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



JANE -  
This stuff is  
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MP



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# Introduction

**T**he New York—New Jersey metropolitan region\* is recognized internationally as the unchallenged capital of cultural activities and the arts. The arts in all their forms have become an integral part of the consciousness and economy of this region.

The large array of our great palaces of culture and performing art centers is familiar to most of us, but our cultural mosaic is incomplete unless we consider thousands of lofts, workshops, studios and storefronts where painters, sculptors, dancers, singers, musicians, poets and playwrights exercise their talents; or the commercial art galleries and auction houses with their priceless inventories; or the film cameras on location in hundreds of sites; or the huge and diversified support system ranging from carpenters to caterers, from lawyers to lumberyards.

Clearly the arts have become one of the most productive industries in the metropolitan region. But how big? That is the question that the Cultural Assistance Center and the Port Authority sought to answer. Using the Port Authority's Input-Output Model, which has been used suc-

cessfully to measure the economic impact of other industries within the region, we set out upon this joint venture in hopes of quantifying the impact of an industry that most of us take for granted. This full impact goes beyond the direct expenditures of an industry to also measure the secondary effects caused by payments to the industry's suppliers and employees.

The Cultural Assistance Center's interest in such a study is apparent: since its founding in 1976, the Center has conducted a series of studies on the non-profit arts in New York City, investigating their importance to the City, to the State, and to the rest of the country.

The Port Authority's interest stems from its concern to bolster economic activity in this region, including the promotion of tourism and travel, and to understand the dynamics of change in travel patterns, trade flows and the region's economic base. The arts provide immediate and concentrated benefits to the area in which they are located and have a significant effect upon the use of airports, terminals, bridges and tunnels.

The arts industry is unique; it produces a product which can be exported and yet draws millions of people here from all over the world to participate in or partake of these cultural activities.

The study embodied in this report was designed to be conservative. For exam-

ple, it excludes the impact of spending by visitors to the city if they came here specifically for business or other non arts-related purposes. Yet many decisions to come to this region for business are consciously or unconsciously prejudiced by the cultural and artistic activities available.

In addition, this study does not attempt to measure the cumulative impact of the thousands of individual artists who work out of homes and lofts and studios throughout the region, and whose contribution to the industry is only measured in part if their works are handled through galleries or other institutions whose economics are more easily tracked in this study. Despite these elusive factors, this study has uncovered an industry of major impact and importance to the economy and the amenity of this region.

We trust the findings here will shed new light on a phenomenon which has earned this New York metropolitan area the right to call itself the cultural capital of the world.

*The Cultural Assistance Center, Inc.*

*The Port Authority of New York and New Jersey*

*February 1983*

\*For the purposes of this study, the region includes New York City and Rockland, Westchester, Nassau and Suffolk counties in New York State and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.



# Highlights

The arts have a \$5.6 billion impact on the New York City and New York-New Jersey metropolitan economy.

More than \$2 billion in personal income and over 117,000 jobs are generated by the arts in the metropolitan area.



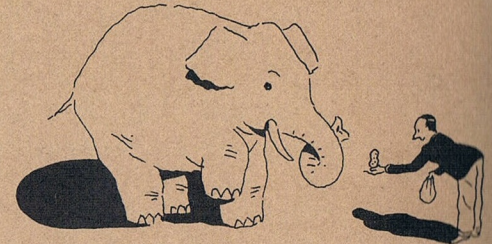
The arts constitute a major “export” industry. An estimated \$1.6 billion is generated by the expenditures of visitors who come primarily or extend their stay for arts and culture and from the proceeds of touring companies which are returned to the metropolitan economy.

The regional arts institutions and that proportion of their non-resident patrons who visited the area primarily for the arts together generated a total of \$150 million in regional income taxes and sales taxes.

Industries which most benefit from this \$5.6 billion activity, in order of importance, are: real estate, business and professional services, wholesale and retail trade, eating and drinking establishments, hotels and personal services, utilities, transportation, medical and educational services, finance and insurance.



The more than 1,900 arts institutions in the region inspire and entertain an annual audience of 64 million—13 million of whom are visitors from outside the region.



The arts are a larger industry than advertising, or hotel and motel operations, or management consulting or computer and data processing services.

While preeminent institutions in other parts of the region provide an important economic as well as cultural force in their respective communities, Manhattan is the location of the great majority of arts facilities and cultural activities.



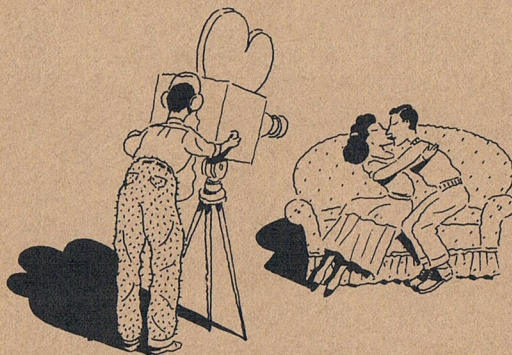
# Highlights

The \$5.6 billion arts industry, for the purposes of this study, comprises five major segments: (see chart 1, center section)



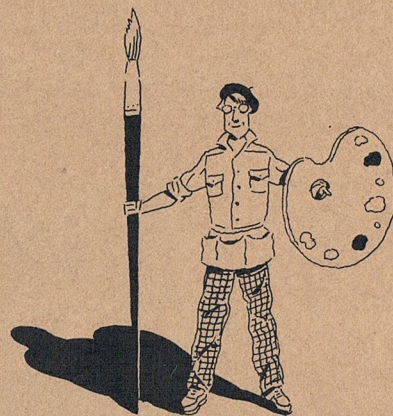
1. Broadway and Off-Broadway theaters generate a total impact of \$480 million; Broadway road companies contribute an additional \$170 million to this economy.

2. Art galleries and auction houses have a total impact of \$360 million. This excludes the value of art bought and sold.



4. Visitors to the region who come here explicitly for cultural offerings not only support the industry directly by their attendance, but add an additional \$1.3 billion to the economy annually in other expenditures during their stay.

3. Non-profit institutions—1,580 in number—which bring us music, opera, theater, and dance in the performing arts, museums, zoos, botanic gardens, and alternative art spaces in the visual arts, public television, film and video groups, research libraries and literary magazines, art service organizations, and ethnic and community arts activities. Together these groups contribute \$1.31 billion to the metropolitan area economy.



5. Local film and TV production activities, including commercials, cable and video production, result in another \$2 billion to the region.





# Non-Profit Cultural Institutions

**T**he non-profit cultural institutions located in the New York-New Jersey metropolitan region form the greatest concentration of cultural activity in any area of the country and the world. The 1,580 organizations studied for this report range from some of the world's greatest museums, orchestras, dance and opera companies to the hundreds of small theater and dance companies and embryonic art spaces that are essential links in the creative process. Together, they enable this region to be a generator of the arts, as well as their showcase.

- These institutions have a total economic impact of \$1.3 billion on the city and metropolitan economy.
- They attract an audience of 54 million in the metropolitan area and an additional 10.6 million on tour.
- Touring is an especially important source of income for many performing arts companies. Dance companies on

tour account for almost three-quarters of this out-of-town audience.

- They directly provide 11,850 full-time jobs and an additional 10,210 part-time positions to metropolitan residents and, with indirect effects, generate a total of almost 30,000 jobs in the metropolitan economy.
- Most of the major non-profit institutions are located in New York City, and primarily in Manhattan. Ninety percent of all expenditures and jobs are accounted for by New York City institutions, which also command 86 percent of the regional audience.
- The non-profit segment of the industry is characterized by hundreds of small organizations and a handful of very large ones.
- Small institutions, with annual budgets of under \$50,000, account for more than 50 percent of the arts institutions in the region, but only 2.1 percent of total expenditures.
- Conversely, the largest institutions, with budgets over a million dollars,

account for only 6 percent of the organizations, but more than 77 percent of the aggregated expenditures.

- Total direct expenditures of \$612 million were made by all non-profit institutions. (see chart 8)
- Labor is the predominant expense, accounting for 54 percent of the total. Artistic and administrative personnel each account for approximately one-third of the total wage bill; technical and other staff account for the remaining third. The most labor intensive activities are music, including opera, with 62.4 percent of expenditures for labor, and museums, with 55.5 percent of expenditures for labor. (see chart 9)
- In aggregate, the non-profit institutions earn one-third of their income, largely from admissions or ticket sales, but rely primarily on grants and contributions from governments, individuals, foundations and corporations. (see chart 10)

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## **In the arts, the artist is the product.**

*Frederick O'Neal, International President  
Associated Actors and Artistes of America*

**The arts are a major mechanism of economic development, whether at the community level, or city-wide. Look at the effects of Lincoln Center, or of Soho, or Manhattan Plaza. They're the most effective kind of urban redevelopment.**

*Kitty Carlisle Hart, Chairman  
New York State Council on the Arts*



# Art Galleries and Auction Houses

**T**he combination of great museums, commercial galleries, international auction houses, alternative art spaces, and individual artists all concentrated in this region makes New York the world center of the visual arts today. The 335 fine art and antique galleries and the two major auction houses included in this study report an estimated expenditure of \$175 million on labor, rent, printing services and other costs which leads to a total regional impact of some \$360 million. Not included in this estimate is



the value of the vast storehouse of art works which comprise the inventories of these establishments.

- The two major auction houses, Sotheby Parke Bernet and Christie's, provide a focal point for the nation's auction house activity. Combined sales of these two New York houses have surpassed those of their long-established London parents.
- The industry is located almost entirely in Manhattan in highly concentrated areas of activity along 57th Street, the Upper East Side and Soho.

**New York City has entered into a flourishing and creative age in art comparable to Florence in its heyday. This is a golden age for collectors and artists.**

**Because of this growth, the art auction market flourishes, the art galleries thrive, and artists flock to New York as they once did to England, Germany, Italy or Paris.**

*William Macomber, President  
The Metropolitan Museum*

**In 1981/82, Sotheby Parke Bernet's net sales in New York amounted to \$196 million and Christie's sales to \$117 million.**

**The highest priced work of art sold last season was Cezanne's "Still Life with Apples and Napkins," which fetched \$1.98 million in a sale at Sotheby's.**

**In a ten-day period last fall, Christie's sold more than \$20.6 million of Impressionist, Modern and Contemporary works of art.**



**T**here are few industries in the world that are so indigenous to a city that they are known by the name of one of its major streets. Yet "Broadway" indeed has become synonymous with America's prime commercial theater center. It is also one of the City's major tourist attractions. The Broadway connotation is so strong that commercial theaters located in other parts of New York City are simply known as Off-Broadway.

□ Broadway, Broadway road touring companies and Off-Broadway together generate an economic impact of \$650 million on the New York City and metropolitan economy, not including the sig-

nificant economic impact of Broadway's patrons, more than half of whom come from outside the region.

□ The links between the commercial theater and the non-profit theater are very strong, with shared talent pools, audiences, and frequently entire productions.

□ In the 1979-1980 season, 61 new Broadway productions and 30 new Off-Broadway productions in addition to shows carried over from previous seasons attracted an audience of over 10 million.

□ Total direct expenditures by Broadway, the road and Off-Broadway are estimated to be \$323 million. Broadway itself spends over \$210 million, Off-Broadway about \$12 million and the road returns \$101 million in direct expenditures to the region.

□ The commercial theater is highly labor intensive, with 62 percent of the costs of productions and operations going to salaries and other personnel costs. Other major expenses are theater costs, stage operations and advertising.

Both the non-profit arts and the commercial theater have a high degree of local and regional impact because their expenditures are so labor intensive and because so many of their suppliers are based here as well. In addition, the restaurants, hotels, taxis and other services that meet the needs of theatergoers and other art patrons add to the arts' strong local impact.

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**It now costs an estimated \$3,000,000 to produce a Broadway musical and \$850,000 to produce a play. The current musical hit "Cats" cost a record \$5,000,000.**

**Eighty-five percent of all members of Actors' Equity live in New York and New Jersey.**

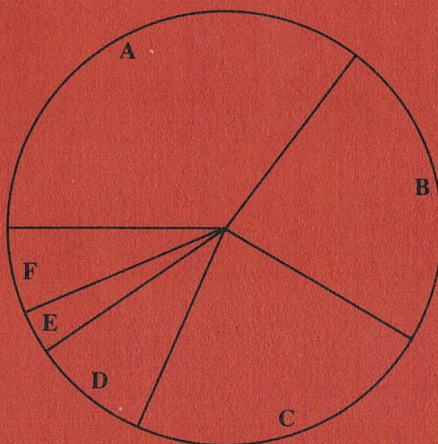


## 1: Total Economic Impact of the Arts on the NY-NJ Metropolitan Region\*

A. Film, TV and Video	\$2,000
B. Nonprofit Organizations	\$1,310
C. Visitor Spending**	\$1,300
D. Commercial Theatre	\$ 480
E. Broadway Road	\$ 170
F. Art Galleries and Auction Houses	\$ 360
	<u>\$5,620</u>

\*1982 dollars (millions)

\*\*Measures impact of those visitors who came primarily to attend arts events.



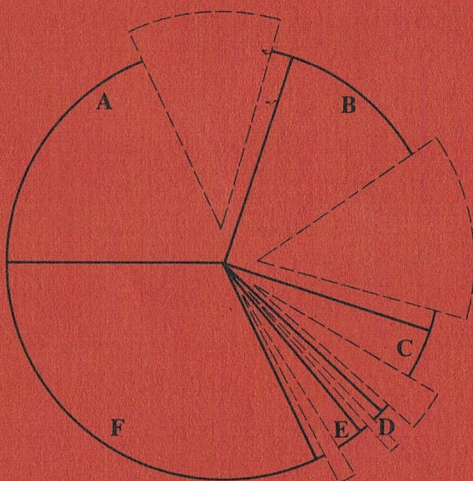
## 2: Employment Effects of the Arts on the NY-NJ Metropolitan Economy

	Direct Employment	Total Jobs Generated
A. Film, TV and Video	12,868	35,400
B. Nonprofit Organizations*	16,955	29,600
C. Commercial Theatre	3,200	8,000
D. Broadway Road	800	2,200
E. Art Galleries and Auction Houses	1,500	5,000
F. Visitor Spending**	---	36,900
<b>TOTAL</b>	<u>35,323</u>	<u>117,100</u>

Direct Employment  
Total Jobs Generated

\*Full-time equivalent

\*\*Measures impact of those visitors who came primarily to attend arts events.



on

are incurred in programming for broadcast and cable television or production of commercials; the remainder is primarily attributable to feature film production.

□ Direct expenditures are presently valued at \$1 billion. The industry itself employs 13,000 people and generates an additional 22,400 jobs throughout the region's economy.

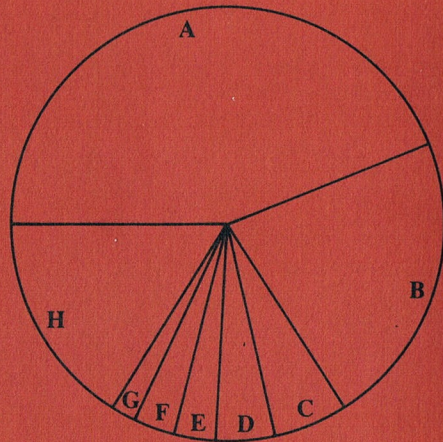
□ The motion picture and television production industry is less labor intensive than many of the live performing arts, spending approximately 38 percent of its total industry budget on wages and salaries. Other major expenditures in this industry are for ancillary services and equipment rental.



**3. How the Arts Industry Spends Its Money**

Total Expenditures \$2,110 million

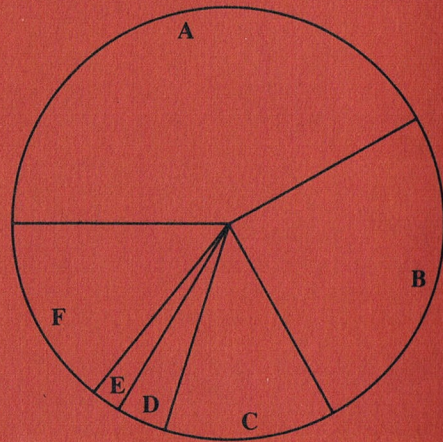
- A. Labor
- B. Business and Professional Services
- C. Payroll Taxes and Benefits
- D. Real Estate and Rental
- E. Utilities
- F. Materials and Equipment
- G. Travel and Transportation
- H. Other



**Profile of the Visitor Audience at New York City Arts Events**

**4: Reasons for Visiting New York**

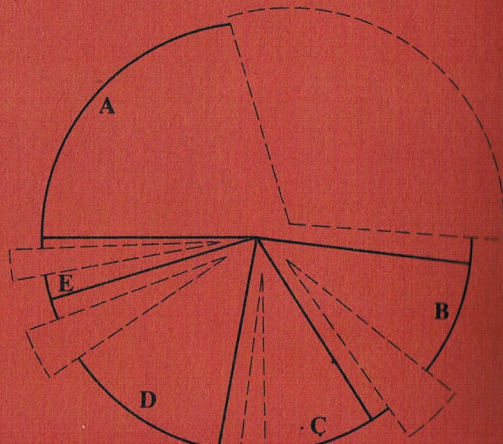
- A. The Arts
- B. Business
- C. Visiting Friends
- D. Sightseeing
- E. Shopping
- F. Other and Multiple Reasons



**5: Where They Come From**

- A. 200 mile radius
- B. East of Mississippi
- C. West of Mississippi
- D. Outside U.S.A.
- E. No Response

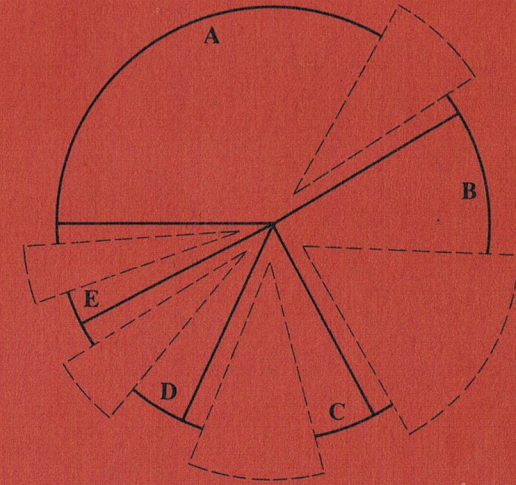
△ All visitors  
 ▽ Arts related visitors — those that came to New York City primarily for the arts.



**6: How They Got Here**

- A. Air
- B. Car
- C. Bus
- D. Train
- E. No response

△ All visitors  
 ▽ Arts related visitors

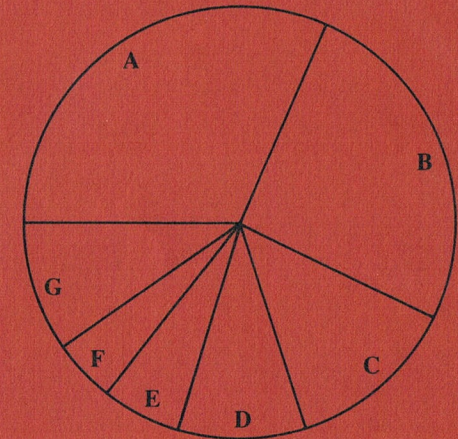


**7: What Arts Related Visitors Spent Money On While They Were Here**

Total Expenditures \$652 million

- A. Food
- B. Hotel & Personal Services
- C. Shopping
- D. Transportation to Region\*
- E. Other Entertainment\*\*
- F. Local Public Transit & Taxis
- G. Other

\*One-way travel cost for intercity travel  
 \*\*Excludes admission cost where surveyed





**T**here are few industries in the world that are so indigenous to a city that they are known by the name of one of its major streets. Yet "Broadway" indeed has become synonymous with America's prime commercial theater center. It is also one of the City's major tourist attractions. The Broadway connotation is so strong that commercial theaters located in other parts of New York City are simply known as Off-Broadway.

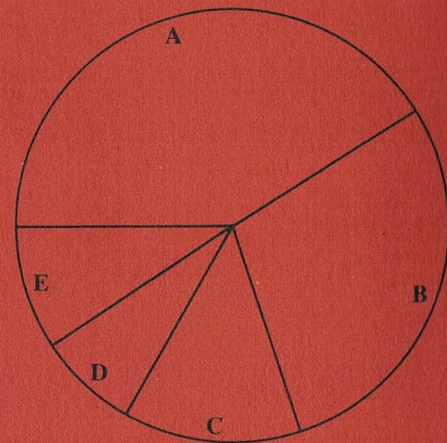
□ Broadway, Broadway road touring companies and Off-Broadway together generate an economic impact of \$650 million on the New York City and metropolitan economy, not including the sig-

**It now costs an estimated \$3,000,000 to produce a Broadway musical and \$850,000 to produce a play. The current musical hit "Cats" cost a record \$5,000,000.**

### 8: Non-Profit Organizations: Expenditures by Type of Institution

Total Expenditure \$612 million

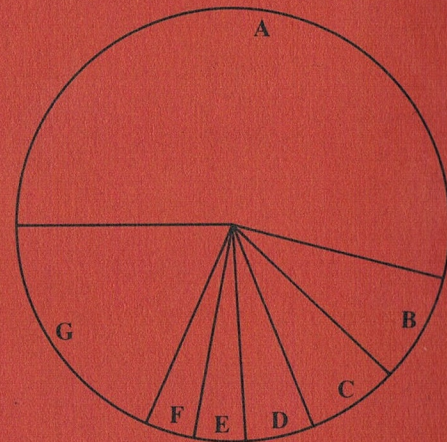
- A. Performing Arts
- B. Visual Arts
- C. Film and Media
- D. Libraries and Literary
- E. Other (art service, ethnic & community arts)



### 9: Non-Profit Organizations: Categories of Expenditures

Total Expenditure \$612 million

- A. Labor
- B. Professional Services and Advertising
- C. Payroll Taxes & Benefits
- D. Space Rental
- E. Equipment
- F. Travel
- G. Remaining Expenses



### 10: Non-Profit Organizations: Sources of Income

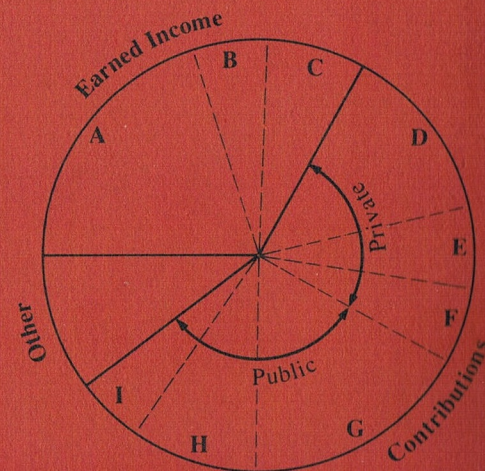
#### Earned Income

- A. Admissions
- B. Concessions
- C. Services & Other

#### Contributions

- |                 |            |
|-----------------|------------|
| Private:        | Public:    |
| D. Individuals  | G. Local   |
| E. Foundations  | H. Federal |
| F. Corporations | I. State   |

#### Endowment & Other



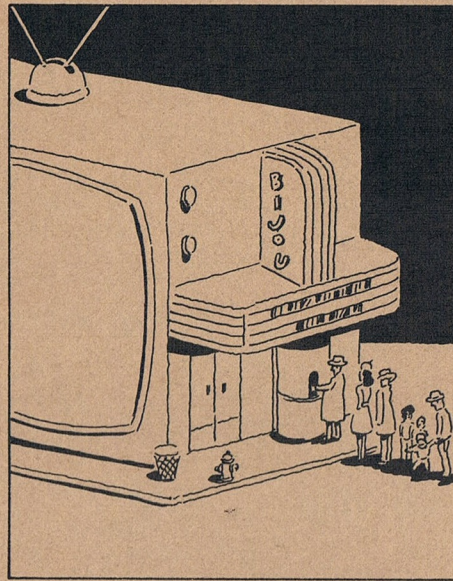


# Motion Picture and Television Production

**F**ilm and video production is growing rapidly in this region and constitutes the largest component of the arts industry here. This regional growth is attributable in great measure to New York's cultural climate which fosters the arts in all its forms and permits creative interaction among performers, writers, directors and producers.

□ Motion picture and television production is a \$2 billion industry in the regional economy. This figure represents the impact of creative and production activity, but excludes any expenditures for distribution and presentation.

□ Almost three-quarters of this industry's total expenditures in the region



are incurred in programming for broadcast and cable television or production of commercials; the remainder is primarily attributable to feature film production.

□ Direct expenditures are presently valued at \$1 billion. The industry itself employs 13,000 people and generates an additional 22,400 jobs throughout the region's economy.

□ The motion picture and television production industry is less labor intensive than many of the live performing arts, spending approximately 38 percent of its total industry budget on wages and salaries. Other major expenditures in this industry are for ancillary services and equipment rental.

**Sidney Lumet's movies . . . have qualities that people associate both with the director and Manhattan—relentless energy, irony and a believable humanity.**

*John Lombardi  
The New York Times  
June 6, 1982*

**I like to make films in New York because I live in New York and all my friends are here and I like to eat and sleep in my own home.**

*Woody Allen*



# Visitors to the Arts

**T**ourism is a major industry in New York City and is also important to the economy of the surrounding metropolitan region. In particular, visitors are vitally important to the arts industry. Surveys for this study showed that almost one-fifth of the total estimated audience of 64 million at all arts events came from outside the region. (see charts 4-7)

□ Of this visitor audience of nearly 13 million, over 42 percent, or nearly 5.4 million people, came to the region specifically for the arts and stayed an average of two days. In addition, another 15.6 percent extended their stay by an average of two days in order to attend cultural events.



□ The average trip expenditures of these two groups came to \$126 a person (excluding the admission or ticket price of the event where they were surveyed). These expenditures on meals, drinks, hotels, taxis and transportation, other entertainment and shopping added up to a total impact on the region's economy of \$1.3 billion and 36,900 jobs generated.

□ The income levels of all out-of-the-region visitors at cultural events, and particularly those who came specifically for arts activities, were skewed toward the higher income brackets: about a third of the audience in each category reported incomes of over \$50,000, while another third reported incomes between \$25,000 and \$50,000.

## Audience Questionnaire:

**What do you like most about cultural activities in the region?**

*"Theaters. My home town has none. Bars, yes. Diners, lots. Theaters, absolutely none."*

**Broadway theaters draw more than a third of their audience from the City's other four boroughs and from the region's twelve suburban counties, and the Metropolitan Museum draws 31 percent of its visitors from these areas.**

**A big, big part of New York's appeal [as a convention site] is its cultural attractions; they make New York City unique. The entertainment possibilities here are unlimited.**

*Jerry Lowery, Executive Director  
New York Convention Center*



# The Arts as an Export Industry

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**E**conomists use the term "export industry" in a local or regional sense to convey the same idea as the familiar concept of exports on an international basis, i.e., a product or a service produced in much greater volume than local needs require and sold to other regions or nations.

□ The arts function as an export industry for the New York-New Jersey metropolitan area in three ways, thereby serving as

an important source of "foreign currency" for the region:

- By acting as a magnet to visitors from outside the region who spend money locally
  - By selling "products," i.e., New York produced shows and exhibits on tour outside the region, and repatriating some of the earnings
  - By benefiting from the local expenditures of visiting companies that perform in the region
- It is estimated that the export content of this industry has an impact of at least

\$1.6 billion in the region, using measurements of expenditures returned to the region from Broadway road receipts and the tours of dance, music, opera or other companies and of visitor spending that is directly attributable to visits for cultural activities.

□ Further measurement of the export component of film and video and of art galleries and auction houses would add to this figure.

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**Exports are as important to the arts in the region as they are to the region's apparel, air transportation, legal services and banking industries.**

**The arts are a significant export industry in New York . . . People and activities are attracted to New York by the arts here precisely because New York has so much more in quantity, quality, and diversity to offer than does any other place.**

*Dick Netzer, Editor  
New York Affairs*



# Linkages to Other Industries

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**M**easuring economic impact using sophisticated computer models and highly developed analytical techniques casts a large net over a given data base. But the bits and pieces we call "linkages" become an entity unto themselves, a kind of intricate tapestry of enterprises and activities which serve as background to the subject under review.

It is a vastly diverse and often overlooked set of relationships that make up the total fabric of the arts industry and gives one pause in attempting to quantify total impact.

In the arts, since people are often the "product," there are universes within uni-

verses of involvements. An actor may not be working at the moment and therefore not counted as employed, but he or she may be using—or have used—the facilities of a professional photographer and drama, dance and voice coaches.

Distinct linkages can be made to New York City's and the region's advertising and legal services, to the distribution networks of publishing houses, to recording studios, to film and cable distributors, and to accounting or to insurance firms.

□ While a few specialized services come from outside the region, such as art dealers' insurance from Washington, D.C., special motion picture effects and other post-production work from Los Angeles or London, or animal feed from upstate New York, most of the goods and services are supplied from within the

metropolitan region. For example:

- Theatrical set production in the Bronx
- Specialized art book and catalogue printers in New Jersey
- Materials for sets and costumes from Manhattan's garment district
- Ballet shoes from Passaic County, New Jersey
- Studio facilities in Astoria, Queens
- Expenditures by cultural organizations have the strongest economic impact on business and professional services, real estate, wholesale and retail trade, utilities, motion picture production services, restaurants, the finance and insurance sector, transportation, hotels and personal services.

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**New York's pool of artistic talent is a major reason for the growth of motion picture, commercials and TV production here. The industry is closely linked: the book becomes the live play, that becomes the movie, that becomes the TV program, that becomes the cable program, that becomes the video disk.**

*Nancy Littlefield, Director  
New York City Office of  
Film, Theatre and Broadcasting*

**New York City presents a challenge to its arts community, because with so many events on a given night there is much competition for audience. But all of this activity heightens interest—the future of New York as the center for theater in this country is absolutely secure.**

*David Visser  
Theatre Consultant*



# Linkages to Other Industries

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**D**istinct from these supplier industries, there is a wide variety of activities closely related to, but not included in, the arts industry as measured for this study. Among these are:

□ Specialized art schools, institutes and other training facilities that prepare and nourish talent from the high school level to the most advanced professional certification are highly concentrated in New York. Juilliard, the Manhattan School of Music, the Art Students League, the School of Visual Arts, New York City's public high schools for the arts, the ballet schools, the major art departments at New York University and Columbia, the Actor's Studio or the design schools at Pratt and Parsons are only a few of these many and varied institutions in the region.

□ Many other industries based in New York City and the metropolitan region are closely allied. New York City, for example, is considered the jazz capital of the world by jazz musicians; several thousand live and work here, performing at more than 50 clubs or loft performance spaces in the city and making records, commercials or working in Broadway shows. Most jazz recording companies are based here.

□ The country's classical recording industry is also based in New York City, although opera and many classical recordings are made in Europe. The book publishing industry, too, is concentrated in New York. Other fields, such as fashion, interior and graphic

design, and advertising, depend for much of their talent on the pool of writers, artists, and other creative people who live here because of the region's cultural resources.

The arts in the New York-New Jersey metropolitan area are a perfect illustration of the agglomeration principle, where a critical mass of related economic functions established in a narrow geographic area acts as an engine of sustained activity and growth. As we have discussed in this report, the existence of the large number of diverse organizations here is a magnet to audiences, artists, presenters, students, distributors and suppliers. All are drawn by the opportunities that are uniquely offered in this center of the arts.

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**The outlook for the future of New York City as a cultural center is very bright. Even the growth of the arts around the country strengthens us because it creates a wider national audience for the best, and the best is in New York.**

*John C. Lankenau, Chairman  
New York City Advisory Commission  
for Cultural Affairs*



# Methodology

## **Development of expenditure data:**

Forty data items on 1,146 institutions in the non-profit sector were collected from applications to the state arts councils of New York and New Jersey. These data were augmented using data from other organizations obtained from annual reports.

Expenditure data from 54 Broadway and Off-Broadway productions were collected from the New York State Attorney General and from the League of New York Theatres and Producers. Data from this sample were applied to the level of activity during the 1980 season.

Fifty-nine art galleries were surveyed by the Art Dealers Association and the Art and Antique Dealers of America to determine 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 operating expenditures of 335 galleries and two auction houses.

Estimates of film and video production were based on federal and state sources updated with information supplied by the New York City Office of Film, Theater and Broadcasting; the New York State Department of Commerce, Division of Communications Industry Development; and the New Jersey Motion Picture and Television Commission. Expenditures in this industry were determined by analyzing sample film and video production budgets.

Information on audience residence, motivations and expenditure patterns was collected from 5,600 visitors to the performing and visual arts via a self-administered survey distributed by the Port Authority's Planning Services Unit.

## **Economic impact analysis:**

Information gathered on direct expenditures in the data collection phase was analyzed, using the Port Authority's regional input-output model. This customized model measures the economic impacts of institutional linkages with materials and service suppliers and the impacts of wage earner expenditures. It subtracts expenditures that leak out of the region, measuring only those transactions that affect the regional economy.

All expenditures are expressed in 1982 dollars.



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