The Economics of Music Festivals*

BRUNO S. FREY
Institute of Empirical Economic Research, University of Zurich, Switzerland

Abstract. This paper attempts to explain the rapid growth in the number of classical music and opera festivals. Two secularly increasing demand factors - a rise in real disposable incomes and an increased amount of time and money devoted to holidays - are well met by the supply of music festivals which almost perfectly combine culture and holidays. On the supply side, festivals may profit from low marginal cost of production factors and are considered as an effort to avoid restrictions from government regulations and trade unions.

Key words: cultural economics, music festivals, performing arts, non-profit organizations

1. A Multitude of Festivals

Nowadays most cities or regions have a music festival of one sort or another. While festivals as such are not a novelty, it is the vast increase of their number which is astonishing. Music festivals may be traced back to the 11th Century, where French troubadours took part in the festivities of the guilds. The oldest contemporary music festival is the Three Choirs Festival in Gloucester, Hereford and Worcester, which dates back to 1724, followed by the Handel Festivals in Westminster Abbey (1784–87 and 1791).

Among the most acclaimed European music festivals are Richard Wagner’s Bayreuther Festspiele (since 1876), the Glyndebourne Festival (since 1934), the Salzburger Festspiele (since 1920) and the Spoleto Festival of the Two Worlds (since 1958). No less famous are: the festivals in Edinburgh, Avignon and Aix-en-Provence; the Würzburger Mozart-Festspiele; the Internationale Musikfestwochen in Lucerne and the Internationale Juni-Festwochen in Zurich; the Carinthische Sommer in Ossiach/Villach and the Steirische Herbst in Graz; the Prague Spring and the Warsaw Autumn, as well as the Opera Festival in Verona and the Bregenzer Festspiele. There are an estimated 1000 music festivals in Europe alone (Pahlen, 1978, p. 7; Dümling, 1992, p. 9); Galeotti puts their number at two thousand.¹

Current prices for tickets are such that most performances are sold out and demand often outweights supply by far. To give an example: the performances of the Münchner Opernfestspiele (the oldest German music festival) are usually five times overbooked (Popp, 1988, p. 19).

This paper attempts to analyse music festivals from a rational choice point of view (see Becker, 1976; Kirchgässner, 1991; Frey, 1992). There are of course
various types of festivals catering to different demands, such as festivals of jazz music, folklore, dance and films. In this paper, however, I shall concentrate on classical music and opera. The aim is to analyse in a comparative institutional manner the differences between music festivals, opera houses and concert halls, as well as trying to give an explanation for the rapidly increasing number of festivals over the last decades. It will be argued that music festivals can best be understood from the demand side as both the result of an increasing demand for culture as well as an increasing availability of time for leisure and holidays; from the supply side the explanation given is (1) an evasion of the restrictions imposed on high artistic activity in concert halls and opera houses, and (2) the possibility of gaining high rents by exploiting the comparatively low marginal cost of producing festivals. It turns out that festivals are an important means of overcoming the tendency of ever increasing deficits of live artistic performances (the so-called “Baumol’s disease”).

Within the Economics of the Arts (see e.g. Baumol and Bowen, 1966; Throsby and Withers, 1979; Frey and Pommerehne, 1989; Towse and Khakee, 1992; Throsby, 1994) little work has so far been done on the subject of music festivals. With the exception of Frey’s (1986) contribution on the Salzburger Festspiele, Galeotti’s (1992) paper on the Spoleto Festival, the analysis has been restricted to two types:

(i) Impact studies calculating the regional multiplier effects of the government subsidies handed out (e.g. Vaughan, 1980 for the Edinburgh Festival; Kyrer, 1987 for the Salzburger Festspiele; or O’Hagan, 1992 for the Wexford Opera Festival). This type of study is generally undertaken by private consulting firms commissioned by regional or town tourist boards.

(ii) Theoretic welfare analyses inquiring into the various reasons for the public support of festivals. The externality and merit good arguments advanced in the literature in favour of festivals (see e.g. Pommerehne, 1992; O’Hagan and Duffy, 1987) do not differ from those given as reasons for supporting any other professional music activity and the arts in general.

These two types of analysis are not necessarily convincing. The impact studies reduce the value of festivals to material benefits for the economy at large, which may lead to an outcome opposing the one desired by the commissioning agency. It may well turn out that another activity, say a car race or some other sport event, produces a higher multiplier effect for the town and region (in which case, following the logic of such studies, that should be undertaken in lieu of the festival). However, what matters of course is not the material impact of a festival but rather the visitors’ and residents’ willingness to pay for having a festival (for evaluation methods, see Pommerehne, 1987), which is quite a different matter.

The theoretic welfare approach by assembling possible reasons for subsidising festivals based on market failure tends to degenerate to a purely normative exercise without any comparative perspective. More relevant is a positive politico-economic analysis of the forces working for, and against, establishing and supporting a festival, the type of analysis which is attempted here.