

## **THEATRE ECONOMY AS A STRATEGIC DEVELOPMENT STRATEGY**

### **THE SOCIAL AND ECONOMIC IMPACT OF A THEATRE ECONOMY AND ECOSYSTEM ON A NATIONAL ECONOMY**

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#### **I. Executive Summary**

Theatre is at the core of live entertainment. It has been performed for thousands of years across the world in different geographies and civilisations.

Theatre is a performing art that is live and presents a narrative that is either fictional or real, using actors and actresses in addition to sound, music and lights to amplify the story.

Theatres are present in most cities in the world and most have been purpose built for live events, though not always for theatrical productions themselves.

The World Cities Culture Forum (2023) ranks theatres as critical pieces of cultural infrastructure and theatrical performances as critical elements of culture.

Theatre differs to concerts and other live mediums in that it aims to tell a story involving the audience as observers.

It is notable that theatre is delivered via several mechanisms including: Subsidised Theatre; Commercial Theatre and Amateur Theatre (including schools).

The Creative Economy is defined as those industries "which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property" (UK DCMS, 2001). In other words, the Creative Economy includes the sectors that specialise in the use of creative talent for commercial purposes. In its most rudimentary appreciation, Creative Economy is about making money from ideas and creative talent (Howkins, 2013). It is founded in creative industries, that is to say industries based on creativity, skill and talent, and those which have the potential to create wealth and jobs through the development or production of intellectual property (Culture and Major Events Directorate, no date).

The UN estimates the Creative Economy drives job creation and accounts for 50 million jobs worldwide (UNESCO, 2017) and generates annual revenues of over \$2 trillion.

The Theatre Economy is a multi-faceted organism that should form part of a national or city economic strategy as well as city-based and local community economies and societies.

A Theatre Economy can develop organically or be purpose built.

Once it is built it can be organically operated or consciously maintained.

Famous examples of Theatre Economies that were both organically developed yet are consciously maintained are London's West End and New York's Broadway.

The Theatre Economy is a component part of the Creative and Cultural Economy and is made up of its own component parts. It is the part of the theatre ecosystem that contributes to the broader economy. A strong theatrical ecosystem equates to a well performing Theater Economy.

The Theatrical Ecosystem collectively includes the overall theatrical supply chain. This stretches from the process of inspiration for concepts through to education and training of the parties in the ecosystem (sound, lights, set design, stage management etc) and continues to include the development and management of theatres, the integration of the entire local community, tourism management and international branding of the nation and city as well as governmental support via policy, funding and spotlighting of the sector.

It also includes private sector actors who finance and support production and all facets of the said ecosystem.

This paper focusses on the ecosystem itself which includes all the ingredients required to cultivate talent; educate talent; present theatre; create the conditions for theatre to be financed; the production of theatre and the related benefits including national social and economic stimulation and uplift; and the long-term benefits to the public and private sector such as IP development.

## **II. Theater Economy**

### **A. Developing a Theatre Economy**

It is possible to purpose build a theatrical economy and it is a strategy with significant benefits for a city, nation and its private sector.

A nation has an imperative role to play in acting as 'chief coordinator' of this development.

Such a role has often not existed in the past and as outlined elsewhere in this paper, London's West End grew organically with little public intervention and moreover little coordination (noting that both exist today in great measure).

It is worth understanding that New York's famous Broadway theatre district grew in much the same manner. A well-regarded report published in 1963 entitled "*The Performing Arts, Problems and Prospects*" (Rockefeller Panel Report, 1963) coincided with Broadway stumbling into its 'golden era'. It read:

*"The arts are vital to a mature civilisation, but how do they best flourish? What*

*organisations are needed to nourish them? How are they to be supported and maintained?"*

Questions such as these, especially when applied to the performing arts, need public discussion and are worthy of thoughtful inquiry and debate.

The report formed the following conclusion: *"Anarchic organisation, laissez-faire individualism and transient character, barely permit commercial theatre to survive the competition of mass media"*.

As we enter the '2030' era of increasing technology and ever-growing social media and content, the question posed by the book is as relevant today as it was 60 years ago.

Also relevant, is the importance of theatre and the fact that the development of a Theatre Economy is mutually exclusive to mass media and other content and must be carefully curated by government with private sector input and ultimately private sector stewardship, with government involvement diminishing but remaining.

The exploration of primary stages to develop a Theatre Economy reveal the following foundational requirements:

1. **Appropriate Infrastructure** purpose-built for the theatrical experience.
2. **Theatre Financial Ecosystem:** The development of a financial base case for Producers

to stage theatrical productions in a specific location. This may include government policy on subsidies or other financial instruments in addition to private angel investment market presence. It is necessary that corporate support in the form of brand partnerships and sponsorship is also present.

3. **Talent Cultivation:** The cultivation of talent in a nation-with training and development at the levels of:

- A) Youth/Schools
- B) Tertiary
- C) Vocational and professional

4. **International Community Engagement:** The international Theatre Economy operates in the form of a global interconnected and interdependent network. Whilst local theatrical economies concern themselves with their own success, the content is predominantly developed to be staged across multiple territories.

Further, audiences for local theatrical economies are sourced in a borderless manner, and in the cases of Broadway and the West End, are made up of tourists in the majority.

5. **Retention of value for an economy:** Theatrical productions deliver value to an economy in terms of the spend they generate from consumers. Both government and private sector benefits. Once the show leaves, the useful financial and social life of that show to the economy it was present in ends. A local economy then performs the action of repeat and houses a new show/s and continues the life cycle of benefit.

These benefits, both social and economic, are substantial but are passive.

In order to retain long term value, an economy must determine how to attract players from all levels of the theatrical supply chain to be resident in their domicile and implement a pathway to IP and assets being located and owned in the local economy.

This way the economy reduces brain-drain and retains long term asset benefits.

This strategy may include governmental policy incentives including use of financial instruments.

## **B. Role of Government In Establishing a Theatrical Ecosystem**

The government plays a crucial role in fostering the growth and sustainability of a theatrical ecosystem through various forms of support, investment, and policy development.

The Government also plays the role of an overseer, facilitating and accelerating activity-intangible roles that ensure the sector is taken seriously. Government may also become actively involved at times in attracting certain productions or certain companies to their domicile who are significant in the theatre ecosystem supply chain.

Sources make evident the roles a government must play at a minimum:

1. **Funding:** Governments provide financial support to theatre companies, artists, and cultural organisations through grants, subsidies, and funding programs. These funds help cover production costs, venue rentals, artist fees, marketing expenses, and operational costs, enabling theatres to stage performances and reach wider audiences.  
Another major way in which governments can better support and influence the growth of the Theatre Economy is by using their own power in the marketplace via 'public procurement' that allows for purchasing from small or growing business in the Theatre Economy supply chain.
2. **Cultural Policies and Legislation:** Governments develop cultural policies and legislation to support the arts and cultural sector, including the theatre industry. These policies may include tax incentives for arts organisations, regulations governing ticket sales and distribution, and measures to protect intellectual property rights and promote cultural diversity.
3. **Education and Training:** Investment in arts education and training programs to nurture talent, creativity, and innovation in the theatre industry. The operating of vocationally driven programs in schools, after-school programs, vocational training, and higher education courses in theatre arts, providing opportunities for individuals to develop skills and pursue careers in the arts.

Data sources suggest that graduates comprise a large part of creative sector employment, thus underscoring the importance of universities in strengthening this sector.

Universities can also become a source of cutting-edge R & D as a source of sector innovation.

It is notable that creative industries are defined by their relatively intense use of creative labour. It is therefore imperative that a government or city and other regional authorities work closely with the private sector to support schools and tertiary institutions to promote the supply of theatrical creative labour, which is the primary requirement for an internationally competitive theatre ecosystem.

4. **Development of Infrastructure:** Governments invest in the development of cultural infrastructure, including theatres, rehearsal and performance venues and other supply chain facilities including laboratories for the development of innovative sound, lights, set design etc.
5. **Tourism:** Governments promote cultural tourism and destination marketing to attract visitors to theatres and performing arts events. They collaborate with tourism boards, travel agencies, and cultural institutions to showcase theatre productions, organise festivals, and develop cultural tourism itineraries that highlight the cultural heritage and artistic diversity of the region.
6. **Community Outreach:** Governments support community engagement and outreach initiatives to increase access to theatre and promote audience development. They fund outreach programs, educational workshops, and community-based arts projects that engage diverse audiences, foster cultural participation, and build social cohesion. **Arts Advocacy and Partnerships:** Governments advocate for the arts and collaborate with stakeholders across sectors to support the growth of the Theatre Ecosystem. They work with industry associations, nonprofit organisations, philanthropic foundations, and corporate sponsors to leverage resources, share best practices, and address challenges facing the theatre industry.
7. **Cultural Diplomacy:** Governments use cultural diplomacy and international cultural exchange programs to promote theatre and showcase the cultural heritage and artistic achievements of the nation on the global stage. They support international collaborations, touring productions, and cultural exchanges that strengthen diplomatic relations and promote cross-cultural understanding.
8. Overall, government support and investment are essential for cultivating a vibrant, diverse, and sustainable theatrical ecosystem that enriches the cultural life of communities, stimulates economic growth, and fosters creativity and innovation in the arts.

## C. Role Of The Private Sector In Establishing A Theatre Ecosystem

The private sector plays a significant role in building a thriving theatrical economy through various avenues of investment, partnership, and innovation. It operates in a symbiotic manner to government.

The private sector contributes to the development of a Theatre Economy in the following ways:

1. **Funding:** Private investors, production companies, and theatre owners provide financial backing for theatrical productions, covering production costs such as venue rental, set design, costumes, casting, marketing, and administrative expenses. These investments enable producers to bring productions to the stage and generate revenue through ticket sales, merchandise sales, and licensing agreements.  
Corporate Sponsorship and Brand Partnerships: Private businesses, corporations, and brands sponsor theatrical productions as part of their marketing and corporate social responsibility initiatives. Sponsorship agreements may include financial support, in-kind contributions, and brand visibility opportunities in exchange for promotional exposure and association with the arts.
2. **Venue Operations:** Private theatre owners and operators (often under government license), manage and maintain performance venues, providing space for productions to be staged. They oversee day-to-day operations, including ticketing, scheduling, staffing, facilities management, and customer service, ensuring a positive experience for audiences and performers alike.
3. **Marketing:** Private companies and marketing agencies specialise in promoting theatrical productions through advertising, publicity, social media campaigns, and digital marketing strategies. They help producers reach target audiences, build brand awareness, and drive ticket sales, maximising the commercial success of productions. This also reinforces and promotes the city or nation 'brand'.
4. **Technology and Innovation:** Private sector companies develop and deploy technology solutions to enhance the theatrical experience for audiences and artists. This includes ticketing platforms, digital streaming services, virtual reality experiences, interactive apps, and immersive technologies that expand the possibilities of live performance and audience engagement.
5. **Training and Talent Development:** Private arts organisations, acting schools, and training programs provide education, mentorship, and professional development opportunities for aspiring artists, actors, directors, designers, and technicians. They cultivate talent, nurture creativity, and prepare individuals for careers in the theatre industry, contributing to a skilled workforce and artistic excellence.

6. **Real Estate Development and Urban Regeneration:** Private developers and investors may play a role in the revitalisation of urban areas by investing in the development of cultural districts, mixed-use developments, and entertainment complexes that include theatres, restaurants, retail outlets, and residential spaces. These developments create vibrant cultural hubs, attract visitors, and stimulate economic growth and investment in surrounding communities.

Overall, the private sector's involvement in the theatre ecosystem is essential for financing productions, managing venues, marketing shows, fostering innovation, nurturing talent, and driving economic growth and IP development. Collaboration between the private sector, government agencies, nonprofit organisations, and cultural institutions is crucial to building a sustainable and dynamic theatrical economy.

#### **D. Role Of A Theatre Ecosystem In A Government Cultural Strategy**

A theatrical ecosystem supported by a national or city cultural strategy contributes to the fulfilment of social, economic, cultural and diplomatic objectives of the nation or city.

In its most rudimentary form, the Theatre Economy is the application and extension of the creative economy and merges the foundations of creativity, commerce and IP. It builds on the interplay between human creativity, ideas, intellectual property, knowledge and technology (Howkins, 2013).

Theatre occupies a central position within national cultural strategies, serving as a catalyst for cultural preservation, economic development, social cohesion, and diplomatic relations. By integrating theatre into cultural policies and initiatives, governments can harness its transformative power to enrich the cultural fabric of society, stimulate economic growth, and promote global harmony and cooperation.

The Creative Economy, and specifically theatre, allow for a personal relationship between consumer and creator. This is unlike many other sectors.

*“Creative businesses, and the relationship between creator and consumer, is not just a commercial transaction: there is also a personal dimension.”* (Fmr. French President Francois Mitterand).

The intersection points of a theatrical ecosystem and a government national or city cultural strategy are evident in the outlined foundational areas:

1. **Arts Education and Cultural Learning:** Theatrical performances offer educational opportunities for audiences of all demographics, fostering a deeper understanding of history, literature, social issues, and artistic expression. National governments may

integrate theatre into educational curricula, provide arts education resources, and support lifelong learning initiatives that promote cultural literacy and creativity. It is significant to this point that showcasing local culture is also possible through theatre. Abu Dhabi states one of its objectives is to "preserve and promote Emirati Culture" (DCT 2023) and it is remarkable that this can be done through multiple methods of creative showcase and also embedded as a narrative into theatre strategy.

2. **Creative Economy Innovation:** The theatrical ecosystem contributes to the creative economy by generating economic activity, creating jobs, and stimulating innovation and entrepreneurship in related industries. National governments may develop policies and programs to support the growth of the theatre industry, foster collaboration between creative sectors, and leverage the economic potential of cultural and creative industries.
3. **International Cultural Exchange and Collaboration:** The theatrical ecosystem facilitates international cultural exchange, collaboration, and dialogue, strengthening diplomatic relations and promoting cross-cultural understanding. National governments may support international touring productions, cultural exchange programs, and artist residencies that promote cultural diplomacy and foster global partnerships.
4. **Community Development and Social Inclusion:** Theatrical performances bring communities together, promote social cohesion, and provide opportunities for cultural participation and dialogue. National governments may prioritise community engagement, support theatre initiatives, and invest in cultural infrastructure and programs that increase access to the arts for underserved populations.
5. **Tourism and Cultural Diplomacy:** Theatrical productions attract tourists, enhance the cultural appeal of destinations, and contribute to the tourism industry's competitiveness. National governments may integrate theatre into tourism promotion strategies, support cultural tourism initiatives, and use cultural diplomacy to showcase the nation's cultural heritage and artistic achievements on the global stage.
6. **Innovation:** Theatrical productions encourage artistic innovation, experimentation, and risk-taking, pushing the boundaries of creativity and expression. National governments may support artistic research, development, and experimentation through funding programs, artist residencies, and creative incubators that nurture emerging talent and support groundbreaking work. By integrating the theatrical ecosystem into a national government's cultural strategy, policymakers can harness the transformative power of the arts to promote cultural identity, social cohesion, economic development, and global engagement, enriching the lives of citizens and contributing to the overall well-being and prosperity of the nation.
7. **Cultural Preservation and Promotion:** Theatrical productions serve as a platform for preserving and promoting cultural heritage, traditions, and storytelling techniques.



National governments may prioritise the preservation of indigenous, historical, and traditional theatre forms while supporting contemporary expressions of cultural identity and diversity.

Culture, and pertinently theatre, are recognised as equal signposts to a city/nation's success and crucial to urban vitality (Wong, Clark et al 2002).

## **E. Role Of A National Theatre Ecosystem In The Development Of IP**

A theatrical ecosystem can contribute significantly to the development of national (private and public) intellectual property (IP) in various ways:

1. **Original Creations:** Theatrical productions often involve the creation of original works, including plays, musicals, and performance pieces. These original creations contribute to the nation's cultural heritage and artistic identity, serving as valuable intellectual property assets that can be protected through copyright laws and other forms of IP protection.
2. **Creative Industries Growth:** The theatrical ecosystem is part of the broader creative industries sector, which encompasses activities related to arts, culture, media, entertainment, and design. By nurturing the growth of the theatre industry, national governments can stimulate innovation, creativity, and entrepreneurship in the creative industries, generating new IP assets and economic value.
3. **International Distribution and Export:** Theatrical productions with strong IP value can be exported to international markets, contributing to the nation's cultural diplomacy efforts and promoting the country's artistic and creative talent on the global stage as well as stimulating private and government economic returns.
4. **A Government can shine a spotlight** on the Theatre Ecosystem supply chain which is not limited to the attraction of productions but to ensuring the nation has the right environment to attract the re-housing and relocation of organisations from the entire business life cycle spectrum (start up to mature), to domicile themselves in the nation.
5. This may be through **policy incentives**; special economic areas; clusters; articulation of national cultural vision; soft diplomacy on the part of government leaders and their private sector advisors.
6. **IP Licensing and Merchandising:** Successful theatrical productions can generate revenue through IP licensing agreements and merchandising opportunities. For example, theatre companies may license the rights to perform a particular play or musical to other theatres, schools, or community groups, generating royalties and expanding the reach of the original work. Additionally, merchandise such as scripts, recordings, costumes, and branded merchandise can be sold to audiences, further monetising the IP associated with the production.

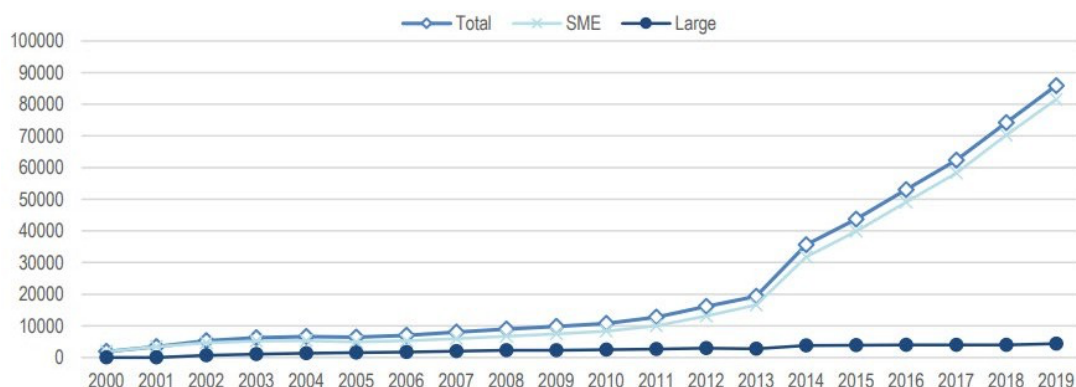
7. Theatre can enhance the visibility and reach of the **nation's theatrical IP**, generating economic benefits and fostering cross-cultural dialogue and understanding and creating a diversified, smart economy.
8. **Cross-Media Adaptations:** The success of a theatrical production can lead to opportunities for cross-media adaptations, including film adaptations, television adaptations, novelisations, and digital media adaptations. These adaptations can introduce the original work to new audiences and markets, generating additional revenue streams and increasing the visibility and long-term value of the IP.
9. **Talent Development and Retention:** A vibrant theatrical ecosystem attracts and retains talented artists, writers, directors, designers, and performers, fostering a creative environment conducive to the development of new IP. By investing in talent development programs, educational initiatives, and creative incubators, governments can cultivate a skilled workforce and support the creation of innovative and commercially viable IP assets in the theatre industry.

In the UK, the most frequently used innovation policies are: (1) R & D tax credits; (2) Intellectual property (IP) boxes; (3) Subsidies and grants; (4) Supply of human capital (5) Intellectual Property measures (Professors Fairburn, Pugh et al, 2022).  
The presence of IP related support merits deep reflection.

The British Council (2023) advances the position that: *“Creating, valuing, protecting and exploring IP remains the forefront issue for the whole creative sector”*.

Overall, a thriving theatrical ecosystem can play a significant role in the development, economic growth and competitive position of national intellectual property, contributing to cultural enrichment, economic growth, and global recognition of the nation's creative and artistic achievements as well as cementing a nation’s legacy in the Theatre Economy and securing long-term sources of revenue for the nation in addition to long-term private economic and social benefits-all cemented by IP ownership in the nation.

Figure 1: R&D relief recipients in the UK 2000-2019. Source OECD



## F. Impact On GDP Of A National Theatre Ecosystem And Related IP Cultivation

The development of a national Theatre Ecosystem and associated intellectual property (IP) cultivation can have several benefits to the Gross Domestic Product (GDP) of a country.

The British Council (2023) holds the position that: *“Intellectual Property, or IP, is at the heart of the creative economy”*.

1. **Tourism and Cultural Attraction:** The theatre industry can attract tourists and visitors, boosting local economies through spending on tickets, accommodations, dining, and other services. Cultural tourism centred around theatre can enhance a nation's global reputation and attract international visitor
2. **Direct Economic Contribution:** The theatrical ecosystem contributes directly to the GDP through ticket sales, merchandise sales, and other revenue generated from theatrical productions. This includes spending on production costs, venue rentals, artist fees, marketing expenses, and operational costs associated with staging performances.
3. **Exports and International Trade:** Successful theatrical productions with strong IP value can be exported to international markets, generating revenue from ticket sales, licensing agreements, and merchandise sales abroad. This export revenue contributes to the country's balance of trade and adds to GDP through increased exports of cultural goods and services.
4. **Job Creation and Employment:** The development of a theatrical ecosystem and IP creates jobs and employment opportunities for a wide range of professionals, including artists, actors, directors, designers, technicians, administrators, marketers, and support staff. The theatre industry generates employment in production companies, theatre venues, ancillary industries, and related sectors, contributing to overall employment levels and GDP.
5. **Indirect Economic Impact:** The theatre industry has a ripple effect on the economy, stimulating economic activity in supporting industries such as hospitality, tourism, retail, transportation, and construction. For example, theatregoers may spend money on dining, shopping, transportation, and accommodation when attending performances, generating additional revenue for local businesses and contributing to GDP growth.
6. **Intellectual Property Revenue:** The development of nation-based intellectual property assets in the form of original theatrical works, scripts, scores, and branding can generate revenue through licensing agreements, merchandising opportunities, and cross-media adaptations.

7. **The monetisation of theatrical IP** adds to GDP by creating new revenue streams and commercialising creativity.
8. **Tourism and Destination Marketing:** A vibrant theatrical ecosystem attracts tourists and enhances the cultural appeal of destinations, contributing to tourism revenue and GDP growth. Cultural tourists often spend more and stay longer, generating economic benefits for the local economy through spending on accommodation, dining, shopping, transportation, and entertainment.
9. **Urban Development and Revitalisation:** The presence of theatres and cultural venues can stimulate urban development and revitalisation efforts, attracting investment, businesses, residents, and visitors to surrounding areas. Cultural districts and arts hubs become focal points for economic activity and community engagement.  
Glaeser and Gottlieb (2006) pointed out that live performances are critical consumer amenities shaping the flow of urban population.
10. Overall, the **development of a national theatrical ecosystem and intellectual property** can have a significant positive impact on GDP by generating revenue, stimulating economic activity, creating jobs, attracting tourists, and enhancing the cultural and creative vitality of the nation.

### III. Overview Of International Theatrical Impact

The most successful theatrical shows in the world can vary depending on different metrics such as box office revenue, attendance numbers, cultural impact, and critical acclaim.

Some examples of professional theatrical shows that have achieved significant success and recognition on a global scale:

1. "**The Lion King**": Based on the Disney animated film, "The Lion King" is one of the most successful and longest-running musicals in Broadway history. It has been acclaimed for its stunning visuals, captivating storytelling, and iconic music composed by Elton John and Tim Rice. "The Lion King" has also enjoyed successful productions in London's West End and other major theatre markets worldwide.
2. "**Les Misérables**": Adapted from Victor Hugo's classic novel, "Les Misérables" is a beloved musical that has captivated audiences around the world with its powerful story, memorable characters, and emotive music by Claude-Michel Schönberg and Alain Boublil. "Les Misérables" has had successful productions in London's West End, Broadway, and numerous international cities.
3. "**The Phantom of the Opera**": Andrew Lloyd Webber's "The Phantom of the Opera" is one of the most iconic and enduring musicals of all time. Known for its haunting music, elaborate set designs, and romantic storyline, "The Phantom of the Opera" has been a staple of the West End and Broadway for decades.
4. "**Mamma Mia**": Based on the songs of ABBA, this musical comedy has grossed over \$4 billion and is the 6<sup>th</sup> longest running show in London's West end history. It also ran on Broadway for 14 years.
5. "**Dirty Dancing**": Based on the iconic movie, *Dirty Dancing On Stage* (with Michael Jacobsen as founder, original owner and Producer), has played in multiple cities internationally and holds the record for the fastest selling show in London's West End history in addition to holding the record for possessing the largest advance box office upon opening, in London West End history. It has grossed over US\$2 billion to date.
6. "**Billy Elliot the Musical**" is a stage adaptation of the 2000 film "Billy Elliot." It features music by Elton John and book and lyrics by Lee Hall, who also wrote the screenplay for the film. The musical tells the story of a young boy, Billy, who discovers a passion for ballet amidst the backdrop of the 1984-85 UK miners' strike. It premiered in London's West End in 2005 and has since been performed worldwide, receiving critical acclaim and numerous awards, including Tony Awards and Olivier Awards.
7. "**Hamilton**": Lin-Manuel Miranda's groundbreaking musical "Hamilton" has garnered widespread acclaim for its innovative mix of hip-hop, R&B, and traditional musical theatre styles, as well as its exploration of American history.

"Hamilton" has been a cultural phenomenon since its Broadway debut and has also had successful productions in London, Chicago, and other cities. It has also played across the world including in Sydney and Abu Dhabi.

#### IV. Case Studies

##### 1. London's West End

###### History

The history of London's West End as a prominent theatrical district is rich and spans several centuries. Theatre is not just part of London's economic and cultural strategy, it is part of its identity.

Theatre is intimately connected to London's economic performance, development and brand, although it did not develop under a strategy or master plan but as a consumer and private sector demand generated occurrence.

It naturally developed in what we would today call a 'cluster'.

London has been actively pursuing a theatre development strategy for several decades, although the West End is considerably older than that and largely grew organically.

London's West End as a cultural and entertainment hub can be traced back to the late 17th and early 18th centuries. At that time, the area was primarily residential, but the expansion of London's urban area and the growth of its population led to the development of commercial and entertainment establishments. One of the earliest and most significant theatres in the West End is the Theatre Royal, Drury Lane, which opened in 1663.

Throughout the 18th and 19th centuries, the West End saw significant expansion and development, with new theatres, music halls, and entertainment venues opening to cater to the growing demand for cultural and leisure activities. The Victorian era saw a flourishing of theatre and entertainment in the West End, with the opening of iconic venues such as the Criterion Theatre, the Savoy Theatre, and the Lyceum Theatre. The West End became synonymous with high-quality productions, star performers, and fashionable social gatherings.

The early to mid-20th century is often considered the "Golden Age" of musical theatre in London's West End. This period saw the production of classic musicals such as "*My Fair Lady*," "*West Side Story*," "*Oliver!*," and "*The Sound of Music*," which solidified the district's reputation as a world-class theatrical destination.

In the latter half of the 20th century and into the 21st century, London's West End continued to evolve and thrive as a leading centre for theatre, musicals, and live entertainment. New productions, revivals, and adaptations have kept the district vibrant

and relevant showcasing the private sector/IP led nature of the sector itself.

London's West End is one of the world's most renowned and vibrant theatre districts, attracting millions of theatregoers each year and generating significant economic impact.

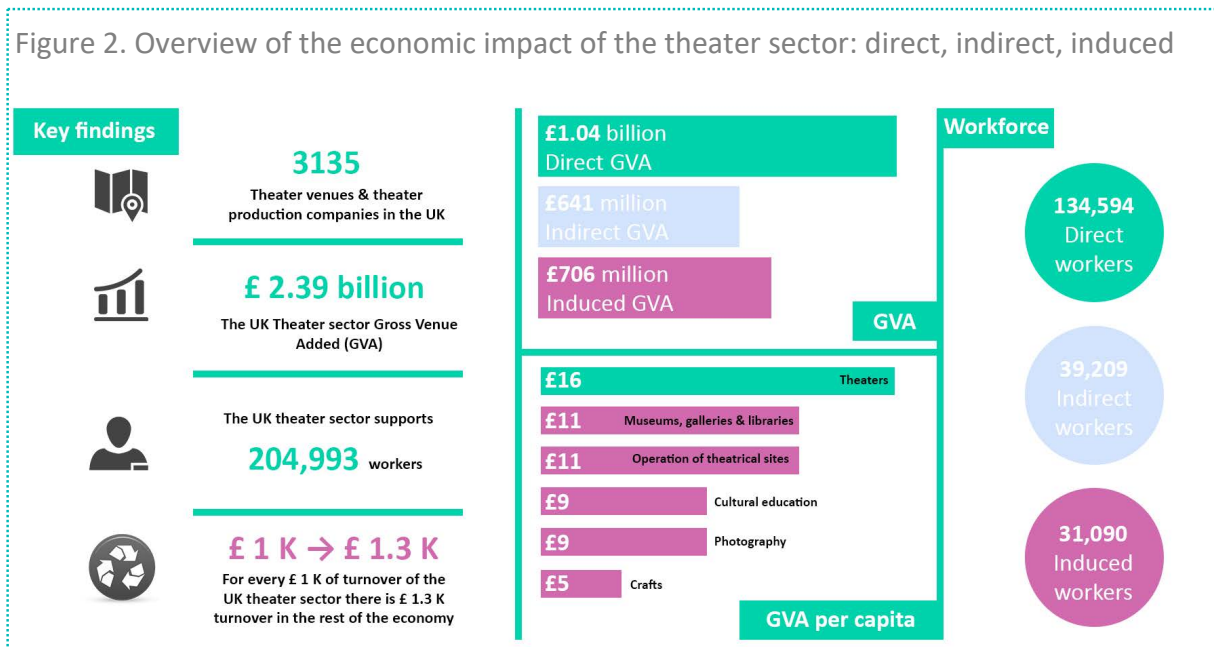
It can be argued that the London theatre industry is a fundamental part of the country's arts and culture sector. The federal government department (DCMS) oversees a vast array of public, non-profit and private sector operations in the sector canvassing all aspects of the Theatre Ecosystem at levels.

London's West End makes a significant economic impact on the London and moreover UK economy.

### Statistics

Key statistics are outlined below (Society of London Theatre/SOLT, 2023).

Figure 2. Overview of the economic impact of the theater sector: direct, indirect, induced



Source: Sound Diplomacy

Notably, theater GVA was just over £1 billion of direct turnover in the UK theater sector (e.g. from selling tickets for performances, licensing of production rights, managed tours), which generated a further £1.3 billion of turnover in the broader economy.

Theatre audiences also contributed additional spending in local economies across the UK when visiting a performance. For every £1 spent on a theatre ticket, an additional spend of £1.40 is generated in local economies, adding up to £1.94bn per annum of extra value added to local economies by theatre audiences.

And for every £1,000 of turnover generated by the theatre ecosystem in the UK, there is a positive effect of £1,909 turnover in the rest of the economy.

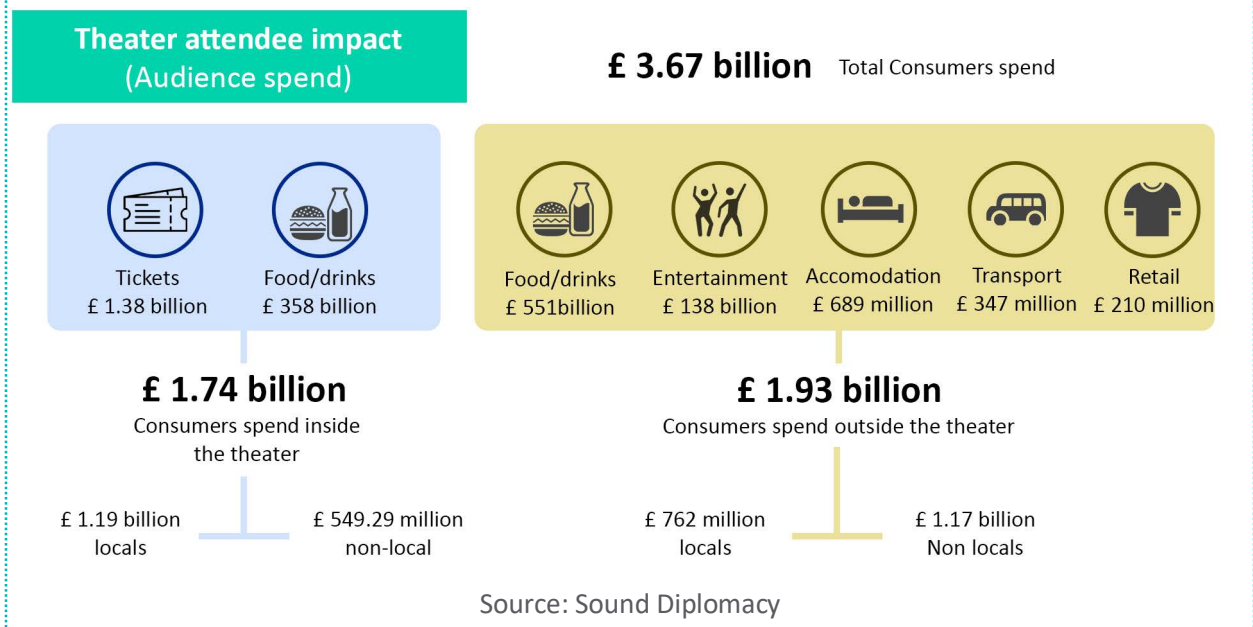
UK theatre also continues to drive inbound tourism, with twice the number of visitors



seeing a theatre production than see a sporting event. 9% of overseas visitors saw a theatre production in 2019, with visitors who plan a trip to the theatre likely to be higher spending than average.

Source: Solt 2023.

Figure 3. Overview of Audience Spend Impact



### Government Support

The Theatre Economy is heralded as critical to “Brand UK”, and features heavily in all government GREAT Campaign promotions and is marketed as a key attraction by all organisations in UK tourism.

Because the Theatre Economy is considered a crucial element to the London/UK economy, the Federal Government provides significant support measures.

This support includes Arts Council and other subsidised theatre funding; promotional support; and perhaps most critically, Theatre Tax Relief For Corporation Tax (which can assist a company to reduce its pre-performance costs by up to 25%). This relief forms part of the broader government package of Creative Industries Tax Relief Scheme.

The UK Government additionally supports measures to strengthen the global position of London Theatre via R & D support.

The UK Government in the *Creative Industries Sector Deal (2018)*, emphasis that “*the success of the creative industries is critically dependent on their ongoing investment in R & D*”.

R & D and innovation tend to be even more widespread in the creative industries than usually reported (Bakhshi, Brechon and Puttick, 2021a; Bakshi, Breckon and Puttick, 2021b).

Bird et al (2020) conducted a survey among 625 firms in the creative industries in the UK in



2020 to explore innovation in the creative industries.

They found that: (i) 51% of the firms in the creative industries introduced new or significantly improved products or services within the previous three years. Overall, 71% of firms in the creative industries have used IP in the year before the survey was undertaken. There was a finding that more than half the firms in the creative industries perform R & D under the wider OECD *Frascati Manual* definition, while 14% conduct R & D under the UK definition for R & D tax credits.

According to the Office for National Statistics (2022) in the UK, Theater currently lags behind other forms of creativity in the deployment of R&D expenditure, at £49m in 2018 vs £555m in 2018 for Film, TV, video, radio and photography.

This is somewhat misleading at face value however, given theatre innovation can come from other sectors of the creative industries (for example Craft, Advertising and Video), and thus the R & D expenditure is captured elsewhere in the creative economy ecosystem, but used for the benefit of the Theatre Economy.

Various evidence shows that R & D tax credits are effective in increasing private R & D investments (Hall, 2019; Bloom et al, 2019). The studies examining the link between R & D tax credits and innovation (e.g. IP, patents, self -reported innovation activity etc), find the positive impact of R&D tax credits on innovation (Czarnitzki et al., 2011; Cappelen et al., 2012; Foreman-Peck, 2013).

At the centre of London's place as a theatrical hub is the Mayor of London and The Greater London Authority.

The case of London highlights the importance of long-term cultural strategies. Investing in London's Theatre Economy is a cornerstone of Mayor of London's "*Culture for All Londoners*" policy (2018). Returning theatres to the stage was a key focus of Mayor Sadiq Khan post-pandemic and London theatre is at the forefront of both national and international promotional campaigns, and additionally, those spearheaded by the Mayor focussing on London's inward investment.

## **V. Recommendations**

The exploration of the Theatre Economy and ecosystem within the context of cities and nations, revealed that the Theatre Economy is a key component part of a city or nation's cultural and economic strategies.

Cities and nations alike have rapidly recognised the value of theatre in generating inbound tourism (domestic and international) and associated expenditure.

The most successful theatrical economies and ecosystems are widely recognised as London's West End and New York's Broadway.

The case study presented in this paper highlights the importance of designing and implementing strategies that are coordinated between the private and public sector.

Well-executed strategies appear to create and maintain the necessary conditions for the theatre economy to maintain its position as an economic and social driver for government as well as a well-supported and incentivised vehicle for private sector commerce.

## **VI. Conclusion**

This paper explored the value of the Theatre Economy and its impact on cities and nations.

It also identified the conditions necessary to grow the Theatre Economy and the benefits of a successful such economy to the private and public sector in the short and long term.

It demonstrated the immediate positive impact on city and national economic development and related soft power of a well-operated Theatre Economy and outlined the interlinking roles the public and private sector play in achieving this outcome.

The success of a Theatre Economy is strongly correlated to the implementation of a broader long-term city/national cultural strategy coordinated with economic and innovation activities and strategic policies.

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