The Dollars and Sense of Cultural Economic Development: Summary Report of Michigan's Cultural Capacity

Prepared by:

Ms. Laleah Fernandez

Mr. Naren Garg

Dr. Rex L. LaMore

Michigan State University Community and Economic Development Program

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Michigan State University
Community and Economic Development Program
1801 W. Main St.
Lansing, MI 48915
www.cedp.msu.edu

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The Michigan State University Community and Economic Development Program (MSU-CEDP) has over 30 years of experience in addressing the economic problems of communities throughout Michigan. Strong private, state and local partnerships have been developed over these years, having resulted in the collaborative identification of needs and implementation of strategies. These partnership strategies have enabled the MSU-CEDP to build the capacity of organizations throughout the state. Through research, technical assistance, and education, the MSU-CEDP assists in developing innovative strategies that are effective in overcoming the barriers to higher-skilled, higher-wage jobs, developing successful local economic development strategies which result in the creation of new businesses or jobs.

The MSU-CEDP seeks to improve the capacity of local economic development agencies and public and private organizations to promote favorable economic conditions. This is accomplished through the cultivation and channeling of resources available through a variety of colleges, departments, and programs at the university. The objectives include targeted technical assistance, training, public policy development for economic development, further applied research, outreach, and dissemination of information.

This report is the result of the talents of many individuals who have contributed to this work. Contributors to data collection, analysis and presentation include several colleagues from Michigan State University including, Faron Supanich-Goldner, John Melcher and Dr. Diane Doberneck, all of whom are CEDP Specialists.

While several individuals contributed to this concept, the product presented in the following pages is the direct effort of the following key authors: Ms. Laleah Fernandez, MSU McNair/SROP Scholar, Mr. Naren Garg, Masters Student in MSU’s Urban and Regional Planning Program, and Dr. Rex LaMore, State Director of the MSU-CEDP.

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Introduction

As the economic landscape is transformed from a manufacturing to knowledge economy, Michigan communities are also changing their understanding of the role that arts and culture play in the globally competitive environment. Creative and cultural assets in local communities are seen as both a source of jobs and an important factor in increasing community competitiveness. The convergence of creativity and technology are critical to inventing our way to prosperity.

Part One of this report examines the potential relationship between creative and cultural assets of a community and the emerging global knowledge economy. Part Two provides a baseline assessment of the cultural economy in Michigan. These materials are provided to assist community and economic development professionals in their effort to create healthy viable local communities.

The New Economy

For over a century the Michigan economy has been based in a large part on transportation technology and its related innovations. The very essence of this industry was based on a creative entrepreneurial spirit that brought new ideas and products to the market place.

Enter the *New Economy*, the transition from the production line to emerging technologies and information based industries. The term stresses the increased importance of knowledge, information and technology as a means of survival and prosperity. This increased importance is a direct result of the changing needs and behaviors of society. The pace of change amplifies the need for innovation. And most firms, not just the ones producing technology, are organizing work around it (Progressive Policy Institute, 1998).

The New Economy implies a shift in our workforce, habits and expectations. Our workforce once relied on manual labor; the new economy demands education and ideas. The new economy seeks to employ knowledge workers.

Creative Pioneers

Cultural institutions and creative workers are knowledge worker pioneers and often overlooked in measures that try to describe the new economy workforce. Often, entrepreneurs and the self-employed they are paramount to the new economy and creative by the nature of producing and designing their own products and services.

With a new economy and increased understanding of the important role of creativity in it, definitions of creative employment are expanding as well. In recent measures concerning the economic impact of the arts and and/or creative employment, scholars have become more inclusive of jobs and businesses that historically were not recognized as creative. For example, in a report prepared by the New England Creative Economy Council (2001), researchers acknowledged and measured employees and industries as they relate to cultural, fine and applied-arts professionals. They describe this as *creative clusters*, which include professions that support art and culture as well as the art-based profession itself. The Council is then able to measure enterprises and individuals that produce cultural products. The artists, nonprofit organizations and commercial cultural enterprises in this cluster work in applied arts, performing arts, visual arts, literary arts, media, heritage, and cultural support organizations (New England Council, 2001).

More recent analysis of the creative sector of the economy consider life sciences, design, advertising, media and consulting creative industries. Similarly, information technology, product design and the self-employed are considered creative in nature. The creative economy employs this *creative workforce* (Creative Economy Council, Mission and Vision, 2004).

As the workforce and economy shifts, it is the responsibility of community and economic and developers to identify the needs of the changing work force and the factors that build and nurture viable communities. In today's new economy, art and culture play a vital role.

The Role of Creativity

There is growing interest among community and economic professionals surrounding the idea that creativity is a vital element in the creation and maintenance of our changing economy. The book *The Rise of the Creative Class* (2002) describes a wide spectrum of jobs enhanced and driven by a creative influence. Its author, Richard Florida, argues that for organizations to be competitive globally, communities must develop, nurture and sustain a creative class of people. Florida estimates that there are 38 million creative employees, accounting for 30 percent of the U.S. workforce (Florida, 2002).

Alan Greenspan emphasized the importance of creativity in the changing economy in an address at the 2000 Governors Convention. The Chairman of the Federal Reserve said that "critical awareness and the abilities to hypothesize, to interpret, and to communicate are essential elements of successful innovation in a conceptual-based economy." (National Governors Association, 2000).

Michigan's New Economy Businesses

The policy group Americans for the Arts recently released a study that examined the economic impact of metropolitan creative industries. The group defined creative industries as arts-centric businesses, institutions, and organizations ranging from museums, symphonies, and theaters to film, architecture, and advertising companies (Americans for the Arts, 2004).

The study ranked metropolitan creative industries, finding that Detroit, Ann Arbor and Flint collaboratively have 1.68 art industries per thousand people, and was ranked 18th among the 20 metropolitan areas examined nationwide. By contrast, Seattle (3.4) and San Francisco (3.02) have the greatest number of art-businesses per capita. The same report ranked Michigan 8th of the 50 states with regard to the number of art business (Americans for the Arts, 2004).

The Knowledge Worker

Analysts such as Florida have described an industry trend in the New Economy the posits that businesses follow the knowledge worker, as opposed to the more traditional assumption that workers seeking residents based on the location of the jobs. Under this paradigm it is important to build communities that are attractive to the needs and desires of knowledge workers**.** The presumption is that if you successfully attract the knowledge workers industry will follow. This is the approach taken by Oakland County Executive Brooks Patterson. The county has developed an "emerging sector" which identifies companies in areas such as advanced electronics, biotechnology and alternative energy and brings them to Oakland County.

The Ann Arbor News recently reported that the key to "luring those companies is selling them on Oakland's highly educated work force," according to the manager of Oakland County planning and economic development services (Ann Arbor News, May 9, 2005).

The Michigan Knowledge Economy Index,

prepared by the Michigan State University Community and Economic Development Program (LaMore, et. al., 2004), offers a county-level assessment of characteristics such as the number of knowledge-based jobs, innovative potential, digital economy and foreign companies or exports. The report found Oakland ranked first of Michigan's 83 counties for knowledge-based jobs, information technologies and overall education of the population. This corresponds to a recent report from Americans for the Arts (2005) which ranked the nation's 435 U.S. Congressional districts by the number of arts businesses in the district. Michigan's 9th Congressional district was Michigan's highest ranking district nationwide (35th) for the total number of arts businesses. The 9th Congressional district includes Oakland County.

In his report *Competing in the Age of Talent*, Florida (2000) argues that communities must appeal to and retain these "knowledge workers" to increase economic viability and be globally competitive he describes the preferences of knowledge workers as being a progressive community that supports diversity in its various forms.

A recent study of Michigan's New Economy, conducted through Western Michigan University identified 7, 463 New Economy Michigan businesses in 2004. (Western Michigan University, 2005). The study found that about 65 percent of the life science businesses are engaged in some form of research. Three in four companies reported being engaged in some form of new product development. Almost half of the New Economy businesses examined indicated they will introduce a new product in the next five-years. The study found that New Economy businesses are twice as likely to hire employees in 2006, as other Michigan based firms (Western Michigan University, 2005). The creative capacity of the New Economy industries is critical to economic growth and job creation in Michigan. Communities that offer a wide range of art and cultural activities not only produce art-based employment and tourism related revenue, but are more competitive in their ability to attract and retain knowledge workers.

Creating Creative Minds

Beyond the need to attract knowledge workers and creative employees, there is the question of how to produce and nurture creativity at early stages of life. Many scholars suggest that this possible only through early access to arts and culture particularly in the classroom. The presence of an art curriculum also reflects the preferences of knowledge workers and offers employment in creative education employment.

Scholars such as Box-Mansilla (2005) and Gardner (1993) argue that children must be introduced to multiple disciplines in order to produce and generate ideas effectively as adults. They point out the necessity in adulthood to apply concepts drawn from a larger mixture of applications that result in individual creativity. Doing this will result in the ability to problem solve and produce original thoughts and ideas.

The Michigan Task Force on Creativity, Arts and Cultural Education identified the value of creativity as result of art education. However the group suggested that this limited the forms of art education and suggested that creativity be treated as a subject. Creativity as a subject will encompass educational opportunities including visual, music, theatre and design and media.

By offering diverse mediums of art with a focus on creativity as the outcome, the group suggests that students will develop skills and capacities in observation, critical thinking and problem solving techniques (Task force on creativity, arts and cultural education). The Task Force asserts that the goal of education and policy should focus on creativity as end, creativity as a subject, and creativity as a way of learning.

Conclusion

The New Economy seeks to employ knowledge workers. Our ability to create, retain and attract high-skilled/high paid employment for

Michigan residents is contingent on a number of factors including the skills of our workforce. The economic shift requires skill sets that emphasize on creativity of the workforce and ability to adapt to an ever-changing workplace and employer expectations. In this new economy it is essential to attract and retain knowledge workers. Florida describes the preference of the knowledge worker as being local communities which are progressive and diverse. Consequently, Florida describes the new industry trend where businesses follow concentrations of the creative employees.

The remainder of this report examines the direct affects of arts and culture in Michigan as measured by the businesses formed and jobs created. These direct impacts, while significant for communities and individuals in our state, do not present the whole picture of the potential importance a diverse cultural economy may play in helping Michigan compete in a globally competitive economy. Our *creative capacity*, stimulated by a diverse cultural environment will play a central role in our states economic transformation.

Michigan's Cultural Economy

As connections between communities' creative capacity and their competitiveness in the knowledge economy are emerging our research team chose to explore one component of this equation: The Cultural Economy. The Cultural Economy represents industries and occupations that produce goods and services that have higher symbolic association than utilitarian purpose. Furthermore it represents services that focus on entertainment, culture, and information and products consumers use for self-identification.

Therefore, the Cultural Economy is a composite of diverse occupations and industries engaged in the creation of aesthetic and semiotic content. It is also subject to the effects of Engel's Law, where an increase in discretionary income results in disproportionately higher rate of consumption of its outputs. The firms in the Cultural Economy agglomerate in specialized industry clusters allowing them to respond to competitive pressures while maintaining access to global markets (Scott, 2004). Therefore, to analyze the Cultural Economy we look at both the industries and occupations that show these distinctive qualities.

Table 1: Cultural Industry Categories

Applied Arts

- Architectural Services
- Interior Design Services
- Industrial Design Services
- Graphic Design Services
- Other Specialized Design Services
- Advertising agencies
- Display Advertising
- Photographic Services

Performing Arts: Music, Theater, Dance

- Performing Arts Companies
- Dance Companies
- Musical Groups and Artists
- Other Performing Arts Companies
- Musical Instrument Manufacturing
- Promoters of Performing Arts Events

Visual Arts

- Art Dealers
- Camera and Photographic Supplies stores
- Photographic film, paper, plate, & chemical mfg
- Agents and Managers for Artists
- Lead pencil and art good manufacturing
- Printing and related support activities

Literary Arts

- Libraries and Archives
- Book Publishers

Media

- Cable and other program distribution
- Motion picture and sound recording industries
- Prerecorded CD, Tape & Record Repng

Heritage

- Museums
- Historical Sites

Support

- Fine Arts Schools
- Independent artists, writers and performers

Source: Occupational Employment Statistical Data, 2003

The following analysis is a quantitative description of Michigan's Cultural Economy. The methodology used parallels similar research conducted at the regional level by The New England Council in their Creative Economy Initiative. Published in 2000, *The Creative Economy Initiative: New England's Arts and Cultural Economy* analyzes the New England region's cultural economy, focusing on three attributes: The Creative Cluster, which represent industries that produce cultural goods, the Creative Workforce, which is composed of workers in highly creative occupations, and Creative Communities, where there is a signification concentration of creative clusters and creative workers.

This baseline assessment of Michigan applies significant portions of the New England methodology, including most industries used in defining the **Creative Industries** (Creative Cluster), and occupations that fall under the **Creative Workforce**. Due to the nature of this study, we have made some variations, and not included all of the data generated by the New England Study. Our study, therefore, does not detail the geographic nature of creative communities or talk about cultural tourism in detail. Additionally, our analysis does not divide compiled data into for-profit and non- profit institutions, and we do not analyze the impact of the self-employed in Michigan's Cultural Economy.

The following analysis is intended to provide an introductory understanding of the significance of the Cultural Industries and Creative Workforce in Michigan.

Definitions

Traditionally, culture was associated with institutions such as museums, operas and symphonies, and classical visual and performing artists. These institutions and the artists that are engaged in this creative process, while fundamental to understanding the Cultural Economy, do not give us a full understanding of both culture and creativity. Therefore, we chose to use the New England methodology that uses an expanded scope of culture to represent industries and occupations that are involved in visual arts, performing arts, literary arts, cultural and arts- based institutions and art education institutions but does not exclude professional arts and design. For the purposes of our study, we have divided the analysis of the Cultural Economy into two sections: Creative Industries and the Creative Workforce.

Creative Industries: The arts and cultural industries are comprised of the creative and supportive activities involved in providing an artistic and/or cultural good or service to the public (Center for Arts and Urban Policy, 2002). These industries form a production line of activity from the manufacture of such goods to the distribution of these goods and related services. For this analysis, Creative Industries are divided into seven categories: Applied Arts, Performing Art, Visual Art, Literary Art, Media, Heritage and Support. Table 1lists the specific industries contained within each category.

Creative Workforce:

The Creative Workforce is made up of individuals in occupations that require a high level of skill in cultural, fine, or applied arts (New England Council, 2001). While most of the Creative Workforce is employed in the creative cluster, many others are employed in what is traditionally considered 'non-creative' industries. Based in part this is based in part on the New England Council (2000) methodology, the analysis of Michigan's Creative Workforce consists of 24 creative occupations categorized into four groups: Performing Arts, Craft and Visual Arts, Professional Services, and Art Education. Unlike the Creative Industry analysis, the auxiliary functions are not included, and the focus is placed mainly on the creative worker. The occupations that compose the four groups in this analysis are shown in Table 2.

Table 2: Creative Occupation Groups

Performing Artist Occupations
- Art Director
- Actor
- Producers and Directors
- Announcers
- Authors
- Musical Directors and Composers
- Musicians and Singers
- Dancers
- Choreographers

Craft and Visual Arts Occupations
- Painting, Coating, and Decorating Workers
- Fine Artists, including Painters, Sculptors, and Illustrators
- PhotographersCabinetmakers and Bench Carpenters

Professional Service Occupations
- Architects
- Archivists, Curators, and Museum Technicians
- Commercial and Industrial Designers
- Exhibit and Set Designers
- Fashion Designers
- Floral Designers
- Graphic Designers
- Interior Designers
- Landscape Architects

Art Education Occupations
- Secondary Art, Drama, and Music Teachers
- Architecture Teachers, Postsecondary

Source: Occupational Employment Statistical Data, 2003

Analysis

Modeled after the New England Cultural Economy Study (New England Council, 2000), the analysis of Cultural Economy indicators in this study is divided along the two categories described above: Creative Industries and Creative Workforce. The dimensions and scope of Michigan's creative industries are analyzed using data from the 1997 Economic Census. Two sets of tables and charts describe the number of establishments in culture and arts-based industries in Michigan, and the number of Michigan workers employed by these industries. The creative workforce, on the other hand, is measured using Occupational Employment Statistics estimates from the year 2003. This analysis of this data is also divided into two sets of tables and charts that describe: the number of Michigan workers in Creative occupations, and the annual wage of these creative occupations and the annual mean wage of different occupation subgroups.

With the use of subgroups and by comparing Michigan industry and occupation data to similar data for the United States, we can begin to understand how Michigan compares to the nation as well as how specific subgroups perform within the creative cluster and the creative workforce in Michigan's economy.

Creative Industries

Creative Industries refers to those industries that are rooted in creative processes and the production of high value added 'creative goods.' As is stated by both Venturelli (1999) and Florida (2002), the generation of ideas is pivotal in being competitive in the new economy and this analysis allows us to look at the scope and dimensions of the different industries involved in the idea generation process.

<u>Establishments</u>*:* Table 3 indicates the number of establishments in Michigan's creative industries, in comparison to creative industry establishments at the national level. Of the 216,871 such establishments in the United States, 5,645 are from Michigan. As a percentage of the total number of establishments within Michigan, the creative industries account for 2.8% of all industries, which is lower than the 3.4% share for the United States. Michigan's share of the national creative industry establishments is about 2.6%; by comparison, the total number of *all* establishments in Michigan is about 3.4% of the national total.

Figure 1 shows the distribution of the establishments among the seven subcategories of creative industries. Here we can compare Michigan's creative industries to those the U.S. average, and those that are above the national

Table 3: Number and distribution of establishments in Creative Industries for U.S. and Michigan.

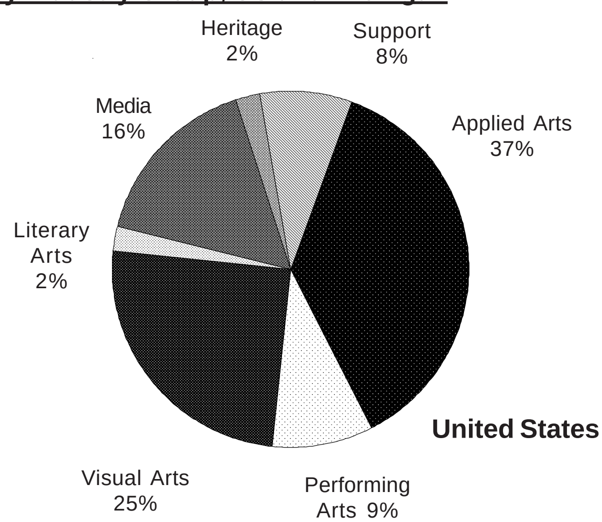
	U.S.		Michigan	
Industry Group	**Number**	**% of Total**	**Number**	**% of Total**
Applied Arts	80,262	37.0	1,864	33.0
Performing Arts	19,588	9.0	412	7.3
Visual Arts	54,473	25.1	1,797	31.8
Literary Arts	4,982	2.3	113	2.0
Media	34,547	15.9	947	16.8
Heritage	4,752	2.2	118	2.1
Support	18,267	8.4	394	7.0
Total Creative Cluster	216,871		5,645	

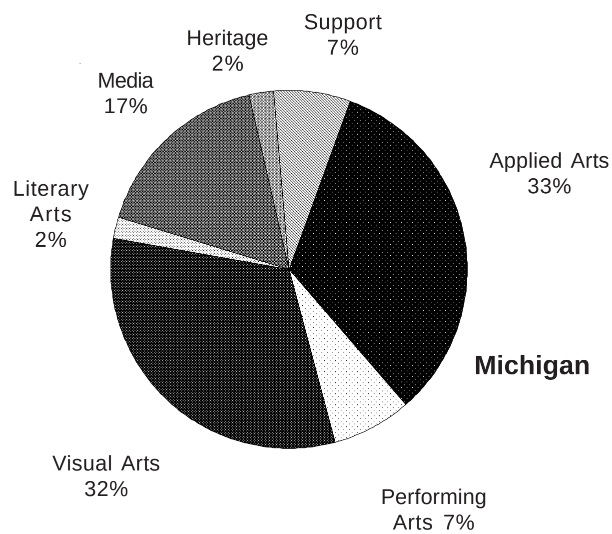
Source: 1997 U.S. Economic Census

average and those that are below. Michigan performs at par with the rest of the nation in the Literary Arts, Media, and Heritage and Support categories; the State has smaller shares in the Performing Arts and the Applied Arts categories. The Visual Arts (32% Michigan vs. 25% national) is the only category in which Michigan exceeds the U.S. average. The industries in this sector make up the 'traditional' arts based economy of Michigan, and show the capacity Michigan possesses in cultural establishments. Appendix A contains more detailed tables of data for creative industry establishments.

Employment: Employment in the creative cluster encompasses all workers in the the establishments in this sector. For example, an Architecture Educational establishment in Michigan (e.g. Laurence Tech.) may employ architects and professors and other high skill educators and researchers, but the establishment also employs secretarial staff, drafters, program advisers, etc. These secondary functions, are relevant in two ways: 1) they provide and enable the smooth functioning of the creative process and idea generation that is the foundation of these creative cluster industries, and 2) these jobs are the byproduct of the creative cluster and therefore represent the number of additional non creative jobs

Figure 1. Distribution of Creative Establishments by Industry Group, US and Michigan





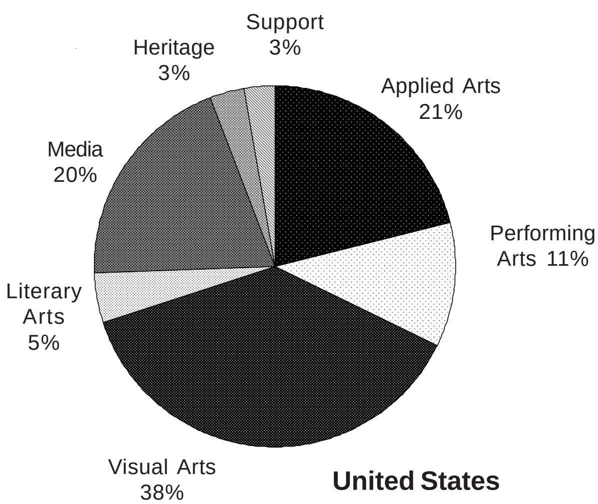
Source: 1997 U.S. Economic Census

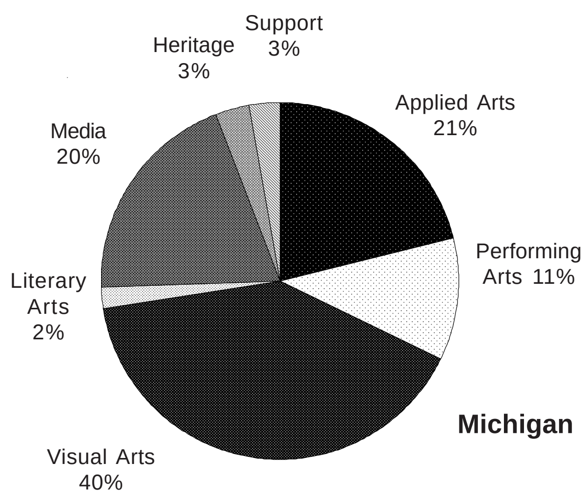
Table 4: Number and Share of Jobs in Creative Cluster Industries, U.S. and Michigan

	U.S.		Michigan	
Industry Group	**Number**	**% of Total**	**Number**	**% of Total**
Applied Arts	524,485	21.2 %	14,128	21.1 %
Performing Arts	270,154	10.9	7,485	11.2
Visual Arts	935,422	37.8	26,914	40.2
Literary Arts	111,942	4.5	1,438	2.2
Media	490,467	19.8	13,070	19.5
Heritage	70,781	2.9	2,203	3.3
Support	170,333	2.8	1,770	2.6
Total Creative Cluster	**2,473,584**		**67,008**	

Source: 1997 U.S. Economic Census

Figure 2. Distribution of Creative Employment by Industry Group, US and Michigan





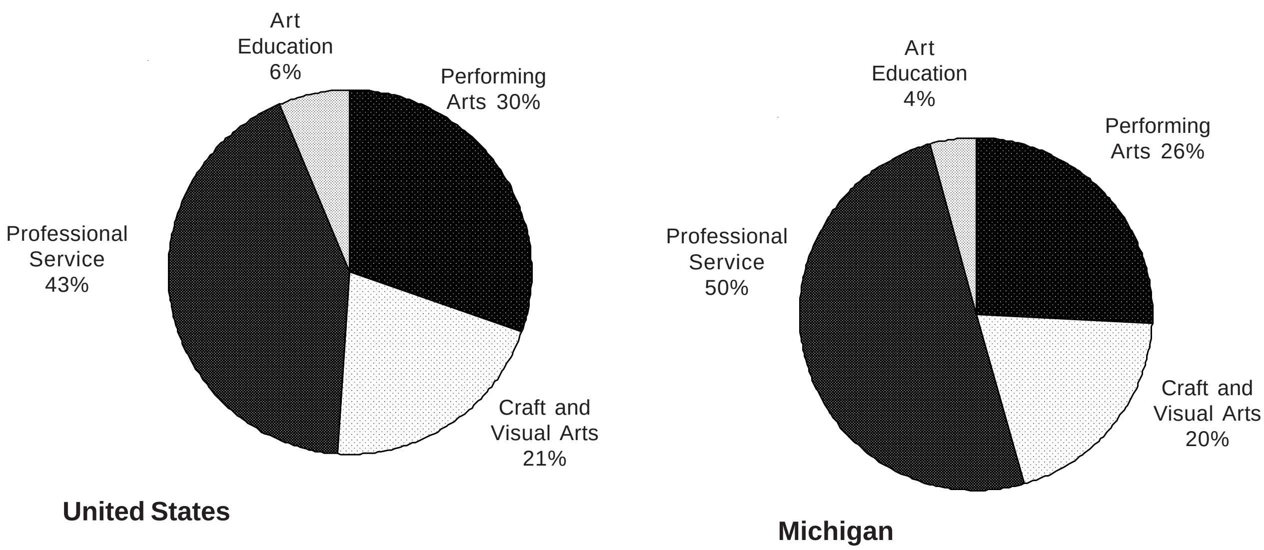
Source: 1997 U.S. Economic Census

Table 5: Number and Share of Jobs in Creative Workforce Occupations, U.S. and Michigan

	U.S.		Michigan	
Occupation Category	**Employees**	**% of Creative Workforce**	**Employees**	**% of Creative Workforce**
Performing Arts	324,640	30.0%	9,264	26.0
Craft and Visual Arts	221,050	21.0	7,160	20.0
Professional Service	454,770	43.0	18,040	50.0
Art Education	67,740	6.3	1,530	4.3
Total Creative Workforce	**1,068,200**		**35,994**	

Source: Occupational Employment Statistics Group, 2003

Figure 3. Distribution of Creative Employment by Occupation, US and Michigan



Source: Occupational Employment Statistics Data, 2003

that this cluster generates. As Table 4 shows, creative industry establishments have nearly two and half million employees nationally, and 67,008 at the Michigan level. Michigan's creative industry employees represent 2.7% of the national total, compared to a 3.7% State share of total national employment. Within Michigan, the number of creative cluster employees makes up 1.8% of the total workforce lower than the 2.4% nationally.

Figure 2 shows the distribution of employment in creative industry establishments by industry category. In the Performing Arts and Applied Arts categories, Michigan performs at par with the national estimates. The share of creative industry employment in the Support and Heritage categories are slightly below the national average, while the Literary Arts Sector makes up a considerably smaller share of Michigan's creative industry employment than in the nation as a whole (2% compared to 5%). As with the establishment comparison, Michigan's concentration of employment in Visual Arts industries is above the national average. Appendix B contains additional creative industry employment data.

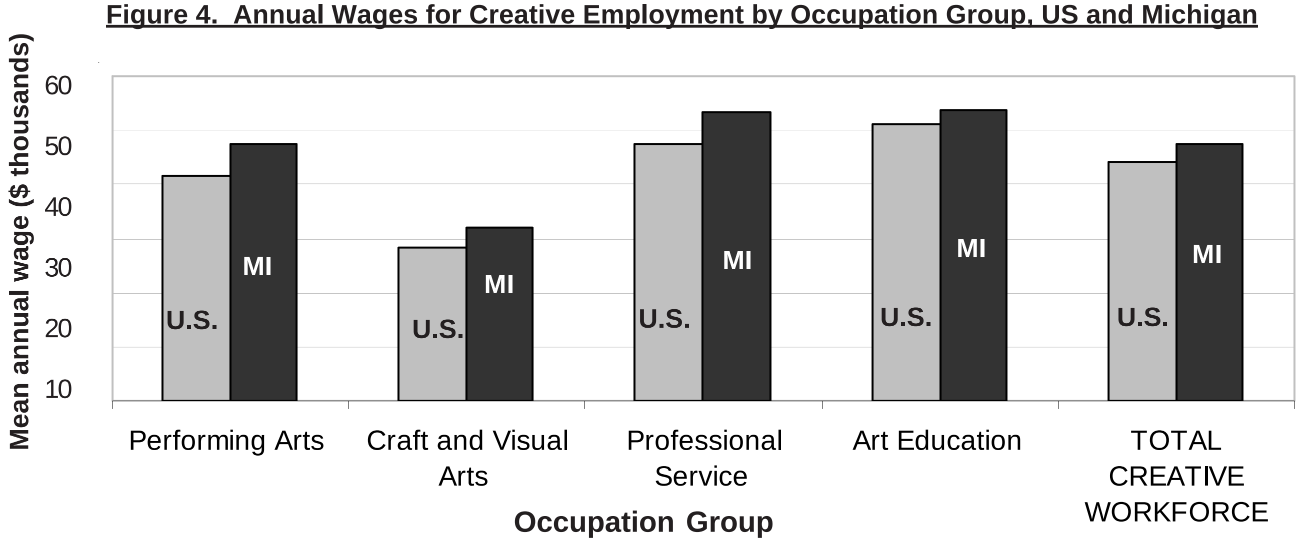
Creative Workforce

The analysis of Michigan's Creative Workforce is based on occupational data, rather than industry-based data. Because individuals are employed in creative occupations in many industries beyond those listed in Table 1, occupation data provides a different perspective on the creative economy.

Employment*:* As seen in Table 5, creative occupations accounted for just over one million jobs at the national level in 2003, and about 36,000 in Michigan. These are about half the employment totals found in the establishment analysis, which shows us the selective nature of these creative occupations. For both Michigan and the U.S., about 3.4% of all employment was in the creative occupations. Likewise, at both national and Michigan levels, creative occupations represented just under one percent of total employment. While the modest number of workers is apparent in this analysis, it is important to understand that these workers may serve as a catalyst for idea generation, and drive the many creative cluster establishments they work in.

Figure 3 compares the state and national distribution of employment within the four creative occupation groups that make up the creative workforce. Michigan's concentration of Art Educators and Craft and Visual Artists are roughly equivalent to the national shares. Performing Arts occupations have a low concentration of workers when compared to the national average (Michigan 26% vs. National 30%). In Professional Services occupations, Michigan has a greater concentration of employment than the national average. This may be attributed to the Commercial and Industrial Designers occupation, which has a five times higher concentration of employees in Michigan than for the nation (see Appendix C for detailed occupational data). In fact, on a per capita basis Michigan has more Commercial and Industrial Designers than any other state in the nation. This may be reflective of the creative process involved in designing and developing automobiles, and related manufacturing endeavors.

Figure 4. Annual Wages for Creative Employment by Occupation Group, US and Michigan



Source: Occupational Employment Statistics Data, 2003

Table 6: Median Annual Wages for Creative Workforce Occupation Groups, U.S. and Michigan

Occupation Group	U.S. Median Annual Wage	Michigan Median Annual Wage
Performing Arts	$ 37,277	$ 39,222
Craft and Visual Arts	25,353	29,980
Professional Service	41,202	51,762
Art Education	49,078	51,484
Total Creative Workforce	**$ 37,229**	**$ 43,934**

Source: Occupational Employment Statistics Data, 2003

Wages: Figure 4 compares the mean annual wages for creative occupation groups in Michigan and the nation. On average, Michigan's creative workers make $47,611 annually, or nearly 3,500 dollars more than the national average. Michigan's average wages exceed the national average in each of the four occupation groups that make up the creative workforce. At both the state and national levels, the mean wage was about 20% higher for creative occupations than for all occupations.

Comparing *median* wages for these groups (those at the midpoint of the wage distribution) results in even greater observed differences between state and national incomes. As shown in Table 6, the median annual income for creative occupations overall was nearly $44,000 for Michigan while only $37,299 for the United States. The greatest difference was in the Profesional Service group of occupations, in which median wages were more than $10,000 greater in Michigan than the nation. Appendix D contains more detailed mean and median wage data for the creative occupations.

Conclusion

Unprecedented challenges confront communities in Michigan. The strengthening of our local economies in times of economic transformation will require from community and economic development practitioners new ways of creating and retaining jobs in distressed areas. A community's cultural economy can play an important role in that process through direct economic benefits, as a talent attractor and as a stimulator of creative capacity. This summary report provides a glimpse of Michigan's cultural capacity. Public and private innovators are encouraged to look closer at their local cultural capacity and identify strategic actions that can improve their community's creative capacity. Our future well being is contingent on our ability to invent our way to prosperity.

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Appendices

A: Establishments in Creative Industries

B: Employment in Creative Industries

C: Employment in Creative Occupations

D. Earnings in Creative Occupations

E. Profiles of Selected Michigan Occupations

F. Technical Notes

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