

# Creative Communities

*An address at the Union Club, Sydney, 20 March 2004*

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Richard Florida - author of *The Rise of the Creative Class* - has been in town. Florida's background has been in regional economic development strategies, asking the question of why do some regions seem to surge ahead, and why do others go backward and stagnate. These are good questions to raise.

Richard Florida's contribution to the discussion about regional development revolves around two key observations. First, Florida highlights the fact that creative workers – his emerging creative class – now represent at least 30% of the workforce, and are of growing importance in understanding changing labour market structures. His second key observation is that there appears to be a strong correlation between what he describes as “the 3 Ts” – talent, technology and tolerance (diversity). Interestingly, core Melbourne and Sydney rank well on his overall measures (achieving rankings of 4<sup>th</sup> place against counterpart cities in the United States), but we do not seem to be leveraging the economic benefits of this equation as well as our US counterparts.

The structural changes we are experiencing today are bigger than the industrial revolution. We have struggled to come to grips with a succession of trendy labels to encapsulate, unsuccessfully, the changing environment we confront : it has variously been described as the Information Revolution; the dot com era; the knowledge economy; and the innovation economy. It is as if we are really struggling to describe and capture the changes that are occurring around us.

But, do we stop and think enough about what these changes really mean for the ways we live and work? John Howkins, author of *The Creative Economy* recently lamented:

*If I was a bit of data I would be proud of living in an information society. But as a thinking, emotional, creative being - on a good day, anyway - I want something better.*

For a long time we have known that the our world has changed massively over the past century or more.

The changes in labour markets over the course of the 20<sup>th</sup> century have been extraordinary; in many ways this seemed an era that was all about making people increasingly marginal in economic production: it was the era of automation; of production lines; and the specialisation of functions. Ironically, under the surface the economy has been shifting in orthogonal

directions, with the largely unheralded rise of service industries as a growing share of GDP and employment, reflecting a long term shift from agriculture and manufacturing to knowledge based industries.

Florida and others now remind us that, in the 21<sup>st</sup> century, people will be the key factor in competitive advantage. People, not machines. And people are not like commodities. They are complex beings. Florida identifies 30% of workforce as being part of a new “creative class”. This creative class is more pervasive and extends well beyond just the so called creative industries, but the growing economic importance of the creative industries is indicative of Florida’s broader thesis. Howkins defines a creative industry as one where “brain work is preponderant and where the outcome is intellectual capital”. Welcome to the knowledge economy.

In a recent study I have argued there are five reasons why the creative industries are important.

First, ***this industry cluster is economically significant.*** In 2000, sector turnover in Australia represented \$19 billion, or 3.3% of GDP. Comparison with the UK and US, where GDP shares are 5% and 7.8% respectively, shows that Australia is lagging and we have a deficit in the trade in creativity.

Second, ***the creative industries is a high growth sector.*** Surveying a cross-section of countries we find that the creative industries have been growing faster than the rest of the economy. In the UK and US average annual growth rates for the creative industries have consistently been ***more than twice*** that of the economy at large. This translates directly into jobs and economic growth.

Third, ***the economic multipliers arising from the creative industries are significant,*** being higher than for most other categories of economic activity. This translates directly into the competitive advantage and innovation capability of other sectors of the economy.

Fourth, the ***creative industries fuel the creative capital*** and creative workers which are increasingly being recognised as key drivers within national innovation systems.

Fifth, cultural industries are all about the things that make us human and construct that fragile fabric we call civilisation. And civilisation is just a grand term for lives that are worth living and communities we would all want to live within. History teaches us that civilisations decay, if not constantly renewed and refreshed.

All these reasons support the contention that creative industries and creative communities matter, both in their own right and within the context of national innovation capabilities and of sustainable communities.

**Figure 1: Cross-country comparisons of the economic value of content industries**

Country	Year	% GDP	Ave Annual Growth (Content industries/ overall economy)	Value added	Export	% national employment
US	2001	7.8	6.9/3.2 (1997 – 2001)	US\$708b	US\$89b (Core copyright only)	6
UK	1997/8	5	16/<6 1997-1998	STG 113b	STG10.3b	5
Australia	1999/ 2000	3.3	5.7/4.8 (1995 – 2000)	AU\$19b	AU\$1.2b	4
Singapore	2000	2.8	13.4/10.6 (1986 – 2000)	S\$4.8b	S\$4b	3.4

Source: Singapore, Creative Industries Development Strategy, 2002  
 Note: Treatment of industry statistics varies slightly across countries.

In the 20<sup>th</sup> century our dominant economic rhetoric focused on factor inputs and physical infrastructure. In the 21<sup>st</sup> century the focus is shifting to so-called soft infrastructure. From machines to people.

It is over thirty years since Peter Drucker first introduced the notion of a knowledge worker. Fast forward to 1991 when Robert Reich, who went on to become Labor Secretary under President Clinton, put this phenomenon of knowledge workers into the context of an overall theory of emerging labour markets. His important book, *The Work of Nations*, drew attention to the growing divergence between the location-specific employment of routine production workers and personal service workers on the one hand and, on the other, the new elite knowledge workers who are globally mobile and footloose. Reich's descriptor of knowledge workers as "symbolic analysts" was, unfortunately, not very catchy.

Now, a decade later, Richard Florida has expanded Reich's work and talks about knowledge workers as a new "creative class". Florida provides a new and important addition to our understanding of emerging labour market structures, which is why his book is a must read for anyone in the business of marshalling people assets.

From a machine age to a new people age

We are all starting to pay a lot of attention to the question of how we capture the output of knowledge workers within the frameworks of intellectual property law, but we have paid far less attention to the human capital which produces this output. How do we nurture a growing body of creative workers, the engines of wealth creation within the dominant industries of the 21<sup>st</sup> century? How do we create innovate enterprises which attract and nurture people with that inner spark that makes the difference? In Florida's words, "**how to keep stoking and tapping the creative furnace inside each human being**".

These are the questions that Florida's book helps us think about. It is one thing to talk about the products of intellectual capital, it is another to understand those people who generate this intellectual capital. In seeking this understanding, one unexpected outcome might be that we begin to humanise the economy and to re-populate industry.

I like to think of the 21<sup>st</sup> century - a people era- as having three legs; and a tripod is a very stable structure. These three legs are:

**Intellectual capital; Creative capital; Social capital.**

Three important forms of capital that all say something slightly different about the world of knowledge workers who fuel our information based economy.

Note that I talk about intellectual capital, not property. (Intellectual property is a rogue construct – again very recent, like innovation – and it leads us down a blind alley. Ideas and inventions have NO value until they are embedded in real flesh and blood markets and customers. Outside of the pharmaceutical and biotech sectors, I can think of few firms whose market value is based on patents. The other exception is those firms who survive because of the legislated monopoly rights conferred by anti-social copyright law, like Microsoft and Disney).

None of the three forms of capital embodied in knowledge workers – people - is sufficient in itself. We talk a lot about intellectual capital, but not a lot about the other two.

Why are they important? Do we understand the people who generate the intellectual capital we keep talking about?

Creative capital is important because it is about the fires of imagination and insight – what management textbooks dumb down as “strategy” – that inspire and feed the furnaces of knowledge workers. The challenge of innovation, as Richard Florida puts it, is how do we “keep stoking and tapping the creative furnace inside each human being”?

Never forget, you cannot force people to be creative and imaginative. Its not an old fashioned productivity game. People have to want to be creative and innovate for their own sake. This is what makes the knowledge economy different. And the role of the arts. The creative arts, as artistic director Peter Sellars has put it, provide us with "windows into realities under construction". I can think of no better description of creativity – or of innovation.

And this is why social capital is important, for two reasons.

Social capital is important because it is about the stimulating environment that breeds creativity and imagination – innovation. The flipside is William Blake's lurid vision of "stagnant pools which breed reptiles of the mind". (One immediately thinks of totalitarian societies like North Korea or Iraq – or more familiar "air conditioned societies" like Singapore).

The environment that nurtures creative knowledge workers is characterised by curiosity and experimentation. Here there are lessons from kindergarten our social planners have forgotten. Kids respond and learn when they are stimulated and excited. We're all kids when it comes to innovation and creativity.

Social capital is important because creativity does not occur in isolation; it is not the work of one inspired genius - it is about how we raise the bar of our **collective imagination**. Creativity happens when we join the dots between our various areas of knowledge and expertise : it is always a  $1+1=3$  equation. A creative economy is a collaborative, team based social space – a community of learning and an imaginative community. And that is why talking amongst ourselves is important.

Social capital is about communities, collaborative teams. The other day in a discussion someone offered an illuminating definition of community: "the experiences and exchanges which bind us together intimately". In times of global uncertainty, we go local. We look to our neighbourhood. To folk like me.

People like Richard Florida from the US, and John Howkins from the UK, have highlighted the importance of the creative economy. Another writer, Robert Putnam, has pointed to the importance of voluntary associations and social capital (*Bowling Alone*).

So my agenda for the 21<sup>st</sup> century revolves around a three point agenda : **Intellectual capital; Creative capital; Social capital**. And the greatest of these is creativity – the power to imagine a better world, a different world.

What I have been talking about is not a trade off between the future or the past: properly approached, a creative economy adds value to past achievement whilst creating a sustainable, liveable future. (Richard Florida frequently cites the words of a key mentor: "new idea emerge from old buildings". Civilisation is not a green-fields exercise). At its heart, what we are talking about is rediscovering the importance of people, and people in their community contexts. How do we "keep stoking and tapping the creative furnace inside each human being"? How do we prevent a Creative Divide: the divide between the creative class and a class disempowered by poverty of spirit.

Amartya Sen, the Nobel prize winning development economist, talks about poverty as unfreedom. Economic development, in Sen's argument, is about removing those barriers of unfreedom that limit human potential. One of the faces of unfreedom is poverty of spirit and imagination. Intellectual freedom is the freedom to be creative; the freedom to experiment; the freedom to participate in the community. And as Sen reminds us, the difference is between economic development and poverty.

A robust, open society is a mosaic of creative communities. The hegemony of a creative class is not one of uniformity; but creative diversity.  $1+1=3$ . Diversity within and between our associations and communities. And this is why the power of the creative class has been unmobilised and this pivot point of our future well being rather neglected.

Talking with Richard Florida during his visit to Australia, I wondered about what it was that fuelled his passion to understand this emerging creative class. I detected three main drivers behind Florida's messages.

First, disbelief that we, collectively, are not understanding seismic shifts in how our society functions.

Second, that whilst an emerging creative class can be identified within the economy and society, the frustration that this class, this potential leadership elite, is not taking responsibility for using its power to turn their insights to the task of creating a better environment for everyone.

Finally, Florida's simple but profound assertion and belief that each of us has an inner furnace of creativity which can be stoked and tapped.

In other words, Florida challenges us collectively to assemble a new polity around intellectual capital, social capital, and creative capital. His challenge for each of us individually is how to unlock the creativity within ourselves, for the benefit of others.