

28 Festivals

Bruno S. Frey

Arts festivals are numerous and varied

Most cities or regions today have a festival of opera, theatre, cinema or some other form of art. The oldest contemporary music festival is the Three Choirs Festival in Gloucester, Hereford and Worcester, dating back to 1724, followed by the Handel Festivals in Westminster Abbey. Among the most acclaimed European music festivals are the Bayreuther Festspiele (since 1876), the Glyndebourne Festival, the Salzburger Festspiele and the Spoleto Festival of the Two Worlds. Some other famous festivals take place, for instance, in Edinburgh, Avignon, Aix-en-Provence, Würzburg, Lucerne, Verona and Bregenz.

It is difficult to define which cultural activity is a festival and which is not. A particular festival may embody a number of quite different types of performances and may take place in various locations. It has nevertheless been estimated that there are between one and two thousand music festivals per year in Europe alone.

This chapter concentrates on music festivals, but most arguments also apply to other kinds of festivals. The emphasis is on Europe, where most festivals are located; the situation in America is somewhat different, because a larger part of established artistic supply is privately organized and therefore the need for festivals is smaller. Much of the literature on festivals in cultural economics has been devoted to calculating the 'impact effects', that is the multiplier effects generated by festivals on regional economic activity. In contrast, this text looks at the function of festivals themselves. It is useful to distinguish the various factors on the demand side from those on the supply side.

Demand for festivals

Five determinants are crucial:

1. *Growth of income*. The large increase in real disposable income since the war has made it possible to spend more money on vacation and cultural entertainment. In line with other cultural events, festivals benefit from an income elasticity of demand larger than one.
2. *Lower cost of attendance*. Many festival performances take place during the holiday season, so that attending provides a welcome chance

- for entertainment at little or no time opportunity cost. At the same time, travel costs have decreased. As a result, the incentive for individuals to take advantage of the economies of scope provided by combining holidays and culture has steadily increased.
3. *Lower transaction costs*. One of the great handicaps of attending an artistic performance in a traditional venue is the trouble involved in getting the tickets and of committing oneself to a particular evening. In contrast, festival tickets are often provided by the same travel agency as does the holiday bookings, and hence no additional effort is needed on the part of the visitors.
 4. *Groups deriving monetary advantages*. The recording industry finds festivals an excellent opportunity to market discs, tapes and videos. The same holds for artists under contract, who can be placed in the limelight of an often very large crowd of spectators. *Corporate sponsors* can advertise their products and brand name more prominently than they can in the case of regular concerts and opera performances.
 5. *Politicians seeking popularity*. Politicians can project themselves as patrons of the arts (with taxpayers' money). They profit from the high media attention associated with the opening nights and gala performances of well-known festivals.

Supply of festivals

There are four major incentives for organizing festivals:

1. *Lower cost of hiring*. Musical festivals can supply performances more cheaply than regular concert halls and opera houses. Most employees (administrative, technical and artistic staff) have their main and permanent occupation at a concert hall or opera house paying their fixed costs (old-age pension, health insurance, holidays and the like). Festivals can often be run with a small number of permanently employed staff. Most participants (in particular the artists and the technical personnel) are employed for a limited period only and can be hired at relatively low cost. This does not mean that a festival's artists and employees are badly paid; quite the opposite may be true.
2. *Lower cost of venues*. Festivals normally use existing structures and the production technology of a permanent concert hall or opera house, since they are not used during the festival, or they take place in the open (not unusually historical sites) or in churches. In any case, they can often be rented at a low price or free of charge.
3. *Avoiding restrictions*. Established music venues have increasingly been burdened by a straitjacket of regulations making it difficult, if not impossible, for enterprising conductors and other musicians to reach

their artistic and personal goals. One type of restriction is imposed by *government*. In Europe, most venues are either under close scrutiny or are even part of the public administration, with all the consequences of very restricted flexibility and muted incentives. Festivals, in contrast, are usually privately organized. The directors are freer to pursue a policy suitable to their own artistic ideas. As market wages can be paid, it is easier to hire superstars, who in turn attract many visitors and allow high entrance fees. As festivals run only for a short season (often only one or two weeks), there is practically no permanent employment, so that restrictions on hiring and firing are less relevant. The organizers may choose the form of collaboration with sponsors and recording companies which best suits their needs. They can use the revenue as they see fit, for instance to engage in new artistic endeavours.

Other types of restrictions on established venues are imposed by *trade unions*. In addition to closely regulating salaries, they strongly restrict working hours. As festivals hire people to perform specific services over a limited period of time, trade union restrictions apply to a lesser extent, if at all. Their influence is further reduced by the possibility of substituting volunteers for professionals to a certain extent.

4. *Overcoming artistic ossification*. Many established concert and opera venues have lost their flexibility over time. Taste, particularly of the season ticket holders in these establishments, is normally quite conservative. By specializing in particular types of music, festivals offer the possibility of breaking new artistic ground by performing more modern programmes.

The future of festivals

Some of the determinants identified for the growth of music festivals also apply to other kinds of festivals, and even beyond to the visual arts. Art museums have also benefited from the rise in the demand for culture, and they have also been subject to government and trade union restrictions. Indeed, some of the major museums have become ossified, as the collection presented may not be changed in any way for historical reasons (this even applies to the hanging of paintings in a collection). Moreover, many such museums are not given the necessary funds to acquire additional art objects. In order to overcome these restrictions, enterprising museum directors arrange *special exhibitions*, with which they can pursue their artistic goals, gain prominence in the art world and attract large crowds. 'Blockbuster' exhibitions are similar to festivals as they have become major tourist attractions.

Music festivals are an art form in constant flux. One may even speak of a 'festival cycle'. To begin with, festivals are typically created as the result of private initiative without government intervention, and often against the

official, publicly subsidized and regulated concert and opera activities. The temptation for the organizers to accept subsidies from official sources is strong; however, so that, over time, governmental involvement increases. As subsidies are given only if official regulations are observed, the festivals tend to become ossified. This provides arts entrepreneurs with incentives to create spin-offs to the established festivals in an attempt to regain discretionary power. After some time, these festivals acquire a life of their own, thus restarting the 'festival cycle'.

Festivals may be interpreted as an effort to overcome the 'cost disease', according to which live cultural performances face increasing deficits because their wage costs rise constantly, while there is little scope for increase in productivity. Switching to festivals with lower wage and capital cost and higher income from recording firms and corporate sponsors constitutes a discontinuous shift towards live performances with better chances of survival. The steadily increasing number of festivals suggests that they are alive and well.

See also:

Chapter 11: Baumol's cost disease; Chapter 23: Cultural tourism.

Bibliography

- Baumol, William J. and William G. Bowen (1966), *Performing Arts – The Economic Dilemma*, Cambridge, MA: Twentieth Century Fox.
- Frey, Bruno S. (1986), 'The Salzburg Festival from the Economic Point of View', *Journal of Cultural Economics*, 10, 27–44; reprinted in Bruno S. Frey and Werner W. Pommerschne (1989), *Muses and Markets*, Oxford: Blackwell, pp.49–60.
- Frey, Bruno S. (1994), 'The Economics of Musical Festivals', *Journal of Cultural Economics* 18, 29–39.
- Frey, Bruno S. (1996), 'Has Baumol's Cost Disease disappeared in the performing arts?', *Ricerca Economica*, 50, 173–82.
- Frey, Bruno S. and Isabelle Vautravers (2000), 'Special Exhibitions and Festivals: Culture's Booming Path to Glory', in Bruno S. Frey (ed.), *Arts & Economics*, Berlin: Springer, pp.67–93.
- Galeotti, Gianluigi (1992), 'Ritelloni sull'ipotesi: elementi per un'analisi economica del Festival di Spoleto', in Giorgio Borasio and Walter Santagata (eds), *Rapporto sull'economia delle arti e dello spettacolo in Italia*, Turin: Fondazione Agnelli, pp.125–47.
- Kyren, Alfred (1987), *Der wirtschaftliche Nutzen von Festspielen, Fachmessen und Flugtagen am Beispiel der Region Salzburg*, Regensburg: Transfer Verlag.
- O'Hagan, John W. (1992), 'The Weford Opera Festival: A Case for Public Funding?', in Ruth Towse and Abul Khakee (eds), *Cultural Economics*, Berlin: Springer, pp.61–6.

- Towse, Ruth (1997), *Bamboo's Cost Disease: The Arts and Other Victims*, Cheltenham, UK and Lyme, US: Edward Elgar.
- Vaughan, David Roger (1980), 'Does a Festival Pay?', in James L. Shanahan, William S. Hendon and Alice J. McDonald (eds), *Economic Policy for the Arts*, Cambridge, MA: Abt Books, pp.319-31.