

## Forging New Partnerships – The Gains to Be Made From Closer Contact between Economics and the Arts

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### ABSTRACT

This paper analyses the association between art, cultural heritage and economic and financial logics, a coexistence that seems particularly difficult in Italy. Since ancient times, and with particular emphasis during the industrial revolution, the two worlds have had a conflicting relationship. Just in recent times the economic science and the academia have begun to get closer to art and culture, considered in their broadest sense. In the past, the quantitative and empirical bases distinguishing economic science were too far and aloof to allow the two realities to effectively cooperate, trusting each other. The key point under discussion here is the concepts of economic and financial sustainability; a major point for any initiative for a manager, a constraint and sometimes reason for unacceptable compromises for the artist. Thus, the research question to be posed is: are culture and economic science two worlds that can communicate?

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### 1. Introduction: The perpetual distance between the arts and economics

An association between the arts and cultural heritage, and the forces of economic and financial logic, may seem to verge on the oxymoronic – and their co-existence has brought complications that are particularly evident in Italy. The fields in which economics (and more specifically, management and finance) play out appear a long way from those of the arts and culture. Since ancient times, and especially during the industrial revolution, the two spheres have seemed to be on opposite sides of an argument. Economists and scientists have been regarded with suspicion by artists, who have been fearful that they will treat the arts and cultural heritage as a commodity, for cynical pricing and trading like any other commercial good. For their part, economists have at times seen the arts and culture as entirely self-referential, failing to generate wealth for others and ready to justify any economic inefficiency by their self-defined need for independence of action, so that the sectors of greatest social and cultural importance must be helped, maintained and promoted, irrespective of the economic benefits that they may or may not produce.

Only in more recent times have the spheres of economics (and related areas of study) and the arts (in the broadest sense) moved closer together. The quantitative and empirical bases that are so typical of economics have in fact been too remote, too cold, for the two systems to cooperate in a really productive way, able to count upon each other's confidence.

It should be obvious that at the heart of the debate between the two systems lay the concept of economic sustainability (as opposed to the more secondary consideration of mere *financial* sustainability). A crucial question for any initiative that is examined from a business standpoint, for the artists such a notion would be seen as a constriction, and a cause of sometimes unacceptable compromise.

In light of these initial observations, it may seem that the only possible answer to the underlying question ("Can the worlds of the arts and economics communicate?") must be in the negative. Let us try to analyse this, also by looking at some of the most creditable academic contributions.

#### ***Difficulties and obstacles***

An early exposition of the difficulties with reconciling the arts and culture with economics was made as far back as 1960 by Baumol and Bowen. They compared the manufacturing sector to the arts, and showed how

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technological innovation and the use of ever more sophisticated tools had allowed the former to reach much higher levels of productivity, with a corresponding growth in salaries for those employed (Heilbrun 2003).

The two economists then turned to the number of musicians necessary to play a work by Beethoven, and observed how since 1800 the number of individuals required for its performance had remained unchanged, while the compensation given to the human resources employed has increased not only in nominal terms (as is obvious), but also in real terms. It is this that gives rise to the (much-contended) necessity of State intervention, and the provision of aid and subsidies to those sectors considered most "deserving". Public resources have always been scarce, however, and in Italy at least they have only got scarcer. As such, there are never enough funds for every field everything one might wish to pursue – from the sciences to public health, from security to the underprivileged. Economics thus forcibly encourages the arts to draw upon alternative sources, whether through fund-raising initiatives or by improving overall operating efficiency.

On the other hand, the business world's demand that the arts unreservedly assume economic approaches appears virtually impossible to implement. Better instead for economics to seek to adapt the tools it has, so that they are better used for this very unusual sector of the economy.

### ***Benefits and gains***

Economics and business is paying ever greater attention to the arts, and to the contribution such activities make to growth and the sustainability of a country's development, including its economic development (Hirsch 2000; Lawrence, & Phillips, 2002). practice, can these two poles be successfully drawn together effectively? In order to answer that question in the affirmative, we will draw upon two very different sources, one referring to the sciences clustered around psychology, and the other, those around management.

An interesting starting point is the work of Howard Gardner, psychologist and Harvard University professor, known for his theory of multiple intelligences. Gardner seeks out intimate relationships between the worlds of the arts and business (Gardner, 2011). He finds them in daily practice, in the arts. For him, the simple fact that an experience is pleasurable does not in and of itself mean there is a fertile and productive relationship, as far as he is concerned. The more important issue regards a businessperson's fundamental motivations. If they are dominated by a desire for the greatest possible selfish advantage, there will not be much benefit to the arts and culture. If instead they are of a more variegated and open personality, interested in both their own wellbeing and that of others, the arts will teach them to value the many facets of those who work within the field and help them to express themselves better.

There can be even more concrete arguments in favour of, not just the desirability, but the necessity, of a strong relationship between the arts, culture and economics, as Baumol set out so clearly in 1995 (Baumol, 1995). What arguments might support the idea of such a necessity? One might seek to demonstrate that a country is measured just as much by its cultural accomplishments as by its economic results. When considered in that light, those doctrines that would favour squeezing the funds allocated to the arts and culture and putting the money to other use, are unjustified – not so much because the activities deserve funding because they are worthy by nature, but more because of the intrinsic ways in which they are able to generate economic value (Eikhof, & Haunschild 2006; Sacco, & Segre 2009). The essential issue is that the externalities generated by the arts, culture and the related areas that depend upon them, are difficult to measure, and consequently sometimes regarded as illusory and undeserving of allocations of what are always scarce resources.

### ***Cultural heritage, economics, and... Italy***

This subject is particularly relevant in Italy's case. According to UNESCO, Italy contains 49 of the 981 sites declared to be of "outstanding universal value" (<http://www.unesco.it>). This heritage deserves to be safeguarded by every means possible, not just on some vague (and sometimes rhetorical) grounds of an ethical or moral cast, but because the economy would otherwise suffer. Arts and culture certainly cost a lot, but they also enable production of a tangible return. That, however, is frequently underestimated, because, as with all the best investments, the future cashflows may be large and profitable, but they only materialise some way off in the future (Cook, & De Propriis 2011; Chapain et al. 2010). Compared to kinds of investments that corporate finance would most traditionally be called to measure, artistic and cultural investments seem to fall short because of the difficulty of recognizing the results that they have in fact achieved. "How much, in

euros, has investment in the arts and culture actually generated?", is a question to which it is frequently impossible to give a satisfactory objective answer (Bowitz, & Ibenholt 2009).

The public sector, which, like the more far-sighted parts of the private sector, has sustainability at the front and centre of its thinking, should be allocating funds to culture because it generates what economics would describe a "net present value" that is unquestionably positive, not just for the individual who enjoys it, but for the public generally, and is a sure form of delivering profitability at a systemic level (Asheim *et al.* 2007; Boschma, & Iammarino 2007). With more culture and more of the arts at its disposal, Italy could (like any other country) count upon better citizens, lower rates of crime, and, all else being equal, that would mean lower health expenditure and greater employment opportunities – typified in the statement, "*We feel that cultured individuals make better citizens*" (Baumol 1995, p. 52.). Measuring such impacts with the tools traditionally available in economics and finance is an arduous task, but history offers some important lessons on the economic value that an investment in the arts delivers for the public. The results delivered by *el Sistema* in Venezuela are testimony to the importance of the arts in society and consequently – albeit indirectly – in the economic system (Wakin, 2012). Its social benefits began to emerge most clearly when José Abreu became the country's Minister of Culture in 1983, and decided to allocate a musical instrument to every child that asked for one. Such a policy looks preposterously simple, and unlikely to do anything significant for society. Thirty years on, Venezuela – a nation with one of the highest rates of crime in the world and a murder rate *per capita* that is in the top five – has youth orchestras that are among the most prestigious, impressive and highly-regarded anywhere, having repeatedly won accolades from institutions such as UNESCO and from the very best artistes, such as Italy's own Claudio Abbado. It is in economic terms however that *el Sistema* deserves deeper appreciation. Rates of crime and social degradation have fallen dramatically, with many children rescued from the tragic future of drugs and crime for which they seemed ineluctably destined. Instead, they have become people with a full role in society, responsible, and, especially, "productive". What figure might be placed upon the net present value of a long-term project such as *el Sistema*? It is impossible to say, but unquestionably the State has benefitted directly, as a function of the lower costs it has to bear in fighting crime, deprivation, in medical expenses, and in social welfare generally.

## **2. Wedding the arts and culture to a business view: the universities' mission**

Support for the arts and culture is necessary in order for them to survive, but support that is effectively limited to fighting the ravages of time is short-sighted and unproductive, if it is not also yoked to a notion of "usability" (Bakshi, McVittie, & Simmie, 2008).

The State is responsible for the wellbeing of its citizens, but since resources are scarce, it is ever more important to invest in professional persons who are in a position to understand and reconcile the specific characteristics of this sector with the rules of economics (Jeffcutt, & Pratt 2002; Towse, 1995).

Such individuals should have roles both in both with individuals and institutions from the public and private sectors, to encourage them to contribute resources, including through the application of the kinds of competitive mechanisms used in traditional sectors; and in establishing a more business-minded approach within the organisations that operate in the sector. Italy's universities need to enable the development of the kinds of vocational skill sets that do not seek to influence, and even less condition, artistic output, but provide the foundations for artistic output that is properly managed, under principles that include ensuring cost-effectiveness (Jones, Hesterly, & Borgatti, 1997).

There have been profound changes in lifestyle over recent years, especially for the younger generations. As well as art in the narrow sense, all of the activities that may be grouped within the "creative industries" have taken an increasingly important role, with a huge economic bearing upon those sectors to which they are most closely tied (Power, 2011; De-Miguel-Molina, 2012). These segments in particular have suffered considerably less in the destructive crisis that has struck the country, and they are emerging from that crisis faster than the others.

It should also be recognised that structural changes have been made within artistic and cultural organisations, from an institutional and legal standpoint, to enable them to identify new mechanisms offering greater operating autonomy, and make the organisation responsible for a more virtuous (and more 'measurable') use of resources. A more managerial approach to operations has taken hold, as it did in the

past for other crucial sectors such as education, defence, health, and public utilities, bringing them – always subject to the inevitable limitations – up to the standards maintained by businesses in more traditional sectors.

An arts manager should be able to produce an effective fusion of approaches in this direction. Businesspeople operating in other sectors, moreover, are increasingly aware of the benefits that can accrue from the arts and culture, leading them to invest in programmes for the patronage and sponsorship of the arts, to show that the business and the public it courts hold shared ideals.

These days, the value of the arts and culture goes beyond the mere aesthetic or evocative. Indeed, they permeate the processes that are characteristic of industry (Scott, 2004; Camelo-Ordaz, 2012). One only has to think of the growing importance of the symbolic value attributed to the goods we purchase, over and above their value in use (Velthuis, 2003). It is not difficult to see how this applies to businesses in the fashion and design sectors, which are a leading component of Italy's economy (Sunley, 2008; Verganti, 2006).

Businesses in this country can however no longer simply rely upon the reflected glory lent by their country of origin. In order to continue to compete at an international level, they must improve further in creative terms, and also know how to translate their creativity, insight and artistic verve into a replicable model. Business talent thus becomes a fundamental asset for those businesses and organisations that must receive proper management also in economic terms, so that their artistic and inventive vein may continue to deliver the flows of talent their products need, with the clear aim of generating economic value for both the organisation, and society as a whole.

By way of demonstration of the importance of the economic value of investment in artistic and cultural activities, one only has to observe how those countries that are currently making the greatest investments in the quality of their artistic and cultural activities – such as the United Kingdom, Canada, Australia, and the countries of northeast Asia – are exactly the countries that are achieving most in terms of gaining global competitiveness.

In order for Italy to get the very best from its artistic and cultural heritage, there will have to be compelling support from a number of quarters. That includes the universities, which must produce graduates with the right kind of management expertise so that the creative and artistic sectors may provide an effective lever for increasing the nation's competitive edge (Wilson, 2009).

### **3. The arts, culture and creativity: The significance to the economic system**

If one wants to identify the contributions made by the arts, culture and creativity to economic and hence social, growth, one must first identify the sectors that the analysis will encompass. Working out where exactly the borders start and finish is a rather complicated task. Even today there is no common convention defining the cultural and creative industries, and consequently the boundaries are constantly shifting.

An appreciable attempt was made in 2009, and set out in the *Libro Bianco sulla Creatività -the Creativity White Book* (Santagata, 2009). It identified twelve economic sectors as components of "the economy of the arts, culture and creativity", grouped into three categories:

1. "Material" culture
  - Fashion
  - Industrial design and handicrafts
  - Gastronomic and allied industries
2. Content, Information and Communications
  - Software
  - Publishing
  - TV and radio
  - Advertising
  - Cinema

3. Artistic and Historic Heritage
  - Cultural heritage
  - Music and the performing arts
  - Architecture
  - Contemporary art

These sectors, in aggregate, were estimated by the Istituto Tagliacarne to represent a value of production close to euro 135 billion? in the mid-2000's, thus around 10 per cent. of GDP. Their contribution to employment is even greater – approximately 3.3 million jobs, more than 13 per cent. of all employment (Unioncamere-MiBAC, 2009).

If one narrows the analysis just to the segments that specifically and directly regard the arts and culture (so excluding sectors such as gastronomy, fashion, and so on), the contribution to Italy's GDP is 2.6 per cent., around euro 40 billion. Is this a satisfactory proportion? In percentage terms, the sector makes a greater contribution in Italy than it does in Spain (2.2 per cent.) or Germany (2.5 per cent.), but smaller than in France (3.4 per cent.) or the United Kingdom (3.8 per cent.).

If we turn our attention instead to Italy's ability to attract tourists on cultural and artistic grounds, we discover that around a third of all tourist visits are made for such reasons – and that nonetheless, the figures are significantly higher in the United Kingdom, France and Germany.

Along with the importance of the artistic and cultural sector in attracting flows of tourists, Italy's reputation for artistic and cultural heritage, and the appreciation that receives, is also a matter deserving serious consideration. Futurebrand, an international organisation with a solid reputation, annually produces a Country Brand Index that seeks to measure the ways in which particular countries are perceived around the world, treating them as if they were brands (<http://www.futurebrand.com>). The study is conducted on an annual basis, and analyses a series of factors regarding various characteristics that may influence a particular country's brand image. Almost 40 such attributes are taken into consideration.

The 2008 index placed Italy in an enviable position, fourth after Australia, Canada and the United States, albeit with a drop from the previous year. It should be noted that the country's high standing was bolstered by its first-placed position on the "arts and culture" measure, which shows Italy's great potential in this regard. There was also support from other areas that are relevant here, such as food (first place) and history (second place), while the tenth place in the "family tourism" measure should give pause for reflection upon the quality of the services offered, and the manner in which this extraordinary heritage is made available. Nonetheless, the latest 2012-13 Country Brand Index has placed Italy outside the top ten, pushed out by northern European countries such as Sweden, Finland and Norway.

One of the earliest points made in any economics textbook is that the results that may be expected from any investment depend in the first place upon the size of that investment. Building consensus on the importance of attracting tourism, and creating the expertise that will enable the delivery of better results (in the manner we discussed earlier), requires considerable and continual efforts. However, even with the government's recent decision to restore funding to the arts and the Unified Fund for the Performing Arts in particular, average investments have in recent years been around 0.20 per cent. of GDP, compared to a European average of 1.5 per cent. Such figures should give much food for thought.

#### **4. Economics, culture and the arts: The role of young people after University**

At this point it should be clear that the conservation, the enhancement, but above all, the proper management, of Italy's artistic and cultural heritage in accordance with efficient principles, is an objective that offers challenges at every level. Universities in Italy (and beyond) must acquire expertise of the highest calibre, so that they may provide the specific education that such work will require.

The available data gives a clear frame of reference for Italian universities' development of management for the arts and culture of the future.

We have examined the report from AlmaLaurea, along with data from Istituto Tagliacarne, to assess what employment follows a degree course linked to the arts, culture, and the creative industries (AlmaLaurea, 2011). Our conclusions are not entirely sunny.

There is a broad range of bachelor's degrees covering the arts and culture; in communication sciences, the performing arts, design and art. It is not easy to gauge how many of the courses within the category "economics and business management" might be said to have a sound foundation in the arts.

Nonetheless, it is probably not far from the truth to say that between 4,000 and 5,000 complete bachelor's degrees in Italy each year having gained applied knowledge of management of the arts and culture. Of those, a variable proportion but generally close to 50 per cent. go on to do a graduate course.

With 70 per cent. of the total, women outnumber the men, while the starting salaries for those who do not continue their academic studies are regrettably modest. Relatively rarely do they exceed euro 1,000, net of tax, per month, and average figures are much lower. It goes without saying that non-standard contracts are more common than permanent employment.

There are no specific data on the time to securing first employment, but if one considers that, one year from graduation, 40 per cent. of graduates of bachelor's courses in "Cultural Heritage" are neither in training nor employment, the outlook is hardly inspiring. It is interesting to observe how a greater proportion of bachelor's graduates take up specialist courses where their course was in economics or management, rather than where it was in communication sciences, art or design. Graduates in the latter typically do not continue their studies, as they are easily able to find employment with the expertise they have obtained in their bachelor's course.

Universities must, finally, reflect upon one last fact. Often bachelor's graduates in these subjects consider the course to have been "not very effective" in relation to their employment. For degrees in Cultural Heritage, that is true for as much as 67 per cent. of the total.

There is obviously much scope for improvement here. Once again, we should all reflect upon the relationship between universities and businesses, institutions, and general government – in a phrase, the real world beyond the universities' doors.

There are no significant differences in the data from graduate degrees as opposed to the bachelor's degrees, except that obviously the numbers are smaller across the board. A reasonable estimate is that there are about 1,500 and 2,000 completing graduate degrees in these subjects each year, with, again, somewhat more women than men. Non-standard employment contracts dominate, while salaries are not much more reassuring, averaging around euro 1,000, net of tax, per month.

There is not much better news on the periods to first employment, which are far from brief. Specialist degree courses are however considered more effective than the bachelor's degree courses. A high percentage of degree graduates in cultural heritage courses who still find little consistency between their studies and their work, which is consistent with the trend also for bachelor's degrees. The other degree courses are however considered to have a "very high" or "quite high" level of effectiveness in relation to employment. Almost half of interviewees find a close correspondence between the responsibilities they are assigned at work, and their university course. It is redundant to return again to the question of the relationship between the universities and the real world, a crucial question that requires prompt resolution.

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