

Local Festivals and Tourism Promotion: The Role of Public Assistance and Visitor Expenditure

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Local festivals are increasingly being used as instruments for promoting tourism and boosting the regional economy. This is often reflected in the level of public assistance made available to them. However, it is difficult to assess the extent of the contribution of the festival to local economic growth, and most studies do not examine this issue beyond standard multiplier impacts. This study looks at two local festivals that take place annually in northern Israel. On the basis of detailed data on public assistance and visitor expenditure patterns, it goes beyond the basic impact analysis framework. A method is presented that accounts for net local income increase induced by the festival. The results show modest but positive local growth, suggesting some justification for public assistance for local festivals as a tourism strategy. Policy implications related to increasing the volume of visitors and their spending are discussed.

Keywords: *festivals; public assistance; visitor expenditure; income change*

The use of local festivals as an instrument for tourism development has gained worldwide momentum in recent years. While in some instances time-honored existing local cultural or religious events have been revived or repackaged as tourism events, in other cases new festivals have been invented and promoted for the singular purpose of drawing new visitors to a city or region. The most obvious reasons for the popularity of the local festival as a tourism promotion tool are that (1) festivals increase the demand for local tourism (Smith and Jenner 1998), and (2) successful festivals can help recreate the image of a place or contribute toward the exposure of a location trying to get on the tourism map (Kotler, Haider, and Rein 1993). Finally, the strategic placement of a festival in the local tourism calendar can help extend the tourism season (Getz 1997).

When assessing the effect of the festival as a tourism or economic development tool, the standard approach is to invoke some form of impact analysis. In most instances, this involves estimating an aggregate measure of income and employment change attributable to the festival. Invariably, the results are favorable and are then used to bolster the demand for public support for the festival. However, in many cases, the analysis ends prematurely with the estimation of local multiplier effects but without progressing one stage further and illustrating how these translate into local economic

growth (Gazel and Schwer 1997; Kim et al. 1998; Long and Perdue 1990). A large local, expenditure-driven, multiplier generated by a festival is not, in itself, a sufficient indicator of local gain. It says little about the costs involved in producing an event, the distribution of the local gains to local people, or how much better off the local area would have been in the absence of the festival. In addition, many festivals only exist because of generous public funding (Getz 1997; Heilbron and Gray 1993; Smith and Jenner 1998). The important link between public assistance and its transformation into local income change is therefore absent in many studies.

The purpose of this article is to suggest a method that deals with this shortcoming and to illustrate its application using two local festivals that take place annually in northern Israel. The first is the Kfar Blum Chamber Music Festival that is held in the village of Kfar Blum in the rural setting of the Upper Galilee. The second is the "Alternative Theater" Festival that takes place in the setting of Acre, a historic Crusader seaport. We review the literature on festivals as regional growth stimulants and outline the context of the two events examined here. The evaluation method is then presented and its application illustrated. As in other studies of this kind, the main source of empirical data is a comprehensive sample survey of visitor expenditure. This expenditure is the main motor driving income change and is thus a key element in understanding local economic growth. The results estimate private and public income change attributable to the festival and also public costs. Finally, the article concludes with some policy implications related to increasing the volume of festival visitors and their spending and with some of the nonmarket effects associated with staging a festival.

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LOCAL FESTIVALS AS A TOURISM STRATEGY

Examining the contribution of a festival to local tourism activity calls for the assessment of impacts in a variety of spheres. The most obvious is the realm of economic welfare, where expectations of increasing local income and employment arising from increased visitor volumes often serve to obfuscate negative economic impacts such as displaced demand, real estate speculation, and rising prices. Another area where the festival has an effect is the physical-environmental realm. Physical expansion induced by the festival (land preparation, new tourism infrastructure facilities) can also generate negative externalities in the form of pollution, landscape change, and ecosystem disruption. The festival as a tourism event also affects the cultural and social realm. On one hand, it can be instrumental in presenting local cultural traditions and customs to visitors, thereby preserving and diffusing the heritage. On the other hand, exposing local culture in order to attract visitors can similarly threaten continuity through pressures of commercialization (Saleh and Ryan 1993; Senior and Danson 1998; Waterman 1998). In many instances, promoting a local festival means conflicting effects across the different areas: a festival may generate economic benefits, enhance local quality of life, and create community social solidarity while simultaneously causing environmental damage, increasing traffic congestion, and perhaps adding to law enforcement costs (Syme et al. 1989).

Popular festivals such as Edinburgh (Scotland), Salzburg (Austria), and Glyndebourne (England) are much more than simply cultural events. Changes in both the supply and demand for festivals have resulted in economic effects often overshadowing the festival's cultural message (Frey 1994). On the demand side, the continuous rise in standard of living, disposable income, and recreation time has led to an increasing demand for cultural and tourism events. On the supply side, decreasing marginal production costs associated with festivals (compared with the alternative of high fixed costs of theater and concert facilities) have increased the amount of festivals available. The economic impacts of the Edinburgh festival, for example (in practice, an amalgam of nine separate events), are considerable both locally and nationally. These impacts translate into an annual injection of visitor expenditure of £125 million and 2,000 new jobs (Smith and Jenner 1998; Scottish Tourist Board 1992).

Smaller, local, and more parochial events can also generate positive economic impacts. Empirical studies of diverse, small, and parochial festivals such as the Carbondale Mountain Fair, Colorado (Long and Perdue 1990); the Umbria Jazz festival, Italy (Formica and Uysal 1996); the Creole Christmas Festival, New Orleans (Chacko and Schaffer 1993); and the rock music festival in Loch Lomond, Scotland (Senior and Danson 1998) all point to economic benefits, although not all case studies are equally acquiescent (see, e.g., Ryan 1995). In most cases, these are reflected in increased employment opportunities locally, increased local tourism demand from nonlocal visitors, and place exposure.

Underlying the question of festival impact and contribution is the issue of estimation method (Uysal and Gitelson 1994). In the absence of any uniform acceptance of what constitutes a festival contribution or how it can be measured, most studies opt for a form of impact analysis. This usually involves an estimate of direct impacts couched in terms of

aggregate change in income and employment attributable to the festival. Most work falls short of any kind of estimation of social welfare maximization or estimation of surplus derived by producers, consumers, or government resulting from the festival (Johnson 1996). Instead, it is usually concerned with short-term impacts (Senior and Danson 1998) and direct, tangible outcomes such as extra jobs, hotel rooms, and business revenues (Long and Perdue 1990; Chacko and Schaffer 1993).

By looking at aggregate income and employment change in the local economy, most impact analyses create the impression that supporting a festival as a tourism promotion instrument makes for an efficient use of public funds. Very few consider the resource costs incurred or the opportunity costs of the funds devoted to the festival (and not to some alternative activity). There is little attempt to move beyond the multiplier approach and measure consumer surplus (i.e., the difference between the amount the individual is willing to spend on an event and the amount actually spent) and distributional impacts (Burgan and Mules 2001; Fleischer and Felsenstein 2002). One exception is a study of the Schleswig-Holstein music festival in Germany where regional effects are assessed from a welfare theory perspective (Clausen 1994). These findings show that in a closed economy, the existence of budget constraints on the consumer and resource constraints on the producer can lead to considerably lower levels of economic impact than implied by standard multiplier studies. The study also shows that in an open economy, where the festival is treated as a traded good, similar results can occur, this time the result of reverse financial flows.

Promoting the festival as a tourist attraction usually means public sector assistance. This is a somewhat contentious issue made all the more opaque by the difficulty of estimating the extent of the festival's contribution to local economic growth. On one hand, issues of equity and distribution seem to suggest that public support should not go to festivals catering to culturally elite tastes (such as chamber music and alternative theater). This argument has been evoked both in the specific context of Israel (Ruskin 1998) and in the general context of public support to the arts (Heilbron and Gray 1993). It becomes all the more poignant when mass-appeal events are denied public assistance on the expectation that they will self-generate revenues through ticket sales and external sponsorship. In such a situation, cross-subsidization can occur, resulting in the perverse effect of low-income taxpayers subsidizing the entertainment demands of the higher-income groups, while their own demands are expected to be self-financing.

On the other hand, there are many serious considerations for public sector support of festivals. These range from the *public obligation* thesis, whereby government has to provide basic cultural needs and merit goods, through the *market failure* argument, in which festivals are seen as generators of positive externalities and thereby warranting public support, to the *local economy stimulant* argument (Heilbron and Gray 1993). For the proponents of this thesis, it is almost self-understood that public support for local festivals will generate a local growth dynamic in a circular manner: public subsidies induce greater local expenditure, which in turn causes a rise in local incomes and subsequently greater local savings, consumption, and taxes. These again flow back into public budgets, and thus the initial subsidy is self-financing. In practice, however, most empirical studies do not progress

TABLE 1
A DESCRIPTIVE PROFILE OF THE TWO FESTIVALS

	Kfar Blum	Acre
Theme	Chamber Music	Fringe Theater (Street Market)
Location	Rural vicinity of Upper Galilee	Historic coastal town of Acre
Number of visitors ^a	15,000	210,000
Purpose	Increase and vary regional tourism activity	Improve city image and tourism inflow
Duration	7 days	4 days

a. The number of ticket-purchasing visitors at both festivals in 1999 was about 11,000.

beyond the first step in the cyclical process described here (Long and Perdue 1990; Senior and Danson 1998). Finally, one neglected factor associated with the economic-stimulant argument is that relating to the “signaling” effect of the festival in the local economy. The presence of a local festival can signal to prospective visitors, migrants, and businesses that the place in question is rich in cultural amenities and quality-of-life attributes. In this respect, hosting a festival suggests a string of nonmarket effects that may have to be considered, especially in relation to locations that are looking toward the festival as a tool for image (re)creation.

THE CONTEXT

The two local festivals analyzed here are the Kfar Blum music festival that takes place in the rural vicinity of the Upper Galilee and the Acre Alternative Theater festival that is held in the old coastal Crusader town close to the city of Haifa. A descriptive profile of both festivals is shown in Table 1. Both events are intuitively perceived as instrumental in boosting local tourism and in making a significant contribution to the local economy. The Kfar Blum festival is seen by the regional authority as a way to raise the profile of the Upper Galilee region and as an important addition to the package of tourist activities that the region offers. For the city of Acre, the festival is a key strategy in promoting a historic town that has suffered from underinvestment and neglect. Local officials view the festival and associated street market as crucial in upgrading the public image and in providing business opportunities for a local population that has traditionally suffered from economic deprivation.

The Kfar Blum event is the premier chamber music festival in Israel. Since its inception in 1985, it has developed into a weeklong production featuring nearly 25 concerts and performances and attracting, on average, 15,000 visitors in recent years. The vast majority of these are festival patrons who have purchased tickets for the various concerts. In recent years, the festival has had to contend with competing demands for greater artistic content and a wider repertoire, on one hand, and attracting a wider audience and expanding the commercial potential of the event, on the other.

The Acre theater festival is a 4-day event that is held against the background of the ancient walled city of Acre. In practice, it comprises two separate events: a collection of fringe theater and street performances that form the artistic

TABLE 2
INCOME AND EXPENDITURE STRUCTURE: KFAR BLUM AND ACRE FESTIVALS, 1999

Income Source	Kfar Blum		Acre ^a	
	Dollars (in thousands)	%	Dollars (in thousands)	%
Ministry of Education	71	24.0	376	53.0
Local authority / regional authority	58	20.0	180	25.0
Ministry of Tourism	5	2.0	20	3.0
Ticket sales	105	36.0	82	12.0
Sponsorship	55	18.0	52	7.0
Total	294	100.0	710	100.0

Expenditure Item	Kfar Blum		Acre	
	Dollars (in thousands)	% Local	Dollars (in thousands)	% Local
Accommodation	100	100	20	100
Production	111	29.5	450	5.7
Wages	30	50.0	21	86.0
Advertising	34	10.0	130	0
Logistics and infrastructure	19	0	137	50.3
Other expenses	—	—	20	0
Total	294		778	

Source: Internal accounting reports, Kfar Blum and Acre festivals.

a. The Acre festival ran up a budget deficit of \$68,000, and thus total income and expenditure do not match.

element of the festival and a large-scale street market that has developed alongside the theater performances. The festival was started in 1980 and in recent years has attracted 200 to 250,000 visitors during a 4-day period. However, only a minority of these visitors (10,000-15,000) are ticket purchasers who attend the alternative theater productions. The vast majority are day visitors attracted to Acre because of the market. Due to the rising price of tickets for the fringe theater performances, the volume of ticket-purchasing visitors has steadily declined at the festival since the mid-1990s, when it stood at more than 20,000.

Both festivals are heavily subsidized by public funds. The income and expenditure structure for each event for 1999 is outlined in Table 2. While the magnitude of the two events is rather different, the structure of their income sources is revealing. Both are significantly subsidized by public funds from both central government (Ministries of Education and Tourism) and local government (local or regional authority). Kfar Blum, however, is slightly less dependent on public assistance (46 percent of festival income) than Acre (81 percent of all income). While both festivals attracted roughly similar volumes of ticket-purchasing visitors in 1999 (11,000), ticket sales at Kfar Blum were larger in terms of both absolute volume of receipts and their relative share of total income.

On the expenditure side, more significant differences emerge that have implications for the contribution of the festival to the local economy. In the case of Kfar Blum, accommodation costs (for musicians and artists) account for one-third of all expenditure and production costs for another

third. The former expenditure is totally internalized within the local economy, whereas the latter in the main leaks out to other places (Table 2). In the case of Acre, while accommodation costs are marginal, production expenses account for nearly 60% of all festival expenditure and nearly all of this in nonlocal spending. This reflects the fact that a private (Tel Aviv-based) company runs the production and direction of the theater festival, while the city of Acre is responsible for much of the logistics and infrastructure provision. As such, this expenditure item has a heavy local component. The wages item in both festivals is small and reflects salaries paid to local support and administration staff (artists receive accommodation and travel expenses but no salaries).

METHOD AND DATA

The two main sources of local economic stimulation generated by a festival are the public assistance channeled to the events and the magnitude of visitor spending in the local area.¹ However, public support in many instances simply flows into the local economy in the form of grants and transfers and then out again as payments to nonlocal suppliers and contractors. The potential to generate local economic growth only arises in the case when demand is met locally. Visitor expenditure that occurs locally is another source of local economic expansion. A certain proportion of this eventually surfaces as new local income. However, simply measuring the magnitude of these injections and the extent they expand locally only gives us a partial indication of local impact. To progress beyond multiplier estimates and calculate local economic growth (i.e., net local income increase or growth in local product), it is important to arrive at a plausible indication of counterfactual expenditure (i.e., the state of the local economy in the absence of the festival), and second, it is necessary to convert local expenditure increase into local economic growth.

To this end, we need to distinguish between local expenditure of local residents and nonlocal residents. In the case of the former, we can only credit the festival with those expenditures that might have occurred elsewhere and are now diverted to the local economy as a result of the festival (a form of import substitution). All other expenditure by locals cannot be credited to the festival. Nonlocal visitors need to be subdivided into those who always planned to visit the local area and the festival simply accelerated their visit and those for whom the visit is expressly the result of the festival. In the case of the former, part of their expenditure is "deadweight" and would have happened in any event. In the case of the latter, all their expenditure is genuinely new and can be credited to the festival. Nonetheless, even in this case, a necessary adjustment needs to be made so as not to include that festival-induced expenditure that displaces existing economic activity (e.g., restaurant facilities at the festival that compete with existing local restaurants).

Putting these elements together affords a more realistic representation of the expenditure impact that is estimated in the first instance. Local economic growth is represented by private and public income increase resulting from the existence of the festival. This is derived by estimating the resulting new local income derived from visitor expenditure, festival production-related expenditure, and new income accruing to the local or regional authority. These are then

juxtaposed with public costs that relate to the opportunity costs of capital (i.e., locally funded subsidies and any budgetary shortfall that the local or regional authority may have to cover) and administration costs.

The expression for the visitor expenditure impacts (i) is

$$i = (n - m) + (r - p),$$

where

n = new local expenditure by local residents (i.e., nondeadweight expenditure)

m = spending by local residents that in the alternative situation would not have been used on a similar event outside the region

r = local expenditure by nonlocal visitors

p = local expenditure by nonlocal visitors that displaces existing demand (i.e., nonlocal visitors who would have visited in any event)

Two main data sources serve this analysis. First, close cooperation with festival management allowed us to obtain full internal accounting reports for each festival. These provided the income and expenditure accounts for each event and the estimates of local expenditure by major item (Table 2). Second, a visitor expenditure survey was conducted at each venue in order to estimate spending impacts and, on this basis, derive benefits. At the Kfar Blum festival, survey questionnaires were distributed randomly to patrons in the concert halls and collected at intermissions and at the end of performances (most of the performances required the purchase of tickets, but a minority did not). Stratified sampling was used that divided the population into ticket-purchasing and non-ticket-purchasing strata. Questionnaires were distributed to all patrons at ticketed performances and to every 20th visitor at nonticketed performances. A sample of 319 usable responses was collected in this fashion.² In extrapolating the sample to the whole population of festival patrons for the purpose of estimating total expenditure (see below), the distinction between ticket-purchasing visitors and visitors without tickets is taken into consideration.

In the case of Acre, stratified sampling was again used. Questionnaires were distributed among patrons at the end of performances and to visitors to the street market who were not ticket purchasers. This sample has a deliberate bias toward festival patrons who were primarily ticket buyers (and not simply visitors attracted by the street market). This was again taken into consideration in the extrapolation process. The Acre survey yielded a sample of 570 usable responses. For both festivals, an identical survey instrument was used. This elicited information primarily on the visitors' expenditure patterns during the period of the festival and remaining days, visitation patterns in the past, and socioeconomic attributes of the respondent.

RESULTS

On the basis of the visitor surveys, the differences in terms of patrons' socioeconomic characteristics, market capture, and expenditure patterns become readily apparent. Visitors to Kfar Blum are generally older, more educated, and higher-wage earners attracted to a festival with an elitist

TABLE 3
STATISTICAL DIFFERENCES ACROSS
CHARACTERISTICS OF FESTIVAL VISITS AND
VISITORS: KFAR BLUM AND ACRE

Variable	Average		t-Value
	Kfar Blum	Acre	
Planned length of present visit (days)	3.57	2.00	19.25*
Length of visit so far (days)	2.14	1.54	7.36*
Number of persons in family group	2.19	2.20	0.12
Dollar expenditure per family (actual and anticipated)			
Accommodation	790	61	19.22*
Food and restaurants	441	95	15.40*
Tickets	490	170	14.55*
Gasoline, parking and transportation	145	54	12.09*
Other expenditure	141	45	8.33*
Total expenditure	2007	425	16.23*

Source: Visitor Expenditure Survey.

* Significant difference between means, $p < .001$.

cultural image (Waterman 1998). While both festivals attract visitors from other regions in the country in roughly equal proportions, Kfar Blum patrons are more likely to visit the Galilee region for the specific purpose of attending the festival. In contrast, the Acre festival is more of a popular event, attracting transient visitors who often combine a visit to Acre with a trip to the north of Israel. Finally, visitor expenditure patterns diverge greatly. On average, Kfar Blum visitors stay longer in the region and spend more money locally. This, of course, is expressed in average expenditure per family on accommodation, food, and other visit-related costs (Table 3). The difference in accommodation costs is particularly marked. The more affluent Kfar Blum patrons stay in the local hotel and other local rural accommodation. Acre visitors who are much younger and less likely to be married will often not even look for formal accommodation overnight, sleeping out in open spaces and on the local beach. In addition, the difference in ticket prices means that even though both festivals attract ticket purchasers in roughly equal proportions, the average visitor to Kfar Blum spends much more on tickets than does the visitor to Acre.

An accurate account of visitor expenditure attributable to the festival is crucial for our analysis. In this respect, it is important not to count spending that would have occurred in the absence of the event, spending that displaces existing demand, and local expenditure that does not meet the criterion of "import substitution." Data from the two samples of visitor spending patterns are extrapolated to the whole population of visitors.³ This is easily accomplished as detailed information was made available by festival management relating to attendance figures, number of visitors who purchased tickets, and total ticket sales. This is combined with survey sample information on other festival-related expenditure, and on this basis, estimates are calculated for the total population of festival patrons.

The estimates of visitor spending at each of the festivals are subdivided into local and nonlocal visitor spending. To assess how much of local visitor spending is genuinely

additional, respondents were asked if they would have attended a similar festival outside the area, in the absence of the local festival. This "import substitution" expenditure and any other nondeadweight spending are the only forms of spending considered. With respect to nonlocal visitors, only that expenditure generated by visitors who stated that their visit was expressly the result of the festival was counted. If a nonlocal visitor would have visited the city or region in the absence of the festival, this spending is considered as "displacing" existing demand and is not counted.

Visitor expenditure estimates for both festivals (local and nonlocal visitors, with and without tickets) are presented in Table 4. Total visitor expenditure at the Kfar Blum event is estimated at \$1,221,000, and for Acre, the estimate is \$2,359,000. It should be noted that without the various counterfactual adjustments, the spending estimates for each festival would have been double those reported here. While the volume of expenditure at the Acre festival is twice that of Kfar Blum, Acre attracts 13 times more visitors.

These expenditure estimates are a necessary first step toward assessing local economic change attributable to the festival. Local product growth is reflected foremost in the change in local private and public income that can be attributed to hosting the festival. This change will be induced through either visitor-related spending or local expenditure arising from the production of the festival. Expenditure is converted to income by taking the wages component from output in four subsectors in which tourism-related services occur: lodging and accommodation, food services, personal services, and retail trade. These proportions were derived from the Israeli national input-output tables (Central Bureau of Statistics 1998). Local income that can be attributed to visitor expenditure is presented in the first line of Table 5.

A second source of growth in local product is expenditure that occurs locally due to the production of the festival. This is converted into local income in the manner described for visitor expenditure. Local economic growth is derived from the expenditure that "sticks" to the local economy and does not just flow in as public support or sponsorship and flow out again as payments to nonlocal suppliers (Table 2). The magnitude of income increase in this instance is much smaller than the income change induced by visitor expenditure due to the narrow nature of the local economies involved and the large-scale leak-out of demand that ensues. As can be seen from the second line in Table 5, festival production expenses leave a slightly larger footprint locally in Kfar Blum than in Acre.

Another source of income change is new public income accruing to the local or regional authority. This is only relevant in the Acre case where the city generates some marginal additional income through the rental of exhibitor's stalls in the street market. To complete the picture, direct new income injections are expanded by a suitable regional income multiplier derived from the Israel multiregional input-output model (Freeman and Sultan 1997).

Total income change derived from the Kfar Blum festival is estimated as \$841,000 and for the Acre festival as \$1,483,000. The share of new local income from visitor spending in these totals (first line in Table 5) represents 42 percent of visitor expenditure for Kfar Blum and 40 percent for Acre. On a per-visitor basis, the difference in local income generated is much more extreme due to the very different attendance volumes. For the Kfar Blum event, each

TABLE 4
ESTIMATES OF VISITOR EXPENDITURE: KFAR BLUM AND ACRE FESTIVALS

	Kfar Blum			Acre		
	Visitor Expenditure			Visitor Expenditure		
	Visitors: Purchased Tickets	Visitors: Without Tickets	Total	Visitors: Purchased Tickets	Visitors: Without Tickets	Total
Local visitors						
1. Number of visitors	1,358	1,472	2,830	4,858	56,975	61,833
2. Total expenditure (\$) (in thousands)	372	—	372	176	1,344	1,520
3. Number of visitors who would have attended festival elsewhere	679	763	1,442	1,597	51,131	52,728
4. Expenditure of visitors who would have attended festival elsewhere (\$) (in thousands) ^a	195	—	195	70	896	966
Nonlocal visitors						
5. Number of visitors	5,585	7,188	12,773	5,223	133,012	138,235
6. Total expenditure (\$) (in thousands)	1,579	253	1,832	390	2,072	2,462
7. Number of visitors attributable to festival	3,546	3,804	7,350	4,607	37,362	41,969
8. Expenditure of visitors attributable to festival (\$) (in thousands) ^b	788	237	1,026	325	1,068	1,393
9. Expenditure impacts (4 + 8) (\$) (in thousands)	983	237	1,221	395	1,964	2,359

a. Only visitor expenditure as defined in row 3 is considered here.

b. Only visitor expenditure as defined in row 7 is considered here.

TABLE 5
LOCAL INCOME CHANGE: KFAR BLUM AND ACRE FESTIVALS

	Kfar Blum	Acre
Private and public income increase (\$) (in thousands)		
New local income from visitor expenditure ^a	507	967
New local income from festival production expenses ^b	82	56
New income to local authority ^c	—	14
Indirect impacts / multiplier ^d	252	446
Total	841	1,483
Public costs (\$) (in thousands)		
Local authority subsidy—opportunity cost ^e	7	19
Administrative costs ^f	9	37
Budget shortfall—opportunity cost ^g	—	4
Total	16	60
Net income increase	825	1,423

a. Based on visitor expenditure estimates (Table 4) discounting ticket purchases. Income derived from expenditure by taking wages component from output in following 4 subsectors: lodging and accommodation (0.409), food services (0.521), personal services (0.486), and retail trade (0.497). These ratios come from national input-output tables for Israel 1992 (Central Bureau of Statistics 1998). We assume 90% of local income goes to local residents.

b. Estimated on the basis of the local component of festival production expenditure (Table 3). Local income shares are as in previous note.

c. Rental income from exhibitors stalls (less costs)—for Acre only.

d. Regional income multiplier = 1.43 (see Fleischer and Freeman 1997).

e. Opportunity cost of local authority subsidy (Table 3) estimated as 0.10.

f. Administrative costs “rolled over” onto local authority, estimated as 0.05, discounting accommodation and lodging costs.

g. In the case of an unbalanced festival budget (Acre), opportunity cost of funds to cover shortfall, estimated as 0.10.

visitor generates \$56 of local income. In the case of Acre, this figure is only \$7.5.

On the public-costs side, the estimates are more straightforward. To avoid double-counting, festival expenditure as appearing in the income and expenditure account (Table 2) is not considered. Most of this is simply a flow-through in the local economy: public and other assistance is injected locally

and flows out again as payments to nonlocal suppliers. The main public costs are the opportunity costs of capital for that portion of public support received from the local or regional authority. Other costs include administrative costs “rolled over” onto the local authority by the festival management and the opportunity cost of any funds needed to cover a budgetary shortfall (as was the case in the Acre, which did not

balance its budget in 1999). Together these costs sum to \$16,000 in the case of Kfar Blum and \$60,000 in the case of Acre. In both festivals, therefore, net income change is clearly positive, although the overall magnitude of this difference is modest. Considering this income change in relation to the magnitude of the initial investment reveals that in the case of Kfar Blum, local income change is 2.8 times the size of the initial investment, while for Acre, this ratio is 1.8.

CONCLUSIONS AND POLICY IMPLICATIONS

The above results show that the claim that local festivals can act as tourism promoters is not without justification. However, the magnitude of this effect needs to be kept in proportion. While visitors' expenditures are a central element in creating a growth dynamic, care needs to be taken in accurately representing their full effect, avoiding double-counting and the inclusion of expenditures that would have occurred in the absence of the festival. This study has also shown that it is possible to progress beyond the standard estimations of expenditure-induced income multipliers so prevalent in the professional literature (Gazel and Schwer 1997; Kim et al. 1998; Senior and Danson 1998). We have illustrated a practical approach for converting local expenditure patterns into local income change.

Despite the modest local growth impacts, both festivals continue to attract generous public assistance from central government and are viewed as a central element in regional tourism strategy by local officials. This seems to suggest that public support has wider horizons than simply jump-starting economic growth and that festivals play a role complementary to generating income change in the local economy. This role promotes the city or region in terms of image production and place marketing (Kotler, Haider, and Rein 1993). In the case of Acre, which has suffered for years from urban deprivation and a low public profile, this is of particular importance. Increasingly, the city has become associated with the festival that is used as a gateway to attract visitors to a historic location that, alternatively, they might not have visited. In the Upper Galilee as well, while the Kfar Blum festival is one of a package of local attractions (rural accommodation, nature trails, water sports, rafting, etc.), it certainly plays a role in putting the region on the map and distinguishing its basket of attractions from those of other similar regions.

In this respect, the image-production role of the festival augments the local growth effects. This is an issue that warrants further research attention in the future. The modest size of this local growth, however, suggests that policy measures may be needed in order to try and increase its magnitude. The results above suggest a series of practical policy implications generic enough to be of relevance to other locations adopting a similar economic development strategy and using comparable instruments. First, our findings show that less than 20% of production expenses remain locally in the case of Acre and less than 50% in the case of Kfar Blum. Encouraging local suppliers and contractors to bid for festival-related contracts or adopting a "claw-back" clause that makes public assistance for the festival contingent on a minimal level of festival contracts going to local producers would be one way of increasing local expenditure and subsequently local economic growth.

Second, the ratio of local product growth to public investment is much larger in Kfar Blum than in Acre. While much of this is related to the very different visitor markets and spending power of patrons at the two events, these findings do seem to imply that in the case of Acre, steps need to be taken to increase visitor expenditure. One obvious approach would be the development of complementary visitor infrastructure, especially lodging and accommodation facilities. In the absence of these facilities, potential local benefit leaks out to other areas. A further avenue for increasing visitor spending may be to encourage combining a festival visit with a tour of the region. Our survey results and other literature (Long and Perdue 1990) indicate consistently higher visitor expenditure levels in such a case.

In conclusion, our results may seem to suggest that local festivals have a particularly important "signaling" effect that may in some instances complement or equal the more tangible economic effects with which they are commonly associated. While the relative shares of these two effects have not been directly examined here, the continued high levels of public support for festivals and the relatively modest levels of local economic growth that they yield seem to indicate some form of nonmarket benefit (such as local image creation) associated with the festival. This, of course, is a rich subject for further investigation. Our findings, however, do suggest to economic-development practitioners and policy makers the need for incorporating nonmarket measures of value when analyzing the festival as an instrument of tourism promotion.

NOTES

1. We view the standard impact analysis treatment of employment, whereby job creation is automatically considered a benefit, as inadequate (Felsenstein and Persky 1999). Following Courant (1994), we view labor as a cost that needs to be remunerated in the form of wages. Workers will supply their labor to the point where the marginal rate of substitution of income for leisure is equal to their wage and will demand compensation for leisure foregone. While intuitively job creation is often perceived as a benefit and employment generation as a "good thing," simply counting numbers of jobs created serves to smoke screen the more important distributional issues of who gets the jobs (locals or nonlocals?) and what, alternatively, could have been done with the resources dedicated toward job creation.

2. Sample size for both the Kfar Blum and Acre surveys was determined by the desire to ensure that the 95% confidence interval for proportions would be at most $\pm 3\%$. This required a sample size of at least 300 observations.

3. As we extrapolate to a single point and not to a range, sampling error is not considered.

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