

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2561 Rayburn House Office Building  
Washington, DC 20515-6515

**MEMORANDUM**

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**TO:** Members, Committee on Small Business  
**FROM:** Nydia Velázquez, Chairwoman  
**DATE:** January 19, 2022  
**RE:** Full Committee Remote Hearing: “The Power, Peril, and Promise of the Creative Economy”

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The Committee on Small Business will meet for a remote hearing titled “The Power, Peril, and Promise of the Creative Economy.” This hearing is scheduled to begin at **10:00 A.M. on Wednesday, January 19, 2022 virtually via the Zoom platform.**

Representing nearly 5.2 million American workers, the arts sector is a major component of the economy. Unfortunately, this industry has been exceptionally hard hit by the COVID-19 pandemic and its recovery has been slower than many others. The hearing will provide recommendations for investments in key infrastructure and provide a roadmap for bringing arts, culture, and creativity into the center of long-term recovery. Members will hear from experts alongside creative entrepreneurs to demonstrate the power of the creative economy and its importance to a robust recovery.

**Panel**

- Mr. Carson Elrod, Co-Founder & Co-Leader, Be An #ArtsHero, Director of Government Affairs, Arts Workers United, Brooklyn, NY
- Ms. Nataki Garrett, Artistic Director, Oregon Shakespeare Festival, Ashland, OR
- Ms. Sandra Karas, Secretary-Treasurer, Actors’ Equity Association, New York, NY
- Ms. Raeanne Presley, Co-Owner, Presleys’ Country Jubilee (Presleys’ Theater), Branson, MO

**Background**

The creative economy is comprised of the film, advertising, and fashion industries, as well as creative occupations such as musicians, artists, and designers. The creative industry includes all employees within the industry whether or not they are in creative occupations, including receptionists, accountants, graphic designers, and music promoters.<sup>1</sup> Economic activity in the creative economy is highly dependent on individuals and organizations using their creativity to drive jobs, revenue, community resources, and cultural engagement.<sup>2</sup> Today, the creative industries are among the most dynamic sectors in the American economy providing new

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<sup>1</sup> Randy Cohen, *COVID-19 Pandemic Impact on The Arts Research Update*, Americans for the Arts (November 30, 2021), <https://www.americansforthearts.org/node/103614>.

<sup>2</sup> *Id.*

opportunities for developing cities and entrepreneurs. Not only do these organizations and enterprises create jobs within their own industry, but they also stimulate economic activities in other sectors, attracting tourism, and creating a climate conducive to business development.

### **The Power of the Arts Sector on the American Economy**

The arts are a formidable \$919.7 billion industry within the U.S economy normally supporting 5.2 million jobs.<sup>3</sup> As of July 2021, financial losses to the nation’s arts and culture organizations were an estimated \$17.97 billion.<sup>4</sup> Moving into the recovery, development and investment in the creative economy has the potential to strengthen overall economic development.<sup>5</sup> Every community across the U.S. has a creative ecosystem that offers unique economic opportunities to help cities rebound. Due to their high interdependence on local commercial ecosystems, arts institutions create and/or sustain arts adjacent businesses like hospitality, retail, tourism, and transportation. Therefore, creative businesses are jobs multipliers with a growth rate of 4.16 percent, nearly double the national rate of 2.2 percent.<sup>6</sup>

Prior the pandemic, arts and cultural sector represented 4.3 percent of the nation’s gross domestic product (GDP) in 2019, an increase of 3.7 percent over 2018.<sup>7</sup> Arts and culture were the second-highest sector for value added per dollar in the U.S. economy, after only retail.<sup>8</sup> That is more than agriculture and mining combined, three times more than education, and \$265 billion more than transportation.<sup>9</sup> With \$150 billion in sales of goods and services nationwide, creative industries represent nearly a third of all jobs in those industries and nine percent of annual sales.<sup>10</sup> Additionally, arts workers comprise 5.1 million of the population and 675,000 art-centered small businesses generate \$878 billion annually across 435 congressional districts.<sup>11</sup>

### **The Peril of the Arts Sector During COVID-19**

At the height of the pandemic, 63 percent of creative workers experienced unemployment and 95 percent lost creative income.<sup>12</sup> The self-employed have experienced higher levels of income loss and unemployment than other categories of cultural and creative workers.<sup>13</sup> Johns Hopkins University reports that, as of October 2021, the percentage of job losses at nonprofit arts organizations remains more than three times worse than the average of all nonprofits.<sup>14</sup>

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<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Creative Economies and Economic Recovery*, National Assembly of State Arts Agencies and Western States Arts Federation (January 2021), <https://nasaa-arts.org/wp-content/uploads/2021/01/Creative-Economy-and-Recovery-Case-Studies-Report.pdf>.

<sup>6</sup> *Supra*, note 1.

<sup>7</sup> *Arts and Culture*, U.S. Bureau of Economic Analysis (July 7, 2021), <https://www.bea.gov/data/special-topics/arts-and-culture>.

<sup>8</sup> *Creative Economy State Profile*, National Assembly of State Arts Agencies (2021), [https://nasaa-arts.org/nasaa\\_research/creative-economy-state-profiles/](https://nasaa-arts.org/nasaa_research/creative-economy-state-profiles/).

<sup>9</sup> *Supra*, note 2.

<sup>10</sup> *Supra*, note 2.

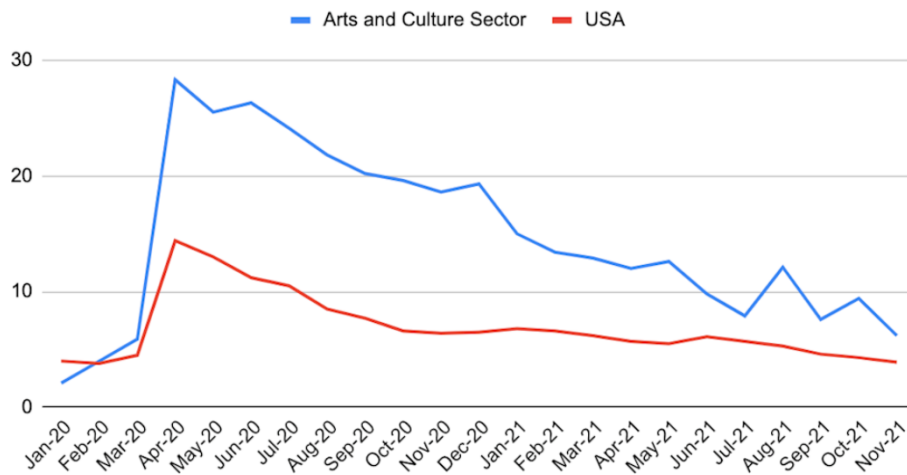
<sup>11</sup> *Supra*, note 2.

<sup>12</sup> *Supra*, note 10.

<sup>13</sup> Greg Guibert and Iain Hyde, *ANALYSIS: COVID-19’s Impacts on Arts and Culture*, The Recovery Support Function Leadership Group (January 2021), <https://www.arts.gov/sites/default/files/COVID-Outlook-Week-of-1.4.2021-revised.pdf>.

<sup>14</sup> Chelsea Newhouse, *COVID-19 Jobs Update*, Center for Civil Society Studies (November 15, 2021), <http://ccss.jhu.edu/October-2021-jobs/>.

**Figure 1.**  
USA vs Arts & Culture Sector Unemployment Rates, 2020-2021



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Heightened physical distancing measures prompted a surge in layoffs nationwide having particularly adverse effects on creative businesses due to their dependence on in-person programming. Therefore, these cultural and creative industries that are most dependent upon in-person performances have suffered some of the sharpest economic losses. To that end, venue and site-based activities, such as theatre, live music, festivals, cinemas, and museums were among the first sectors to shut their doors. For example, 99 percent of producing and presenting organizations cancelled events throughout the pandemic equating to a loss of 557 million ticketed admissions impacting both arts organizations and audiences.<sup>16</sup> Additionally, local area businesses like restaurants, lodging, retail, and parking were severely impacted by cancellation of arts and culture events with a loss of \$17.6 billion in audience ancillary spending.<sup>17</sup>

Without support and stabilization for the arts and culture workforce, America faces the potential of losing the human infrastructure that fuels 4.3 percent of GDP, ultimately resulting in a loss of a generation of creative entrepreneurs.<sup>18</sup> Unlike more resilient industries, art workers and businesses are more likely to take longer than six months to recover from the pandemic.<sup>19</sup> It is estimated that one third of museums and 90 percent of music venues will not be able to survive,<sup>20</sup> 69 percent of small and mid-sized movie theaters are projected to file for bankruptcy or close permanently, and

<sup>15</sup> DataArts, *The Impact of COVID-19 on Employment: Arts & Culture Sector*, U.S. Census Bureau (December 16, 2021), <https://culturaldata.org/pages/the-impact-of-covid-19-on-employment-arts-culture-sector/>.

<sup>16</sup> *Supra*, note 2.

<sup>17</sup> *Supra*, note 2.

<sup>18</sup> *Supra*, note 1.

<sup>19</sup> *Small Business Pulse Survey*, U.S. Census Bureau (November 29, 2021), <https://portal.census.gov/pulse/data/#data>.

<sup>20</sup> Neda Ulaby, *One-Third of U.S. Museums May Not Survive the Year, Study Finds*, NPR (July 22, 2021), <https://www.npr.org/sections/coronavirus-live-updates/2020/07/22/894049653/one-third-of-u-s-museums-may-not-survive-the-year-survey-finds#:~:text=Live%20Sessions,-,One%2DThird%20Of%20U.S.%20Museums%20May%20Not%20Survive%20The%20Year,if%20their%20institutions%20would%20survive.>

66 percent of movie theater jobs are projected to be lost.<sup>21</sup> Despite targeted federal relief efforts like the Shuttered Venue Operators Grant (SVOG), art and culture employment is recovering, but slower than the nation's economy.

### **The Promise of Investing in the Arts Sector**

New research suggests a causal relationship between a thriving arts economy and overall economic and employment prosperity.<sup>22</sup> Considering the arts significant contributions to American GDP, investment can provide a pathway towards economic and social recovery for communities devastated by the economic decline. Arts and culture businesses have profound collateral benefit to the American economy due to the inherit ancillary spending brought on by arts-adjacent businesses. Establishing an arts center in a city will spur the creation of supporting businesses like hotels, coffee shops, and restaurants.<sup>23</sup> Additionally, trend data shows that arts offer economic diversification and can rapidly recover from economic downturns without being anchored down by other slow recovering sectors or being subject to sector's volatility.<sup>24</sup>

Artists are highly entrepreneurial and are 3.6 times more likely than the total U.S. workforce to be self-employed.<sup>25</sup> Arts businesses have a positive effect on local economies. Although most of the industry are gig workers, the arts sector can create and sustain middle-class jobs for workers of diverse backgrounds to pursue creative careers. In turn, the arts industry is a magnet for creative clusters, providing opportunities that influence a much broader range of economic endeavors.<sup>26</sup> More specifically, in rural communities, having a single performing arts organization more than doubles the probability that rural businesses in the community will innovate through the use of design services, trademark registration or producing copyright-eligible materials.<sup>27</sup>

### **Conclusion**

The arts are integral to the social, civic, and economic vitality of our nation. With 94 percent of art workers reporting income loss in 2020, the COVID-19 pandemic has had a devastating impact on America's arts sector.<sup>28</sup> Before COVID-19, the art sector's annual growth rate and consumer spending on performing arts grew exponentially each year. Creative industries support America's social and economic fabric by significantly contributing to job creation, workforce, and overall GDP. Adding a creative or artist component to any city increases the likelihood in the formation of complementary businesses. The creative economy is one of the sectors most at risk from the COVID-19 crisis, and without broad-based recovery, the damage will have reverberating effects across the U.S. economy.

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<sup>21</sup> *Supra*, note 10.

<sup>22</sup> Jenny Gersten, *Investing in the Arts Will Speed Economic Recovery*, Bloomberg (September 1, 2020), <https://www.bloomberg.com/opinion/articles/2020-09-01/investing-in-the-arts-will-speed-cities-economic-recovery>.

<sup>23</sup> *Social Impact of the Arts*, AMERICA FOR THE ARTS. <https://www.americansforthearts.org/socialimpact>.

<sup>24</sup> Douglas S. Noonan Ph. D and Paul H. O'Neil, *The Arts and Culture Sector's Contributions to Economic Recovery and Resiliency in the United States*, National Assembly of State Arts Agencies (January 2021), [https://nasaa-arts.org/nasaa\\_research/the-arts-and-culture-sectors-contributions-to-economic-recovery-and-resiliency-in-the-united-states-key-findings/](https://nasaa-arts.org/nasaa_research/the-arts-and-culture-sectors-contributions-to-economic-recovery-and-resiliency-in-the-united-states-key-findings/).

<sup>25</sup> Doug Noonan and Joanna Woronkiewicz, *Artists and Other Cultural Workers*, National Endowment for the Arts (April 2019), [https://www.arts.gov/sites/default/files/Artists\\_and\\_Other\\_Cultural\\_Workers.pdf](https://www.arts.gov/sites/default/files/Artists_and_Other_Cultural_Workers.pdf).

<sup>26</sup> *Supra*, note 21.

<sup>27</sup> Timothy Wojan and Bonnie Nichols, *Rural Arts, Design, and Innovation*, Art Works and National Endowment for the Arts (November 2017), <https://www.arts.gov/sites/default/files/Rural%20Arts%2011-17.pdf>.

<sup>28</sup> *Supra*, note 2.