1. Background

Many people working in arts education will have had the experience of needing to spell out the economic impacts of some project or activity in which they are engaged. It may be a research investigation into the effects of music education on children in primary school; it may be a proposal to teach theatre skills to disadvantaged youth; or it may be a request to government to provide more funds for the training of professional artists. These are all projects that may seem to require no economic justification – they are all likely to be important in their own right for sound cultural reasons. However, funding bodies, bureaucrats, treasury officials and so on often require some economic impact statement or assessment before they will release funds to finance a project. To put it crudely, they may require a demonstration that the project will “pay its way” – they are not impressed by cultural justifications, all they are concerned about is the financial bottom line.

My argument in this paper is simple: economic impacts are important and are often more widespread than we might imagine. It is necessary to understand them and as far as possible to measure them. But in doing so we should not lose sight of the fact that the cultural values associated with an arts education project are likely to be just as important as the economic effects in justifying what is being done, and possibly more so. In other words we have to be careful to acknowledge the economic

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dimensions of the project, but to put them into their proper perspective and not let
them become the sole criterion for decision making.

We can express this point more formally by referring to questions of value –
what is it that constitutes the value of cultural activities like arts education? In my
work on the economics of art and culture I have been at pains, in considering the
value of cultural goods and services, to draw a distinction between economic value
and cultural value. The former is the value attributable to these goods and services
that can be assessed by economic analysis and that is ultimately expressible in money
terms. Cultural value, on the other hand, derives from a cultural discourse, and relates
to such things as the social, spiritual, aesthetic, symbolic and educational properties of
the good or service in question. It is multi-dimensional, shifting, often qualitative,
and lacks a single unit of account. In the broad sweep of production and consumption
in the economy, it is cultural value which makes cultural goods and services different
from other goods and services. For this reason it is appropriate in international trade
negotiations, for example, to treat cultural goods as being different from other goods;
indeed this is a principle that was regarded as fundamental in negotiations
surrounding the recently-adopted UNESCO Convention on Cultural Diversity, and the
principle is now firmly established in the Convention’s wording.

2. Understanding the economics of arts education

The basic concept used by economists in analysing education is that of human
capital. From the time of Adam Smith up until middle of the 20th century the
interpretation of production in the economy relied on categorising three resources or
inputs – land, labour and capital, where the last-mentioned related to physical capital
in the form of buildings, machines, equipment and so on. Then in the 1960s, the
economists Theodore Schultz and Gary Becker at the University of Chicago
developed the theory of human capital, based on the proposition that the capacities
and skills of human beings comprised a form of capital that is just as productive as
physical capital in generating output in the economy. It followed that if people’s
brains, so to speak, were a capital asset, education could be seen as a process of
investment in this capital asset. Schultz and Becker argued that just as investment in
physical capital yields greater productivity for the economy over time, so also is the
productivity of human beings improved by investment in human capital via education. This model opened up the way for investment appraisal methods such as cost-benefit analysis to be applied to an assessment of decisions relating to the financing of education at both an individual and a macroeconomic level. For example, a school-leaver contemplating entering university might weigh up the additional expected lifetime earnings arising from her enhanced productivity attributable to the university degree, and calculate whether the present value of the increased income over her working lifetime would outweigh the upfront investment costs of “buying” the education. Similarly, at a macroeconomic level it is possible to calculate whether a given volume of public investment in education would yield productivity benefits for the workforce as a whole sufficient to justify the initial level of funding. The result of these calculations can be expressed as a percentage rate of return per year on the private or public investment funds involved.

How does this economic model relate to arts education? We need to distinguish between arts education directed at the population at large (whether children in school or people in the community), and the education and training of artists. Let us consider each of them in turn.

2.1 Arts education of the population, especially of children in school

The economic argument for public investment in education is overwhelmingly that the benefits of education accrue not just to private individuals but also to society as a whole. These latter benefits are called public goods – they are enjoyed by everyone in the community, and cannot be bought and sold in markets. They include:

- increased social cohesion;
- reduced crime rates;
- better health outcomes;
- improved workings of democratic political processes;
- improved functioning of markets; and
- more productive leisure time.

These and other similar community benefits are yielded by education in general, and
are invoked in all countries to provide an overwhelming argument for compulsory publicly-funded education up to at least lower secondary level. They can also be seen to relate particularly to arts education; for example there is evidence that sound arts education for school children improves their interpersonal skills and contributes to enhancement of social cohesion.

But there are also some specific public-good benefits that can be uniquely attributed to education in the arts. They include the following:

- the arts foster the development of creativity; in the emerging “knowledge economy” creativity is seen as key resource – thus the enhancement of creativity through arts education can be seen as leading to economic payoff for the economy as a whole;
- the arts fulfil an important role as a locus for social criticism; arts education inculcates in students an appreciation of the many ways in which art holds up a mirror to our society, thereby facilitating economic and social progress;
- arts education yields long-run benefits for future generations – for example building an appreciation of the arts among young people now will help to increase demand for the arts in the future.

It is one thing to identify the existence of public-good benefits arising from arts education in the above theoretical terms, it is quite another to measure them. Yet economists have made considerable progress in measuring demand for public goods in recent years. Although such goods are by their very nature intangible, it is possible to use survey methods to gauge the community’s willingness to pay (for example out of their taxes) for the benefits involved. It would thus be quite feasible to design a study to assess how much value the population places on the public-good benefits from education in the arts. Having said this, however, we should also be aware that such studies require a high-level of analytical expertise for their successful conduct, and tend to be quite expensive to carry out. Nevertheless it is important to understand that they can be done, and hence that the apparently intangible community or public benefits arising from arts education can, in principle at least, be measured in economic terms.
2.2 Education and training artists

Again we can distinguish between two levels of analysis here: that of the individual artist (Should I set out on an artistic career? How much formal training should I undertake?) and that of the economy or society as a whole (How much public funding should be devoted to training artists? Are we turning out more artists than the professional labour markets can absorb?). Let us look at each in turn.

The individual decision as to whether to embark on an artistic career could, in economic terms, be cast as one of investment in human capital, just as described above. The prospective artist would need to consider the individual capital costs that he or she would incur in undergoing training, including not only tuition fees but also the opportunity costs of being out of the workforce during the training period, and associated expenses such as the purchase of materials (for a painter), equipment (for a potter) or an instrument (for a musician). The economic payoff would be measured by the expected time stream of financial benefits into the future, as earnings from the artistic practice started to accrue in excess of what the individual’s income would have been otherwise. So the cost-benefit analysis calculation could be applied to work out whether the financial return would warrant the initial cost.

Application of this sort of calculation is fraught with practical difficulties in any situation, but it is not hard to see that there are particular problems with this approach when it is applied to artists. Two difficulties are especially acute. Firstly, artists’ expected earnings are likely to be both relatively small and highly risky. Secondly, in any case non-pecuniary motives are likely to be much more important than any expectation of financial reward in propelling artists towards an artistic career. It could be concluded, therefore, that if cost-benefit analysis in strictly financial terms were universally applied by those contemplating an artistic career, most would be likely to be persuaded instead to become a doctor, a lawyer or a merchant banker. To put it another way, it would seem, 

prima facie,

that the human capital model is unlikely to provide a particularly robust way of explaining artists’ career choice decisions.

Nevertheless the human capital model does have some relevance in analysing the economic consequences of artistic education. For example we can ask: what
effect does initial training as an artist actually have on future artistic income? We have been able to answer questions such as this using data collected in a series of surveys of practising professional artists in Australia. The surveys, which cover all types of artists (writers, visual artists, craftspeople, actors, dancers, musicians, composers, etc.), have been carried out over a period of more than 20 years and have generated a rich database relating to the economic circumstances of professional artistic practice.

In looking specifically at the effects of arts education and training on income, it is important to distinguish between “creative” and “arts-related” income. Creative income is that derived from the core artistic practice of creating original works of art or original performances. Arts-related income is earned from professional work within an artist’s artform but not deriving from core creative work; the most common example of such “arts-related” work is teaching – a painter conducting classes in art school, a musician taking private pupils, etc. What we have found from analysis of the Australian data is that arts education (i.e. training in the artist’s artform) has a much stronger effect on arts-related income than on creative income. However, training is positively associated with the quality of creative output. We also find that on-the-job learning can be a significant contributor to artists’ earning capacity, especially amongst those artists who have had no formal training at all. These findings have been broadly substantiated in studies analysing artists’ incomes in other countries where similar surveys have been undertaken.

We turn now to the other aspect of the education of artists, the payoffs to society and the economy at large from professional arts training. I want here to focus on just one particular aspect of this question: the role of creativity. As I noted earlier, creativity is increasingly being recognised as a key resource for the new economy. If it is true that artists are a primary source of creative ideas, then the support of training for professional artists could have eventual economic payoff, via the contribution their creativity makes to the economy.

We can consider this question further by referring to the “cultural” or “creative” industries that are becoming more widely talked about as the “new economy” evolves. It can be noted straight away that some people, particularly some artists, have
reservations about applying the term “industry” to the arts and culture, fearing that it carries with it notions of commodification of the arts. However I am using these terms purely as economic descriptors which do not deny that the primary purposes of the arts are focused elsewhere.

There are several different conceptual models of the creative industries. The model that I have been developing sees these industries as a series of concentric circles with the core creative arts at the centre, and with the wider cultural industries lying beyond. The first “layer” beyond the core comprises industries with strong cultural content – film, television, publishing, video games, etc. – and beyond them are further layers as the cultural content of output diminishes relative to the commercial content; these remoter circles might include industries like fashion, design, advertising, etc. The key feature of this model is its location of the primary artistic producers at the centre, those producing text, sound, image in both old and new art forms. Their creative ideas diffuse outwards through the concentric circles, raising levels of creativity in the wider cultural industries and beyond. This model is consistent with ideas about artists being important “content providers” for the information economy.

We see these processes at work in practical terms in the changing patterns of artistic careers. No longer are career paths of artists linear, from training through to established practice. Rather we see more fluid employment and self-employment arrangements amongst practitioners across the whole artistic spectrum. In particular there are increasing examples of artist’s taking time out from their primary creative practice (sometimes for reasons of economic necessity) to apply their skills in other industries – visual artists designing corporate websites, for example, or actors involved in human resource management programs, or craftspeople working on new industrial applications of ceramics or glass.

To bring this back to arts education, we can see that a significant economic impact from the education and training of artists, and more broadly from teaching the creative arts to school children and young adults, is likely to lie in the spread of creativity and of creative ideas through the economy which such education initiates. Quantifying these economic impacts is a daunting task because of their multifaceted
and diffused nature. Nevertheless it is important to recognise their existence as one important component of the benefits arising from arts education, a component that may be especially relevant when it comes to convincing treasury officials and others to support projects in this field.

3. Conclusions

I return finally to the distinction between economic and cultural value with which I began this paper. I have argued that in considering the range of issues raised by arts education in its many forms, it is important to recognise the economic impacts. We need to be able to answer questions such as: What is the economic value generated by arts education? How is it to be measured? But at the same time we must not let the economic arguments dominate the picture. Arts education generates significant and varied types of cultural value that are vitally important in their own right in arguing the case for arts education at whatever level. By understanding the relationships between economic and cultural value as arising from education and training in the arts, a more complete and balanced picture of the whole field can be gained and policy-making can hopefully become more enlightened.

Further reading

On the broad scope of the economics of education in general, see, for example, Johnes (1993). On human capital, Becker (1975) is a primary source; human capital specifically in the arts is treated in Towse (2006). For a detailed analysis of artistic careers, including the role of training, see Menger (2006). Questions of economic and cultural value are discussed in detail in Throsby (2001) and Hutter and Throsby (2006); the former book also provides an exposition of the “concentric circles” model of the creative industries. On measuring the demand for public goods in the cultural arena, see Navrud and Ready (2002); although this book deals with heritage, the principles are applicable to a wider range of cultural phenomena, including measuring the public-good benefits of arts education. The most recent Australian survey of practising professional artists is published in Throsby and Hollister (2003); this volume contains detailed data on the training experience of professional artists in all
art forms. Analysis of the effects of education and training on artists’ incomes is contained in Throsby (1992) and (1996),

References


