

FALL 2007

centerlines



A PUBLICATION
FROM THE
CENTER FOR
REGIONAL
DEVELOPMENT
AT BGSU

Economics of Art

The Creative Industries Drive Economic Prosperity

The Center for Regional Development (CRD) recently conducted an Economic Impact Study of the creative industries in Northwest Ohio to measure the economic significance of the region's Arts community. CRD conducted a detailed analysis of a number of Arts industries, including writing, performing, publishing, sound recording, custom architectural woodwork, musical instrument manufacturing, broadcasting, advertising, and audio and video media production.

Conducted for the Northwest Ohio Arts Exchange, the study is unique in its emphasis on including a large number of regional assets, not just urban assets. The study is relevant because there is a growing body of research that shows a thriving Arts community is crucial for the health and vitality of a region. The quality of life within a region, of which the Arts is an essential component, is inextricably linked to a firm's decision about location. If Northwest Ohio hopes to secure a vibrant economic future, a quantifiable measure of Arts activities is needed to retain and recruit companies within the region.

Study results indicate:

- The creative industries generate \$2.4 billion annually in Northwest Ohio.
- The creative industries support 33,000 jobs annually.
- The creative industries generate \$247 million in tax revenue in Northwest Ohio.
- Advertising and design services generate \$276 million in Northwest Ohio's economy.
- Independent artists, writers and performers create an economic impact of \$60 million in Northwest Ohio.
- Sound recording artists have an economic impact of more than \$6 million.
- Every dollar spent by arts industries creates \$1.62 for Ohio's economy.
- Every \$1 million in Arts-related industries generates 22 Northwest Ohio jobs.



CRD Assistant Director Will Burns says, "This project is important because it is the result of a major shift in thinking about communities and the importance of the Arts to their development and success. It is the first time that Northwest Ohio has recognized the Arts as integral to the region's social and economic well being. Other studies have been conducted but not for the region as a whole. It is also the first time that so many individuals and organizations have worked together to identify and strengthen the Arts based on statistical data and analysis."

The study's conclusions will be used to build awareness about the importance of the Arts to economic vitality, lobby to support additional regional Arts activity and build collaborations to strengthen the Arts community. CRD would also like to leverage the data to include the Arts as one of the region's economic clusters.

Clusters are geographic concentrations of interconnected companies who work closely with each other, local suppliers, infrastructure providers, educational institutions and public sector entities. Cluster-based development is founded on the premise that a company can realize higher levels of competitiveness when it looks beyond its own limited capacity to address challenges and solve problems.

Cluster-based approaches to economic development help companies identify new market opportunities, become aware of best practices and become more innovative.

CRD Director Michael Carroll says, "In an increasingly sophisticated global economy, Northwest Ohio needs to look beyond traditional industries in order to secure a vital economic future. The Arts are already making a substantive impact on the local economy – through employment, revenue, taxes and by creating a culture that attracts even more creative industries and people. If we can identify the Arts as an economic cluster and provide additional support to strengthen this vital sector, then we can increase both its direct and indirect economic impact and contribute to an improved regional economy."



The Toledo Museum of Art Glass Pavillion, Toledo, Ohio

FORECASTS

of Sales Tax Receipts and Employment for Northwest Ohio

*Dandan Liu, Andrew McCann, and John Hoag.
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The economic health of a region is historically measured utilizing two important variables: employment and sales tax receipts. The forecasts were developed by a careful statistical analysis of the existing data for the twenty-seven county Northwest Ohio region and individually for both Lucas and Wood counties. These are developed utilizing a time series analysis that can be replicated for any of the individual counties in the region.

Sales Tax Revenue

Sales tax revenue is a good measure of the health of an area's economy as it is typically the major source of revenue for counties. A decrease in sales tax results in a decrease in services at the local level. In December 2006, sales tax receipts in Lucas County were \$5,507,410, in Wood County \$1,112,528, and for the region \$19,802,801. Sales tax revenues in December 2007 are forecast to be \$5,281,619 for Lucas, for Wood \$903,876, and for the region \$20,982,926. It is clear that there is modest growth expected in sales tax revenue for the region as a whole.

Sales Tax Receipts	Lucas	Wood	Northwest Ohio
December 2006	\$5,507,410	\$1,112,528	\$19,802,801
December 2007 (est.)	\$5,281,619	\$903,876	\$20,982,926

State of the Region Conference

The State of the Region Conference has not been forgotten. The popular annual event of CRD is being revamped and will be held in early 2008. The event is returning to its roots of focusing on the region's economy. The timing of the event will allow for a more detailed regional economy report complete with a panel of local experts. The event will coincide with other annual economic reports for the region, state and nation. More information on the upcoming conference will be available at the CRD website, www.centerforregionaldevelopment.com.

Employment

Although employment numbers fluctuate seasonally, they still can be a good indicator of economic health when examined in that context. Additionally, many newer manufacturing processes stress automation improvements, decreasing the demand for additional labor. In December 2006, employment in Lucas County was 227,596, in Wood County 68,193, and in the region 985,521. Employment in December 2007 is forecast to be 238,904 for Lucas, for Wood 69,510, and for the region 998,245. The Northwest Ohio region can expect slight employment growth as a whole.

Employment	Lucas	Wood	Northwest Ohio
December 2006	227,596	68,193	985,521
December 2007 (est.)	238,904	69,510	998,245

New Addition to the CRD Staff



Will Burns, a BGSU graduate, recently joined the Center for Regional Development as its Assistant Director. Burns, who received both his bachelor's and master's degrees from Bowling Green State University,

has spent the last 16-plus years working in community and economic development primarily in Northwestern Ohio. Burns most recently served the Maumee Valley Planning Organization, which covers the five counties in the northwest corner of Ohio, as its Director of Community and Economic Development. Additionally, Burns was the Community Development Director for the City of Zanesville in Southeastern Ohio.

Burns brings extensive economic and community development practical experience to the CRD. Burns is a member of the Ohio Department of Development's Community Development Block Grant Economic Development Program Advisory Board, which reviews program accomplishments and recommends policy direction based on changes in federal and state regulations. Previously, he served as an Executive Board member for the Ohio Conference on Community Development, as well as being a member of both its state programs committee and federal and state training committee. In his role with the Maumee Valley Planning Organization, he assisted companies throughout the five-county region with financing packages

for capital expansions and funding for infrastructure improvements to serve both existing and new industries and businesses in the region. Burns was part of the team from Williams County and the State of Ohio that successfully attracted the Menard manufacturing and distribution center to the Village of Holiday City in Williams County. The project has resulted in a \$50 million-plus investment in Ohio and will create over 400 new jobs for the region.

Burns will be focusing his efforts at CRD on increasing technical assistance programs and bridging the gap between the communities of our region and the University.

FROM THE DIRECTOR

It is my pleasure to welcome Will Burns to the Center as our new Assistant Director. Will has served on CRD's Advisory Committee since 1999 and has considerable experience in community and economic development. His background and guidance will be invaluable in expanding the Center's outreach and engagement efforts.

You will notice that this issue of *Centerlines* contains several economic forecasts for our region. These forecasts are being generated by BGSU's Department of Economics under the direction of Dandan Liu and John Hoag. We hope these forecasts become a regular part of *Centerlines* with expanded results available on CRD's website.

The cover story this month highlights our recently completed economic impact study of the creative industries in our region. Begun in 2005, this is by far the largest *pro bono* project the Center has undertaken. The study required collaboration with a large number of state and local arts organizations, and I am pleased to finally share the results.

Quite frankly, I was surprised that the impact was as large as it was. I knew that we have a world-class art museum and BGSU's music, theatre, and arts programs have gained a global reputation, but I simply did not associate Northwest Ohio with the creative industries. Ohio's industrial heritage has overshadowed the growth of our Arts base for quite some time. Finding such strength in the creative base is very good news for our region. The creative industries require the same social infrastructure as the "knowledge industries" of the new economy. Creative industries are linked not by a global supply chain but rather a network of relationships that transfer ideas throughout the industry. As global production chains continue to move manufacturing to low cost regions offshore, Northwest Ohio's creative networks will become more important. The creative industries generally pay above average wages and generate high value-added services to the local economy.

Michael C. Carroll
Center for Regional Development

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