

## WHY SHOULD LOCAL GOVERNMENT PAY?

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**Abstract:** *If you are aiming to help build local communities you cannot get away from some level of quantitative analysis. Fortunately, most Australian political and financial systems are robust enough to allow this, including with respect to the arts. At least in terms of data collection, a variety of organisations are documenting the production and consumption of arts and culture. Where the difficulty (and controversy) lies is in comparing the effectiveness of this activity as a community building process, compared with other investments, such as recreation. While preparing several local government arts and culture strategies, a small, but growing, database of local government expenditure on arts and culture has been collected. With careful statistical and spatial analysis, the information can be used for evidence-based policy making and it points the way to develop more comprehensive monetary measures of the costs and benefits of public investment in arts.*

**Keywords:** *arts and culture planning, data collection, community building, local government.*

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This talk outlines aspects of our recent work in two areas, local economic planning and arts and culture strategies. These separate lines of research have generated results which, when linked, can be used to show how, and when, local investment in arts and culture is most effective. Our research suggests that we can replace generally ambit claims about the benefits of stimulating the creative industries with quantifiable and tangible evidence of the social and economic impact of investment by local government in arts and culture. This provides a firm answer to a regularly posed question about why local governments should pay.

### 1. Introduction

Why indeed should local government pay? There are substantial, and growing, demands for council resources and arts and culture must compete with other social, economic, environmental, operational and infrastructure needs. It is often these other needs which exert the greatest legislative and political pressure. Furthermore, it is not always obvious, especially to the decision-makers, that arts and culture must be available to everyone, everywhere (Johnson and O'Connor, 2008). This is particularly the case within larger metropolitan areas where residents can easily (and unconsciously) step over municipal borders to access their preferred activities. It does not help that the exuberant arguments about how the creative industries deliver a competitive edge have often been over-stated. All in all, asking 'why local governments should pay?' is a reasonable question.

This presentation outlines the findings of a work-in-progress that is providing one answer to that question. The findings will be of interest to any cultural planner looking for evidence to take to the CEO, Councillor or a Minister that shows, relative to other policy and program tools, when and how arts and culture is the most effective way to influence the all-important social and economic indicators.

## **2. The Background**

Quite often local area planning includes the assertion that creative industries are both viable and an essential means to economic vitality. Investment in arts and culture is a crucial component of the strategy to stimulate growth in this direction. Moreover, estimating generous economic multiplier effects from the arts sector can make this a seductive conclusion. However, we are regularly engaged in two types of projects, which, in combination indicate that it is only under certain conditions that this is likely to be the case.

These project types are:

- arts and cultural planning projects usually commissioned by the Arts and Culture branch of a council; and
- local economic development plans prepared on behalf of property developers and/or local governments.

These two project streams usually incorporate economic modelling, spatial mapping, benchmarking exercises and statistical analysis. The research findings generate very rigorous evidence demonstrating the circumstances under which local governments should consider arts and culture as an important social and economic policy tool. Most importantly, these arguments appear more robust than the general claims about the impact, and plausibility, of creative industries and creative hubs.

## **3. Quantitative Research in Arts and Cultural Planning**

Arts and cultural planning projects invariably include a mix of:

1. Estimating and modelling economic value
2. Spatial mapping
3. Benchmarking resources against other municipalities

The project may start with the simple estimation of the direct monetary value of arts and cultural activity. This is often done as a prelude to deriving the full local economic benefits of supporting creative industries, inclusive of multipliers and externalities. In this case, arts and culture is generally treated as a public good, somewhat similar to the environment (for example, Johnson & Thomas, 1998). There are numerous ways and an abundance of literature describing how to do this (Kling et al, 2001), as well as critiques of the merits of doing so (Snowball & Antrobus, 2002; Sterngold, 2004).

Given the challenges in quantifying all of these benefits, it comes as no surprise that, as often as the value may be understated, there will be exaggerated claims about the gains the 'investor' (that is, the local council) is likely to receive from diverting scarce resources to arts and culture. As local governments are, by definition, spatially defined, mapping exercises are often included in the analysis. These focus on identifying gaps in service delivery and the

relationship between demographic patterns, transport networks and the location of arts and cultural venues. Part of the expectation is that mapping will help describe clusters of activities around arts facilities that support and complement one another (Figure 1). The notion is that, once these naturally occurring clusters are found, a modicum of supply-side intervention can be employed to help them evolve into fully active, 'vibrant' (or, to use the recently more popular term, 'edgy'), creative quarters. The key is to retain and, if possible, enhance the physical and governing conditions that attract the creative classes (warehouses, cafés, galleries and diversity). This agenda is based on the disputable assertion that every place can, and should be, a hip urban village (Peck, 2005).



**Figure 1 Clustering of Night Time and Similar Economic Activities around a Council Owned Arts and Cultural Facility (source: Geografia)**

Finally, a benchmarking exercise is also a regular feature of arts and cultural planning, even more so when the research program is informed by the creative industries concept. Here, local resource allocation is compared with similar, neighbouring, or contrasting municipalities. Based on a sample of metropolitan municipalities in Victoria, there is a 'rule of thumb' where 1 per cent of total council operating expenditure is invested in arts and culture, with a clear difference between inner and outer metropolitan councils (Table 1). Councils at the extremes of the ranges are either: emphasising arts and culture as part of their identity; or significantly under-resourcing the sector.

**Table 1 Benchmarking Municipal Investment in Arts and Culture**

Council Investment	Inner Metro	Outer Metro	Overall
Recurrent Exp. as % of Total Operating Exp.	1.2% ±0.3%	0.9%±0.2%	1% ±0.2%
Arts & Cultural Full Time Equivalents (FTE)	4.5	4.1	4.3
Each FTE 'servicing' this many residents	25,168	45,131	36,397
Council Exp. Per Head of Population (median)	\$12.4	\$6.7	\$9.2

(source: Geografia)

Not surprisingly, comparing investment levels with social and economic indicators in the community shows an intuitively sensible positive correlation (Figure 2). It should be noted that the '1 per cent rule of thumb' may not hold for very small and very large councils. In the former, there is likely to be a critical mass of resources (higher than 1 per cent of operating expenditure) necessary to deliver a minimum of services. For most larger councils, expenditure around or above 1 per cent is likely to result in diminishing returns making any further investment in arts and culture inefficient in terms of delivering specified social and economic outcomes. Irrespective of size and budget, there will also be municipalities already replete with arts and cultural opportunities. In these places, as far as social and economic outcomes go, there will be better 'bang for the buck' in other policy areas. In fact, one of the objectives of this work generally linear relationship between arts and cultural expenditure and socio economic outcomes breaks down.

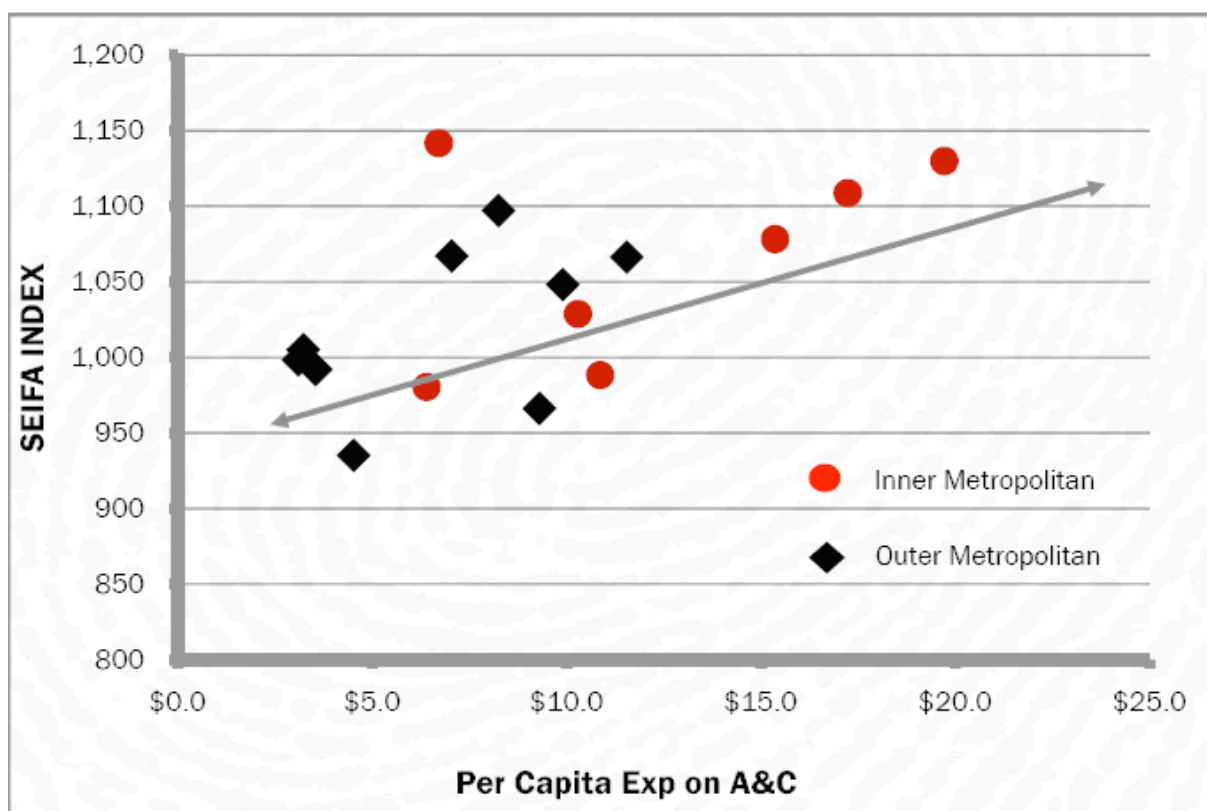


Figure 2 Comparing the ABS SEIFA Index with Expenditure on Arts and Culture

#### 4. Local Economic Development Planning

For developers, local economic planning is a necessary step towards obtaining development approval. Local governments use these plans as a guide to increasing local employment self-sufficiency (that is, the number of local jobs relative to the size of the local workforces). Over the last decade or so, the enthusiasm for the idea that the creative classes hold the key to local economic prosperity has meant that many local economic development plans focus on recreating inner metropolitan streetscapes in any setting, including suburban landscapes (Figure 3). For some local governments this is a mantra; for developers, a nice idea, as long as it does not eat too far into the profit margin.



**Figure 3 Urban Village Rather than Suburban Sprawl (source: Geografia)**

Extensive data mining investigating demographic, social and economic patterns across Australia reveals plausible, affordable mechanisms that may help to generate this urban, rather than commuter, village. Table 2 shows selected results from logistic regression of large datasets from the Australian Bureau of Statistics 2006 Census. It shows that, as a predictor of 'sustainable transport choice' behaviour (for example, working from home, or not driving a car to work), residents with a background, or employment, in the arts are ideal citizens. That is, consistently, across Australia, they are more likely to live and work locally, or, if they do commute, do so without a car. Further analysis also indicates that residents with an arts background take up shop office and group accommodation more consistently across Australia (again, controlled for income, education and household size). Their presence also reflects more diverse communities in terms of ethnicity, income and education. While none of these links may be particularly revelatory to cultural planners, the irrefutable statistical evidence is proving to be of some interest to those outside of the sector.

**Table 2 Influences on Sustainable Transport Choices<sup>1</sup>**

Predictor	Work from Home	Drive a car	Sustainable Transport
Residents Aged 25-34	-2.4	-0.7	+1.4
Residents Employed as Professionals	+1.4	-1.4	+1.3
Residents Employed as Arts Professionals	+4.1	-3.05	+1.7
Residents with Creative Arts Qualification	+1.99	-2.6	+2.7
Residents Employed in Creative Industries	+1.78	-2.1	+1.98

(source: Geografia)

## 5. What Does this Mean?

There is a substantial amount of both qualitative and quantitative evidence that investment in arts and culture will positively influence a range of community wellbeing indicators (for example, Australia Council, 2004). However, let us not forget that: correlation does not prove causality. There are numerous factors that will influence social and economic outcomes in a community: the historical reasons for the growth of a particular place; the existing level of local amenity; the quality and nature of governance; and the general proximity to other places. It is exceedingly difficult to disentangle the influence of each of these elements.

Nevertheless, the combination of quantitative analysis for arts and culture planning projects and exercises designed to find affordable ways to make communities more economically sustainable has generated prima facie evidence that, under certain circumstances, there are benefits to local investment in arts and culture. At the very least, this demands further investigation to define those circumstances.

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1 The numbers indicate the relative strength and direction of the relationship between the 'predictor' and the dependent variable (working from home, driving a car or using sustainable transport). Sustainable transport refers to the choice to walk, take public transport or ride a bike to work. These relationships have been controlled to take into account the influence of other factors such as general location in Australia, proximity to the CBD, employment, income, education and the proportion of residents with uniquely influential jobs such as farmers and tradespersons.

## **6. What Next?**

By combining the standard supply-demand estimation with spatial mapping, benchmarking and statistical analysis of large datasets, an analytical tool can be developed which will unequivocally explain why, and when, local governments should invest in arts and culture as a matter of necessity. This tool will be able to answer the sort of questions posed by interrogators of local cultural planners, such as:

1. In this particularly municipality, what community development tool will provide the best bang for the buck?
2. How likely is it that this new arts venue will have a positive impact on these particular social and economic indicators and what will be the scale of the impact?
3. How do I make a place better through the arts without making it unaffordable for the artist?

## **7. What Will This Analytical Tool Do?**

Table 3 summarizes some results of a small (as yet, not statistically significant) version of an integrated analytical tool that incorporates modelling, benchmarking, mapping and statistical analysis. It shows the relative impact of selected predictors on local property prices. While subordinate to water views, proximity to an arts hub is clearly an important factor, and how many places can boast a sea or river view? There is more work to be done on developing this tool, but already it is proving fruitful. It has been used to put arts and culture on the agenda of local economic development planning projects. Moreover, it has been discussed in a meaningful way and not tacked on through last minute public art projects, or the construction of a poorly planned and sited arts space.

**Table 3 Test Model Predicting Impact of Arts Hub on Property Prices**

Variable	Predictor	Value <sup>2</sup>
Property Price	Sea view	40.9
	Proximity to riverfront	25.3
	Proximity to arts hub	16.3
	Proximity to school	11.1
	Proximity to train station	6.3
	Proximity to main street shops	0.2
Probability that the arts hub is the main driver		40%

(source: Geografia)

## 8. Conclusion

The analytical tool emerging from this work-in-progress draws on the outcomes of several separate projects. Each project has broadly aimed to advise local governments on how to make their communities more robust and sustainable. When considered in combination, the project findings clearly show a way to introduce sound evidence for the benefits of investment in arts and culture. This evidence is based on what is already happening in Australia and the choices ordinary people actually make from day-to-day.

There are obvious benefits to relying on real evidence. It can be used to convince decision-makers that, under particular circumstances, investment in arts and culture can be the most efficient way to influence a community's socio-economic conditions. In taking this step, the arts and cultural planner will need to let go of often unrealistic, and misdirected, expectations that every place can and should have a creative industries hub wrapped around a local arts centre. Arts and culture is not always the best way to stimulate local economic and social development.

Overselling it as a pathway to a dynamic local economy may only lead to disappointed developers, politicians, and citizens. We need to abandon ageing rhetoric in favour of more pragmatic and locally specific solutions, which really do explain why, and when, local governments should pay.

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<sup>2</sup> This value is a coefficient measuring the relative strength of the impact of the predictor on property prices.

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**Biography:** *Kevin Johnson is a Melbourne-based economic geographer and partner in Geografia, who are specialists in economic and social planning. In a past life he was a musician and cut his teeth in cultural policy developing and rolling out a contemporary music industry strategy for Western Australia. Since then he has run cultural facilities, capital works projects and researched and prepared several local arts and cultural strategies. With training in economic and demographic modelling and a musician's fondness for numbers, he is interested in introducing meaningful quantitative rigour to the debate on public investment in arts and culture. kevin@geografia.com.au*