

The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region

Part I of Tourism & The Arts
in the New York-New Jersey Region

October 1993

THE PORT AUTHORITY OF NY & NJ

Alliance for the Arts

New York City Partnership

Partnership for New Jersey



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EXECUTIVE DIRECTOR'S OVERVIEW

Over the past seventy-five years, The Port Authority of New York and New Jersey has been committed to the economic development of our region. This commitment goes beyond bricks and mortar; we are also supporters of research into the workings of the local economy designed to provide public and private sector policy-makers with the building blocks they need to develop strategies that ensure this metropolitan area remains one of the premier regions in the world. This study, the first piece of a two-part analysis of the tourism and arts industries in New York and New Jersey, is another step in that effort.

Much of the work included is designed to measure changes that have occurred in the arts industry since 1982, when we first examined this sector. Many of the terms used and the analytic approaches we developed then have been replicated and enhanced in order to provide a consistent basis for comparison over the decade. We know the region itself has gone through some difficult times over the past ten years, and its recovery from the effects of the recession of the late Eighties is not yet at hand. We also know that our competition, both domestically and internationally, has grown more intense since 1982, making our ability to retain our preeminence in this field an even more impressive achievement. Finally, we know this is an important industry for this region, larger even than other sectors such as advertising and other service industries that we think of when we catalogue the region's competitive strengths. And all of this makes the conclusions here all the more important, because those of us concerned with the future of this region need to understand how the major elements of its economy work in order to shape the policies we need for the next century.

This study has been conducted by the Port Authority, but it could not have been completed without enormous assistance from a host of others. First and foremost, we owe a great debt to those who have supported the project financially, especially the Robert Sterling Clark Foundation and the American Express Company, as well as the dozen other public and private funders who share credit for this work. Throughout the study, we have been assisted by our partners, the Alliance for the Arts (the successor to the organization that supported this study a decade ago), the New York City Partnership and the Partnership for New Jersey. After the tragedy of the bombing at the World Trade Center, many of our friends reached out to us and, among other things, made it possible for the work of this study to continue unabated.

A special word of thanks goes to former Chief Economist Rosemary Scanlon, the author of the original study and, together with Richard Roper, the co-leader of this effort. While she has left the Port Authority for bigger and better things, her legacy lives on here through this study and in the minds of all those with whom she has worked over the years. We will always remember the gentle grace with which she conducted herself and, while she is sorely missed, this work is testament to all she has contributed.

We hope this study sheds additional light on this important piece of the region's economy. Whatever else, it should serve to remind us that the arts and culture, besides being at the very core of our humanity, are also an essential part of the economic vitality and future of the New York-New Jersey region.



STANLEY BREZENOFF
Executive Director
The Port Authority of New York and New Jersey

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CHAPTER I

SUMMARY OF FINDINGS AND HIGHLIGHTS

This report seeks to change the way people think about the arts. While all of us are aware of the importance of culture to the spirit of the New York–New Jersey region, too often we forget its importance to our economic vitality as well.

Ten years ago, the predecessor to this study was one of the most comprehensive efforts ever undertaken to assess the economic impact of the cultural industry on a single region. It has been cited and replicated around the world in the years since its completion. Now that a decade has passed, the Port Authority of New York and New Jersey, together with its partners, has updated the study. The Alliance for the Arts and two of the region's most prominent business groups—the New York City Partnership and the Partnership for New Jersey—have joined with the Port Authority and a number of public agencies, private companies and major foundations to seek a broader understanding of the arts as a generator of jobs and economic activity.

The results of the new study are surprising and important. They show that this sector of the regional economy has grown even as the region itself has suffered through difficult times. The very diversity of the vast cultural complex that is housed in the bistate region sustained it, stimulating it to grow some 14 percent in real terms over the ten years. In many ways, it was the creativity of the institutions themselves that allowed them to prosper, increasing their revenues from operations and concessions sales to fuel their growth.

The five segments examined in the study—nonprofit institutions, commercial theaters, television and film, art galleries and auction houses, and the businesses that serve the visitors to the region's cultural attractions—have had varied success during the decade past. But overall, the arts as defined here, and as they were defined in the prior study, have flourished, increasing their impact on a region that has always been strongly identified with them.

Some changes have been made in the study since the earlier version. While every effort has been made to replicate the methodology to ensure comparability, this study includes at least two new elements: a close look at the capital investment made in the arts over the decade, and a separate assessment of the impact of the arts on the City of New York, as well as the region as a whole. Both additions, together with the tracking of changes in the industry since 1982, are presented here to allow public, private and institutional policy-makers a better understanding of this important part of the economy.

The study attempts to correct some misconceptions about the arts, which though widely appreciated are not fully understood. Holding the industry to the same exacting standards as all other contributors to the economy, it looks at jobs, wages, taxes, consumption of services, direct expenditures and, finally, overall impact on the region. It is deliberately conservative. It excludes the impact of spending by visitors to the region if they came here for business or other non-arts-related purposes. Certain activities that are cultural in the largest sense—like publishing, parks and libraries—because they fell beyond the scope of this study were not included, even though they contribute to the region's economy and quality of life. Similarly, it does not measure the cumulative impact of thousands of individual artists in the region who are not working through cultural organizations.

Because the arts and tourism industries are closely intertwined, the data collected here will be integrated in an upcoming analysis that measures the economic impact of tourism on the New York–New Jersey region, to be published in the spring of 1994.

Finally, another strength of the arts is the passion of those in the field. In terms of this project, that passion is reflected in the cooperation of individuals and organizations far too numerous to mention. However, the contribution of one informal adviser should be acknowledged—that of Martin E. Segal, who conceived of and guided the original 1983 report: *The Arts as an Industry*.

If this study tells us anything, it is that the economy of the region, as well as its spirit, depends on how policy-makers—indeed all of us—respond to the challenges we face together.

HIGHLIGHTS

- In 1992, the total economic impact of the arts on the New York–New Jersey region was \$9.8 billion.
- Adjusted for inflation, the arts grew by a robust 14 percent in the past decade.
- Almost \$3.5 billion in wages, salaries and royalties were generated by the arts in the metropolitan area in 1992, a 10 percent increase over a decade ago.
- Employment, both direct and indirect, totaled 107,000, with recessionary job cutbacks accounting for a slight decrease of 8.5 percent from 1982.
- Capital investment in the arts grew significantly during the past decade, a total of \$1.5 billion for nonprofit institutions, art galleries and auction houses and commercial theaters.
- The economic impact on New York City was \$9.2 billion.
- In New York City, where over 90 percent of direct expenditures occurred, the arts grew solidly at a time of retrenchment in many other sectors of the economy.
- The arts industry in the region, for the purposes of this study, consists of five major segments:

Nonprofit institutions had a total economic impact of \$2.7 billion on the metropolitan area economy, an increase of 32 percent since 1982. Included in this category are performing arts companies offering music, opera, theater and dance; museums; zoos and botanical gardens; alternative arts spaces in the visual arts; public television; film and video groups; research libraries and literary magazines; arts service organizations; and ethnic and community arts groups.

Art galleries and auction houses had a total impact of \$840 million, a 48 percent increase over 1982. This excludes the value of art bought and sold.

Broadway and Off Broadway commercial theaters, including contributions from Broadway road companies, generated over \$900 million, a decline of 12 percent from record high levels established in the early 1980s.

Film and television production, as well as commercials, cable and video production, added \$3 billion in total economic impact to the economy, registering a gain of 5 percent.

Visitors to the region who came specifically for its cultural offerings—or extended their stays because of them—generated \$2.3 billion in economic activity in 1992, an increase of 13 percent over 1982.

Note: All comparisons between 1982 and 1992 have been adjusted for inflation.

NONPROFIT CULTURAL INSTITUTIONS

The New York–New Jersey region is home to the largest concentration of nonprofit cultural institutions in the nation and the world. The 1,366 organizations studied in this report run the gamut from many of the world's most celebrated museums, orchestras and opera companies, to hundreds of dance, music and theater companies, to numerous small arts organizations and experimental groups whose contributions greatly enrich the cultural and creative life of the region.

Nonprofit cultural institutions located in New York City account for 92 percent of all direct nonprofit cultural expenditures in the region.

- Together, these institutions had a total economic impact of \$2.7 billion in 1992, based on direct expenditures of \$1.3 billion. In real dollars, direct expenditures increased 38 percent over 1982.
- Most of this growth occurred in large nonprofit institutions, those with budgets over \$1.5 million. During the same period, smaller organizations downsized and dwindled in number.
- Nonprofit institutions supported 26,800 jobs, 12,300 full-time and 14,500 part-time. Full-time employment grew 4 percent, while part-time employment, most of it concentrated in the smaller nonprofits, grew by 42 percent.
- For the same period, total income from operations increased significantly, posting a gain of 98 percent.

- Income from contributions grew by 18 percent. Private contributions rose by 67 percent, whereas contributions from public sources had declined 6 percent by the year 1990–1991 and more precipitously since.
- New York City contributions to the operating budgets of nonprofit arts organizations increased by 10 percent between 1982 and 1991. The City's contribution to the capital investment in these institutions in 1992 increased by one-and-a-half times over its 1982 investment.
- Museums, in particular, led the overall growth in spending, registering a 61 percent increase over a decade ago.

A total of \$1.3 billion was invested in capital projects of the nonprofit arts organizations. The level of investment rose sharply during the mid-1980s, spurred by major renovations and expansions at several institutions.

ART GALLERIES AND AUCTION HOUSES

With its heavy concentration of galleries, international auction houses, alternative art spaces and individual artists, New York continues to be a leader in the exhibition and sale of the visual arts, in this country and around the world.

Art galleries and auction houses grew rapidly during the 1980s, riding the crest of what has been called the greatest art boom in history, then declined sharply during the recent recession.

- In 1992, almost 500 art galleries and the major auction houses had a total economic impact of \$840 million, based on direct expenditures of \$398 million. Direct expenditures increased 44 percent since 1982.
- The industry employed 2,600 directly on a full-time equivalent basis and generated a total of 6,700 jobs, an increase of 34 percent since 1982.
- Manhattan is the home to 94 percent of the region's art galleries and auction houses in highly concentrated areas of activity in SoHo, along 57th Street and on the Upper East Side.
- Since 1982, the number of art galleries increased from 335 to 497, a rise of 48 percent. Nearly 90 percent of the growth occurred in SoHo, which more than doubled the number of galleries to 263. Over the same period, the number of midtown galleries grew by 12 percent.
- The major auction houses, Sotheby's and Christie's, continued to be the focal point for auction house activity throughout the U.S.
- Since 1982, art galleries and auction houses have spent a total of \$115 million in capital investments.

COMMERCIAL THEATER

The bright lights of Broadway mark the heart of commercial theater in America, and one of New York City's most enduring tourist attractions. Clustered along Manhattan's Great White Way, Broadway's venerable theaters form the hub of commercial theater activity in the city, while Off Broadway houses located in many adjacent areas offer additional theatrical fare.

Since 1982, a peak year for Broadway, the size and composition of New York's commercial theater have changed considerably. The early 1980s produced more than twice as many productions, and attracted audiences of more than 10 million, compared to 7.4 million in 1991–92. Today, there are not only fewer productions, but average costs have risen sharply.

- The commercial portions of Broadway, Broadway touring companies and Off Broadway together generated a total economic impact of \$905 million in 1992, based on direct expenditures of \$451 million. When inflation is taken into account, these direct expenditures declined 11 percent from 1982.
- The industry employed 3,200 directly and generated 7,280 jobs.
- Commercial Broadway road shows spent an estimated \$127 million in the region in 1992, approximately 20 percent less than ten years ago. In addition to fewer productions, many road shows did not originate in New York in 1992.

- Commercial Off Broadway expenditures were \$33 million in 1992. Adjusted for inflation, that figure has doubled in the past ten years.
- Capital investment in all commercial theater from 1982 to 1992 totaled \$57 million.

A notable new development since 1982 is the emergence of nonprofit theater, both on and Off Broadway, as a significant source of product and capital for commercial Broadway theater.

The total economic impact of the region's nonprofit theaters, which grew substantially in 1992, is included in cumulative figures for nonprofit institutions.

MOTION PICTURE AND TELEVISION PRODUCTION

Film and video production continue to constitute the single largest segment of the arts industry in the New York–New Jersey region, drawn here by the rich cultural climate and a natural talent pool of performers, writers, directors and producers who live and work in the area.

This industry grew vigorously in the early 1980s, peaking in 1987. But a steep decline in the production of commercials throughout the 1980s, and Hollywood's 1990–91 boycott of feature film production in New York City, contributed to an overall decline of 0.4 percent in expenditures from 1982 to 1992, despite the steady growth in television production expenditures over the decade.

- In 1992, the beginning of its recovery phase, the entire industry had a total economic impact of \$3 billion. Direct expenditures for all production and post-production of films, television programming, commercial and industrial films totaled \$1.44 billion.
- Over 100 feature films were shot wholly or partially in the region in 1992, accounting for 12.4 percent (\$168 million) of all direct expenditures in this segment. Although feature film expenditures increased by almost 60 percent from 1983 to 1990, overall growth from 1983 to 1992 was 22 percent.
- Production and post-production expenditures for television were \$711 million, or 49 percent of the total for the industry, compared to 37 percent in 1982.
- Production of commercials, the dominant category in 1982, declined over the decade to 30 percent of the industry total. Even so, at \$420 million in direct expenditures, this segment of the industry continued to make a sizeable economic contribution to the metropolitan area.
- Post-production activities such as editing, sound, titles and computer graphics grew during this same period; and there is evidence that these specialized film services are becoming a New York "export" industry for films shot in other locations.
- The industry employed 15,820 directly and generated a total of 29,850 jobs.

VISITORS TO THE ARTS

Tourism continues to be a vital New York City industry and a major contributor to the economy of the surrounding metropolitan region. Without question, New York's cultural attractions are a large part of the city's appeal to out-of-town visitors. As this study confirms, arts-motivated visitors, in turn, are critically important to the arts industry and to related industries in the region.

- Visitors who came to New York for the arts—or extended their stays because of them—generated \$2.3 billion in economic impact, based on direct expenditures of \$1.3 billion in 1992.
- Their direct expenditures included \$400 million in restaurants, \$400 million on hotels, and over \$200 million on airfare. While in New York, they also spent \$150 million shopping, and another \$45 million on taxis. All told, spending by arts-motivated visitors increased by 28 percent in the past ten years.
- These visitors also accounted for 30,000 jobs and \$700 million in wages in 1992.
- In addition, they stayed longer and spent more money per trip than a decade ago. In 1992, arts-motivated visitors averaged 2.9 days, one day more than previously, and, at \$400 per stay, spent twice as much per trip compared to a decade ago.

- Foreign visitors made up 15 percent of this arts audience, a 72 percent increase over a decade ago. Of the remaining arts-motivated visitors, more than half came from within a 200-mile radius of New York. Compared to ten years ago, the arts also attracted a growing audience from the West and Midwest.

CAPITAL INVESTMENT

The arts attracted significant capital investment between 1982 and 1992. Excluding estimates from film and television, which were unavailable, total capital investments in nonprofit institutions, art galleries and auction houses, and commercial theaters totaled \$1.5 billion during this period.

- During the decade, nonprofit institutions attracted almost 90 percent of all capital investment identified in the study.
- In particular, nonprofit capital investments rose sharply during the mid-1980s, spurred by major renovations and expansions in institutions across the region, including the Metropolitan Museum, Lincoln Center, the New York Zoological Society, the Brooklyn Botanic Garden, the Newark Museum and the new Liberty Science Center in New Jersey.
- A major source of capital funding was the City of New York, which contributed \$313 million.
- Remaining capital funding came overwhelmingly from private sources.

The region also benefited from a trend in capital investment, in which projects like the New Jersey Performing Arts Center in Newark are the centerpiece of a comprehensive economic development strategy.

METHODOLOGY

This study was designed to be directly comparable to the earlier 1982 study. It focuses on data for 1992 and is not a chronological study of the industry. With the exception of a new section on capital construction and a separate New York City analysis, the scope of the study and its methodology are the same as that used ten years ago. All expenditures are expressed in 1992 dollars and all dollar trends are adjusted for inflation.

Development of Expenditure Data

Thirty-eight data items on 1,366 institutions in the nonprofit sector were collected from applications to the state art councils of New York and New Jersey. These data were augmented using data from other organizations obtained from annual reports.

Expenditure data gathered by the League of American Theatres and Producers from 60 commercial productions were collected and analyzed. Interviews provided additional information. Data from this sample were applied to the level of activity during the 1992 season.

Questionnaires from 157 art galleries surveyed by the Art Dealers Association, the Art and Antique Dealers of America and the Port Authority determined their expenditure patterns and employment. Interviews and follow-up discussions were held with auction house staffs to elicit similar data for this portion of the industry. These data were projected to reflect the operations expenditures of 497 galleries and the major auction houses.

Estimates of film and video production were based on information from the New York State Department of Labor's ES202 series, membership earnings figures from the Screen Actors Guild (SAG) and the American Federation of Television and Radio Artists (AFTRA), and the data from sample production budgets.

Figures for capital expenditures on the arts, a new category, were obtained through written and telephone interviews with 130 major organizations throughout the region.

Information on audience residence, motivations and expenditure patterns was collected from 11,366 visitors to the performing and visual arts via a self-administered survey.

Economic Impact Analysis

Information gathered on direct expenditures in the data collection phase was analyzed using the Port Authority's input-output model. This customized model measures the economic impacts of institutional expenditures for labor, materials and services and also includes the impacts of wage earner expenditures for the arts and their supplying industries. It subtracts expenditures that leak out of the region, measuring only those transactions that affect the regional economy.

CHAPTER II

THE IMPORTANCE OF THE NEW YORK-NEW JERSEY REGION'S CULTURAL ASSETS

INTRODUCTION

The arts are integral to the fabric of life in New York City and the metropolitan region. The quality and diversity of the arts in this area enhance the quality of life of its residents and businesses and are a magnet for visitors. While most of the region's industries have faced extreme competition domestically and internationally, the preeminence of the region as an arts capital of the world remains intact.

To put the New York region's cultural resources in their wider context, they are compared in the following sections to those elsewhere, particularly Los Angeles and Chicago, the two other United States cities with the most sizable cultural establishments. The purpose of these comparisons is to establish the relative magnitude of the New York region's cultural assets. In addition, the unmeasurable importance of the arts to the region and the region to the arts is discussed.

THE CULTURAL INSTITUTIONS: A KEY STRENGTH

While there is ample evidence of growth and vitality in the arts in other major cities in the United States, New York City is still the leader in the size, diversity and scope of its cultural institutions and enterprises in every sector of the arts, except for motion picture and television production where Los Angeles remains pre-eminent.

New York retains considerable dominance in terms of its nonprofit cultural institutions, while showing some areas of vulnerability as a leader. According to the *Places Rated Almanac*, New York City has one-third more art museums than Los Angeles, and 60 percent more than Chicago. New York's largest art museum, the Metropolitan Museum of Art, is a behemoth in the art world, with an operating budget two and a half times that of the Art Institute of Chicago. The third largest museum, based on budget size, is the Museum of Modern Art in New York, followed by the Los Angeles County Art Museum.¹

New York City has thirty-four professional theaters with budgets over \$300,000, compared to nine in Chicago and four in Los Angeles.² However, despite New York's longstanding dominance of theater in the United States, regional theater around the nation has recently become more important in the development of new productions. Increasingly, shows are produced at these theaters before going to larger venues in New York or London. Chicago, for example, is strong in this regard with pioneering theaters such as the Goodman and Steppenwolf. In Los Angeles, the Mark Taper Forum has nurtured and launched a number of plays and musicals which, like those from the Chicago groups, have gone on to Broadway and London. The most recent Tony Award winning play, Tony Kushner's "Angels in America," was performed in Los Angeles before coming to Broadway; the Tony Award winning musical, "Tommy," previewed at the La Jolla Playhouse in California. This trend points to a growing diffusion of the creative energy that spawns new productions in the United States, even though New York remains a powerful venue for this art form.

In music, New York leads the nation in the number of symphony orchestras and performances, with more than twice as many orchestras and concerts as Chicago and a third more than Los Angeles.³

¹ D. Herrick, A.R. Leven, N.R. Remes and N.E. Frey, "A Financial Survey of Nine Major Art Museums: 1991 vs 1983," (Washington, D.C.: The Andrew Mellon Foundation, August 1992), p.33.

² Richard Boyer & David Savage, *Places Rated Almanac: Your Guide to Finding the Best Places to Live in America*, (New York: Prentice Hall, 1989), p. 227.

³ "Orchestra Directory: 1992-1993," *Symphony Magazine*, January/February 1993. pp. 55-86. Also, Richard Boyer & David Savage, *Places Rated Almanac: Your Guide to Finding the Best Places to Live in America*, (New York: Prentice Hall, 1989), p. 226.

New York's Metropolitan Opera is generally regarded as the premier opera company in the United States. In addition, New York is home to more than a dozen other opera companies, twice as many as Chicago, and nearly three times as many as Los Angeles.⁴

New York City has long been the American center for dance. Of those companies which are "Dance USA" members, 31 are in New York, compared to 5 in Chicago and 4 in Los Angeles. But New York's dominance has eroded. Whereas twenty-five years ago, New York City was home to 75 percent of all American dance companies, today it is home to 50 percent.⁵

While Los Angeles and Chicago have important and growing visual arts centers, New York is undeniably the nation's center of the art gallery and auction house world. New York is home to the major auction house operations in the United States and has more than four times as many galleries as Los Angeles and more than five times as many as Chicago. (See Appendix A for data comparing cultural activity in New York, Los Angeles and Chicago.)

Film and television production is the one area of the arts not centered in New York. Los Angeles has been the world center for film production since the 1930s. In 1992, 67 percent of all the films shot in the United States were filmed entirely or partly in Los Angeles.⁶ Further, Los Angeles is now the production site for many commercials once made in New York. However, New York has become an important center for many film and television productions, particularly cable and talk shows. In the past decade, it has also developed an important capacity for post-production. Today, both Los Angeles and New York face an increased challenge from states and cities which compete aggressively for film production.

NEW YORK AS A WORLD CENTER FOR CULTURE

There is considerable growth and vitality in the arts in Europe and Canada, and there are certainly cities in the world in which the scope of some of New York's institutions are matched or surpassed. For example, the Metropolitan Museum of Art is comparable in budget size to the British Museum, London's largest art museum; London's West End had about the same revenues in 1991 as New York's Broadway.⁷

Recently, there has been enormous capital investment in the arts on the Continent. Most notably, a \$1 billion renovation of the Louvre will be completed in November 1993 (which will almost triple the museum's exhibition space).⁸ Germany is also investing heavily in its arts museums. In June 1992, the city of Bonn completed a contemporary art museum that cost \$60 million.⁹ Planned museums include: Munich's modern art museum, to start construction in 1994 and be completed in the year 2000, at an estimated cost of \$166 million, and Hamburg's museum of modern art to be completed in 1996 with an estimated cost of \$57 million.¹⁰ This extraordinary growth reveals a dynamic international arts community in which New York plays an important role. (See Appendix A for detail on international cities.)

New York City's greatest strength lies not only in its magnificent collections and global reach, but also in the eclectic mix of people and institutions that helps produce a creative climate which is both vibrant and international. The Brooklyn Academy of Music (BAM) is an example of this type of international venue. In recent years, it has presented Ingmar Bergman's Royal Theater of Stockholm and the Royal Shakespeare Company of London. BAM is so important internationally that it receives grants from countries outside the United States.

⁴ Richard Boyer & David Savage, *Places Rated Almanac: Your Guide to Finding the Best Places to Live in America*, (New York: Prentice Hall, 1989), pp. 231-249.

⁵ "The Arts in Chicago: A Report to the Community," (Chicago: MacArthur Foundation, 1991), p. 3.

⁶ Los Angeles Economic Development Corporation, "The Motion Picture and Television Production Industry. . . A Major Report on the Los Angeles County Economy," (Los Angeles: Los Angeles Economic Development Corporation, July 1991).

⁷ London Policy Studies Institute, *Cultural Trends, 1992: 16*, (London: Policy Studies Institute, 1992), p. 36. Also, "Broadway Season Statistics," (New York, League of American Theaters and Producers, 1992).

⁸ John Bently Mays, "Artful Makeovers: Perks for Lean Times," *The Toronto Globe and Mail*, September 11, 1993.

⁹ Ferdinand Protzman, "Germany, Art Powerhouse: A Change in Climate," *Artnews*, October 1992, p. 97.

¹⁰ John Dornberg, "Germany Art Powerhouse: Munich, The Secret Capital," *Artnews*, October 1992, p. 87.

The arts are also a diverse and pervasive export from New York, whether it is the popularity of rap music in Tokyo and Paris, the touring of Merce Cunningham Dance Company throughout Europe, a Broadway play running in London's West End, the New York Philharmonic touring abroad, or a New York artist represented by a dealer in Cologne.

The Artists: A Unique Resource

The level of cultural activity in the region is intricately linked to the artists who live and work in New York City and the metropolitan area. The New York metropolitan area, with 114,000 employed artists, has the largest concentration of artists of any city in the United States. Los Angeles, with its giant motion picture and television industry, has 5 percent fewer employed artists than New York; Chicago has 60 percent fewer. New York has more painters, musicians, designers, photographers and dancers than any other city in America. (See Appendix A for Census data by category of employment for New York, Los Angeles, and Chicago.)

One of the many reasons artists are attracted to New York is the sheer size and diversity of the arts complex here. It provides the opportunity to work with other artists in organizations both small and large, commercial and nonprofit. As the head of the New York Foundation for the Arts observed, "small arts organizations are incubators, performing work akin to research and development for the larger organizations."¹¹

Illustrations of this synergy between large and small institutions abound in New York City. Art students exhibit in small nonprofit spaces in hopes of showing at New York's commercial galleries, where, in turn, museums and auction houses often do business; schools and workshops for acting, film and writing produce material for Off and Off Off Broadway productions, which, in turn, supply talent and ideas to Broadway, film, and television. In the 1989 season, for example, it is estimated that one-third of Broadway's productions originated Off Broadway.¹² Dancers study with the great masters, in hopes of joining companies or going on to form their own ensembles; budding poets and writers test their material at specialized workshops. The opportunity to experiment artistically while deriving inspiration from the other cultural opportunities available keeps the "cultural ecology" of New York City alive and vibrant.

The Arts as a Magnet for People and Business

The arts have been a major factor not only in the New York economy, but also in the general quality of life of its citizens and the businesses which locate here. What is more, the arts serve as a major magnet for visitors, as discussed in Chapter V.

From a qualitative standpoint, the arts contribute to life in New York–New Jersey region in important ways. The extent that the arts serve to attract and retain a significant segment of the region's workforce was measured in a recent Harris study, "Why People Move To and Away From New York City." The study, based on a sample of the 174,000 people moving to New York City in 1992, found that a majority (56 percent) cited the variety of cultural attractions as a major motivation for that move. This was the most commonly cited attraction apart from job changes (cited by 61 percent).¹³

Cultural institutions have gone to great lengths to lend their world class facilities to the region's school children. The American Museum of Natural History is a shining example of this widespread commitment. This institution is host to a half million children in school groups each year, runs after school programs, and recently initiated the "Moveable Museum," a recreational vehicle, loaded with special exhibits from the Natural History Museum and other institutions which travels to schools and special events in all five boroughs.

The arts also serve as an ambassador of New York City. The public television broadcasts of "Great Performances" and "Live From Lincoln Center" transmit New York performances around the globe. As WNET President William Baker noted, this is one of the precious few positive messages being relayed around the country and the world about New York.

¹¹ Interview, Ted Berger, Executive Director, The New York Foundation for the Arts.

¹² Ben Pesner, "Off Broadway Theater: A Vital New York and National Resource," (New York: Alliance of Resident Theaters/New York, Inc. April 1991), p. 2.

¹³ Based on a survey conducted for the Manhattan Institute and The Commonwealth Fund, by Louis Harris and Associates, Inc, "Why People Move To and Away from New York City," Study No. 912034, 1993.

The Role of the Arts as a Link Between the City and the Surrounding Areas

While the arts are undeniably concentrated in New York City, and especially Manhattan, they are important throughout the region. Organizations such as the Newark Museum, the Liberty Science Center, the William Carlos Williams Poetry Center in New Jersey and the Rockland Center for the Arts in New York, as well as the suburban historical and cultural councils, help keep the areas surrounding New York City vibrant and intrinsically connected to its cultural life.

An example of this integral relationship is that of the Paper Mill Playhouse, a regional theater located in Millburn, New Jersey, with the New York City theater community. Not only has the Paper Mill's recent production of "Desert Song" moved to The New York City Opera, but the theater holds all its casting and rehearsals in New York City and provides vans before and after every performance to pick-up and drop-off actors, orchestra and crew who live in Manhattan.¹⁴

The cultural complex of New York is also an essential reason why people choose to remain in this metropolitan area. As study data included here will show, suburban residents are a very important share of the total audience for the major cultural attractions of the city itself, and proximity to those institutions is one of the metropolitan area's stronger comparative advantages.

The Arts as a Tool for Economic Development

The arts are a significant force in economic development and neighborhood stabilization. The effect of Lincoln Center on its neighborhood following its construction in the mid-1960s, is perhaps the most notable in the metropolitan area.¹⁵ The rejuvenation of SoHo, now a vibrant part of the City's economy, was pioneered by artists who were instrumental in turning a semi-abandoned manufacturing district into an internationally renowned center for art galleries, shops and restaurants. The Brooklyn Museum and Botanical Garden, the Bronx Zoo and Botanical garden serve as important anchors for their neighborhoods.¹⁶

The potential of the arts to serve as a local economic development tool has also been recognized in the planning of projects as diverse as the New Jersey Performing Arts Center in Newark and the revival of downtown Peekskill, New York. In Newark, the New Jersey Performing Arts Center, now under construction, is expected to benefit the Newark economy not only through the direct spending for construction and operation, but also by stimulating new restaurants and shopping in the vicinity.¹⁷ In Peekskill, a town in Northern Westchester, planners have persuaded 40 artists over the last year and a half to move to the downtown district in an effort to revive their economy and community.¹⁸

CONCLUSION

The cultural complex at the heart of the region represents more than simply an economic engine for jobs and the creation of wealth — although as this study will show, it does this with great success. And it serves as more than a beacon of imagination for people around the nation and the world — although we have no doubt it serves this function also. The arts and the people who create, present, and market them are a critical competitive advantage that New York and its suburbs have over our national and international competitors for survival in the next century.

This study attempts to quantify the economic impact of the arts on the New York metropolitan area. But in doing so, we remain ever aware that the most important role the arts play in the life of the region is not related to its economy but to its very sense of itself. As the pursuit of excellence and the creative spirit have always distinguished this region, so, too, have the people of the region had a lasting impact on the world's definition of the arts.

¹⁴ Interview, Geoffrey Cohen, General Manager of the Paper Mill Playhouse.

¹⁵ "The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region," The Port Authority of New York and New Jersey and The Cultural Assistance Center, May 1983.

¹⁶ See this section in 1983 report.

¹⁷ New Jersey Performing Arts Center, "The Economic Impacts," March 1990, pp.4-5.

¹⁸ Jacques Steinberg, "Peekskill Tries a Creative Approach to Revival," *The New York Times*, April 30, 1993.

CHAPTER III

SCOPE AND METHODOLOGY

SCOPE OF THE STUDY

This study measures the arts and cultural activities in New York City and the metropolitan region as an industry and calculates their economic impact and importance in the City and regional economy during 1992. In its core definitions and methodological approach, this study builds on *The Arts As An Industry: Their Economic Importance to the New York–New Jersey Metropolitan Region*, which was conducted in 1982 by The Port Authority of New York and New Jersey and the Cultural Assistance Center.¹

This assessment of the economic impact of the industry includes measurement of the direct expenditures of each major component of the arts and cultural complex in the region, determines the level of direct employment, identifies the visitors coming to the metropolitan region because of the arts, and estimates the level and characteristics of their spending patterns. Then, utilizing the technique of input-output analysis, this study calculates the total economic impact of the industry including: the total volume of business sales (“impact”); total employment, both direct and generated; total wages and salaries; the volume of sales and income taxes generated for the states of New York and New Jersey and for the City of New York. The study also assesses the impact on other industries in the regional economy of expenditures made by the arts industry.

Some additions have been made to the methodology since 1982. This study presents estimates of capital expenditures made during the years 1982–92 in the nonprofit institutions, by the art galleries and auction houses and by commercial theaters. It explores certain qualitative aspects of the arts in the urban and metropolitan economy including an assessment of the relative position of New York City’s arts activity in the nation and the international community. It measures the impact of the arts not only on the region as a whole, but also, for the first time, on New York City separately. Finally it compares the measurements of this industry in 1992 with those of the industry during 1982.

DEFINING THE ARTS AS AN INDUSTRY

The arts are not commonly defined as an industry per se, and as such do not conform to any standard industrial classification used by official United States government statistical agencies. Where aspects of the arts are measured, as in the five-year *Census of Service Industries*,² production activity is included with headquarters and distribution functions. Further, as noted in the 1982 study, “New York itself presents a special challenge to the definition of the arts because it is a center not only for nonprofit arts but also for a wide range of commercial arts activity,”³ which have not been included in most of the recent studies of the economic impact of the arts on other United States cities.⁴

In this study, the definition of which arts activities constitute “the industry” is identical with that used in the 1982 study.

- *Nonprofit institutions*, including museums, opera, classical music and dance companies, performing spaces, public television, nonprofit film, video arts organizations, literary magazines, nonprofit theater whether on or off Broadway, and zoos and botanic gardens;
- *Commercial theater*, including for-profit Broadway, commercial Off Broadway productions, and that portion of the commercial touring activity (“Broadway Road”) that has an economic return to the region;

¹ “The Arts as an Industry: Their Economic Importance to the New York–New Jersey Metropolitan Region,” The Port Authority of New York and New Jersey and The Cultural Assistance Center, May 1983.

² See *1987 Census of Service Industries*, United States Bureau of the Census; comparisons are also available for *Census of Service Industries* in 1982 and 1977.

³ “The Arts As An Industry,” op. cit., p. 18.

⁴ See Bibliography for examples of these studies. An exception to this point would be a monograph prepared by the Economic Development Corporation of Los Angeles, “The Motion Picture/Television Production Industry—a Major Impact on The Los Angeles County Economy,” by Jack Keyser, July 1991.

- *Commercial art galleries and major auction houses,*
- *Motion picture and television production,* including feature films, taped programs for broadcast and cable television, industrial films, and television commercials;
- *The ancillary expenditures of visitors to the arts,* those visitors who have come to the region for the primary purpose of visiting an arts institution, and those visitors who extended a trip made for another purpose in order to visit an arts institution. These expenditures have been determined by survey, as explained in detail in Chapter V.

As in 1982, several categories of artistic endeavors are not included in the definition because their ties to other industries are at least as strong as their ties to the arts, or because of data constraints. These are activities such as:

- Concerts at commercial facilities (e.g., Radio City Music Hall or the Brendan Byrne Arena);⁵
- The expenditures of arts education institutions;
- Major libraries;
- The publishing industry (although a segment of this industry is devoted to the printing and publishing of specialized books and catalogues for the arts);
- Broadcast news or documentaries;
- The activities of corporate headquarters in media or the commercial arts;
- The total annual earnings of individual artists or performers.

DEFINITION OF THE REGION

The metropolitan region, as defined in this report, is the 17-county metropolitan area monitored by the Port Authority of New York and New Jersey in its ongoing economic analysis program. This region is comprised of the five boroughs of New York City, the four suburban New York counties of Nassau, Suffolk, Westchester and Rockland; and the eight counties of northeastern New Jersey: Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.



⁵ Much of this activity will be captured by the companion study, "Tourism & the Arts in The New York-New Jersey Region."

In 1992, this region, the nation's largest metropolitan center, contained a population of 15.6 million, a labor force of over 7.5 million, 433,000 business establishments, and almost 7 million wage and salary jobs. Total personal income in 1992 was estimated at \$398 billion. Retail sales volume in 1992 was over \$138 billion.

The definition of the region for this study is largely determined by the data availability of such basic indices as employment, income and cost-of-living. In the past decade, however, the metropolitan area has grown rapidly beyond the boundaries of the 17-county configuration. This expanded area has been included as a special category in analyzing the residence of visitors to the arts. (See Chapter V.)

CHOICE OF THE STUDY YEAR

The year 1992 has been chosen as the baseline for this report, primarily because this is the year in which the study was commissioned and initiated, but also because it allows for a ten-year comparison with the previous study, which was conducted in 1982.

The choice of either year is not intended to correspond with cycles that may occur in the various segments of the arts industry. It should be noted that in 1992 the economy of New York City and the metropolitan region was suffering through the third year of a severe recession which had caused a widespread cutback in jobs and high levels of unemployment in most major industries in the metropolitan region. During 1992, recovery from this recession was evidenced in only a few sectors, most notably in finance and securities, and to some extent in travel patterns of business and tourist visitors. By contrast, in 1982, the City and regional economy were in a recovery phase from the effects of the less severe recessions of 1980 and 1981-82. In fact, certain sectors, such as Broadway, were enjoying peak attendance.

DATA COLLECTION

Because the arts are not traditionally defined as an industry, there is scant data available for expenditures, payments for labor sources, or employment for most segments. Only the category of museums and of film and television production are classified by a Standard Industrial Classification Code (SIC), but statistics are limited by type and frequency.

Therefore, a primary effort of this research has been to collect and test data for each segment of the industry. For the nonprofit arts institutions, data has been compiled from individual records of institutions given grants by the State Councils on the Arts as well as annual reports of major institutions not among the Arts Councils grantees. For art galleries and auction houses, data has been collected through specifically designed surveys and interviews. For commercial theater and the motion picture and television segments, the basic data source has been detailed production cost schedules, made available by producers and associations in the various categories. For visitors to the arts, data has been compiled from surveys conducted especially for this study by the Roper Organization at six different sites.

The majority of data collected for this study was for the year 1992. However, data on nonprofit institutions from the New York and New Jersey State Councils on the Arts were for fiscal year 1991, and several examples of production cost data for motion picture and television were gathered in early 1993. For consistency, all data in the analysis were adjusted to 1992 dollars using the regional Consumer Price Index. (Note that in Appendix B the detailed tables of nonprofit expenditure patterns are expressed in their original form for fiscal year 1991.)

ECONOMIC IMPACT ANALYSIS

The methodology of economic impact analysis captures the effects of "direct" expenditures by an industry, such as spending for labor, materials and equipment, rent and utilities. It also identifies the "indirect" spending by suppliers to that industry. An example in the arts industry would be the manufacture of ballet shoes, or tape for a television show, or the graphic arts of an advertising firm hired to publicize a Broadway show. The methodology also calculates the "induced" spending, or ripple effect, of wage earners in the first two categories — for food, clothing, health, travel, rent or utilities. Together, the direct, indirect and induced impacts comprise the total effects on the economy.

In this study, the level and characteristics of direct expenditures are estimated and then analyzed in the Port Authority's input-output model of the regional economy. This model of over 500 separate economic sectors was first developed in 1978 and is frequently updated to reflect ongoing structural changes in the regional economy. For purposes of this work, a parallel input-output model of New York City's economy has been developed in order to measure the regional economic impact of the arts industry in the City, in addition to the region-wide measurement. (See Appendix G for a more detailed description of the input-output models.)

Although this methodology does offer a good sense of the total impact of the arts on the region, it cannot be used to demonstrate causality. That is, some of the discretionary dollars spent by visitors to the arts may have been spent elsewhere in the region if cultural opportunities were smaller or did not exist. These other activities would in turn produce their own economic impact. While the methodology may very well measure the integrated effects of the various segments on the entire economy, it cannot be used to prove that incremental spending would lead to concomitant growth in the region's economy. Rather, it will show a snapshot of the relationship between current spending levels and the local economy.

Further, the model reflects relationships between various industry segments as they exist today. A dollar spent on a theatrical costume, for example, in 1982 may have a very different "multiplier" effect today e.g., new technology may require fewer laborers or more of the production process may occur outside the region.

COMPARABILITY WITH THE 1982 STUDY

For this study, the definition of both the arts industry and the region as well as the methodology used for data collection and analysis are identical to those used in 1982. This ensures comparability with the previous study.⁶

In the current effort, there are several additional features, in addition to the separate estimate of economic impact on New York City. These include an examination of capital expenditures in the arts between 1982 and 1992; a comparison of New York City's leadership in the arts vis-a-vis other major centers in the United States; and detailed breakdowns of the feature film, television, and commercial productions segments. In the 1982 study, emphasis was placed on understanding the economic development role of larger arts institutions in the neighborhoods or boroughs, such as the SoHo art district, Lincoln Center, or the Bronx Zoo.

⁶ op. cit. *The Arts as an Industry*

CHAPTER IV

ECONOMIC CHARACTERISTICS AND TRENDS

This chapter describes the economic dimensions and characteristics of the arts industry in New York City and the metropolitan region. It is organized into the following five segments:

- The Nonprofit Arts and Cultural Institutions;
- The Commercial Art Galleries and Auction Houses;
- The Commercial Theater, including commercial enterprises on Broadway, the Road, and Off Broadway;
- Motion Picture, Video and Television production; and
- Capital investment in arts institutions from 1982 to 1992 for the various segments.

Each segment contains information on: direct operating expenditures, by category; employment levels; attendance, where applicable; revenues and sources of income, where available. At the conclusion of each section, the 1992 results are compared with those of the 1982 study.¹ The expenditure data discussed in this chapter served as the basis for the economic impact analysis, described in Chapter VI.

¹ The Port Authority of New York & New Jersey, op. cit.

A. NONPROFIT ARTS AND CULTURAL INSTITUTIONS

The use of the title, "Nonprofit Arts," is a regrettable convenience and certainly a most inadequate description since this category of the arts encompasses as diverse a set of activities as the arts themselves. This diversity ranges from the great orchestras and opera companies, the ballet and dance companies, the world class museums and pace-setting theatrical groups, to small new groups and organizations whose ideas and creativity might well shape the arts of the future.

For this study, the nonprofit arts have been grouped into the following clusters:

- the performing arts, including nonprofit theater, music and opera;
- the exhibited arts, including museums, zoos, botanical gardens, and nonprofit art galleries;
- nonprofit film and media;
- nonprofit literature groups, including literary workshops as well as poetry and writing centers;
- nonprofit architectural planning and design;
- folk arts;
- arts in education programs;
- service organizations devoted to assisting the arts.

Expenditure Patterns for 1992

The direct expenditures of the 1,366 nonprofit arts institutions identified for this study in the New York–New Jersey region totaled \$1.33 billion in 1992.

The total expenditures of museums in the region were \$323 million in 1992, or 24 percent of expenditures by all nonprofit institutions. The music category, which included opera, was second, with \$218 million in expenditures, or 16.4 percent of the total, followed by presenting organizations (including Carnegie Hall, Lincoln Center, the Brooklyn Academy of Music, the New York Shakespeare Company and Summer Stage), electronic media and film (including public television), dance, and Off Broadway and Off Off Broadway theater, as detailed in Table I.

Table I
Total Expenditures by Type of Organization in the Region
(In Thousands of 1992 Dollars)

Category	Number of Organizations	Expenditures \$	Percent of Total
Museums	74	323, 413	24.3
Music and Opera	180	218, 067	16.4
Presenting Organizations	8	149, 811	11.3
Electronic Media and Film	74	139, 383	10.4
Dance	91	116, 694	8.8
Theater	112	114, 810	8.6
Literature	44	84, 333	6.3
Zoos and Botanical Gardens	8	74, 448	5.6
Arts-in-Education	66	38, 567	2.9
Special Arts Services	122	38, 198	2.9
Architecture Planning and Design	33	16, 047	1.2
Visual Arts	33	10, 676	0.8
Folk	34	6, 116	0.5

Note: The number of organizations does not equal the total number of organizations estimated to be part of this segment, due to methodological issues discussed in Appendix B.

Source: Port Authority of New York and New Jersey based on information from the New York State Council on the Arts, The New Jersey State Council on the Arts and the financial statements of additional institutions. It should be noted, that while these figures are expressed in 1992 dollars, they are derived from State Fiscal Year 1991 information. (see Appendix B for more information).

Labor costs, which comprised over 53 percent of total expenditures, was the largest single type of expenditure by nonprofit arts organizations. In addition, outside professional services accounted for almost 11 percent of total expenditures and may include a substantial labor component. Equipment was the third largest expenditure, accounting for 6 percent. Advertising costs and payments for rent and travel were the next largest categories of expenditures. The remaining, or "other" category of expenditures, includes payments for such items as supplies, interest, insurance, building maintenance, transportation, depreciation, per diem expenses, postage, food and beverages, dues, fees, licenses, printing, and utilities.

Table 2
Expenditure Patterns of Nonprofit Organizations in the Region
(In Thousands of 1992 Dollars)

Expenditure Category	Expenditures \$	Percent of Total
Total	1, 330, 564	100
Labor	705, 198	53
Outside Professional Services	146, 362	11
Equipment	79, 834	6
Advertising	66, 528	5
Space Rental	53, 223	4
Travel	39, 917	3
Other	239, 502	18

Source: SEE TABLE 1

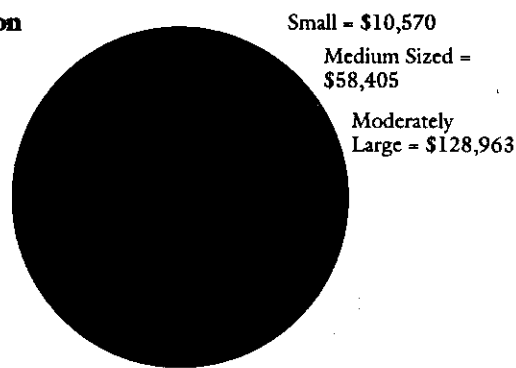
Expenditures by Size of Organization

Large organizations, those with budgets exceeding \$1.5 million, spent more than \$1.132 billion in 1992 dollars, accounting for over 85 percent of total arts expenditures. Moderately large organizations, with budgets from \$375,000 to \$1.5 million, accounted for almost 10 percent of the total expenditures, while medium and small institutions, with budgets of \$374,999 or less, accounted for only 5 percent of total non-profit expenditures in the region.

Chart 1
Total Expenditures by Size of Organization in the Region
(In Thousands of 1992 Dollars)

Annual Budget

 Small (<\$75, 000)
 Medium (<\$375, 000)
 Moderately Large (<\$1, 500, 000)
 Large (>\$1, 500, 000)



Total: \$1,330,564

Source: SEE TABLE 1

Labor Costs by Organization Type and Size

Labor is the dominant category of expenditure in all of the arts, with music institutions, including opera, and zoos and botanical gardens making over 60 percent of their total expenditures on labor, including the cost of wages and salaries as well as taxes and benefits. However, labor is more frequently paid through outside professional services in the categories of electronic media and film and visual arts.

Large organizations spent the most on labor, almost 54 percent of the total budget, while small and medium sized organizations each spent approximately 48 percent on labor. It is likely that much of the kind of work done by large organizations internally is contracted out by smaller organizations. Thus while direct labor costs are low in the smaller organizations, outside professional services spending is high.

Table 3
Labor Expenditures as a Percent of Total Expenditures by Size of Organization in the Region

Annual Budget	Labor Percent of Total	Outside Professional Services Percent of Total	Labor and Services Percent of Total
Small (<\$75, 000)	48.1	14.3	62.4
Medium (<\$375, 000)	48.1	13.9	62.0
Moderately Large (<\$1, 500, 000)	49.2	11.8	61.0
Large (>\$1, 500, 000)	53.9	10.7	64.6

Source: SEE TABLE 1

Income Patterns for 1992

The total income received by all nonprofit arts and cultural institutions in the metropolitan area was \$1.34 billion in 1992. Of this total income, 49 percent came from contributions, both public and private, 45 percent came from operations, and six percent came from interest on endowments and other sources.

Table 4
Sources of Income of Nonprofit Arts Institutions in the Region
(In Thousands of 1992 Dollars)

Income Source	Income \$	Percent of Total
Income	1, 337, 853	100
Operations	608, 340	45
Admissions	317, 316	23
Concessions & Other	291, 024	22
Contributions	649, 468	49
<i>Private</i>	383, 042	29
Foundation	123, 881	9
Corporate	102, 610	8
Individuals	156, 551	12
<i>Public</i>	266, 426	20
Federal	42, 265	3
State	69, 631	5
Local	154, 530	12
Interest from Endowments and Other	80, 045	6

Source: SEE TABLE 1

Private giving accounted for a majority of all contributed income, \$383 million in 1992 dollars. Individuals contributed the most private support, \$157 million, with foundations contributing almost \$124 million and corporations providing \$103 million.

Public funding to the arts totaled \$266 million in 1992 dollars. Most of the public support for the arts came from local government (primarily New York City), which contributed almost \$155 million. New York

and New Jersey state governments contributed \$70 million, and some \$42 million came from contributions of the Federal government.

Income from operations made up 45 percent of the total income, with admissions accounting for \$317 million, roughly half of operations. Concessions and other income comprised the remaining \$291 million.

Income from operations accounted for the highest share of total income in the theater category, 73 percent, and was lowest in the literature segment, where just under 12 percent of the income was earned from admissions and concessions. Dance, music, architecture planning and design and presenting organizations all received over half of their income from operations.

Income from contributions was highest in the categories of literature, visual arts, and arts service organizations. For all museums, income from contributions accounted for 48 percent of total, with 30 percent from private sources, 18 percent from the public sector, and the balance from endowment interest and other.

Table 5
Sources of Income of Nonprofit Organizations by Category
(Percent of Total Income)

Category	Operations	Contributions			Endowment and Other
		Total	Private	Public	
Museums	39.4	47.7	29.6	18.1	12.9
Music and Opera	51.3	42.5	36.4	6.1	6.2
Presenting Organizations	54.7	39.3	28.5	10.8	6.0
Electronic Media and Film	41.3	56.3	34.9	21.4	2.4
Dance	56.6	42.3	33.3	9.0	1.1
Theater	72.8	26.1	19.1	7.0	1.1
Zoos and Botanical Gardens	36.8	54.5	19.6	34.9	8.7
Nonprofit Literature	11.9	87.2	6.9	80.3	.9
Arts-in-Education	35.6	62.7	33.6	29.1	1.7
Special Arts Services	31.3	65.7	29.3	36.4	3.0
Architecture Planning and Design	50.6	45.2	33.4	11.8	4.2
Visual Arts	28.9	68.1	26.8	41.3	3.0
Folk	41.0	58.0	31.2	26.8	1.0

Source: SEE TABLE 1

Small organizations, those with budgets of less than \$75,000, received almost 60 percent of their income from contributions, primarily from public sources, whereas large institutions with budgets of \$1.5 million or more received 54 percent from contributions, primarily from private sources.

Employment Patterns

The nonprofit arts institutions employed 26,820 workers in the New York–New Jersey region during 1991. Of these, 12,320 were full-time, and 14,500 were part-time workers, which is equivalent to nearly 20,000 full-time jobs.²

New York City's arts institutions employed 84 percent of all workers in the nonprofit arts in the region, and 90 percent of the total full-time equivalent employment.

Museums in the metropolitan area employed 5,311 people, the most of any nonprofit category, and offered the largest number of full-time jobs, equaling 72 percent of the total labor. Music institutions, including opera, ranked as the second largest employer, with a total of 4,750; only 15 percent of these jobs are full-time. Nonprofit architecture, planning and design organizations, along with folk and visual arts institutions, employed the fewest people.

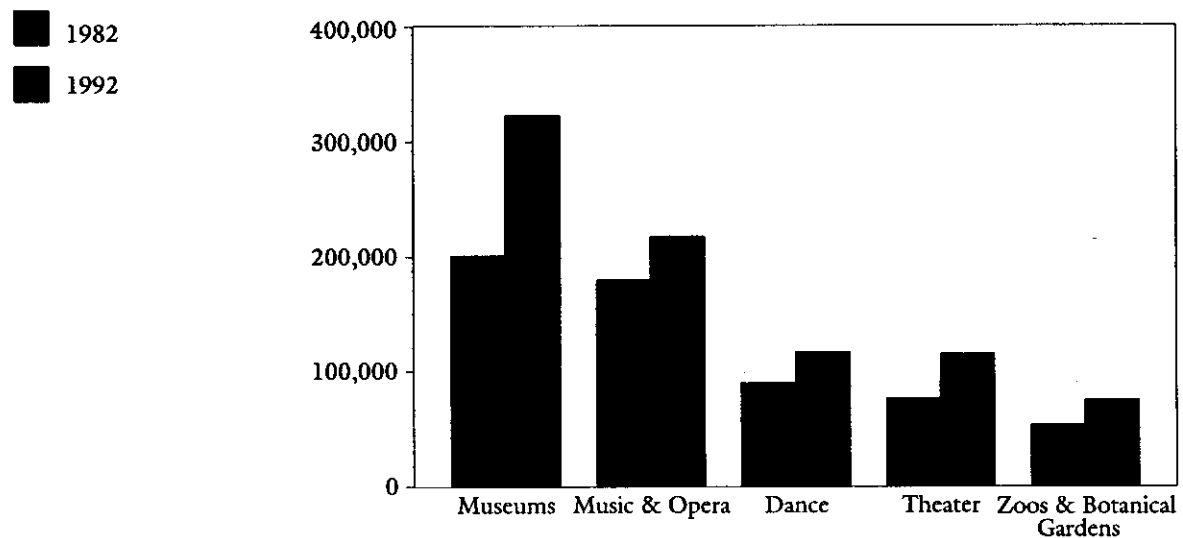
² This estimate was based on the assumption that two part-time workers are equal to one full-time employee.

In the small institutions, the vast majority of employment, 92 percent, was part-time. This was also true for medium-sized institutions (81 percent). For the moderately large organizations, 67.5 percent of employment was part-time. Large organizations, however, make up 50 percent of the total jobs and 71 percent of their staff are employed full-time.

Comparison of Expenditures, 1982 and 1992

The total dollar expenditures by nonprofit arts organizations increased by 38 percent from 1982 to 1992, adjusted for inflation. Over the decade, the volume of expenditures increased in almost every category that remains comparable to the categories analyzed in 1982. The total expenditures of museums increased by 60 percent in real terms, and those of nonprofit theater by 51 percent. Expenditures by zoos and botanical gardens increased by almost 41 percent, those of dance companies by 30 percent, and expenditures of music organizations, including opera, increased by 21 percent.

Chart 2
Change in Total Real Expenditures by Type of Organization: 1982 and 1992
(In Thousands of 1992 Dollars)



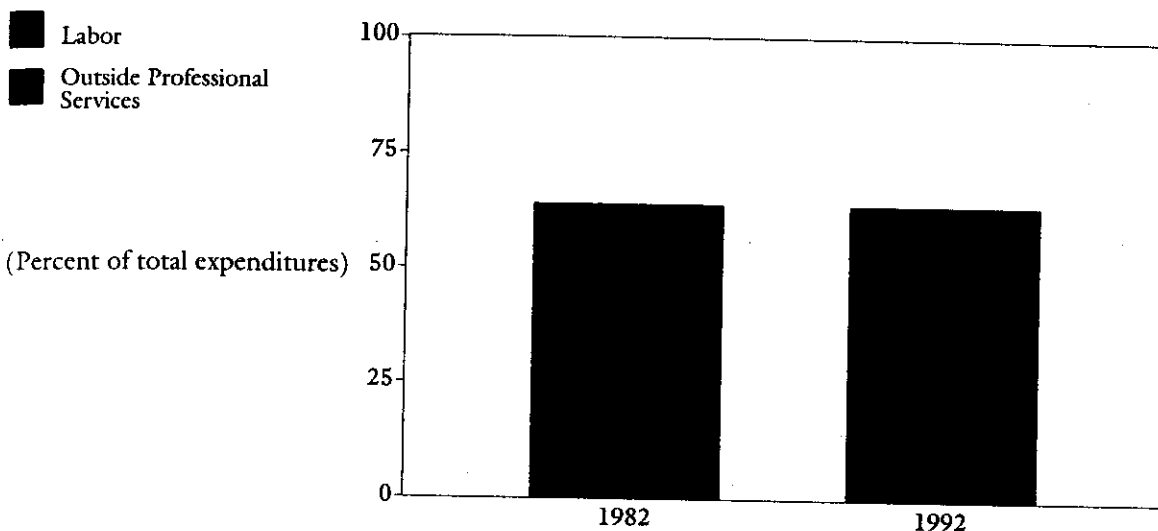
Source: SEE TABLE 1

This growth can be attributed almost entirely to the largest organizations. Organizations with budgets over \$1.5 million increased 52 percent over the decade. The patterns over the decade suggest that large organizations were able to strengthen and thrive during the 1980s, while the economic pressure was most severe for small organizations. Total expenditures of the smallest organizations, including the estimate for organizations not including in the database, declined nine percent since 1982. (See Appendix B.)

The overall pattern of spending of nonprofit institutions is quite similar to that of a decade ago. Direct costs of labor in 1982 were higher, at 60 percent of total expenditures, versus 53 percent in 1992. Some of the labor costs appear to have shifted to outside professional services over the decade, as the arts institutions, along with other sectors of the economy, augmented full-time in-house staff with outside contracting. If the proportion of expenditures for outside professional services were added to labor costs in 1982 and 1992, total labor costs in both time periods equal 64 percent of all expenditures of nonprofit institutions.

Chart 3

Shift in Labor Costs from Wages and Salaries to Outside Professional Services



Source: SEE TABLE 1

Comparison of Income, 1982 and 1992

The total dollar incomes of nonprofit arts organizations, when adjusted for inflation, increased 45 percent.

In perhaps the most fundamental shift over the past decade, income from operations increased almost 98 percent in real dollar terms, shifting from a third of the total income in 1982 to 46 percent in 1992. As contributions from most public sources became more scarce during the decade, there was great pressure on these institutions to maximize concessions income, which has increased 140 percent in real terms over the decade and admissions income, which has increased 70 percent over the decade.

Table 6
Sources of Operating Income of Nonprofit Arts Institutions in the Region: 1982 and 1992
(In Thousands of 1992 Dollars)

Income Source	1982 \$	1992 \$	Percent Change
Total Income	924,181	1,337,853	44.8
Operations	307,775	608,340	97.7
Admissions	186,359	317,316	70.3
Concessions & Other	121,415	291,024	139.6
Contributions	616,406	729,514	18.3
<i>Private</i>	230,065	383,042	66.4
Foundation	55,289	123,881	124.0
Corporate	50,551	102,610	103.0
Individuals	124,225	156,551	26.0
<i>Public</i>	283,563	266,426	-6.0
Federal	86,514	42,265	-51.0
State ³	35,853	69,631	94.2
Local	161,196	154,531	-4.1
Interest from Endowment and Other	102,777	80,045	-22.1

Source: SEE TABLE 1

Percent decreases in state appropriations are not reflected in the study year's figures, but would substantially change the numbers if the State Fiscal Year 1993 included. New York State appropriations to the Arts Council declined sharply from \$59 million in 1990 to \$26 million in FY 1993, leading to a 25 percent decrease over the period 1982 through State Fiscal Year 1993.

Private giving to the arts has become more important over the decade, increasing by almost 67 percent since 1982. Foundation support has increased by 124 percent since 1982, with corporate giving increasing by almost 103 percent and individuals providing almost 26 percent more over the decade.

Public support, however, has declined by 6 percent in real dollar terms since 1982. Federal support has plunged by 51 percent and local support by 4 percent (a combination of increased New York City support and decreased local support outside of the City). While our study shows that state funding grew between 1982 and 1991, recent decreases in appropriations to arts groups through the New York State Council on the Arts and other sources have resulted in an overall decrease of 25 percent from 1982 to State Fiscal Year 1993.

Table 7
Sources of Income of Nonprofit Arts Institutions in the Region
(Percent Distribution 1982 and 1992)

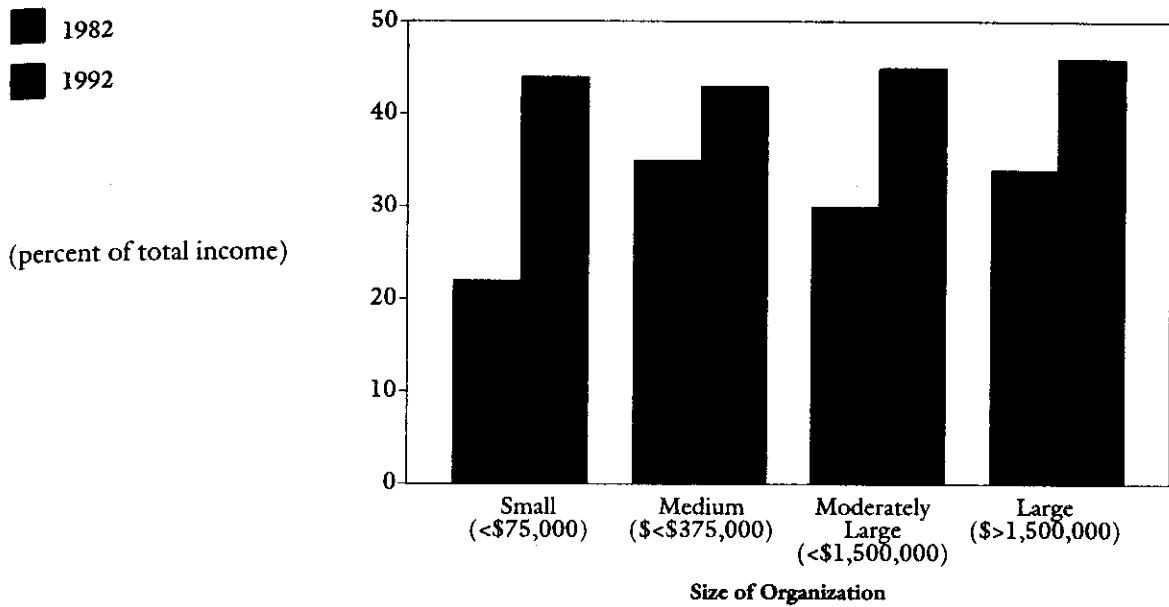
Income Source	1982 Percent	1992 Percent
Operations	33	46
Admissions	20	24
Concessions and Other	13	22
Contributions	56	54
<i>Private</i>	25	28
Foundation	6	9
Corporate	6	8
Individuals	13	11
<i>Public</i>	31	20
Federal	9	3
State*	4	5
Local	18	12
Interest from Endowment and Other	11	6

* See footnote 3.

Source: SEE TABLE 1

The growth in income from operations is particularly pronounced among the smallest organizations, those with budgets of \$75,000 and less. These organizations have traditionally been more dependent on contributed income than their larger counterparts. In the face of budget cuts, those that survived now earn a much larger proportion of their income from operations than was the pattern ten years ago. The proportion of income from operations among this group has grown from 22 percent in 1982 to 40 percent in 1992.

Chart 4
Income from Operations by Size of Organization
(Percent of Total Income)

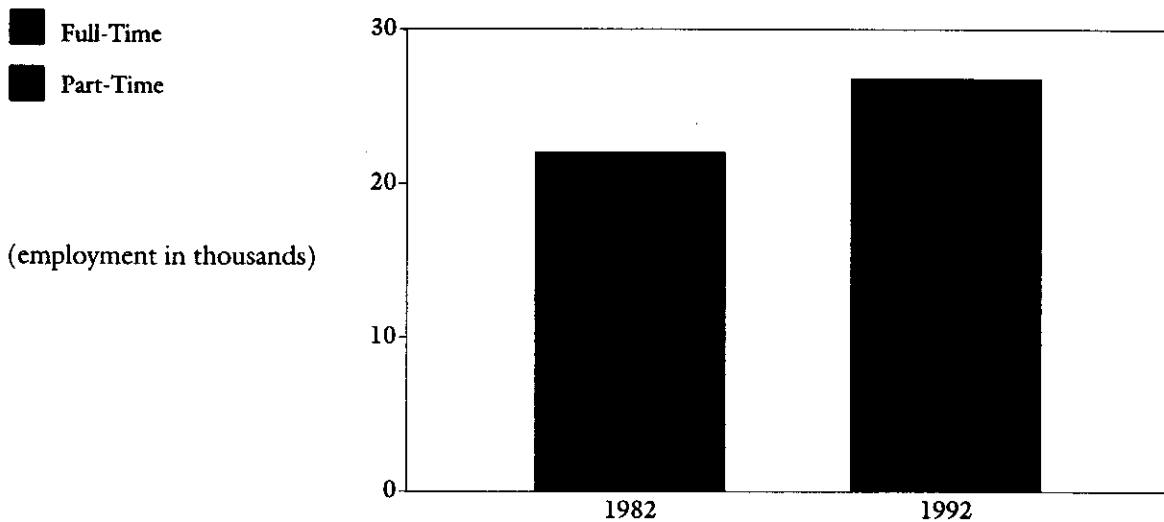


Source: SEE TABLE 1

Employment Patterns in the Region 1982 and 1992

Nonprofit employment in the region has increased over 20 percent since 1982. Full-time employment has remained fairly constant, but part-time employment has increased a dramatic 42 percent.

Chart 5
Employment in the Region: 1982-1992
(Thousands of Jobs)



Source: SEE TABLE 1

New York City

New York City is the location of the great majority of activity in the nonprofit arts and cultural institutions. Fully 92 percent of the total regional expenditures are made by the institutions in New York City.

The income of all nonprofit arts institutions in New York City increased by 48 percent over the decade and, since most of the income growth occurred in the larger institutions which are located in New York City, it is not surprising that the City's share of all regional income actually increased slightly over the decade, from 90 percent in 1982 to 92 percent in 1992.

Income from operations in New York City increased by 94 percent over the decade, with most of the growth occurring in income from concessions and related sources. Income from admissions increased by 70 percent.

Income from contributions to all nonprofit arts institutions in New York City increased by 32 percent since 1982. Of these, private donations increased by 67 percent, with foundation support showing the greatest growth (132 percent), and with corporate (106 percent) and individual (26 percent) giving also increasing. Total public operating support showed no growth over the ten-year period, primarily resulting from a decrease in federal funding of 50 percent. While New York State funding, from NYSCA and other sources, rose between 1982 and 1990 (as reflected in the 94 percent increase included in the NYSCA data upon which this study has been based), in recent years there has been a substantial decline resulting in an overall decrease of 25 percent when 1982 is compared to State Fiscal Year 1993. New York City contributions to operating funds increased by 10 percent from 1982 as compared to State Fiscal Year 1992. As a result of these shifts, the total giving by individuals, \$147 million in 1992, became the leading category of support to the arts, supplanting local government, the leading source in 1982. Total New York City contributions to nonprofit arts institutions, including contributions for capital projects, have risen by 36 percent.⁴

Table 8
Sources of Income of New York City Nonprofit Institutions: 1982 and 1992
(In Thousands of 1992 Dollars)

Category	1982 \$	1992 \$	Percent Change
Total Income	833,629	1,233,325	48
Operations	286,273	555,456	94
Admissions	170,497	289,988	70
Concessions and Other	115,775	265,470	129
Contributions	456,408	601,682	32
<i>Private</i>	215,827	359,997	67
Foundations	50,334	116,951	132
Corporations	46,603	95,981	106
Individuals	118,890	147,064	26
<i>Public</i>	240,581	241,685	0.5
Federal	80,655	40,055	-50
State*	28,931	57,657	99
Local**	130,996	143,973	10
Interest from Endowment and Other	90,948	76,188	-16

* See footnote 3.

** This category includes operating support only. If capital contributions were included, New York City contributions would have increased by 36 percent.

Source: SEE TABLE 1

⁴ It should be noted that alone among the levels of government, New York City makes significant capital contributions to the arts.

B. ART GALLERIES AND AUCTION HOUSES

The world of commercial art galleries and auction houses encompasses a broad spectrum of enterprises, from international auction houses with hundreds of employees to showcases for emerging artists with a single employee.

Since there is no official source which provides information on the size or characteristics of this segment of the arts industry, surveys of galleries and auction houses and interviews with professionals in the industry have been conducted to determine operating expenditures, employment levels, and trends in sales activity and capital investment during the years 1982 to 1992.

To determine first the art galleries to be surveyed, membership lists of the various gallery associations, particularly the Art Dealers Association, the Art and Antique Dealers Association, and the *Art Now Gallery Guide*, were analyzed to yield a tally of 497 commercial art galleries in the metropolitan region.

Surveys were sent to all commercial art galleries on this list. A total of 157 were completed and returned, for a response rate of 32 percent. Surveys were also sent to the major auction houses. Results were combined with those of the art gallery surveys to produce estimates of expenditures, patterns and employment. (See Appendix C for art gallery surveys.)

In 1992, the direct operating expenditures of commercial art galleries and auction houses (excluding the value of the art) was \$398 million. This industry employs over 2,960 people, both full and part-time, and is highly concentrated in Manhattan.

Geographic Concentration

For all the diversity among art galleries in the metropolitan region, almost all, 94 percent, have a Manhattan address in common. Geographic concentration is so important in this industry that, even within Manhattan, galleries congregate in specific neighborhoods, along a particular block, and even in special buildings. Table 9 indicates the location and concentration of the industry in 1992:

Table 9
Location of Commercial Art Galleries in New York City and the Region, 1992

	Number of Galleries	Percent of Total
New York City	481	96.8
Manhattan	467	94.0
SoHo	263	53.0
Midtown	176	35.4
Other Boroughs	14	2.8
Rest of Region	16	3.2
Total Region	497	100.0

Source: Port Authority of New York and New Jersey

Some of the galleries surveyed for this study first opened their doors in the mid-1880s, others opened as recently as mid-1992. While a few galleries employ dozens of people, the average employment is only three full-time workers (one of whom typically has an ownership interest), and one part-time employee. The average gallery size is about 3,000 square feet, but the range of space size among galleries responding to the survey was from 120 square feet to 12,500 square feet.

According to the survey, the average gallery draws approximately 170 visitors, and sells to 7 customers every week. Of these customers, 37 percent live in New York City, 22 percent live in the surrounding metropolitan area, 30 percent live elsewhere in the United States, and 11 percent live abroad.

Of the estimated total of \$398 million in direct operating expenditures for both galleries and auction houses in 1992, the largest category of spending is for labor and benefits (37 percent), followed by rent (15 percent), printing of catalogues and brochures (7 percent), exhibition expense (6 percent) and advertising (6 percent).

Table 10
Expenditure Pattern of Commercial Art Galleries and Auction Houses
(In Thousands of 1992 Dollars)

Category of Expenditure	Total \$	Percent of Total
Total Expenditures	398,000	100
Total Labor	147,260	37
Salaries and Wages	107,460	27
Taxes and Benefits	39,800	10
Rent	59,700	15
Publishing	27,860	7
Exhibition Expenses	23,880	6
Advertising	23,880	6
Utilities	19,900	5
Supplies	15,920	4
Insurance	11,940	3
Outside Professional Services	7,960	2
Other	59,700	15

Source: The Port Authority of New York and New Jersey

Trends In the Industry 1982-1992

During the ten year period between 1982 to 1992, the commercial art gallery and auction house industry experienced dramatic change, growing at a robust rate during the 1980s in what has been called "the biggest art boom in history"⁵ but abruptly declining in 1990-1992 in a period that one observer called "the toughest times I have seen in the last thirty years".⁶

According to our surveys, this art boom peaked in New York City during 1989 and 1990. From that peak, the volume of sales activity is estimated to have fallen by 50 percent or more by the end of 1992. The major auction houses have announced significant employee lay-offs⁷ and, according to our surveys, many galleries have closed and employment in the commercial art galleries has fallen approximately 30 percent.

Increase in Number of Galleries, 1982-1992

Since 1982 there has been considerable change in the number and location of galleries in New York City, with a notable net expansion in the number of galleries. The following table shows the change in number of galleries, by location, from 1982 to 1992:

⁵ "The Art Boom: Is it Over, or Is this Just a Correction?" *New York Times*, December 16, 1990.

⁶ Personal Interview, Gil Edelsen, Art Dealers Association.

⁷ *New York Times* op. cit.

Table 11
Number of Commercial Art Galleries in the Region: 1982 and 1992

Location	1982	1992	Change	
			Absolute	Percent
New York City	321	481	+160	+ 50
Manhattan	315	467	+152	+ 48
Downtown	158	291	+133	+ 84
SoHo	121	263	+142	+117
Other Downtown	37	26	- 11	- 30
Midtown	157	176	+ 19	+ 12
Other Boroughs	6	14	+ 8	+133
Rest of Region	14	16	+ 2	+ 14
Total Region	335	497	+162	+ 48

Source: *Art Now Gallery Guide*, 1982 and 1992

These net figures hide a significant amount of activity since they do not reflect those galleries which might have opened and closed between 1983 and 1991.

Almost all of the growth in the number of galleries in the region, over 87 percent, has occurred in SoHo, in downtown Manhattan. This increase resulted from both a relocation of existing galleries from locations in Midtown and nearby downtown neighborhoods, as well as the emergence of new galleries. As a result, there are more than twice the number of galleries in SoHo in 1992 than there were in 1982. The number of galleries in SoHo now far surpasses the total number in midtown Manhattan, historically New York City's center for the fine arts.

Increase in Volume of Visitors and Customers, 1982-1992

Another indication of the net growth in art gallery activity over the 1982-1992 period is the overall increase in the number of visitors and customers to the galleries.

Based on the surveys conducted for this study, the volume of visitors and customers, including those from out-of-town, was greater in 1992 than the volume of a decade earlier, as follows:

Table 12
Trends in Visitors and Customers to Art Galleries, 1982 and 1992
(In Percent)

	Increased	Decreased	Stayed the Same
Galleries Whose Visitors:	58	18	24
Galleries Whose Customers:	47	33	20
Galleries Whose Out-of-Town Customers:	57	20	23

Source: Port Authority of New York and New Jersey

Trends in Direct Expenditures, 1982-1992

Despite the decline in art market activity in New York City during the early 1990s, not only did the number of galleries increase over the decade, but total direct expenditures of commercial art galleries and auction houses increased from an inflation-adjusted level of \$275 million in 1982 to \$398 million in 1992, a gain of 45 percent in real terms.

C. COMMERCIAL THEATER ON BROADWAY, THE ROAD AND OFF BROADWAY

Broadway is New York City's world-famous theater district and the historic center of the commercial, or for profit, arts industry in New York City and the metropolitan region. This section analyzes the direct expenditures made in the New York-New Jersey region of commercial plays and musicals for both new productions and shows running from previous seasons on Broadway, Off Broadway, and on the Road. It should be noted that this analysis considers only for profit theater, not the increasingly important nonprofit portion of Broadway, Off Broadway and the Road which are included in the nonprofit sections of this study.

The official statistics for each Broadway season covering gross revenues, attendance, playing weeks and the number of new productions, are published regularly in *Variety* magazine from data gathered by the League of American Theatres and Producers. To estimate the level of direct expenditures in 1992, production budgets for 22 new productions in the 1991-92 season⁸ and operating budgets for a total of 60 shows running on commercial Broadway, Off Broadway, and the Road, were analyzed for detailed expenditures on labor, rent, props and wardrobe, as well as other costs.

This sample, which covered almost two-thirds of the total activity in 1992, was stratified to represent the cost structure of both large and small musicals and plays. The average costs obtained for new productions and for running shows were multiplied by the total number of new productions, or by the number of playing weeks, to obtain detailed expenditures by category.

Commercial Broadway in 1992

During the 1991-1992 season there were 27 new for profit productions, 14 musicals and 13 plays. In that year, the average cost of producing a musical was \$2.8 million, and \$900,000 for a new play. Based on these figures, the total cost for all new commercial Broadway productions was \$52 million in the 1991-1992 season.

Total playing weeks for all commercial musical and dramatic productions, both new offerings and existing productions, equaled 781 in the 1991-92 season. The majority of these playing weeks, almost 580, were accounted for by musicals, most of which were the major carryover hits from earlier seasons such as *Cats*, *Phantom of the Opera* and *Miss Saigon*. The average running cost for a musical was \$348,000 per week and, for a dramatic play, \$189,000 per week. Together, these resulted in \$239 million in running costs for the 1991-92 season.

Direct expenditures in 1992, the total of both new production costs and operating costs of running shows, equaled \$291 million. The primary expenditures were for artistic, technical and administrative labor, comprising \$166 million, or 57 percent, of total expenditures. Other major costs were for sets and equipment rental (12 percent), theater rental, taxes and benefits, outside professional services and utilities, as reflected on Table 13.

Table 13
Direct Expenditures of Broadway Commercial Theater, 1992
(In Millions of Dollars)

	Expenditures \$	Percent of Total
Labor (Salaries, Royalties)	166	57
Sets, Equipment Rental	37	12
Theater Rental	31	11
Advertising	33	11
Taxes and Benefits	16	5
Legal, Insurance, Miscellaneous	7	2
Transportation, Travel, Shipping	3	1
Total Direct Expenditures	\$291	100

Source: Port Authority of New York and New Jersey, based on data supplied by the League of American Theatres and Producers. (Because of rounding, totals may not equal the sum of individual entries)

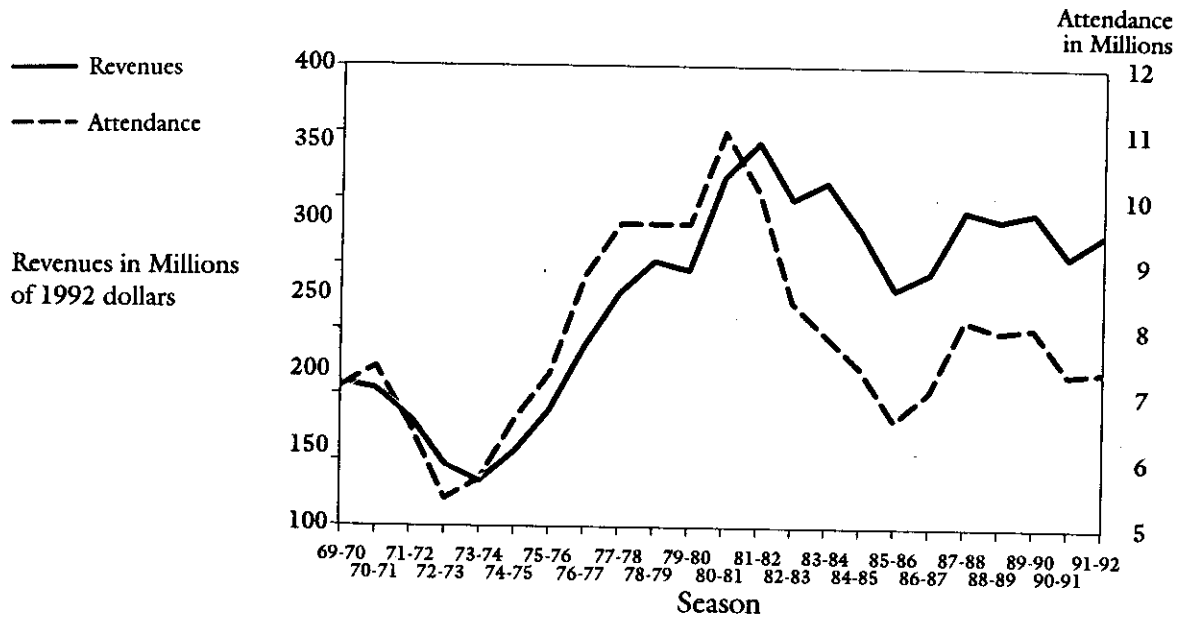
⁸ The Broadway season, which is the basis for these 1992 estimates, ran from June 1, 1991 to May 31, 1992.

Trends in Broadway Theater, 1980-92

The cycle for Broadway theater since the beginning of the 1980s is independent of the economic trends in the New York City and metropolitan area economy in general, and specifically of trends in most of the other segments of the arts industry which are covered in this report. The Broadway theater had its most successful commercial period in more than three decades during the early 1980s. When 61 shows opened in the 1979-80 season, Broadway reached its highest point for the number of new productions. Revenues peaked in the 1981-82 season at \$223 million (\$351 million in 1992 dollars). The 1980-81 season saw record attendance (11 million) and playing weeks (1,544).

Following this peak, however, the Broadway theater declined sharply to a low point in the 1985-86 season, when attendance fell to 6.6 million, the number of playing weeks subsided to 1,045 and the number of new productions fell to 33. This, despite the economic strength of the regional economy that reached its most recent peak in 1987.

Chart 6
Trends in Broadway Revenues and Attendance
1969-70 Season to 1991-92 Season



Source: League of American Theatres and Producers

There has been some recovery in subsequent years in both the volume of attendance and total revenues, but Broadway attendance in 1992 was 7.37 million, or 12 percent above the low season of 1985-86. It should be noted, however, that in this study expenditure levels in 1992 are being compared to the peak years of the early 1980s.

In contrast to the decline in the number of new productions and playing weeks between the last report and the 1991-92 season, production costs rose sharply in this period. The \$1.9 million average cost of a new production in 1992, (averaged for both musicals and plays), was 94 percent higher, after adjusting for inflation, than that reported in the previous study. Despite this increase, the smaller number of new productions resulted in a 13 percent decline, in real terms, of total dollar expenditures for new productions.

There was a similar trend in operating expenditures. Although average playing week expenditures were 30 percent higher in real terms in 1992, factoring in the sharp decrease in operating weeks resulted in a 9 percent decline in total operating expenditures.

The total direct expenditures for both new productions and operating expenditures of running shows on commercial Broadway of \$291 million in 1992, marks a decline in real terms of 12 percent from the level of activity measured by the 1982 study, "The Arts as an Industry."

Commercial Off Broadway

The commercial segment of Off Broadway, while considerably smaller in size than either commercial Broadway or the large network of nonprofit Off Broadway theaters,⁹ has shown significant growth in expenditures over the decade. Increases in activity are reflected in the number of new productions, which totaled 37 in the 1991-92 season compared to 30 in 1980, and in the number of playing weeks which are estimated to be 654 in 1992 compared to the estimate of 450 for 1980.

One reason for the higher level of activity in 1992 is the large number of long-standing productions, nine in all, including such hits as *Nunsense* and *Forbidden Broadway*, which accounted for two-thirds of the total playing weeks in the 1991-92 season.

Production and operating costs for Off Broadway theater have also risen sharply over the decade, parallel to the trends for commercial Broadway. In the 1991-92 season, new production costs averaged \$217,000, an increase of 42 percent over costs in 1980, after adjustment for inflation.

Operating costs have also increased over the decade, averaging \$38,000 in 1991-92, some 38 percent above similar costs in the early 1980s, adjusted for inflation.

In total, direct expenditures for commercial Off Broadway in 1992 were \$33 million, based on \$8 million in production costs and \$25 million in operating expenditures. This represents a gain of 74 percent in real terms over the levels of 1980.

The Road

Successful Broadway shows, especially musicals, are often presented by traveling companies as well as by companies based in other cities. These so called "Road productions" are often linked in various ways to the original production. The New York economy benefits from those expenditures of theatrical shows on national tour if the Road production is mounted in New York and a significant portion of the costs of preparation are incurred locally. Benefits also accrue to the region from the portions of a show's operating costs which return to New York in the form of salaries for actors and technical crew, advertising, accounting or other business service expenditures, and authors, producers or investors' royalty or license payments (See Appendix D for detailed methodology of these calculations.)

Gross revenues for all Road productions in the United States and Canada totaled \$503 million in the 1991-92 season, according to *Variety*, the highest level recorded in over thirty years. Touring revenues were boosted by the success of such long-running musicals as *Cats* and *Phantom of the Opera*, which had multiple productions running in many cities throughout the United States and Canada.

Despite the high level of Road activity, there were few new productions mounted in New York for national tour during the 1991-92 season, and the proportion of expenditures which returned to New York from existing Road shows has also declined in recent years. One reason is a shift in the financing structure of touring productions. Some costs, such as those for local advertising or rehearsals, which were once incurred in New York, are now made outside the region by the local presenter. In addition, more shows on national tour in 1992 originated from regional theater productions outside of New York City or were packaged from other major theatrical centers such as Toronto, as was the case with several touring companies of *Les Misérables* and *Phantom of the Opera*. But perhaps the most notable reason for the shift in Road revenues away from New York during the past decade, was the large number of successful musicals which originated in London's West End, such as *Cats*, *Phantom*, and *Miss Saigon*, suggesting that a substantial flow of licensing fees and royalties returns to London, rather than to New York City. This was a pattern which, for this past decade at least, reversed the long-standing trend of the musical tour moving from Broadway to London's West End.

⁹ Included in nonprofit section of this Chapter.

In total, the estimated flow of direct expenditures to New York City and the region from commercial Road productions and running shows was \$127 million in 1992, comprised of \$8 million in expenditures on new productions and an estimated return of \$119 million from operating expenditures of running shows. This represents a decline of 20 percent in real terms from the estimates of Road expenditures returned to New York in 1982.

The total direct expenditures of all commercial Broadway, Off Broadway, and Road theatrical productions in New York City and the region was \$451 million in 1992. This represents a decline of 11 percent in real terms, after adjustment for inflation, from the 1982 levels of \$508 million (expressed in 1992 dollars).

Table 14
Comparison of Total Expenditures of Commercial Broadway and Road
1982 and 1992
(In Millions of 1992 Dollars)

	1982 Expenditures \$	1992 Expenditures \$	Percent Change
Broadway	330	291	-12
Road	159	127	-20
Commercial Off Broadway	19	33	+74
Total Commercial Theater	508	451	-11

Source: Port Authority of New York and New Jersey, based on data supplied by the League of American Theatres, etc.

D. MOTION PICTURE AND TELEVISION PRODUCTION

In 1992, despite lingering effects of a feature film and commercial production slowdown, the New York–New Jersey region continued to be the site of significant television and film production, second only to the level of activity in Los Angeles. New York City is also currently the home to some of the most celebrated artists and craftspeople in the entertainment industry, as well as the headquarters for major corporations in feature film, television, commercial and industrial film production.

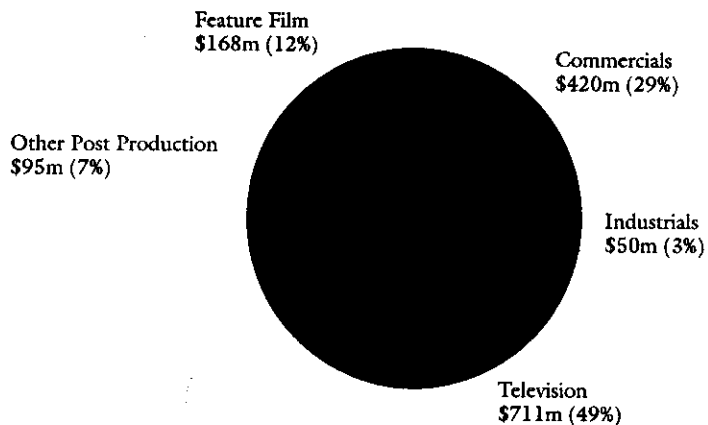
This chapter analyzes the volume and the expenditure patterns of the production activity within these industries by measuring the direct expenditures of production and post-production of feature films, television movies and specials, dramatic series programming for daytime and prime-time television, for industrial films, and for commercials produced for television. Not included in the analysis is any activity associated with broadcast news production, the headquarters functions of entertainment corporations, the retail activity of movie theaters or video stores, or any activity connected with the distribution of motion pictures and video programs. The intent here is to capture the economic effects of the production aspects of motion picture and television production.

The *Census of Service Industries* captures only those productions of companies based in New York City, therefore, a methodology had to be devised which accounted for all productions of all companies, whether in or out of the region. The core data used in calculating regional expenditures for these segments included total industry wages from the New York and New Jersey State Departments of Labor, membership earnings figures from the Screen Actors Guild (SAG) and the American Federation of Television and Radio Artists (AFTRA), and sample budgets from each of the categories (See Appendix E.)

In 1992, production activity totaled an estimated \$1.44 billion in the New York–New Jersey region in direct expenditures of feature films, television programming, commercials and industrial films. The industry employed about 15,800 workers in the region. Like other segments of the arts, film and television production are heavily concentrated in New York City. New York City accounted for 91 percent of total regional direct expenditures and 92 percent of total employment.

Television production was the largest segment of motion picture and television production, comprising 49 percent of the total direct expenditure figure. The production of commercials accounted for almost \$420 million, or 29 percent, of the total; feature film production accounted for almost \$168 million, or 12 percent, of the total direct expenditure figure in 1992. Production of industrial films totaled \$49.8 million, or 4 percent of the total. The remaining 7 percent can be attributed to the post-production activities on projects which were filmed outside of the region.

Chart 7
New York–New Jersey
Motion Picture and Television
Production by Segment
(In Millions of 1992 Dollars)



Source: Port Authority of New York and New Jersey

As is common with other segments of the arts, the feature film, television, commercial and industrial film industries are labor-intensive, spending an average of approximately 58 percent of their total budgets on

wages and salaries, and a total of 68 percent when payroll taxes and benefits are included. Another major expenditure is for the space and equipment which is bought or rented for various productions and which constitutes almost 14 percent of the average budget. The provision for meals, travel, transportation, and props, make-up and wardrobe account for another 13 percent of total expenditures. The expenditure patterns of this segment are presented in table 15.

Table 15
Motion Picture and Television Production Expenditure Patterns

Expenditure Category	Percent of Total
Labor	58.5
Payroll Taxes and Benefits	9.5
	<u>68.0</u>
Space and Equipment	13.7
Meals, Travel and Transportation	8.2
Props, Wardrobe and Make-up	4.4
Supplies (including film and tape stock)	1.9
Other	3.8
TOTAL	<u>100.0</u>

Source: The Port Authority of New York and New Jersey

Feature Film

In 1992, the production of over one hundred feature films in New York City led to \$168 million in direct expenditures, or 12 percent of total expenditures in this industry during 1992.¹⁰

In 1992, the feature film industry in New York City was still recovering from the effects of a boycott of the City as a location site by the major Hollywood studios which lasted from November of 1990 to mid-May of 1991. The boycott action resulted from labor disagreements and was resolved by union concessions on overtime wages in return for improved health and pension benefits.

This boycott, together with other factors, halted growth in the feature film industry which had grown strongly in the last half of the 1980s, and also adversely affected the production of commercials and, to a lesser extent, television production.

The supplier industries for film production in New York have also reportedly suffered from the boycott and its lingering effects, particularly camera rental companies, caterers, and special prop and supply companies. Additionally, the United States recession, which began in the third quarter of 1990, made fund-raising for new feature films difficult, even forcing a halt in productions by three of the major studios in the United States.

It is estimated that direct expenditures for feature film grew from \$137 million in 1983 (in 1992 dollars) to almost \$224 million in the peak year of 1990, an increase of 63 percent in real terms. The New York City Mayor's Office of Film, Theatre and Broadcasting reports that permits issued for feature film production also peaked in 1990 at 143, up from 66 in 1983. In addition to the estimated increase in the number of productions, some of the growth can be attributed to the increase in the size of the average film budget, which increased nationwide from an average of \$18.5 million in 1982 (in 1992 dollars), to almost \$29 million in 1990, an increase of 56 percent in real terms.¹¹ From the peak period of 1990 to 1992, it is estimated

¹⁰ The total number of feature films is based on data from the Screen Actors Guild (SAG) and the Mayor's Office of Film, Theatre and Broadcasting. The number of permits issued by the Mayor's Office of Film, Theatre and Broadcasting provides an indication of the film activity in New York City but may not represent all production activity, since some films are shot entirely in studios and therefore would not require a permit.

¹¹ Goldman Sachs Investment Research, *Movie Industry Update-1993*, April 7, 1993.

that total direct expenditures of film production declined by 25 percent in real terms, although the level of activity in 1992 of \$168 million was still 22 percent higher than the level in 1983.¹²

The pattern of feature film production expenditures from 1983–1992 is presented in Appendix E.

Television

While the production of feature films tends to dominate the attention of the public and the press, in economic terms the overall industry in New York City is dominated by production for television and cable. In 1992, direct expenditures for the production of film and tape for television and cable broadcasting totaled over \$711 million and accounted for almost 49 percent of the total direct expenditures in this segment.

There were approximately 70 broadcast television series being taped or filmed in New York City in 1992 and, although the 1990 studio boycott of New York City had a significant effect on the feature film and commercial production industries, it seems to have only had a slight effect on production for television.

Expenditures related to television production experienced an impressive growth rate of approximately 36 percent in real terms from 1983 to 1992, growing from an estimated level of \$521 million in 1983 to over \$711 million in 1992.

During 1992, syndicated talk show and daytime network serial formats dominated New York City's television production activity. Other activity in the City included production of prime time network shows, children's programming, network variety, music and talk shows, and over twenty-six shows for basic and pay cable television.

Despite the broad scope of the industry in 1992, the competition for location of television productions, as with feature film production, is intense. In many instances, television production companies come to New York City solely to shoot "establishing" shots, then continue the majority of filming and post-production work in other cities, such as Los Angeles or Toronto. Even series with story lines centered around New York City locations and themes, such as "Brooklyn Bridge" or "Seinfeld," tend not to be shot on location in the City, but are filmed elsewhere on outdoor sets designed to look like New York City streets.

It is estimated that the regional television production industry reached its highest point in the past decade during 1987, spending an estimated \$780 million. Between 1987 and 1992, direct expenditures declined by approximately 9 percent, although the total level of activity remained 36 percent higher than in 1983.

The remarkable growth of the cable industry has helped enlarge the television production industry in New York City. Not only have the basic and pay cable channels established before 1982 continued to thrive in New York, but at least six new basic cable channels have opened in New York City since 1982, and many of the film and video programs for these channels are produced locally.

The trend in television production expenditures from 1983–1992 is presented in Appendix E.

Commercials and Industrials

The production of commercials and industrial films are also major industries in New York City. These activities are intricately intertwined with most, if not all, aspects of feature film and television programming, in many cases employing the same pool of professional and technical talent, and utilizing many of the same suppliers of equipment and materials.

In 1992, the commercial production segment of the industry generated \$420 million in direct expenditures, accounting for more than 29 percent of the total industry. Production of industrial films generated \$50 million, or 4 percent, of the 1992 total direct expenditure figure.

Based on the estimates of production activity since 1983, the commercial production industry in New York City has been in virtually continuous decline since the mid-1980s, when activity peaked with direct

¹² For this study, more detailed data on production costs by various components of the industry were available than was the case during preparation of the 1982 study; however, these data sources permit the trend to be extended only through the year 1983, which is used for the base year in the analysis of trend for the components of feature film, television, commercials and industrial films.

expenditures totaling approximately \$717 million in 1985. From that peak, the industry fell over 41 percent to its level in 1992, and spent an estimated 40 percent less in 1992 than in 1983, when adjusted for inflation.

The production of industrial films peaked in 1987 at approximately \$69 million, and has since dropped 27 percent to its current level; but overall, the industrials segment has still increased over 56 percent since 1983.

The commercial and industrial film expenditures from 1983-92 are presented in Appendix E.

Post-production

Post-production for film and video can include editing, music, post-production sound, post-production film and laboratory, optical effects, and titles. A post-production budget for a film, television show or commercial can vary significantly from project to project depending on the quantity of post-production elements used. The direct expenditure estimates for feature film, television and commercial production encompass all categories of production, as well as post-production costs.

The recording of sound for film and television, for example, is included in the average budget for a production, and is also a segment of the post-production industry which is well represented in New York City. According to the *1992 Producer's Masterguide*, there are 52 firms classified as "Sound and Recording Studios and Services" for film and video production.

This activity is included in the direct expenditures of feature film, television, commercials and industrial films. Similarly, the expenditures for sound recording by opera, theatrical or music companies are included in the expenditures of nonprofit institutions and commercial theatre. However, the production of records, tapes and compact discs for the major recording studios, other than these instances, is not captured in this study.

The 1982 study found that a significant amount of the post-production work of films which were shot in New York City was completed out of the region, e.g., in Los Angeles or London.¹³ However, by 1992, new firms and specialists in post-production work had located in New York City, serving not only the films which are produced locally, but also completing a significant amount of post-production work for many productions which are filmed outside the region. This form of "export" activity, for editing, sound, titles or special effects, was estimated at over \$94 million in 1992. In some cases, feature films return to New York City for post-production because the directors of those films live in and around the region. For the production of commercials for television, the proximity to clients, many of whom are headquartered in New York City, requires their day-to-day involvement in the post-production process.

¹³ *The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region*, The Port Authority of New York and New Jersey and the Cultural Assistance Center, Inc., May 1983. op. cit.

1982-1992 Comparison

In 1992, an estimated \$1.44 billion was spent directly in the New York-New Jersey region for the production of feature films, television movies and specials, dramatic series programming (daytime and prime-time), industrials and commercials produced for television. This is unchanged from the level of direct expenditures estimated in 1982, which, adjusting for inflation, was approximately \$1.45 billion.¹⁴ The total industry employment has grown slightly from 15,365 in 1982, to over 15,800 in 1992, an increase of 3 percent.¹⁵

In estimating the patterns of activity during the ten years between 1982 and 1992, the industry peaked in 1987 with total direct expenditures of over \$1.6 billion (in 1992 dollars), some 13 percent above the level in 1982.

Based on estimates by segments of the industries, in 1983, commercials represented the largest segment of the industry, approximately 50 percent, with television at 37 percent, feature film representing almost 10 percent, and industrial films just over 2 percent. In 1992, excluding post-production "export," the share of television and commercial productions have reversed, with television at over 52 percent, now representing the largest portion, and commercials accounting for 31 percent of the total. By 1992, feature films represented an estimated 12 percent, and industrial films represented almost 4 percent of the total direct expenditure. The segments as a percentage of total expenditures from 1983-1992 are represented in Appendix E.

¹⁴ The \$1 billion regional expenditure estimate for the 1982 study was calculated by analysis of receipts and payroll conducted by the United States Bureau of the Census, *1977 Census of Service Industries*. Census data were updated to 1982 dollars based on estimates of recent production levels as well as 1982 employment data. Using the actual *1982 Census of Service Industries* data a more accurate estimate of \$920 million for 1982 can be made. It is this \$920 million (adjusted to 1992 dollars) which is used for the total economic impact comparison.

¹⁵ As with the 1982 regional expenditure estimate, in order to make a more accurate comparison to 1992, the 1982 industry employment estimate has been adjusted for this study using actual *1982 Census of Service Industries* data.

E. CAPITAL INVESTMENT

A significant barometer of the vitality of the arts and cultural sector, in addition to the ongoing show of support for operations from audiences and from the private and public sectors, is the level of capital investment made to facilities in the arts. This investment could be for completely new facilities, or for major additions or alterations to existing facilities.

Findings

The total level of capital investment in the nonprofit arts, commercial theater, and commercial art galleries and auction houses approximated \$1.5 billion between the years 1982 and 1992. This estimate is based on 136 written and telephone surveys of major arts and cultural institutions in the region, excluding any investments made to facilities in the motion picture or television production or the post-production industry.

Table 16
Capital Investments by the Arts, 1982-1992
(In Millions of 1992 Dollars)

Category of Cultural Institutions	Total Investments \$
Nonprofit Institutions	1,334
Art Galleries/Auction Houses	115
Broadway/Off Broadway	57
Total	1,506

Source: The Port Authority of New York and New Jersey

Most Capital Investment to the Arts Occurred in New York City

Almost all of the investments in art facilities which have been made in the region have occurred in New York City. These investments totaled almost \$1.4 billion between 1982 and 1992.

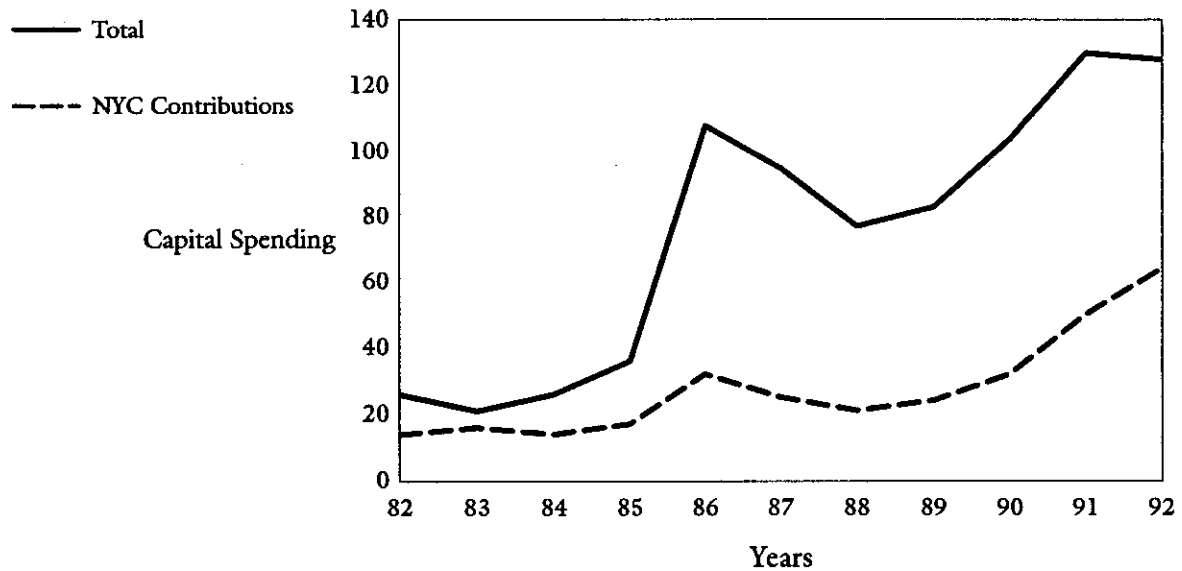
Two of the largest investments which have been identified in the surrounding metropolitan area include the major additions and renovations to the Newark Museum and the construction of the new Liberty Science Center in Jersey City, which opened in December of 1992.

Capital Investment in New York City's Nonprofit Cultural Institutions

The nonprofit arts institutions have made significant investments in the arts. In the ten year period from 1982 to 1992, the nonprofit arts and cultural institutions in New York City spent an estimated \$1.2 billion on capital investment. Those institutions that made major investments, (greater than \$30 million), include the American Museum of Natural History, the Brooklyn Botanic Garden, the Brooklyn Museum, Carnegie Hall, the Guggenheim Museum, Lincoln Center for the Performing Arts, the Metropolitan Museum of Art, the Museum of Modern Art, and the New York Zoological Society.

Total capital investment in the nonprofit arts institutions rose sharply during the mid 1980s, reflecting these major renovations. The following chart tracks capital investment in those New York City institutions funded directly by the City.

Chart 8
Capital Spending by Institutions that Receive Direct Funds from New York City
(In Millions of 1992 Dollars)



Source: Port Authority of New York and New Jersey, New York City Office of Management and Budget

New York City government has been a major source of capital investment for the arts during the 1980s. This was consistent with tradition established in the earliest years of New York City's history when government played a pivotal role in the development of arts institutions, by providing funds for construction or operation of major facilities.

Of those 33 nonprofit arts institutions which are directly funded by the City, approximately \$313 million, or 37 percent of the total \$840 million in capital investments between 1982 and 1992 came directly from New York City government. The \$313 million of capital investment funded by New York City accounted for 24 percent of the total investment made in nonprofit institutions. New York City's capital expenditures have increased in real terms by 150 percent since 1982 (See Chart 8).

The support of citizens and the business and philanthropic communities toward capital investment is also significant, as the balance of capital funding has come from private sources, including endowments and foundations, as well as from individuals. A significant part of the construction at Carnegie Hall, for example, was accomplished through private subscription. The sources of funding for the \$135 million New Jersey Center for the Performing Arts, now under construction in downtown Newark, includes direct contributions from the State of New Jersey through its public authorities as well as support from the private sector and foundations.

In addition to the direct operating funds that the City and the state government provide through operating budget appropriations to the arts, and the direct flow of capital investment provided by New York City, indirect aid to the arts is provided in the form of tax exempt bonds and tax exemptions, for both real property tax and sales tax. For example, \$290 million¹⁶ has been raised by New York's Economic Development Corporation, Industrial Development Corporation, and Trust for Cultural Resources through the issuance of tax-exempt bonds during the decade from 1982-1992. In addition, exemptions from the real property tax, given on all nonprofit property, saves cultural institutions almost \$450¹⁷ million annually. Substantial savings to the arts and cultural institutions are also generated in exemptions from City sales tax for the purchase of machinery and equipment.

¹⁶ New York City Economic Development Corporation

¹⁷ New York City Department of Finance

Capital Investment by Art Galleries and Auction Houses

Capital expenditures of art galleries and auction houses in the region are estimated at \$115 million over the decade since 1982. This includes capital investment by the commercial art galleries included in this study, as well as two international auction houses, Sotheby Parke Bernet and Christie's. All capital spending monies for art galleries and auction houses come from private sources.

Art galleries have made considerable expenditures over the decade, either for preparation of new gallery space, or for substantial alterations to space in preparation for new exhibits. The growth in the number of new art galleries, particularly in the SoHo region of New York, has required investment primarily for alteration or renovation of existing structures as opposed to construction of new buildings.

Capital Investment by Commercial Theater

Total capital expenditures for commercial theater, both Broadway and Off Broadway, are estimated at \$57 million for the ten year period 1982-92. Most of this investment occurred on Broadway, but, with the exception of the Marriott Marquis Theater which was built in 1985, most of the investment in theaters during this ten-year period has been for renovations or alterations, rather than for the construction of entirely new theaters.

Capital Plans for the Next Five Years

Between \$650 million and \$675 million in planned capital expansion has been identified for the 1993-1998 period, mostly by nonprofit institutions in New York City and in New Jersey. Approximately \$20 million of this investment is planned for renovations of commercial theaters.

CHAPTER V

VISITORS TO THE ARTS

One of the important ways in which the arts contribute to the economy of New York City and the region is by drawing in millions of visitors each year. These visitors not only support the institutions and performing groups directly with their patronage, but also contribute to the local economy through their expenditures on hotels, restaurants, shopping and through the use of transportation and other support services.

In order to quantify these expenditures, surveys of audiences were conducted at those institutions known to draw a large volume of visitors from outside the region. In these surveys, respondents were asked where they lived, what was their main purpose for the trip, how they traveled, and how long they planned to stay in the region. Respondents were then asked a series of detailed questions about their expenditures while in the New York region.

It should be noted at the outset that these surveys neither portray a full profile of the audience at any given institution, nor, since the surveys were conducted at an arts institution, do they portray a profile of all tourists to the City or region, some of whom might not attend any arts or cultural event.

Only those expenditures by visitors who came primarily for the arts, or extended their stay to attend an arts or cultural event have been included in this measurement of visitor spending. For "extenders," only the proportion of total trip expenditures made during their arts-motivated extension is included. This is a conservative approach, identical to that used in the 1982 study, and designed to identify only those ancillary expenditures which are incurred by people whose main purpose of visiting is to attend an arts or cultural event. For example, if the primary purpose of the trip was for business, or visiting friends and relatives, this approach would not include the ancillary spending on hotels, restaurants or transportation by a visitor to the opera, the theater or to a museum. The purchase of a ticket, or any purchases at a museum store by these travellers would be captured in the budget profile of the institutions included in this study, and thus reflected in the overall expenditure and income profile used to calculate economic impact.

In order to estimate the economic impact of the arts on New York City, which is being calculated separately from their economic impact on the larger metropolitan region, the expenditure patterns of those suburban residents who visit an arts institution in New York City were also identified. Thus, the expenditures made by these "suburban visitors" from within the boundaries of the 17-county region in New York City's restaurants, stores, parking garages or other categories would be included in the analysis of New York City, but not in the analysis of the economic impact on the region.¹

Surveys of visitors were conducted at Broadway theaters (six different musicals and plays), the Metropolitan Museum of Art, the Metropolitan Opera, the New York City Ballet, the American Museum of Natural History, and the Guggenheim Museum. These venues were chosen because they attract the largest numbers of out-of-town visitors among those sites which were showing "typical" exhibits and operating at full capacity during the interviewing period. (See Methodology in Appendix F for details of sample design and the survey questionnaire.) The surveys were conducted in the latter months of 1992 and in the early months of 1993. The sample survey response, (43 percent, or 11,366 completed questionnaires from a total of 26,750 distributed), when weighted to reflect overall attendance at each site, has provided a detailed profile of residents and visitors alike and yields a robust set of spending estimates and trip purpose characteristics for use in this study.

SUMMARY OF FINDINGS

For the Metropolitan Region

Visitors to the region's arts institutions and arts events who came for varied purposes in 1992 (business, visiting relatives, arts, sightseeing, etc.) generated 15 million visits, or 19 percent, of the total estimated attendance at all region-wide nonprofit arts institutions, commercial theater, and commercial art galleries and auction houses. Of the non-metropolitan visitors surveyed at cultural attractions, 49 percent cited the arts as their primary trip purpose.

¹ This results in the rather peculiar, but not surprising, circumstance where the measurement of visitor impact on New York City is greater than the measurement of visitor impact on the metropolitan area.

Of the other 50 percent of visitors, who came for purposes other than the arts, 20 percent, or nearly 900,000, extended their stay to attend an arts or cultural event. This extension for the arts averaged 2.3 days.

Based on these surveys, and supplemented by estimates of visitors to those sites not included in the surveys, it is estimated that 2.76 million visitors came to the region in 1992 *primarily for the arts*, and spent a total of \$1.096 billion. An additional 885,000 visitors who extended their trip for the arts spent an additional \$215 million. In total, \$1.311 billion was spent on hotels, restaurants, transportation, shopping, etc.,² by visitors coming to the region, or extending their visits because of the arts.

For New York City

The number of visits made by people who live outside the City to its arts institutions totaled 19 million, accounting for 28 percent of the total attendance at all arts and cultural events in New York City during 1992.

The ancillary expenditures of all suburban visitors from within the metropolitan region who were in New York City for the arts is estimated at \$75 million. This spending, when added to the total ancillary spending of all visitors to the arts in the region, would bring the total spending of arts-motivated visitors to New York City to \$1.387 billion.

RESIDENCE PROFILE OF VISITORS SURVEYED

Forty-one percent of the visitors to arts institutions who responded to the survey lived within the 17-county metropolitan area, with 25 percent residing within the five boroughs of New York City, 8 percent living in the New York suburban counties of Westchester, Rockland, Nassau and Suffolk, and 8 percent residing in the eight northern New Jersey counties of the metropolitan region.

Fifty-nine percent of those surveyed came from outside the metropolitan area: 10 percent from those counties in New York, New Jersey and Connecticut which are adjacent to the 17-county region; 36 percent from the rest of the United States, (predominantly from the Northeast and the South); and 13 percent from outside the United States, including 7 percent from Europe and 2 percent from Canada.

² According to the United States Travel Data Center, 15.9 million overnight visitors came to New York City and spent \$9.6 billion in 1990. Between 9 and 10 million day trippers also visited the City during that year.

Table 17
Residence of Attendees at Surveyed Cultural Events, 1992

	Percent of All Respondents
.....	
RESIDENTS OF THE NEW YORK-NEW JERSEY REGION	41
NEW YORK CITY	25
Bronx	1
Brooklyn	3
Manhattan	17
Queens	3
Staten Island	*
NEW YORK SUBURBAN COUNTIES*	8
NEW JERSEY SUBURBAN COUNTIES*	8
VISITORS FROM OUTSIDE THE REGION	59
TRI-STATE REGION*	10
NY Outside Region	3
NJ Outside Region	3
Connecticut	4
OTHER UNITED STATES	36
Northeast	14
South	10
Midwest	6
West	6
OUTSIDE UNITED STATES	13
Europe	7
Canada	2
Asia	1
Central and South America	1
Other	1
Total	100

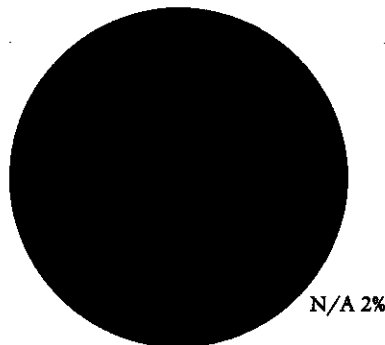
Source: The Port Authority of New York and New Jersey and the Roper Organization

* See Chapter III, Scope and Methodology for detailed geographic definitions.

MODE OF TRAVEL

Of those coming from outside the region, the most common mode of transportation was by air, (53 percent) followed by auto (17 percent) and bus (17 percent), as follows:

**Chart 9
Mode of Travel of Out-of-Region Visitors to Arts Institutions**



Source: Port Authority of New York and New Jersey and the Roper Organization.

Purpose of Trip

All surveyed visitors who resided outside the metropolitan area were asked, "What was your main reason for coming?"

Half of the respondents, representing some 2.26 million visitors, said that the main purpose in coming to New York City and the region was to attend cultural activities. Twenty-three percent of the surveyed group came primarily for business reasons, 13 percent came primarily to visit family and friends, and 14 percent came primarily for shopping or sightseeing. These trip purposes, with detail by museums and the performing arts, are as follows:

**Table 18
Primary Trip Purpose of Visitors to Region Surveyed at Arts Institutions**

	Visitors to Museums Percent	Visitors to Performing Arts Percent	Visitors To All Institutions Percent
Question:			
<i>What was your Main Reason for coming?</i>			
Business	24	22	23
Visiting Relatives/Friends	22	8	13
Attending Cultural Activities	36	58	49
Shopping	3	5	4
Sightseeing	16	6	10
Other	1	1	1
No Answer	2	3	3
Average Length of Stay	5.3 days	3.2 days	4.1 days

Source: Port Authority of New York and New Jersey and the Roper Organization

Of the visitors surveyed at museums, more than one-third indicated that the primary purpose of their trip was to attend cultural activities; this proportion was higher for the performing arts, where 58 percent of visitors surveyed said that they came to the region to attend cultural activities. Visitors to museums stayed an average length of 5.3 days while visitors to performing arts stayed an average of 3.2 days. The average length of stay of visitors surveyed at all institutions was 4.1 days.

In addition to determining primary trip purpose, those surveyed were also asked to indicate how many cultural activities they planned to attend. All of those surveyed indicated that, regardless of primary trip purpose, they were attending an average of two events, e.g., visiting a museum and art gallery or attending a concert, opera, dance or the theater.

EXTENDING TRIP DURATION FOR THE ARTS

The survey was also used to determine the extent to which visitors who came for another purpose might extend their trip to attend an arts event. Visitors were asked if they planned to spend extra time in the New York area for a purpose other than their primary cited reason. If so, they were asked to identify the primary reason for extending the trip, as well as the number of extra days spent.

Almost 20 percent of all of the visitors, or 885,000 who came primarily for other purposes, indicated that they had extended their trip to attend an arts or cultural event.

THE ARTS-MOTIVATED VISITOR

Almost 50 percent of all out-of-region visitors surveyed at the arts institutions indicated that their main reason for coming to the New York area was to attend arts and cultural activities. This group, "the arts-motivated visitors," who totaled 2.76³ million persons, together with "the arts extenders," the additional 20 percent who extended their visit primarily for the arts, are the focus for measuring the economic impact of visitor spending. Their characteristics and patterns of expenditures follow.

Compared to all visitors, the visitor who travels primarily for the arts is more likely to reside closer to the 17-county region.

³ The 2.76 million visitors is composed of 2.26 million visitors represented by the surveyed institutions, plus an estimated additional 500,000 arts-motivated visitors to other major institutions not included in the survey.

Table 19
Residence of Visitors
(Percent Distribution)

Residence	Arts-Motivated Visitors Percent	All-Visitors to Arts Institutions Percent
Rest of Tri-State Region	25	17
New York	6	5
New Jersey	9	5
Connecticut	10	7
Other United States	58	61
Northeast	29	23
South	14	17
Midwest	8	10
West	8	10
Outside United States	15	22
Canada	4	4
Europe	6	11
Asia/Japan	1	2
Central and South America	2	2
Other	2	2

Source: The Port Authority of New York and New Jersey and the Roper Organization

The arts-motivated visitor typically stays an average of 2.9 days, compared to 4.1 days for all visitors, and, like all visitors, attends an average of two cultural activities while here.

The average arts-motivated visitor is 45 years old with an average family income of \$80,000. Approximately 60 percent of the visitors were female, and 40 percent male.

Expenditure Patterns of Arts-Motivated Visitors

Survey recipients were asked to provide considerable detail on the cost of transportation to the area and their expenditures while in the New York area.

The total per person spending in the region, including all expenditures by those on packaged tours and one-half of all long-distance expenditures, was \$397, or an average of \$137 per day.

The expenditure patterns of all arts-motivated visitors is detailed below:

The estimated 2.76 million arts-motivated visitors, with average expenditures of \$397 per trip, spent a total of \$1.1 billion on ancillary activities.

Table 20
Expenditure Patterns of Arts-Motivated Visitor Audience
(Percent Distribution)

Expenditure Category	Percent of Total
Hotel	29
Meals	29
Air Fare	19
Shopping	11
Local Transportation	5
Bus Fare	1
Other	5

Source: Port Authority of New York and New Jersey and the Roper Organization

EXPENDITURE PATTERNS OF THE ARTS EXTENDER

In addition to those visitors who came to the region mainly for the arts, those who came for other reasons but extended their trip for the arts are an important component of arts-induced visitor spending. Among the sample surveyed, almost 20 percent of all out-of-region visitors who came for reasons other than the arts, extended their trip for the arts. Their average total trip length was 4.1 days, and the average extension was 2.3 days. This group, like the arts-motivated group, visited two cultural sites or activities during their extended stay. Excluding all long-distance travel costs, which would have been incurred regardless of the region's cultural attractions, visitors who extended their trip spent an average of \$243 in the region beyond the cost of their admissions to cultural events. The pattern of these expenditures is presented below:

Table 21
Expenditure Patterns of the Visitor Audience
Who Extended Their Trip for the Arts
(Percent Distribution)

Expenditure Category	Percent of Total
Meals/Snacks	38
Hotel	37
Shopping	13
Taxi	6
Other	3
Subway	1
Parking	1
Gas	*
Tolls	*

* Less than 1 percent

Source: The Port Authority of New York and New Jersey and the Roper Organization

This \$243 per person was spent by an estimated 885,000 visitors who extended their trip for culture. This resulted in an additional \$215 million in ancillary expenditures in the region.

TOTAL ANCILLARY EXPENDITURES OF ARTS-MOTIVATED VISITORS AND ARTS-EXTENDERS

• Those who came primarily for the arts	\$1,096 million
• Those who extended their trip for the arts-expenditures during extension	215 million
Total	<u>\$1,311 million</u>

The total estimated expenditures of arts-motivated visitors and extenders are detailed in Table 22.

Table 22
Expenditures of Arts-Motivated Visitors and Extenders
(In Millions of 1992 Dollars)

Expenditure Category	Regional Expenditures \$
Restaurants	399.6
Hotel	397.5
Airfare	208.3
Shopping	148.5
Taxis	45.8
Intercity Bus	11.0
Subway/Bus	9.8
Parking	9.8
Intercity Rail	8.1
Gas	5.5
Tolls	3.3
Car Rental	2.9
Other	61.3
Total	1,311.4

Source: Port Authority of New York and New Jersey and the Roper Organization

Visitors to the arts spent about \$400 million in New York City restaurants in 1992, and an equal amount on hotels during their visits to the arts. Airfare, representing half the cost of the trip, exceeded \$200 million, while almost \$150 million was spent in New York City retail stores. Expenditures for taxis exceeded \$45 million in 1992.

TOTAL EXPENDITURES OF ARTS-MOTIVATED VISITORS TO NEW YORK CITY

In order to calculate the impact of the arts-motivated visitors on New York City, it is necessary to look at the spending of those regional residents from metropolitan counties who said that their main purpose for being in the City was to attend a cultural attraction.

These arts-motivated suburbanites represented approximately one-third of the audience at surveyed institutions. About half come from the New York suburban counties (49 percent), and half from the eight northern New Jersey eight counties (51 percent). Their average ancillary expenditures amounted to \$37.21. The pattern of these expenditures is presented below:

Table 23
Expenditure Patterns of Arts-Motivated Suburbanites
at New York City Arts Events
(Percent Distribution)

Expenditure Category	Percent of Total
Meals/snacks	56
Hotel	13
Parking	10
Shopping	8
Car Rental	3
Tolls	2
Gas	2
Subway	2
Taxi	2
Rail	1
Intercity Bus	*
Other	1

Source: The Port Authority of New York and New Jersey and the Roper Organization

It is estimated that 1.65 million arts-motivated suburbanites account for 1.98 million visits to the institutions surveyed.⁴ This assumes that one out of five suburbanites attend a second cultural institution during their visit. Total ancillary spending by these visitors in New York City is estimated at \$61.4 million. It is estimated that another \$14.4 million is spent by arts-motivated suburbanites not represented in the sample.⁵ In total, arts-motivated suburbanites account for \$76 million in ancillary expenditures in New York City.

Thus, total spending in New York City would be \$1.311 billion, as calculated region-wide, plus \$76 million of suburban expenditures, for a total of \$1.387 billion.

COMPARISONS TO 1982 STUDY

The expenditures of arts-motivated visitors and those extending their visit to attend cultural activities have grown 28 percent, after adjusting for inflation, since 1982, to \$1.311 billion.

Visitors From Outside the New York-New Jersey Region

In 1992, visitors to the region for all trip purposes accounted for 15.0 million of the attendance at cultural institutions compared to 12.6 million in 1982, a 19 percent increase. The average length of stay for all visitors in 1992 was considerably longer than in 1982, 4.1 days versus 3.5 days. This visitor in 1992 spent an average of \$146 per day in the region compared to \$151 (in 1992 dollars) in 1982.

Of the visitors surveyed in 1992, 50 percent stated that the purpose of their trip was to attend cultural activities. In 1982, the proportion of visitors who came primarily for the arts was 41.6 percent. Table 24 compares visitors to the region in 1992 and 1982.

Table 24
Comparison of All Visitors Attending Cultural Institutions
1982 and 1992

	1982	1992
Attendance at Cultural Institutions	12.6 million	15.0 million
Share of Total Attendance	20 percent	19 percent
Length of Stay	3.5	4.1 days
Average Expenditure Per Day (in 1992 dollars)	\$151	\$146
Main Purpose of Trip for arts and Cultural Activities	41.6 percent	50.0 percent

Source: The Port Authority of New York and New Jersey and the Roper Organization

Arts-Motivated Visitors

In 1992, the arts-motivated visitor was more likely to be from another country, stayed in the region longer, and spent more money per day than a decade ago. Table 25 below summarizes these changes. The average length of stay was 2.9 days versus 1.9 days in 1982. Additionally, the arts-motivated visitor spent \$397 per trip, or \$137 per day. This is approximately 30 percent higher than the \$105 per day (in 1992 dollars) spent by visitors in 1982.

⁴ This assumes that one out of five suburbanites attend a second cultural institution during their visit.

⁵ A telephone survey used to determine which venues to sample, yielded information on out-of-town visitors to a wide variety of institutions. This information was not measured in the sample.

Table 25
Comparison of Arts-Motivated Visitors
1982 and 1992

	1982	1992	Percentage Change
Average Length of Stay	1.9	2.9	52.6
Average Expenditure Per Day (in 1992 dollars)	\$105	\$137	30.5
Percent Coming from Other Countries	8.7	15	72.4

Source: The Port Authority of New York and New Jersey and the Roper Organization

While more than half of the visitors came from nearby states, more arts-motivated visitors arrived from the Midwest and West (16 percent) than a decade earlier (4.1 percent). The arts-motivated visitor is more likely to be from another country in 1992 than a decade earlier. In 1992, 15 percent of arts-motivated visitors came from foreign countries, compared to 8.7 percent in 1982.

Arts-motivated visitors in 1992 more than doubled their spending on hotels compared to 1982, reflecting the longer length of stay and the greater geographic dispersion of visitors. A somewhat smaller share of the budget was spent on transportation to the region and shopping compared to 1982.

Table 26
Expenditure Patterns of Arts-Motivated Visitors
1982 and 1992
(Percent Distribution)

Expenditure Category	1982 Percent of Total	1992 Percent of Total
Restaurants	29.3	29.0
Hotels	12.6	29.0
Transportation to Region	23.7	20.0
Shopping	14.7	11.0
Other	19.7	11.0

Arts Extenders

In 1992, 19.6 percent of visitors who came to the region for purposes other than the arts extended their trip to attend cultural activities. This is significantly higher than the 15.6 percent of visitors who extended their trip in 1982. The extenders stayed an extra 2.3 days in 1992 compared to 2.0 days in 1982 and spent an additional \$243 in the region during their extension. This is 23 percent higher than the \$197, in 1992 dollars, spent by extenders in 1982.

CHAPTER VI

ECONOMIC IMPACT OF THE ARTS INDUSTRY ON THE REGION AND ON NEW YORK CITY

The arts industry generates substantial economic impact in the regional economy through its linkages to other regional industries and through the earnings it provides its employees and supplying businesses. Arts institutions hire workers, pay wages and salaries, and purchase goods and services from other firms. As firms doing business with arts institutions, in turn, make purchases from additional businesses and as employees spend their wages and salaries, the impact of this income/spending cycle ripples through the economy affecting all supplying industries.

Although this methodology does offer a good sense of the total impact of the arts on the region, it cannot be used to demonstrate causality. That is, some of the discretionary dollars spent by visitors to the arts may have been spent elsewhere in the region if cultural opportunities were smaller or did not exist. These other activities would in turn produce their own economic impact. While the methodology may very well measure the integrated effects of the various segments on the entire economy, it cannot be used to prove that incremental spending would lead to concomitant growth in the region's economy. Rather, it will show a snapshot of the relationship between current spending levels and the local economy.

Further, the model reflects relationships between various industry segments as they exist today. A dollar spent on a theatrical costume, for example, in 1982 may have a very different "multiplier" effect today, e.g., new technology may require fewer laborers or more of the production process may occur outside the region.

This chapter, which consists of four main sections, quantifies the linkages between the arts and other regional industries and measures the arts' total economic impacts. The first section summarizes the economic impact of the arts industry as a whole on the New York–New Jersey region. The second section isolates the economic impacts related to each individual component of the arts industry, namely, nonprofits, art galleries and auction houses, commercial theater, television and film production, and arts-motivated visitors. The third section discusses the changes that have taken place in the arts industry by comparing the results of the current study to the earlier (1982) economic impact study of the arts. The final section briefly summarizes the impact of the arts industry on the New York City economy.

REGIONAL ECONOMIC IMPACT ANALYSIS OF THE ARTS AS AN INDUSTRY

The direct expenditures of the arts industry, described in Chapter IV, and those of visitors to the arts, described in Chapter V, constitute only a part of their full economic contribution to the regional economy. The industry also generates a multiplier effect throughout the regional economy which gives rise to additional jobs, income, and tax revenues. There is both an "indirect" effect, which reflects the chain reaction of economic activity initiated by expenditures of arts institutions and visitors for goods and services, and an "induced" effect, which follows the chain of expenditures of institutions for wages and, in turn, the effects of these wages as they are spent on a variety of consumer items and services.

The Port Authority's Regional Input-Output Model is used to estimate the indirect and induced impacts of the arts industry's direct expenditures. The model captures the interrelationships or flows of products and services among 538 sectors of the 17-county New York–New Jersey regional economy. The model also takes into account the proportion of the direct expenditures that "leak out" of the region, reflecting the proportion of inputs that are purchased by the arts institutions themselves outside the region, as well as the consumer items purchased by wage earners in the industry which are manufactured outside the region. Using only the direct transactions that occur in the regional economy, the model, through an iterative process, calculates the indirect and induced impacts on the regional economy. (See Appendix G for more details on input-output methodology.)

In 1992, the region's arts and cultural institutions, as well as the spending of visitors who specifically made or extended their trip for the arts, generated:

- over \$9.83 billion in total economic activity in the regional economy, of which approximately 50 percent, or \$4.94 billion was direct expenditure;

- over 107,500 jobs in the regional economy, of which approximately 38 percent, or 41,190, was direct employment;
- wages and salaries of \$3.5 billion, of which about 46 percent, or \$1.6 billion, was direct wages;
- regional sales and personal income taxes of approximately \$325 million.

IMPACT OF ARTS INDUSTRY COMPONENTS

Table 27 presents the economic impact of various components of the arts industry.

Table 27
Economic Impact of Arts Components on the Regional Economy
(All Dollar Figures are in Millions of 1992 Dollars)

Category	Total Jobs	Percent of Total	Total Wages \$	Percent of Total	Total Impact \$	Percent of Total
Nonprofits	33,570	31.2	938	27.0	2,720	27.7
Galleries and Auction Houses	6,700	6.2	245	7.1	840	8.5
Commercial Theater	7,280	6.8	396	11.4	905	9.2
Motion Picture and Television	29,850	27.8	1,188	34.3	3,045	31.0
Arts-Motivated Visitors	30,140	28.0	700	20.2	2,320	23.6
Total	107,540	100.0	3,467	100.0	9,830	100.0

Source: The Port Authority of New York and New Jersey.

Economic Impact of Nonprofit Institutions

The estimated 1,366 nonprofit cultural institutions in the region spent a total of \$1.33 billion in 1992 in direct expenditures for the production and the presentation of the arts. To capture the indirect and induced impacts which these direct expenditures generated, the proportion of the \$1.33 billion which was directly spent in the region on labor, materials, and services, was entered into the input-output model which then traced each separate expenditure stream as it flowed from one industry to the other.

In 1993, the direct expenditures of nonprofit arts institutions had a \$2.72 billion impact on the regional economy and generated 33,570 jobs and \$938 million in regional wages. Of all the components of the arts industry, the nonprofit arts institutions generated the largest number of jobs and ranked second to the motion picture and television production industry in terms of wage generation and total economic impact.

Economic Impact of Art Galleries and Auction Houses

In 1992, the 497 art galleries and the major international auction houses in the region spent \$398 million in direct operating expenditures. These expenditures, primarily for labor, rent, publishing, exhibition expenses, advertising, and utilities provide a strong economic stimulus to the regional economy. Direct expenditures of art galleries and auction houses generated a total of 6,700 jobs, \$245 million in wages, and \$840 million in total economic activity.

Economic Impact of Commercial Theater

The direct expenditures of commercial theater, including those parts of Broadway, Off Broadway, and the Broadway Road which are for-profit, were \$451 million in 1992. The key expenditure components were labor, sets and equipment rental, theater rental and advertising. These expenditures generated a total of 7,280 jobs, \$396 million in wages, and a total economic impact of \$905 million in the regional economy.

Economic Impact of Motion Picture and Television Production

In 1992, the motion picture and television production industry spent \$1.443 billion in the regional economy. These direct expenditures included about \$86 million for post-production activities on feature

film, television, and commercial productions shot outside the region. The primary expenditure items were labor, space and equipment rental, meals, travel, transportation, props, wardrobe and make-up.

These expenditures had a substantial effect on the regional economy, generating a total of 29,850 jobs, \$1.188 billion in wages, and economic impact of \$3.045 billion. This segment of the arts industry has the largest impact in terms of total economic activity, accounting for 31 percent of the overall arts industry.

Economic Impact of the Arts-Motivated Visitors

The arts industry constitutes a powerful magnet for tourism to the region. In 1992, about 2.76 million visitors came to the region primarily for the arts or extended their stay for the arts. These visitors spent an estimated \$1.311 billion directly on ancillary expenditures such as hotels, restaurants, transportation and shopping. The expenditures of arts-motivated visitors generated 30,140 jobs, \$700 million in wages, and \$2.32 billion in total economic activity.

Most Affected Industries:

As indicated above, the impact of the arts industry spans many sectors. By adding up the impacts for the various components of the arts industry, the cumulative job and expenditure effects on such industries as real estate, hotels, and wholesale retail trade become apparent.

Table 28 documents the impacts of most affected industries.

Table 28
Industries Most Affected by the Arts
(All Dollar Figures are in Millions of 1992 Dollars)

Industry	Expenditure Impact \$	Industry	Jobs
Business Services	570.3	Wholesale/Retail	5,443
Real Estate	563.3	Business Services	5,268
Banking and Insurance	444.3	Real Estate	5,236
Wholesale and Retail	322.0	Health	2,967
Health	203.9	Restaurants	1,762
Transportation	169.6	Transportation	1,757
Utilities	161.3	Banking/Insurance	1,480
Communications	116.8	Hotels/Lodging	1,219
Hotels and Lodging	83.5	Communications	747

Source: The Port Authority of New York and New Jersey

CHANGING TRENDS IN THE ECONOMIC IMPACT OF THE ARTS INDUSTRY

The arts as a whole have grown over the past decade. Total direct expenditures made by the arts increased by about 17 percent, in real terms, between 1982 and 1992. During the past ten years, there have been significant changes in the regional economy which have resulted in a reduction of the total jobs generated per dollar of expenditure compared to the previous study. These changes were the result of productivity improvements and other structural changes that have taken place in the regional economy during the decade. These structural changes include the increasing importance of financial and human services activity and the continued erosion of manufacturing production in the region, with the consequent need by the region to import an increasing share of the goods and services purchased by its consumers and businesses.

In addition, the linkages of the arts industry to the rest of the region's economy were affected by the severe recession of 1989-92. Overall, regional employment declined by 8.6 percent, or 657,000 jobs, with even higher job losses in the New York City economy. New York City's employment declined by 9 percent during the 1989 to 1992 period. All the major supplying industries, including hotels, eating and drinking places, airlines, business services, and retail service experienced a substantial loss of jobs.

Changes in Industry Components

Table 29 compares the current impacts with those of the earlier (1982) economic impact of the arts study. While total economic activity in the arts increased by 14 percent between 1982 and 1992, total employment declined by 8 percent, largely because of productivity increases and downsizing of the region's manufacturing and other key sectors.

Table 29
Total Impact and Total Employment,
(All Dollar Figures are in Millions of 1992 Dollars)

Category	Total Employment			Total Impact		
	1982	1992	Percent Change	1982 \$	1992 \$	Percent Change
Nonprofits	29,600	33,570	13.4%	2,062	2,720	31.9%
Galleries and Auction Houses	5,000	6,700	34.0%	567	841	48.3%
Commercial Theater	10,200	7,280	-28.6%	1,023	904	-11.6%
Motion Picture and Television	35,400	29,850	-15.6%	2,896	3,044	5.1%
Arts-Motivated Visitors	36,900	30,140	-18.3%	2,046	2,320	13.3%
Total	117,100	107,540	-8.2%	8,594	9,829	14.4%

Source: The Port Authority of New York and New Jersey

Nonprofits

The nonprofit component of the arts industry experienced major gains during the decade of the 80s. Direct expenditures in the industry rose by 38 percent, with a concurrent increase in direct jobs of 15 percent. Most of the increases come from the larger organizations whose expenditures increased by 55 percent during the decade. Consequently, the industry generated more economic activity in 1992 than in 1982, with total economic impact increasing by 33 percent and total jobs increasing by 13 percent.

Art Galleries and Auction Houses

The art galleries and auction houses component of the arts industry experienced significant growth in the level of direct activity, as measured by expenditures and employment between 1982 and 1992. Although the industry declined from 1990 to 1992, direct expenditures were still higher in 1992 than in 1982 and direct jobs increased significantly. The total economic impact of art galleries and auction houses increased by 48 percent, while total jobs generated grew by 34 percent.

Commercial Theater

The commercial theater industry was an exception to the growth that was experienced by other components in the arts industry during the decade of the 1980s. With fewer new productions and playing weeks in 1992, direct expenditures fell by 11 percent, and direct jobs declined by 20 percent. The cumulative effect of the decline in the industry and the changes in the overall regional economy resulted in a 12 percent decrease in the total economic activity, and a decline of 29 percent in the total employment impact of the industry.

Motion Picture and Television Production

The motion picture and television production industry as a whole has remained unchanged in 1992 compared to 1982. Direct expenditures were essentially flat, while direct jobs went up by about 3 percent, due primarily to changes in the mix of activities in the industry. In 1982, commercials represented the largest segment of the industry, at approximately 50 percent of industry expenditure, while television and feature film had a 47 percent share. By 1992 this had reversed, with television and feature film representing the largest portion of expenditures at about 64 percent, and commercials falling to just over 31 percent. Since the labor component of total expenditures for television and feature film is higher than for commercials, more direct jobs were created in 1992 as compared to 1982.

The total impact of this segment grew by 5 percent. However, total jobs generated declined by 16 percent, reflecting productivity improvements and structural changes in the regional economy, but also the employment cutbacks caused by the regional recession of 1989-1992.

Arts-Motivated Visitors

In 1992, arts-motivated visitors to the region directly spent over \$1.3 billion on goods and services. This expenditure was an increase of 28 percent in real terms from 1982, reflecting the greater length of stay which increased from an average of 1.9 days in 1982 to 2.9 days in 1992. In addition, the average expenditure per day was higher almost a third, in real terms, from 1982.

However, while the total economic impact generated by the direct spending of arts-motivated visitors grew by 13 percent, total jobs generated declined by 18 percent. This decrease is due, in part, to productivity gains in the regional economy, but was primarily caused by the effects of the 1989-92 recession.

ARTS INDUSTRY IMPACTS ON THE NEW YORK CITY ECONOMY

As in the regional analysis described above, the New York City economy is also affected on a broader scale through a multiplier effect, giving rise to increased jobs, income, and tax revenues due to arts expenditures. Table 30 presents findings of the economic impacts of the various components of the arts industry for New York City.

Table 30
Economic Impact of Arts Components on the New York City Economy
(All Dollar Figures are in Millions of 1992 Dollars)

Category	Total Jobs	Total Wages \$	Total Impacts \$
Nonprofits	26,900	648	2,512
Galleries and Auction Houses	6,105	214	773
Commercial Theater	7,177	391	836
Motion Picture and Television Production	26,500	1,047	2,651
Arts-Motivated Visitors	32,132	740	2,450
Total	98,814	3,040	9,222

Source: The Port Authority of New York and New Jersey

Comparing the New York City impacts with those of the New York-New Jersey region, we find that New York City has more than 91 percent of the total jobs and 93 percent of the total expenditures. This is especially true in the art galleries and commercial theater sectors where almost all the economic activity occurs within New York City. Because of this concentration in New York City, the arts industry has a greater economic impact on the proportionally smaller New York City economy than on the New York-New Jersey regional economy as a whole.