

**ART FOR THE MASSES? MEASURING THE ECONOMIC AND SOCIAL VALUE OF
GRAHAMSTOWN NATIONAL ARTS FESTIVAL TO THE TOWN'S LOWER INCOME AND
EDUCATION GROUPS.**

By

J.D. Snowball
Rhodes University, Grahamstown

And

G.G. Antrobus
Rhodes University, Grahamstown

Abstract

Until recently it has been largely accepted, and borne out by research, that the arts are generally consumed by those from higher income and education groups. The same is largely true of the financial benefits of cultural events, like the National Arts Festival (NAF) in Grahamstown, which accrue largely to the wealthier residents of the impact region. Given this scenario and the developing country status of South Africa, in which so many vital areas are competing for government funding, a good case for the public support of cultural events seems unlikely. However, when the relatively new willingness-to-pay contingent method is used to value the positive externalities provided by the arts, a radically different picture emerges. Using the NAF as an example, the paper presents the results of a willingness-to-pay study which shows that significant non-market benefits accrue to the lower income and education groups in the region, perhaps justifying the recently increased provincial government support of the Festival.

The Eastern Cape is one of the South Africa's poorest provinces. Yet, when the Grahamstown (formerly, Standard Bank) National Arts Festival was in urgent need of sponsors, the Eastern Cape Government stepped in to the tune of R7.5m over three years. There has been some debate, although not as much as one might expect, as to the wisdom of this action. Should the government of a province with many urgent public funding needs, such as housing, sanitation, basic healthcare and education, sponsor the arts? This question is particularly relevant in South Africa, since many studies have found that arts attenders worldwide represent the educated, prosperous minority of society (Morrison & West, 1986; Dobson & West, 1990; Hendon 1990) and not the "masses".

This is no different in South Africa. A consumer research project conducted at the National Arts Festival in 2001 (Snowball & Antrobus) found that festinos (festival visitors) were about two-thirds mother-tongue English speaking (that is, white), about 40 % of them were in professional or managerial posts, 60% of them had, or were currently studying for, a university degree, and about 50% of them earned more than R6000 a month. Clearly, the profile of festival visitors cannot explain the government sponsorship.

Encouragingly however, festival audiences do seem to be becoming more racially diverse. Studies conducted in the late 1980's (Davies 1987 & 1989) found that about 85% of festinos were mother-tongue English speakers. Also, the average age of black festinos is decreasing, perhaps reflecting the rise of a new, black middle-class and a renewed interest in cultural events (Snowball & Antrobus 2001). However, that change is slow and still supports those who have the means, in the first place, to attend.

A more compelling argument might be that, in a province with little industry, the economic or financial impact on the region of an event like the festival cannot be taken lightly. Measuring the economic impact of the arts has a well-established if somewhat problematic methodology (Crompton 1995; Johnson and Sack 1996; Seaman 1987). The economic benefits of the Grahamstown Arts Festival are relatively easy to quantify in money terms. This kind of study would usually make some estimate of the cash injection into a region by visitors to the Festival and then apply the relevant multiplier to arrive at a final monetary estimate of the economic value of the event. The impact of the 1997 Festival in the Grahamstown region was estimated to be R23.5 million (Antrobus *et al.*, 1997b) – a relatively significant amount.

However, the problem with using impact studies to motivate for public support of the Festival is that most of this money accrues to the wealthier residents of the community who have some means of capitalizing on the presence of visitors. This is apparent in the results of the 1997 impact study, which included a household survey. While the racial/cultural and wealth divides are becoming ever more blurred, the majority of well-educated, wealthier white Grahamstown residents and white owned CBD businesses, are in Grahamstown West, while the East area consists of mainly black and coloured township residents, many of whom have low levels of income and education. It was generally believed, and borne out by

research (Antrobus *et al.*, 1997a), that it was the wealthier West residents who largely benefited from the Festival in a monetary sense – earning more than four times as much as the average East household.

A more qualitative look at the retained earnings, however, suggests that Festival income for poorer East residents forms a more important part of their income, than does that of West residents - still, one is on shaky ground, as it could easily be argued that the funding of a new shopping complex or industry would have a greater and more evenly spread economic impact. As Seaman (1987) points out, “Arts proponents are involved in a dangerous game when they resort to impact studies. In a sense, they are choosing to play one of their weakest cards, while holding back their aces.”

Area	West	East
Average income from festival labour per household	R194	R187
Average income from accommodation per/hh	R791	R84
Average retained income per household	R53 (5.4%)	R224 (82.7 %)

Table 1: Average Festival Income and Retained Income per Household

Source: (Antrobus *et al.*, 1997a)

What are the “aces” to which Seaman refers? One of the best economic arguments for the public support of any part of the economy is market failure, which is often caused because the returns from the good are not completely appropriable, that is, the good has some public good characteristics (Arrow 1963). Public or mixed goods (goods with both private and public good characteristics) do not function well in the market because they have certain attributes, such as the inability to prevent non-paying members of society from using them and the fact that the good does not diminish as it is used, that result in under-investment, or investment below the socially optimal level.

Health care, education and environmental quality are classic examples of this phenomenon and, argues Seaman (1987), so are the arts. No one would suggest that the way to justify education or basic healthcare is to determine the economic impact of local schools and clinics; we accept that we all benefit from a better-educated and healthier society. Why then, do we insist on attempting to justify the public support of the arts through their economic impact? It is precisely these non-market benefits provided by the arts that Seaman (1987) refers to as the “aces” that arts proponents often neglect.

Encouragingly, recent media reports on the public funding of the National Arts Festival have alluded to these intangible benefits. For example, the Festival is seen to “promote the heritage of this region and the province [Eastern Cape] as a whole” (*The Herald* 29/3/02), “nurture local talent”, “put Grahamstown on the map” (*The Herald* 28/3/02) and expose “our rich cultural heritage in the international arena” (*Daily*

Dispatch 27/03/02). However, when announcing their sponsorship, Eastern Cape Government spokespeople concentrated their remarks on the economic benefits, increased tourist attraction and job opportunities offered by the Festival (*The Herald* 28/3/02, *Daily Dispatch* 8/03/02 *Business Day* 4/4/02 amongst others). The reason for this is that it is much easier to quantify the economic or monetary benefits than the social non-market benefits of events like arts festivals. One report (*Daily Dispatch* 6/7/02) went as far as saying that, “It is probably not possible to estimate the direct and indirect benefits the Festival brings to the Eastern Cape...” – a rather defeatist sort of view, perhaps reflecting the writer’s lack of faith in socially optimal public spending allocations, rather than any knowledge of economic valuation techniques!

In fact there are well-documented ways of quantifying such non-market benefits, one of the most useful being the willingness to pay (WTP) or contingent market valuation method. WTP techniques were first used to measure what were termed the “non-use” values of environmental resources. It was suggested that, as with the arts, even people who never go to the rain forests, benefit from their existence, and even more surprisingly, are willing to pay to protect them (NOAA, 1993). WTP studies conducted in Australia by Throsby and Withers (1985) in Canada by Morrison and West (1986), in Sweden (Hansen 1998) and in Kentucky (Thompson, Berger et.al 2002) to name but a few, showed that even people who never attend arts events are willing to pay to ensure that they do not die out. The reasons for this vary widely: the arts enhance national identity and pride in one’s town or country; they provide ongoing education to children and adults; they comment on social policy and development and help to integrate individuals into society (Cwi, 1980). For these and other reasons people who never go to an arts event may benefit from the culture they generate and may want them to be there in case they, or their children, want to attend at some time in the future. Thus, by asking people what they would be willing to pay to support the arts one can to some extent quantify these intangible benefits.

The argument that the arts have some public good characteristics in that they produce positive externalities which are not traded in the market (Throsby, 1994) could be used to argue for public support far more effectively than economic impact studies, but only if the magnitude of these externalities can be measured. The WTP methodology, however, is fraught with problems and bias, largely because of its hypothetical nature. It was only after the comparatively recent US National Oceanic and Atmospheric Administration (NOAA) report on the CV method, chaired by, among others, Kenneth Arrow and Robert Solow, that WTP studies found wider acceptance (NOAA, 1994). The report concluded that, as long as WTP studies are carefully designed to control for bias, CV studies can produce estimates reliable enough to be the starting point of a judicial process of [environmental] damage assessment, including lost passive-use values (NOAA, 1994).

In May 2000, seventy-three telephone interviews were conducted with Grahamstown residents from both the East (lower-income and education, largely black) and West (traditionally white, higher-income and

education) area. The first section of the questionnaire elicited the opinions of respondents by providing a number of statements with which they were asked to agree or disagree. As can be seen from Table 2, opinions of Grahamstonians from both the East and West areas are overwhelmingly positive. Most surprising, however, were the cases in which East residents felt more positively about the Festival than those from the West. For example, 91 per cent of East residents and only 65 per cent of West residents agreed or strongly agreed with the statement, “The Festival gives all the people of Grahamstown a sense of pride”- perhaps a case of West residents over-compensating for the belief that East residents do not benefit from the Festival. The positive responses of East residents to statements about the educational value of the Festival and its use by future generations were also higher than those from West residents.

Statement	Ghst Total	Ghst. West	Ghst. East
The Festival gives all the people of Grahamstown a sense of pride (% agree)	78.1	65	91.7
The arts at the Festival help us to understand the politics and cultures of our country better (% agree)	84.9	75.6	94.4
The Festival only benefits those who actually pay to go to the ticketed shows (% disagree)	71.2	83.3	58.3
The arts at the Festival harm society because they are too critical of our way of life (% disagree)	80.8	86.5	75
The Festival should be kept going so that people or their children have the choice of attending it in the future (% agree)	93.2	89.3	97.2
The arts offered at the Festival are useful in educating the community of all ages (% agree)	86.3	81.1	91.6

Table 2. Extract from the arts opinion survey in Grahamstown 2000

(See Snowball & Antrobus 2002 for the full results and methodological details of the study)

The response to, “The Festival only benefits people who actually pay to go to the ticketed shows” was one of the most important indicators of the perceived level of the positive externalities that the Festival provides. Overall, the results of the opinion survey indicated that the view that the Festival only benefits the wealthier residents of the town, who benefit in some direct financial way, is incorrect.

This was also borne out by the unexpectedly high attendance at ticketed performances of Grahamstown East people (51% of people from this group having attended at least one ticketed event at either the 1998 or 1999 festivals), despite the expected positive significant correlations between income, education and show attendance. More black people (97%) indicated that they would make a point of watching a television programme on the Festival, if they had access to a TV set, than did white residents (68%) indicating a high level of interest amongst black Grahamstown residents.

The WTP question was extremely carefully constructed, following the Throsby and Withers (1985) format quite closely and including many checks to control for various forms of bias, including “free riders”. Respondents were given information about the cost of the Festival, that is, the level of sponsorship required and were then asked a closed-ended, yes or no question whether they would be willing to pay an extra R5 a month in taxes to support the Festival, if this would prevent it from dying out. The results of the WTP study confirmed the surprisingly positive attitudes of Grahamstown East residents to the Festival.

Despite a much lower average income and attendance at Festival events than West residents, almost three quarters of the East residents interviewed stated that they were willing to pay an extra R5 per month in taxes to support the Festival. Eighty one percent of West residents indicated a positive WTP. Reasons given for positive WTP responses where attendance at shows was low included : “improving our nation”; “exposing people to culture”; “giving people something to do and keeping them away from crime”; “keeping the town alive” and that it was “good for the community”. The Festival is also seen as a very important source of future economic growth, job creation and development. These responses showed a high degree of awareness of the positive externalities that the Festival provides.

Using information about the age and number of Grahamstown residents (Stats SA, 1996) it was possible to make a rough estimate of the minimum value of the Festival’s externalities as being worth between R2,3 and R3 million a year.

Area	Positive WTP	Negative WTP
West	26 (81.3%)	6 (18.7%)
East	25 (73.5%)	9 (26.5%)
Total	51 (77.3 %)	15 (22.7 %)

Table 3: Summary of Adjusted WTP Responses in Grahamstown

Total sample size: 66: Grahamstown West: 32 (48.5%) Grahamstown East: 34 (51.5%)

When these results were first presented, there were two main reactions: either they were an interesting and valid response, shedding more light on the benefits of public funding of the arts in developing countries, or they were an anomaly which would disappear with more rigorous testing, i.e., I had got the methodology wrong. It was with this in mind that a similar WTP study was conducted this year (2003) at the KKNK arts festival in Oudtshoorn. A very brief outline of the results, from a different festival, with a different sample of respondents, with a different questionnaire, conducted three years later; will serve only to prove the robustness of the initial findings.

A hundred telephone interviews were conducted in Oudtshoorn directly after this year's KKNK arts festival. The population, like Grahamstown, is also roughly divided into a high-income, mainly white area and a low-income, mainly coloured area.

Opinions were once again overwhelmingly positive in both areas. An interesting difference was that a greater percentage of low-income area respondents regard the festival as important for community education than did high-income residents. Although attendance at ticketed shows was considerably lower on average for the coloured population (0.8 ticketed shows) than for the white population of Oudtshoorn (2.6), when one included attendance at free shows and street theatre this difference largely disappeared. In other words, when attendance at shows is compared, irrespective of whether they are free or not, low-income area residents attended 4.6 shows on average, while high-income residents attended 4.9 shows.

The WTP question differed considerably from the Grahamstown version in that it tested the sensitivity of the study to scope (the size of the good) by setting up two scenarios, one where respondents were asked what they would be WTP to prevent a 25% reduction in the size of the festival (defined as a quarter fewer visitors and shows) and another for avoiding a 50% reduction. In addition, the closed-ended, yes or no WTP question had varying starting point bids (R10;R20;R30), followed by an open-ended question asking for a maximum WTP.

The results conformed to all relevant economic laws: the average WTP increased as the size of the good increased and the probability of a "yes" answer decreased as the initial bid amount increased.

	Lower income area	Higher income area	Total combined mean
% WTP	65.5%	64.7%	65.3%
Average WTP for all respondents in this area	R8.96	R17.50	R12.11

Table 4: Summary of Adjusted WTP Responses in Oudtshoorn

As can be seen from the above table, about 65% of people in both areas indicated a positive willingness to pay to prevent the festival from getting 25% smaller. What is remarkable about this is that, even in the low-income area, where budget constraints were very much more severe, about the same percentage of people as in the high-income area were willing to pay. However, the income constraint is reflected in the lower average willingness to pay amount in this area.

An interesting point, however, is that although the people from the high-income area were willing to pay more in absolute terms than those from the low-income area, the picture changes drastically when willingness-to-pay is measured as a percentage of the average income for each area. In this case, people in

the low-income area were willing to pay 1.23% of their monthly per person monthly income, while those from the high-income area were willing-to-pay 0.39% of their per person monthly income. Looked at as a percentage of income, low-income area residents were thus willing to pay more than three times as much as high-income residents.

Reasons for positive WTP were very similar to the 2000 study, including community education, economic benefits and job opportunities, community pride and enjoyment or entertainment values.

Conclusions

Public support for the arts is a contentious issue in most countries, but particularly so in developing ones, like South Africa, where there are so many other demands on the public purse. Economic impact studies of arts festivals can provide a financial rationale for public support, particularly in a province like the Eastern Cape that does not have much other industry. However, most of the direct monetary benefits from the Grahamstown Festival accrue to the higher income residents of the town who have some way of capitalizing on the presence of visitors.

The contingent valuation or willingness to pay study conducted on the Grahamstown Festival revealed that the positive non-market externalities are a very valuable resource, and are available to the whole community. It is shown that the Festival is particularly important to those people who cannot afford to travel to attend cultural events or pay for schools that provide significant extra-mural cultural activities. This support is expressed in a concrete manner by a high percentage of lower-income residents who are willing to pay something to support the festival. It is argued that evidence from this contingent valuation study, providing evidence of market failure, is a far more effective way to motivate for public support of cultural events, like the National Arts Festival.

The results of this research are re-enforced by a similar study conducted on the KKNK festival in Oudtshoorn, which also indicated that the positive externalities generated by this festival are of great importance to the low-income residents of the town.

References

- ARROW, K. 1962. Economic welfare and the allocation of resources for invention. in Rosenberg (ed) 1971. The Economics of Technological Change. Penguin Books Ltd.
- ANTROBUS, G., Williams, V., Fryer, D., Khumalo, B., Streak, J. & Webb, A., 1997a. The economic impact of the 1996 Standard Bank National Arts Festival Department of Economics, Rhodes University: Grahamstown
- ANTROBUS, G., Webb, A. and Mather, D., 1997b The economic impact of the 1997 Standard Bank National Arts Festival. Department of Economics, Rhodes University: Grahamstown
- BUSINESS DAY, 2002. Backers fill Grahamstown void. 4 April 2002
- CROMPTON, J., 1995. Economic impact analysis of sports facilities and events: eleven sources of misapplication. The Journal of Sports Management 9:14-35
- CWI, D., 1980. Public support of the arts: three arguments examined. Journal of Cultural Economics 4, 2: 39 - 62
- DAVIES, B., 1987 & 1989. Fest Quest: a survey of visitors to the Standard Bank Arts Festival. Institute for Social and Economic Research, Rhodes University: Grahamstown
- DAILY DISPATCH 2002. G'Town festival 'will not collapse'. 8 March 2002; Bisho cash saves G'Town festival. 27 March 2002.
- DOBSON, L. & WEST, E., 1990. Performing arts subsidies and future generations. Journal of Behavioural Economics 19, 1 [On line] Available: <http://sjcpl.lib.in.us/homepage/Ebscohost/EbscoHost.instruct.html> [Accessed: 13/12/99]
- HANSEN, T.B. 1998. The Danes value the theatre in Copenhagen Hume papers on public policy 13507516 6:3 [On line] available: EbscoHost research database [Accessed 6/3/03]
- HENDON, W., 1990. The general public's participation in art museums: visitors differ from non-visitors, but not as markedly as case studies have indicated. American Journal of Economics and Sociology 49, 4 [On line] Available: <http://sjcpl.lib.in.ud/homepage/Ebscohost/EbscoHostinstruct.html> [Accessed: 13/12/99] 1 - 16
- THE HERALD, 2002. Future rosy for arts fest. 28 March 2002; Festive boost for the Eastern Cape. 29 March 2002
- JOHNSON, A. & SACK, A., 1996. Assessing the value of sports facilities: the importance of non-economic factors. Economic Development Quarterly 10, 4: 369 - 382
- MORRISON, W. & WEST, E., 1986. Subsidies for the performing arts : evidence of voter preference. Journal of Behavioural Economics 15, Fall: 57 - 72
- NOAA, 1993. National Oceanic and Atmospheric Administration Panel on Contingent Valuation Arrow, K.; Solow, R.; Portney P.; Leamer, E.; Rader, R. and Schumar, H. US Department of Commerce
- SEAMAN, B., 1987. Arts impact studies: A fashionable excess. In: Towse, R. (ed) 1997. Cultural economics: the arts, the heritage and the media industries. Vol 2 Edward Elgar: Cheltenham
- SNOWBALL, J. & ANTROBUS, G. 2001 Measuring the value of the arts to society: The importance of externalities for lower income and education groups in South Africa. South Africa Journal of Economics 69:4
- SNOWBALL, J. & ANTROBUS, G. 2001 Measuring the value of the arts to society: The importance of externalities for lower income and education groups in South Africa. South Africa Journal of Economics 69:4
- STATS SA, 1996. The people of South Africa population census 1996: Eastern Cape Report # 03-01-20 Statistics SA: Pretoria
- THOMPSON, E., BERGER, M., BLOMQUIST, G., & ALLEN, S. 2002. Valuing the arts: a contingent valuation approach. Paper delivered at the Contingent Valuation of Culture Conference: University of Chicago. Available [On line] at: <http://culturalpolicy.uchicago.edu/CVMPapers/Thompson.html> [Accessed 4/2/03].
- THROSBY, D. & WITHERS, G., 1985. What price culture? Journal of Cultural Economics 9, 2: 1 - 33

