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The Creative Economy: patterning the future

Stuart Cunningham

What is this thing called a creative economy?

Of course, it's the brilliant movies for which our directors, set and fashion designers, cinematographers and actors have received such high international acclaim, marking out Australia as a talent pool of the highest order. But it's also the interface designers who have worked in the finance industry to make huge changes in how we do our banking and make investments. This has been one of the most dramatic and rapid changes in mainstream business models seen in a major service sector.

Naturally, it includes our great writers, novelists, playwrights, poets and lyricists, who continue to find ways to reflect back to us our life and times through their exacting and engaging prisms. It's also the 'technical' writer, whose job it is to produce online education and training materials that contribute to Australia's education export successes - Australia's fourth biggest export earner, set to overtake tourism as the biggest services-based export sector, and trending toward the \$11 billion mark.

It obviously includes our artists who have made it to the top of tremendously demanding professions and who represent the top echelon of creative talent winnowed through innumerable filters. As Harvard economist Richard E Caves has written, many hear the call but few survive the round-up.¹ The creative economy is also about the growing legions of amateur and 'pro-am' creatives - bloggers, flash animation mavens, webmeisters - creative and technologically literate wunderkinder, who are not minded to wait till the gatekeepers tell them how they can reach an audience.

The creative economy is a hard fish to catch, a difficult category to nail down. But it is bigger and broader than we think, and is much more than culture and the arts. The usual arguments in favour of support for the arts have served us well for a long time. For fifty years or more, cultural economists have given governments good reason to subsidise the arts, with usually bipartisan goodwill. The idea of the cultural industries - the large, mostly commercial, businesses in broadcasting, music and film which deliver popular culture - has given governments reasons to regulate and develop modern cultural policies to support them, and they have done so since the 1960s with a similar commitment. However, the arts are now essentially in steady-state mode with respect to state support, while the business models of the cultural industries are facing confronting challenges. The three Ts - technology (the Internet, games and mobile devices), taste (Generations X and Y and the 'millennials' are not into the mass media in the same way as their elders were), and talent (creatively and technologically literate young people are finding other creative channels) - are presenting a formidable challenge to the traditional arguments.

What is urgently needed is a forward-looking view of what a 'creative economy' might look like, and what it might take to strengthen it. We propose a shift from a sector-specific attention to the creative industries as one part of the economy, to the creative economy where creative occupations and intermediate outputs provide a significant input to wider innovation and growth.

However, before we move 'beyond' them, we should back up a little, and explore the idea of the creative industries *per se*.

Creative industries

The idea of creative industries is quite recent.² It was developed in the United Kingdom in 1998 by a Creative Industries Taskforce of inter-departmental and industry representatives

set up by the incoming Blair Government.³ The British definition – ‘activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property’ – has remained broadly acceptable world-wide.⁴

It is a definition that encompasses no fewer than thirteen industry sectors: advertising, architecture, arts and antique markets, crafts, design, designer fashion, film, interactive leisure software, music, television and radio, performing arts, publishing and software. Its scope is impressive in its ambition. Indeed, it may be thought too broad to be coherent. At the same time, however, it insists that there is a connection between all thirteen sectors: each has its origin in individual skill, creativity and talent, and each has the potential for wealth and job creation through the exploitation of intellectual property.

The creative industries idea has gained wide purchase in contemporary policy and industry debate, its proponents seeking to reshape relations between old and new media and the cultural sector; and to reposition media, communications and culture as a driver, rather than a passenger, in the knowledge economy. Their further aim is to connect the sector to national innovation agendas and thereby move it into the sphere of research-based, knowledge-intensive industry policy. What defines creative industries in the economy is the proposition that ‘creativity’ is their primary source of value, something that is becoming increasingly important for growth in post-industrial, knowledge-based societies. In other words, the aim is to foreground the sector’s economic potential and make the creative industries the ‘sparkplugs’ of next generation, post-industrial growth.⁵

A creative industries approach brings together a range of sectors which have not hitherto been linked and thus it has expanded greatly the domain of what is typically counted, throwing settled categories like arts, media, culture, and cultural industries into a more dynamic process. To give one, admittedly extreme, example, John Howkins defines the creative economy as simply ‘financial transactions in creative products’, whose economic value is secured through copyright, design, trademark and patents, and therefore includes the sciences, engineering and technology (SET) sectors along with the arts, media, new media, design and architecture.⁶ On this basis, the creative economy in 1999 accounted for \$US2.2 trillion, or about 7.3 per cent of the global economy. The contribution of the creative and performing arts, however, a mere 1.7 per cent of this total, has shrunk to virtual insignificance. Apart from science R&D, which massively – and, in my view, undeservedly – expands the economic quantum of the sector, the real powerhouses are publishing, software and broadcasting.

Furthermore, the sectors within creative industries – the established arts (theatre, dance, music, visual arts), the established media (radio, film, TV), the large design and architecture sectors, and new media (software, games, e-commerce and mobile content) – range from the resolutely non-commercial to the high-tech and commercial. It is also a spectrum that encompasses not only the culturally- and often location-specific, but also the globalised and generically creative, inviting such questions as how creative inputs drive wider industry sectors, and how sectors with very different business models, revenue sources, demand drivers and scale and purpose, can co-exist in more than a policy-maker’s dream.

This continuum is less coherent than our traditional, neat definitions of the arts, media and cultural industries, but more dynamic and relevant to contemporary policy-making. One reason why the idea of creative industries has been taken up widely is that it connects two key contemporary policy clusters: on the one hand, elements of the high-growth ICT and R&D-based production in the new economy and, on the other, those types of consumption in the new economy redolent of cultural identity and social empowerment. Critics of the creative industries idea are fearful that, by prioritising – or even advancing – an economic rationale for supporting culture, it might marginalise the traditional arts sectors. However, over the longer term, and considering the trends with which I started this article, the benefits of mainstreaming culture and media into policy powerhouses of industry development and innovation might arguably outweigh the drawbacks.

The full dimensions of the creative industries

We need to understand better the full dimensions of the creative industries as there is a tendency to systematically underestimate their size and economic impact in official counts. But we also need to move from an emphasis on understanding creative outputs (culture) to creative inputs into the wider economy. Much of the real growth dynamics will be found in this

move. The creative industries constitute one sector of the economy; the creative economy is formed when we move from sector-specific arguments to creative occupations as inputs into the whole economy, and creative outputs as intermediate inputs into other sectors. Indeed, the central aim of the present article is to urge that, mindful of the example of ICTs in recent decades, we acknowledge that creative inputs too have the potential to be a powerful enabler of economic growth.

This takes us, briefly, into territory recently investigated by Richard Florida, who, instead of analysing industry sectors, concentrates on occupational statistics in order to measure a city's or a region's potential for, or success as, a creative 'hotspot'.⁷ Florida's work on the 'creative class' has highlighted the wider economic significance of creative human capital, especially in underpinning high technology industry development. While Florida's work is open to criticism, it is undeniable that his 'creative' use of occupation data counterbalances the usual dependence simply on industry statistics in industry development debates. To stress occupation statistics and the place of the creative industries in the wider economy is tantamount to saying that creative skills have become economically significant, and are growing in value to the broader economy.

Recent work, conducted by the ARC Centre of Excellence for Creative Industries and Innovation (CCI), with new field research and substantial data gathering and data mining tries to take this analysis forward.⁸ Evidence from our research projects, Mapping Queensland's Creative Industries and Creative Digital Industries in Australia, demonstrate that these sectors are significantly underestimated in official statistics whose categories lag badly behind the growth of, particularly, the digital end of this industry sector. We have refined official categories into which the data fits in a way that reflects the changing realities of these industry sectors. We have also counted much more comprehensively the economic contributions of creative people and organisations by correlating industry sector with occupation.

Most mapping studies have naturally been focused on industries and therefore gathered data about the specialist firms operating within each specific segment. But measuring the creative 'impact' on the economy needs to encompass both specialist creative industries activity and the breadth of specialist creative occupations. There is frequent movement between these types of activity. For example, an individual might operate solo as an independent film producer, and then move to work for a government film agency; or else an independent designer might sign a three-year contract to work for a bank or advertising agency.

Measuring the size and impact of the creative economy should encompass both core creative industries activity and the impact of specialist creative activities in other industries. CCI developed the 'creative trident' approach to measure this broader creative economy. The trident comprises: creative occupations within the core creative industries (specialist activities), plus the creative occupations employed in other industries (embedded activities), plus the non-creative occupations employed in creative industries (support activities).

Applying the creative trident approach to Australian data shows that the creative economy is approximately 48 [per cent](#) larger in employment terms than the creative industries themselves, once specialist, embedded and support activities are taken into account. The trident-based measure of the Australian creative economy is between 25 [per cent](#) and 100 [per cent](#) larger than previous cluster-based studies of the size and impact of Australia's creative industries, even where employment in related industries such as distribution have been taken into account.⁹ On a sector-specific basis, CCI analysis has also shown that the Australian design sector is under-counted by around 36 [per cent](#) when embedded occupations are ignored. Overall, accounting for trident employment shows that embedded creative activities generated an additional \$6.5 billion in wages and salaries (an additional 46 [per cent](#)) on top of wages and salaries earned in the creative industries themselves in 2001.

Apart from this revaluation of the quantum of creative people and activity in our economy, there are other important pointers to a different profile for the sector that have been produced from this research. The Creative Trident represents approximately 5.5 [per cent](#) of Australian employment, 5 [per cent](#) of GST-paying enterprises and 8 [per cent](#) of non-GST-paying enterprises. These percentages are all markedly higher than those given in standard statistical analyses. Our detailed work on The Ecology of Queensland Design is one of many international studies which focus on the input value of the design occupation. Design is one of the leading examples of creative inputs into the broader economy, including, and especially, manufacturing. We found that the 'Creative Trident' for design activity in Queensland resulted in a count of twice that of standard statistical analyses.

The whole sector has a mean income 34 [per cent](#) higher than [that for](#) the economy as a whole, which suggests a different profile for creatives than the more widespread understanding of a low-wage, high-volunteer sector. In the Queensland study, we found that exports and gross value added are higher than average sectorally, and that creative industries tend to be more knowledge-intensive in that they spend more on knowledge-based workers as a percentage of their total wages [outlay](#) than other sectors.

These findings are suggestive rather than definitive, but they do provide pointers in the direction of the movement from a sector-specific to an economy-wide focus. Just as the ICT sector benefited from the input-value it was shown to afford the economy as a whole, so the data suggests that a similar value can begin to be seen with creative inputs. There are of course many questions that this approach opens up – some of which are taken up elsewhere in this issue by Jason Potts. Here, I would like to return to the ‘culture’ question with which I started – the creative economy is growing in the context of a culture which is changing.

[Emergent cultural practices](#)

What are some of the key emergent cultural practices in the twenty-first century? What is likely to gain ground and drive innovation? Consumption drives post-industrial economies more and more, and its nature is changing. More and more consumer activity around media and culture is do-it-yourself, user-generated content. There is huge growth in peer-to-peer activity and a more ‘participatory’ culture. Some of the neologisms that capture this phenomenon blur the lines between production and consumption: there is now ‘prosumption’, engaged in by ‘producers’.

There is more user-generated content on the Internet than professionally-produced and corporate content. User-led innovations, such as SMS, have changed the business model for mobile devices, one of the most dynamic growth-sectors of the economy, leading to successful MMS (picture cameras) uptake and heavy R&D and investment in mobile content, which in turn has led to expanding opportunities for creatives.

There is the Wikipedia for knowledge production, Meetup and MyPlace for civic formation, OhMyNews for citizen journalism, Orion’s Arm [-](#) an online science-fiction, world-building project for identity formation [-](#) and Amazon and eBay Web Services for independent market advice. Twenty-five per cent of all Internet users in the US are also blog readers. There is Digital Storytelling, where all those with life stories, but no prior access to media technologies, can engage in a process of releasing those stories [-](#) in the case of the world-leading practice in the Capture Wales program, onto BBC TV and websites, a form of vernacular literacy in which virtually anyone can participate.

There’s Flash, the animation software which is virtually ubiquitous on networked computers as an enabling platform for global vernacular creativity. And there’s Current TV (www.current.tv). This is not much like in mainstream TV [-](#) at least, not yet! Launched in the US in mid-2005, already about a quarter of its airtime is user-generated and it publishes some of the best DIY production guides for viewers to become ‘producers’.

Of course, we might get carried away with user-led innovation. Might it not go the way of the dotcom bubble? Is it not just another of those new media ‘moments’ which always seem to promise revolution [-](#) the Internet as the end of social dislocation and hierarchical media relations, TV as the world’s demotic educator, and so on? But when, in his 2005 address to the American Society of Newspaper Editors, Rupert Murdoch starts talking about digital ‘natives’ and ‘immigrants’ and acknowledges that News Corp has underestimated the impact of Internet-based news sourcing and the social logic or ‘collective intelligence’ [-](#) not to mention the impact on the bottom line [-](#) of peer-to-peer communication, then, as Eric Beecher surmised recently, ‘Something seismic is going on. Seismic, but unpredictable’.¹⁰ Reputedly, Murdoch was scared into this position by data such as those presented by the Carnegie Foundation, demonstrating that ‘new forms of newsgathering and distribution, grassroots or citizen journalism and blogging sites are changing the very nature of who produces news’ and that the 18–34 demographic is creating this inexorable momentum.¹¹

What are the deep implications of this new take on culture? First, it disrupts the linear value chain of professional modes of production. Secondly, the innovations are as much about distribution as production.

The paradigm shift - and how to deal with it

One way to understand this emergent paradigm shift is to consider Richard Caves’ brilliant summary of the ‘Basic Economic Properties of Creative Activities’ that constitute the

mainstream arts and media today - and then consider how they need to change in order to deal with 'future culture':

- 'Nobody knows'/demand is uncertain. (There is radical uncertainty about the likely demand for creative product, due to the fact that such products are 'experience goods', about which buyers lack information prior to consumption, and the satisfaction derived is largely subjective and intangible.)
- 'Art for arts sake'/creative workers care about their product. (Creative producers derive substantial non-economic forms of satisfaction from their work. This makes them vulnerable to exploitation and to supply almost always outstripping demand, thus fundamentally distorting market equilibrium.)
- 'Motley crew'/some products require diverse skills. (Creative production is mostly collective in nature. Hence the need to develop and maintain creative teams that have diverse skills, and often also diverse interests and expectations about the final product.)
- 'Infinite variety'/differentiated products. (There is a huge variety of creative products available, both within particular formats (rental-store videos, for example) and between formats. Each creative output is to a greater or lesser extent a prototype of itself, and thus as much or more effort has to go into marketing as production, if it is to stand a chance for success.)
- 'A-list/B-list'/vertically-differentiated skills. (All creative sectors display great difference between the bright stars and the 'long tail' and this plays out in both remuneration and recognition, and also in the ways in which producers or other content aggregators rank and assess creative personnel.)
- 'Time flies'/time is of the essence. (Most industrial forms of creative production need to co-ordinate diverse creative activities within short time-frames.)
- 'Ars longa'/durable products and durable rents. (Many cultural products have great durability, their producers having the capacity to continue extracting economic rents (for example, copyright payments) long after the period of production.)¹²

Of these principles, at least four must be rethought in the light of 'producers', 'prosumption' and user-generated content. The vast gap between the famous few and the long tail ('A-list/B-list/vertically-differentiated skills') is radically challenged. There is competition for recognition, and often a desire for commercial success, but participatory culture is a much more level playing field. 'Nobody knows/demand is uncertain' is turned on its head as supply is starting to come from the demand side. 'Art for arts sake/creative workers care about their product' will continue, but with a possible vengeance, as their care about their product may be translated into a lesser willingness to accept the asymmetrical contracts which place most risk and most profit in the hands of the mainstream aggregator. 'Infinite variety/differentiated products' becomes less a major obstacle to effective and cost-efficient marketing and to risk management than a challenge to find enough 'market' bits to make low cost, low entry production and distribution viable. The growing confidence of models for independent distribution of creative content see the Internet as having unique potential for constituting newly viable markets.

ARC Centre of Excellence for Creative Industries and Innovation

Finally, the agenda briefly outlined in this article – what a 'creative economy' might look like, and what it might take to strengthen it – is the rationale underpinning the ARC Centre of Excellence for Creative Industries and Innovation ([CCI](#)).

CCI is the first and - until the recent announcement of the success of the ARC Centre of Excellence for Policing and Security - only Centre of Excellence whose lead disciplines are based outside the science, engineering and technology sectors. We have built an unusual degree of cross-disciplinary collaboration into the program, enlisting input from a range of compelling research perspectives in media, cultural and communication studies, multimedia and design, education, law, business management, and information technology.

The central research conundrum we are trying to address is: how does Australia build a 'creative' economy and society suited to the conditions for content creation, business sustainability, employment, vocation, identity and social structure and communication emerging across the globe in the 21st century? The basic value proposition of the Centre is

our belief that Australia needs to build a more inclusive and dynamic innovation system customised to support a creative economy and society.

The structure of the Centre's research can be conceptualised along a 'value chain' addressing weaknesses in the national innovation system. It looks to identify the dynamics of change in the sector and economy-wide; seeks to promote education and training for a creative workforce; creates ways of addressing bottlenecks in content generation and dissemination; assists in improving the business structures and practices of creative enterprises; examines policy settings and regulatory regimes for better outcomes for creators and consumers; and engages at depth with Australia's place in the region and with crucial export markets and cultural partners.

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- ¹ [Caves, Richard E \(2000\).](#) *Creative Industries: Contracts between Art and Commerce*. Cambridge, Mass.: Harvard University Press.
- ² For an excellent short overview, see Terry Flew (2002). *New Media: An Introduction*. Oxford: OUP; Chap 6. A more detailed introduction is provided by [John Hartley \(ed\) \(2005\).](#) *Creative Industries*. Malden, MA: Blackwell Publishing.
- ³ It is probable, however, that the term was originally used in Australia in 1994 by Terry Cutler and Roger Buckeridge, *Commerce in Content: Building Australia's International future in Interactive Multimedia Markets*, a report for the Dept of Industry, Science and Technology, CSIRO and the Broadband Services Expert Group, Dept of Industry, Science and Technology, Canberra, available at <<http://www.nla.gov.au/misc/cutler/cutlercp.html>> (accessed 10 March 2007).
- ⁴ See <<http://www.culture.gov.uk>> (accessed 10 March 2007).
- ⁵ See Cunningham, [Stuart \(2005\)](#). 'Match Seller or Sparkplug? The Human Sciences and Business', *B-HERT (Business-Higher Education Round Table) News*, issue 22 (July): 8-10.
- ⁶ [Howkins, John \(2001\).](#) *The Creative Economy: How People Make Money from Ideas*. Harmondsworth: Penguin: 85.
- ⁷ [Florida, Richard \(2002\).](#) *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*. New York: Basic Books.
- ⁸ See Higgs, Peter and Cunningham, Stuart (2007). 'Taking a new ruler to the Cultural and Creative Industries: How, why and to what effect', at <http://eprints.qut.edu.au/archive/00006228/01/6228.pdf> (accessed 10 March 2007). See also P Higgs and others (2005). *The Ecology of Queensland Design*. CIRAC, QUT, available at <<http://eprints.qut.edu.au/archive/00002410/>> (accessed 10 March 2007) and CIRAC and SGS Economics and Planning (2005). *Mapping Queensland's Creative Industries: Economic Fundamentals*. CIRAC, QUT, available at: <<http://eprints.qut.edu.au/archive/00002425/>> (accessed 10 March 2007).
- ⁹ These studies include the 2003 *Creative Industries Cluster Study: Cottages to Corporations Report* and the 2002 *Creative Industries Cluster Study: Stage One Report*. See <<http://cultureandrecreation.gov.au/cics/>> (accessed 10 March 2007)
- ¹⁰ [Beecher, Eric \(2005\)](#). 'The End of Serious Journalism?' in [Mills, Jonathan \(ed\) Barons to Bloggers: Confronting Media Power](#). The Alfred Deakin Debate, vol1. Melbourne: Miegunyah Press: 67.
- ¹¹ <http://www.carnegie.org/reporter/10/news/index.html>
- ¹² [Caves op cit: 2ff.](#)