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**The evolution of the creative industries –  
Creative clusters, creative citizens and social network markets.**

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## The evolution of the creative industries –

### Creative clusters, creative citizens and social network markets.

#### The ministry of enjoyment

The United Nations *State of World Population* Report for 2007 announces a ‘momentous’ tipping point for humanity. In 2008, for the first time in history, we will become predominantly an urban species, with 3.3 billion people living in cities rather than in rural areas. At the same time, 3 billion people – nearly half – are under the age of 25. Around a billion are teenagers; of these, nearly a quarter live in China.<sup>1</sup> A ‘youth supplement’ to the UN Report says:

‘Young people are often the risk takers and experimenters: they are regularly reminded of their unequal state and lack of opportunities – luxury cars in the streets; smart houses in safe neighbourhoods; opulent

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<sup>1</sup> ‘In 2008, the world reaches an invisible but momentous milestone: For the first time in history, more than half its human population, 3.3 billion people, will be living in urban areas. By 2030, this is expected to swell to almost 5 billion. Many of the new urbanites will be poor. Their future, the future of cities in developing countries, the future of humanity itself, all depend very much on decisions made now in preparation for this growth.’ [www.unfpa.org/swp/2007/english/introduction.html](http://www.unfpa.org/swp/2007/english/introduction.html). See also U.S. Census Bureau, International Data Base ([www.census.gov/](http://www.census.gov/)); and [www.china.org.cn/english/China/72321.htm](http://www.china.org.cn/english/China/72321.htm)

lifestyles in the mass media and on the Internet. Exclusion and frustration can lead to crime and violence.’<sup>2</sup>

Here already is everything you need to know to understand why the creative industries are important. The quotation characterises young people as risk-taking experimenters and, while worrying about social exclusion, it highlights the attractions of creative ‘value-adds’ (‘luxury ... smart ... opulent’) to basic services (transport, shelter, communication). The claim is that a billion young people’s actions follow from being ‘reminded’ about others’ success, both physically in the urban environment and technologically through the internet and media. Thus (without knowing it, because the UN report is clearly more focused on potential failure than on these conditions as drivers of success), it introduces the crucial idea of *social networks*, whereby the actions and choices of young people are determined by the choices of others, in this case those whose previous choices are embedded in affluent lifestyles, both real and symbolic. Youngsters are therefore *agents* in a *social-network* system that drives their own risk-taking behaviour, or what we might want to call *enterprise* (Potts et al 2007).<sup>3</sup>

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<sup>2</sup> UNFPA (2007) *Growing Up Urban: State of World Population 2007, Youth Supplement: v:* [www.unfpa.org/upload/lib\\_pub\\_file/702\\_filename\\_youth\\_swop\\_eng.pdf](http://www.unfpa.org/upload/lib_pub_file/702_filename_youth_swop_eng.pdf)

<sup>3</sup> Jason Potts, Stuart Cunningham, John Hartley, Paul Ormerod (2007) ‘Social network markets: A new definition of the creative industries.’ CCI Working Paper (under review)

The UN Report goes on to illustrate the human dimension of this scenario with the story of Adegoke Taylor, a qualified engineer who gave up rural life in favour of the uncertain conditions of the city after just one experience of the creative industries:

‘In 1999, Taylor came to Lagos. Upon arriving in the city, he went to a club that played juju—pop music infused with Yoruba rhythms—and stayed out until two in the morning. “This experience alone makes me believe I have a new life living now,” he said. “All the time, you see crowds everywhere. I was motivated by that. In the village, you’re not free at all, and whatever you’re going to do today you’ll do tomorrow.” His future was in Lagos. “There’s no escape, except to make it,” Taylor said.’<sup>4</sup>

Now I don’t want to say that the creative industries are infused with the magical power of *juju*, but I will point out that Taylor’s choice of a place to live was based on attraction to a social network (expressed through music, clubs and crowds) rather than immediate economic self interest. Taylor sought association with creativity and connectivity, valuing these over security and employment. The UN chose to showcase Taylor precisely because he is typical – he represents a global phenomenon. And it

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<sup>4</sup> UNFPA (2007) *State of World Population 2007: Unleashing the Potential of Urban Growth*. [www.unfpa.org/swp/2007/english/chapter\\_1/index.html](http://www.unfpa.org/swp/2007/english/chapter_1/index.html) (Excerpt courtesy of: Anderson Literary Management, Inc. 13 November 2006. “The Megacity,” copyright 2006 © by George Packer. *The New Yorker* 82(37): 64.) King Sunny Ade picture: [www.nigeria-arts.net/Music/Juju/King\\_Sunny\\_Ade/](http://www.nigeria-arts.net/Music/Juju/King_Sunny_Ade/)

may be worth adding that one of juju music's greatest exponents, King Sunny Adé, is known as the 'Minister of Enjoyment.' He has become 'one of the most powerful people in Nigeria, running multiple companies in several industries... He also works with the Musical Copyright Society of Nigeria.'<sup>5</sup> In other words, Taylor's individual experience – enjoying music in a club – is already a successful creative industry, important in terms of economic growth, political influence and law reform, with the power to lure another migrant into *creative competition* (city life), from where 'there is no escape, except to make it.'

So the creative industries are important because they are clustered at the point of attraction for a billion or more young people around the world. They're among the drivers of demographic, economic and political change. They start from the individual talent of the creative artist and the individual desire and aspiration of the audience. These are the raw materials for innovation, change and emergent culture, scaled up to form new industries and coordinated into global markets based on social networks.

### **Boosterism and backlash**

This combination of the new, the young and the creative, attracts more than wide-eyed villagers. It attracts wide-eyed policymakers. So much so, that the entire field of

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<sup>5</sup> See the Wikipedia: [en.wikipedia.org/wiki/King\\_Sunny\\_Ade](http://en.wikipedia.org/wiki/King_Sunny_Ade); and see [www.afropop.org/explore/style\\_info/ID/18/juju/](http://www.afropop.org/explore/style_info/ID/18/juju/)

creative industries policy has been castigated for its reliance on novelty rather than evidence, to the point where it is 'characterised by boosterism on one hand and backlash on the other,' according to John Knell and Kate Oakley, who argue that:

One of the besetting sins of creative industries policy-making is its obsession with the new, its insistence that everything is 'changed utterly,' and its seeming ignorance, often of its own history.<sup>6</sup>

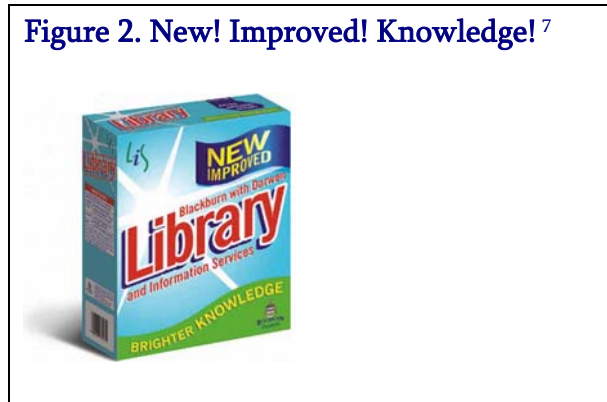
Critics from both cultural and economic fields have expressed scepticism about the claims made for the creative industries. Hence, while the *term* 'creative industries' has diffused around the world over the past decade, the *concept* has not necessarily emerged very clearly. As Knell and Oakley say, both boosterism itself and the backlash against it have been intensified by two other kinds of 'new' – the 'new knowledge economy' and 'New Labour' – both of which have also been criticised widely for their failure to deliver on promises.

This does pose a problem for me, because I do think something 'new' is going on; a change that may indeed be captured, or at least identified, under the banner of the 'creative industries.' So it seems incumbent on me to clarify the concept, to avoid the pitfalls of both boosterism and backlash, and to isolate what may be seen as truly

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<sup>6</sup> John Knell & Kate Oakley (2007) *London's Creative Economy: An Accidental Success?* (Provocation series vol 3 no 3). London: The Work Foundation p. 5.

novel in a field where everything is already labelled “New! Improved!” like 1950s washing powder.



### **Evolving sideways: the concept**

The concept of ‘creative industries’ seems to be evolving ‘sideways’ as well as through time. It occurs across several different knowledge domains, where it means something different each time. Each successive phase has generated its own economic model and policy response (Cunningham, Banks & Potts 2007).<sup>8</sup> These models and policies remain active at any given point in time. They can be ordered along the lines proposed by Raymond Williams for culture itself (which he saw as both ‘ordinary’ and as ‘whole way of life’): i.e. residual, dominant, and emergent. Thus:

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<sup>7</sup> Blackburn Central Library Launch 2003: [www.cottontown.org/page.cfm?LANGUAGE=eng&pageID=493](http://www.cottontown.org/page.cfm?LANGUAGE=eng&pageID=493) (a Google search for “new improved” yielded 233,000,000 results (August 2007). At the top was a company called New & Improved, offering creativity-unleashing services: [newandimproved.com/more/unleashed.php](http://newandimproved.com/more/unleashed.php)).

<sup>8</sup> Creative Economy Yearbook: Introduction

- *Creative Industries as Art* – generates a ‘negative’ economic model; creativity as a domain of market failure. Art requires subsidy from the rest of the economy. The policy response is a ‘welfare’ model. This corresponds to ‘residual’ culture.
- *Creative Industries as Media and Industry* – generates a ‘neutral’ economic model. Media and industries require no special policy attention other than ‘competition’ policy. This corresponds to ‘dominant’ culture.
- *Creative Industries as Market and Knowledge/Culture* – generates a ‘positive,’ or an ‘emergent’ economic model. Here the creative industries are indeed a special case, the locus for evolutionary growth at the fuzzy boundary between social networks and economic enterprise, where markets play a crucial role in coordinating the adoption and retention of novelty as knowledge (Potts et al 2007). They require ‘growth’ and ‘innovation’ policy. This corresponds to ‘emergent’ culture.

Figure 3. Evolution of the creative industries concept: theories and practices

*The 'creative economy' concept evolves<sup>9</sup> (theories)*

<b>Creative form</b> (see below)	<b>Art/reason</b>	<b>Media, Industry</b>	<b>Market, Knowledge/culture</b>
<b>Williams' model of culture</b>	Residual	Dominant	Emergent
<b>Economic model</b>	(1) Negative	(2) Neutral	(3) Positive, (4) Emergent
<b>Policy response</b>	"Welfare"	"Competition"	"Growth," "Innovation"

*The 'creative industries' evolve (practices – with feedback to theories)*

<b>Phase</b>	<b>Form</b>	<b>Value-add</b>	<b>Innovation/ change agent</b>
Enlightenment/modernism	<b>Art/reason</b>	Individual talent	Civic humanism
Industrialization	<b>Media</b>	Industry scale	Cultural industries
CI 1 (1995-2005) CI 2 (now)	<b>Industry, Market</b>	IP outputs / inputs (economy)	Creative clusters / services
<b>CI 3 (emergent)</b>	<b>Knowledge/ culture</b>	Human capital (workforce/user)	<b>Citizen-consumers</b>

*'Industrious creativity'* is of course as old as the hills and evenly distributed across the human population. But it is not an individual attribute only. It is socio-economically organised and subject to historical development. In the modern era it has also been subjected to a kind of 'division of labour,' where 'creativity' went to the Arts and 'industriousness' went (as you might predict) to Industry. During the Enlightenment the creative arts were the focus of the development of 'civic humanism,' based on the values of reason and nobility rather than work (Shaftesbury; Barrell). Meanwhile industriousness was scaled up in factories – William Blake's 'dark satanic mills' – to such an extent that soon the outputs of creativity and those of industry seemed to be

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<sup>9</sup> The models of culture, economics and policy response are adapted from Cunningham, Banks and Potts (2007)

opposed to each other: one produced (high) 'culture'; the other (mass) 'civilisation,' which in this context was a pejorative term (Leavis & Thompson). Over here: 'Art'; over there: 'mass production' (Carey). It is also worth noticing that this distinction produced the division between the 'creative arts' and the 'cultural industries,' which retains an invidious comparison between *honorific* creativity and *utilitarian* industry (Veblen).

A peculiarity of evolution in the cultural field is that extinction does not occur. Ideas hang around, often for centuries. New conceptions do not burst into an empty field. Thus, even though the current term 'creative industries' has only been around for a decade or so, it does have these antecedents, which provide a continuing alternative, or even adversary, to an emergent notion of creative endeavour. Thus it seems that centuries-old concepts are in active competition with recent ones, which are themselves evolving at a rapid rate.<sup>10</sup>

They show three distinct phases since the mid-1990s. Each phase shows how a different cultural/economic *form* is thought to *add value* in a different way, with a different conceptualisation of the *agents of change and dynamism* in the system.

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<sup>10</sup> We seem to be faced with cycles of evolution working at different speeds; short term (decades) and 'longue durée' (centuries). This may simply be a temporal long tail – more creative activity among more people than previously (correlated with the growth and diffusion of 'new' technologies), causing faster change.

1. First, pioneered by DCMS in the UK,<sup>11</sup> attention was focused on the term ‘industry’ itself, referring to firms whose *outputs* could be construed as creative. They ranged from publishing and media to software – and juju bands. There has been continuing disagreement about what should be included (NESTA). Rather than solving this problem conceptually, however, policymakers plumped for Michael Porter’s cluster theory, seeking to identify ‘creative quarters’ (Roodhouse) in cities, where physical clusters of firms with IP outputs were aggregated to identify the importance of creativity to the economy (compared with manufacturing, say). It was also argued that these clusters were growing faster than other sectors, claiming dynamism for ‘copyright’ industries, especially those associated with digital technologies. UK estimates made them worth £112.5bn in 2001. Various defined, the creative industries are nearing 10 percent of the economy in Britain;<sup>12</sup> and near 8 percent of GDP for the USA.<sup>13</sup> In Britain they contribute more than four per cent of export income and provide jobs for over two million people.<sup>14</sup>

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<sup>11</sup> DCMS = Department of Culture, Media & Sport. Their definition of the creative industries = ‘The creative industries are those industries that are based on individual creativity, skill and talent. They are also those that have the potential to create wealth and jobs through developing intellectual property. The creative industries include: Advertising, Film and video, Architecture, Music, Art and antiques markets, Performing arts, Computer and video games, Publishing, Crafts, Software, Design, Television and radio, Designer fashion.’ DCMS: [www.culture.gov.uk/what\\_we\\_do/Creative\\_industries/](http://www.culture.gov.uk/what_we_do/Creative_industries/)

<sup>12</sup> [www.hm-treasury.gov.uk/budget/budget\\_06/bud\\_bud06\\_speech.cfm](http://www.hm-treasury.gov.uk/budget/budget_06/bud_bud06_speech.cfm)

<sup>13</sup> E.g: [www.culture.gov.uk/global/press\\_notices/archive\\_2005/creative\\_economy\\_conference.htm](http://www.culture.gov.uk/global/press_notices/archive_2005/creative_economy_conference.htm).

<sup>14</sup> Source: UK Creative Industries Minister James Purnell, November 4 2005  
[www.culture.gov.uk/global/press\\_notices/archive\\_2005/147\\_05.htm](http://www.culture.gov.uk/global/press_notices/archive_2005/147_05.htm)

Estimates put the world market at over \$3.04 trillion (2005). By 2020 this sector will be worth \$6.1 trillion.<sup>15</sup>

2. Second, attention widened to the economy as a whole, in order to identify the extent to which creative *inputs* were adding value to firms not otherwise regarded as creative, especially in the *services* sector, for instance government, health, education, tourism, financial services etc. There is no doubt that creative disciplines, such as design, performance, production and writing, add value to such services; however it is hard to isolate and quantify that value, not least because of the way that industry-based economic statistics are collected and organised.
  
3. Third, convergent with digital media, the rise of so-called *user-created* content has drawn attention to the extent to which innovation, change and growth is attributable not to firms alone, but also to *socially networked consumers*, and to non-market activities or 'scenes' that escape traditional economic categories entirely. This phase challenges the closed industrial system of professional expertise, favouring instead the growth of 'complex open networks' in which creative IP is shared, not controlled.

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<sup>15</sup> Source: [www.sdi.qld.gov.au/dsdweb/v3/guis/templates/content/gui\\_cue\\_cntnhtml.cfm?id=2223](http://www.sdi.qld.gov.au/dsdweb/v3/guis/templates/content/gui_cue_cntnhtml.cfm?id=2223).

This matrix (fig. 3, above) shows that different ways of conceptualising the creative industries are not the result of muddled thinking but are systematic expressions of particular models that emerge over time. Indeed, the *concept* of creative industries co-evolved with the *practice*, so the refinement of the model has been as much *lived* as *theorised*: it is the product of experience and benefits from the feedback effects of learning. Has the time now come when it is possible to integrate the differences that this diagram exposes, and propose a more unified conceptualisation of the creative industries?

### **Creative industries: tested to destruction?**

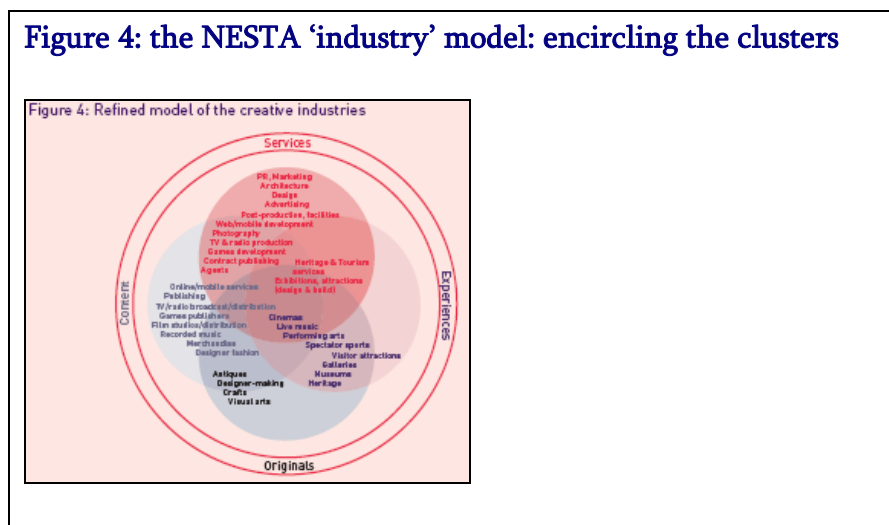
First player advantage for DCMS meant that its 'cluster' definition captured the attention of policy-makers around the world. Early adopters included many countries and cities in the Asia Pacific region, including Hong Kong, Taiwan, Singapore, Australia, New Zealand, and city governments such as Shanghai and Beijing in Mainland China. Most of these were versions of the DCMS template adapted to regional realities (Desmond Hui, etc.)<sup>16</sup>

Meanwhile, sophisticated attempts were made to refine the 'cluster' model itself, for instance by NESTA, which rejected the original DCMS definition in order to develop

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<sup>16</sup> Centre for Cultural Policy Research (2003) *Baseline Study on Hong Kong's Creative Industries*. Hong Kong: University of Hong Kong for Central Policy Unit HKSAR.

a model of the creative industries as ‘industrial sectors rather than as a set of creative activities based on individual talent’ (2006).<sup>17</sup> The NESTA model ‘clustered’ the creative industries by the type of activity and organisation characteristic of firms, distributed among: ‘service providers; content producers; experience providers; originals producers.’



Although the NESTA approach combines phases 1 and 2 by introducing ‘service providers,’ the limitations of the word ‘industry’ only become clearer. The creative industries remain firmly in the dominant or ‘neutral’ economic model for which ‘competition’ policy is the only real recourse.<sup>18</sup> It is hard to claim any exceptional

<sup>17</sup> NESTA [National Endowment for Science Technology & the Arts] (April 2006) *Creating growth: How the UK can develop world class creative businesses*. London: NESTA: [www.nesta.org.uk/assets/pdf/creating\\_growth\\_full\\_report.pdf](http://www.nesta.org.uk/assets/pdf/creating_growth_full_report.pdf)

<sup>18</sup> Its ‘provider’ perspective leads NESTA to advocate a stronger IP regime, which is antithetical to the ‘sharing knowledge’ priorities of user-led innovation.

status for them beyond their importance to global cities, where, according to Knell & Oakley, they may even be under-performing. Under this definition, they remain an esoteric niche of enterprises devoted to (i) media content, (ii) ‘experiences’ (content you can walk into, like concerts, galleries, parks), (iii) ‘originals’ (unscalable arts and crafts) and (iv) creative services (content or you can sell to other firms; or facilities for rent).

It is hard to extend that idea to the economy in general. However, the political pressure to generalise from ‘creative industries’ to ‘creative economy’ was already apparent. The UK minister for Culture Media & Sport, Tessa Jowell, said in 2005 that:

Every industry must look to become a creative industry, in the broadest sense of the word ... But these are not just creative industries issues.

They are issues for everyone who has a stake in the future of our knowledge economy.<sup>19</sup>

This remains UK government policy after the 2007 change of ministry; you may even say in the teeth of their own evidence:

Today there is growing recognition of the subtle but important linkages between the vitality of the creative core, the creative industries beyond

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[www.culture.gov.uk/Reference\\_library/Minister\\_Speeches/Ministers\\_Speech\\_Archive/Tessa\\_Jowell/creative\\_economy\\_conference.htm](http://www.culture.gov.uk/Reference_library/Minister_Speeches/Ministers_Speech_Archive/Tessa_Jowell/creative_economy_conference.htm)

and creativity in the wider economy – although uncovering their exact extent is made very difficult because of a paucity of evidence and data.<sup>20</sup>

### **Supply to demand**

Since they stem from the same policy-making environment, a static model of the economy and a ‘residual’ definition of art, the DCMS, NESTA and Jowell/Hutton approaches all conceptualise the economy and artistic creativity alike in terms of the *provider*, even as they evolve from phase 1 (‘clusters’) to phase 2 (‘services’), and even as they recognise ‘the evolution of experience-searching, so-called “apex” consumers ... and co-creation with consumers.’ (Hutton: p. 96). Despite this gesture, there is no room for consumers *inside* the model.

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<sup>20</sup> [www.culture.gov.uk/what\\_we\\_do/Creative\\_industries/creative\\_economy\\_programme.htm](http://www.culture.gov.uk/what_we_do/Creative_industries/creative_economy_programme.htm)

Figure 5: the Work Foundation 'economy' model: 'expressive outputs'<sup>21</sup>

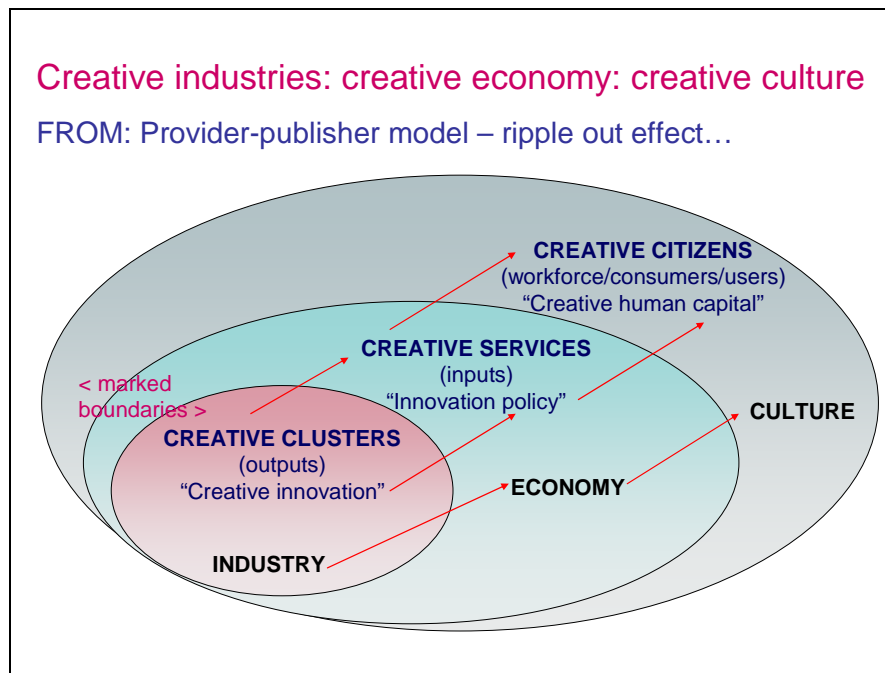


'Industry' continues to mean the supply side of firms or institutions or artists, with very little attention to consumers, users or creative individuals, who are seen as an effect of decisions taken by those further up the supply chain (or closer to the 'core'), with very little causal agency of their own. This provider mentality is supported by the 'residual' model of art (Throsby cited in Hutton, pp. 96, 109). Truly, 'the tradition

<sup>21</sup> Will Hutton & the Work Foundation (June 2007) *Staying Ahead: the economic performance of the UK creative industries*. London: DCMS, chapter 4 'Defining the creative industries,' p. 103. See: [www.culture.gov.uk/Reference\\_library/Publications/archive\\_2007/stayingahead\\_epukci.htm](http://www.culture.gov.uk/Reference_library/Publications/archive_2007/stayingahead_epukci.htm)

of all the dead generations weighs like a nightmare on the brains of the living’;<sup>22</sup> a ‘long tail’ that continues to wag the creative dog. Thus:

**Figure 6: provider model of creative causation**

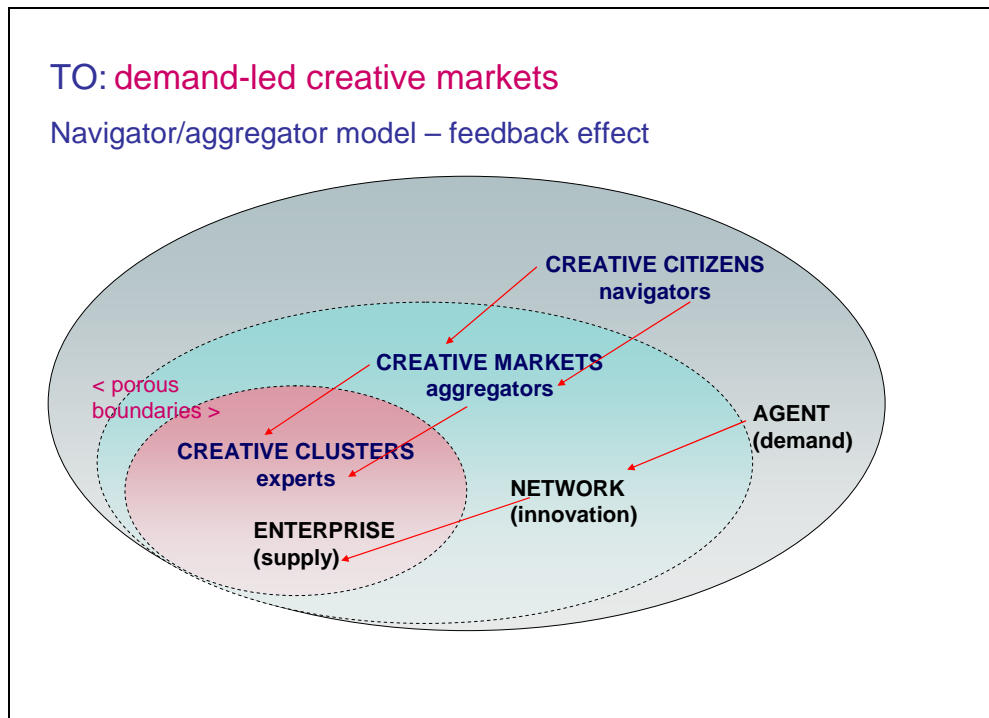


Instead of this, it is now possible to propose a (new! improved!) *demand* model of creativity in an evolutionary model of the economy. This sees creative culture in terms of the growth of knowledge among the entire population, not merely among industry or artistic experts. Instead of being the *objects* of causal sequence,

<sup>22</sup> Karl Marx (1852) *18<sup>th</sup> Brumaire of Louis Bonaparte*, I. [www.gutenberg.org/files/1346/1346-h/1346-h.htm#2H\\_4\\_0003](http://www.gutenberg.org/files/1346/1346-h/1346-h.htm#2H_4_0003)

consumers, users and citizens become its *subject*, navigating as agents, not being pushed around as passive effects, thus:

**Figure 7: demand model of causation**



This model pushes out towards the future, not the past; it is an ‘emergent’ model of innovation. Here creativity may be located as part of ‘human capital’ – the abundant resource numbering billions, exemplified by Taylor, the UN’s exemplary juju-music fan.

## Social network markets

Seen this way, the evolution of the creative industries does allow us to make a significant conceptual advance; one based on evolutionary economics, and taking seriously the dynamics of change and innovation, the emergence of order in complex systems, and the possibility that economic and cultural ‘behaviour’ may both be explained using game theory and complexity theory (much of this goes beyond the scope of this paper, but see Potts, etc.). In this environment, the object of the exercise is to understand the *origination, adoption and retention of knowledge*, not simply the activities of firms. Indeed, focusing on ‘industry’ is part of the problem. A better term than ‘industry’ is ‘market,’ specifically ‘social network markets’ (Potts et al 2007). For one thing, it shifts causal sequence from a supply-driven to a demand-driven dynamic. A demand-led model of creative citizen-navigators requires a reformulation of the familiar ‘value chain’ approach to cultural production, seen as a one-way causal chain, which typically goes like this:

- (i) producer (creation) and production (manufacture);
- (ii) commodity (e.g. text, IP) and distribution (via media);
- (iii) consumer or audience (see Pratt 2004).<sup>23</sup>

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<sup>23</sup> Andy Pratt suggests that a creative industries value chain has four links:

1. creation/content origination;
2. manufacture (of prototypes and production instruments);
3. distribution and mass production;
4. exchange (exhibition and retailing).

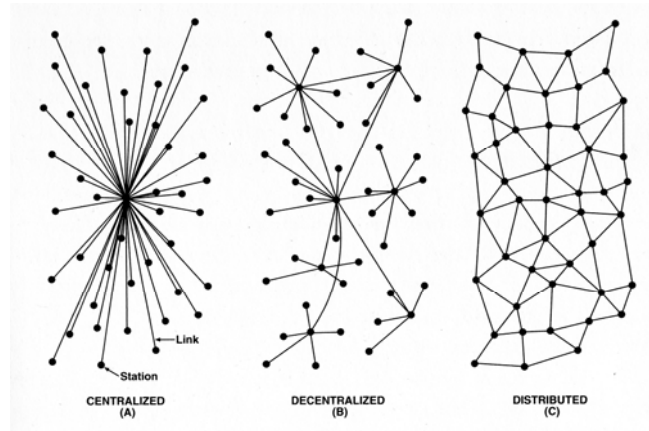
Pratt, A. (2004), ‘Creative Clusters: Towards the Governance of the Creative Industries Production System?’ *Media International Australia*, 112, pp.50-66.

Instead what is needed is:

- (i) *agents* (who may be individuals or firms), characterised by choice, decision-making and learning (*origination*);
- (ii) *social networks*, both real and virtual (*adoption*);
- (iii) market-based *enterprise*, organizations and coordinating institutions (*retention*) (Potts et al 2007).

And instead of linear causation, what is needed is a dynamic and productive interrelationship among *agents, networks and enterprise*; all are engaged in the mutual enterprise of creating values, both symbolic and economic. This is a complex open system in which everyone is an active agent, not a closed expert linear value chain controlled by 'industry.' Individuals originate ideas; networks adopt them; enterprises retain them.

Figure 8.<sup>24</sup> The secret of the social network market:



A = control; B = coordination; C = network.

– Forget (A); overlay (B) and (C)

This is the concept of the *creative industries as a social network market*, the special property of which is that individual choices are determined by the choices of others within the network. This is Richard Lanham's 'economics of attention.'<sup>25</sup> A social network market is at work whenever you read a review or heed 'word of mouth' before trying a film, restaurant or novelty of any kind. It explains celebrity culture; tastes and identities are formed on the basis of the choices of others. Of course it underlies 'aggregator' social network enterprises on the Internet such as Facebook, MySpace, even YouTube and Amazon, all of which operate by networking individual choices. Social networks are a valuable adaptive mechanism for dealing with

<sup>24</sup> Paul Baran 1964 (Rand Corporation)

<sup>25</sup> Richard A. Lanham (2006) *The Economics of Attention: Style and Substance in the Age of Information*. Chicago: Chicago University Press.

uncertainty, risk, and novelty at the macro-scale of populations, even while they are driven by micro-scale individual choices. They occupy the border between established markets and non-market dynamics, especially internet affordances (Web 2.0), and creative expression. And they work both ways: just as individual consumers decide on this basis what to do, wear – or even be – so producers respond to the choices of others in deciding where to invest (hence the sequel industry). And neither ‘agents’ nor ‘enterprise’ discriminates between producers and consumers, which is of crucial importance in the fast-growing area of user-created content, consumer-led innovation and self-made media. People can make enterprises out of enthusiasms. One moment you’re a fan; next you’re signing autographs.

Social network markets (and non-markets) are thus the basis for a new definition of creative industries that we have been refining at the CCI:

Our new definition of the CIs therefore proceeds ... in terms of individual choice in the context of a complex social system of other individual choice. ...[T]he predominant fact is that, because of inherent novelty and uncertainty, decisions to both produce and consume are largely determined by the choice of others in a social network.

These social networks thus function as markets ... *The creative industries are the set of economic activities that involve the creation and maintenance of social networks and the generation of value*

*through production and consumption of network-valorized choices in these networks.* (Potts et al 2007)

### **Creative destruction**

Now it is time to return to the problem of the ‘new,’ dubbed ‘one of the besetting sins of creative industries policy-making’ by Knell & Oakley (see above). For our analysis suggests that novelty is *more* important than current policy decrees, not less, because it is here that we can begin to understand how change and innovation – the new – drive the whole system. Some of this drive comes from beyond the formal economy altogether – it comes from culture, which in our thinking (and that of rural Taylor as he hit the Lagos club scene) is the generative source of the creative industries:

It becomes equally apparent that the CIs are also a crucible of new or emergent markets that, typically, arise from non-market dynamics (*e.g.* Internet affordances) and that often then stay at the complex borderland between social networks and established markets. (Potts et al 2007)

In fact the ‘shock of the new’ can be illustrated by the creative industries themselves. The DCMS policy trajectory over the last decade sees them as agents of ‘creative destruction’ in the effort to modernize ‘old’ de-industrializing economies in Europe, or developing ones in the Asia-Pacific region. However, no sooner had they been

identified in the 1990s than the ‘new knowledge economy’ came onto the scene, an even more vigorous agent of ‘creative destruction,’ as the entire concept of the creative economy was reworked to take account of Web 2.0, a process that is by no means complete. Here also is where the essentially European idea of creative industries collided with the Americans: national public policy and culture up against global free trade and Intellectual Property.

In particular, the ‘industrial’ concept of the ‘consumer’ was challenged by the idea of the creative *user*. Suddenly, computational power and individual consumers could both be theorized as agents of causation and change, and more to the point people’s ‘non-commercial’ activities – their culture, knowledge, choices and social networks *outside* of the economy – needed to be taken into account, for it transpires that this is where growth, innovation, and dynamism originates in the evolution not only of the economy but also of knowledge. Here at last is a way to *harnesses the creative energies of all the agents in the system*, and a mechanism – the social network market – to coordinate their creative and communicative choices and activities.

The OECD has recently commented on the extent of disruptive renewal or ‘creative destruction’ instigated by consumers in this process:

User-created content is already an important economic phenomenon despite its originally noncommercial context. The spread of UCC and

the amount of attention devoted to it by users appears to be a significant disruptive force for how content is created and consumed and for traditional content suppliers. This disruption creates opportunities and challenges for established market participants and their strategies. (OECD 2007: 5)<sup>26</sup>

Indeed, consumers are not only the origin of traditional ‘demand’ for products and services that established industries are geared up to supply, they also challenge the very business models underpinning those industries:

New digital content innovations seem to be more based on decentralised creativity, organisational innovation and new value-added models, which favour new entrants, and less on traditional scale advantages and large start-up investments. (OECD)

The OECD has listed the socio-cultural ‘impact’ of user-created content as follows:

- Altered economics of information production;
- democratization of media production;
- user autonomy, increased participation and increased diversity;
- collaborative, sharing information, ideas, opinions and knowledge;

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<sup>26</sup> OECD (12-Apr-2007) *Participative Web: User-Created Content* (Working Party on the Information Economy): [www.oecd.org/dataoecd/57/14/38393115.pdf](http://www.oecd.org/dataoecd/57/14/38393115.pdf)

- more diverse array of cultural content;
- diversity of opinion, free flow of information and freedom of expression;
- Challenges – inclusion, cultural fragmentation, content quality and security and privacy; digital divide, cultural fragmentation, individualisation of the cultural environment. (OECD p. 6)

The impact of user-created content and emergent social network markets on policy has not been properly felt but should not be underestimated. It affects decisions across many areas, including the vexed question of IP law, because a social network market model is much more tolerant of piracy and IP-sharing than is an industry model. Indeed, a country like China may be at a competitive advantage by not having an industry-skewed IP regime. Chinese people get on with promiscuous borrowing and shaping of ideas from wherever they come, just as was the case for the emergent modernizing West. A midway position here may be the Creative Commons movement, associated with Lawrence Lessig (whose Australian ‘node’ is hosted at the CCI), which seeks to find ways to share IP as well as to monetize it.<sup>27</sup> Beyond the legal framework, the UCC/SNM model also affects science and technology policy, industry policy, employment policy, and education policy. Doubtless it ought to influence taxation policy too, but that one’s too hard for me.

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<sup>27</sup> For instance, see Marett Leiboff (2007) *Creative Practice and the Law*. Sydney: Thomson Lawbooks.

## Objective to subjective agency; Subjective to objective knowledge

There is a further set of ‘impacts’ that the OECD does not consider, and I want finally to turn to these: the impact of consumer/users and social network markets on the stock-in-trade of the creative industries: the growth of knowledge.

The philosopher Karl Popper produced a typology of the ‘levels’ of language:

1. Self-expression
2. Communication
3. Description
4. Argumentation (Popper 1972: chapter 3)<sup>28</sup>

For Popper, the first two levels produce subjective knowledge; the second two, evolved via ‘extrasomatic’ media in the form of writing/printing, can lead to objective knowledge. The media-entertainment complex in general is obsessively focused on the first two levels. A question not generally asked of the creative industries is therefore this: can this sector contribute to ‘description’ and ‘argumentation’ as well as ‘self-expression’ and ‘communication,’ and can that contribute to the evolution and growth of objective knowledge?

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<sup>28</sup> Karl Popper (1972) *Objective Knowledge*. Oxford: OUP.

Here print-literacy is an instructive antecedent. In the first place, printing enabled an evolutionary step-change in literacy, in both scope and extent. Karl Popper linked the evolution of knowledge, in particular rational error-eliminating science and thence his idea of the 'open society' (the growth of knowledge in an open complex adaptive system), to the invention of printing. Although it took a long time, print-literacy began to be propagated throughout the population, usually by means of schooling, which was increasingly taken over and paid for by the state. This cumulative public investment eventually paid off in unexpected ways. Print-literacy began to escape from instrumental purposes like religion, business and government, to become a culture-wide capability. What it might be used *for* also escaped from institutional purposes. As a socio-cultural resource – a form of embedded human capital – print-literacy enabled the growth not only of scientific discovery but also of *journalism* and the reading public, the development of 'psychological *realism*' (after Shakespeare), and thereafter the modern *novel*. Print-literacy underpinned the Enlightenment (both origination and dissemination of new ideas), political democratisation, industrialisation and the mass media. It was therefore associated with the 'creative destruction' of old ideas – magic, superstition, anachronism, oral relativism – and also with another kind of destruction: political revolutions tended to occur in countries where literacy rates stood at between one and two thirds of the population, as in England, France, and Russia in successive centuries.

It is therefore worth asking whether the recent mass propagation of creative *digital literacy* may be enabling a further evolutionary step-change in the growth of knowledge. If so, two things need to happen. First, 'ordinary people' (previously understood as non-economic consumers) need to be able to access the social network market as both agents and enterprises, to share their own expertise and to develop new networked expertise, such that they too can contribute to the coordinated digital evolution of science, imagination and journalism: knowledge in short.

The second thing is that 'consumer-created content' needs to be used for more than self-expression and communication. Digital literacy can generate new 'objective' description, new argumentation. Now of course this is already happening, but it is not well integrated into policy settings on creative industries, which are still too tied to 'Art' (capital A) rather than knowledge. The general point I'm trying to make is that such initiatives need to be understood coherently as emergent knowledge in a complex open system, even while commercialised experiential self-expression – for instance in computer games – looks at first sight like the very opposite of 'knowledge' as we know it. The emancipation of large numbers of previously excluded (or neglected) people – let's say a billion teenagers – into the 'freedom of the internet' and into 'creative freedom' will, if successful and if pushed beyond a 'look at me' stage, assist not only in self-expression and communication, but also in the development of knowledge in an open innovation network. Consumer-created

content is an excellent means for recruiting new participants into that open network, and for lifting levels of digital literacy and popular expertise. It may be modelling for the coming century the role – if not the methods – of public schooling in the earlier period of print literacy.

Current attitudes to user-created content see it as an end in itself, as if knowledge of the personal is all that's necessary for people outside existing professional elites. But it is no advance to reinforce the barriers between popular and expert culture; 'science' for producers; 'self' for consumers. The consequences of doing that are already part of the crisis confronting contemporary societies. People feel cut off from expert systems, including both science and entertainment, and are more sceptical than ever about 'objective knowledge,' whether it is presented as science or news. Not only are the claims and products of scientific research often rejected or delayed in the court of public opinion – GM foods, nuclear energy, global warming – but even the modern commitment to rationality and the open society are undermined from within by resurgent religiosity (including 'new-age' spiritualism), 'me'-culture, and a moralising politics of fear.

The need is not to separate 'science' (description & argumentation) and 'popular culture' (self-expression & communication) further from one another but to invest in holding them together. This is something that creative social networks and social

network markets can do, as long as creative digital literacy is propagated on a population-wide basis. The shift from broadcast to interactive media has begun to democratise the publication of self-expression, and it complicates the entire edifice of 'representation' in both symbolic and political communication because people can now 'represent' themselves via self-made media. They are no longer satisfied with deferring to professional representatives; they want direct voice, action, creative expression – and, increasingly, knowledge. Creative industries are the generative engine of emergent participatory knowledge. If the history of print-literacy is anything to go by, democratising digital literacy will unleash presently unthought-of innovations; these may be as remarkable over time as have been the products of print-realism; science, the novel, and journalism.

But there is a further step that can be imagined. For Karl Popper, the value of printing is that it enables scientific theories to be published, and publication lays these open to criticism and argumentation, which is essential to the process of testing and error-elimination. When Popper was writing, publication was a restrictive practice, apt to be captured by Kuhnian 'normal science' expert elites. But now publication is thoroughly democratised, at least in principle: it is in the hands of individuals. The general public can *publish*, and many are already joining the life of science by contributing to the evolution of knowledge. Among many examples might be: 'oral' history on the web (including digital storytelling and photographic archiving); Google

Sky (from your house to the universe), computer games for problem solving (e.g. [worldwithoutoil.org/](http://worldwithoutoil.org/)), and critical discussion of creationism on YouTube. The 'long tail' means that there are infinitely more examples. What is rarely done is to take these seriously as the 'affordance' of digital literacy and social network markets. As Popper observed:

It is one of the novelties of human language that it encourages storytelling, and thus *creative imagination*. Scientific discovery is akin to explanatory story telling, to myth making and to poetic imagination. The growth of imagination enhances of course the need for some control, such as, in science, interpersonal criticism. ... This, and the role played by instruction and tradition, seem to me to exhaust the main sociological elements inherently involved in the progress of science; though more could be said of course about the social obstacles to progress, or the social dangers inherent in progress. (Popper 1975: III).<sup>29</sup>

The next stage in the evolution of the creative industries is to return the concept to the place where it began – 'creative industriousness,' generally available among the human population, but this time coordinated and technologically enabled in such a

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<sup>29</sup> Karl Popper (1975) 'The Rationality of Scientific Revolutions.' In R. Harré (ed.) *Problems of Scientific Revolutions*. Oxford: OUP.

way that social networks can harness the ‘creative imagination’ of all the agents in the system, and these can be harnessed for scientific discovery as well as self-expression.

Creative industries policy, therefore, ought to be directed towards the propagation of digital literacy and participation, not be focused narrowly on the firms that service it.

If ‘human capital’ is the basic resource for a creative economy, it follows that education is an important component in the policy mix. However, education too must be ‘demand-led,’ organised as much through entertainment, media and consumption as through formal schooling. For the desire to enjoy creative content within a social network is the mechanism through which individual learning occurs, and these social networks, given life as they are by desires, daydreams, mischief-making and play, form the enabling infrastructure for new knowledge.

So a final question on the topic of the evolution of the creative industries is this: what achievements will be enabled by the combination of creative industries, social network markets, and universal digital literacy? Let’s find out.