1 The creative economy – where did it come from and where is it going?

John Newbigin

The ‘creative economy’ is an oddity. Despite twenty years of definitions, research, books, papers, policies, strategies, calculations about its value and arguments about its terminology, a local government official in the UK midlands recently described it as ‘just a state of mind’. Perhaps she’s right.

The first definition of the creative industries, produced in 1998 by the UK’s then new Department for Culture, Media and Sport (DCMS), was deliberately called a ‘mapping document’ because it was charting unknown territory. And while there was a perfectly respectable logic to the definition it offered – activities dependent on the creative talent of individuals and the value of the IP their creativity generated – the term ‘creative industries’ was as much a branding exercise as an attempted definition; it was a political initiative, aimed at raising the profile of an eclectic jumble of generally IP-based, culturally-rooted businesses that governments and banks had conspicuously failed to understand or take seriously as part of the economy. As a ‘brand’, it has been extraordinarily successful and that’s partly because, like any successful brand, it has evolved – and shows every sign of being able to go on evolving.

Although that first definition has proven to be surprisingly durable, some of its shortcomings soon came to light. For a start, there seemed to be at least as many ‘creative’ jobs outside the creative industries as inside them, so where did that leave any attempt to calculate the overall value of the sector to the national economy, if it was a ‘sector’ at all?

The new term also triggered intense and often acrimonious debate about the relationship between the arts, creativity and commerce, and between the traditionally defined ‘cultural industries’ and their new and more loosely defined ‘creative industry’ cousins. The Work Foundation attempted to bring some intellectual rigour to the debate, with limited success. DCMS produced reports that swung towards a focus on local government, and attempted to square the circle between economic and cultural significance by focusing on what soon came to be called ‘place-making’ and on the need for a new approach to education and skills to prepare for a new creative economy. John Howkins wrote about the centrality of IP to any definition. Work began on re-drafting the Standard Industrial Classification (SIC) and Standard Occupational Classification (SOC) codes in an attempt to capture the

rapidly evolving skills and specialisms of a sector being turned inside out by digital tools and the ubiquity of the online world. Economists and sociologists drew attention to the fact that the established measures of GDP failed to capture the real essence of what ‘creativity’ meant to the economy and to society. And, fifteen years later, Nesta sought to formalise this broadening of the debate by arguing for a new definition of a ‘creative economy’ rather than a prescribed list of ‘creative industries’.

Despite all these debates, snags and inconsistencies, the term ‘creative industries’, far from being dismissed as a chimera, quickly became universally accepted by politicians and policy strategists around the world. It seemed that every government wanted a piece of it – even if they weren’t quite sure what ‘it’ was – perhaps because it was clearly future-facing; substantially driven by digital technologies; with low barriers to entry and developing products and services with global appeal. Most of all, in an era of rampant globalisation it seemed to offer a credible way for national economies to celebrate their cultural distinctiveness without losing out on international competitiveness. In fact it promised that cultural distinctiveness enhanced rather than diminished competitiveness. And when the Chinese government proclaimed the need to move their economy on from ‘made in China’ to ‘designed in China’ it was clear that arguments about the importance of IP, and its dependence on creativity, were becoming very solidly established.

The debate did move on. There were some perhaps over-enthusiastic claims about the ability of the creative industries to generate ‘innovation spillovers’, to develop new business practices and thus drive dynamism in other sectors of the economy, and to resist the onward march of the robots. Robert Hewison, a cultural critic, argued that the important thing about the creative industries was not how they were defined but how they were organised.

But that only threw up another cloud of apparent paradoxes, at least for lay politicians and officials. How are the creative industries organised? Are they typified by freelancers who may occasionally coalesce as teams around a particular project but are essentially individuals in the business of creating IP, just as the first DCMS definition proposed? Or are they typified by the mighty transnational rights-holders that underpin much of the sector’s financial value, even though they are often the very antithesis of ‘creative’ in the way they do business; companies whose core activity is simply to buy and exploit IP that others generate? While some of the biggest and most brutal corporate mergers in the world were being negotiated at one end of the spectrum, the typical micro-business that generated much of the real ‘creativity’ at the other end of the spectrum was probably struggling to raise investment through crowd-funding and often seemed to be more at home in the world of social enterprise than market capitalism. And while the term ‘creative industries’ was generally assumed to be synonymous with ‘digital industries’ it also encompassed some of the oldest craft skills and artisanship of human civilisation.

In fact, the creative economy seemed to be able to morph into whatever shape its advocates wanted it to take – a true triumph of branding! As early as 2008, the author of the UN's special report on the global creative economy was arguing that:

The interface between creativity, culture, economics and technology as expressed in the ability to create and circulate intellectual capital, has the potential to generate income, jobs and export earnings while at the same time promoting social inclusion, cultural diversity and human development. This is what the emerging creative economy has begun to do.

No wonder that many politicians and civil servants, while happy enough to pronounce themselves generally in favour of 'creativity', were somewhat bewildered and unsure as to what, in practical terms, it was, or which government department should take responsibility for it.

It may be that twenty years on from the first mapping document, the concept of the 'creative economy' is finally parting company with that first definition of the 'creative industries'. On one hand, twenty years of debate, including redefinitions of the SIC and SOC codes, means that economists are able to work towards a much more nuanced, comprehensive and meaningful definition of the creative economy, including, for example, analysis of consumption data that delineates common characteristics across its workforce – far ahead of that first crude definition of 1998. On the other hand, the term 'creative economy' has broken out of the world of economics and entered everyday speech (or at least the fringes of the everyday world that is inhabited by politicians, civil servants and commentators) and is less concerned with data than with attitude, purpose and, to some extent, values; the creative economy celebrates the dignity of human endeavour and the value of human creativity in an era of zero-hour contracts and the rapid spread of robotics and AI. As President Mitterrand famously said of the film industry, it is about more than commodities, it is an 'expression of the human spirit'. In other words, the creative industries and the wider creative economy symbolise economic activity that is ultimately underpinned by a moral and social purpose. It's something that is seen as, on the whole, 'good' and beneficial for human society. It even has some tenuous connection with Adam Smith's view that 'there are evidently some principles in [man's] nature which interest him in the fortunes of others and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it' (2012 [1759], p. 47).

That wider social value is also evident in another context: although the creative economy is firmly established as a genuinely global phenomenon (as UN reports consistently point out – it's one of the fastest growing sectors on every continent and, even more significantly, generates more jobs more quickly and at lower cost than almost any other), its success is heavily dependent on policies that play out at city and regional level, and with an extraordinary range of differing drivers. Each centre of activity is necessarily different because it grows out of the particular cultural heritage – the skills, stories, education systems and work traditions – of each place. The story of successful creative industry policies is the story of local

enterprise and planning, municipal support and, very often, the championing by an individual mayor or city official.

This significance of place means that in an increasingly globalised economy, the creative industries appear to operate at a reassuringly human scale. Conveniently forgetting that, when it comes to the hard data, the sector is dominated by massive transnational businesses, the popular perception of the creative industries is of the passionate lone entrepreneur or micro-business, more likely to be raising investment through crowd-funding than through the banks and with more in common with the world of social enterprise than with global market capitalism.

That, in turn, reinforces the sense that it has a social and cultural dimension that most other sectors of economic activity do not have. From Richard Florida on, the creative industries have been seen as a way not only to regenerate city economies but also, crucially, to regenerate civic pride; they make possible a new state of mind. Such a perspective is given additional significance by the increasingly popular view that it is cities and city-regions rather than nation states that are now the true innovators of policy and the real drivers of economic growth and social change on every continent – all helping to re-enforce the view that the creative economy is part of a future that is radically different from the mass-production, mass-consumption, national policy imperatives of the 20th century.

So, as to where the popular meaning of the term ‘creative economy’ is likely to go next, it probably makes sense to forget the definition and stick with the concept. Has it aroused so much interest and attention in the last twenty years because it is an early manifestation of a much larger shift taking place in the global economy? As hostility to the whole notion of globalisation gains momentum, even as most governments (at least those with rational leadership) recognise both the reality and the benefits of globalisation, the creative economy holds out the possibility of distinctiveness rather than uniformity as a way of engaging successfully with the world. For example, it is unsurprising that a number of countries that feel themselves to be overwhelmed by globally branded burger chains and pizzerias choose to champion gastronomy and food as key creative industries. It squares the circle between national identity and international engagement.

The much larger shift, but one which also reflects anxiety about and hostility to the dynamics of global capitalism, is the sense that economic activity is splitting into two quite distinct sectors, with separate drivers, metrics and business practices; one whose parameters are all about efficiency, profit generation and market power and the other working within a more diffuse set of parameters that are about ‘value’, authenticity, distinctiveness. And this, in turn, feeds directly into concerns about the fourth industrial revolution, the hollowing out of large swathes of the labour market and the marginalisation of many human skills.

In her fascinating history of GDP, Diane Coyle (2015) quotes fellow economist Kevin Kelly as observing:

Generally, any task that can be measured by the metrics of productivity – output per hour – is a task we want automation to do. In short, productivity is for robots. What humans excel at is wasting time, experimenting, playing, creating and exploring. None of these fare well under the scrutiny of productivity. That is why science and art are so hard to fund. But they are also the foundation of long-term growth. (p. 132)

Even as governments urge their creative sectors to increase their productivity, the simple fact is that the creative economy is not fundamentally about productivity, it's about creativity and originality. It may even be about wasting time. Who knows how far and how fast the fourth industrial revolution may take us? Klaus Schwab (2016), the founder of the World Economic Forum in Davos, has defined it as the 'shift from simple digitisation (the Third Industrial Revolution) to innovation based on combinations of technologies (the Fourth Industrial Revolution)' that are 'blurring the lines between physical, digital and biological spheres'. A 2015 report by Merrill Lynch for the Bank of America included this extraordinary sentence: 'We are in danger, for the first time in human history, of creating a large number of people who are not needed'. Most of the prominent names of the arts, cultural and creative worlds are people who, in that sense 'are not needed'. As more and more of us are not needed there is the attractive possibility that more and more of us can do things that advance human society as well as our sense of personal wellbeing by 'wasting time' – or, more positively, laying the 'foundation of long-term growth' in the words of Diane Coyle's quote. And although it is hard to imagine that Adam Smith, with his Enlightenment and Presbyterian views, would have considered 'wasting time' to be a worthwhile human activity, it is tempting to paraphrase his words and suggest that it is in man's nature to undertake activities from which they derive nothing except the pleasure of *doing* it, rather than just seeing it.

This may all seem to be nothing more than another run at those traditional utopian views of a work-free future that stretch from Thomas More to William Morris and even to John Maynard Keynes with his prediction of a 15-hour working week by the 1950s, but there is every indication that the fourth industrial revolution is going to be at least as disruptive as its predecessors, and the creative economy is a massive joker in the pack.

It could be argued that one strand of this evolving economy is increasingly dependent on computer-generated algorithms rather than human intelligence, and dependent on capital investment rather than labour. We can see that it is already growing to encompass most manufacturing, most retail, most transport, most financial services and its key metrics revolve around profit maximisation through the efficient use of resources and market power. The other strand deploys algorithms as a tool – of course – but it is essentially about social and cultural value, rather than utility value. It will always be dependent on individual human skill, on emotional intelligence, on collaboration, on experiment, on 'wasting time', and its key metrics for success are about disruptive thinking – a new concept, a new story, a new use of technology. We might call it the 'human economy' but we don't need to – we've already got a perfectly good term for it – the creative economy.

It may seem over-dramatic to present these two strands as being contradictory, but the demarcation is becoming clearer by the day. In his book *How Democracy Ends* the Cambridge academic David Runciman (2018) writes 'Most utopian conceptions of a world of liberated networks assume that the individuals who constitute those networks will remain intact . . . But it is possible that this landscape will be deeply inhospitable to individual human identity. . . . machines may refuse to recognise that we exist as individuals at all' (p. 200). However you choose to define the creative industries or the creative economy, they will always have individual human beings at their core, with all their unpredictabilities and eccentricities and, ultimately, with radically different drivers and goals from the 'machine economy' – as countless science fiction stories of a dystopian future like to remind us.

So, while the 20th-century economy was seen as having two broad strands – the manufacturing economy and the service economy – the 21st century is shaping up to have two very different strands – the 'machine economy' and the 'creative economy' – a big stretch from that first DCMS definition of 1998, but securely rooted in the same state of mind.

References

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