South Carolina's Creative Arts Cluster: A Catalyst for Economic Development

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Charleston, South Carolina

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Overview

• Creative arts economy
  – Driver of economic development
  – Richard Florida’s theory
  – Arts leads subsequent development
    • Europe
    • Austin

• Dimensions in South Carolina
  – Empirical study of the arts cluster
  – Economic impact study results
The Dismal Science
Richard Florida’s Influence

Major Works:
• The Rise of the Creative Class
• The Flight of the Creative Class
• Who’s Your City?
• The Great Reset
Florida on the Creative Class and Regional Competitiveness

• Communities: attract talent not industries
• High-tech clusters
  – Form around a creative class
• Richard Florida’s theory
  – Regional dynamism is determined by the attraction and retention of the creative and talented people
• Quality of life, amenities matter
• Regional sorting through migration to cities
What is the Creative Class?

- Economic value through creativity
  - Intangibles now part of GDP

- Creative workers:
  - Scientists, engineers, designers, architects
  - High-tech workers, financial services, health care, legal and health care, business management

- Artists

- Emphasis on occupations, not industries
America’s Leading Creative Regions
Charleston: Leader in Attracting Talent

- **Largest increase in the share of adult population with four-year degree**
  - For recent ten years in all US cities.

- Charleston has 32 percent share vs. US 28 percent
The Creative Catalyst

• Arts definitely *associated* with economic development
  – Mounting academic evidence
• But *chicken and egg* problem
• New view:
  – Arts as a *cause*, not effect
European Opera Houses

“The Phantom of the Opera: Cultural Amenities, Human Capital, and Regional Economic Growth” Labor Economics
Study: Opera Houses as Catalyst

- Examines the location of 17th and 18th century German opera houses.
  - Shows the effects on attracting talent and spurring economic growth in later periods.
  - The cultural amenity came first.
  - Then the skilled high human capital people who locate in places with Baroque opera houses are the sources of measurable economic growth.
Austin
South Carolina’s Creative Cluster: A Catalyst for Economic Development

Douglas Woodward, Ph.D.  
April 2011
Previous Empirical Studies

• The analysis underlying our report was based on:

• Multiplier analysis
  – Measure the economic effects of a direct activity
  – Assess the linkages between different sectors of the state’s economy.
The Creative Economy

- Creative Economy
  - Creative Industries
    - Creative Cultural Sector
  - People who ‘are paid to think’ work within all sectors of the economy
  - Businesses that make things that require constant and continual adaptation
  - Organizations and people that make things with culture and aesthetic value
Creative Arts: Industries and Occupations

• Creative industries:
  – film-making, jewelry making, design services, photography
  – Recording, publishing, printing, book and music stores, museums

• Artistic occupations:
  – Independent artists
  – Art, drama, and music teachers
Types of Arts Industry Groups

- Creation
  - Graphic design
  - Musical groups and artists
- Production
  - Record companies
  - Dance companies
- Inputs
  - Musical instrument manufacturing
  - Art supply manufacturers
- Dissemination
  - Art dealers
  - Motion picture distributors
- Support
  - Arts education
  - Arts organizations
Data Sources

• Bureau of Labor and Statistics, *Quarterly Census of Employment and Wages*: Employment by industries

• Occupational Employment Statistics: art educators
Core vs. Full Creative Arts

Core creative industries: dedicated to producing some form of art.

Full industry: includes activities that are creative ... but may engage in non-creative activity.
Core

• Design Services
• Motion Picture Production
• Independent Artists and Musicians
• Book publishers
• Graphic designers
• Record Producers

Full

• Printing
• Post-production processing
• Art promoters and venues
• Media retailers
• Advertising agencies
• Radio Stations
• Libraries and Museums
• Teachers: music, art, theater, and dance
Type of Economic Impacts

• Direct
  - Initial change in economic activity.

• Indirect
  - Changes in economic activity from inter-industry linkages between local firms (suppliers).

• Induced
  - Changes in economic activity resulting from changes in local spending of household income.
# Impact Measures

<table>
<thead>
<tr>
<th><strong>Employment</strong></th>
<th>the total number of jobs associated with the measured economic activities tied to creative activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Impact</strong> (or Output)</td>
<td>the contribution to overall economic activity. It measures the annual value of goods and services associated with creative activity-related business activities.</td>
</tr>
<tr>
<td><strong>Value Added</strong></td>
<td>the net contribution to the state’s economy, similar to gross domestic product for the state.</td>
</tr>
<tr>
<td><strong>Labor Income</strong> (or Earnings)</td>
<td>the contribution to wages and salaries.</td>
</tr>
</tbody>
</table>
## South Carolina Creative Art Core Economic Impact Results

<table>
<thead>
<tr>
<th></th>
<th>Employment</th>
<th>Labor Income</th>
<th>Total Value Added</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Effect</strong></td>
<td>45,468</td>
<td>1,625,653,265.75</td>
<td>2,253,464,950.75</td>
<td>5,385,637,287.00</td>
</tr>
<tr>
<td><strong>Indirect Effect</strong></td>
<td>17,445</td>
<td>674,915,773.01</td>
<td>1,121,437,080.27</td>
<td>2,096,357,958.21</td>
</tr>
<tr>
<td><strong>Induced Effect</strong></td>
<td>15,770</td>
<td>538,292,459.66</td>
<td>1,018,808,571.35</td>
<td>1,749,003,819.79</td>
</tr>
<tr>
<td><strong>Total Effect</strong></td>
<td>78,682</td>
<td>2,838,861,498.42</td>
<td>4,393,710,602.38</td>
<td>9,230,999,064.99</td>
</tr>
<tr>
<td>% of SC Total</td>
<td>3.22%</td>
<td>3.04%</td>
<td>2.76%</td>
<td>2.85%</td>
</tr>
</tbody>
</table>
South Carolina Full Creative Arts Cluster Economic Impact Results

<table>
<thead>
<tr>
<th></th>
<th>Employment</th>
<th>Labor Income</th>
<th>Total Value Added</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Effect</td>
<td>60,697</td>
<td>2,304,222,094.75</td>
<td>3,231,675,985.13</td>
<td>7,831,367,750.50</td>
</tr>
<tr>
<td>Indirect Effect</td>
<td>24,542</td>
<td>970,667,392.74</td>
<td>1,602,466,130.97</td>
<td>3,000,343,519.27</td>
</tr>
<tr>
<td>Induced Effect</td>
<td>22,375</td>
<td>764,087,087.32</td>
<td>1,445,890,504.56</td>
<td>2,482,207,463.98</td>
</tr>
<tr>
<td>Total Effect</td>
<td>107,614</td>
<td>4,038,976,574.81</td>
<td>6,280,032,620.66</td>
<td>13,313,918,733.76</td>
</tr>
<tr>
<td>% of SC Total</td>
<td>4.40%</td>
<td>4.33%</td>
<td>3.95%</td>
<td>4.13%</td>
</tr>
</tbody>
</table>
Conclusion
Economists:
A man who knows the price of everything and the value of nothing.

--Oscar Wilde
Creative Class and Competitiveness

• Creative arts economy is significant.
• Regional dynamism determined by:
  the attraction and retention ... of the highly mobile, creative people.
• Community economic development strategy
  – Target talent, not just industries
• Benefit for regions:
  – High-tech clusters form around a creative class
  – Builds the knowledge economy
Thank you!
Seagrove in the central Piedmont was home to immigrant potters attracted by the region's abundant clay deposits. Because of their remote location and the jugs needed by the local whisky distilling industry, Seagrove potters were able to survive a few decades longer than those potters displaced by factory-produced ceramics. In the early twentieth century, Raleigh artists Jacques and Juliana Basbee used their marketing skills and appreciation of local craftsmanship to promote the Seagrove area work. Collectors embraced pottery as not only functional but decorative, inspiring potters to utilize new materials and firing methods to further develop their work. By the late 1920s, Seagrove area pottery was well known from the galleries of New York to the garden shops of Florida.

After World War II, Seagrove potters began high volume production of small pieces for the wholesale gift market. An individual potter might produce more than 500 pieces each day, all the in the same shape. The development of ceramic programs by nearby community colleges led to the training of many area residents in the craft. Studio artists and academically trained potters seeking a "back to the land" lifestyle began to settle in the area. Today Seagrove is home to more than 100 potters who offer a full spectrum of pottery and ceramic art.

The Arts Industry in North Carolina

"Arts and culture provide a direct connection to North Carolina's economic stability. The state's strong infrastructure of arts and education is important quality of life issues that make us competitive in the global marketplace."

— Ann Godbough, a Principal of The Umstead Hotel & Spa in Cary, which features a collection of more than 80 works of art, mostly by North Carolina artists

Arts organizations have long made the case for economic relevance, and now creative strategies to address globalization are gaining attention from economists, business schools, and state governments. Richard Florida's book The Rise of the Creative Class drew popular attention to a new definition of the workers in the knowledge economy; but similar ideas had been percolating for at least a decade both in the United States—particularly New England—and Europe, where arts have always been more central to economic development.

Creative enterprises in North Carolina are, collectively, big business. North Carolina's core creative enterprise cluster employs more people than any of the biotechnology, computers and electronics, machinery, or transportation equipment manufacturing industries.

**ARTS INDUSTRY EMPLOYMENT SECTORS**

<table>
<thead>
<tr>
<th>Examples of Creative Enterprise Industries</th>
<th>PRINCIPLE</th>
<th>CORE CLUSTER</th>
<th>FULL CLUSTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREATION</td>
<td>Graphic Design Services</td>
<td>Artisanal Beverages</td>
<td></td>
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<tr>
<td></td>
<td>Independent Artists, Writers, and Performers</td>
<td></td>
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<tr>
<td></td>
<td>Musical Groups and Artists</td>
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<td></td>
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<tr>
<td></td>
<td>Advertising Agencies</td>
<td></td>
<td></td>
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<tr>
<td>PRODUCTION</td>
<td>Jewelry (except Costume) Manufacturing</td>
<td>Custom Architectural Woodwork</td>
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<tr>
<td></td>
<td>Record Production</td>
<td>Commercial Lithographic Printing</td>
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<tr>
<td></td>
<td>Dance Companies</td>
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<td></td>
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<tr>
<td></td>
<td>Book Publishers</td>
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<td></td>
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<tr>
<td>DISSEMINATION</td>
<td>Art Dealers</td>
<td>Libraries and Archives</td>
<td></td>
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<tr>
<td></td>
<td>Motion Picture and Video Distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INPUTS</td>
<td>Musical Instrument Manufacturing</td>
<td>Photographic Film, Paper, Plate, and Chemical Manufacturing</td>
<td></td>
</tr>
<tr>
<td>SUPPORT</td>
<td>Fine Arts Schools</td>
<td>Museums</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2006 ES-202 data gathered by the North Carolina Employment Security Commission and 2004 Census non-employer data. The complete list of industries included in the creative cluster comprises 76 industries. See Appendix for NAICS codes of industries.