

# **Museums as Economic Re-activators: Challenges and Conditions for their Effectiveness**

**Beatriz Plaza**

University of the Basque Country  
Faculty of Economics  
Avda. Lehendakari Agirre 83  
48015 Bilbao  
Spain

Tel: +34 946013641

Email: [beatriz.plaza@ehu.es](mailto:beatriz.plaza@ehu.es)

## **ABSTRACT**

When a decaying industrial city in the Basque country decided in the 1990s to spend the equivalent of about €166 million on a modern art museum, critics objected to so much public money being squandered on something so irrelevant and exclusive. This year, 2007, is the tenth anniversary of the Guggenheim Museum Bilbao, sufficient time since its opening to make a robust economic evaluation of the museum's effectiveness in re-activating the economy of the city.

Certainly, investments in heritage sites generate speculation on land prices, increase the price of services and, as a result, hinder economic development when these prices affect the local firms' cost schemes. As a consequence, negative dynamics would surpass the positive multiplier process. The efficacy of a large heritage investment in developing a city depends on three variables. Firstly, the greater the diversification of the city's economy, the greater the absorption of price tensions – in other words, the impact of investments in cultural heritage could be negative to the extent heritage industry is large relative to the whole economy. Secondly, the more the redevelopment zone's markets are integrated, the easier the absorption of price tensions. Due to the significance of the non-heritage sector, they will have adequate resources in terms of labour, goods and services for productive purposes. Thirdly, the greater the productivity of the city's economy, the greater the absorption of price tensions. The aim of this paper is to quantify the museum's impact on employment and to analyze its effectiveness.

**Key Words:** employment contribution of the Guggenheim Museum Bilbao, conditions for its effectiveness