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The Creative Economy: Who needs it?

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It is a truly great pleasure to be here, at the ARC Centre of Excellence for Creative Industries and Innovation.

I've known about QUT and the CCI for a long time and admired both the focus and the range of your work. Quite why all these remarkable things happened here in Brisbane I've never been quite so sure – it's something I aim to understand better during this short trip.

I do also have a longstanding personal link with the centre through John Hartley, your founding Dean. John was reckless enough to give me my first university job back at the turn of the millennium, when I moved out of full-time journalism to run the Centre for Journalism Studies at Cardiff University, where John was Head of School.

With hindsight, this was the beginning of my intellectual engagement with what I now think of as the creative economy: the growing space in which digitally afforded creative skills are being applied across the whole of our economy and indeed the whole of our societies. I want to talk today about the creative economy and to explain why I think it's a compelling concept for anyone concerned with the evolving shape of advanced economies, their openness to innovation and their chances of comparative success.

I hope you won't mind if I begin by sketching out the historical pattern of events which led me to these thoughts. This narrative is intended to support my argument.

I have already mentioned my move, after 30 years as a journalist and editor, to the Centre for Journalism Studies. Since then, I'm afraid I haven't been entirely faithful to the towers of the academy. I spent a few years doing corporate communications for a company that runs airports; I ran the international operation of the UK communications regulator – Ofcom; and I introduced strategic communications to the UK Foreign and Commonwealth Office, working for Foreign Secretary David Miliband, not to be confused with his younger brother, who is now leader of the UK Labour Party. The common thread in all these activities is digital communications.

But my first explicit assignment with regard to the creative industries came during my time at the Foreign Office, but from a surprising direction.

Busy with Russian aggression towards Georgia and the build-up to the G20 'economic crisis' summit in London, I took a phone call from an aide to Ieuan Wyn Jones, then Leader of Plaid Cymru, the Party of Welsh Nationalism, and Deputy First Minister of the Government of Wales, where Plaid was the junior member of a ruling coalition with Labour. The aide asked whether I would be willing to conduct a review of Welsh Government policy towards the creative industries in Wales. The result was a report, in 2009, entitled: *The Heart of Digital Wales*.[1]

What shocked me most was how little Welsh government officials knew about the creative industries in terms of hard data, even though at the UK level this had been a high profile area of policy thinking since the election of the first Blair government in 1997. In my report, I urged Ministers to fill this data gap urgently and to adopt a number of other recommendations, which they graciously accepted.

This was my first taste of the politics of the creative industries.

Up the road in London, the 2010 General Election had resulted in defeat for Labour and the election of a coalition government of two parties: the Conservatives and the Liberal Democrats. Among the casualties of this shift of power was the Digital Economy Bill, which contained some good ideas for reform of the intellectual property laws, as part of the so-called 'Digital Britain' initiative, a sweeping, technocratic blueprint to re-position the UK as a leader in all things digital. The Digital Economy Bill made it to the statute book, but shorn of IP reform and best known for its aggressive and not yet implemented measures to prosecute illegal use of rights-protected material on the Internet.

The election result also meant I was free to return to Cardiff University, which offered to create a new chair. We agreed that it would be a chair in Digital Economy, jointly held by the School of Journalism, Media and Cultural Studies and the Business School. And it would be part-time, so that I could also continue to work outside the academy.

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[1] Hargreaves I. (2010) *The Heart of Digital Wales, a review of creative industries.* Welsh Government.

What would this mean: Professor of Digital Economy?

I had just started working on the answer when the phone rang again – this time it was a junior minister in the new Conservative-Liberal coalition Government in London. The Minister said that she was responsible for Intellectual Property in the Business Department and that Prime Minister Cameron wished to announce later that week that I would be leading an independent review of intellectual property issues, with a particular focus upon innovation and growth in the economy.

IP was not a subject about which I knew much, though I knew where my instincts lay with regard to the open Internet. Nor had IP formed any part of my creative industries work in Wales because the Welsh Government has no powers in that domain, which involves a framework of law hanging, like a precariously heavy chandelier, from the globally recognised Berne Convention. In Europe, IP law is determined at the European Union level, subject to certain very specific exceptions and limitations, which are optional for national governments and permitted under the doctrine of 'fair dealing.' There is a long running and still incomplete battle between those who think Europe needs a unified IP regime and those who wish to emphasise national freedoms: after more than 40 years of trying, the EU has only just this year got a unified patent regime, but copyright remains a patchwork – a fragmented digital market, which contrasts with its essentially borderless American equivalent.

I was given six months to deliver the IP review for Prime Minister Cameron, who famously launched the exercise by saying that someone had told him that under the UK's IP laws, Google would never have got started. I was supported by a secretariat from within the UK Intellectual Property Office and a small, international committee of experts. Ben Mitra-Kahn, now chief economist at IP Australia, was one of those involved in the work of the secretariat.

The review was published in May 2011, on the same day that President Sarkozy was holding a global e-summit in Paris. This was the occasion at which the President said the Internet could never be an agent of democracy if the rules governing it were not set by democratically elected governments and Google's Eric Schmidt replied that the answer to the Internet's problems lay in better technology, not more regulation – an epic tension which remains anything but resolved.

In my review, I argued that substantial reform was needed, especially in copyright, where it was clear the law was in danger of clogging up parts of the digital communications system which had nothing to do with human creativity and the need to incentivise it through copyright.

Copyright law in its current form, I argued, was no longer fit for purpose because it did not pass the common sense test in the minds of many if not most people when they used their increasingly ubiquitous digital devices, and as a result routinely breaking the law. Worse, copyright law as it stood would increasingly impede the emergence of new, global markets in digital content, goods and services, including the widespread use of data analytics.

On our current path, we were in danger of prioritising the protection of corporate incumbents against the important need to encourage competition and the emergence of new products and services.

I don't have to tell the people in this room that these observations were not new – then or now. They were, however, and they still are, controversial. The creative industries stuck to their mantra that the only copyright reform needed was further extension of its duration (already, for the most rights holders, in excess of a century) along with intensified prosecution of illegal digital copiers.

On receipt of my review, the Cameron-Clegg Government, fairly promptly, accepted my arguments and proposed three paths of legislative action. Three years on from the review, two of these are complete, covering the rights of designers, easier access to orphan works and the regulation of collecting societies. A third tranche of reform, the most controversial and the most important, aims to establish UK exceptions to the rule of copyright, as permitted by the 'fair dealing' regime of the European Information Directive. These cover parody, education, non-commercial text and data mining, private copying, archiving and preservation, public administration and services for the disabled. If Parliament agrees to this bundle of 'statutory instruments', these changes will come into effect in June.

Whilst all this legislative activity was in train, I started to think harder about the relationship between the work I had done on creative industries and my pronouncements on intellectual property. Throughout, I had been following the work of CCI here and its UK collaborator, NESTA. I had also noted the growing adoption of the term 'creative economy' in UK policy discussions from about 2005, but could see no clear connection between this and the substance of the UK Government's policy thinking.

It is relevant here to mention other research projects which were now emerging as part of my Digital Economy work at Cardiff. One of these is a trans-disciplinary, trans-institutional Arts and Humanities Research Council project to investigate 'creative citizenship' in the UK.[2] This considers the grass-roots base of the creative economy, where individuals collaborate in countless (and economically uncounted) activities like

[2] www.creativecitizens.co.uk

book clubs, knitting circles, gardening groups and online news services. We seek to understand how digital media might enhance and sustain the value of these activities. As such, it draws heavily upon the work of CCI colleagues. John Hartley is an important member of the team.

Another big project is REACT,[3] a creative economy knowledge exchange hub based in Bristol, but reaching into Wales. This specialises in funding and nurturing collaborations between arts and humanities researchers and small technology businesses. Half way through, it is having a significant effect upon the universities taking part in terms of their ability to work with small enterprises. Its core insight is into the role played in the creative economy by technologically adept micro-businesses.

At the same time as these things were happening, I had rather more informally acquired a couple of irritating habits.

One was to attend meetings in which the 'creative economy' was under discussion, in order to ask whether there were any economists in the room. Usually, there was not.

By now, I had identified the key questions:

- First, why is the terminological debate about creative economy happening at all? Is this just imprecision or a form of emotional self-indulgence. Or does it represent something more significant?

- Second: What is the connection between this debate and the copyright debate?

- And third: if there is something significant going on here, what should we do?

I discussed the matter with Geoff Mulgan, the Chief Executive of Nesta, and then with Hasan Bakhshi, author or co-author of a number of Nesta reports which seemed to me to be at the frontier of trying to bring meaning to the term 'creative economy.' Hasan, a former Bank of England Economist, is also, I know, a great friend of CCI. But, confusingly, Nesta had played little or no part in the copyright debate, or even (at that stage) in other big policy discussions about digital infrastructure and regulation.

My hunch was that the creative industries' defensive stance with regard to copyright, had turned, in effect, into a more generalised hostility towards the digital communications technologies disrupting their business models. Even as they adapted their business models – as mostly they have – using these technologies, they could not bear the idea of engaging constructively with the Internet service providers and the Internet platform companies

[3] www.react-hub.org.uk

about issues of mutual interest. Better to be an exceptional, industrial 'sector', able to argue for sector-specific privileges than to pursue a mission as the driving force of the 'creative economy.'

The result (or perhaps more accurately a by-product) of this stance was that the American digital platforms which dominated the global Internet – Google, Facebook and Amazon and the re-born Apple – have found themselves with no European rivals.

This failure to innovate also helps explain why productivity growth in Europe has stagnated. It's a serious problem.

We decided that what the world needed was a *Manifesto for the Creative Economy* and this was published almost one year ago.[4] At its core is a piece of economic analysis co-authored by Hasan and researchers here at CCI. This involves the 'dynamic mapping' of the creative economy by measuring the 'creative intensity' of jobs wherever those jobs sit: inside the creative industries or elsewhere in the industrial landscape. Labour-force data is then used to calculate the scale of the creative economy, which can then be expressed in relation to the scale of the creative industries.

Directed at the UK, this work enables us to say with confidence that the UK creative economy accounts for roughly 2.5 million jobs, more of them outside the creative industries than inside. Jobs in the creative industries, however, are marked by a high level of 'creative intensity.'

So, a film director's work is more comprehensively creative than the work of a social media expert in an insurance company or even a vehicle designer in an auto company. In terms of gross value added in 2010, the study estimated that the creative industries accounted for 5.3 per cent of UK gross value added and the creative economy as a whole for 9.7 per cent. This makes the creative economy larger than financial services.

These figures, if nothing else, provide a robust platform from which to make the case that the creative economy merits more serious attention not only from the Business Department, which makes policy on regional development and devises sector-specific initiatives, but the Treasury, which sets the rules on fiscal incentives, such as R&D tax credits.

It also challenges thinking in the Education Department, which tends to regard STEM (science, technology, engineering and maths) subjects as holding higher economic value than subjects from the arts and humanities. It is clear that a digitally re-shaped creative

[4] Bakhshi, Hargreaves and Mateos-Garcia (2013): *A manifesto for the creative economy.* Nesta: National Endowment for Science Technology and the Arts, London.

economy, whose activities extend across manufacturing, services *and* the providers of cultural content, requires people with skills and aptitudes from within and across all these disciplines. In no particular order, from history, art, anthropology, geography, law, economics, sociology, computer science, psychology and statistics.

Or, reduced to a slogan: not STEM but STEAM – STEM plus arts, please.

Our *Manifesto* makes recommendations about education, skills, fiscal incentives, finance, arts funding, regional policy, the BBC and about intellectual property. We also propose new and simpler definitions of both the creative industries and the creative economy within which they sit.

Deliberately, neither of these definitions mentions intellectual property, not because IP is anything other than crucial for the creative content industries, but because reliance on specific forms of IP protection cannot be considered a membership criterion for the creative economy. Parts of the creative economy will thrive best with a less draconian approach to IP laws. Indeed, a too draconian approach will inhibit the emergence of new creative, digital services in areas like health and social care, just as it will inhibit more expansive data analytics.

So, we define the creative industries quite simply as: '**those sectors which specialise in the use of creative talent for commercial purposes'**.

The creative economy, we define as '**those economic activities which involve the use of creative talent for commercial purposes**.'

Why does all of this matter so much? For the simple reason that the part of the creative economy which lies beyond the creative industries – the creative dimension of advanced manufacturing, the social media dimension of retailing or the data management involved in next generation health and social care systems – are going to mean that this part of the creative economy will grow faster, probably quite a lot faster, than the creative industries themselves; just as the new, born-digital creative industrial sector of electronic games has grown much, much faster than, say, the music industry or publishing in recent years.

It will be in this digital services and advanced manufacturing area that advanced economies will need to do well, applying creativity to service innovation and deploying other 'intangible assets' such as design quality and brand.

It is impossible, I believe, to play successfully long term in the digital, creative economy by adopting the primarily defensive tactics which have been deployed in Europe and, I believe, also here in Australia. Sectorally focused industrial strategies always run the risk of defending what we have, rather than stimulating the emergence of what we need.

By explicitly pursuing a successful *creative economy*, policy makers can focus upon the things that only policy-makers can achieve: to re-shape education for the creative economy's needs; to ensure the right scale and detail of investment in digital infrastructure; to advocate for an open internet in an increasingly complex global governance debate; to set fiscal rules which open R&D and financial support schemes to creative firms and projects; and to encourage spillover between the public arts and the activities of creative citizens, on the one hand, and the commercial, market-based side of the creative economy on the other.

So, if I were inventing CCI today or re-inventing it, I would call it a centre for the creative *economy*. You have the skills, the history and the culture to deliver the thinking; I don't doubt that you also know how to be leaders in ensuring that your graduates emerge with the entrepreneurial know-how and collaboration culture, which is essential in the digital, creative economy.

But work of this kind also requires deep intellectual underpinning. Here CCI's reputation is second to none. Looking back over the slim text book which six present or former members of the CCI published a year ago, provides a simple illustration of the extent to which QUT has mastered what the book calls the 'key concepts in creative industries.' [5] The book should, however, be called: *Key Concepts in Creative Economy.*

Perhaps the authors agree – some of them are here, so we can find out. The book, by the way, in its section on creative industries, says that these

> *are not seminal forces of material economic growth, but they are germinal in the role of coordinating the individual and social structure of novelty and in resetting the definition of the normal. The creative industries contribute to a process of adaptation to novelty and the facilitation of change, which by definition underpin the process of economic evolution: they are 'social network markets'* (Hartley et al 2013).

Stuart Cunningham asked me yesterday over an elaborate salad bowl lunch at a self-service joint in downtown Brisbane what influence the Nesta *Manifesto for the Creative Economy* has had.

Well, it has attracted a lot of attention internationally and it has been very heavily in demand as a download. It has proved very useful in creative economy discussions at the

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[5] J Hartley, J Potts, S Cunningham, T Flew, M Keane and J Banks (2013): *Key concepts in creative industries.* London, Sage. See also J Potts (2011): *Creative Industries and Economic Evolution.* Cheltenham, Edward Elgar (p. 5).

level of cities and regions. But, not least because it incorporates within it the case for reforming intellectual property law, it is also a target for the inexhaustible energy of creative industries lobbyists and their strong nexus in Parliament. So the manifesto has fierce opponents as well as friends. Doing battle with those forces should only be undertaken if you really believe in what you're doing.

At the level of the European Union, this is a problem on a very significant scale. I have been encouraged by a number of people and organisations in the EU to continue my work on IP; by Parliamentarians, parts of the European Commission and by think tanks and citizens' movements. Most recently, I have been chairing an 'expert panel' considering the legal framework (copyright and data protection) governing text and data mining.[6] This work will confirm that European researchers are being put at a serious disadvantage compared with their American counterparts. This arises, in part at least, from differences between the relatively flexible 'fair use', case law based approach of American copyright law and the more rigid, stratified legal 'fair dealing' framework used in Europe. There is no time now to elaborate further on that issue, but let me simply say that I have come to believe that the First Amendment to the American Constitution is the American digital economy's single biggest legal asset.

As the European Union prepares for Parliamentary elections next month and the appointment of a new European Commission shortly thereafter, copyright has emerged as a touchstone and divisive issue. The part of the European Commission responsible for copyright law, the Directorate General for Internal Markets (DG Markets) launched a nervous consultation on copyright reform before Christmas, then extended the deadline against a massive tide of inputs – over 11,000 at the last count.

It is clear from its actions so far, that DG Markets believes that the problems with copyright can be solved entirely by improving licensing procedures. Now, I'm a big fan of improved licensing procedures, having recommended the creation of a Digital Copyright Exchange for the UK in my review, but I don't believe licensing is the entire answer.

Brussels has, in truth, managed to split itself on these issues, with officials and politicians on one side focused upon the need to preserve, as they see it, the protection of European cultures said to be afforded by the current copyright regime and those on the other side who believe, as I do, that without a unified or 'single' digital market, and a copyright law re-framed to fulfil its core purpose, Europe will inevitably fail to thrive in the next phase of the digital age, as it has failed to thrive in the last.

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[6] Hargreaves et al (2014). *Text and Data Mining; report from the expert group.* Brussels, European Commission Directorate General for Research and Innovation.

So, the stakes for the creative economy of the UK and Europe are very high indeed. For Australia, I lack the expertise to make a detailed judgment, but I believe that the arguments I have made about copyright today apply as much to Australia as to any other advanced economy.

I sometimes say to creatives in Old South Wales, where I live, reflecting upon the exhausted coal seams, that they must now be their country's 'steam coal of the 21st century.' This country is still rich in natural resources, but it is also rich in creative talent and technological know-how.

Australia is very fortunate to have all of you.

Thank you for inviting me here today and thank you for your attention.