Cultural Daily

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Creativity Econ 2: Non-Profit Edition

Adam Leipzig · Wednesday, May 25th, 2011

Make no mistake about it: the arts and creativity will be in the cross-hairs for the 2012 election.

Kansas Gov. Sam Brownback has eliminated the Kansas Arts Commission. Arizona Gov. Jan Brewer excised the Arizona Arts commission's general fund. Florida Gov. Rick Scott removed the state's Division of Cultural Resources' grant-making budget. State arts funding is also in jeopardy in New Hampshire, Georgia, Pennsylvania, Wisconsin, Texas, and Washington. And the NEA makes "grants that lend themselves to ridicule," according Arizona Congressman Jeff Flake at a recent budget hearing.

While some politicians may question the value of the arts, they don't question the value of using them as a political tool.

Last week I proposed a **Creativity Theory of Value**, which amplifies the Labor Theory of Value common in economics discussions.

I wrote that the Creativity Theory of Value holds that the value of anything is the product of the Creativity involved in creating it multiplied by the Labor required to produce it. In mathematical terms, we could express it as C * L = V, where C is Creativity, L is Labor and V is Value. This allows us to identify a **Creativity Index** for anything.

But reader Jeremy M. Barker, editor at *Culturebot,* pointed out: "As someone who works in the performing arts, I have to point out that everything except a profitable Broadway show would have a C value of less than one. Effectively this model proposes that all non-profit-based arts are a bad idea, because all it actually does is identify the profit multiplier as the value of Creativity."

Good question: How would the formula C*L=V relate to the non-profit sector?

Non-profit arts have two sources of funds: generally speaking, ticket sales and grants. But they are both income. In fact, grants and in-kind contributions are called "un-earned income." Therefore we would put both the earned and the un-earned income on the V side of the equation.
Here's an example.

Theatre X produces a play that costs $100K. Theatre X gets $50K from ticket sales, and $75K from un-earned income (including foundation grants, in-kind contributions, below-market space rental, etc.).

In this case C*L=V would be C*$100K = $125K. Therefore, C=1.25; the Creativity Index of this show, the amount that Creativity affected the Labor value, is 1.25.

This is a pretty clean example, because we know that the actors and the playwright and the designers were not paid very much money. If they got scale (they *hope* they got scale!), they got maybe $500 a week. So the Creativity Index is a good measure of how creativity – in this case the play, choice of the play, marketing, level of creative skill involved – influenced the value proposition.

Of course, C*L=V solely measures is *economic value*. It is the Creativity Theory of Value, intended to augment the Labor Theory of Value. It measures only economics, not aesthetics, nor any of the other qualities of a work.

I agree with NEA chairman Rocco Landesman, who said during the budget hearings, "The marketplace shouldn't be the sole determinant of what is allowed to flourish."

Image: Heike Weber. An interview with her, from our friends at Argot and Ochre, here.

Thanks to Cultural Weekly reader Bill Bushnell for tipping me to the states' war on arts funding.

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