BBQ
BERKSHIRE BUSINESS QUARTERLY

It's the Creative Economy, Stupid!

A roundtable discussion on surviving the economic downturn

Photography by **Ogden Gigli**

We've heard a lot in the past few years about the essential role the "creative economy" plays in the Berkshires. Which is why we thought we'd take a step back and invite a cross-section of leaders and experts in the region's creative economy to revisit the concept itself and to hear firsthand how the "creatives" are faring and coping with the downturn in the economy.

The arts are often—and incorrectly, as is made clear in the course of our informal symposium—considered a luxury, a frill, or a non-essential segment of our budgets. But here in the Berkshires, as much as anywhere, nothing can be further from the truth. And since this is the season on which so many of our arts and cultural organizations rely for the bulk of their annual box-office revenues, we couldn't think of a more timely conversation to have than the one that took place a few weeks ago in our downtown Pittsfield, Massachusetts, office with representatives from the nonprofit, for-profit, media, and academic sectors about how to be *creative* when hard times require nothing less.—*Seth Rogovoy*

ROGOVOY: Stephen, would you define what the creative economy is, and would you contextualize that in the Berkshires in terms of its significance, its importance to other economies, and what those other ones are?

SHEPPARD: Defining the creative economy is something that economists and lots of public policy people have been greatly exercised about over the last ten years and probably longer.... The part of the economy that we think of as the 'creative economy,' which would be the institutions that promote, produce, and preserve artistic content, cultural content—that part of the economy is linked to all the other parts.

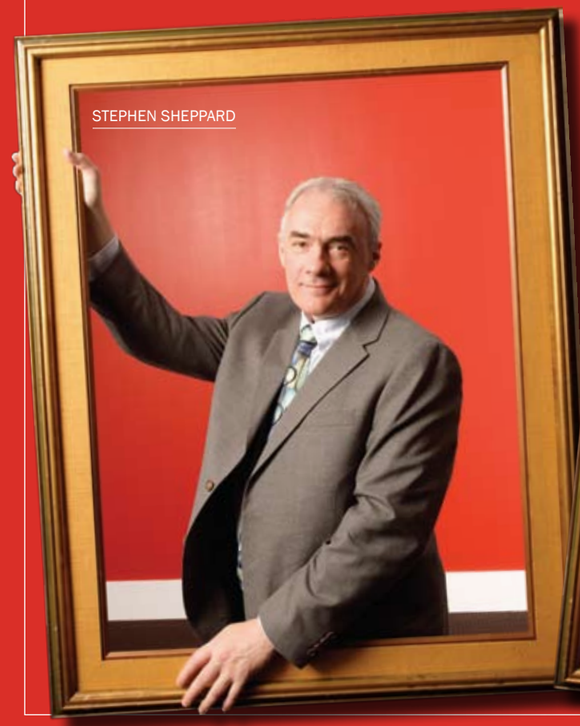
The economy is like a living organism. It is a combination of people pursuing their own self-interest, pursuing the greater public good, pursuing what they think is right. It's all linked together. We can look at the Boston Symphony Orchestra, or we can look at a commercial art gallery, or we can look at the Colonial Theatre, and all of those we understand clearly are part of the creative economy.

The difficulty arises when we try to draw a line that goes beyond that, because we have lots of ways of understanding how deep this level of connectedness is and how it extends

THE PARTICIPANTS

Leslie Ferrin, co-owner, Ferrin Gallery, Pittsfield, Mass.
Beryl Jolly, executive director, Mahaiwe Performing Arts Center, Great Barrington, Mass.
Kate Maguire, artistic director and CEO, Berkshire Theatre Festival, Stockbridge, Mass.
Stephen C. Sheppard, director, the Center for Creative Community Development and professor of economics, Williams College, Williamstown, Mass.
Ellen Spear, president and CEO, Hancock Shaker Village, Pittsfield, Mass.
Mark Volpe, managing director, Boston Symphony Orchestra
Susan Wissler, executive director, The Mount, Lenox, Mass.

The conversation was moderated by *BBQ* editor-in-chief Seth Rogovoy and Clarence Fanto, a frequent *BBQ* contributor.
The discussion was recorded by Greg Steele of Derek Studios in Dalton, Mass.



STEPHEN SHEPPARD

LESLIE FERRIN

ELLEN SPEAR

throughout the economy. The hospitality industry and restaurants—businesses that serve visitors who come to the Berkshires to participate in the great cultural institutions that are here—it's clear that they're closely connected to the creative economy.

But how far are we going to push it? Is Crane Paper part of the creative economy because they produce paper upon which works of art might be created and drawn, and they produce paper upon which the money is printed that people use to pay for the cultural things?

The bottom line is that the creative economy is linked throughout the [entire] economy. These cultural organizations have an impact on more sectors of the economy than we would have believed if we didn't stop and look at the data. The Berkshire economy in particular is deeply connected to the creative economy. It affects not only the vitality of lots of sectors of the economy directly, but it affects what it's like to live here. It affects the quality of life in this area, and that in turn affects how easy it is for General Dynamics or Williams College to attract people to move here and work and live their lives.

In terms of the impact, the size, the creative economy or the core arts and cultural sector is not the largest part of the not-for-profit economy generally, but it is the most rapidly growing part of the not-for-profit sector. The not-for-profit sector in general is responsible directly or indirectly for about a quarter of the Berkshire economy.

SPEAR: I was glad to hear you say 'The entire community in the Berkshires is the creative economy,' because that's consistent also with the creative economy study that didn't differentiate as much between the not-for-profits and the for-profits, but individual artists who are not-for-profits.

FANTO: The way I see it, the not-for-profits, to a large extent, feed the for-profit sector by attracting people to the Berkshires. I live in Lenox, and it's a ghost town for much of the winter. But as soon as Berkshire Theatre Festival revs up, and then Shakespeare & Company, both of which are becoming more year-round, and certainly when Tanglewood opens, it's like a different world, and it feeds and infuses profits into the restaurants and the shops and the entire mercantile community. So I've always wondered about the definition of the creative economy as being a little bit artificial in a way, because there's so much intersection that goes on among these different worlds.

MAGUIRE: I just wonder about the balance of the two words, creative and economy, and if you've found more emphasis on the importance of either side, because the creative side is so important to us. And when you say that we're there to support the community, we are, but fundamentally, I'm there to support the artist and make sure that the artist gets heard. I'm finding that I have to speak about the impact that we have on the economy in order to get funds. And I worry that the impact that we have on the community, in terms of the good that we do, the services that we provide, in a spiritual way, if you will, let me use that word for a second—I just wondered if you noticed something in the balance of those two words and how those two words come together.

SHEPPARD: Well, I certainly have noticed the tension to which you refer in your question, and I noticed that right away as soon as I started working on this topic. Fundamentally, I am an economist, so my training is as an economist, and as such, I am trying to understand the impact on the economy, on levels of employment, etc. I also love theater and music and the arts, and that's why I became interested in this. As soon as I started working and talking to people who were curators or programming directors or directors of institutions, I quickly saw this tension and this kind of *grrrrr* feeling of, *Why do I have to constantly talk about the number of jobs I'm creating, why can I not talk about the wonderful plays I'm producing?*

MAGUIRE: Yes! Right, and I don't mind talking about it, as long as there's a balance.

VOLPE: We, for full disclosure, engaged Steve and others to do an economic impact study, which has been incredibly useful for the opinion elite of Beacon Hill, and I've actually used it nationally a few times. It's great to play Brahms's symphonies well, but I go to Beacon Hill and I say we've got Berlioz and Sir Colin Davis and I get the glaze, and I say we have 1,100 employees through the course of the year and all of a sudden they want to talk.

JOLLY: The quality of life point is one that impacts all of us, and the fact that the arts are becoming year-round. More people are moving here because of all the opportunities, and the value is intrinsic because of the quality of the art. More people are coming, and that is an economic term, but it's based on quality. It's based on the values that we all represent.

SPEAR: We have to start talking about the quality of our businesses. We are fighting an uphill battle, I think, in the Berkshires, to let people know, to let the business leaders know, that GE is not coming back. And that there are a new set of businesses that have different values, creative economy businesses, that can and are filling that void. So we have to make the economic argument first, so we're seen as people at the table, and we're seen as equivalent to GE.

SHEPPARD: It can be astonishing to me, as an economist, how blind to the real economic benefits of this sector so many policymakers have been. In the national debate about the stimulus bill, as an example, the famed or infamous Coburn amendment to prohibit spending on the cultural sector just flies in the face of the actual data, if you look at the models.

For example, here in the Berkshires, admittedly the cultural sector is more tightly integrated into the local economy, but if you ask the following question: I've got ten million dollars of stimulus funds, and I'm going to put it in one sector or another, in which sector will it generate the largest employment impact, or the largest increase in the local economy? The answer is the creative sector. We have a whole economic model of the local economy and have run those numbers, and the only other sectors that give the creative sector—the performing arts and museums—a run for its money are certain public services, like public transportation. Public transportation also generates a very high employment impact. But after public transportation, museums and performing arts generate the most number of new jobs. So the amendment should have been to *mandate* that they spend a certain minimal percentage on the sector if they want to get any employment out of that.

ROGOVOY: I want to dig in a little deeper. How are your institutions handling a time of economic downturn? It seems to me that the challenges are, especially with the nonprofits, in the funding that comes from philanthropy, government funding, and business support.

VOLPE: Government funding is minimal.

BERYL JOLLY

ROGOVOY: Then how do you convince your donors that giving is a smart thing to do economically?

FANTO: Just to amplify that very slightly, there are two pieces of this pie for all of you, and one is the box office and/or attendance piece of it, which contributes about half your income. And the other piece of it is what you call contributed income, which includes donations, individual corporate support—everything that isn't derived from box office.

VOLPE: And you have another major piece for some bigger institutions, which is the endowment draw.

FERRIN: Our season is July and August, and so we really haven't been tested yet here in the Berkshires, because all of the real collapsing took place in the last quarter of last year. But we saw the begin-

MARK VOLPE

nings of it last summer and started to make some plans around it.

JOLLY: I think the Mahaiwe is fortunate in being year-round, that we are ongoing, so in a different way than Leslie is describing, we've had shows every month throughout 2008 and into this year, and it's really about the quality of the programming. In terms of how we're responding, I think by delivering the best caliber of talent, people are still coming. We're trying to offer a range of ticket prices, we're making sure that there's a balcony price and a student price and that there's affordability, but there hasn't been a fear of a higher ticket price for the artists that inspire that kind of purchase.

We feel hopeful, as we're looking toward the end of 2009, that as long as there's a variety of talent and the pricing is scaled for that artist and the caliber of the performer is top-notch, that it's somebody people feel they need to see, or a company people really feel inspired by, they'll still come. We might be spreading that out a little bit—instead of four or six shows over the course of the month, it might be two or three, just to make sure that we're selecting exactly those performers that are the most popular or the most talented for this particular time frame so that we're not oversaturating the market. But so far we're finding both with live performers and the Met HD broadcast that people are still coming out and that there is a real enjoyment and a real desire.

ROGOVOY: That's the box office—what about the contributor segment?

JOLLY: We did have a government appropriation that we lost last fall that had a direct impact on us, but we responded to that with budget changes for this fiscal year, this calendar year. And so far membership has been up, it's growing still in each category of membership. We're young, this is only our fifth season, so the value of that is that we haven't explored all the potential in our area. There are still new people who are discovering us. People are traveling from an hour away or more. And the people that are joining as members or becoming donors and individual sponsors, that's holding steady.

FANTO: Are you finding that at least some performers are willing to be more flexible on their requirements, their fees, which helps your bottom line?

VOLPE: In the music world, fees are flat. We're not paying a nickel more than we've paid in the past two or three years. And this goes beyond the classical world, certainly in the jazz world and others....

MAGUIRE: Yes, we're finding that. In terms of all the unions that we deal with, there were union negotiations this spring, and everyone held flat in recognition of what was going on.

FANTO: That, from the union perspective, is a concession.

MAGUIRE: A huge concession, because this was the year that some of them were supposed to consider higher rates. In terms of our sales, we're up nine percent in single ticket sales, which is interesting; we're down in subscriptions, but subscriptions have been dropping over the past three years. That's been a national trend. Group sales are significantly down.

The other piece is that our average ticket price right now is higher than last year. People who can afford to buy are buying, and there are those individuals that are simply afraid, which is what we found when we called some loyal subscribers that have been with us for ten or fifteen years. What they said was, *No, we just don't know what's going on with the economy, so we're going to wait and see.*

It's the wait-and-see that has us the most nervous, and what we're doing is looking at what the price point should be for affordability. We've laid in discounts. We've laid in specials. We strategically plan for it.

In terms of contributions, we've actually found that our friends and our long-term donors have been there for us. Our endowment is down, so we don't have those annual monies that we can rely on. We take a five percent draw. In anticipation of all of this, I made twenty percent worth of cuts in the budget. I cut on every single line. We didn't go through any layoffs, I managed to keep the full-time staff, but we cut down the summer staff that we're hiring.

ROGOVOY: Could you go back and specify what those strategic box office or marketing or ticket things are?

MAGUIRE: Sure. Wednesday and Saturday matinées, we have specials for Berkshire County audiences. We're reaching out to the schools to make sure that school kids can come. In the long run, I think all of these things are going to prove positive for us, because it's about generating a new audience as well. The other area that's improved a lot is our apprentice applications. We were afraid that those kids that come to study with us during the summer, that pay us—we were really nervous about that number dropping, but in fact we've had triple the applicants. Triple! I think it may be that they can't get summer jobs. But it helps. It's helping, in terms of income.

SPEAR: Even before the economic downturn, the outdoor living history museums knew that the business model was no longer working for any of us—the holy trinity of gates, store, and endowment draw was just not making it. We had already been looking at *how do we restructure? How do we look at new earned-income streams? And how do we look at the whole business model differently?* So we'd been moving toward that even before this.

We made our cuts back in September at the end of last season; we were managing expectations for staff and budget going into this year. So far, our spring shoulder season has been very strong, and we actually increased ticket prices. We are selling value. We are selling family experiences. And there are still people who have the money and are willing to do it.

The ticket price was $15, it went to $16.50. And we've added a $25 behind-the-scenes tour, no discounts, and they're full every day. The same with donors—we're talking to our closest friends again about value, and so far, so good. What's changed in the conversation is we really have to be sensitive to work with donors to accommodate what they would call their needs, I would call their fears.

We've had recent discussions with a donor, for instance, who would make a gift over five years, but would not commit to how much would be paid each year and would just say, over a five-year period, you'll have your money, but I can't tell you when, and I can't tell you how. And that's not a typical conversation, so we really have to work very differently with our donors than we ever did before. We're trying to be as accommodating as we can. And we're really concentrating on job preservation and core mission types of things, restructuring, reassigning people to income-generating areas without cutting into the core of the product that we provide. But wherever we have some flex, we're reassigning people to income-generation.

SUSAN WISSLER

WISSLER: Our situation is different, because in addition to having to deal with the complexity of a very difficult economic present, we are in the course of digging out of a deep financial hole. The Mount went public with its significant financial troubles back in February of 2008, which in a way, from a timing perspective, was not bad, because it was before things got really bad, and so we were sort of the first hard-luck story out there. And the press that we garnered, or that it attracted, was fortunately significant, and our contributed income is more than double, almost triple, what it has been in prior years. I think it's a special circumstance. We dropped our staff by over fifty percent, and have not staffed back up, which has been a bit of a problem, a bit of a wear-and-tear, but I think it was the right choice, because, again, going forward, it's hard to predict.

KATE MAGUIRE

What we're doing is trying to find ways to utilize the property in many more ways. One of the things we did last year that was very successful was we took down all the ropes in the house. We didn't have any money to spend on exhibits, but people could experience the rooms as if it were their own house. I would say customer satisfaction did not drop one bit; people really appreciated that. We also figured out that six o' clock in the evening is a beautiful time of day, so we opened up the gardens and the café and tried extending hours to allow people to experience the property at different times.

It's the mission that drives your donors, but it's also the programming, which costs so much and doesn't really pay for itself. When you're hitting this economic struggle, you put your mission on hold at the expense of alienating your donor base, but if you're trying to make the daily and the weekly and the monthly bills, that's it. The more expensive your programming, from the research I've cooked up, the more dependent you are upon raising money as opposed to paying for your own way. Finding that balance is where I'm finding most of my philosophical struggles.

We are—and I think one of the reasons why donor giving is up—using this period to plan, and so we are reforming our mission, to make it a much more vibrant cultural venue that might focus on the literary arts, and we are planning for the 2010 season. We've got some very exciting ideas out there, and we are using those to pitch to donors, without actually spending the money at this point, but just presenting the ideas, and we're finding that we are getting a lot of support for the future, as well as respect for the fact that we're not diving into it before the monies are in hand.

[In late May, Wissler and Mount board chairman Gordon Travers announced a significant gift and the major restructuring of The Mount's total indebtedness.]

VOLPE: It's not a static environment, it changes virtually every day. So you're talking about significant pressure, and yet, sales are holding. People are looking for value, and so we've had to discount, but we've done it very strategically. We're very focused on underserved populations, younger people, and so we have a whole myriad of programs. So the sales piece of the enterprise is actually holding. In our season, we've probably sold two or three percent more tickets, roughly with the same amount of income, so people are buying slightly cheaper seats.

I've basically set up a whole program where anybody making under a hundred thousand has had their wages frozen, anybody making over a hundred thousand is taking wage cuts. That's the staff. The orchestra, we're obviously talking to them constantly about the environment we're in, and they are more than aware. Every artist you've seen in a Tanglewood brochure, we've had conversations with.

Now, that all being said, when was Tanglewood created? Right smack in the middle of the Depression. I don't know how relevant that is in a very different world, but our focus is the immediate two or three years, how to weather this and preserve our core integrity, our core values. On the content side, we're just asking artists to work for the same or less. And virtually everyone has acquiesced. The one or two who haven't, we've said [finger snapping] bye-bye.

ROGOVOY: I'm struck by the lack of doom-and-gloom in everything you're all saying. Simply because of the greater context of the economy, what I read about in the paper every day, are there still things to complain about?

MAGUIRE: I think this is where the word "creative" comes in. When this started in September, which is when we started making the cuts, I sat with my staff every week and said, "It's time to be creative, that's what we are." And we are always dealing with crises. So this is the latest crisis. Take these kinds of times and it's a time to just create—to renew.

VOLPE: The fact is that the not-for-profit world has had to be, frankly, more flexible. So in a way, we're better equipped.

MAGUIRE: The other piece that we all work with is trying to help people through their fears. There are other things that are important in the world besides making money. If you're in the business to make money, and it's a for-profit industry, then of course I'd be incredibly depressed right now! But the reality is that I'm in the business for something else.

JOLLY: We're also driven by passion, so there's the resilience that's inspired by what we're doing. There's a price tag to it, but the component is the energy of the arts themselves, and so I think it's both for the consumer who's experiencing what we offer, but also for all of us in the fields. The drive and the reason that we're in our jobs is because of how strongly we believe in what we do, so there's a resilience that comes out of how to make it work.

ROGOVOY: I'm going to play the Devil's Advocate, and ask, in times like these, when some people can barely pay their mortgage and utilities, why should anyone in business, in government, in philanthropy, give you money when fundamentals like food and shelter are of real concern?

MAGUIRE: It's critical for our lives, as critical as giving to that organization that is providing care. I like to think of us as the laboratory for the human heart. That's exactly what we are. Going to the theater—it's that once-in-a-lifetime experience. But it's what we sell. It's why the Symphony and why the BTF has survived all those times! We provide an incredible service for the community.

FANTO: And it's worth remembering, during the Great Depression, it was a wonderful time in the arts for creativity, for people to find emotional, spiritual, intellectual sustenance. And that—well, we're not in a Great Depression, some people call it a Great Recession—I think the phenomenon is similar, people are, as you said, aching for intense, positive, human experience.

SPEAR: We can help people find their way again. I think that we've lost our way, and that's really what we're here about. At the Village, it's a utopian community, a 225-year experiment where most utopian communities lasted ten years, so there has to be a reason. It's about community, it's about sustainability, it's about quality, it's about artisanship, it's about people caring about each other and community. And that's where we have to find our way again, that's the thing that we lost.

SHEPPARD: I want to underscore that, because to me, one of the reasons you saw this in the 1930s, I think, and the willingness to devote scarce public resources then, is because there was a fear and an understanding of the possibility of a breakdown in society. And it's these sorts of arts venues and arts experiences that provide that time when people come together. It's not always the same experience, it's not always the same kind of culture, but it's where people connect up with one another and where the symbols that define society are created and presented and where people come to have a feeling of what it is that they belong to. And that's incredibly valuable and needs to be nurtured and preserved, particularly in times of economic crises.

ROGOVOY: What I'm really hearing is an eloquent argument that the arts and the creative economy is a prescription for the economic and spiritual ills of our time. One more thing that I think is important to discuss is the cross-pollination that's now surfacing.

WISSLER: The American Icon collaboration, that's a collaboration between four historic sites—Norman Rockwell, Hancock Shaker, the Mount, Chesterwood. We're all working to encourage whoever comes to a particular site, at the same time, to purchase tickets and visit all of the other sites. So it's expanded our marketing base, so to speak, by four times, because each institution is promoting all the others. It's a nice model going forward.

FERRIN: I think as we see how expensive it is for us to market individually... But the Internet has created opportunities for us to work together and link our programming. It's just the pressure of the economy is making this take place faster, and with these new mediums, it's easier.

JOLLY: And we find that programming collaborations, whether it's with the Met broadcast or with Symphony Space, that those are other ways of sharing costs and results.

VOLPE: There are also partnerships on the content level, because we've done the stuff with Shakespeare and Jacob's Pillow and all that, so I think it's interesting—and credit to my esteemed colleagues sitting around this table—that there's a lot more of that here than there is in Boston. I mean, the spirits are very different.

MAGUIRE: It's what Mark said, there's a competitiveness, but it feels pretty healthy. BBQ

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