



INTERNATIONAL CULTURE CENTRE ACTIVITY ON REGION ECONOMY

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Abstract

In Latvia still exists a stereotype that culture can only spend not earn money. However, the world experiences nowadays proclaim the opposite. Leaders of international culture centre have to ensure the reasoning of importance for event centre activity and the significance of development sectors in economics in order to justify the necessity of planned budget. For that reason, the assessment of event centre activity in the context of economics is a topical problem nowadays. The aim of work is the analysis for economic assessment of international culture centre activity based on importance of the centre in development of state economics. The projected tasks is to assess the development of event centre in context of culture and economic sectors, to inquire the ruling factors of culture and economic impact, to get acquainted with research performed in Latvia and in the world and to analyze the activity of one event centre. Most studies of arts and culture in urban and regional development thus apply the simple measures of economic growth such as income and employment, but the linkage effects or customers effects have not been assessed in common impact analysis. This research includes the analysis of short-run spending effects – the direct effects, the induced effects and the indirect effects. The research subject is Dzintari concert hall, event centre of international significance in Jurmala, Latvia.

KEYWORDS: culture economy, impact, direct, induce, indirect effects.

Introduction

In the crisis economical situation in Latvia has gone worse. Traditional branches work with losses. Money for the culture and education is cut strictly. Culture needs to earn some means therefore the researches in culture economics are topical.

They prove the positive financial influence that comes from culture to economics.

In Latvia still exists a stereotype that culture can only spend not earn money. However, the world experiences nowadays proclaim the opposite.

The social benefits of the arts on individual and community development had been arguing since the 1960s.

Theoretical framework

UNESCO/Economic Commission for Europe Working Group on Cultural Statistics decided main considerations should govern the designing of a framework for cultural statistics and first of all, it should be integrated whole, including both the social and economic aspects of cultural phenomenon, e.g., production, distribution, consumption of and demand for cultural goods and services (Gordon, John and Beilby reviewed 2010)

Seaman (2004) noted that there are three broad categories of the economic impact of a cultural asset. First, there is the consumption value, including the value received by both users and non-users. Second, there are long-run increases in productivity and economic development linked to the cultural asset. While these types of longer-run effects are linked to the consumption

value of the assets, they can generate potentially measurable economic impacts on real economy in the form of expanded population and economic growth. Finally, there are short-run net increases in economic activity related to the net injections of new spending into the region as a direct consequence of the cultural asset (Towse 2003).

The term “economic impact study” is most commonly reserved for the conventional approach that focuses on the third type of impact – the short run effects of spending generated by the cultural asset. The intellectual foundations for economic impact models can be trace back to the work done in the 1930s by Wassily Leontief and John Maynard Keynes. Leontief’s inter-industry analysis generated input-output tables designed to reflect the relationships among the various sectors of the economy (Leontief reviewed 2010). Keynes’ emphasis on income and expenditure flows as key determinants of at least short-run real output variations also popularized the concept of multiplier analysis and the search for demand-based sources of economic vitality, which is fundamental to the export base orientation of the economic impact models approach (Towse 2003).

Economic impact analyse.

In the United States, the popularity of applying conventional economic impact techniques to the arts is commonly attributed to the technically sophisticated 1977 Baltimore study done by David Cwi and Catherine Lyall,

where total impact is measured by using multiplier, direct, induced and indirect effects.(Towse 2003)

Myerscough (1988) demonstrated, through the use of a multiplier, that direct spending on the arts led to spending in other sectors of the economy, which in turn enhanced wealth and job creation, and made cities appear more attractive to citizens and companies. The study had a far-reaching impact on the cultural sector and strengthened its argument for the economic impact of the arts as a powerful justification for continued public funding. (Reeves reviewed 2010)

Matarasso (1999) proposed such measurement of economic impact:” it is the sum of the outputs and outcomes, an overall analysis of its results: unlike the outcomes, the impact of project may change over time as subsequent events unfold. (*Applications* reviewed 2010) ”

Most studies of arts and culture in urban and regional development thus apply the simple measures of economic growth such as income and employment, but the linkage effects or customer effects have not been calculated in common impact analysis.

What is the relationship between economic and cultural development at the urban or regional level? How does culture change in the course of economic development at these levels and conversely what contribution can culture make to overall development? These are important questions not only for urban, regional and cultural economics but also for cultural policy-makers and urban planners, given that culture has become an integral part of regional development strategies. Urban planning has increasingly become intertwined with cultural planning, and cultural programming is used as part of strategies to revitalize inner cities and old industrial areas.

We distinguish three definitions of culture:

- Culture as aspect, i.e. the community of ideas, values, norms and habits that a society has
- Culture as sector, i.e. if culture is defined by a series of genres like painting, sculpture, theater, dance, music, literature, poetry, film, video, architecture, etc., the cultural sector consists of those institutions, firms, organizations and individuals who work with these genres; in total the cultural sector so defined comprises a wide spectrum from commercial businesses on the one hand to subsidized cultural institutions and idealistic organizations on the other
- Culture as art, where the word “art” includes an implicit quality valuation; for instance, not all paintings would be classified as art according to some quality criteria

This article’s point of departure is the definition of culture as a sector. Thus, there are no underlying quality valuations regarding the definition, but only a specification of genre.

For our purposes the cultural sector contains both the wide commercial culture and the narrower traditional culture, comprising artistic modes of expression like theater, music, visual art, architecture, design, arts and crafts, media, film/video , multimedia, literature and cultural heritage: it could also include fashion, advertising, computer software, games and toys, amusement parks, etc.

Researchers in this field refer to arts and culture as an economic activity

How do we define economic development?

First and foremost, economic development implies economic growth, i.e. an increase in goods and services produced by a (regional) economy in a given period of time. This typically goes in tandem with increased employment and enhanced standards of living. Economic growth is thus the motor for economic development in broader sense: it typically increases life expectancy at birth, quality of health care, reduces infant mortality and allows for shorter working hours including a reduction in child labor. It frees more time and resources for cultural consumption and, through increased market demand, mobilizes more resources for its production. In fact many cultural products, including items of regional or national heritage, are not sold and bought freely on the market. Yet in the creation of arts and culture significant flows of financial resources are involved.

We disregard leisure time cultural activities which are (almost) free such as unsponsored neighborhood or community cultural activities, music groups that play for fun only, and so on. This is clearly an omission as these activities are an integral part of regional culture. Presumably the extent and structure of these activities will change in the course of economic development and thus will change regional and local culture. However they have not been subject to extensive economic research and therefore will be disregarded in what follows.

The concept of economic growth is of course simplest to apply in empirical studies.

The concepts of economic development and cultural sustainability being more and more complex – and less operational. Most studies of arts and culture in urban and regional development thus apply the simple measures of economic growth such as income and employment.

The short-run spending impacts are due to the fact that the arts and culture can attract visitors – local and non local consumers – who spent money on culture, but sometimes also on related goods or services like food, beverages, accommodation, shopping, ect. If there are visitors who have come to a city or a region because of the cultural activities on offer, their consumption constitutes an increase in aggregate demand that can be attribute to the arts. These kind of short-run spending impacts are mainly based on cultural tourism,, but can also be due to the possibility that the region’s own population spends less elsewhere

Economic impact studies in the cultural sector have been conducted at different levels:

- A single cultural event, e.g., a festival, or individual permanent cultural institutions;
- The entire cultural life of a town, municipality or a region
- The cultural life of an entire state or nation

For our present purposes, analyses of the cultural life of an entire state or nation are not very relevant, and so we concentrate in the following two sections on presenting several examples of studies in the other two categories.

Research aim

The primary aim is to analyze economic assessment of event centre activity based on the importance of centre in development of state economics

To analyze an economic assessment of activity of event centre and to compare the methods, models and the ways of analysis, the best technique for estimating sector impact on event centre and the most frequently applied method to study the short-run spending effects of the culture is economic impact analysis by David Cwi and Chaterine Lyall. In economic impact studies, the short-term spending impact of culture on consumption, income and employment is measure, normally differentiating between direct, induced and indirect effects:

- The direct effects are the employment and income generated in a locality by the arts activities themselves.
- The induced effect (or linkage effects) – the customer effects – are spending of visitors of cultural events or institutions on transport, food and drink and perhaps accommodation. (Ginsburg and Throsby 2006)
- The indirect effects are multiplier effects, which are associated with both the direct and the induced effects. (Applications reviewed 2010)

The total impact calculated as:

1. Total Impact = Direct Effects + Induced Effects + Indirect Effects, where Indirect Effects = (Direct Effects + Induced Effects) x Multiplier. (Ginsburg and Throsby 2006).

Long – run effects Location choice

In addition to the short-run effects that can be measured in economic impact studies, cultural activities may have more indirect and longer-term effects. In particular a lively cultural atmosphere may attract people and firms to particular regions. For example, because people enjoy arts and culture (as they enjoy a beautiful environment) and are willing to forgo some of their income compared to other locations in exchange for better

access to cultural institutions. Such a positive externality will make this location more attractive to firms, which can save on their payroll costs. More over they may find more creative people in these areas, which enhances their possibilities to hire qualified workforce.

Research results

Research on customer effects

- In 2009 the research has been done by Latvia Culture Academy, with the aim to measure economic impact from culture organization's activities in Latvia and measure the spending of visitors of cultural events on related services and goods - transport, food, drink and perhaps accommodation.

- There were 650 questionnaires from respondents of cities in Latvia as Ventspils, Madona, Kuldīga, Bauska, Jūrmala and the capital city Riga.

The research has proved that spending money on culture means also spending on related goods and services like food , beverages, accommodation, shopping, ect.

At first, person is paying for transport to get to the event, then person is going to dinner before or after the event, during the event person buys at least coffee, ice cream or bear. If counting the price of accommodation, gifts for family, salary for baby (or animal) sitter, total expenditure is large enough to be significant economic activity.

Due to the economic crisis consumers are buying the cheapest tickets to attend culture event. 63% of respondents purchase tickets not higher that for LVL 6,00, 18% take from LVL 7,00 – LVL 14,00, and quite large percentage 19 % of respondents look for tickets up to LVL 15,00.

At the same time more that half of respondents use related services – 70 % are going to restaurant or cafeteria before or after culture event. 43 % of them are ready to pay not more than LVL 5,00, approximately the same percentage – 41 % taking catering service between LVL 6,00 – 15,00 and just 2 % are going to have real meal and paying up LVL 31,00. Figure Nr.1 illustrates the situation.

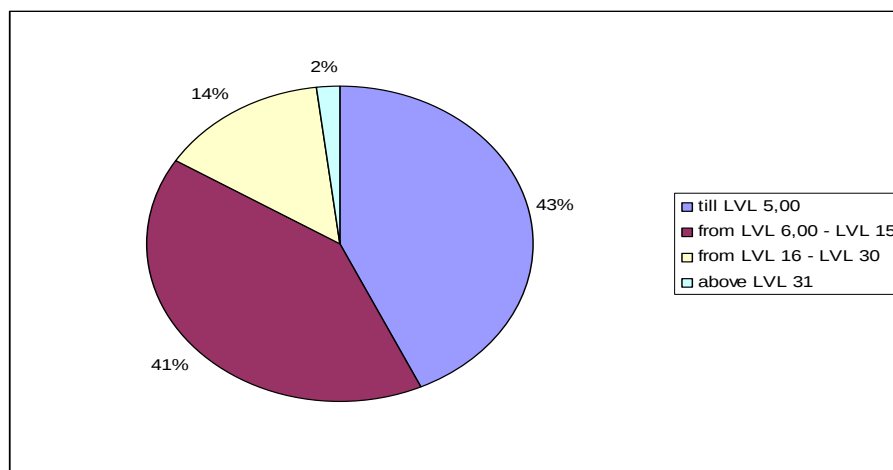


Figure 1. Expenditures on catering

The distance from home to culture activities' place is not the main reason for choosing to come or not. Just 10 % of consumers are not paying for transport; close 40 % are using public transport to get themselves to activity,

almost 50 % are counting on payment for parking and fuel. 53 % of respondents are spending amount of LVL 5, 00 and 25 % of culture consumers have in their budget from LVL 6,00 till LVL 20,00 for transport services.

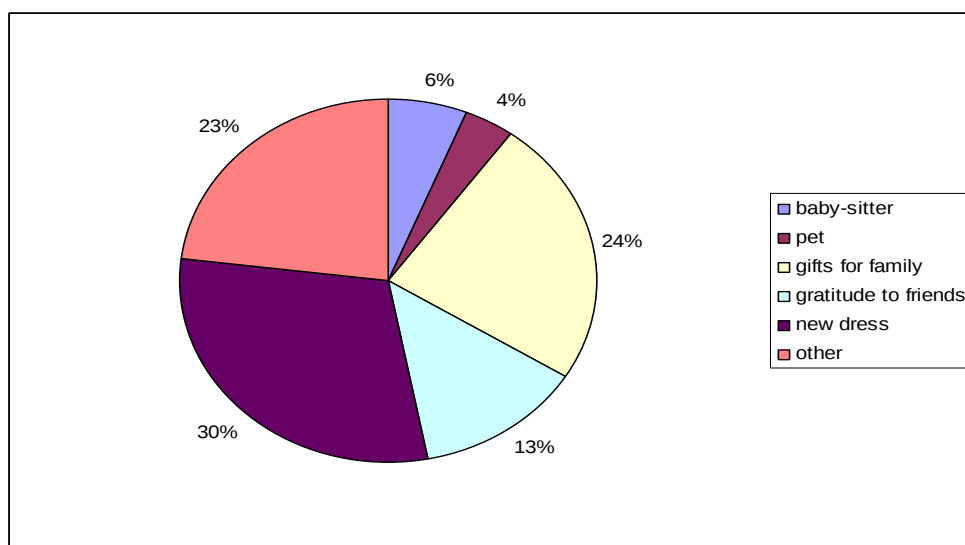


Figure 2. Expenditures on related goods and services

As may be seen in Figure Nr.2, spending on related services has trended gradually higher as an amount of ticket. Mostly audience of culture event is looking for cheapest ticket (till LVL 6, 00), but at the same time not counting money on related goods. Interesting that one third of consumers purchase new dress and almost 25 % are looking for some small gifts to family members waiting at home.

72 % of consumers proved that they had expenditures during culture event. There are more expenses on tee, coffee, snacks, ice cream, etc. Almost 30 % of visitors don't have any expense at all, but as we can see in figure Nr.3, quite enough of respondents are paying for alcoholic beverage and souvenirs, flowers for artists and merchandise.

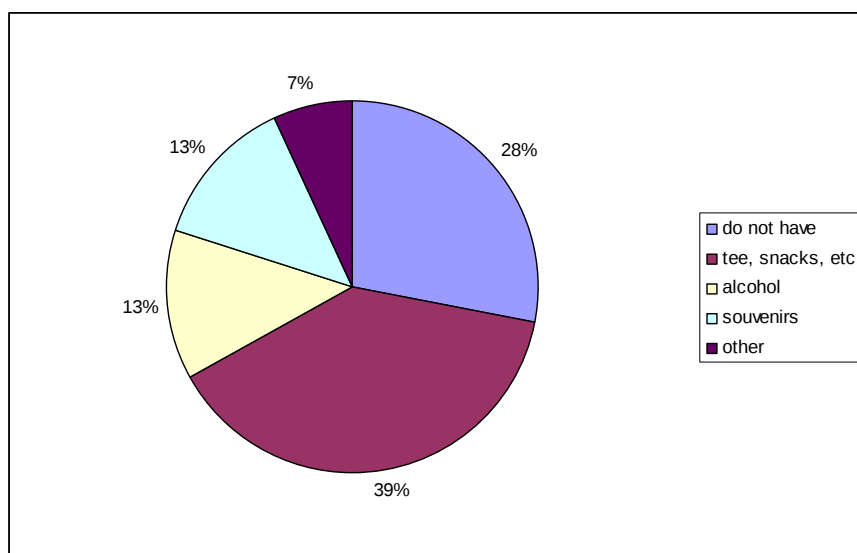


Figure 3. Expenditures during culture event

Due to economic impact analyses, first of all, calculations have been done of the **direct effects** of Dzintari concert hall, including the employment and income generated in a locality by events at Dzintari concert hall. According to the results of the study of European Association of Event Centres, 75% of event

centres are limited companies responsible not only for profitable results, but also for providing surplus value of culture at city, region or state.

Dzintari concert hall has proved that becoming limited company in year 2004 it started to attract more customers. The main aim of Dzintari concert hall is to

become the centre of summer symphony music and to find and educate new audience. Since there are many pop and rock band concert hall supports youth

Festivals, chamber music concerts and always gives priority to orchestra concerts. The concert hall acts as real culture entrepreneur, profit of the rent of the hall goes to stimulation of culture growth and promotion of surplus value.

Dzintari concert hall has 71 employees working at every event, 40 of them have been paid by Ltd Dzintari concert hall and 31 have been paid by related companies (public catering, merchandising, flower shop, CD and DVD market, etc.)

The formula for calculations of the direct effects of Dzintari concert hall are showed in Table 1 and Table 2.

Table 1. The calculations of employment payment per event

$$\begin{aligned}
 X &= \text{total payment for employees working for one event at Dzintari concert hall (gross wage)} = \\
 &\quad \text{wage of employees of Ltd. Dzintari concert hall per one event} + \\
 &\quad \text{Wage of employees working in Dzintari concert hall at public catering per one event} + \\
 &\quad \text{Wage of employees working in Dzintari concert hall at merchandise per one event} + \\
 &\quad \text{Wage of security persons per one event} = \\
 &\quad \text{LVL 1578.00} + \text{LVL 239.00} + \text{LVL 114.10} + \text{LVL 10.00} + \text{LVL 45.00} = \\
 &\quad \text{LVL 1986.10}
 \end{aligned}$$

Table 2. The calculation of income per event

$$\begin{aligned}
 X &= \text{The income of one event at Dzintari concert hall} = \\
 &\quad \text{Average sum of rent of the hall per event} + \\
 &\quad \text{Average sum of the advertisement places at Dzintari concert hall per event} + \\
 &\quad \text{Average sum of the work of ticket office per event} + \\
 &\quad \text{Average sum of the percentage of public catering in Dzintari concert hall} + \\
 &\quad \text{Average sum of the percentage of merchandise in Dzintari concert hall} = \\
 &\quad \text{LVL 3444} + \text{LVL 445.00} + \text{LVL 84.90} + \text{LVL 206.50} + \text{LVL 26} = \\
 &\quad \text{LVL 4206.40}
 \end{aligned}$$

The real income and total payment for employees are:

$$\text{LVL 1986.10} + \text{LVL 4206.40} = \text{LVL 6192.50}$$

Customer's effects

The study proved that 76% of Dzintari concert hall audience spends on related goods and services more than LVL 30 per event. Only 24% buy the cheapest tickets, go to the event and buy coffee or beer and go home to dinner. See table 3

Table 3. The expenses of Dzintari concert hall customers

Sum per event	Percentage of customers	The total expenses of the group of customers
LVL 10-16	24 %	LVL 5940.00
LVL 30.00	30 %	LVL 24300.00
LVL 40.00	15 %	LVL 12000.00
LVL 60.00	15 %	LVL 18300.00
Up to LVL 100.00	6 %	LVL 13600.00

The sum of induced effect per event at Dzintari concert hall is LVL74 140.00. According to statistics in 2009 there were 90 events at Dzintari concert hall, so the average total induced effect is calculated $LVL\ 74140.00 \times 90 = LVL\ 6\ 672\ 600.00$

Despite short event season, customers of Dzintari concert hall have spent more than 6,5 million Lats (Latvian currency) or 9,3 million euro.

Indirect effects

The indirect effect can be calculated = direct effect (LVL 6192.50) + 10 % from induced effect (LVL 8021.45) = LVL 14 123.95.

The total impact

Table 4. The total impact of Dzintari concert hall per event

$$\begin{aligned} \text{Total impact} &= \text{Direct effects} + \text{Induced effects} + \text{Indirect effects} = \\ &LVL\ 6192.50 + LVL\ 74140.00 + LVL\ 14123.95 = \\ &LVL\ 94\ 456.45 \end{aligned}$$

The total impact of Dzintari concert hall per season of 2009 can be calculated as: the total impact of Dzintari concert hall per event to multiply by the number of the events in season, $LVL\ 94\ 456.45 \times 90 = LVL\ 8\ 501\ 080.50$. The investments in Dzintari concert hall since year 2006 has been approximately LVL 1.5 million, which is four times less than the turnovers for one season due to economic impact analyze.

Summary

1. Economic impact study has become an important tool for planning, and to inform about economic development and regeneration strategies of local authority of Dzintari concert hall. Research has also been use effectively to advocate for greater investment in event centre to demonstrate its value to founders and stakeholders.

2. The interest of economic impact models can be traced back to the works done in the 1930s including both the social and economic aspects of cultural phenomenon. But the linkage effects or customer effects have not been calculated in common impact analyse

3. The short-run spending impacts are mainly based on cultural tourism, events centre such as Dzintari concert hall attracts visitors, who spend money on related goods and services. More than 75 % of Dzintari concert hall audiences have spent approximately LVL 30.00 per event.

4. The economic impact analysis of Dzintari concert hall confirms that events centre generates more than LVL 8.5 million turnovers per season, production competes with other sectors in input and output markets. The more consumers that can be attracted by events centre activity, the higher the economic impact. The achieved results form the fundamentals for further investigating and analyzing the sectors of event centre allowing the continuation of economic activity assessment for the significance of each event centre, considering it in the context of Latvian economics and comparing with event centers in Europe. It is sufficiently urgent to justify an economic usefulness and an important contribution to the state economics.

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