

Arts, Innovation and Regional Development: A Consumption Base Approach

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Export Base Dominance of Economic Development Theory

Geneology and Durable Controversy

Innis, Harold. 1930. *The Fur Trade in Canada: An Introduction to Canadian Economic History*. New Haven, CT: Yale University Press.

North, Douglass. 1955. "Location Theory and Regional Economic Growth." *Journal of Political Economy*," Vol. 63, No. 3:243-58.

Tiebout, Charles. 1956. "Exports and Regional Economic Growth." *Journal of Political Economy*, Vol. 64, No.2: 160-169.

Lindstrom, Diane. 1978. *Economic Development in the Philadelphia Region, 1810-1850*. New York: Columbia University Press.

Cross-sectional and longitudinal tests

Jung, Woo and Peyton Marshall. 1985. "Exports, Growth and Causality in Developing Countries." *Journal of Development Economics*, Vol. 18: 1-12.

Sharma, Subhash, Mary Norris and Daniel Wai-Wah-Cheung. 1991. "Exports and Economic Growth in Industrialized Countries." *Applied Economics*, Vol. 23: 697-708.

Ghartey, Edward. 1993. "Causal Relationship between Exports and Economic Growth: Some Empirical Evidence in Taiwan, Japan and the US." *Applied Economics*, Volume 25: 1145-1152.

Results: in many cases, output growth leads export growth rather than vice versa

A Consumption Base Theory of Economic Development

Adding capacity to aimed at local markets can produce sustainable jobs and income by

offering residents opportunities to spend more of their discretionary income locally

seeding innovations that may expand to export markets in time

nurturing organizations and occupations that respend more of their earnings locally than do other sectors; and

attracting and retaining entrepreneurs, firms and workers, a supply-side growth stimulus

New research published on the consumption base theory

Aoyama, Yuko. 2007. "The Role of Consumption and Globalization in a Cultural Industry: The Case of Flamenco." *Geoforum* Vol. 38, No. 1 103-113.

Cortright, Joseph. 2002. "The Economic Importance of Being Different: Regional Variations in Tastes, Increasing Returns and the Dynamics of Development", *Economic Development Quarterly* 16 (1):3-16.

Markusen, Ann. 2007. "A Consumption Base Theory of Development: An Application to the Rural Cultural Economy." *Agricultural and Resource Economics Review*, Vol. 36, No 1: 9-23.

Markusen, Ann and Greg Schrock. 2009. "Consumption-Driven Regional Development." *Urban Geography*, Volume 30, No 4: 1-24.

Wenzl, Andrew James. 2003. *Consumption Side Up: The Importance of Non-earnings Income as a New Economic Base Rural Washington State*. Masters' Thesis, Department of Geography, University of Washington.

No readily available longitudinal data for exploring relative contributions to overall urban growth and development

But new evidence from occupational analysis:

Over the period 1980 to 2000, local-serving occupations in the thirty largest US metros outpaced job growth in export base occupations by four to one.

Ann Markusen and Greg Schrock. 2009. "Consumption-Driven Regional Development." *Urban Geography*, Volume 30, No 4: 1-24.

Arts and culture as an exemplary case:

We can test whether city and regional differences in nonprofit arts and cultural capacity, arts participation rates, and artists' employment can be explained on the basis of

- 1) population size
- 2) socio-economic characteristics, individual and collective
- 3) the presence of commercial cultural industries

Research question:

Have people and organizations made differential investments in local-serving arts capacity at the city and regional scales that cannot be explained by socio-economic features of their populations and that result in more jobs per capita?

Methodology and data:

Numbers of and average budget totals of nonprofit arts and cultural organizations:

National Center for Charitable Statistics (NCCS), 2008-2010, from IRS reports Cultural Data Project (CDP) data for 2007-9 (benchmarked against the NCCS)

Socioeconomic characteristics of residents and economic features of California cities:

American Community Survey (2006-8 2000 Census (housing unit density)
California Department of Finance (current city population estimates, 2009,
and the California Consumer Price Index, various years)

Private philanthropic giving:

Foundation Center data on annual giving, 2008

Arts participation:

Survey of Public Participation in the Arts, 2002, 2008

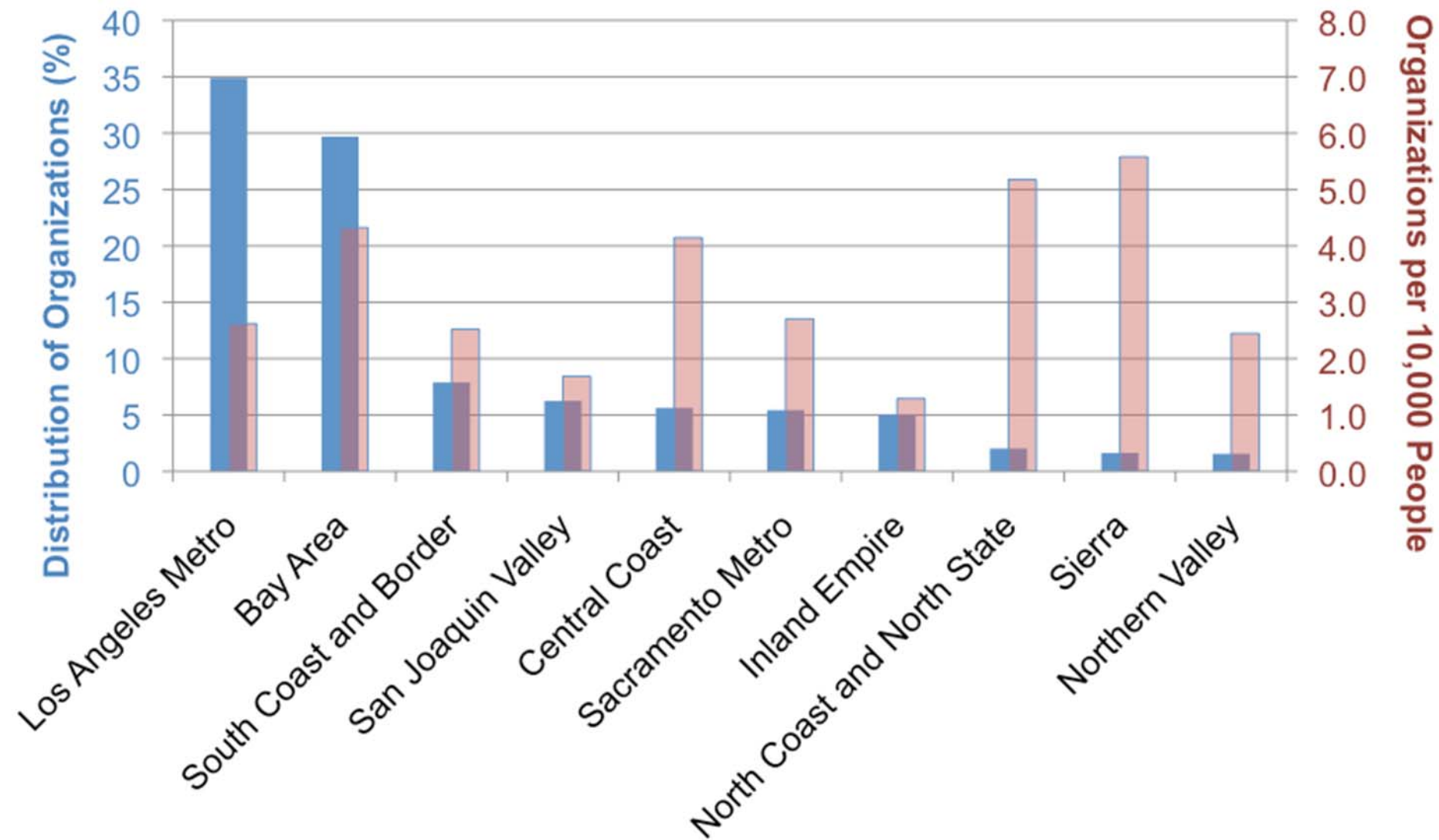
Can urban and regional differentials in

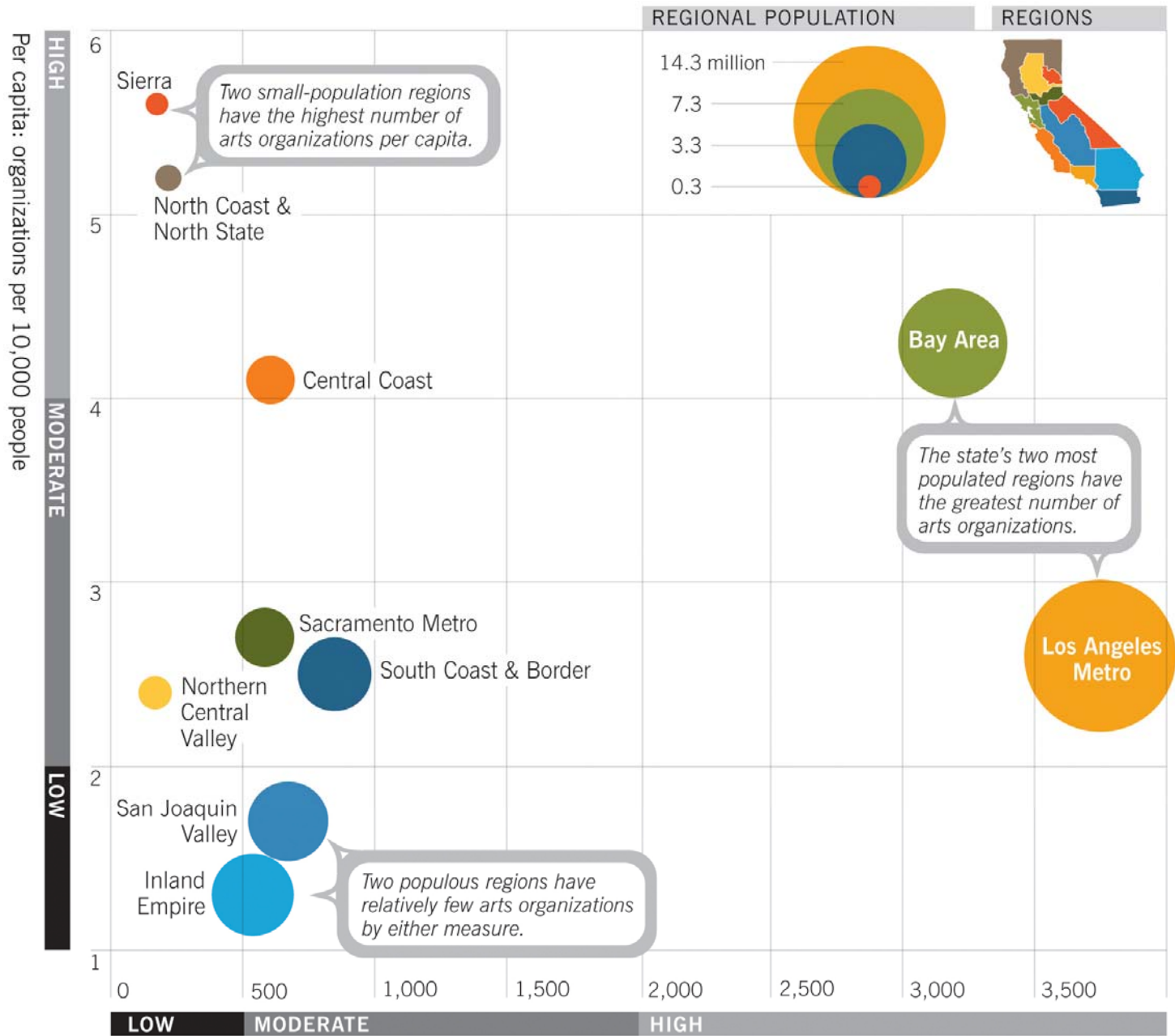
- * numbers, size and focus of arts organizations
- * arts and cultural participation rates

be explained by population, demographic and economic functional features alone?



Figure 8. Arts and Cultural Organizations by Region





Number of arts organizations (10,746 total)

Table 1. Characteristics of California Arts and Cultural Organizations by Region, 2009

	Population	# of Orgs	% California Orgs	Average # Orgs per 10,000 people	Average Annual Budget*
Los Angeles Metro	14,325,209	3,749	35	2.6	912,607
Bay Area	7,378,178	3,190	30	4.3	615,422
Inland Empire	4,167,153	538	5	1.3	268,808
San Joaquin Valley	3,984,340	672	6	1.7	153,828
South Coast and Border	3,364,890	848	8	2.5	408,638
Sacramento Metro	2,155,116	583	5	2.7	538,775
Central Coast	1,458,990	605	6	4.1	300,982
Northern Valley	686,772	168	2	2.4	109,061
North Coast and North State	421,202	218	2	5.2	223,965
Sierra	313,658	175	2	5.6	102,039
Total	38,255,508	10,746	100	2.8	610,485

Sources: National Center for Charitable Statistics (NCCS), Cultural Data Project (CDP). N=10,746.
 *2010 \$.

Demographic features

Characteristics of individuals:

age structure

race/ethnicity

immigrant mix

Collective socio-economic features:

median household income

income inequality

educational attainment (share of adult population with a bachelor's degree or higher)

political orientation (share of voters registered as Democrats)

Place/community features

Urban economic features:

primary city status

job concentrations

housing density

Arts and cultural funding:

private philanthropic arts funding

public arts funding

Analysis of California cities with populations of 20,000 or more

Ordinary least squares (OLS) regressions, also controlling for regional location of cities

After controlling for the others, which factors that distinguish cities/regions are most important?

City features mostly closely and positively associated with higher per capita arts and cultural organizations:

Demographic:

levels of educational attainment

personal wealth of city residents

Place-based:

job density

levels of private philanthropic funding for the arts

Table 3. Artistic Concentrations for the Top 29 U.S. Metro Areas by Employment, 2000

Metropolitan Area	Total	Performing	Visual	Authors	Musicians
		Artists	Artists		
Los Angeles, CA	2.99	5.44	2.34	2.71	1.95
New York, NY-NJ	2.52	3.71	2.01	2.99	1.85
San Francisco-Oakland, CA	1.82	1.85	1.83	2.51	1.12
ALL 29 METROS	1.34	1.60	1.26	1.45	1.12
Washington, DC-MD-VA-WV	1.36	1.51	1.01	2.27	1.08
Seattle, WA	1.33	1.15	1.48	1.48	1.06
Boston, MA-NH	1.27	1.24	1.02	2.00	1.15
Orange County, CA	1.18	1.21	1.36	0.92	0.98
Minneapolis-St. Paul, MN-WI	1.16	1.12	1.10	1.33	1.16
San Diego, CA	1.15	0.90	1.27	1.10	1.25
Miami, FL	1.15	1.48	1.05	0.82	1.28
Portland, OR-WA	1.09	1.12	0.99	1.50	0.87
Atlanta, GA	1.08	1.05	1.11	0.97	1.15
Baltimore, MD	1.08	0.96	1.10	0.92	1.30
Chicago, IL	1.04	0.83	1.14	1.27	0.84
Newark, NJ	1.02	1.07	0.97	1.24	0.83
US AVERAGE	1.00	1.00	1.00	1.00	1.00
Dallas, TX	0.99	1.08	1.11	0.73	0.87
Philadelphia, PA-NJ	0.96	0.90	1.04	0.94	0.88
Phoenix, AZ	0.96	0.70	1.13	0.88	0.94
Nassau-Suffolk, NY	0.93	0.83	1.10	0.84	0.76
Kansas City, MO-KS	0.90	0.59	1.16	0.82	0.76
Denver, CO	0.90	1.08	0.82	0.98	0.79
Tampa-St. Petersburg, FL	0.89	0.83	0.89	0.76	1.08
San Jose, CA	0.84	0.75	0.95	0.95	0.61
Cleveland, OH	0.79	0.61	0.79	0.74	1.05
Riverside-San Bernardino, CA	0.77	0.79	0.84	0.61	0.76
Pittsburgh, PA	0.76	0.63	0.74	0.79	0.91
Houston, TX	0.74	0.65	0.75	0.66	0.91
Detroit, MI	0.74	0.61	0.82	0.73	0.74
St. Louis, MO-IL	0.71	0.52	0.79	0.67	0.80

Source: Ann Markusen and Greg Schrock, 2006, based on PUMS Census totals

Table 4. Los Angeles, Bay Area Artists, Discipline, Self-Employment, Sector, 2000

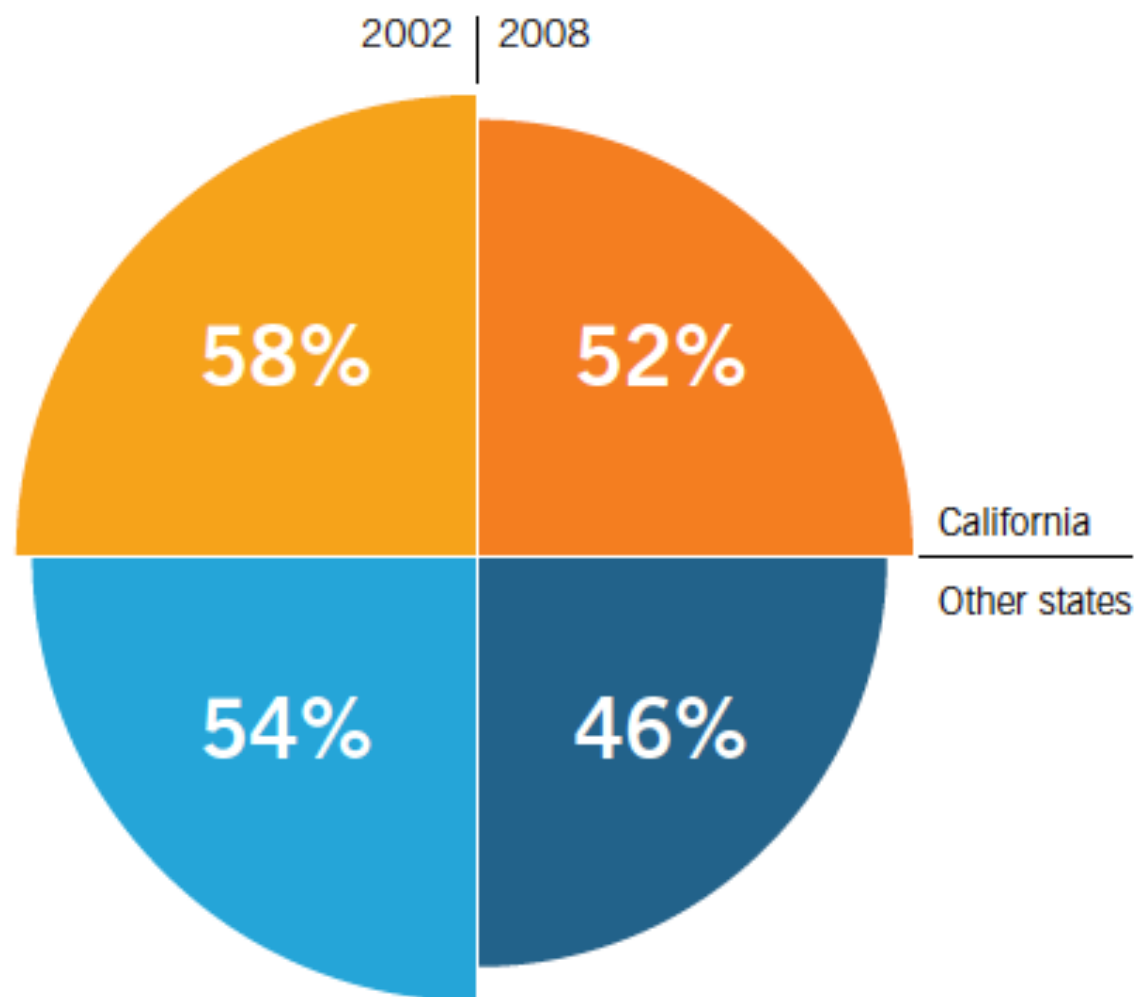
	Los Angeles	Bay Area	San Francisco Oakland	San Jose	Santa Rosa Vallejo
All Artists					
Employed	76090	32921	24688	4677	3556
%Self-employed	40	45	44	36	64
%Private employer	54	42	43	52	25
%Nonprofit, public	6	13	13	12	11

Markusen et al (2006) Census data from Steven Ruggles and Matthew Sobek et al. Integrated Public Use Microdata Series: Version 3.0 Minneapolis: Historical Census Projects, University of Minnesota, 2003.

*Counties in each metro area(s): Los Angeles (Los Angeles County); San Jose (Santa Clara County); San Francisco/Oakland combined PMSAs (San Francisco CA PMSA: Marin, San Francisco, San Mateo; Oakland CA PMSA: Alameda, Contra Costa); Santa Rosa and Vallejo (Sonoma, Santa Rosa, Solano)

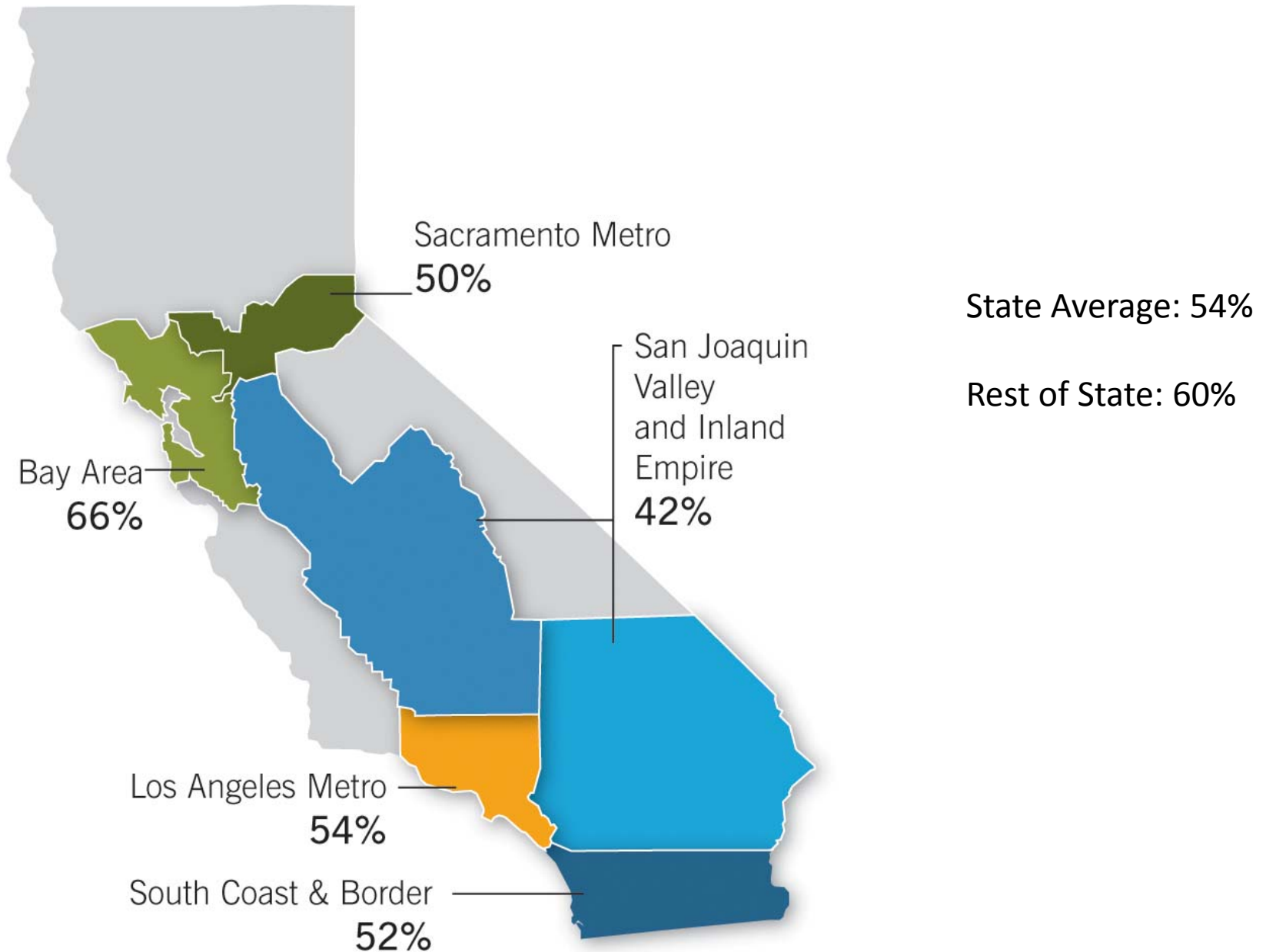
CALIFORNIANS ARE MORE INVOLVED

ARTS PARTICIPATION IN CALIFORNIA COMPARED TO THE REST OF THE UNITED STATES



Source: National Endowment of the Arts, Survey of Public Participation in the Arts Combined File, 1982-2008.

California Regional Arts Participation Rates, 2008



Do higher California participation rates simply reflect differences in the socioeconomic character of state residents as compared to other Americans?

Regression results:

The odds of a California adult attending at least one event were 25% higher than for other American adults, after controlling for all demographic factors simultaneously

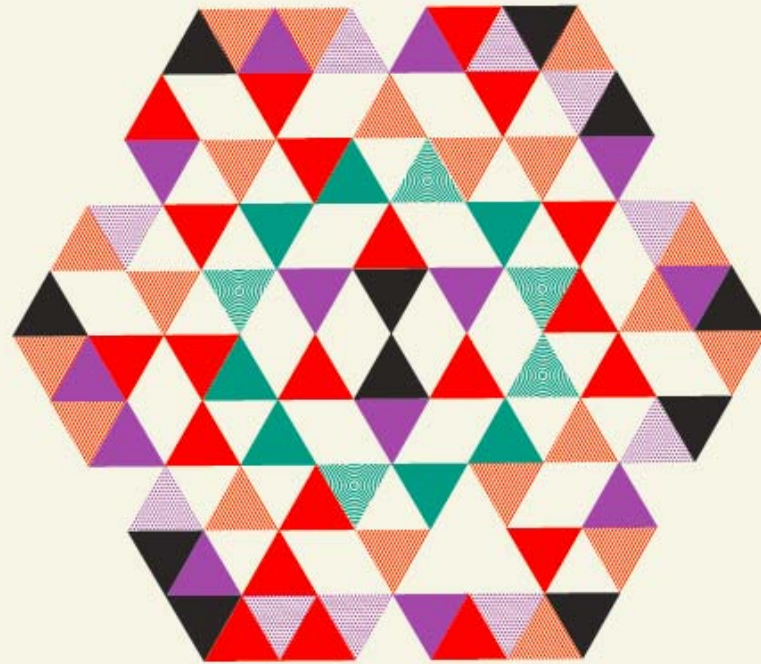
High San Francisco Bay Area participation rates account for much of the variation between Californians and the rest of the nation. The odds of a Bay Area resident attending an arts event are 81% higher than for other Californians

Our speculations on arts capacity-building:

Over time, Bay Area people who cared greatly about arts and culture—artists as well as arts lovers—along with companies and local governments, built and funded nonprofit organizations that expanded the region's portfolio of offerings and attracted more creators, funding, and fans to the region.

Capacity-building nurtured engagement by current residents not previously interested in the arts and among newcomers who arrived for other reasons.

Growing engagement placed a premium on quality arts education, furthering participation in and support for nonprofit arts and culture.



Creative PLACEMAKING

Ann Markusen Markusen Economic Research Services
Anne Gadwa Metris Arts Consulting

EXECUTIVE SUMMARY



A White Paper for The Mayors' Institute on
City Design, a leadership initiative of the
National Endowment for the Arts in partnership
with the United States Conference of Mayors
and American Architectural Foundation

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California's Arts and Cultural Ecology (2011)
Arts, Culture and Californians (Highlights)
Technical Appendix

www.irvine.org/ArtsEcology

Creative Placemaking (2010)

www.nea.gov/pub/CreativePlacemaking-Paper.pdf

Table 5. Private Philanthropic Funding for Arts and Culture, per Capita by Region (2008 \$)

Region	Per Capita Funding
Bay Area	23.5
Los Angeles Metro	17.3
Central Coast	16.1
Sacramento Metro	6.5
South Coast and Border	3.8
Northern Valley	3.8
North Coast and North State	1.4
Inland Empire	1.1
Sierra	1.1
San Joaquin Valley	0.6

Sources: Foundation Center, 2008; California Department of Finance

Implications for Arts and Cities Advocates:

Creative Placemaking *and* Economic Development: New initiatives should place greater emphasis on the non-profit arts and cultural ensemble

Cultural plans, policies, and resource commitments: require an understanding nonprofits' size, focus, missions, governance structures, and spatial differentiation

Corresponding research is needed on the size, character, and location of the for-profit arts and cultural sector, testing causal theories about its location, including its synergy with the nonprofit and public sectors

Table A8. City Characteristics as Determinates of Californian Cities' Total Aggregate Arts and Cultural Organizations' Budgets, per Capita

	Total Arts Org Budgets, Per Capita (logged)
Number of Arts Organizations (logged)	+ ***
Population ¹ (logged)	- ***
Housing Unit Density (logged) ³	
Principal City ²	
Jobs per Capita ² (logged)	+ *
Median Household Income ² (logged)	
Gini Index of Income Inequality ²	
Income, Dividend, and Net Rental Income per Household (Wealth proxy) ²	
Percent of the Population over Age 25 with a Bachelor's Degree or Higher	- ***
Percent of the Population that is Non-White or Hispanic ²	
Percent of Population that is Foreign Born ²	
Percent of the Population Under Age 18 ²	
Private Philanthropic Arts Funding (logged) ⁴	+ ***
City Arts-Related Public Expenditure (logged) ⁵	
Regional Dummies:	
Sacramento Metro	
Bay Area	
Central Coast	
San Joaquin Valley	
Los Angeles Metro	
Inland Empire	
South Coast and Border	
Adjusted R-squared	0.68

Sources: National Center for Charitable Statistics (NCCS); 1. California Department of Finance; 2. 2006-08 American Community Survey; 3. 2000 US Census; 4. Foundation Center; 5. California State Controller's Office. **Notes:** N=228 (for cities with populations of 20,000 or more, and with further exclusions as specified). * = p<.10, ** = p<.05, *** = p<.01

Regressions on Arts Organizational Budgets per Capita
(using only organizations over \$25,000) = 52% of total)

Totaling across all budgets of arts and cultural organization
by city:

Job density and private philanthropic arts funding
have a significant positive influence

- as in per capita organizations' regression

Education level is negatively associated,

while income and wealth are not significant

Table 5. Arts Participation Rate by Demographic Group in California, 2008

		% Participation
Sex	Men	51
	Women	56
Age	18-24	55
	25-34	55
	35-44	49
	45-54	58
	55-64	66
	65+	39
Income:	Less than 10,000	36
	10,000 to 12,499	38
	12,500 to 14,999	38
	15,000 to 19,999	46
	20,000 to 24,999	43
	25,000 to 29,999	41
	30,000 to 34,999	38
	35,000 to 39,999	42
	40,000 to 49,999	54
	50,000 to 59,999	46
	60,000 to 74,999	63
75k+	67	
Education:	Less than 9th grade	20
	Some high school	39
	High school grad (including GED)	38
	Some college	57
	College graduate	69
	Advanced graduate degree	79
Race/Ethnicity	White non-Hispanic	68
	African American non-Hispanic	48
	Asian/PI non-Hispanic	37
	Latino	38
	Other Race non-Hispanic	63

Source: National Endowment for the Arts, Survey of Public Participation in the Arts Combined File, 1982-2008. Participation Rate = % of adults that attended at least one event in past year of all types of events listed in Table 4. Confidence intervals are given in Technical Appendix Table A3.

Table 2. City Characteristics as Determinates of Californian Cities' Numbers of Arts and Cultural Organizations per Capita

	# Organizations Per Capita (logged)
Population ¹ (logged)	- ***
Housing Unit Density (logged) ³	
Principal City ²	
Jobs per Capita ² (logged)	+ ***
Median Household Income ² (logged)	- ***
Gini Index of Income Inequality ²	
Income, Dividend, and Net Rental Income per Household (Wealth proxy) ²	+ ***
Percent of the Population over Age 25 with a Bachelor's Degree or Higher ²	+ ***
Percent of the Population that is Non-White or Hispanic ²	
Percent of Population that is Foreign Born ²	
Percent of the Population Under Age 18 ²	
Private Philanthropic Arts Funding (logged) ⁴	+ ***
City Arts-Related Public Expenditure (logged) ⁵	
Regional Dummies:	
Sacramento Metro	
Bay Area	
Central Coast	
San Joaquin Valley	
Los Angeles Metro	
Inland Empire	
South Coast and Border	
Adjusted R-squared	0.66

Sources: National Center for Charitable Statistics (NCCS); 1. California Department of Finance; 2. 2006-08 American Community Survey; 3. 2000 US Census; 4. Foundation Center; 5. California State Controller's Office. Notes: N=237 (for cities with populations of 20,000 or more, and with further exclusions as specified). * = p<.10, ** = p<.05, *** = p<.01

Table 12. California Cities, Highest Number of Arts Organizations

	Population	# of Arts Orgs	# Arts Orgs per 10,000
Los Angeles	4,050,727	1,380	3.4
San Diego	1,359,132	470	3.5
San Jose	1,006,846	225	2.2
San Francisco	846,610	824	9.7
Fresno	495,231	121	2.4
Long Beach	490,882	103	2.1
Sacramento	481,356	257	5.3
Oakland	425,368	244	5.7
Santa Ana	355,224	61	1.7
Anaheim	348,041	50	1.4
Bakersfield	333,847	70	2.1
Riverside	300,769	61	2.0
Stockton	289,717	68	2.3
Fremont	215,787	51	2.4
Irvine	212,541	69	3.2
Modesto	209,574	57	2.7
Glendale	206,540	74	3.6
Huntington Beach	202,230	49	2.4
Santa Rosa	161,716	79	4.9
Pasadena	149,640	111	7.4
Torrance	148,558	57	3.8
Visalia	123,473	60	4.9
Burbank	107,682	64	5.9
Berkeley	107,250	187	17.4
Santa Monica	92,161	100	10.9
Santa Barbara	90,099	130	14.4
Walnut Creek	65,915	58	8.8
Palo Alto	64,480	68	10.5
Santa Cruz	59,016	69	11.7
San Rafael	58,359	53	9.1
Culver City	40,507	59	14.6
Beverly Hills	35,953	64	17.8

Sources: National Center for Charitable Statistics (NCCS); Cultural Data Project (CDP); California Department of Finance. Cities listed account for half of all state arts organizations.