

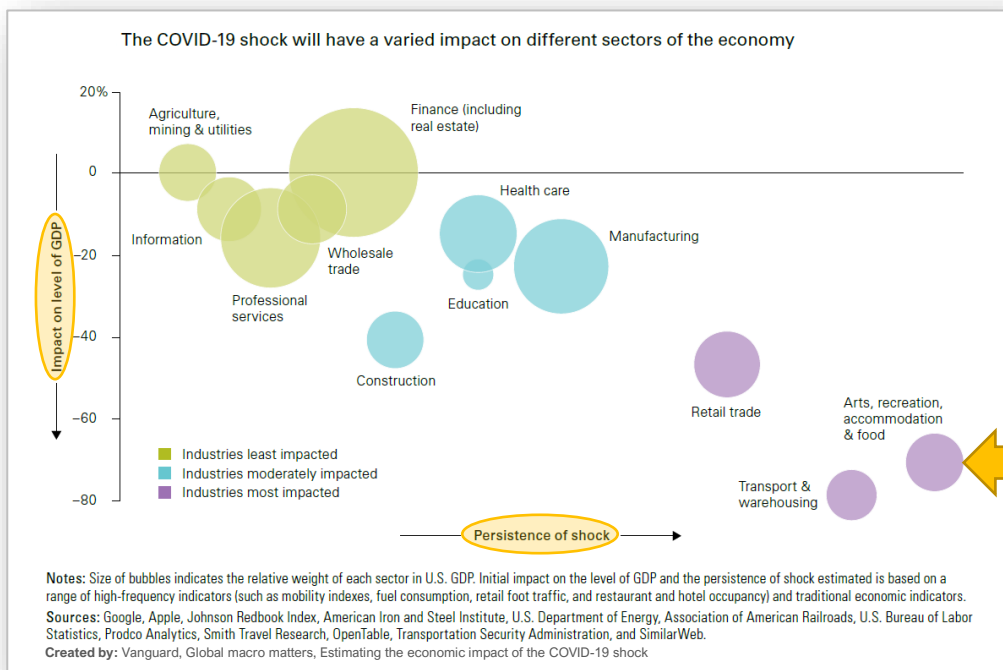
Special Research Report: *Echo Recession for the Arts?*

New research illustrates that the Arts Sector of the United States Economy has been severely impacted and will experience the most dramatic level of negative financial long-term impact due to the current economic slowdown. In an exclusive report, “Estimating the economic impact of the COVID-19 shock”¹ Vanguard supports their research with a wide range of data and connected high-frequency indicators to build their financial projections and modeling.

Let’s analyze this predicted Echo Recession for the Arts and potential considerations for those impacted organizations to possibly overcome an expected challenging period.

Headwinds and Difficult Times for the Arts:

- 1) Reduction and lack of both Federal and local Government Funding continues to be in the forefront.
- 2) Cost-cutting, program elimination and budget reductions triggered by the broad economic slowdown create a longer-term waterfall effect for the Arts. The International Journal of the Arts in Society² suggests that the follow-on impacts of an economic recession are what they call a “Social Recession”. This is a period that communities feel the painful reduction of Arts events and education.
- 3) The period of 2008-2009 known as the Great Recession created an echo-social recession in 2010, 2011 and 2012 as measured by the Arts Index³. While the economy more quickly rebounded in most sectors, the Arts sector did not recover until over four years after the Great Recession. It appears that once company budgets and personal household budgets slash their financial support during a recession, it requires multiple years of better than expected economic growth before the financial support for the Arts returns. This creates a deep and persistent financial impact to the Arts.



The Arts expects to be one of the groups most financially impacted. Consider this, the Arts sector will likely feel the financial shock much longer than every other part of the U.S. economy.

Tailwinds and Favorable Times for the Arts:

- 4) Creative usage of donations, grants and endowments by Arts organizations appear to be successful in getting more out of each dollar as suggested in a review of the number of organizations, number of those engaged in working in the Arts, art students and the delivery of new works and events for audiences in research by Americans for the Arts.³
- 5) A long ambition to quantify the “Arts Index” to track the source of health and vitality of the Arts in the United States continues. Research previously documents that, “Civic institutions, like museums, public galleries, community art organizations, performing art institutions, arts councils and public arts organizations have a rare opportunity to lead significant change by engaging specific groups to help devise and carry out creative community-building neighborhood programs.”⁴
- 6) Combatting isolation is the topic of a current research study⁵ in the arts to document the psychosocial effect of engaging in the arts during times of isolation and how elimination of public art forums ripple through the community. This present-day extended period of isolation has provided a variety of art forms to have a larger positive influence and be placed in a crucial position in homes across the country.

Considerations for Arts organizations moving forward:

- 7) Pivot to a style of events or programs that connect with patrons and provide value to their intended audience during interruptions of more traditional events.
- 8) Evolve to allow for supporters to move to subscription-style financial commitments more easily smooth out budgeting and goals over a longer time frame.
- 9) Provide opportunities and incentives for supporters (residents, small business owners and corporate entities) to be encouraged to transition to a multiple-year model of financial participation to create increased benefits for all those involved. In a recent survey, 86% agree Arts institutions are important to local businesses and the economy.⁶

Final Thoughts:

Arts organizations should pair partnership and marketing opportunities with leaders in the community, engaged small business owners and community-aware corporate executives to allow each to share both their messaging and promotion through support of the Arts.

Today, there is a distinct reality that dollars committed over a three-year period can both deliver the Arts out of an echo recession and position their supporters as crucial community advocates while offering a potentially valuable position for their community support and business development activities. To overcome and once again help communities develop, identifying key advocates and connecting with a broad base of supporters will remain absolutely necessary for the Arts.

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Sources: 1 - Vanguard, Global macro matters, Estimating the economic impact of the COVID-19 shock. Authors: Andrew J. Patterson, CFA; Shaan Raithatha, CFA; Adam Schickling, CFA; Maximilian Wieland; and Beatrice Yeo, CFA

2 - International Journal of the Arts in Society, Volume 4, Number 5

3 - Arts Index, Americans for the Arts, The 2016 National Arts Index by Americans for the Arts provides a picture of the impact of the Great Recession on the arts—before, during, and after. The impact on the arts was swift and measurable. www.ArtsIndexUSA.org

4 - The Creative Community Builder's Handbook: How to Transform Communities Using Local Assets, Arts and Culture, Tom Borrup

5 - Center for Arts in Medicine, College for the Arts, University of Florida, Combat Isolation Study

6 - Americans Speak Out About the Arts in 2018, 86% agree arts institutions are important to local businesses and the economy.

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