

Art for Money's Sake: Cultural Spending Can Spur Economic Growth

Arts groups are using a new sales pitch these days with potential contributors. Forget art for art's sake. A healthy dose of arts and culture also can help stimulate economic growth in a community, arts proponents say.

In Charlotte alone, the nonprofit arts industry pumped \$31.2 million into the local economy in 1994, according to a study for the Arts & Science Council of Charlotte/Mecklenburg. Arts groups were directly responsible for 796 full-time jobs that generated \$17.5 million in personal income to local residents, \$141,000 in revenue to local governments, and \$437,000 in revenue to the state, according to the study.¹

"When we invest in the arts, we are not opting for cultural benefits at the expense of economic benefits," says Michael Marsicano, president of the Charlotte arts council. "Careful research shows that in addition to being a vital means of social enrichment, the arts are also an economically sound investment. Quite simply, the arts are an industry that generates jobs."²

A similar study by The Arts Council of Winston-Salem and Forsyth County found that the council and its 13 member groups create 236 full-time jobs that annually generate \$5.2 million in wages and \$440,000 in state and local taxes.³ "I just walked out of a meeting with a corporate CEO where I used that information," says David Hudson, president of the arts council. "He was very surprised."

The economic impact studies for both arts councils were based on methodologies developed by the National Assembly of Local Arts Agencies, a Washington-based group that represents 3,800 local arts councils around the country. Nationwide, the group estimates that the nonprofit arts industry contributes \$36.8 billion a year in expenditures to the U.S. economy; provides 1.3 million jobs with compensation totaling \$25.2 billion; and generates annual taxes to-

taling \$3.4 billion for the federal government, \$1.2 billion for state governments, and \$790 million for local governments.⁴

The importance of the arts in economic development is being recognized by cities and states across the country. For example, the states of Oklahoma and Kentucky have identified the promotion of arts and cultural attractions as key elements in their economic development plans.⁵ In North Carolina, the most recent statewide study examining the economic impact of the arts was released in the late 1980s by the Governor's Business Council on the Arts and Humanities, a private group of business and foundation leaders and individuals who are interested in the arts. That study estimated that nonprofit arts groups generated \$331 million for the state's economy in 1987, not including the impact of individual artists and commercial arts firms.⁶ The study, which was based on a survey of the state's 1,250 arts groups at that time, also found that:

- Direct spending on the arts totaled \$143.2 million, which included \$90 million in spending by arts organizations and another \$53 million in direct spending by audiences that use retail and lodging establishments while participating in arts activities.
- Secondary spending on the arts totaled \$187.7 million, based on the assumption that every \$1 dollar in direct arts spending generated an additional \$2.31 for the economy.⁷
- Each dollar appropriated by the N.C. General Assembly for the arts generated \$5.30 in direct arts-related spending and \$14.50 in total economic impact.
- Nonprofit arts groups in the state were "labor intensive," with more than 46 percent of their total budgets going to salaries, wages, and benefits.

Some people are skeptical of such economic



Karen Tam

The City of Raleigh helped develop ArtSpace, a collection of artist studios and galleries, as part of an urban renewal effort.

impact studies, particularly ones that extol the benefits of *government* funding for the arts. "I'm always skeptical of those kinds of numbers, and most of the time they are exaggerated tremendously," says Don Reid, a Republican member of the Charlotte City Council. "We're always using economic impact as a primary reason for spending public money, whether that be a convention center, a performing arts center, or a sports arena."

Michael Walden, a professor with the Department of Agricultural and Resource Economics at N.C. State University, says studies that tout the economic benefits of government spending often fail to recognize that such funds would help the economy just as much or more if spent on other purposes or if kept in the private sector. He also questions the fairness of spending public money to support an activity, such as the arts, that doesn't benefit all citizens equally. "The

people who primarily benefit from the arts tend to be middle- and higher-income folks," Walden says. "That raises the question: Do you want to spend public money to benefit those people or is that best left to the private sector?"

Despite such words of caution, several factors suggest that the total economic impact of the arts in North Carolina may be much greater than indicated by the study for the Governor's Business Council on the Arts and Humanities. First, the number of nonprofit arts groups in the state has nearly doubled over the past decade, from 1,132 in 1986 to 2,224 in 1996, according to statistics kept by the N.C. Arts Council. (See Table 10 on p. 41.) Second, due to the affects of inflation, the \$331 million in total economic impact for 1987 would be equivalent to \$444 million in 1995 dollars. Third, and most importantly, the 1987 study did not look at individual artists and

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Institute for Outdoor Drama

Outdoor dramas such as “Unto the Hills” in Cherokee helped generate \$72 million for North Carolina’s economy in 1995, according to the Institute for Outdoor Drama at UNC — Chapel Hill.

commercial arts ventures — which are likely to have a much larger total impact on the economy than nonprofit arts groups.

The film industry, for example, generated more than \$391 million for the state’s economy and created 32,840 temporary jobs in 1995, according to the N.C. Film Office.⁸ North Carolina is now one of the top three states in film production, with a record of 54 motion pictures filmed here in 1995.⁹ Another arts-related industry that is important to the state’s economy is the production of handmade crafts. In Western North Carolina alone, the crafts industry contributed \$122 million to the economy in 1994, according to a study conducted for HandMade in America, an Asheville-based nonprofit group that promotes arts and crafts. The study, which was restricted to the 20 western-most counties in the state, found that crafts generated \$48.3 mil-

lion in personal income and produced \$72.3 million in sales.¹⁰

Arts and cultural attractions also are important components of the state’s tourist and recreation industries. For example, more than 236,000 people attended outdoor dramas, such as “Unto These Hills” in Cherokee, in North Carolina in 1995. “Last summer, nine outdoor theaters in North Carolina had an economic impact of \$72 million,” says Scott Parker, director of the Institute of Outdoor Drama at the University of North Carolina at Chapel Hill. “So we’re very much a part of the travel and tourism industry.” (The institute’s study assumed that each \$1 spent by tourists generated an additional \$3.50 in secondary spending.)¹¹ In their leisure time, tourists and residents also spend lots of money attending plays, movies, dance performances, symphonies, concerts, and other music produc-

tions. They also pay admission fees at art exhibitions, museums, and historical sites.

“Cultural attractions draw visitors who stay in North Carolina hotels, eat in North Carolina restaurants, and visit other areas of the state along the way,” says Dave Phillips, the state Secretary of Commerce. “This is economic development. These visits create jobs and generate revenue.”¹²

Arts organizations and events — both commercial and nonprofit — make direct contributions to their local economies through spending on employee wages, materials, and services; taxes paid to state and local governments; and money spent by tourists and residents on concerts, exhibitions, and other cultural attractions.

Indirectly, arts groups help to enhance the quality of life in a community — making it more attractive to residents, tourists, and businesses — and can play an important role in sparking urban renewal efforts.

For instance, the arts are an integral part of Raleigh’s efforts to revitalize its old City Market. As part of that effort, the city developed ArtSpace, a renovated building that houses studios and galleries for working artists. The city also sponsors an annual arts festival called Artsposure in the area and provides funding to the nearby City Gallery of Contemporary Art. These efforts have helped attract other businesses to the district, including restaurants, antique shops, art galleries, and gift shops.

The City of Greensboro’s Cultural Center houses galleries, studios, and offices for a number of local arts groups.



Tom Mather



A scene from "Romeo and Juliet" at the N.C. Shakespeare Festival in High Point.

Similar arts-related developments in other North Carolina cities include the Sawtooth Center in Winston-Salem, Pack Place Center in Asheville, the Cultural Center in Greensboro, and city arts centers in Wilson and New Bern.

"The arts are a thriving industry in North Carolina, creating good jobs and generating millions in revenue each year," Commerce Secretary Phillips says. "Art is economic develop-

ment; it helps create the quality of life that continues to make North Carolina the No. 1 place to live, work, and do business."¹³

— Tom Mather

FOOTNOTES

¹Randy Cohen, *Arts in the Charlotte Economy*, report conducted for the Arts & Science Council of Charlotte/Mecklenburg by the National Assembly of Local Arts

Agencies, Washington, D.C., 1995, p. 3. The study did not use a standard economic multiplier to determine secondary impacts, but instead used an input/output analysis that was tailored to the local economy. Including secondary impacts, the study found that arts groups created 1,107 full-time jobs that generated \$23.5 million in personal income, \$821,000 in tax revenues to the city, and \$1.2 million to the state.

² *Ibid.*, p. 1.

³ Unpublished study cited in a news release by the Arts Council of Winston-Salem and Forsyth County, Feb. 22, 1994. For a discussion of the study's methodology, see note 1 above.

⁴ Randy Cohen, *Jobs, the Arts, and the Economy*, National Assembly of Local Arts Agencies, Washington, D.C., 1994, p. 3. For a discussion of the study's methodology, see note 1 above.

⁵ As cited by Linda Hoke, "The Impact of the Arts on Economic Development," *Southern Growth Update*, Vol. 21, No. 4 (Summer 1996), Southern Growth Policies Board, Research Triangle Park, N.C., p. 6. According to the article, the arts and culture are integral parts of Oklahoma's 1993 *Strategic Economic Development Plan* and Kentucky's 1994 *Strategic Plan for Economic Development*.

⁶ Unpublished study prepared for the Governor's Business Council on the Arts and Humanities, Raleigh, N.C., by the N.C. Arts Council, a state agency, and Arts Advocates of North Carolina, a nonprofit group that lobbies for the arts. Results of the study are summarized in a pamphlet titled, "The Arts Business in North Carolina, Update '87," available from the N.C. Arts Council.

⁷ For more on the use of economic multipliers, see J. Barlow Herget and Mike McLaughlin, "Not Just Fun and Games Anymore: Pro Sports as an Economic Develop-

ment Tool," *North Carolina Insight*, Vol. 14, No. 2 (September 1992), p. 2. Also see Mike McLaughlin, "More on Multipliers in Evaluating the Economic Impact of Movies," *North Carolina Insight*, Vol. 14, No. 3 (February 1993), p. 7.

⁸ The N.C. Film Office did not use an economic multiplier to derive its estimates of the impact of the film industry in North Carolina. The office stopped using a multiplier after the Center criticized such practices in its articles about filmmaking in North Carolina; see note 7 above.

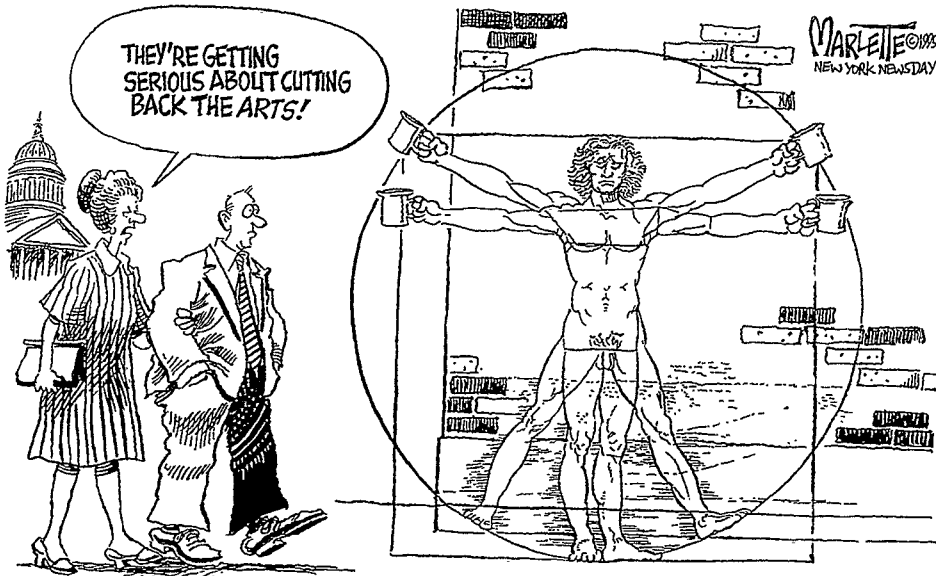
⁹ Dave Phillips, "The Arts Bring Quality of Life, Businesses to North Carolina," *Southern Growth Update*, Vol. 21, No. 4 (Summer 1996), Southern Growth Policies Board, Research Triangle Park, N.C., p. 7. For more on the state's film industry, see Sharon Overton, "Filmmaking in North Carolina: A Second Home for Hollywood," and related articles in *North Carolina Insight*, Vol. 14, No. 3 (February 1993), p. 2.

¹⁰ Dinesh S. Dave and Michael R. Evans, "The Determination of the Economic Contribution of the Craft/Handmade Industry in Western North Carolina," Center for Business Research, Appalachian State University, Boone, N.C., 1995, preface. (Study prepared for HandMade in America, Asheville, N.C.) The study did not use an economic multiplier to estimate the impacts of the craft industry.

¹¹ Unpublished study by the Institute of Outdoor Drama, "Economic Impact of Outdoor Historical Dramas," University of North Carolina at Chapel Hill, December 1995. Also see Louise Lockwood, "Outdoor Drama: Filling the Seats When the Sun Sets," *North Carolina Insight*, Vol. 5, No. 4 (February 1983), p. 15.

¹² Phillips, note 9 above.

¹³ *Ibid.*



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