Arts and Creativity Drive Economies and Build Resilience

2024 Key Findings

Douglas S. Noonan, Ph.D.

Indiana University Indianapolis

Paul H. O'Neill School of Public and Environmental Affairs, AEI Lab

Over the past decade, data reveal that the arts and related creative industries are a substantial economic force, comprising 4.4% of the U.S. gross domestic product (GDP)—a figure greater than the individual percentage contributions of construction, transportation, mining and agriculture—and adding $1.02 trillion to the nation's economy in 2021.[i]

In 2021, the National Assembly of State Arts Agencies commissioned the first iteration of research examining statistical relationships between the arts and measurements of economic growth.[ii] Using data from 2001-2017, these reports produced evidence speaking to the resilience of the creative economies and their ability to create opportunities for growth following negative macroeconomic events.

This new report builds on past research by using 2001-2021 data, which reflect postpandemic-shutdown economic trends and a subsequent period of recovery. This research shows that arts and cultural production not only strengthens economic resiliency but drives economic growth. Analysis of over 20 years of data resulting from a partnership between the U.S. Bureau of Economic Analysis (BEA)—the federal agency responsible for measuring state economies and U.S. gross domestic product (GDP)—and the National Endowment for the Arts clearly shows the positive relationship between arts and cultural production and the overall economy. In 2020, the United States experienced the highest rates of unemployment since the Great Depression and its sharpest ever contraction in economic output.[iii] Following these shocks, the arts rebounded dramatically and spurred overall economic growth, highlighting the importance of the creative sector as a catalyst for strong, diversified and resilient state economies.

The Arts Drive Economic Growth

Despite an abundance of evidence about the many economic attributes of the arts, limited research has been conducted that examines statistical relationships between the arts and other economic indicators of national or state economic health. How does the arts economy fare over time, especially during economic downturns? Do the arts exert any influence on broader economic trends? This research and its prior iteration show significant positive relationships between the two and unpack causality that the arts drive economic growth.

The previous results suggested that the arts and culture sector improved the health of the broader economy during past recessionary periods. This updated research provides evidence that this was true for postpandemic recovery and that there is a causal link between growth in the creative economy and growth in the broader U.S. economy.

Furthermore, the current research shows that the core creative industries (those industries responsible for originating and producing creative content) are the primary driver. This bolsters the idea of creativity and ingenuity being central to building a more prosperous nation. The creative ideas and work of individuals, organizations, communities and businesses are central to economic resiliency. Specific findings from the analysis include:

- **Growth in the arts sector positively impacts growth in the overall economy.** According to three analytical models, the value added by the creative economy had a significant positive effect on aggregate (non-arts) gross state product between 2001 and 2021. During these years, growth in the arts sector exhibits a positive, causal and statistically significant impact on growth in the overall economy.

There is a causal link between growth in the creative economy and broad economic growth in the United States.

- **Growth in the overall economy does not necessarily lead to growth in the arts economy.** This finding further strengthens the evidence for the creative industries' ability to innovate and grow even when macroeconomic conditions are unfavorable.

- **The share of the economy derived from the arts sector has been consistently within the range of 4.2% to 4.7% of GDP since 2001, a time span that includes three national recessions.** Even in times of financial turmoil, the creative industries are a consequential economic force.

- **Arts and cultural production grew by 14% from 2020 to 2021.** After the economic shocks resulting from the Great Recession and the COVID-19 pandemic, the arts rebounded rapidly. The rebound was especially dramatic following the pandemic shutdown.

- **Originators of ideas and content associated with the creation of arts and culture, described as "core" industries, exhibited much higher growth rates than the general economy for the years following states' economic low points.** Levels of production for creative goods and services remained robust at times when economic production in other sectors was less certain.

- **The creative economy evolves over time, but not all creative subsectors behave in the same way.** Some creative businesses and arts organizations are still struggling to recover to prepandemic levels, whereas other segments of the creative sector, in contrast, have posted notable gains. For instance:

    - Architecture, performing arts companies, motion pictures and photography related services accounted for large shares in 2001, but their shares declined substantially by 2021.
    - Simultaneously, the data reflect a dramatic rise in web publishing and streaming over the period. These sectors, captured as "other information services," grew from 1.0% of the creative economy in 2001 to 15.1% by 2021.

  These nuances suggest that it is important for policymakers and creative industry leaders to understand state level and industry level arts and culture data with some precision, in order to develop plans and policies to capitalize on specific growth opportunities.

- **The growth stemming from the creative economy is not restricted to large states.** While states known for their big populations and high concentrations of creative businesses certainly saw rapid rebounds following the Great Recession and the COVID-19 pandemic, smaller states also experienced notable growth rates on a per capita basis.

- **The arts tend to grow independently from other sectors, which provides a diversification strength**—something that may be especially important for states whose economic fortunes hinge on just a few industries. An arts sector that can diversify state economies and rapidly rebound from duress is particularly valuable, as has been seen throughout recoveries from the Great Recession and the COVID-19 pandemic.

Arts and cultural production drives state and national economic production.

Overall economic growth does not necessarily drive growth in arts and culture.

These findings point to areas of strength in the arts and culture sector and demonstrate that the arts economy has positive ripple effects on the broader economy. The results also show that the arts and culture sector is not wholly dependent on broader economic trends for its growth—it has its own resilience and momentum.

What Is the Evidence Base for These Findings?

This analysis uses the U.S. Bureau of Economic Analysis Arts and Cultural Production Satellite Account (ACPSA)[iv] data, a partnership with the National Endowment of Arts, at the state level to measure historical connections between states' overall economies and their arts and culture sectors, with a special focus on the shocks of the Great Recession and the COVID-19 pandemic and their aftermaths. The ACPSA tracks economic activity in the arts and creative industries and their supply chains. It effectively accounts for the contributions of the arts economy, with its subsectors and its many commodities and industries (both for-profit and nonprofit), as reflected in official GDP statistics. The ACPSA offers objective and unparalleled coverage of the arts economies for each state, for 35 subsectors annually, for over two decades.

This nationwide analysis was conducted for all 50 states plus Washington, D.C., examining trends over time within the 2001-2021 ACPSA data series. The methods were constructed to show the presence or absence of statistical relationships between the arts and culture sector, state economies and larger macroeconomic trends. The analysis leverages the long time-series of data for states to identify causal relationships between the arts sector and statewide economic indicators. The analytic technique goes beyond mere correlation to detect the extent to which states' economic health follows its arts economy's growth. The methods also measured how quickly big economic shocks dissipate or how long their effects linger, revealing the trajectory of the arts during and after the economic downturn of 2008-2009 and the downturn during the COVID-19 pandemic in 2019-2021.

For More Information

The Arts and Culture Sector's Contributions to Economic Recovery and Resiliency in the United States (2001-2021 Update): Technical Report
This Technical Report describes the statistical methods used to conduct analyses among the arts economy, gross state products, and employment and compensation trends. It includes details on arts subindustries within the larger ACPSA account as well as a special focus on the years immediately following the Great Recession of 2008-2009 and during the COVID19 pandemic of 2019-2021.

The Arts and Culture Sector's Contributions to Economic Recovery and Resiliency in the United States (2001-2017): Technical Report
This Technical Report describes the statistical methods used to conduct an earlier analysis and shows the relationships observed among the arts economy, gross state products, and

employment and compensation trends. It includes details on arts subindustries within the larger ACPSA account as well as a special focus on the years immediately following the Great Recession of 2008-2009.

Creative Economy State Profiles
This online dashboard, produced by the National Assembly of State Arts Agencies, provides state-by-state information from the ACPSA. It shows value-added figures for the creative industries in every state along with arts employment, arts earnings, comparative location quotients and more.

Interactive Database of State Creative Economy Studies
More than 100 state level studies compiled in this database show the variety of approaches states have used to measure the impact of the creative industries on state economies.

About the Indiana University Arts, Entrepreneurship, & Innovation (AEI) Lab
Within the Paul H. O'Neill School of Public and Environmental Affairs, the AEI Lab was launched to engender a better understanding of the role of arts and culture in innovation through empirical and experimental research. The AEI Lab focuses on the role of the arts in civic innovation and emerging "platform" and "gig" economies as well as linkages between the creative economy and economic growth.

This report was produced by Professor Douglas S. Noonan of Indiana University Indianapolis, and was commissioned by and produced in collaboration with the National Assembly of State Arts Agencies.

---

[i] U.S. Bureau of Economic Analysis Arts and Cultural Production Satellite Account data, 2021. See National Endowment for the Arts, The U.S. Arts Economy in 2021: A National Summary Brief, 2021.
[ii] The Arts and Culture Sector's Contributions to Economic Recovery and Resiliency in the United States (2001-2017): Key Findings; The Arts and Culture Sector's Contributions to Economic Recovery and Resiliency in the United States (2001-2017): Technical Report.
[iii] U.S. Bureau of Economic Analysis, Gross Domestic Product, Second Quarter 2020 (Advance Estimate) and Annual Update, July 2020. The *Washington Post* article of July 30, 2020, Did a Third of the Economy Really Vanish in Just Three Months? by Andrew Van Dam, explains the BEA's second-quarter estimates within a historical context.
[iv] For more information on the origins and construction of the ACPSA, see National Endowment for the Arts, NEA Guide to the U.S. Arts and Cultural Production Satellite Account, 2013, and U.S. Bureau of Economic Analysis, The Arts and Cultural Production Satellite Account (ACPSA), 2014.