

LAFAYETTE'S CULTURAL ECONOMY

EXECUTIVE SUMMARY

Introduction

This study, referred to as Phase II of LEDA's Cultural Economy Impact Study, represents a partnership between LEDA and the B.I. Moody College of Business Administration at the University of Louisiana at Lafayette. Specifically LEDA staff, working in conjunction with Economics faculty at UL, endeavor to provide a thorough, comprehensive and accurate evaluation of the importance and significance of what is termed Lafayette's "Cultural Economy."

Methodology

Phase II uses data from 2014, the last "full" year for which complete data is available. Given that inflation was negligible in 2015 and 2016 inflation numbers are still preliminary and subject to revision, all numbers are stated in 2014 year-end dollars. Other data utilized are RIMS II regional economic multipliers. RIMS II multipliers are used to calculate *total (direct and indirect) economic impacts* in the Lafayette region. Data from Lafayette MSA was obtained for employment (jobs) and economic output (GDP). Labor (household earnings) was obtained using a 2.15 multiplier; GDP was divided by 2.15 to derive earnings.

Employment is measured as total full and part-time jobs that are supported by Lafayette's cultural economy.

Labor (Household) Earnings includes estimates of such factors as employee wages, salaries and benefits, as well as incomes of sole proprietors, that are generated by Lafayette's cultural economy.

Economic Output (GDP) is a measure of the total estimated value of production of all goods and services that are related to Lafayette's cultural economy. Economic output is the summation of all final demands (sales to consumers). The dollar value of intermediate sales (from businesses to other businesses) is captured in final demand.

Results

The results have been broken down into multiple scenarios. Below are the results of the main scenario, used in the body of the report and scenario two, which includes partial retail and partial food production to get the most realistic values.

Defining Cultural Economy

Culture: Festivals, Museums, Preservation

Recreation: Parks, Nature Trails, Attractions

Entertainment: Film, Music, Live Performances

Arts: Visual Art, Crafts, Design, Literature

Tourism: Hotels, Restaurants, Transportation

Economy: Retail, Agriculture, Digital Media

SCENARIO ONE (Table 1)



EMPLOYMENT IMPACT: **33,655 JOBS**



EARNINGS IMPACT: **\$1.02 BILLION**



ECONOMIC OUTPUT: **\$1.50 BILLION**

SCENARIO TWO (Table 6)



EMPLOYMENT IMPACT: **24,478 JOBS**



EARNINGS IMPACT: **\$882 MILLION**



ECONOMIC OUTPUT: **\$1.33 BILLION**



The Economic Significance and Impact of Lafayette's Cultural Economy

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Executive Summary

This study, referred to as Phase II of LEDA's Cultural Economy Impact Study, represents a partnership between LEDA and the B.I. Moody College of Business Administration at the University of Louisiana at Lafayette. Specifically LEDA staff, working in conjunction with Economics faculty at UL, endeavor to provide a thorough, comprehensive and accurate evaluation of the importance and significance of what is termed Lafayette's "Cultural Economy."

We in the MCOBA at UL are excited to work with LEDA on this ambitious project. Lafayette, in many respects, has a dynamically changing economy no longer connected entirely to the energy sector. One critical component of Lafayette's economy is its vibrant culture. While the cultural economy is certainly reliant on Mardi Gras, festivals, as well as concerts and other productions, there is much more that is inclusive. While Phase I offered a rather brief synopsis of the culture economy, Phase II attempts to incorporate all economic activity that is related to Lafayette's "culture."

Both phases are cooperative projects between UL Lafayette and LEDA staff. Their broad database of economic variables and statistics, as well as their extensive research background, are invaluable to this project.

One particular challenge involves actually defining: "Cultural Economy." No economic definitions, theories or models can clearly delineate between culture and non-culture. There are no textbooks or research publications to turn to for a true definition. Therefore, defining the cultural economy is to some extent subjective. However, this project will incorporate economic markets and activities considered cultural. Efforts are made to analyze and measure the economic impact of culture-related goods and services that are important for effective economic planning, development and maintainable economic growth.

The following pages provide information on the Cultural economy for use by business people, educators, government representatives, civic leaders and citizens alike. The first section offers a definition and explanation of the culture economy. The second section offers some thoughts on data and statistical methods employed, as well as some qualifications. The third section provides an overall assessment of the impact of the cultural economy. The fourth section includes some concluding remarks and thoughts on future development.

Defining the Cultural Economy

While many may associate the “cultural economy” of Lafayette with events such as Mardi Gras and Festival International – and no doubt that would be correct – there is more to the story. The cultural economy is composed of numerous businesses, associations, and citizens that transform skills, abilities and cultural talents into economically valuable goods and services. From that springs forth abundant jobs and extensive amounts of income. We have indentified six “clusters” of economic sectors that collectively compose the cultural economy. These sectors include, but are not necessarily limited to, the following:

- **Culture:** festivals, museums, preservation
- **Recreation:** parks, nature trails, attractions
- **Entertainment:** film/television, music, live performances
- **Arts:** visual arts, crafts, design, literature
- **Tourism:** hotels, restaurants, transportation
- **Economy:** retail, food production, digital media, technologies

The above economic sectors are extensively interconnected. Economic activity in one sector is sure to affect another. For that matter, economic activity in a “culture” economy sector will further affect a “non-culture” sector. For this reason, multiplier analysis is utilized to gage economic impacts. This process is discussed below as are issues related to “undercounting” and “over-counting” vis-à-vis economic variables.

A Note on Data and Methodology

Some previous studies on cultural economic variables by LEDA date back to 2009. Phase II uses updated data from the last “full” year from which complete data is available. That year is 2014. Given that inflation was negligible in 2015 and that 2016 inflation numbers are still preliminary and subject to revision, all numbers are stated in 2014 year-end dollars. Other data utilized are RIMS II regional economic multipliers. RIMS II multipliers are used to calculate *total (direct and indirect) economic impacts* in the Lafayette region. Data from Lafayette MSA was obtained for employment (jobs) and economic output (GDP). Labor (household earnings) was obtained using a 2.15 multiplier; GDP was divided by 2.15 to derive earnings. The 2.15 multiplier is used in regional economic analysis as business surveys have revealed the value of a firm’s output typically exceeds labor earnings by a multiple 2.15 (on average).

The Regional Input-Output Modeling System (RIMS II) is a regional economic model. The idea behind the results of RIMS II is that an initial change in economic activity results in other rounds of spending—for example, building a new road will lead to increased production of asphalt and concrete. The increased production of asphalt and concrete will lead to more mining. Workers benefiting from these increases will spend more, perhaps by eating out at nicer restaurants or splurging more on entertainment. RIMS II is discussed further in the next section.

How “undercounting” might occur: Although data collection and measurement procedures utilized by the Bureau of Economic Analysis (BEA) has been relied upon by economists over many years for accuracy and thoroughness, it is possible not all jobs and/or every dollar of earnings and output can be captured. Therefore it is possible that the economic impact(s) presented in the following pages may not reflect *all* jobs, earnings, and output attributable to Lafayette’s cultural economy.

The issue of over-counting: Over-counting (also often called double counting) occurs when an economic transaction is erroneously counted more than once. For example, when seafood is sold to a restaurant, it may be counted as economic output. Then when the restaurant sells the seafood to a customer, the transaction is counted again as economic output. Over-counting is minimized in this study via several methods. First, Lafayette MSA GDP figures already reflect all economic output and income, so GDP accurately reflects those economic factors with minimal double (or over) counting. Also, as an example, while all food and beverage sales are included, food/beverage manufacturing is excluded, but will show up in final demand, so the net effect should be to accurately reflect food and beverage impacts accounted for by the cultural economy. So caution was taken so as not to over-count any economic sector. Overall, both undercounting and over-counting are expected to be nominal though neither can be entirely eliminated.

Overview of Economic Impact Analysis

Regional economies represent complex interactions between numerous producers and consumers. A change in final demand for a good/service can create “ripple” effects through the economy as businesses purchase inputs from one another while producing output for consumers to purchase. As an example, when a visitor comes to Lafayette for, say, a festival, the visitor will spend money to purchase various goods/services. The sales, earnings and employment resulting from these *direct* purchases from local businesses represent the *direct* effects of the visitor’s spending. Further, so as to provide supplies and materials to the local business community for the production of its goods and services, suppliers need to purchase inputs from other firms (e.g. seafood for a restaurant) therefore creating additional *indirect* effects of visitor spending.

Indirect effects are the *additional* employment, earnings and economic output generated indirectly from consumer spending. The presence of festivals and other cultural events in a parish may necessitate the opening of more restaurants, hotels and other businesses thus engendering more hiring and income creation. In turn, labor earnings from this employment are spent at restaurants, stores, etc., thereby creating *additional* jobs and earnings and so on.

Economic impact analysis incorporates both direct and indirect effects and RIMS II multipliers are utilized. RIMS II multipliers allow for the derivation of indirect effects, given direct effects.

For both direct and indirect effect analysis, the following economic variables are measured:

Employment is measured as total full and part-time jobs that are supported by Lafayette’s cultural economy.

Labor (Household) Earnings includes estimates of such factors as employee wages, salaries and benefits, as well as incomes of sole proprietors, that are generated by Lafayette’s cultural economy.

Economic Output (GDP) is a measure of the total estimated value of production of all goods and services that are related to Lafayette’s cultural economy. Economic output is the summation of all final demands (sales to consumers). The dollar value of intermediate sales (from businesses to other businesses) is captured in final demand.

Economic Impact: The Numbers

Economic Impact of the Culture Economy on Employment

- As of the beginning of 2015, Lafayette's cultural economy generated employment of approximately **33,655 jobs**. This accounts for about 15% of all jobs in the Lafayette MSA.*

Economic Impact of the Culture Economy on Earnings

- As of the beginning of 2015, Lafayette's cultural economy generated household earnings of approximately **\$1.02 billion**. This accounts for about 8.1% of all the household earnings in the Lafayette MSA.*

Economic Impact of the Culture Economy on Economic Output

- As of the beginning of 2015, Lafayette's cultural economy generated Economic Output (GDP) of approximately **\$1.50 billion**. This represents about 5.7% of all the economic output in the Lafayette MSA.*

* These numbers exclude the Retail Trade sector, which is addressed in the Appendix.

Economic Impact: The Numbers

Table 1 below presents the economic impact numbers noted on the previous page “broken out” by economic sector.

Table 1

INDUSTRY/SECTOR	JOBS	EARNINGS	OUTPUT
	Direct + Indirect	Direct + Indirect	Direct + Indirect
food production (agriculture)	14,454	\$ 147,075,209	\$ 223,000,000
information:	3,401		
publishing		\$ 33,934,000	\$ 47,000,000
motion picture and recording		\$ 28,546,186	\$ 39,000,000
broadcasting/telecommunications		\$ 270,634,047	\$ 381,000,000
data processing/internet		\$ 12,739,721	\$ 17,000,000
arts, entertainment & associated goods	15,799		
performing arts, sports, museums		\$ 20,890,233	\$ 34,000,000
amusements, gambling		\$ 58,654,791	\$ 82,000,000
accomodation		\$ 83,028,093	\$ 122,000,000
food services/drinking places		\$ 363,426,279	\$ 545,000,000
Grand Total:	33,655	\$1,018,928,558	\$ 1,490,000,000

Findings and Conclusions

The above analysis provides powerful evidence that Lafayette not only has a far-reaching cultural economic sector, but that sector contributes in vastly significant ways to Lafayette's economic prosperity.

Even conservative estimates place Lafayette's cultural economy employment at approximately 12-15% of all jobs in Lafayette. Labor earnings and economic output are also substantial.

In addition, even those parties not considered a facet of the 'culture economy' have a vested interest in it. The Lafayette economy, like any economy, is intricately connected. So the economic health, or lack thereof, of Lafayette's cultural economy affects all other economic sectors and markets. All businesses, government agencies and citizens are affected. The cultural economy influences output, prices, employment and income of all other sectors. Indirect earnings and employment effects permeate Lafayette's non-cultural economy.

Other Considerations

All economic impact studies should be viewed in light of the data used to obtain said impacts. While data limitations are always an issue, this study was approached in such a way to minimize undercounting, over-counting or any other biases.

Even though regional I-O models like RIMS provide an objective way to estimate the various economic impacts of output, earnings, and jobs, there are other factors that decision makers may want to consider. One additional set of factors that may be considered are intangible benefits. These benefits may include volunteerism, increases in quality of life, and public health.

To give an example of how intangible benefits may play a role in the decision-making process, consider the case where local officials must decide whether to open a new fire station. An economic impact study may show that the impact of the operation of the station will result in 10 new jobs. Yet if the local government's main objective is to increase public safety, this estimate of new jobs will not provide all of the information needed to make the decision.

In sum, Lafayette's quality of life that is so greatly enhanced by its vibrant culture could never be sufficiently measured by numbers alone.

References

1. Regional employment and GDP data for Lafayette MSA.
2. Phase I: Economic Impact of the Cultural Sector: A Preliminary Assessment, by Dr. Cary Heath.
3. Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis.
4. Cullinane Thomas C., and L. Koontz. 2016. 2015 National park spending effects: Economic contributions to local communities, states and the nation. National Park Service, Fort Collins, Colorado.
5. Lynch Robert L. 2012. The Economic Impact of the Nonprofit Arts and Culture Industry in the City of Austin. Americans for the Arts, Washington, D.C.
6. Lynch Robert L. 2012. The Economic Impact of the Nonprofit Arts and Culture Industry in Sacramento County, CA. Americans for the Arts, Washington, D.C.
7. Various previous economic impact analyses undertaken by LEDA.

The Economic Significance and Impact of Lafayette's Cultural Economy

Appendix

The following pages contain appendices showing various levels (weights) of Lafayette's Food production (agriculture) and retail trade sectors – these “weights” are really proportions of food production and retail trade that could be accounted for by Lafayette's Cultural economy.

Appendices are organized as follows:

- **Appendix A:** Food production and Retail sectors are weighted by 25% (Lafayette's cultural economy accounts for 25% of total employment, household earnings and output in the food production and retail sectors). Results are shown in Table 2.
- **Appendix B:** Food production and Retail sectors are weighted by 50% (Lafayette's cultural economy accounts for 50% of total employment, household earnings and output in the food production and retail sectors). Results are shown in Table 3.
- **Appendix C:** Food production and Retail sectors are weighted by 75% (Lafayette's cultural economy accounts for 75% of total employment, household earnings and output in the food production and retail sectors). Results are shown in Table 4.
- **Appendix D:** Using an average RIMS II multiplier for **retail**, this scenario utilizes “partial” multipliers, showing employment, earnings and output in the retail sector emanating from economic activity in the food production, information, and arts and entertainment sectors. It was derived as follows: The employment multiplier for retail attributable to the *food production sector*, the employment multiplier for retail attributable to *information sector*, and the employment multiplier for retail attributable to the *arts, entertainment and associated goods sector* is averaged to obtain a partial employment multiplier for Retail. The earnings multiplier for retail attributable to the *food production sector*, the earnings multiplier for retail attributable to the *information sector*, and the earnings multiplier for retail attributable to the *arts, entertainment and associated goods sector* is averaged to obtain a partial earnings multiplier for Retail. The output multiplier for retail attributable to the *food production sector*, the output multiplier for retail attributable to *information sector*, and the output multiplier for retail attributable to the *arts, entertainment and associated goods sector* is averaged to obtain a partial output multiplier for Retail. Results are shown in Table 5.
- **Appendix E:** As in Appendix D, this scenario uses an average RIMS II multiplier for **food production**. Again a “partial” multiplier, showing employment, earnings and output in the food production sector emanating from economic activity in the retail, information, and arts and entertainment sectors. It was derived with the same methodology as in Appendix D above. Results are shown in Table 6.

Appendix A:

Food Production and Retail sectors are weighted by 25%

Summary: In this scenario, 26,964 jobs are generated by Lafayette’s cultural economy, as well \$1.21 billion in earnings and \$1.76 billion in economic output.

Table 2

INDUSTRY/SECTOR	JOBS	EARNINGS	OUTPUT
	Direct + Indirect	Direct + Indirect	Direct + Indirect
food production (agriculture)	3,614	\$ 36,768,802	\$ 55,750,000
retail trade	4,150	\$ 298,051,907	\$ 442,000,000
information:	3,401		
publishing		\$ 33,934,000	\$ 47,000,000
motion picture and recording		\$ 28,546,186	\$ 39,000,000
broadcasting/telecommunications		\$ 270,634,047	\$ 381,000,000
data processing/internet		\$ 12,739,721	\$ 17,000,000
arts, entertainment & associated goods	15,799		
performing arts, sports, museums		\$ 20,890,233	\$ 34,000,000
amusements, gambling		\$ 58,654,791	\$ 82,000,000
accomodation		\$ 83,028,093	\$ 122,000,000
food services/drinking places		\$ 363,426,279	\$ 545,000,000
Grand Total:	26,964	\$1,206,674,058	\$ 1,764,750,000

Appendix B:

Food Production and Retail sectors are weighted by 50%

Summary: In this scenario, 34,728 jobs are generated by Lafayette’s cultural economy, as well \$1.54 billion in earnings and \$2.26 billion in economic output.

Table 3

INDUSTRY/SECTOR	JOBS	EARNINGS	OUTPUT
	Direct + Indirect	Direct + Indirect	Direct + Indirect
food production (agriculture)	7,227	\$ 73,537,605	\$ 111,500,000
retail trade	8,300	\$ 596,103,814	\$ 884,000,000
information:	3,401		
publishing		\$ 33,934,000	\$ 47,000,000
motion picture and recording		\$ 28,546,186	\$ 39,000,000
broadcasting/telecommunications		\$ 270,634,047	\$ 381,000,000
data processing/internet		\$ 12,739,721	\$ 17,000,000
arts, entertainment & associated goods	15,799		
performing arts, sports, museums		\$ 20,890,233	\$ 34,000,000
amusements, gambling		\$ 58,654,791	\$ 82,000,000
accomodation		\$ 83,028,093	\$ 122,000,000
food services/drinking places		\$ 363,426,279	\$ 545,000,000
Grand Total:	34,728	\$1,541,494,767	\$ 2,262,500,000

Appendix C:

Food Production and Retail sectors are weighted by 75%

Summary: In this scenario, 42,491 jobs are generated by Lafayette’s cultural economy, as well \$1.87 billion in earnings and \$2.76 billion in economic output.

Table 4

INDUSTRY/SECTOR	JOBS	EARNINGS	OUTPUT
	Direct + Indirect	Direct + Indirect	Direct + Indirect
food production (agriculture)	10,841	\$ 110,306,407	\$ 167,250,000
retail trade	12,450.68	\$ 894,155,721	\$ 1,326,000,000
information:	3,401		
publishing		\$ 33,934,000	\$ 47,000,000
motion picture and recording		\$ 28,546,186	\$ 39,000,000
broadcasting/telecommunications		\$ 270,634,047	\$ 381,000,000
data processing/internet		\$ 12,739,721	\$ 17,000,000
arts, entertainment & associated goods	15,799		
performing arts, sports, museums		\$ 20,890,233	\$ 34,000,000
amusements, gambling		\$ 58,654,791	\$ 82,000,000
accomodation		\$ 83,028,093	\$ 122,000,000
food services/drinking places		\$ 363,426,279	\$ 545,000,000
Grand Total:	42,491	\$1,876,315,477	\$ 2,760,250,000

Appendix D:

Utilizing an average RIMS II “partial” multiplier for retail (i.e. the jobs, earnings, and output in the Retail sector that come directly from economic activity in the Food Production, Information, and Arts/Entertainment sectors).

Summary: In this scenario, 38,888 jobs are generated by Lafayette’s cultural economy, as well \$1.03 billion in earnings and \$1.56 billion in economic output.

Table 5

INDUSTRY/SECTOR	JOBS	EARNINGS	OUTPUT
	Direct + Indirect	Direct + Indirect	Direct + Indirect
food production (agriculture)	14,454	\$ 147,075,209	\$ 223,000,000
retail trade	5,233	\$ 10,690,233	\$ 67,184,000
information:	3,401		
publishing		\$ 33,934,000	\$ 47,000,000
motion picture and recording		\$ 28,546,186	\$ 39,000,000
broadcasting/telecommunications		\$ 270,634,047	\$ 381,000,000
data processing/internet		\$ 12,739,721	\$ 17,000,000
arts, entertainment & associated goods	15,799		
performing arts, sports, museums		\$ 20,890,233	\$ 34,000,000
amusements, gambling		\$ 58,654,791	\$ 82,000,000
accomodation		\$ 83,028,093	\$ 122,000,000
food services/drinking places		\$ 363,426,279	\$ 545,000,000
Grand Total:	38,888	\$ 1,029,618,791	\$ 1,557,184,000

Appendix E:

Utilizing an average RIMS II “partial” multiplier for food production (i.e. the jobs, earnings, and output in the Food Production sector that come directly from economic activity in the Retail, Information, and Arts/Entertainment sectors).

Also, utilizing an average RIMS II “partial” multiplier for retail (i.e. the jobs, earnings, and output in the Retail sector that come directly from economic activity in the Food Production, Information, and Arts/Entertainment sectors).

Summary: In this scenario, 24,478 jobs are generated by Lafayette’s cultural economy, as well \$883 million (close to \$1 billion) in earnings and \$1.33 billion in economic output.

Table 6

INDUSTRY/SECTOR	JOBS	EARNINGS	OUTPUT
	Direct + Indirect	Direct + Indirect	Direct + Indirect
food production (agriculture)	45	\$ 259,302	\$ 557,499
retail trade	5,233	\$ 10,690,233	\$ 67,184,000
information:	3,401		
publishing		\$ 33,934,000	\$ 47,000,000
motion picture and recording		\$ 28,546,186	\$ 39,000,000
broadcasting/telecommunications		\$ 270,634,047	\$ 381,000,000
data processing/internet		\$ 12,739,721	\$ 17,000,000
arts, entertainment & associated goods	15,799		
performing arts, sports, museums		\$ 20,890,233	\$ 34,000,000
amusements, gambling		\$ 58,654,791	\$ 82,000,000
accomodation		\$ 83,028,093	\$ 122,000,000
food services/drinking places		\$ 363,426,279	\$ 545,000,000
Grand Total:	24,478	\$ 882,802,884	\$ 1,334,741,499