A GUGGENHEIM-HERMITAGE MUSEUM AS AN ECONOMIC ENGINE? SOME PRELIMINARY INGREDIENTS FOR ITS EFFECTIVENESS

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ABSTRACT. Central and Eastern European countries are now looking for ways to re-position their cities through city marketing investments, and the Lithuanian capital city of Vilnius is not an exception in this regard. After building new stadiums, shopping malls and multifunctional urban complexes, as well as being nominated European Capital of Culture 2009, Vilnius is now planning a Guggenheim-Hermitage Museum to fuel its cultural tourism and put the city on the global map. These undertakings are expensive and have a very high operative risk. The aim of this article is to shed light on the different factors and conditions which determine the degree of success or failure of global art museums used as urban economic re-activators, taking the case of Bilbao as an example.

KEYWORDS: cultural policy, city marketing, museums as economic engines, urban regeneration, Vilnius.

JEL classification: R58, M31, Z1, O18, P2.
Introduction

"Museums and other cultural amenities have been part of urban renewal projects and other strategies to improve the quality of life in cities for many years. The expected impact of these cultural facilities in revitalisation strategies normally surpasses the mere cultural or educational effects. Whereas some projects point towards additional economic effects, direct as well as indirect and induced, other strategies aim at softer urban revitalisation objectives such as changing the city’s image, encouraging the development of a tourist centre, retaining inner-city retail trade, encouraging new local investments, developing local identity and a sense of belonging, etc. (e.g. Cwi, 1980). Cultural amenities used to be the icing on the cake in mixed urban renewal strategies for deprived neighbourhoods or city centres, alongside larger housing projects, physical and commercial revitalisation and self-employment initiatives" (Plaza and Haarich, 2009).

"However, in recent years things have changed. More and more cultural attractions, especially museums, are now the central part of urban development strategies for inner-city and other central development projects, pursuing an important economic aim and representing the overall project as a flagship or icon. The corresponding area or economy to be revitalised is not any longer the deprived neighbourhood, but is now a city centre, a city-region or even a whole country. Expectations of these projects are high and success value is now the unique character of these Museums (or their buildings), measured by their branding power and, therefore, their overall capacity to attract people and investments in a worldwide competitive arena. Universally famous examples are the Tate Liverpool (UK), the Tate Modern London (UK), the Guggenheim Museum Bilbao (Basque Country, Spain), or the new forthcoming Louvre-Lens (France), the Pompidou-Metz (France), the Guggenheim-Hermitage in Vilnius (Lithuania) and the Guggenheim Abu Dhabi (United Arab Emirates), whose principal aims are the marketing of a city or a region and, through this, the re-activation (and/or the diversification) of the economy of their territories, besides their obvious cultural aim" (Plaza and Haarich, 2009).

In this context, the “Guggenheim Museum Bilbao (GMB) has been celebrated as a specific success with regard to the attraction of visitors and tourists, the creation of a new image and a structural change in the region. The analysis of the direct and indirect impact of the GMB ten years after its opening in 1997, shows that the museum is an effective re-activator of urban and economic revitalisation” (Plaza, 2000, 2006, 2007, 2008; Haarich, 2006; Plaza and Haarich, 2009). However, it must be recognised that such a result should not be taken for granted, as is the view of Skaidra Trilupaityte (2008) who uses the city of Vilnius and the Guggenheim Hermitage Museum as an illustration. Apart from the requirements for a sustainable tourism in Lithuania studied by Grundey et al., 2008, this strategy requires a series of conditions to be fulfilled, like the ones identified by Ellis (2007). After analysing the case of the GMB, we identified three sets of conditions that should be achieved to effectively use a museum as an engine for economic revitalisation or growth.

1. Museums as Economic Re-activators – Conditions to be Fulfilled

“The conditions which are necessary for a museum to have a successful impact on a local or regional economy can be divided in three categories: 1) basic locational and economic conditions; 2) conditions related to the Public Policy framework of action; 3) conditions related to the Museum Project and its management” (Plaza and Haarich, 2009).
1.1 Basic Locational and Economic Conditions

1.1.1 Condition 1: Location and Accessibility

"The first basic requirement for the establishment of a cultural facility which should attract people, firms and investments, is its location in an urban or regional environment. Two aspects are of particular importance: urbanity and accessibility" (Plaza and Haarich, 2009).

Urbanity is both the pre-condition and the outcome of an attractive museum. As has been indicated by Perloff (1979): 'The arts serve to enhance one of the built-in advantages of the city, that of urbanity. The arts serve to increase the element of excitement and variety which is the key to urbanity.' Urbanity means in this context, a certain degree of centrality (city centre or new development pole) with a wide range of space usages and urban functions in close proximity, a dynamic and secure use of public space (if possible, 24 hours 7 days a week), a good accessibility for pedestrians and public transport that does not interfere with other usages. If urbanity of a new developed area is to be achieved with the support of a museum, adequate and coherent planning of the surrounding space and functions is required (see Condition 3).

Accessibility as a pre-condition is needed not only for the Museum and the area itself, but also for the city-region in a wider international context. The chances are higher for success if a critical mass of potential visitors can access the Museum within 1-3 hours by car, which favours locations in Western and Central Europe. However, travel costs and travel times have fallen considerably during the last 10 years due to low-cost carriers, reduced prices, the increased use of secondary airports and more competition for European and worldwide trips. This now makes it easier for even peripheral and smaller cities to become attractive to a wider group of people.

In the case of the Guggenheim Museum Bilbao, both conditions are fulfilled (see Figure 1). The Museum is located in the city centre, a 10-15 minute walk from the Old Town and from the new commercial Centre of Indautxu. Its location within the regenerated waterfront area of Abandoibarra guarantees a high-quality surrounding with green areas, other Museums, Universities, leisure and commercial centres, hotels and a pedestrian walk close to the river. A new tram connects the Museum to other parts of the city and to other public transport nodes.


Figure 1. The GMB and the Regenerated Area Abandoibarra in Bilbao
Its national and international accessibility has improved remarkably in the last 10 years with the construction of a new airport and the attraction of some low cost carriers.

With regard to other current Museum projects, we could raise the question as to whether the forthcoming Guggenheim Abu Dhabi (United Arab Emirates) will enjoy an analogue accessibility, considering the fact that it is located in a sparsely populated area and almost totally dependent on international tourists. For the forthcoming Guggenheim-Hermitage Museum in Vilnius (Lithuania) this might be an easier challenge.

1.1.2 Condition 2. Favourable Economic Framework (Stability, Diversity and Productivity)

The strategy to invest in a heritage site or a cultural facility in order to induce structural change and economic growth needs sound economic framework conditions to become effective. First and foremost, a local or regional economy must be at the turning point after an economic crisis or already in a good economic situation. That mean, public and private investments can be made in various sectors and that the basic infrastructure and service needs of the population can be attended to. Otherwise, public investments in culture could be seen as merely an extra cost and not essential to ‘real’ local needs. Cultural projects may receive incessant disapproval and public protests that would undermine the success from the beginning.

Furthermore, four structural economic conditions need to be attained, as described in more detail in Plaza (2008) and Plaza and Haarich (2009): “First, cultural investments create effective employment only to the extent that they become effective tourism magnets, i.e. other public and private investments are necessary to offer adequate tourism infrastructures,
services, products and quality. Second, the greater the diversification of the city’s economy, the greater is the absorption of price tensions and the lesser is the dependence on the fluctuating tourism market. Third, an adequate integration of the redevelopment zone’s markets and the attraction of different, complementary market and tourist segments help to overcome seasonality and to adjust to price tensions. Due to the significance of the non-heritage sector, there will be adequate resources in terms of labour, goods and services for productive purposes. Fourth, a high productivity of a city’s economy helps to adjust to structural changes and to adapt to market pressure in new and emergent service sectors”.

1.2 Public Policy Framework of Action

1.2.1 Condition 3: Coherent Public Policy

“A museum as one single measure rarely might become an economic re-activator. Rather, it needs to be accompanied by other public sector policies and investments which support the economic development according to the needs of the particular city region and its economic structure. If a new museum is supposed to change the image of a former industrial or rural region, the adaptation of (public) transport, urban and environmental infrastructures and services to high-quality standards is of vital importance. Equally, public policies may become relevant in fields such as housing, education, training, job creation and fostering entrepreneurial initiatives. But also, additional and accompanying funding of other cultural facilities and policies should not be forgotten, in order to avoid the creation of a cultural desert with only one oasis” (Plaza and Haarich, 2009).

“As stated by Plaza (2008), urban regeneration problems in Bilbao were tackled through implementing a larger coherent public policy targeted at productivity and diversity, with – among others – a strong cultural component. Regional public authorities developed policies aimed at creating competitive environments with a very strong innovation, technology and entrepreneurship constituent. Economic and strategic redevelopment was combined with the strategic regeneration and conversion of old-industrial areas and urban brownfields. The city region was equipped with a new public transport system, new drainage and water/air clean-up systems, a new inner-city waterfront and a larger airport. Residential, leisure and business complexes were built in town, while a new seaport as well as industrial, entrepreneurial and technology parks were built away from the urban centre. The city centre regeneration of a 35 ha brownfield included not only the construction of the Guggenheim Museum Bilbao, but also a Music Hall, a Maritime Museum, offices and housing, commercial, leisure areas and green public space (Haarich, 2006). Other cultural facilities, e.g. an incubator for young artists called Bilboarte¹, were also created to promote art and cultural tourism as a means of diversifying the economy and attracting people” (Plaza and Haarich, 2009).

“Contrary to what detractors feared, the GMB’s success has stimulated a greater proactive policy towards culture and the art market resulting in the redirecting of financial resources towards the overall art arena. Though considerable public resources went into the

¹ Supported by Bilbao City Council, Bilboarte opened its doors in 1998, some months after the opening of the Guggenheim Museum Bilbao (October 1997), as part of a EU project to revitalize a deprived urban area in the old part of Bilbao called Bilbao La Vieja. The main objective of Bilboarte is to help novel artists by providing fully subsidized studios, grants for materials, space for exhibitions, library access, leaflet and book publishing, and contacts along art market distribution channels, and more importantly connects the artists with the main art fairs held in Spain and the rest of Europe.
GMB, many other cultural infrastructures and initiatives receive growing public support in the Basque Country. So the suspected trade-off between the GMB and alternative uses of public funds for arts and culture could not be observed (as feared by Zallo, 1995), at least in the post-construction phase of the museum and up to the present day” (Plaza and Haarich, 2009).

1.2.2 Condition 4: Continuous Public Funding of a Museum as an Investment in Urban and Regional Development

“As the objectives of a museum change towards more economic aims, the character of public funding of museums has to be modified, too. Public payments should no longer be seen as a lost subsidy, but as an investment in regional development which will have an impact on jobs, direct income, and which will also have an effect on marketing” (Plaza and Haarich, 2009).

Public funding, which is only provided for the construction and “start-up of a venture, is insufficient to ensure the financial sustainability of a museum. In fact, in order to guarantee the effectiveness of a museum as an economic re-activator, a sustained and continuous financial injection from the public sector is required throughout the life of the museum. A comprehensive Business Plan with annual investment and repayment schedules should be agreed upon from the beginning” (Plaza and Haarich, 2009). Museums which are part of an urban regeneration strategy generate positive multiplying effects on tourism, attraction of firms and investments, etc. throughout the city economy throughout the museum’s life. However, a museum does not capture all the cash-flows it generates, a fact that destabilizes its financial accounts. For this reason, public support is requested throughout the life of the museum, regardless of political constellations and preferences. This obviously requires an institutional agreement before hand to ensure public administration engagement in the long run.

In the case of the GMB, regional authorities provide “ongoing support for the annual operating expenditure and for the acquisitions of the permanent collection as well. The museum itself generates almost 75% of its income through its economic activity, and the remaining 25% are financed by local and regional public institutions” (Plaza and Haarich, 2009). Plaza (2006) shows that, while the Guggenheim Museum Bilbao was a costly venture, its return on initial investment (not including the value of the permanent art collection) was completed as early as seven years after opening. The Basque Institutions, however, will not recover the approximately €272 million in initial and continuing investments, which includes the amount spent on purchasing the museum’s permanent collection, until 2010 – or at the latest in 2014 (Plaza, 2006).

1.2.3 Condition 5: Engaging the Local Community

“The engagement of the local community and the integration of local identity are essential for the success of a museum as part of an urban revitalisation strategy; to create ownership among local residents and communities, which will increase the social and institutional sustainability of a project and will help to support possible set-backs and crisis. Furthermore, the integration of regional identity features into the project helps to increase distinctiveness and uniqueness of a project in a world with more and more franchise museums” (Plaza and Haarich, 2009).

One possible indicator for the level of engagement of the local community with a museum may be its number of Friends. In the case of the GMB, the amount of Friends of the
Museum – individual and institutional – reaches almost 15,800 members (with membership renewal rates running at 94.90%), the third largest anywhere in Europe after museums of longstanding tradition such as the Louvre Museum and the Tate Gallery (Guggenheim Museum Bilbao, 2007).

Another indicator for measuring local involvement may be local private sponsorship. In the case of the Guggenheim Museum Bilbao, 150 corporate sponsors contribute to the GMB’s self-finance ratio – which is 70% on average. With regard to private sponsorship, the GMB’s popularity and economic success have stimulated a level of private arts patronage at other institutions in the region quite unusual for Spain (Bradley, 2005). At present, the Bilbao Fine Arts Museum’s level of self-financing is 40%, whereas this kind of sponsorship was almost inexistent before the opening of the Guggenheim. This shows that the GMB is changing local habits in connection with both public and private art patronage.

“The integration of regional identity in the form of Basque and Spanish Art into the collection of the GMB was not a priority from the beginning. However, the GMB’s purchases of national and regional art have grown steadily over the last few years. Today already 27.5% of the permanent collection has been created by Basque Artists, and another 13.7% are made by other Spanish Artists (GMB, 2007)” (Plaza and Haarich, 2009).

1.3 The Museum Project and its Management

1.3.1 Condition 6: Visibility Effect through an Iconic Building

Museums become effective economic engines only to the extent they become tourism magnets. And museums become tourism magnets only when they become highly visible at an international level. At present, one favourite way to achieve global visibility is through an iconic building. However, the use of signature architecture is always a controversial point in urban planning and development. Many argue that signature architecture - notably by people like Frank Gehry, Norman Foster, Renzo Piano, Rem Koolhaas, Daniel Libeskind and Zaha Hadid - guarantee urban development in itself. Opponents to this trend point out that the gains are not automatic, and the costs - which, apart from the direct monetary cost, might include changing the character of a cityscape - outweigh the benefits” (Plaza, 2006; Plaza and Haarich, 2009).

“This attribute of museums has not been lost on planners, and city officials elsewhere are seeking to hire world-class architects like Gehry and Libeskind to brand their museum renovation schemes. However, being a ‘celebrity’ is not a sufficient condition to ensure the uniqueness of an architect’s design, since even notable artists produce inconsistent pieces of art. Creativity is a highly elusive reality, for architects, too. As a consequence, we emphasise that strategies based solely on ‘uniqueness’ of design are risky in terms of fulfilling projected public goals” (Plaza and Haarich, 2009).

Fortunately for the city of Bilbao, Frank Gehry’s design has turned out to be one of the masterpieces of twentieth century architecture, although ironically it is now the symbol of the architecture of the twenty-first century. However, it must be remembered that this effect could also have been insufficient, if other conditions had not been attained.

1.3.2 Condition 7: Branding Power of a Museum or Art Foundation

“In order to become an attractive project and even the icon or flagship of a revitalised urban area or city, it is not enough these days to just have the building and its content. In
times of the *experience economy*, event culture and omnipresent place marketing, the promotion of and the on-going communication about a new cultural facility should become a major element in its overall public and private management strategy (Frey, 1998; Hamnett, Shoval, 2003; Van Aalst, Boogaarts, 2003)” (Plaza and Haarich, 2009). And so, new public-private partnerships emerge. It is not for nothing that many public museum projects seek to engage a famous art brand, such as the Guggenheim Foundation, the St. Petersburg Hermitage or the Paris Louvre, while on the other hand these Museums or Foundations also look for new opportunities to extend their exhibition space and to raise the profitability of their collections.

“Prestige art brands such as Guggenheim, Louvre, Hermitage or Tate are becoming vital for larger Museum projects for two reasons. First, they contribute with knowledge, professionalism and a huge fund of art pieces to any Museum project. Second, they help to promote the project from the beginning with their name or label. In the case of the Guggenheim Museum Bilbao, the Solomon Guggenheim Foundation New York brand denoted prestige and helped to promote the project and the city of Bilbao especially in the United States of America” (Plaza and Haarich, 2009). The Solomon Guggenheim connection gave the Basque authorities also access to the prominent architect Frank Gehry, who might otherwise not have been available. On the other hand, the Guggenheim New York downtown branch in SoHo, failed to attract the expected attendance and had to rent out part of its ground floor for commercial purposes (Plaza, 2000). Consequently, although helpful, the label Guggenheim may be insufficient, if other necessary conditions are not fulfilled.

The paradox effect which may become visible in the future could be that, the more branches of Museums or Art Foundations are created, the less will be the promotional and branding effect.

1.3.3 *Condition 8: ICT, Media Going Global and the “Bilbao Effect”*

Global visibility is a key condition for a museum to be an effective economic re-activator. In the last 10-15 years it had become much easier to achieve global visibility due to the new Information and Communication Technologies, namely the Internet, and the globalisation tendencies of the media. In the case of the GMB and Bilbao, a simple ‘Google’ search reveals the high presence of the GMB in the media and the Internet. The phrase ‘Guggenheim Museum Bilbao’ shows up 285,000 pages on the Internet and the term ‘Bilbao’ 45 million pages (accessed 5 July 2008).

The overall image of Bilbao in the media and public opinion has been influenced deeply by the GMB. To demonstrate the correlation between the Museum and the city in the global media, we used the presence of Bilbao in the New York Times as a proxy of the presence of Bilbao in the international press. A counting of the news published by the New York Times is performed for the years 1987 to 2007 (ten years before and after the opening of the GMB). When the news is positive (e.g. GMB, BBVA bank, high cuisine, Athletic Bilbao etc) each item of news counts for +1. In contrast, each news item connected with E.T.A and terrorism counts for −1.

“The analysis reveals that Bilbao (and the Basque Country in general) was almost ‘invisible’ for the New York Times up until 1997, whereas after 1997 Bilbao becomes visible for both good and bad news (see Figure 3). In other words, the GMB has given the city a global visibility – at the same time and pace in which it became more attractive for international visitors” (Plaza and Haarich, 2009).
Note: Bad news score -1 each, whereas good news score +1 each. The Guggenheim Museum Bilbao opened its doors in October 1997.

Source: Own elaboration.

Figure 3. News Articles in The New York Times in Connection with Bilbao and the Basque Country

"For Museum managers and responsible public institutions this insight should be a motivation to use the Internet and the international media for promotion and information in order to attract even more people and visitors" (Plaza and Haarich, 2009).

1.3.4 Condition 9: Attractive Exhibition and Event Management

"The final condition which should be fulfilled in order to turn a Museum in an effective economic re-activator is quite obvious. The exhibition and event management of the Museum in question must be attractive enough to catch the attention of both foreign visitors and local residents, and to keep doing so even after the first rush of interest. The difficulty lies definitely not in generating the initial attraction, but in assuring a high interest and visitor flow over the years – in adequate relation to necessary investments" (Plaza and Haarich, 2009).

Table 1. Visitors to the Guggenheim Museum Bilbao 1997 – 2007

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Visitors to the Guggenheim Museum Bilbao</th>
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<tbody>
<tr>
<td>1997 Oct-Dec</td>
<td>259,234</td>
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<tr>
<td>1998</td>
<td>1,300,274</td>
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<tr>
<td>1999</td>
<td>1,065,459</td>
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<tr>
<td>2000</td>
<td>974,976</td>
</tr>
<tr>
<td>2001</td>
<td>930,000</td>
</tr>
<tr>
<td>2002</td>
<td>851,628</td>
</tr>
<tr>
<td>2003</td>
<td>874,807</td>
</tr>
<tr>
<td>2004</td>
<td>909,145</td>
</tr>
<tr>
<td>2005</td>
<td>965,082</td>
</tr>
<tr>
<td>2006</td>
<td>1,008,774</td>
</tr>
<tr>
<td>2007</td>
<td>1,002,963</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,142,342</td>
</tr>
</tbody>
</table>

Source: Basque Government: Department of Industry, Commerce and Tourism.
In the case of the GMB (See Table I), the celebration of special exhibitions is a good example, such as ‘China 5000 Years’, in which no less than 424,883 visitors attended from July to September 1998 (Plaza, 2000). This score can be compared to the total of 1,307,187 tourists who visited the museum in that year. Exhibitions might also be a little provocative in order to raise the public interest even more. This would have been the case of the GMB exhibition ‘Giorgio Armani’ in 2001 or the ‘The Art of Motorcycle’ exhibition (1999/2000), when some critics asked if and how fashion and motorcycles are related to Contemporary Art. However, these exhibitions helped to attract people to the GMB that are normally not interested in modern art. However, what attracts especially foreign visitors and cultural tourists still might be a simple high-quality presentation of renowned classic and modern art.

Conclusions

The traditional mission of a museum is essentially cultural. However, it is not like this for all museums. There are a minority, although universally famous museums, like the Tate Liverpool, the Guggenheim Museum Bilbao, the Tate Modern London, or the new forthcoming Louvre-Lens (France), Guggenheim-Hermitage (Lithuania) and Guggenheim-Abu Dhabi (United Arab Emirates), whose principal aim is the re-activation (and/or diversification) of the economy of their cities. These strategies are expensive and have a very high operative risk. This article sheds light on at least 9 conditions that should been fulfilled by the museum to become an effective economic engine: 1) Geographical accessibility; 2) Favourable economic framework; 3) Coherent public policy; 4) Continuous public funding of the Museum; 5) Engaging the local community; 6) Global visibility through an iconic building; 7) Branding power; 8) Media & ICT; 9) Attractive exhibitions management.

To sum up, the Guggenheim Museum Bilbao case is not an easily transferable experience. In general, the use of Museums in urban and economic revitalisation strategies has become more complex, as more and wider demands must be considered, such as elevated visitor expectations, the need for a higher self-financing rate, and growing global competition. To invest in the Vilnius Guggenheim-Hermitage Museum might be a good way to reactivate a city’s economy. However, many conditions must be fulfilled or at least profoundly analysed in order to achieve the desired outcome. And even then, some museum projects might be luckier than others.

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Lenfers, E. (1999), (Flagship-Projects in the framework of structural change of old-industrial regions – the case of the Guggenheim Museum Bilbao in Spain, in German)


GUGENHEIMO MUZIEJUS KAIP EKONOMIKOS VARIKLIS? KAI KURIE PRELIMINARUS VEIKSMINGUMO FAKTORIAI

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SANTRAUKA


Šios veiklos yra brangios ir turi labai didelę operacinę riziką. Šio straipsnio tikslas yra atskleisti įvairius veiksnius ir sąlygas, kurios identifikuoja pasaulio muziejaus sėkmės arba nesėkmės. Autorės naudojo Bilbao miesto Ispanijoje atvejį kaip miesto ekonomikos veiklos praktyvavimo pavyzdį.

REIKŠMINIAI ŽODŽIAI: kultūros politika, miesto marketingas, muziejaus veiklos praktyvavimo pavyzdžio

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