

State Funding of Local Cultural Economic Development Initiatives in Massachusetts: Are All Communities Created Equal?

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ABSTRACT

Over the past two decades, the role of art and culture in economic development has emerged as an important area of concern for arts administrators and an interesting topic of inquiry among social scientists. However, a good test of the hypothesis that funding the arts will stimulate regional economic development is hard to find. In the absence of controlled experiment, economists often look for what they call a “natural experiment.” One example of this is the Adams Arts program in the Commonwealth of Massachusetts (USA). This program provides grant funding to communities who have created projects that employ the arts to spur local economic development. We examine the profile of communities which have attempted to use this funding to spur economic development, and the logic behind their choice.

Keywords:

Cultural economic
development
Cultural industries
Local cultural
policy

Introduction

Today, municipalities in the United States face many pressing financial challenges. These typically include declining tax revenues, reduced federal and state aid, and an increased demand for local services. As a result, local leaders are continuously searching for new economic development strategies to reinvigorate their tax base. During the past decade, the idea that the arts and culture sector can play an important, if not leading, role in local economic development has rapidly grown in popularity. However, despite wide spread interest in this idea, many questions about the nature of the cultural economic development process, particularly at the local level, remain unanswered. This paper seeks to address some of these questions through an analysis of the Massachusetts based John and Abigail Adams Arts program (Adams), the oldest state art council sponsored grant program in the United States that funds the development of municipal level cultural economic development initiatives. Specifically, what is the socioeconomic profile of municipalities that apply for Adams funding and is this profile consistent for all communities including those that do not apply? Our findings will interest arts administrators, local political leaders, and policy makers of municipalities that are considering investing in cultural economic development as a local economic revitalization strategy.

In the first section of the paper, we present a brief summary of recent thinking regarding local economic development. Following this, the Adams program is presented and we discuss how this program informed our research. This is followed by a discussion of the statistical analysis and a presentation of our findings. And finally, we conclude by making several additional remarks and suggest possibilities for further study.

Background

Academic thinking about the relationship between art and economic development has evolved over the past several decades. The traditional theory of regional economic development relies on a classification of industries into export and service. Export industries sell to entities outside the region and, if successful, cause economic growth inside the region. Initially, advocates of cultural economic development argued that the arts were an export industry and could help drive economic development. Certainly there are examples of art and entertainment driving local economies – think Las Vegas, Los Angeles, and Orlando (USA) – but for the most part evidence suggests that the arts industries play a minor role in the economic base of most urban areas (Seaman, 1990; Cowan, 2004).

Recently, the argument that creativity and creative people drive economic development has received growing support (Landry, 2000; Howkins, 2001; Florida, 2002; Glaeser, 2011). In this context, the nexus between the arts and economic development is different: in urban areas with concentrations of highly-educated creative people, their productivity will drive economic growth. Since artists are often regarded as the most creative of these people, they may play a particularly important role in this process. In Florida's version, young, mobile, highly-educated entrepreneurial types will be attracted to a vibrant arts community; thus planning an economic development strategy around attracting artists and building relevant arts and cultural organizations will create jobs and growth in the long run.

In reality, these explanations are too simple. A variety of amenities may attract young, creative types to an urban area, including old standbys such as cheap housing and quality public schools. However, attracting creative young professionals does not automatically guarantee economic growth. The important question is whether art and culture, however

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defined, are really an important force leading to greater economic growth, or simply a by-product of it. Our paper will address this question by exploring the socioeconomic characteristics of municipalities in the Commonwealth of Massachusetts that are pursuing local cultural economic development initiatives.

The John and Abigail Adams Arts Program

Administered by the Massachusetts Cultural Council (MCC), the John and Abigail Adams Arts program was established by the Massachusetts legislature in 2005 and is the successor to a cultural economic development program that was in operation from 1997-2003. While the previous program served only a handful of applicants each year and awarded a small amount of funding, the Adams program is better funded and has awarded far more grants.¹ The Adams program grant application process is also more sophisticated as it requires applicants to provide detailed information regarding project objectives and specific economic development goals.² The Adams program awards grants for “planning” (up to \$5,000-\$10,000 depending on the year) and “implementation” (up to \$75,000-\$100,000 depending on the year) to applicants who develop realistic local cultural economic development initiatives in collaboration with a minimum of three community organizations (though typically four to seven organizations are involved). Local government or a nonprofit organization must take the lead, but private sector companies are encouraged to participate. Each proposal is vetted for quality by a panel of experts organized by the MCC. The grants must be matched by additional funding provided by the community on a 1:4 (planning grant) or 1:1 (implementation grant) basis. The MCC employs a broad definition of the term cultural economic development, so much so that even “stimulat[ing] increased participation and engagement in cultural and creative activities by residents and visitors”³ has been deemed an acceptable proposal objective.

We view the Adams Arts program as a relatively pure example of a micro-level experiment in cultural economic development. Our original intent in studying it was to determine how effective this strategy is in encouraging local economic development. However, as the program is still in its relative infancy -- some projects are just underway and others have only been recently completed -- there are not enough mature projects to tackle the statistical question of whether the program overall has had a salutary effect on local economic development. Fortunately, the program is

established enough to permit us to determine the socioeconomic profile of the participating and non-participating municipalities.

Analyzing the Adams Grant process

Although 168 grants were awarded directly to communities between 2005 and 2010, it would be unlikely that the grant recipients would be randomly distributed throughout all communities in the state. One would expect some patterns to emerge. In this section we employ a statistical analysis to examine the defining characteristics of communities that have received Adams Program grants.

Our previous qualitative analysis of three communities which have been active in the Adams program revealed several common characteristics (Maloney and Wassall, 2013). Since this is a small sample, what we found in these communities may not apply to all communities which successfully secured grants during this period. However, it is worth reviewing briefly what we discovered.

First, these three communities— Barnstable, Gloucester, and Fitchburg -- are mid-sized with 2010 populations ranging from 29,000 to 45,000. Second, in order to establish a cultural economic development initiative some form of social and intellectual infrastructure needs to be present. Although the nature of the process was different in all three communities, it is clear that some level of competence in local economic development, and therefore the participation of local government, is necessary. Smaller communities typically do not have significant expertise in economic development. This would imply that smaller communities may be less capable of developing and sustaining local cultural economic development initiatives.

Support of the initiative by the local “arts community” seems to be an essential part of the local infrastructure. In the three municipalities we examined, nonprofit cultural institutions were very engaged in establishing a partnership among local leaders in the public, private, and nonprofit sectors in order to support the cultural proposed economic development initiative. While quantifying the amount of support the local arts community provides is hard to determine, we use measures of nonprofit arts activity as a proxy for it in our analysis.

Third, what was not observed in these three communities spurred us to complete the analysis contained in this paper. Numerous studies have shown that attendance at artistic events has a strong positive correlation with education and income. Most studies in the United States have stressed the role of

¹ See Appendix 1 for details regarding the number of grants awarded each year for both programs.

² See Appendix 2 for a description of each community’s proposed project and their respective economic development goals.

³ http://www.massculturalcouncil.org/applications/adamsarts_fags.asp accessed April 26, 2012.

Number of Grants Received	% High School Grads	% College Grads	% with Higher Degree	Median Family Income	Population
No grant	92.0	39.1	16.3	\$86,713	14,136
At least one	86.2	33.2	14.2	\$69,516	66,717
More than one	84.4	30.7	12.9	\$61,369	78,439

TABLE 1. ADAMS GRANTS: SOCIOECONOMIC PROFILE

education, both in terms of highest level attained and whether arts fans received specific arts education, as being most important.⁴ Since income and education are strongly correlated with each other, it is difficult to separate their individual impact on attendance at cultural events. The three communities we studied in depth, which had received funding from the state over several years to establish cultural economic development initiatives, could be called “blue-collar,” with average levels of educational attainment and household income. In other words, prior research would suggest there is not enough local demand to support additional investment in the local cultural infrastructure. Counter intuitively, these communities are attempting to build reputations as cultural destinations.

Are Adams Grant communities different?

Based on Adams grant activity between 2005 and 2010, what can we discover about those communities which received funding compared to those which did not? During this period, 168 grants were made directly to 35 towns. Of those 35 towns, 26 received more than one grant during this period. The “average” Adams grant town received 4.8 grants during this period; the average town which received more than one grant received 6.1 grants. Clearly the program has been exploited by relatively few communities, but used frequently by those which were successful in obtaining grants.⁵

To help us determine whether Adams grant communities did in fact have a different socioeconomic profile, we created a separate profile of communities which received Adams grants and compared it to one for communities which did not. To

create these profiles, we used American Community Survey (ACS) data, which was available for 243 Massachusetts communities. The ACS data were aggregated from a file combining annual surveys between 2005 and 2010. This comparison is shown in Table 1.

It is clear that there are differences in Adams grant communities and other communities. Municipalities which capitalized on the Adams grant program are significantly larger. Residents of these communities have lower socioeconomic status, with lower levels of family income and educational attainment. Educational attainment is lower across the board, as Adams grant communities have lower proportions of high school graduates, college graduates, and persons holding graduate degrees. Further differences can be seen between communities which received one grant and those which received multiple grants. Those which received multiple grants were even larger with even lower levels of family income and educational attainment.

To determine the importance of a vibrant arts community in the grant process, we assembled information on cultural non-profit organizations located in every Massachusetts municipality at the outset of the program.⁶ This database can be used simply to count the number of cultural non-profits in each community, but it also contains substantial information on revenue, spending, and assets, as well as other attributes.⁷ The database we used contains this information for 2005 or the nearest year if an organization did not file a return in that calendar year. If support from the arts community is valuable, the most important factor is the relative size of the arts community in each municipality; in other words, its “cultural density.” To obtain indicators of cultural non-profit density, we constructed three measures: number of cultural non-profits, total cultural non-profit

⁴ Recent evidence can be found in Novak-Leonard and Brown (2011), using information from the 2008 Survey of Public Participation in the Arts. In their Table 3 (p.40) they report that Americans with post-Baccalaureate degrees were most likely to attend arts events, with an attendance frequency over twice that of those for whom completion of high school was their highest attainment. They also showed that, among income ranges, those with incomes exceeding \$150,000 annually were the most frequent arts attenders, attending arts events 2.5 times more often than those with incomes below \$10,000.

⁵ The Commonwealth of Massachusetts identifies 351 municipalities within the state. The federal census data we employ in our analysis aggregates these to 243.

⁶ The cultural non-profit data were obtained from the National Center for Charitable Statistics, and were edited by Doug DeNatale.

⁷ The information on cultural non-profits comes from filings of their Form 990s with the Internal Revenue Service, which is required annually of all non-profit organizations. Unlike personal and corporate filings with the IRS the Form 990s are available for inspection by the public.

Number of Grants Received	Cultural Non-Profits (x 10,000) Per Capita	Cultural Non-Profit Spending Per Capita	Cultural Non-Profit Net Asset Value Per Capita
No grant	4.9	\$106.96	\$540.15
At least one	6.1	\$349.10	\$1,100.85
More than one	5.2	\$392.01	\$1,216.45

TABLE 2. ADAMS GRANTS: CULTURAL NON-PROFIT DENSITY

spending, and total cultural non-profit assets, all on a per capita basis. These data can be found in Table 2. Again we see some large differences between Adams grant communities and other communities. All three measures of non-profit density are higher in Adams grant communities. There is an even greater gap between the two groups of communities with respect to the financial measures. Within Adams grant communities, those which have received more than one Adams grant have fewer non-profits per capita, but both per capita spending and asset value are greater.

The information in these two tables suggests that our original perceptions based on an in-depth analysis of Hyannis, Gloucester, and Fitchburg have been mostly confirmed. What we do not know yet is whether the influences on Adams grant activity which we have identified act independently of each other, or whether they reflect a single unifying theme.

To explore this issue further, and to obtain more precise estimates of the relationships among the variables, we turn to regression analysis. Since we are interested in factors associated with a community obtaining an Adams grant, we work with two dependent variables: whether a community obtained a grant during the 2005-10 period (ADAMS), and, since it occurred so frequently, whether a community obtained more than one grant during the same period (MULTADAMS). Since both are binary dependent variables, we show results in Tables 3 and 4 using both ordinary least squares (OLS) and logit regressions.

In both tables we utilize as independent variables measures of the possible causal factors discussed above that best fit the models. To test our hypothesis that towns had to be sufficiently large to take on projects of this type, we entered their population in 2006 (POP06) as an independent variable. To test the link between education and arts consumption we entered the percentage of community residents who hold graduate degrees (GRADDEG). To measure economic status, we entered the median family income (MFI) for each community. And finally, for a measure of cultural non-profit presence, we entered cultural non-profit spending per capita (CNPSPC).

Table 3 shows the outcomes using an OLS regression model. Since the majority of the Adams program grant participants received multiple grants, we were curious to see if these factors affected multi-grant recipients differentially. The results are quite similar for both dependent variables. The analysis shows that being a larger community and having a strong non-profit presence are both predictors of participation in the program. It also shows that grant program participants tend to come from communities of lower socioeconomic status, although the education variable does not attain a level of statistical significance.

In Table 4, the same model is tested using logit. These results are less robust, but tell the same story. Population is positively related to participation in the Adams grant program. The measure of non-profit presence shows a positive correlation also, but attains

Dep. Var.	POP06	GRADDEG	MFI	CNPSPC	CONSTANT	R ²
ADAMS	0.0028*** (0.0005)	-0.0007 (0.0024)	-0.0019** (0.0008)	0.1765*** (0.0619)	.2276*** (.066)	.226
MULTADAMS	0.0026*** (0.0004)	-0.0003 (.0021)	-0.0024*** (0.0007)	0.1526*** (0.0528)	0.2364*** (0.056)	.272

Standard errors are in parentheses. POP06 is measured in thousands. MFI and CNPSPC are measured in thousands of dollars.

*Statistically significant at the 0.10 level.

**Statistically significant at the 0.05 level.

***Statistically significant at the 0.01 level.

TABLE 3. ADAMS GRANT REGRESSION RESULTS: OLS

Dep. Var.	POP06	GRADDEG	MFI	CNPSPC	CONSTANT	χ^2
ADAMS	0.0050*** (0.0016)	-0.0454* (0.0276)	-0.0160 (0.0150)	0.5819 (0.4418)	-1.676*** (0.624)	124.690
MULTADAMS	0.0050*** (0.0016)	0.0184 (0.0302)	0.0084 (0.0106)	0.0010** (0.0005)	-3.2152*** (0.638)	42.985

Standard errors are in parentheses. POP06 is measured in thousands. MFI and CNPSPC are measured in thousands of dollars.
 *Statistically significant at the 0.10 level.
 **Statistically significant at the 0.05 level.
 ***Statistically significant at the 0.01 level.

TABLE 4. ADAMS GRANT REGRESSION RESULTS: LOGIT

significance in only one of the two equations. Income of resident families is not significant, but having a graduate degree is negatively correlated with Adams program activity in one equation.

Further comments

In general the regression results, which test for the independent effects of each factor in the presence of the others, conform our casual theorizing based on our observations and the information in Tables 1 and 2. However, a little more can be said about the role of income and education in this profile of Adams grant participants. The fact that the communities which participate tend to have a socioeconomic profile which seems antithetical to cultural consumption may be explained by the basic premise of the program. It was designed to create economic development. There are very few ways that small regions can engage in activity to raise living standards, but one is to sell more of their goods and services to outsiders (i.e., non-residents). Whether or not these projects are successful, it appears that the communities participating in them are looking to pursue economic development. Massachusetts is populated with many wealthy suburban and rural communities which may wish to avoid commercialization, but nevertheless contain many persons who participate in arts and culture. If larger, more mixed communities nearby provide such venues, then there may be a built-in audience for their cultural products. This line of reasoning can also be used to explain the community resistance that was occasionally noted in our in depth analysis of Hyannis, Gloucester, and Fitchburg. The profile of long-time residents of these communities does not seem to include strong support for the arts and, as a result, the Adams program may seem alien to them. Nevertheless, the logic behind communities such as these looking to the Adams program as a path to economic development seems perfectly rational.

Taking this a step further, our results hint at the possibility that a regional approach may be necessary to achieve the full benefits of this type of cultural economic development. Local leaders need not only to be cognizant of the socioeconomic profile of their

own community, but that of neighboring municipalities as well. Many of these initiatives build on existing local strengths in order to produce an increased number of cultural goods and services. However, local leaders must also consider who will consume these additional cultural offerings and where they live in order to provide their community with the best chance for success.

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APPENDIX 1⁹

JOHN AND ABIGAIL ADAMS ARTS PROGRAM (2005-2010)						
Year	CE dollars	# of CE Projects	PLN dollars	# of PLN Projects	Total dollars	Total projects
2005	\$900,000	22			\$900,000	22
2006	\$1,290,175	33			\$1,290,175	33
2007	\$1,240,000	27	\$52,820	10	\$1,292,820	37
2008	\$1,241,000	27	\$39,371	9	\$1,280,371	36
2009	\$1,208,750	29	\$41,750	9	\$1,250,500	38
2010	\$786,000	23	\$17,500	5	\$803,500	28
TOTAL	\$6,665,925	161	\$151,441	33	\$6,817,366	194

APPENDIX 2

HYANNIS (Town of Barnstable)

Year Awarded: 2006-2010 (5 grants)

Grant Request: \$30,000 (06); \$50,000 (07); \$40,000 (08); \$40,000 (09); \$36,000 (10)

Total Funding: \$196,000

Project Name: Harbor Your Arts (HyA)

Lead Partner: Town of Barnstable

Partners: Arts Foundation of Cape Cod
Hyannis Main Street Business Improvement District (BID)
Cape Cod Art Association
Coastal Community Capital
Hyannis Area Chamber of Commerce

Population (2010): 45,193

Project Description (2009):

The Town of Barnstable and its Partners work cooperatively to provide resources to our arts community to foster the local economy. The Harbor Your Arts initiative began with seven artist shanties and expanded to an arts-focused revitalization of downtown Hyannis. Next steps include defining a downtown Hyannis arts district with a way finding plan and additional public art to provide connectivity between the Harbor, Pearl Street arts galleries, and Main Street.

Project Goals (2009):

A defined downtown arts district will provide economic opportunities for artists and businesses, attract visitors and establish Hyannis as an arts destination. Harbor Your Arts (HyA) supports the local creative economy and business activity on Main Street and harbor area. Performing arts event attendance and revenues for shanty and Pearl Street artists underscores the success of these initiatives. Private investment in the area has begun to increase further enhancing the downtown area.

⁹ All information in Appendix 1 and 2 have been taken directly from each municipality's 2009 Adams Arts program grant application.

GLOUCESTER

Year Awarded: 2005-2009 (5 grants); no award in 2010
Grant Request: \$30,000 (05); \$40,000 (06); \$40,000 (07); \$35,000 (08); \$26,000 (09)
Total Funding: \$171,000
Project name: **Arts and Economic Development in Gloucester**
Lead Partner: Society for the Encouragement of the Arts (seARTS)
Partners: ArtsGloucester
 Cape Ann Chamber of Commerce
 City of Gloucester
 Gloucester New Arts Festival
 North of Boston Convention and Visitors Bureau
 Rocky Neck Art Colony
 Cape Ann Artisans Tour
 Gloucester Committee for the Arts

Population (2010): 28,789

Proposed Project Summary (2008 and 2009): This project provides innovative and effective economic opportunities for artists, businesses and the City by developing, sustaining, and promoting arts activates that are integrated into the business and cultural life of the City, creating and sustaining strategic partnerships, and developing a viable Cape Ann arts market.

Project's Economic Development Goals (2008 and 2009): To create sustainable arts/business collaborations, develop new audiences, showcase high-quality art, increase consumer activity in under-visited locations and businesses, boost existing cultural events, extend programming into the shoulder-months and increase connectivity between downtown and the harbor.

FITCHBURG

Year Awarded: (1998, 1999), 2005, 2008, 2009 (5 grants); no award in 2010
Grant Request: 5,000 (98); \$7,000 (99); \$35,000 (05); \$6,000 (08); \$18,000 (09)
Total Funding: \$71,000
Project name: **REACH Fitchburg**
Lead Partner: Economic Development Office, Fitchburg
Partners: Fitchburg State College – Teaching American History Grant Program
 Central Mass Woman's Caucus for Arts
 Office of the Mayor
 Fitchburg Art Museum
 Fitchburg Public Schools Dept. of Visual and Performing Arts
 Fitchburg Historical Society
 Fitchburg Cultural Alliance
 Fitchburg Access Television
 Fitchburg State College: Office of Cultural Affairs and CenterStage

Population (2010): 40,318

Proposed Project Summary (2008 and 2009): The City of Fitchburg has a collective history of more than 300 years as a cultural center in North Central Massachusetts. The intent of the REACH Fitchburg project is to build on those assets to attract sustainable residential and commercial businesses by highlighting downtown Fitchburg as a "Cultural Historic District" with an installation of permanent and dynamic public art projects.

Project's Economic Development Goals (2008 and 2009): 1) Water Street Bridge Gateway: To create a "sense of place" at the entrance to downtown through a public sculpture project; 2) To generate tourism