



Munich Personal RePEc Archive

# **Culture, Labour, and Resources: Principles of a Practical Alternative Growth Path**

Freeman, Alan

London Metropolitan University

2 April 2013

Online at <https://mpra.ub.uni-muenchen.de/52684/>

MPRA Paper No. 52684, posted 04 Jan 2014 18:36 UTC

# **CULTURE, LABOUR, AND RESOURCES: PRINCIPLES OF A PRACTICAL ALTERNATIVE GROWTH PATH**

**Alan Freeman, Visiting Professor, London Metropolitan University**

## **ABSTRACT**

This paper was due to be presented to the 2013 conference of the World Association for Political Economy, in Florianopolis, Brasil. In the event, the author was unable to attend.

The paper summarises the main conclusions of ten years of research into the Creative Industries in London and the UK, culminating in a report for the English-based research foundation NESTA. The author was responsible for this research. I try to draw out the policy conclusions for economic and human development addressing three fundamental structural problems:

- (1) In what technologies should a modernising, developmental strategy focus?
- (2) What is the relation between economic and human development and how can the latter be assured by the course of the first?
- (3) What technological and social choices will make it possible both to expand economic activity and to reduce the consumption of resources, with all the attendant risks that beset modern development strategies including dependency on resource exploitation and the sustainability of the chosen growth path

With few notable exceptions, social theory has failed to grasp the significance of the Creative Industries, consigning to a backwater a development which offers answers to the economic crisis, the social problems of a deeply unequal world, and to resource depletion and rape. Culture has become a 'non-economic' opposite to political economy; neither economists nor cultural theorists grasp the theoretical instruments needed to understand that culture is in fact the most economically important human activity, once the economy is grasped, in a rounded way, to include the whole of social reproduction.

The principal obstacle to theoretical and practical advance is the inheritance, both material and spiritual, of a fading epoch dominated by mechanisation. The primary course of present-day accumulation is to reduce labour to a simple mechanical form, and then replace humans by machines. The primary drive of culture is the opposite.

The creative industries show that the present course of economic development is bumping up against absolute limits. This is because the resource that they require to grow is non-mechanical labour, which cannot be replaced by machinery. The normal mechanism of accumulation – the acquisition of material and hence excludable 'things' no longer works.

They also illustrate a fundamental limit in the structure of demand. The source of demand for cultural products is a mix of the luxury consumption of the capitalists, and the 'moral' or socially-defined component of the wage, both of which are primarily non-material. As the world passes material satiety and lurches into material overconsumption, even as it consigns three quarters of its population to absolute deprivation, new material sources of demand are impossible to find, and

new private demand is increasingly confined to the cultural and spiritual domain, where it takes the morbid forms of lust to possess, dominate and outdo.

These trends between them offer a sustainable path forward for humanity in the shape of *growth in demand for labour services*, which would be, in Mark Swilling's terminology, 'resource-decoupled', decreasing the consumption of resources whilst growing the use and emancipatory nature of human labour. The paper will address the fundamental obstacles to realising this, including those created by a mode of production so far unable to transition from investing in things to invest in humans.

This poses an especial challenge for policy, since the growth of the creative industry sector manifests itself in a new and vibrant commercial sector, yet depends on long-term investment in both in the artistic and cultural formation of performers and producers, and in the general cultural level of society, including careful attention to the changed role of urban spaces and the interaction between cultural activity and new technology.

This paper is based on a lecture given to the Chinese Academy of Social Sciences in November 2012. It builds on a substantial and scientifically well-grounded body of international research, which is now beginning to receive some serious attention in policy circles, by drawing out the above vital conclusions, and demonstrating their scientific validity.

JEL codes: O10; N0; Z1

Keywords: Crisis; Development; Growth; Inequality; State; Culture; Environment; Technology; Creativity; investment' BRICS

# **CULTURE, LABOUR, AND RESOURCES: PRINCIPLES OF A PRACTICAL ALTERNATIVE GROWTH PATH**

**Alan Freeman, Visiting Professor, London Metropolitan University**

**Tuesday, 02 April 2013**

## **ON THE THREE TIPPING POINTS IN WORLD DEVELOPMENT**

This paper argues that investment in the cultural development of humans, hitherto treated as a discretionary luxury, is now a necessity for a worldwide exit from the present economic crisis. A tipping point has been reached in the evolution of technology such that the dominant drivers of economic growth – those capable of generating a sustained period of social and economic advance - are no longer to be found in material production, but in the production of services, whose workforce having risen continuously since the end of the Second World War, now accounts for over 75% of all labour in the advanced economies and over 50% in China.

It follows that any economic expansion on the scale that brought a definitive end to the last two great recessions - 1929 and 1972 – must take place in the area of service provision. But this in turn can only be led by a different type of growth, in which the expansion of the aesthetic, spiritual, and cultural activities of humans becomes the main domain of economic expansion.

The paper sets out the case that this exit from growth requires public investment, of a different type and on a greater scale than so far generally contemplated, comparisons existing only in wartime in the industrialised nations, or in developmental states most notably China. It argues that the primary target of this new investment has to be a 'wartime-scale' injection of public funds into the cultural growth of the economy. It thus sets out a direct alternative to the politics of austerity, rooted in a evidence-based and rigorously-argued analysis both of the causes of the present crisis, the nature of the technological cusp that society has now reach, and the nature of the arts and culture under modern capitalism.

An expansion of the above type complements, and is in fact essential to achieve, the goal of 'resource-decoupling' which is required for a sustainable human relation to nature. This means a mode of social development which combines economic growth with a steadily reducing use of natural resources. This is obviously only possible if growth takes a decisively new form in which the expansion of human mental and spiritual capacity dominates over the consumption of material wealth.

Two further tipping points have been reached that make such a mode of growth both practical and necessary. First, the average production of material wealth is now sufficient to support every human being on the planet at a standard of living significantly higher than the average standard of living in the USA in 1950. The reason for poverty is not an insufficiency of nature, but its socially-produced distribution. There is therefore no intrinsic, compelling need to expand our consumption of resources, only to ensure that these resources are developed and sustained so as to distribute them significantly more equally. Second, the technology now exists to reduce the level of

consumption of material resources – which in turn now exceeds what can be sustainably extracted from the earth – without, however, reducing the average standard of living now achieved.

The basis thus exists for an exit from crisis that is sustainable, based on the expansion of human capacity as its primary driver, and which can if properly managed extend to all beings on the planet. However, to achieve such an exit, societies and nations will have to confront a series of problems inherited from a dominant mode of growth which is now outmoded. These problems revolve around the fact all previous modes of growth – most particularly the present form of capitalism – are organised around and centre on the accumulation and production of *things* - of buildings, machines, and objects of desire. This affects in particular the institutions, and the ways of thought, which are rooted in the old ways of doing things. We inherit a system which, at least in the industrialised world, has yet to develop the instruments and practices needed to invest in *humans*: for example, in the training and development of artists, in the creation of cities geared to nurturing creativity instead of merely ‘functioning’ to house people and transport them to their work, and in the provision of social, rather than purely individual values which animate the demand for, and production of, cultural activities and products. A major paradigm shift is required to re-orient such a system which, most notably, will involve a major re-expansion of public and government involvement.

It also affects the systems of thought, most notably conventional mainstream economics, which are required to develop an alternative that is based on evidence and a sound understanding. The classical notion that labour is the source of value has been expunged from economic thought because of the dangerously radical conclusions that can be drawn from it. Yet it is obviously essential to the comprehension of a world in which labour services are far and away the primary form of economic activity.

Conventional economics, including much heterodox economics, is imbued with the idea that production and consumption centre on *things* – a distortion which I and Andrew Kliman (2007:35) term *physicalism*. Although such conventional thought cannot really deny the existence of services – direct relations between humans, or relations such as recorded performance in which material objects like CDs are really only carriers, mediators between humans – it does not theorise them systematically and so is confined by modes of thought which think of capital, for example, as being a mere accumulation of objects.

A third problem is that mainstream economics is profoundly wedded to the notion that the utility of products, services and activities – their use-value as Marx describes it – is simply the sum of individual desires; cultural activity of all types is however profoundly social in character and cannot simply be explained as a sum of individual needs. This is evident in the cultural sphere in, for example, the preference for live over broadcast performance, the central importance of audience in the cultural experience, and the puzzling but growing phenomenon of many forms of *public value* (Moore 1995, Throsby and Withers 1984, Bunting 2007) such as heritage value (the desire to bequeath value to children and others and option value (the value enjoyed by being in a place where art is available, even if it is never used). This makes it difficult, if not impossible, to realise such value commercially in products that are bought and sold on the market.

The material basis for this is the way in which private capital, for the most part, accumulates wealth, which it does for the most part as a collection of things which can be stored, bought, and sold. It requires objects that are 'excludable' – where the use made by one person excludes another person from use by another. But cultural products are not like this, as the onset of ICT technologies removes, one by one, all the barriers to costless or very cheap enjoyment of cultural products by an unlimited number of people. Moreover the foundation of cultural capacity – the development of the personal skills and abilities of the talented individual – by its nature cannot be appropriated by a private individual except possibly and in a limited sense, the labourer herself.

For all these reasons, both practical and mental, private capital finds it extraordinarily difficult to invest in 'civilization' – in the development of humans, and in the kind of artistic and cultural infrastructure required for this human development to realise its potential.

### THE DISCONTENTS OF ECONOMICS

On top of all this the political leadership of the advanced countries and indeed, many developing countries, is locked in a destructive symbiosis with mainstream economics, notably its neoliberal variant, and the financial institutions whose prejudices inform their ideology, through which it has both assimilated, and actively propagates, the shibboleth that public investment is necessarily less efficient than private investment. wilfully blinding itself, and those whom it advises, to the understanding required to assist the change required of us.

This is further exacerbated because financial capital, in its constant thirst for derived, rental income in preference to directly productive investment, constantly drives to acquire control over basic material resources – land, oil, food products – creating entire classes and sometimes nations dedicated only to the extraction of raw materials from a landmass ever less capable of supporting their insatiable demands.

Paradoxically many of greatest economists, such as Keynes, always recognised cultural development as the ultimate goal of economic activity. Marx himself described the state of society to which we should strive as one in which "", a statement of values which is less contested, among other economists, than his more controversial theories. Indeed as Towse (2003) notes, a range of economists whose views range from avowed support of the free-market such as Tyler Cowan, foundational theorists of political liberalism such as William Baumol, experimental economist located in the mainstream tradition such as Bruno Frey, and many others, have at one time or another dedicated often passionate attention to the pursuit and dissemination of artistic and cultural goals, developing a branch of economic thought loosely termed 'Cultural Economics'.

Yet these same economists seem to have made little or no connection between the pursuit of cultural development and the solution to the 'pressing' economic problems of the day such as the very long and deep economic crisis of the industrialised countries that broke in 2007.

This paper provides evidence to show that cultural economics has erred, with precious few exceptions such as Hawkes, that cultural development, and cultural economic activity, are in some sense an optional extra to economic development, almost a 'hobby' of 'hard economics'.

This paper argues that, properly understood, cultural activity should be the *principal* concern of economic development and political economy and, to this end, the economic science of culture needs to be completely refashioned, breaking out of a strait-jacket that 'economics in general' has imposed on cultural economics.

In fact, an exit from the present crisis now needs to become the immediate goal of economic activity and above all, investment. Such investment will not break free of the crisis unless, as in the 'Fordist' era and its predecessors, it develops entirely new areas of mass consumption which are also instruments of social transformation; but, given the combination of an overwhelming domination of economic production by service production, and given the limits both to material consumption imposed by the material sufficiency, and to material production by resource constraints, the *only* direction that such an expansion can take is in the area of human spiritual and cultural development.

The realism of this judgement becomes clear when we recognise that the fastest-expanding area of the modern economy, at least in the advanced countries and arguably in the developing world too, is the sector broadly known as the 'creative industries' and, more broadly, cultural production and participation. In spite of all the obstacles, the potential for a different form of growth is emerging even within the commercial sphere; the most dynamic and fastest growth sector of the modern advanced economies are the so-called *creative industries*, which is the main theme of this paper. These have been the subject of a growing volume of literature and are increasingly attracting the interest of a small but growing, and influential body of thinkers such as Caves, Hawkes, Throsby, Cunningham, Higgs, Towse, Howkins, Cowan, Frey and others.

The paper draws on the author's ten years of experience as cultural economist in the Greater London Authority and as co-author of the NESTA report on the creative industries that, I believe, has essentially redefined the field as regards our understanding and study of these industries, explains the above rationale profound but, at the same time, the profound obstacles both to the means needed to achieve such an end to the crisis, and to conceiving of the very different and new types of economy and social structure that will be needed to support it. This is illustrated in the attached transcript of a lecture on the creative industries to the Chinese Academy of Social Sciences, in Beijing, on 16<sup>th</sup> November 2012.

As well as a specific understanding of the creative industries, the topic requires a proper examination of the three broader economic issues that set its context and in each case introduces a new and controversial insight: the way out of crisis; economic development and its relation to cultural growth; and the notion of resource decoupling and the prerequisites of a sustainable economic growth path.

My approach to the first of these was first broached in an article entitled *Investing in Civilization*, is also attached and appeared in a collection of essays published by Fernwood Books as *Bailouts and Bankruptcies*. In this article, based on the evidence of the wartime recovery from the 1929 crash, I argued that large crises such as the present one do not go away of their own accord, but require conscious public intervention on a far greater scale than currently contemplated by Western

policymakers or economic theorists. This account thus critically examines, and ultimately rejects, the Schumpeterian notion of *automatic restoration* or Long Waves in the economy, arguing instead that the tendency to decline is rooted in the nature of capitalism which is offset only when conscious action is taken to establish the new 'techno-economic paradigms' which neo-Schumpeterian writers such as Perez (2002) have identified, but wrongly claim will arrive automatically through the process of 'creative destruction'. My paper includes a constructive critique of neo-Schumpeterian theory, arguing that both Kondratieff, who gravitated during the Russian revolution into the right wing of the Social Revolutionary Party, and Schumpeter himself – an Austrian economist whose prime objective was to establish that a market economy is self-governing – imposed on the subject the erroneous notion of *endogenous* recovery – the idea that a self-sustaining recovery from previous such long periods of stagnation, and last seen in modern times in 1929, could be achieved by the natural mechanisms of the market combined with entrepreneurship and innovation. The paper tries to show that this approach is not only economically flawed, being a development of the theory of equilibrium, but is historically profoundly inaccurate; in all such previous 'recoveries' nation-states have played a decisive role in consumption, in investment, and in the direction and application of discovery. Historically also, stagnation continued until such interventions took place. A vastly greater role for the state than so far evident in the present crisis is therefore a precondition of any sustained recovery.

By the same token, however, there is no general prescription for what the state should do to organise systematic recovery or human progress. Precisely because the capitalist economy is not cyclic, as Schumpeter argued, but historical, the circumstances of recovery do not repeat themselves and each recovery has historically unique characteristics that depend on the people of the time, the international system of the time, and the technology of the time. The above general historical truth therefore has to be combined with an understanding of the particular circumstances of the present world, in order to know what to do. This is dealt with in the second part of the paper, not yet fully prepared, which will bring together the understanding of 'cultural technology' with an understanding of the actual state of the world, to formulate a plan of action.

My approach to development has been developed in conjunction with, and rests substantially, on the theories pioneered by Radhika Desai in her recent *Geopolitical Economy*. As with the exit from crisis, the role of the state, and of the nation, are fundamental to human development. The paper thus constitutes a specific application of the theory of combined and uneven development, as originally developed by the leaders of the Russian revolution and as reclaimed in Desai's book. My paper addresses the specific problem, which undoubtedly exists, that the material level of development in most of the world has not reached the levels of the rich minority, and challenges the reaction, which dominates postwar developmental theory, that developing nations must 'travel the path' of the developed nations going through Rostovian 'stages of growth' before being daring to aspire to 'high' culture, presented in this model as some kind of finishing post of human achievement, to be postponed meantime in search of bowls of rice. It argues, drawing on the evidence of both history and recent Chinese experience, that to the contrary, developing nations need to leapfrog directly to the highest forms of production available, which China has clearly



understood both in setting cultural development as one of the primary immediate goals of policy, and in its huge investments therein.

As regards the third question, that of growth, the paper critically examines, and proposes an alternative to, the 'zero-growth' concept of development and progress, which arises from the misconception, largely imposed by the 'physicalist' bias of mainstream economics, that economic activity consists of physical production alone and that therefore 'growth' necessarily must entail resource depletion. It takes issue with the 'ascetic' approach advanced by the admirers of the 'Bhutan' model according to which developing nations must forego material development in the search for happiness. The paper argues instead that the real task is to make material development a *function* of human development – recognising that food, schools, universities, cities, the internet, and so on, are vital prerequisites of cultural realisation, and in this way choosing a growth path that most rapidly develops the nation's cultural potential. The rests on a growing body of theory and practical work on resource-decoupling, pioneered by Mark Swilling and his collaborators at Stellenbosch University and in the United Nations. It will argue that the growing potential of 'resource-decoupled' technologies means that these material prerequisites of progress can be attained along a path that does not carry the risk of resource-depletion, again 'leapfrogging' to the point where the developed economies should in fact be, but show no signs of being able to attain. As with the achievement of a 'culture-led growth path' in general, however, such technologies do demand significant changes in the way we lead our lives. But, in all previous great technological revolutions such as those accompanying the steam engine, the car, electrical power and the household gadget, tremendous lifestyle and social changes always accompanies technical change, so there is no reason to perceive of such requirements as an obstacle to change; to the contrary, if the required change is correctly conceived and understood, they can and will arise quite organically within it.

## THE CULTURAL AND CREATIVE INDUSTRIES: A NEW STAGE IN TECHNOLOGICAL EVOLUTION

I am going to speak about the Cultural and Creative Industries. In many countries including China these are called the Cultural Industries. But I want to make a particular point in talking about their creative aspect, partly to clear up some misunderstandings, partly through my experience as an economist at the Great London Authority where my main responsibility was to provide evidence about the Creative Industries, and partly because of the research I am now doing with bodies such as NESTA, the UK-based National Endowment for Science, Technology and the Arts.

In my work there I became aware of some very particular features of the Creative Industries; in particular the connection between content provision and software, or ICT, which play a special joint role I think is inadequately understood. I think these as important for two reasons; firstly because this is a new phenomenon and we need to understand, and second because of its implications for the future of human kind.

I begin with a quote from John Maynard Keynes, who is famous as an economist but less well known for his passion for the arts, which he probably regarded as the primary goal of economics, and which led him to found the British Arts Council.

He wrote as follows

*We destroy the beauty of the countryside because the unappropriated splendours of nature have no economic value. We are capable of shutting off the sun and the stars because they do not pay a dividend. London is one of the richest cities in the history of civilization, but it cannot 'afford' the highest standards of achievement of which its own living citizens are capable, because they do not 'pay'"*

I myself have often been tempted, when I am asked to assess the economic impact of the arts, to reply that we should really assess the artistic impact of the economy, since culture – in its broadest sense – is to a large extent the real purpose of life.

It is our species-being, as Marx puts it, that which makes us different from animals. Animals too have culture, but it is restricted and remains at the same level. Only the culture of humans develops and evolves continuously, giving us what we are pleased to call history.

But Keynes made a further point, which I believe was extremely far-sighted and is the main subject of this lecture.

*If I had the power today I should surely set out to endow our capital cities with all the appurtenances of art and civilization on the highest standards of which the citizens of each were individually capable, convinced that what I could create, I could afford – and believing that the money thus spent would not only be better than any dole, but would make unnecessary any dole*

Keynes is here arguing that culture is not merely the object of life but is 'economically feasible'; it is therefore shortsighted to cut expenditure on the arts as European and American governments are now doing in the belief that such expenditure fails to generate wealth, because such expenditure generates new demand that will lay the foundation of future economic stability.

This is, moreover, not a quantitative proposition, of the type usually taught as 'Keynesianism'; The statement 'what we can create, we can afford' does not simply repeat the trivial (though neglected) fact that public spending 'pays for itself', adding to output and with it tax revenue, and so decreasing government debt. The transformation of cities described here would create new *types* of demand. Increased consumption, in the future, of 'what I could create' would lead, if properly managed, not merely to the growth of existing forms of labour and production, but to new ones, that do not now exist – enhancing the capabilities of human society as a whole, and, potentially, every individual within it.

In this lecture I will add a third dimension to this argument, a dimension posed by the historical stage that modern capitalism has reached, and as decisive for the future of the world economy as it is for human society: I will argue that the expansion of cultural activity, in the broadest sense of this term (which includes not only commercial and publicly-funded activity but all forms of non-monetary participation also) is now *economically indispensable* for any new stable phase of

expansion. An entire epoch of expansion, which took off with the Industrial revolution, was predicated on the growth of mechanical or physical production – the deployment of things to produce things.

The economic potential of this form of expansion, at a time when over eighty percent of human labour is to be found within services, is exhausted. It remains a dynamic force and a necessity, of course, to the extent that the material development of the world is extremely uneven (itself a manifestation of the absolute inadequacy of past modes of expansion) but the principal avenue for developing *new* branches of production and *new* additions to human capacity, beyond simply redistributing existing potential to reach the whole of humanity or at least its vast majority, lies in the development – both social and economic – of those forms of production that concern neither the relation of things to things, nor the relation of humans to things, but the relation of humans to each other.

This stage of history has great potential but also poses great dangers. The foremost among those addressed in this article is that posed by old modes of thought, associated with and arising from an exhausted epoch, which still dominate our way of thinking. I will argue that we need a full-scale reconceptualization, critically assimilating but in the main discarding or superseding many ideas, particularly in the area of economic theory but also wider social theory, that are still taken for granted, as much on the left as on the right. In doing so I will argue we must reach back to simple classical ideas discarded, scorned or simply misrepresented, such as those of Smith and Marx, and which prove more adequate to understanding the new forms of production and social activity now coming to the fore. This adequacy arises because these classical writers studied the modern economy in its most *general* terms, which allows us to overcome the countless barriers to clear thought created by subsequent developments of theory which are conditioned by the narrow achievements of a specific and limited stage of economic growth, tailored to maximise the gains of setting humans to work in barbarous conditions to exploit resources and machines, and cramped by the imperative of legitimising those classes and states which extract the maximum advantage therefrom.

This article is mainly devoted to the elements of such a theoretical reconceptualization. It is rooted, however, firmly in the empirical and practical realities of our time. Starting from this premise I make two qualifications, which I develop later but flag up now, to avoid unnecessary misunderstandings.

The first qualification turns on what we mean by ‘growth’. In reaching its current historical stage, capitalism has stretched the resources of the planet to limits beyond which it is increasingly dangerous and difficult to go. From this undoubtedly true fact, some ecological campaigners draw a conclusion I will not support: that the resources of the planet can be saved only if *all* growth is brought to a halt. I argue that the planet can be spared *only* if we evolve new forms of growth, namely those centred in cultural expansion – on the full and free development of all the mental and spiritual activities ‘of which we are capable’.

Such expansion may well involve quite radical departures from conventional economic thinking. In particular I will argue that there are powerful limits – possibly absolute ones – to the purely commercial development of culture and that the role of the *public* sphere demands radical and innovative rethinking. There are also wider issues such as the life style of modern society, which I do not deny and will try to do justice to. Nevertheless, I argue that the task is not to abolish growth but to evolve new forms of it. These must, in Mark Swilling's (2011) terminology, 'decouple' economic growth from resource growth. They must consume a decreasing proportion of material goods and an increasing proportion of non-material labour. The idea that we must choose between human development and its natural basis rests, I therefore argue, on a simple error.

The second qualification turns on much more substantial issue which involves genuine choices, and arises because the material development of humanity is extremely uneven. The great majority of humans do not possess the basic necessities on which the further developments discussed in this article are premised. I will argue that simple material human development remains a precondition of everything else. *In order* that humans can take part to the full in the cultural and spiritual activities which society now offers, and which are required for a sustainable growth process, they must as a minimum have houses, food, clothing, education, health and adequate care and also access to the common material basis of all culture such as musical instruments, artistic materials and adequate public spaces, not to mention the modern vehicles of culture offered by advanced electronic technology.

One only has to try and formulate such oxymoronic ideas as music without instruments, architecture without housing, learning without schools, fashion without clothes, or film without cinema, to see that there is no reasonable case for any kind of Gandhian asceticism, , such as the notion that 'Gross National Happiness' is some kind of substitute summary indicator of human attainment. I will instead argue that we have to abandon the bygone illusion that human development can be reduced to any single dimension, least of all the simple satisfaction of animal wants; what is required is the *addition*, as Keynes suggests, of the missing spiritual and mental dimensions which three decades of resource-dominated growth have placed without our reach, but failed to realise except for a tiny minority. In particular, I will argue that these dimensions cannot be realised through any policy which forces the Global South to forgo the material standards that the Global North has already attained at its expense.

Finally, these two qualifications, taken together, may appear to contradict each other. The 'developmental paradox' can be expressed as follows: if the material development of the global South is a precondition for putting the world on a non-material development path, can the planet in fact furnish the resources needed, in order to do without these same resources? To resolve this paradox, the most important point to grasp has already been made: growth, if correctly understood in human terms, is not counterposed to material consumption. The issue is one of the *path* of development, not its destination. But the solutions to this problem are already within reach. China, India, Africa and Latin America do not need to reproduce the destructive history of the Global North, precisely because the alternative technologies now exist to do otherwise: to develop the material and cultural conditions of life in such a way that sustainability is built in; to deploy

renewable, zero-carbon energy sources, renewable materials in ever-increasing proportions. Indeed, as resource shortages grow and increasingly dominate the behaviour of key markets – as they are already beginning to do – it is precisely those countries which already in the lead, in the development of alternatives, which will also position themselves to lead the general process of human development.<sup>1</sup>

A precondition of such a growth path is however to abandon any antiquated notions that it must be divided into stages or phases, an idea ironically now most closely associated with the notions of comparative advantage that dominate economic thinking and which urge the industrialising world to concentrate all its efforts on maximising resource advantages. No growth path can work in which the aim is *first* to secure wealth, *then* build infrastructure, *then* manufacturing capacity, *then* finally allow the humans who built it all to enjoy themselves. All past successful developmental strategies, as Desai (2013) explains, beginning with America itself and including Germany in the second half of the Nineteenth Century, Japan and then the NICS in the second half, and now China, are rooted in the deployment of the *most advanced* technologies of the age.

All such past developmental strategies, however, were predicated on technologies of material production – be it coal and iron, steel and electricity, or oil and motors. The new feature of this age is that the most advanced technology of the age is not a technology of material production but of service production – the creation of cultural products. To this industry, the subject of this paper, I now turn.

I will start by singling out two or three basic features of these industries. First, they are basically a new technology, something which it is my main purpose to explain in this lecture. Now any new technology has the capacity to enhance human life. But there is something very special about the creative industries; it's a new technology which does this directly. This is because it is a technology in the area of service delivery. Why is that important?

Well, firstly we can see from chart 1 that service labour now constitutes 83% of the labour of the United States, over 75% on average of the labour of the advanced economies, and 50% of that of China. In fact, in China, employment in manufacturing is decreasing along with that in agriculture, whilst labour in the service industries is rising. Of course manufacturing output and value is increasing very rapidly, but employment is falling because productivity is rising faster. That has a number of implications. It means that if we think – as in the past, and there is a lot of evidence to this effect – that growth, and an exit from the present world economic crisis, must be delivered by technological revolutions, then these must come in the area of services. This is a small but revolutionary conclusion. Many of my fellow economists, particularly those who specialise in innovation, are looking hard for new technologies in material production the life sciences, materials sciences, nanotechnology, and so on. These are immensely important for humanity but I don't see how they can provide the economic impetus needed for a new surge of world growth, above all in the advanced countries. If eighty percent of the labour is in services, that's where the new technologies are going to be. Moreover, past booms have depended on a combination of producer

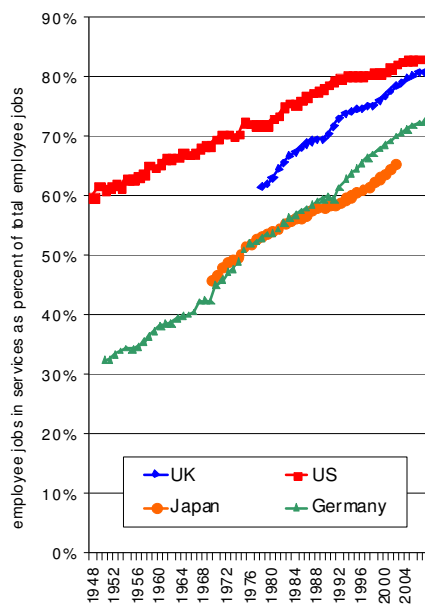
---

<sup>1</sup> See for example Gilding (2013)

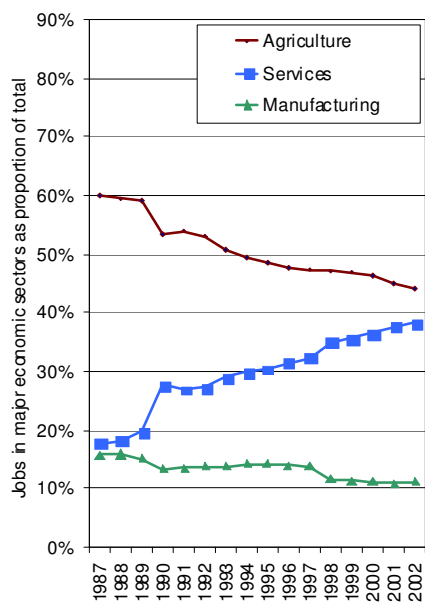
and consumer technology, creating a great surge of demand from all quarters to carry growth forward.

The Industrial Revolution, I have often argued, should just as rightly be called the Clothing Revolution because its end product was a huge mass of cheap cotton goods; equally the postwar boom was founded as much on the car and the aeroplane as on the oil industry. We have the new producer technology – ICT – but we have yet to see the mass deployment of a new consumer technology based upon it. Mass purchases of iPads are not a consumer revolution any more than if people in the 1950s had bought cars to display on their front lawns. It’s what you do with them that counts, and that remains to be determined.

**Chart 1: proportion of employees in the service industries in industrialised countries**



**Chart 2: proportion of employees in major sectors, China**



I can see that in the case of the vast bulk of the world where industrial capacity has yet to rise to the level of the first industrialisers, it is very important not only to develop new material technologies but to make leaps by employing new ones – what the early Russian revolutionaries, as Radhika Desai has reminded us, used to call ‘uneven and combined development’. This is of course a precondition of the creative development of the people of those countries – one cannot have the development of mental and spiritual capacity on a basis of a materially stunted existence; the Western tendency to idolise Gandhian ascetism is founded on the deeply reactionary idea that somehow they may preserve their own privileged lifestyle by preventing others from attaining it.

But for those very people, living in the already industrialised countries, to seek an exit from crisis in revolutions in material production it is bit like the story of the drunk who was looking for his keys under a street lamp. A passerby asked him why he wasn’t looking in the darker parts of the street and he replied ‘because this is where the light is’.

The purpose of this lecture, and the research I am doing with the British organisation NESTA, is to shed some light where the keys are to be found.

The second reason is that its products are directly life-enhancing. What do I mean by that? Every rise in productivity has the potential to improve the conditions of life indirectly, by lessening the time we need to spend on making the means to live – cars, clothes, houses, food, and so on. But because the creative industries are a service industry they revolutionise directly personal relations. They provide humans with enhanced access to other humans – to things which provide increased aesthetic or artistic satisfaction, to the means of social life itself, to the activities which previously could only take place face to face, and for that reason like all expensive products were the privilege of a select elite few – those who could afford a musical or artistic education, salons for chamber music, expensive opera tickets, and so on.

A third reason is that of sustainability. Growth in the past has been associated, in fact and in our minds, with the increased use of resources. This is because of what I term the ‘machinocratic’ vision of our age, by analogy with the Physiocrats who believed that the land was the true source of value and the towns merely an unproductive luxury. In like manner, our age conceives of production as the production of *things* – of machines, buildings, offices, gadgets, indeed food, and so on. But a diminishing part of human labour goes into this aspect of what we do, just as the proportion of human labour on the land has been steadily diminishing since the rise of capitalism and now makes up scarcely 3 per cent of UK labour even though that country provide, during the Second World War, to be largely self-sufficient.

But the growth of the creative industries is largely a growth in the relation of humans with each other. That doesn’t have to involve any great growth in material consumption. It may do so if it is done wrongly, by wasting huge amounts of energy in needless spectacular displays instead of encouraging direct participation in less wasteful activities like festivals, but this is a question of lifestyle not technology; there is no *need* for us to wreck the planet in order to sign to each other.

In consequence there is a natural, though unrealised alliance to be made between the desire and movement to stop depleting the planet’s unreplaceable resources, and the desire to grow in those areas of the economy and society which centre, as do the creative industries, on human interaction. It should be obvious – yet it is poorly understood on both sides – that we can have sustainable economic, or social growth, if that is concentrated in non-material production – which lies at the core of why the creative industries are growing.

There is of course a negative side and great dangers. We see new forms of inequity, unrestrained power, and poverty. Thus figures such as Berlusconi owed his long rule largely to his near-monopoly control of the Italian media, whilst Rupert Murdoch, a media baron who dominated two generations of British politicians – admittedly perhaps at their own foolish invitation, but without any democratic control or even respect for the basic laws of decency and the land. So the creative industries have in effect put criminals in charge of democracies or, in the case of Ronald Reagan, puppets.

We have the widespread phenomenon of celebritisation, where the ‘supermodel’ or superstar earns billions, accompanied by the parallel phenomenon of ‘internisation’ where young people will work, sometimes for many years, for next to nothing just to acquire ‘experience’ inspired by dreams of climbing a social pyramid with the unattainable superstars at the top and many millions at the bottom. The most intense form of this is ‘Huffingtonisation’. Adrianna Huffington created a newspaper called the Huffington Post, based entirely on the free labour which hundreds of thousands of well-intentioned people created largely in the spirit of the open-source movement (a growing and interesting social movement, essentially an entirely different way of organising labour from the commodity relation, and deserves closer attention). But in Huffington’s case this magnanimous spirit was perverted – she sold the newspaper to AOL-Time Warner for \$3 billion, achieving the lifelong capitalist goal of paying her workers absolutely nothing at all.

I will argue that these and other difficulties facing the creative industries are actually part and parcel of a fundamental difference between them and previous new technologies, which pose a particular challenge to the private investment mechanism and to capitalism in general. This calls for a greatly enhanced, role, I will argue, for the public sphere which is central to their future success. This role has to be reconceptualised in many ways, but there are major obstacles to progress without it.

First and foremost, this is a technology in which labour itself is the central player. Our success shows that these industries rely for their success on particular features of creative labour, as we call it, central to which is the fact that it cannot be mechanised – it cannot be replaced by a machine or transformed into a small mindless sequence of repetitive actions. The defining characteristic of creative labour is that each job it performs, each product it creates, is different in some respect from what is hitherto familiar. It is the special role of the creative to deal routinely with the unfamiliar, the unexpected, and the uncertain.

In consequence the talent, the special ability of the creative, cannot be separated from the labourer. It takes many years to develop. That creates difficulties for private capital, which is founded on what Marx termed the ‘separation of the worker from the means of production’. Capitalism, in a certain sense, consists in the accumulation of the products of labour in order to subordinate labour. But here we have a product of labour which resides in the brain and body of the labourer.

This leads private capital into two modes of behaviour which are extraordinarily perverse given the needs of these industries. It leads first to a simple failure to invest in human capability, which has always been a function of the public sphere. Capitalists are understandably averse to spending ten years developing the capacities of an employee who can then just walk away from them.

It is well-known in economic theory that education creates ‘external benefits’ (which to my mind is just a peculiar way of saying it is a public good) and that the private investor cannot capture these benefits, which is a disincentive for private capital to put resources into education. In fact we see, to the contrary, the governments of North America and Europe actually cutting expenditure on the



arts and education in the outdated view that this is some kind of luxury. It is not; it is the infrastructure of the future.

The second perverse form of behaviour is the creation of institutions which substitute for the real accumulation of capital by replacing them with fictitious capital, with claims on the income stream generated by the labour of the creative worker. This is the modern form that IP has taken. The 'assets' that have given Apple the largest capital value in the world are not made up of 'capital' as we know it but of intangible assets the great bulk of which consist not in accumulated commodities but in claims on the future income of the company.

This is really a perversion of the original intention of copyright which was personal and not corporate; its function was to guarantee the author herself with an income stream on which to continue working as a creative person. Even the patent, often quite limited in time until WIPO extended all Intellectual Property to 70 years quite recently, was really directed at the person of the inventor rather than the corporate body. In corporate hands this has taken an entirely different form, and here we have the second problem: it is, I believe, fundamentally parasitic; it acts as a substitute for innovation, not an incentive to do it. The main way that the creative industries realise their very high value added is through the exploitation of a mechanism other than IP, that known as 'first mover advantage', of simply being ahead for long enough to reap the benefits of introducing a new product or service, and it is precisely the possibility that another innovator will overtake that creates the impetus to further innovation – not the threat of being able to legislate the rival out of business, which is the way Apple, for example, has reacted to the threat from Samsung.

To deal with both problems, a reconceptualization of the public sphere is called for in which the interests of the artist, the human, are placed at the centre and the interests of the corporate body are defined as a function of its capacity to develop the individual. I have in mind such pioneer organisations as the Foot and Mouth Artists organisation, originally founded to help profoundly disabled artists, but on the important two principles of artistic excellence – which is why works such as the fourth plinth sculpture in London's Trafalgar Square have been rightly acclaimed – but also the principle that the artist agrees to contribute a sufficient share of future income to ensure that all society members will be supported for life, even when they are no longer able to paint or sculpt.

This principle of human development and sustenance lies at the heart of our 'species-being' and always has done. But now, with this new technology, it is not merely historically and socially necessary – it is for the first time, at least in capitalist history, economically indispensable also. We need a 'cultural infrastructure' on a historically vast scale – a system of educational institutions founded on universal education to at least 21, a restructuring of our cities to put creative activity at the centre of their shape and usage, a great programme of investing in knowledge and talent, which only the public sphere is, in my view, capable of undertaking.

The overarching idea is a very basic one: this sector is an *industry*. It is a branch of the division of labour. We owe this concept to Smith, but it is critical to understanding what the creative industries are. At a very basic level they function just like any other industry. They have an input, which is specialist creative labour. They have an output, which we will shortly discuss in more detail, but

which we may briefly describe as a differentiated cultural experience. And they also have a process, to which we will turn shortly.

It is thus a classical branch of the division of labour, an *economic* reality. This idea differentiates the concept in this paper from most other definitions, which are well-summarised listed by UNESCO (2009). UNESCO notes that

*Usage of the term “creative industries” varies among countries. It is of relatively recent origin, emerging in Australia in 1994 with the launching of the report, Creative Nation...A number of different models have been put forward in recent years as a means of providing a systematic understanding of the structural characteristics of the creative industries*

These definitions include the Symbolic Texts model, which sees the cultural industries as the “industrial production, dissemination and consumption of symbolic texts or messages”; the Concentric Circles model which argues that “creative ideas originate in the core creative arts in the form of sound, text and image and that these ideas and influences diffuse outwards through a series of layers or “concentric circles”, with the proportion of cultural to commercial content decreasing as one moves further outwards from the centre”; or the Intellectual Property model for which “[t]he focus is thus on intellectual property as the embodiment of the creativity that has gone into the making of the goods and services included in the classification.”

The concept of Creative Industries as a branch of the division of labour includes, and captures, these ideas; I argue, however, that each of them arises from an overly-narrow focus on one or other particular aspect of what the creative industries really do. All of them, in particular, draw their definition principally from their results, or outputs, to the detriment of their most central feature, namely their process of production.

A fourth definition, not mentioned by UNESCO, is that of Richard Florida whose focus is on the ‘Creative Class’ – the labour force that engages in production. Florida, however, focuses almost exclusively on very general characteristics of this labour force such as diversity, whereas I would argue that we must also understand what this labour force really and actually does, including what it produces, and how it produces it.

Perhaps the best insights into the nature of the Creative Industries – which also rank among the earliest – are described by the author Richard Caves, who has influenced me a lot and described the way in which creatives make contracts and do business. Key Caves’ analysis are two or three characteristic features of creative production:

- The ‘Nobody knows’ principle – at the start of a creative project, the players do not know whether it will be a flop, a moderate success, or a blockbuster;
- The ‘Motley Crew’ principle – creative production typically involves a team that is put together encompassing a mix of quite different skills, notably ICT and technical skills in combination with the capacity to create ‘content’ such as scripts, performances, recordings, and so on;

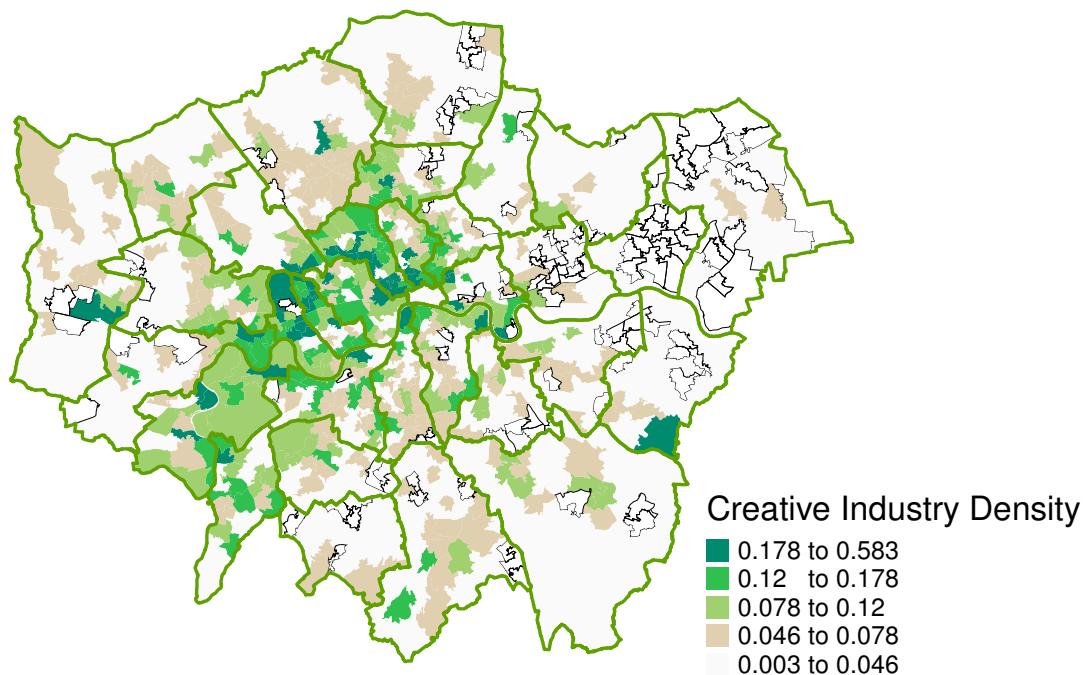
- The 'Gatekeeper' or pre-market selection function exercised in all creative industries by agents such as Gallerists, Editors, Film or Video Producers, Agents, Fashion Buyers, and so on, who 'judge' before production even begins, whether the result will fly

There is a lot of evidence that one function of the modern city is to be a host to gateway mechanisms that allow these functions to be performed. This is why for example festivals and trade fairs are so important to a thriving creative economy. One cannot manage this with a 'cultural quarter' compartmentalised and isolated from the function of the city as a living, vital entity. \

This highlights Caves' second principle: the 'motley crew' method of organising of which the film is a paradigm; a creative product puts together a team of many people which work on one particular product, and is then disbanded. In order to make and remake such fluid collaborations, creatives like to cluster very closely as we see this in chart 2, a map of London's creative districts.

A lot of mistakes have been made in designing cities to accommodate creative industries. A creative quarter, if such a thing exists, is not a business park, but an integral part of city life. It cannot be segregated off from life: it must become the centre of it. The notion of a cultural quarter separate, for example, from an entertainment district in close proximity, is quite questionable.

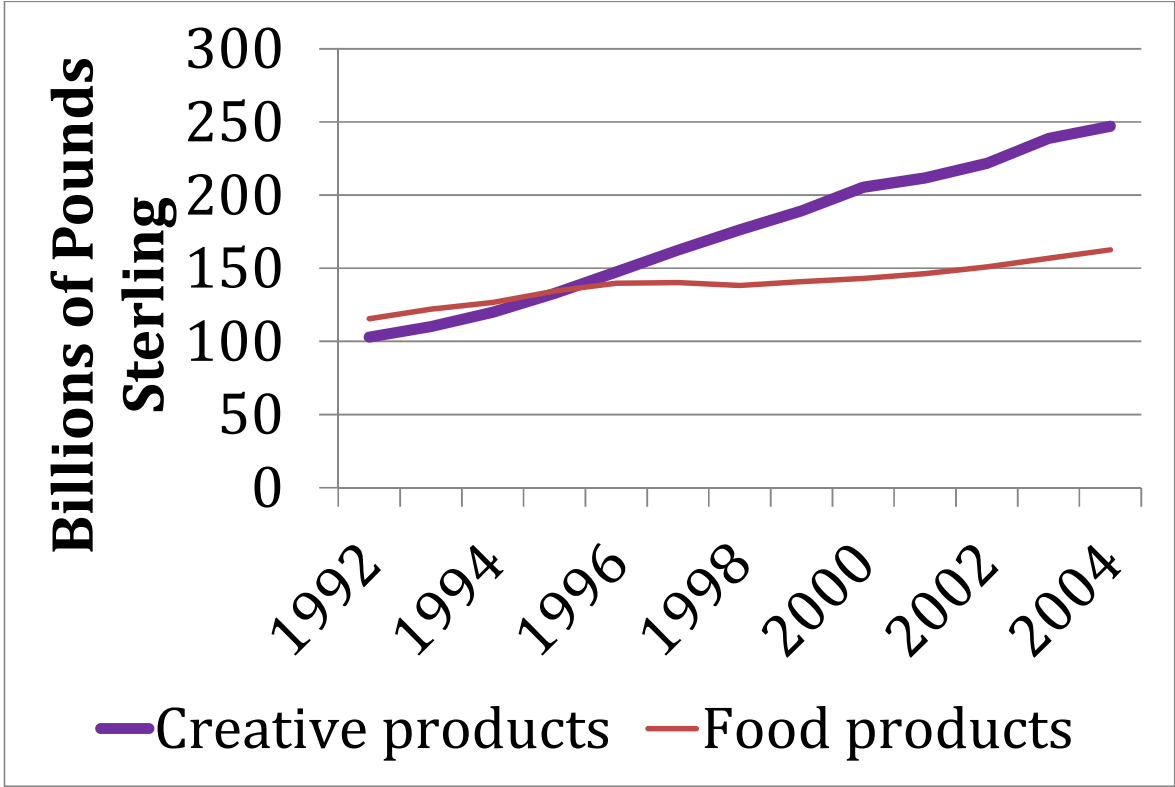
CHART 2: DENSITY OF CREATIVE EMPLOYMENT AS A PROPORTION OF TOTAL EMPLOYMENT IN LONDON, 2005



The next issue to consider is that of also a process one, which concerns the relation between the creative industries and the ICT revolution. This is really just the last stage of a wider and quite long revolution beginning with the telegraph in victorian times, extending through the telephone, radio,

film, television, up to the internet. In *economic* terms this is a productivity revolution. But the productivity of what? Of services. This is its unique character, and creates its unique difficulties. It has left two US economists and policy-makers for two decades scratching their heads to find the ‘productivity gains’ in the rest of the economy, which have not been seen – as Robert Solow famously remarked in 1987, ‘you can see the computer age everywhere but in the productivity statistics’, coining the term ‘productivity paradox’.

CHART 3: DEMAND FOR CREATIVE PRODUCTS BY UK FAMILIES 1992-2004



In my view there is no paradox. The ICT revolution is a revolution in the *delivery of services*; it does not appear in the productivity statistics because it is yet to be accompanied by a revolution in the consumption of services. That gap, I believe, can only be filled by the creative industries. But some very substantial adjustments both to our understanding and our policies will be required, if this is to be achieved.

What the ICT revolution achieved was to diminish, and step by step abolish or vastly lower, the obstacles to interaction between humans created by space, time, and audience size or quantity. With the telegraph and telephone, followed in a one-way direction by broadcast technologies, it became possible for the first time for two individuals to interact, personally, without being in hearing and seeing distance of each other. With magnetic, then film, then other forms of recording, it became possible for interaction to be postponed in *time*. And finally with the internet it became possible for two-way interaction at any distance or at any time, or indeed for interaction between any arbitrary number of people limited only by the management of babble and babel, for which the

internet is rapidly evolving new and rather effective techniques such as the blog, the social network, adequate automatic translation, and so on.

There are limits to the extent of this which I will come back to when we look at the way consumers have reacted. Nevertheless the key point to understand is that this revolutionises the *potential* for service consumption, but this potential has yet to be realised. That is why the computers don't show up in the productivity statistics. The internet is like a railway system without travel. The consumer technology, which will require a vast expansion of human capability, has yet to be developed. I believe the creative industries are a window on how we expect that might happen – or rather, how it can happen if we adopt the right policies.

On this foundation I will try to approach the question 'what is the product of the creative industries' – probably the most difficult question of all. One of the ideas which I have found most useful is that of the moral component of the wage: Marx's notion that the wage had one element comprising material necessity and another that was socially defined. One of the decisive and most interesting results of our research is the discovery that 'discretionary expenditure' in the UK reached a turning point around 1994.

In that year, expenditure on leisure goods by UK families for the first time exceeded that on food for the first time. The gap between them has grown ever since and the former is now over twice the latter. Near that year also, expenditure by business on advertising and software – the two discretionary components of business spending – exceeded that on all other inputs.

This leads to the view that the creative industries are founded on supplying human needs *above and beyond material necessity*. This is an essential insight because of the stage that human development has now reached. An invisible threshold has been passed, without anyone noticing. The average income of the world today, at around \$6000 in constant chained dollars, is now higher than that of the average income of a US worker in the 1950s.

Modern poverty is therefore *entirely socially produced*. The reason for the vast number of starving people in the world is not that nature cannot provide; it is that society cannot provide. How are we to conceptualise this social division, without again succumbing to the machinocratic, physicalist idea that production is the production of simple *things* or the reactionary-ascetic view that poverty is good for the soul? By understanding that modern society acts to concentrate social advance in the hands of a few. One can regard world equality today not merely as the deprivation of material wants, but the systematic robbery, by the 1% of the world who combine material comfort with civilised enjoyment, of the *moral* birthright of the rest of the world to develop their humanity to a universal standard.

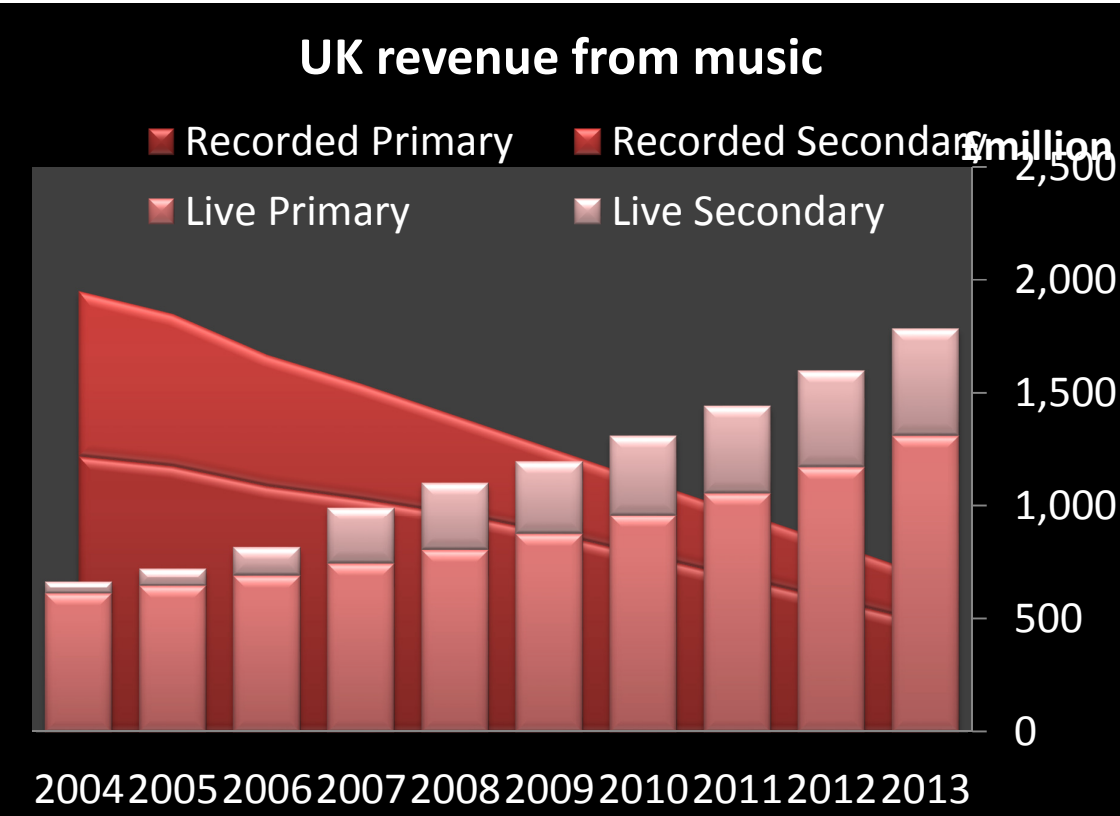
One can then also understand an important function of the nation, and of the social function of the state, which is to establish laws, and material measures, which ensure that the standards of civilised attainment of which the country is capable, are available to all including, above all, those who create the wealth that others enjoy. This, I take to be the meaning of the moral component of the wage.

The second arises from the first and answers is the simple question: what do the creative industries produce? Here I find the concept of *use value* greatly more applicable than the very restricted notion of utility, because use value is social, where utility is conceived of as individual. But at the same time there is a certain vital contribution of utility theory which is the notion that the use of a thing has a subjectively defined component. This is incidentally not at all alien to Marx who in the first volume of Capital writes of use-value:

*A commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference.*

The subjective importance of cultural judgement appears in chart 4, compiled from data supplied by Will Page of the Performing Rights Society.

CHART 4: REVENUE FROM RECORDED AND LIVE MUSIC IN THE UK, 2004-2013



The first graph shows the decline in the sales of recorded material – CDs, discs, tapes and so on. The second shows the rise in spending on live performance. The long-forecasted death of the music industry at the hands of the pirate downloaders has not happened. Instead we see something very familiar to economists: a substitution brought on by income effects. File downloading has smashed down the price of access to performance. How have consumers reacted? Not by spending the extra money on potatoes or cars, but by spending it on *enhanced* performance, on live performance – precisely on re-establishing the directly social relation on which culture is founded. This must mean, in simple economic terms, that the product has a greater use-value because it is more highly-rated.

But this is insufficient because we have to understand that performance, above all live performance, is socially defined and socially enjoyed. The unit consumer is the *audience*, not the individual.

This relates to a special attribute of the creative labour which arises from the discretionary, moral character of spending on it: its special economic function is that of *differentiation*; creative products sell to (or in the case of free products, engage) a group of people who identify either socially or aesthetically with what they have made. These might be fans of a special kind of music, buyers of a fashion item, lovers of a genre of theatre, even cities who seek iconic skyscrapers. But that means the ultimate users of creative products are *communities*, not individuals.

In consequence of a failure to understand this, some problematic ideas have been introduced by the attempt to make a simple parallel between old-style industrial production and modern creative production. This has led to the notion that creation is a 'value chain' emanating with the originator – the script-writer, or the composer, or the senior architect, for example – and which spreads out as it is interpreted by producers, actors, musicians, and so on to become an artistic product, prior to being distributed through theatres or instantiated in actual buildings.

This is an appealing view but it does not capture the essential reality which is that modern forms of artistic participation are collective. The 'audience' is the real effective end consumer. Thus the ticket industry, for example, really sells 'shares' in a collective product, so that their function is not to add additional value but to divide up the social value that is already there. This is proved by the fact that there are many different mechanisms for distributing the output of artistic activity – for example simple queuing, or festival-style organisations, or such interesting mechanisms as live HD screening, making it possible for those rare and experimental performances to be performed more regularly and reliably by extending the audience to a virtual one.

The ticket is not simply an additional stage of production; some kind of value added to the constant capital contained in a performance by the labour of the ticket seller, in the same way that, say, a tin adds value to a mass of food. a cultural production. We cannot summarise 50,000 years of human progress by saying its highest product is the ticket. The ticket, like IP, plays a primarily *allocative* or what I term 'partitive' role; it divides up what is an inherently collective product, amongst the collective consumer.

This also is an area where the public sphere has an important regulatory and distributive function, as we can see from the intense and important battles that surround public broadcasting, public access to museums and art galleries, and indeed the entire process of provision of cultural resources such as heritage, parks, and so on. We have to avoid the intrusion of access mechanisms dominated by the narrow need to make as much money out of each *individual* participant as possible and ask how the *social* gains from participation in the arts may be realised, not only through taxation but through mechanisms which ensure that those private companies who reap the benefits of public provision, contribute in a fair way back into the public pool of resources that make possible the artistic resources on which they draw. Some quite imaginative measures are called for here.

A final question surrounds this definition of the creative industries. Is this output 'culture'? The very notion of a cultural industry was scorned by early critics of mass commercial culture such as Adorno and the Frankfurt school, who regarded the intrusion of the commodity into this sphere as a great degradation and also an additional means of mass control. There is not a small element of elitism in this view, and I think Chris Smith, the minister for culture under whose direction the term 'Creative Industries' was coined and who steered the concept through a difficult early passage, is to be credited with the courage to reply that the modern commercial mass culture industries do provide something that the old elite system failed, and perhaps still fails, to do, namely to provide access on a large scale to cultural assets which were previously enjoyed only by a rich minority.

Nevertheless there are many negative aspects, only some of which I have mentioned, to the purely private commercial provision of culture. It introduces the distortions we have already discussed and also that of the market in collection, which provides an outlet for financial and speculative fortunes to dabble in cultural values but massively distort the capacity of the market to provide for the living of young artists and musicians, many of whom these days can't get a start in artistic life simply because the 'big money' is where the stars are. It is actually not true, though it is often claimed to be so, that private capital takes bigger risks than the state. In fact several cultural entrepreneurs have said quite openly to me that it is only the state, and the government, that can take risks such as subsidising experimental art, or the early years of an artist, because private capital cannot hope to make a reliable return on it, and the risks of a venture investment are beyond what financial markets are prepared to take. Rather, they go back to the old machinocratic-physicalist ways, and place their faith in artworks rather than artists, in objects rather than people.

Moreover the idea of classifying the output of the creative industries as cultural, though I go along with that, brings into the immense difficulties of defining what culture really is. For Freud (2004:110), for example, culture was simply everything by means of which society reproduced itself

*[C]ulture, by which I mean everything in which human life has risen above its purely animal circumstances...includes on the one hand all the knowledge and skill that humanity has acquired in order to control the forces of nature and obtain from it goods to satisfy human needs, and on the other hand all the institutions that are required to govern the relations of human beings one to another and in particular the distribution of such goods as can be obtained.*

On this definition we would have to include wide swathes of manufacturing and material production, which loses sight of the essential idea that culture is a mainly mental sphere, or to be precise, a sphere in which we find non-material interactions between humans. But if we attempt a narrower definition such as 'origination' which, in my view very mistakenly, dominates Western concepts of cultural production, we lose sight of the essentially cultural nature of equally huge swathes of activity which undoubtedly should be considered cultural, for example the education of children and the learning of language.

The view to which I incline again owes much to Marx's ideas and in particular his concept of social reproduction, and of the historical analysis of the new. Essentially, we have to look at culture not as some eternal notion which we wish to define perfectly, but as a real present thing that has actually



been brought into existence, in its present form, by capitalism. We should enquire not into culture in general – if such a thing exists – but culture as we find it in Late Capitalism.

The clue for me lies in the fact that capitalism has created ‘culture’ by separating it from non-culture. The place in which this has been done is the workplace. In the old artisan production methods, craft and ‘workmanship’ go side by side with artisanal skills to produce objects that combine form and function, as with the beautiful silk products of China that the rising Italian city-states swarmed to imitate and sell to the rest of Europe – another instance of the fundamentally non-European factors that shaped the emergence of European capitalism. As mechanisation took hold, the craft skills of the worker were cast aside and all that remained was either purely manual skills or at most the dexterity of being able to work a machine. The interactions between humans which previously penetrated all aspects of society were expelled – above all, into the wage relation.

To explain this idea we have to think how the commodity labour power is itself produced. The decisive feature of ‘free labour’ for capitalism is not, actually, that the labourer has no master. To the contrary, the employer is every bit as tyrannical as the feudal lord – within the factory – as workers at Foxcon illustrate. The advantage of free labour is that it reproduces itself for free. Even the slaveowner had to provide for the slave, just as he had to feed his beasts. The capitalist, however, has no responsibility for the reproduction of labour power. It is left to its own devices.

But the reproduction of an entire class, above all labour, is not just a matter of food. Language, customs, skills, education – in a word, *culture* – are required.

In parallel, the bourgeoisie and the middle classes must also reproduce themselves but, unlike workers, have to reproduce, alongside their material necessities and additional enjoyments, the *distinctions* which make clear what their status is. Much fashion has its origin in the simple need to show what class of person you are, by the wealth you are able to display on your person. Today we have in England what are called ‘postcode lotteries’ in terms of access to public wealth; the classes distinguish themselves both by the nature of their homes and the place they are to be found.

Culture, then, has become under capitalism the *means by which the social relations of society are reproduced*, and have been – until recently – made into a separate sphere of activity, outside of production. With the rise of the creative workforce, the possibility arises to overcome a historic and wholly negative divide, and even offers the (somewhat remote) possibility of turning labour into a pleasurable activity.

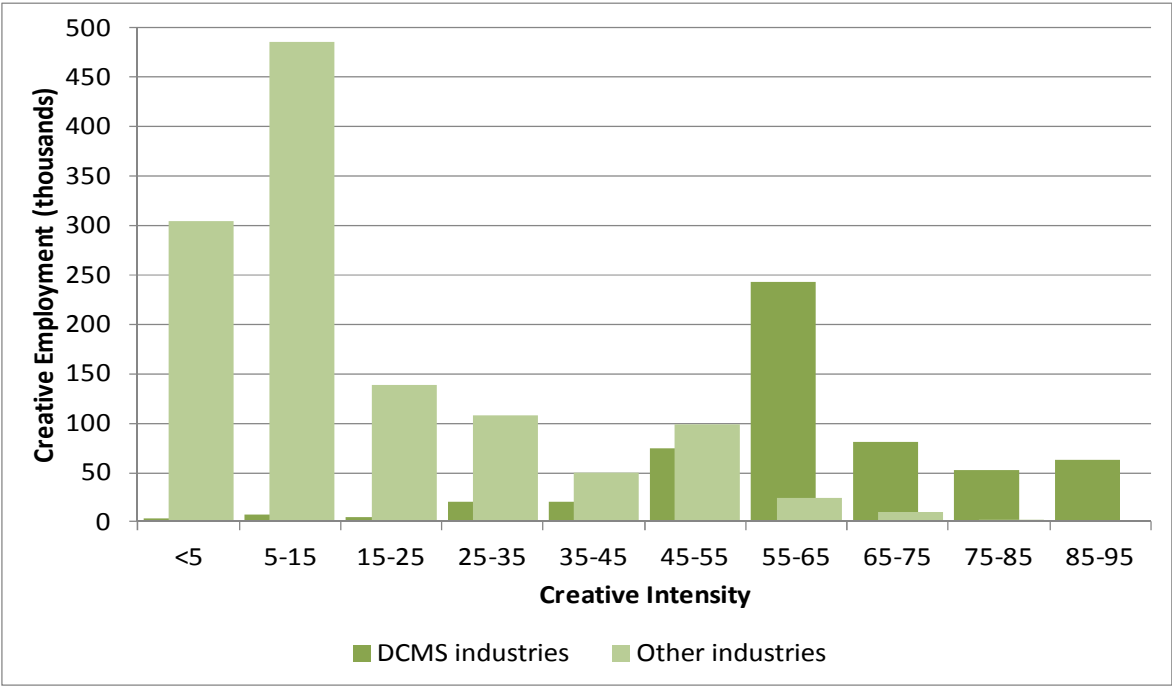
This brings us back to the most special feature of all of the creative industries – their labour force. Here I turn to the definition of the creative industries furnished by the DCMS – the British government Department of Culture, Media and Sport. The critical importance of this definition is that it defines both the industries considered creative – film production, radio and TV, Musical performance, and so on – and the occupations of people that work in them. These really are two different things. It is not the case, as the Victorians tend to believe, and as one finds at times suggested in some understandings of concrete labour, that everyone who is a carpenter works in the wood industry, and a surprisingly small number of electricians work in the electricity industry.

Yet when we study the creative industries we find that the levels of specialisation, of the use of creative occupations, is extraordinarily high. We have calculated a figure we call ‘intensity’ which is the proportion of an industry workforce that is made up of creative workers. This is shown for some of the creative industries in chart 5

We find that intensity in the creative industries is not only large, but exceptionally so. It is on average 25 times greater than in the non-creative industries.

This leads us to the conclusion that the specialist resource that characterises the creative industries is in fact their labour force. This is a very difficult and new idea. For most industries, especially capitalist ones, labour is simply a disposable general resource, one that is reduced as rapidly as possible to what Marx terms ‘general undifferentiated labour’. Their specialism is defined either by what they materially consume (for example the oil industry), what they materially produce (for example the electricity industry or the construction industry) or the special machinery that they employ to make it (for example the chemical industry or manufacturing in general).

CHART 5: CREATIVE INTENSITY IN THE UK, 2010



But the specialist resource of the creative industries is neither a raw material, nor a special kind of machine, nor really a special output except and insofar as the production of difference is itself a special skill. It is the labour force itself.

It is in this fact that the greatest difficulties facing us reside. I want to finish on one final rather striking graph. This shows how the last crisis ended. It was not, as widely believed, the new deal that brought the US crisis to an end.

Unemployment, and low growth, remained largely at their 1933 levels throughout the New Deal and after a brief recovery, plummeted again. The boom was launched by the war. Recovery in Japan and Germany had already been begun through the new regimes and through war

preparations. Central to this was the role of the state, which, contrary to all economic doctrine, became such an active player that by 1942 it accounted for nearly 50% of state expenditure. It was obviously also, either directly or indirectly, a major investor, since private investment fell to half a percent in the war years.

On the one hand, this highlights a basic point independent of the creative industries: the only way out of the crisis on the present scale is public investment on an unprecedented scale. This is a bridge that the Western Economies will have to cross, sooner or later, at some point; the policies of 'austerity' are simply piling misery on economic misery and have nothing to offer except hard-learned lessons. The issue is, however, whether they will learn it as did Germany and Japan in the 1930s and the USA in the 1940s, or in a different way – a way that has not yet been seen in history, in which a social and economic leap forward is launched not by investing in the protection of a small number of people but by a determined attempt to raise the standards of life, and civilisation, of a huge number.

In this I believe it is highly significant that the site of the most rapid economic growth in the world is not only a country which does not begin from a rich and privileged position, but which does not share the general prejudice against state and public involvement in the economy which dominate the West and are largely responsible for their continued decline.

Of course, the question of state involvement in the Chinese economy is contested as in the West. A health debate around what the state can and should do is to the good. I believe a major part of that discussion must be to catch up with the basic reality of an utterly new technology, in which the major resource is not machinery, but humans.

Radhika Desai (2013) has drawn attention to an essential concept of the early Russian revolutionaries – that of 'uneven and combined development'. This means that the poorer countries need not accept the cruel deception that the only path of development open to them is to tread behind the industrialised countries, paying court to their allegedly superior civilisation whilst catering for their every material want, for all the world like an Imperial mistress, forlornly hoping to become an empress without ever even acceding to the status of concubine.

A different path is available, which is to move directly to make use of the higher and more developed technologies that the industrial countries have evolved. Foremost among these are the service-based, consumer-oriented, life-enhancing industries of which the creative industries are but the most developed example.

This is not to ignore the importance of material development. The issue is: what is its goal; and this goal determines what is actually built. The goal is not 'industrialisation', necessary though that is, but the human capacities of the people. To take one simple example: at every stage in human history, one simple advance has remained as a legacy, which is the number of years in education our children are entitled to as a right. The Victorians brought this up to 11. It took fifty years to increase it, in Britain, to 15, and another thirty to get it up to 16. A simple, and achievable goal, is *universal* higher education. This would change not only the entire structure of the population but the structure of urban and rural life, since every significant town would have a university or college.

These 'anchor' institutions are of fundamental importance not only to the economic life of cities but to their cultural and intellectual life; and they act as a place where people can go, at every stage of their lives, simply to 'improve themselves'.

Then one has to design the cities, design the transport, design the infrastructure, which the needs of being able to carry out creative activity in mind. This involves a complete rethink, but it is a rethink that is both necessary, and will pay off. It is, in Keynes' words, an investment that 'will not only be better than any dole but will put an end to the dole itself.'

We thus have a choice in front of us between two paths of development. In the path that humankind needs to tread, I believe the creative industries will emerge, and will be seen by later generations, as signalling a fundamental turning point.

## REFERENCES

- Bakhshi, H., Alan Freeman and Peter Higgs (2013). *A Dynamic Mapping of the Creative Industries in the UK*. London: NESTA  
<[www.nesta.org.uk/areas\\_of\\_work/creative\\_economy/assets/features/a\\_dynamic\\_mapping\\_of\\_the\\_uks\\_creative\\_industries](http://www.nesta.org.uk/areas_of_work/creative_economy/assets/features/a_dynamic_mapping_of_the_uks_creative_industries)>
- Bunting, Catherine. 2007. Public Value and the Arts in England: Discussion and Conclusions of the Arts Debate: Arts Council England  
<[www.artscouncil.org.uk/downloads/publicvalueartsdebate.pdf](http://www.artscouncil.org.uk/downloads/publicvalueartsdebate.pdf)>
- Desai R (2013), *Geopolitical Economy: After Globalization and Empire*. London: Pluto Press.
- Freud, S. (2004). Freud, S.(2004) *Mass Psychology* London: Penguin Modern Translated Texts
- Gilding P. 2013. 'Victory on hand for the climate change movement'. Australian Broadcasting Company blog post 22 March 2013.  
<[www.abc.net.au/environment/articles/2013/03/22/3720814.htm](http://www.abc.net.au/environment/articles/2013/03/22/3720814.htm)>
- Kliman, A. 2007. *Reclaiming Marx: a Refutation of the Myth of Inconsistency*. Lexington
- Perez, C. 2002. *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Edward Elgar.
- Swilling, M. (2005) *Growth, Resource Decoupling and Productivity*. Stellenbosch University and UNEP <[www.learndev.org/dl/BtSM2011/Africa%20Policy%20Brief.pdf](http://www.learndev.org/dl/BtSM2011/Africa%20Policy%20Brief.pdf)>
- \_\_\_\_\_. (2011). *Just Transitions: explorations of sustainability in an unfair world*. Stellenbosch University
- Throsby, D. and G. Withers. 1984. *What price culture?* published for the Policy and Planning Division of the Australia Council.
- Towse, R. 2003. *A Handbook of Cultural Economics*. Edward Elgar.
- UNESCO. 2009. *Framework for Cultural Statistics*. UNESCO Institute for Statistics.  
<[www.uis.unesco.org/Library/Documents/FCS09\\_EN.pdf](http://www.uis.unesco.org/Library/Documents/FCS09_EN.pdf)>