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Arts and Culture in Economic Development Policy

Arts and culture account for a significant portion of U.S. economic activity. According to the Bureau of Economic Analysis (BEA), which assesses the economic impact of arts and culture through its Arts and Cultural Production Satellite Account (ACPSA), arts and cultural economic activity accounted for 4.4% of U.S. gross domestic product (GDP) in 2021, the most recent year for which data are available, equating to about \$1.02 trillion.

The federal government offers a variety of funding and programs to support arts and culture activities, including some aimed primarily at bolstering economic development. In addition, Congress acted in recent years to address the impact of the COVID-19 pandemic on the arts and culture industry, most notably through the Shuttered Venue Operators Grant (SVOG) program authorized in P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act, 2021). The 117th Congress also considered additional legislation aimed at various aspects of arts and culture-based economic development, including the CREATIVE Act of 2022 (H.R. 9175) and the PLACE Act (H.R. 6569 and S. 3560).

Defining “Arts and Culture”

There is no standard definition of “arts and culture” in relation to economic development. A range of activities could be considered to fall under the umbrella of arts and culture-based economic development, including tourism development, historic preservation, and efforts to attract individuals working in “creative” occupations (such as artists and writers) to a certain region.

The ACPSA notes that “arts and cultural production is defined narrowly to include creative artistic activity—the goods and services produced by it, the goods and services produced in support of it, and the construction of buildings in which it takes place.” However, the ACPSA also includes the economic impact of certain industries *supporting* arts and culture, such as broadcasting and manufacturing. For all industries it measures, the ACPSA includes only the share of production related to the arts.

Other definitions of “arts and culture” are more expansive. For example, Richard Florida, a researcher who has examined the connections between arts and culture and economic development, coined and popularized the term “creative class.” Florida identified a range of occupations that could fit under that term. In a 2014 paper, he wrote that such occupations included “jobs in knowledge-intensive industries that involve the production of new ideas and products, or that engage in creative problem solving.” In addition to occupations such as musicians and actors,

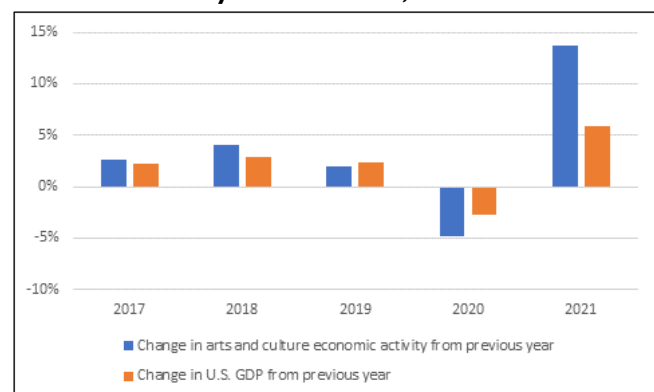
Florida’s creative class potentially includes designers, the media, computer scientists, and engineers.

Economic Impacts

As noted, artistic and cultural activities contribute notable amounts to the U.S. economy. Research also indicates that the arts and culture industry recovered relatively quickly from recent economic dips. For example, according to the ACPSA, the arts and culture industry’s economic activity increased 13.7% in 2021 from the prior year. That compared to a 5.9% increase in overall U.S. GDP in 2021.

Figure 1 shows the annual change in arts and culture economic activity and U.S. GDP from 2017 to 2021.

Figure 1. Annual Change in Arts and Culture Economic Activity and U.S. GDP, 2017-2021



Source: BEA, *Arts and Cultural Production Satellite Account, U.S. and States*, at <https://www.bea.gov/news/2023/arts-and-cultural-production-satellite-account-us-and-states-2021>, and *Gross Domestic Product*, at <https://www.bea.gov/data/gdp/gross-domestic-product>.

These trends align with research examining the effects of the Great Recession (December 2008 to June 2009). A 2021 paper from researchers at Indiana University found that, in the year following the end of the Great Recession, the average gross state product per capita rose by 3%, while the average state arts economy grew by 3.4%. This may be attributed to the fact that, as the same study noted, the arts and culture industry tends to grow independently of other economic sectors, making it less dependent both on other industries and complex supply chains. Further, research by the economist Ann Markusen found that, while participants in the arts and culture industry do not rely heavily on other industries to do their work, they do support “downstream” economic activity in fields like publishing and printing, thereby benefitting those industries and helping to increase regional economic diversification.

Federal Programs

Congress has authorized a number of programs that support arts and culture for economic development, or that have economic or business development as a secondary goal. SVOG, operated by the Small Business Administration (SBA), provided grants to performing arts venues and similar businesses that experienced revenue losses as a result of COVID-19 pandemic-related shutdowns. As mentioned, Congress authorized SVOG in P.L. 116-260, which also appropriated \$15 billion for the program. Congress appropriated an additional \$1.25 billion for SVOG in the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2). In total, SBA made over 13,000 SVOG awards totaling approximately \$14.6 billion before the program closed to new applications in August 2021.

The National Endowment for the Arts (NEA) operates several grant programs to support arts and culture, some of which explicitly identify economic development as an objective. Congress established NEA and authorized it to make grants in the National Foundation on the Arts and the Humanities Act of 1965 (P.L. 89-209, as amended). NEA's grant programs include Our Town awards, which provide grants to nonprofit organizations, local governments, and tribal communities for projects intended to strengthen local areas that have a specific role for arts, culture, and design. The projects are meant to "advance local economic, physical, or social outcomes." Examples of eligible activities include artist residencies, arts festivals, and artist professional development assistance. In FY2022, NEA awarded a total of \$3.9 million in Our Town grants.

Congress has also authorized various programs for historic and cultural preservation. These include the Federal Historic Preservation Tax Incentives program. The program, jointly administered by the Internal Revenue Service and the National Park Service in partnership with state historic preservation offices, encourages private investment in historic preservation and rehabilitation initiatives by providing a 20% federal tax credit to property owners who undertake substantial rehabilitation of certain certified historic structures, while maintaining the historic character. Since the tax credit's enactment in 1976, over 48,000 projects have been completed using the tax credit, leveraging approximately \$130 billion in private investment for the rehabilitation of historic properties.

Congress funds other historic preservation grants to states, tribes, local governments, and nonprofit organizations through the Historic Preservation Fund (HPF). HPF grant programs include Save America's Treasures, which provides preservation and/or conservation assistance to nationally significant collections and historic property. Congress appropriated \$204.5 million to the HPF in FY2023.

Recent Legislation

Congress has enacted or proposed several pieces of legislation related to arts and culture-based economic development in recent years.

As part of ARPA, Congress appropriated \$135 million to NEA to help arts organizations respond to the COVID-19

pandemic. NEA used the funds to make grants to state, regional, and local arts organizations with the purpose of supporting jobs in the arts sector. As of June 2023, NEA awarded or recommended awarding approximately \$130 million to nearly 700 organizations.

Congress also appropriated \$75 million to NEA in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). NEA used the funds to make \$44.5 million worth of grants to 855 nonprofit arts organizations to support staff salaries, fees for artists, and facilities costs.

Members of the 117th Congress introduced several bills concerning arts and culture and economic development, none of which became law. Such bills included:

- the CREATIVE Act of 2022 (H.R. 9175), which would have authorized new grant programs at NEA for construction and acquisition of new arts facilities and for hiring and compensating artists and staff at existing arts facilities, among other purposes;
- the PLACE Act (H.R. 6569 and S. 3560), which would have (1) established an interagency council for the creative economy, (2) provided tailored access to services from the Export-Import Bank of the United States for creative economy businesses, and (3) encouraged the U.S. Foreign Commercial Service to stimulate the export of creative economy goods, among other purposes;
- the Creative Economy Revitalization Act (H.R. 5019 and S. 2858), which would have authorized a new grant program to support the arts and creative workforces, to be operated by the Department of Labor (DOL) in coordination with NEA; and
- the 21st Century Federal Writers' Project Act (H.R. 3054), which would have authorized DOL grants to hire unemployed or underemployed people to document the impact of COVID-19 in writing and in images.

Issues for Congress

Congress may consider what the appropriate level of federal support for arts and culture-based economic development is. Although the federal government provides funding and supports many programs for economic development, much of the economic development work in the United States is done by state and local governments, and relatively few federal programs focus explicitly on arts and culture for economic development. This may be relevant for arts and culture-based economic development, as state and local governments and regional organizations may be more familiar with local arts communities than the federal government. A number of states, including Florida and Louisiana, operate offices for arts and culture-based economic development.

The COVID-19 pandemic accelerated increases in at-home streaming of movies. Media reports suggest that movie theaters and theatrical venues continue to struggle to match pre-pandemic revenues. As a result, Congress could assess whether to continue supporting these types of venues (as it did with SVOG), whether any future support should take a different form, or whether to provide future support at all.

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