrons result in a total net impact of $82.5 million on the Greater Edmonton Region. When spin-offs to other parts of Alberta are included the total impact that Edmonton's "Arts and Culture" has on the province of Alberta grows to approximately $116.6 million."[4]

How could we know the economic impact of the arts in Greater Montreal is $5.6 billion? The total is typically calculated as follows: Direct Spending + Induced Spending + Indirect Spending = Economic Impact

Direct spending is actual spending by arts organizations on wages, equipment, utilities, rentals, and other expenses. Note this is typically greater than ticket revenue for arts nonprofits, since they also receive income from donors and arts councils. Direct spending is usually measured by surveying arts organizations. Induced spending is spending by arts patrons that only occur as a result of arts consumption, for example spending in restaurants, hotels, or for babysitters, and this is found by surveying audience members. Indirect Spending represents the estimated further increases in aggregate demand that arise from direct and induced spending. It is

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calculated through the use of the standard textbook Keynesian multiplier (sometimes the calculation of indirect spending is refined by breaking down it down according to sector to obtain a more precise estimate, but the Keynesian principle is the same).

All this sounds very scientific and objective. However, the truth is that economic impact studies tell us nothing about the importance of the sector to the economy, the rationale for government support for the arts, or the return to increased government support.

In fact, the numbers generated in economic impact studies do not help us understand *anything* interesting about the arts economy.

First of all, *every* sector has conceivable induced and indirect effects; *every* sector of the economy involves some direct spending by firms and spending by consumers on products that are complements, which could then be combined and inflated by a "multiplier". There is nothing special about the arts in that respect. Although the studies are used as an advocacy tool, they provide no indication of why public support of the arts is beneficial, either to cultural life or even in purely economic terms.

Second, the figures themselves are wrong, calculated on the assumption that without the direct spending on the arts, *no* other spending would take its place, and all incomes produced through induced and indirect spending would be lost to unemployment. This is simply incorrect, and results from a misreading of the sort of simple macroeconomic models we find in introductory textbooks.

I believe that the very question asked in this instance is at the root of the problem: why would one want to persuade Canadians of the *economic* benefits of culture? Economic impact studies represent a poorly formulated answer to what is in fact the wrong question. The benefits of culture lie elsewhere, in the responses we have as individuals to literary, musical, visual and cinematic works, and the conversations and insights that arise from those responses. The benefits of the arts are not in job creation or tax revenues, but are in our engagement with the art itself.

What will help Canada compete more effectively on the world stage in the area of culture?

As with the first question, we have to take care that we are directing our attention to the right things. The most important cultural question is the ability of Canadians to have access to, and to be able to enjoy, artistic creation that is interesting, stimulating, innovative, and diverse. This question focuses on the *production* of the arts, and the ability to market culture internationally, but let us not lose sight of the greater importance of *consumption* of the arts by Canadians.

That being said, the answer to the question is straightforward: produce cultural goods that the world wants to read, see, and hear. Writers, painters, songwriters and singers will gain a place on the world stage according to the quality of their work; that has always been the case.

Of course we must qualify the answer by noting that it is not always the case that works travel well – not all cultural goods are meant for a large international audience. Only certain types of films travel well to other parts of the world (which is why Hollywood devotes so much of its efforts to easily exported action films, laden with special effects, or comedies that rely on broad physical humour rather than subtle wordplay). And if some Canadian cultural production is mostly appreciated by people at home, due to local references that are hard for others to understand, that is not something to be seen as a concern.

What potential challenges or barriers do you see to the implementation of a cultural policy?

The main problem I have seen in the implementation of cultural policy in Canada, whether in the realm of copyright and associated rights, international trade, restrictions on ownership, television and film, and so on, is that because established producer interests are so entrenched, and have so much influence in Ottawa, policy is consistently skewed to reflect the interests of existing producers of cultural goods rather than consumers.

This situation is not unique to the arts. It is typically the case that sectors of the economy are characterized by a small number of big firms. These firms are able to coordinate their lobbying efforts, while consumers number in the millions, each with a small individual stake in policy, and so are unable to effectively organize.[5]

In the face of new technologies, or new competition, existing firms with a large stake in their position will do everything they can to obtain public policies that protect their current status. This is not news to cultural policy makers. But it

would be a good thing for all Canadians if the interests of those who listen to music but do not record it, who read books but do not publish or sell books, who watch television and movies but do not work in film production, were recognized as – to use the language of bureaucracy – the "key stakeholders" in cultural policy.

What are the most effective ways of protecting Canadian culture? How much protection is too much?

We should answer this question in light of our answer to the previous question: what is it that we are trying to "protect", and in whose interest? In the agricultural sector, in manufacturing and services, and in the cultural sector, it is *invariably* the case that (1) trade protection is implemented to satisfy the interests of producers rather than consumers, and (2) the rationale for the protectionist policy is expressed by policy-makers as being in the "national" interest.

Is the goal to protect "Canadian culture", or is it to insulate Canadian cultural industry firms from competition that would in fact be beneficial to Canadian listeners, readers, or film-goers?

Note that protecting Canadian firms in the creative industries is no guarantee that there will be a particular "Canadian-ness" about the cultural content. In addition, why don't we recognize that culture is global, and that most interesting cultural goods involving Canadians are in fact international in nature?

I will give two examples. First, recently we were presented with a list of the top 100 Canadian albums of all time.[6] The top four albums – Neil Young's *Harvest* and *After the Gold Rush*, Joni Mitchell's *Blue*, and The Band's *Music from Big Pink* – although made by Canadians, all have significant American influences. Young and Mitchell had moved to California by the time these albums were made, and that is reflected in the music. The Band worked most closely with Bob Dylan, "Big Pink" itself is a house in New York State, and singer Levon Helm's voice is quite definitely more Arkansan than Canadian. Yes, the albums are Canadian, but that is a narrow way to think about them.

Second, consider some of the most important Canadian films. Director Atom Egoyan set *The Sweet Hereafter* (1997) in British Columbia, but the novel on which it is based, by American Russell Banks, is set in upstate New York. *The English Patient* (1996), based on the novel by Canadian Michael Ondaatje, was filmed on location overseas (for obvious reasons), directed by the Englishman Anthony Minghella, and starred the French Juliette Binoche in the role of the Canadian nurse. And perhaps the finest movie about Canada's early history, *Black Robe* (1991), based on the novel by Brian Moore of Northern Ireland, was directed by Australian Bruce Beresford. Which film is most "Canadian"? Importantly, as we set cultural policy, does it even matter?

Canadians ought to give careful thought to the long-standing assumption that Canadian culture is something requiring protection. Canadians, alone and in collaboration with others from around the world, produce great things. Who needs protection?

References

[1] What follows formed the core of my presentation at the conference on Canadian Culture and Technology, held at Gatineau, Quebec, October 26th, 2007.

[2] Kelowna Arts Development Office. *The economic impact of arts & culture in the central Okanagan, and toward our future: Cultural tourism & the cultural industries*. Retrieved November 3, 2007, from http://cnc.virtuelle.ca/okanagan/project/economicindex.html.

[3] Culture et Communications Québec. *Economic impact of activities in the cultural sector in the five regions of greater Montreal and the island of Montreal*. Retrieved November 3, 2007, from http://www.creativecity.ca/resources/making-the-case/culture-economic-engine-3.html.

[4] Edmonton Arts Council, *Economic impact of the arts and festivals on the Edmonton region*. Retrieved November 3, 2007, from http://www.lin.ca/lin/resource/html/David0002.pdf.

[5] The classic treatment of this problem is by Olson, M. Jr. (1965). *The logic of collective action*. Cambridge, Mass.: Harvard University Press.

[6] Mersereau, B. (2007). *The top 100 Canadian albums*. Fredericton: Goose Lane Editions.