Colorado Arts Advocacy Day Address
"Money and the Muses: The Economic Impact of the Arts"

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Many thanks to Arts for Colorado for their kind invitation to speak with you today, and thanks to all of you for joining us for this important day. Also, greetings from Boulder and the CU College of Music. In my role as Director of the Entrepreneurship Center for Music, where we provide our students with the tools and skills they need to thrive professionally, I have the joy of working with students ranging from first-year performance majors all the way through doctoral researchers. One of my chief joys is being able to work with such a diverse range of incredibly talented students, each of whom brings their unique passion and talent to our school.

Though my primary artistic activity is that of a composer, I have long harbored a love for economics and its role in the history of societies and civilizations. So it was with particular relish that I prepared these remarks today, and I hope that I can bring some clarity to a complex and often misunderstood subject. For, whether we like it or not, the debate about the role of the arts in our society generally, and the importance of public funding for the arts in particular, often revolves around money and economic impact. Fortunately, there are compelling arguments to be made in support of our case; hopefully my remarks can better arm us to make them.

Throughout recorded history, in every society and in every class, we can find evidence of the arts. Moreover, when we recall past civilizations it's often their art and cultural artifacts that are most prominently recalled. As JFK memorably said, "The life of the arts, far from being an interruption, a distraction in the life of the nation, is very close to the center of a nation's purpose – and it is the test of the quality of a nation's civilization." And so it has been, for as long as we have records of human activity.

Despite the ubiquitous presence of the arts throughout history, however, the relationship between art and commerce is often overlooked. Money and the arts have been inextricably linked for as long as there have been societies with artists, patrons, and audiences. Enormous resources were utilized to build the great monuments of the ancient world; the skilled artisans who realized the stone and glass masterpieces of Gothic Europe were critical drivers of the economies of emerging cities during the Middle Ages; composers and musicians were the ultimate status symbol in the Renaissance courts of Florence, Vienna, Paris, and many others. Opera helped stir European nationalism in the 19th century; poets, writers, and filmmakers helped define cultural identities in the 20th. And multi-media performance artists have amalgamated the many diverse threads of our contemporary culture here at the outset of the 21st century. Painters, stone carvers, poets, musicians, actors and dancers…you name it, their activities permeate our history – our cultural, political, *and* economic history – all the way up to the present day.

Given the central place the arts have inhabited throughout our history, why do so many sectors of the arts industry appear to be struggling more than ever to maintain relevancy and value in our society today? And how do we square the apparent decrease in value for the so-called "fine arts" with the information economy's increasing emphasis on innovation, design, and creative problem-solving – capacities that the arts not only possess in abundance but help stimulate and nurture?

To get at these questions, let's start by examining the historical nature of the relationship between artistic activity and economic prosperity, and how that relationship has changed over the last century in some significant and profound ways.

From ancient times through the 18th century, most average citizens only experienced art in public forums: the church, public monuments & buildings, and so forth; only the clergy and nobility had any sort of regular, personal access to the arts. From the beginning of the Industrial Revolution through the mid-20th century, however, increased economic prosperity and the evolution of the Middle Class drove dramatic increases in consumption of the arts. The number of symphony orchestras, opera houses, museums, theatres, dance companies, and art galleries exploded. Perhaps equally important, such institutions were seen as central to the quality of a community: a city could not be considered significant or "world class" until it had a diverse and well-supported roster of artists and arts institutions. Well into the 20th century it would seem that this trend would continue, with economic growth and consumption of artistic goods growing more or less in tandem.

But just as the 20th century saw major disruptions in both the geopolitical and economic realms, the role of the arts in society began to change as well. As industrial economies faded and information & innovation economies arose, the relationship between economic prosperity and demand for aesthetic products became more complicated. Consider these trends:

- The enormous expansion of higher education from the 1950s through the 1980s has resulted in a major disruption that what had been a fairly stable balance between the demand for trained artists, musicians, dancers, etc. and the supply of them from apprenticeships and conservatories. In recent decades, however, thousands upon thousands of students are entering the workforce each year with advanced training in the arts, while the traditional jobs that have employed them have not grown nearly much (or have actively declined).

- The digital revolution has transformed the way art is distributed, consumed, and in some cases, created. The business models that governed the recording, publishing, and performance realms for a century have been completely upended – with stable new paradigms slow to take shape. And while the internet provides more opportunity than ever for artists to profit from their work, it also enables a fire hose of content to be efficiently and widely distributed: in some ways, "getting noticed" is harder than ever.

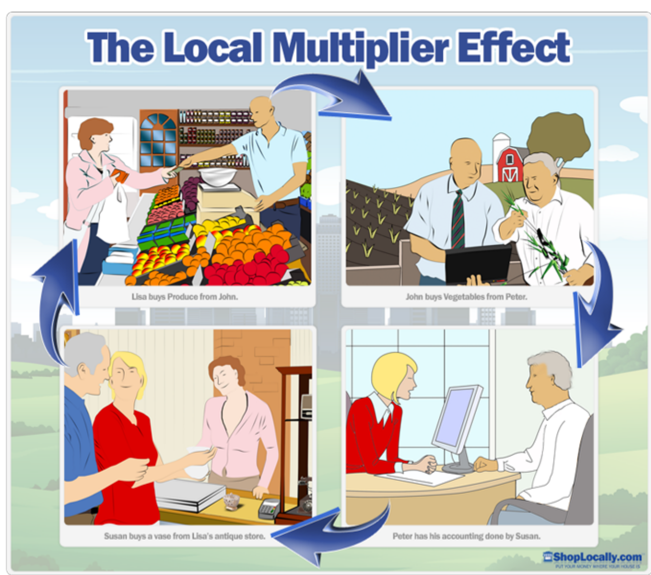
- Meanwhile, industries driven primarily by innovation are facing significant shortages of labor possessing the requisite creative skills; one friend of mine, an executive at a major tech firm, recently told me that the need for skilled workers in the tech and innovation sectors will soon outstrip the supply so severely that extreme disruptions will likely result.

- And lastly, more and more communities nationwide are beginning to look at new ways to revitalize their economies, with the arts often serving as one possible avenue. Civic leaders haven't always had success with these efforts, however, for reasons we'll look at a bit more below.

Bottom line: the relationship between artistic activity and the socio-economic fabric of our communities has become increasingly complex, with the arts simultaneously benefitting from, contributing to, and sometimes struggling to prosper in ways never seen before. Furthermore, some of the most significant economic challenges currently facing us as a nation could be improved by a more vibrant and strategic deployment of the arts in our communities, something that is not happening on any sort of widespread way.

The economic significance of artistic activity in communities is clear and well-documented. Nationwide, the not-for-profit arts & culture economy generated $135.2 billion in economic activity in 2010 -- $61.1 billion in spending by arts & culture organizations and $74.1 in spending by their audiences. (These comprehensive numbers are a few years old, and have only increased since the dark days of the Great Recession.) This activity supports 4.1 million full-time-equivalent jobs and generates $22.3 billion in revenue to local, state, and federal governments. And these numbers are just for the not-for-profit sector, where most "fine arts" activity resides. For-profit creative industries like film and commercial music generate even bigger numbers and in a greater variety of genres. This isn't news to any of us here today: the arts, culture, and entertainment sectors are enormously important players in our economy, both locally and nationwide.

Moreover, like any kind of economic activity, spending in the arts has a "multiplier effect," in which initial spending in turn drives additional spending and income. The multiplier effect is particularly strong in the arts & culture sector, since artistic venues tend to stimulate other high-multiplier businesses such as restaurants, bars, and nightclubs. In fact, government spending on arts and culture generates among the highest rates of return when compared to all categories of government expenditures, in large part due to its potent multiplier effect.



The problem with the multiplier effect is that, over time, gains in one sector or geographic area are offset by decreased spending and income somewhere else. In other words, the economic benefit is simply transferred; taken by itself, the multiplier effect does not stimulate economic growth *overall* or in a consistently sustained way.

So this merely begs the question: what is the long-term impact of arts spending? And does it result in any lasting economic benefits that we can quantify? Believe it or not, little research has been done on this critical question. We have anecdotal evidence, to be sure. For instance, we know that the revitalization of Pittsburgh's downtown was unequivocally driven by the creation of an Arts District governed by the deep-pocketed Cultural Trust. Pittsburgh is a particularly potent example, but there are many others across the country. But what we don't know is whether or not that growth added to the region's *overall*, long-term prosperity or simply came at the expense of other neighborhoods and communities outside the urban core.

A 2013 study by a pair of economists from Williams College finally addresses this question. Using sophisticated mathematical models and several measures of activity in the arts and culture sector, the researchers conclude that there is a strong positive correlation between spending in the arts and long-term *net gains* in regional GDP. This is the first empirical evidence supporting what most of us in this room already suspected: that a thriving artistic community helps stimulate and nurture a thriving economy.

Table 4: Tests for existence and sign of long run causal relation

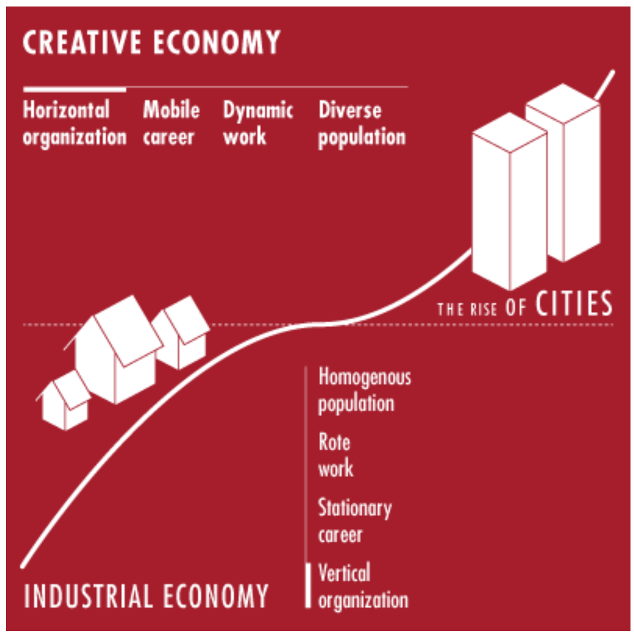
Test	$\overline{\lambda}$	t_λ
Arts $\Longrightarrow$ Economy		
Average impact	0.07	0.762
Pervasive non-zero		1283.31***
Economy $\Longrightarrow$ Arts		
Average impact	-0.678	-1.595*
Pervasive non-zero		2069.85***
Causality Arts $\Longrightarrow$ Economy		
Median $\left(\frac{-\lambda_2}{\lambda_1}\right)$		0.0746***
Bootstrap σ		0.0292

Pedroni, P., and Sheppard, S., "Creative Shocks and Consequences: The Causal Link between the arts and economic growth." Center for Creative Community Development Report, Williams College, 2013.

As good as this news is, many economists and social scientists have identified a broader and potentially much more significant economic benefit to the arts. In his seminal book from 2002, *The Rise of the Creative Class*, Richard Florida described the importance of artists in attracting the kind of diverse and talented workforce needed to make cities in the 21st-century economy thrive. For those of you who might not be familiar with Florida's work, the "creative class" is divided into two parts. The first is what he calls the "Super-creative Core": traditional "fine" artists (writers, visual artists, musicians, actors, dancers, etc.), along with those in the film & entertainment industries. He also includes other creatives like architects and designers. But Florida goes one step further: the Super-creative Core also includes anyone whose primary role is to be creative thinkers and problem solvers: things like research scientists, analysts, thought-leaders, non-fiction writers, editors, and so forth.

The second component of Florida's Creative Class consists of what he calls "creative professionals," people who work in knowledge-intensive industries and require advanced education to both master the particulars of their field and creatively apply that knowledge to a myriad of situations and scenarios. Creative professionals include people such as software engineers, doctors and lawyers, and financial strategists. Florida's Creative Class constitutes more than 30% of the workforce in the U.S., with 12% in the Super-creative Core and the balance found in Creative Professions. Both categories have grown enormously over the last century, while the working class and agriculture sectors have (predictably) steadily declined.

The central thesis of Florida's work is that our economic future will be largely driven by the Creative Class, and that cities that desire to grow and prosper in this new economy must support and nurture the Super-creative Core – the heart and soul of the Creative Class. He further argues that the presence of a vibrant artistic community increases the overall attractiveness of a city to employers and employees alike – thus increasing the likelihood that companies and entrepreneurs on the forefront of the new economy will want to locate (or relocate) there. In short, Florida believes that the arts are a critical ingredient in creating a vibrant and prosperous city in the information & innovation economy. Cities as diverse as Pittsburgh and Austin are studied to show how urban transformation and growth is often ignited first by an influx of artists and other creatives, who make the community desirable to other members of the Creative Class and help develop a creative ecosystem. A positive feedback loop results.



Florida's work was (and is) controversial. Many critics felt it was too simplistic; others found flaws in his measurement of creative activity – and thus questioned the economic benefits he claimed resulted from it. But regardless of the particulars of economic measurements, formulas, and predictions, it's hard not to see the obvious power of the arts to play a central role in the development (or redevelopment) of communities, or to doubt that Florida's "Super Creative Core" exists in a synergistic and mutually-beneficial relationship with other components of the creative class, to the abiding benefit of the community as a whole. And with the recent study from the economists at Williams College, we now have hard data to support this view.

For arts advocates like us, this research provides a potent tool in our quest to increase support for the arts in our communities. Florida's work argues that the value of the arts in a community cannot be quantified merely in dollars or direct economic benefit. Yes, there is intrinsic value to the arts (i.e., its immediate economic benefit), but the arts also contribute *cultural value* to communities – and it's this cultural value that has tremendous currency with the companies and individuals who will be driving our economy forward in the 21st century. Once again, those of us here today know this is true, supported by abundant research supporting the correlation between communities with high levels of cultural currency and high levels of overall prosperity and quality of life. So why is this correlation still under-appreciated (or outright resisted) by so many civic leaders?

Mercer's quality of living rankings 2015

Rank	City
1	Vienna, Austria
2	Zurich, Switzerland
3	Auckland, New Zealand
4	Munich, Germany
5	Vancouver, Canada

Source: Mercer

I believe the main reason for this resides in an over-simplified view of the work of Florida and others. Just as we can point to many cities whose economic growth has been spurred by the arts, we can also probably identify communities who spent considerable sums on, say, a new performing arts center, hoping for an economic spark…only to be disappointed. To understand why this happens, subsequent research stemming from Florida's work has sought to identify additional factors required in order for artistic activity to spawn broader economic growth. These factors include the degree to which a creative class already exists (a basic critical mass is required), geographic factors (a "sense of place"), and regional economic conditions. "Build it and they will come" (and spend, and thrive, and build more) is not sufficient.

We can learn from the success stories, however. For instance, a major factor in the revitalization of downtown Pittsburgh was the extraordinary wealth of architecture and historical venues already present. Though the district had decayed tremendously in previous decades, the sense of "place" – and the self-evident value in revitalizing it – was essential to the success that followed. That sense of space connected in turn with other key factors: an existing concentration of highly educated citizens (two major universities and many smaller institutions make their home in the city), abundant affordable housing, favorable geographic location, and coordinated efforts among civic leaders. What began with using the arts to revitalize a decaying downtown has, over the past decade, driven a far broader revitalization of the local economy in precisely the ways Florida's work suggests: an influx of entrepreneurs and artists has been followed by growth and innovation amongst existing businesses and universities, and most recently the establishment of new offices by the likes of Google and Facebook. Nurturing the Super-creative Core has led to a much broader expansion of the Creative Class in Pittsburgh, which in turn is driving broader prosperity in the region.

So what issues do we, as arts leaders and advocates, need to address in order to promote and advance arts-centered economic growth? Once again the research can help us find some answers:

1) Address gentrification: artists and creative entrepreneurs need affordable housing and workspace in order to be stable contributors to the local economy. We're all familiar with the trend of bohemians moving into depressed areas, transforming them into chic neighborhoods, and then being forced out by skyrocketing rents once those blocks become highly desired. This cycle dampens the long-term positive impact of the arts in a given area and can ultimately drive the Super-creative Core away altogether.

2) Artists and arts organizations need to play a more central role in city planning and governance. Top-down urban planning rarely produces the desired results, whereas cities who engage in grass-roots, community-driven planning are much more likely to succeed in meeting the needs of those communities and building on the sense of place.

3) Arts incubators and districts can be clusters of activity, focusing the energy of the Super-creative Core and, in turn, stimulating and attracting other kinds of commerce. But they must be chosen and supported in a way that is organic to the neighborhood and led by local artists and merchants.

4) Develop and capitalize on the community's geography and sense of place. What are the unique attributes of a given place, it's features and character? How can those be leveraged, enhanced, and celebrated? How can the arts help define and support a community's identity, its sense of itself – all of which contribute to a community's stability and resilience? Austin's identity as the "Live Music Capital of the World" was not just a branding initiative – it grew organically out an incredibly rich live music scene that had been in place for years but had never been strategically embraced and nurtured. Building on that identity, and the broader sense of Austin as a welcoming home to the Super-creative Core, helped drive the attractiveness of the city as major hubs for companies like Apple, IBM, Motorola, and Dell. Clearly, then, the direct economic benefit of the arts is dwarfed by the indirect influence it exerts on a community's overall attractiveness to the creative professionals and companies who drive the engines of economic prosperity.

All of which brings me back to this essential question: how do we put a price tag on a diverse & vibrant cultural life? As JFK stated, the arts are at the very center of a nation's purpose. They are a reflection of our best aspirations, and can unite us as nothing else can. I'm sure we'd all agree that to focus on the value of the arts purely in terms of their economic impact does them a grave injustice.

On the other hand, sometimes the most significant things can be right in front of us and remain unnoticed: a healthy society and a healthy economy go hand-in-hand, and the arts contribute to *both*. What then could be a more compelling argument for the importance of the arts, for public funding, for robust arts education, for intentionally and deliberately weaving the arts into the very fabric of our economy?

We remain a country of extraordinary artistic wealth. But we are squandering and underutilizing that wealth, even as the world economy shifts to one where such assets as creativity and innovation are more prized than ever. The data are clear: if we want to keep our country on the leading edge of the new global economy – with all the economic benefits that come with that – our society needs to reevaluate its relationship to the arts. They are a critical component of our economic future, and they will continue to do what they've always done: bring beauty and humanity to a world in desperate need of it. They can, once again, be at the center of our nation's purpose, and a test of our quality as a civilization.

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