

London's Creative Economy: An Accidental Success?

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the work foundation

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London's Creative Economy: An Accidental Success?

Foreword

The success of London and the UK's Creative Industries are intertwined. Following the success of the LDA's Creative Spaces programme and the ongoing development of the Government's creative economy policy, Creative London, partnered by The Work Foundation, commissioned this piece of work to catalyse new ideas and approaches to how London can best develop and exploit its creative asset base.

The Work Foundation has also been engaged with the DCMS in developing a better understanding of the creative and cultural economy in preparation for a forthcoming Green Paper. That work has built on previous work in this area, notably for the creative and cultural skills council. What draws all those independent projects, and this new work on London's creative and cultural economy together, is an emerging understanding of how the knowledge economy is shaping our economic futures.

The creative and cultural sectors are an apex part of the knowledge economy, where the combination of ever increasing computer power and highly educated people has led to knowledge becoming a new factor of production. The way that knowledge about how to improve the production process and how to develop the use, purpose and value of any product or offering so that it can be speedily co-created, reinvented and redefined in a reflexive way is unique to our times.

Two generations of better education for all has increased the sophistication of the demand process among consumers. People want to enjoy a greater degree of intangible and emotional value from the goods and services they buy and consume. So do businesses and organisations. Art, entertainment, craft, brand and style values matter more to those who consume them. That is why the creative and cultural sectors are so important. And what is important to those sectors is the place in which they engage, exchange ideas and trade. No discussion of the creative and cultural sectors can thus ignore the central role of London. This project has therefore attempted to build a stronger interpretation and understanding of that role and then provoke a debate about how to build on London's strengths and tackle its weaknesses.

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To that end the project has convened four creative sessions with a wide range of thinkers and practitioners about the future of London's creative economy, ranging across themed issues including skills, growth, and consumption. Those sessions were run on a Chatham House basis in order to ensure a full and frank expert exchange about what's going right, and what might be being missed.

I am grateful for the role of our two rapporteurs and authors, John Knell of Intelligence Agency and Kate Oakley who have tirelessly sifted those inputs and then synthesised an over-arching narrative designed to stimulate new thinking about the development of London's creative asset base. Their conclusion is that London's creative economy is both more fragile than is often acknowledged, but also that London needs to work a lot harder to actively re-imagine its creative future if the current trajectory of success is to be maintained and the benefits shared.

I would like to thank Tom Campbell of Creative London, and Nick Isles and his team at The Work Foundation, for guiding the project with humour and patience and for offering unstinting practical and intellectual support. And we are in debt to all those individuals who attended the public sessions and gave of their time and ideas so generously.

This is an important moment for the creative and cultural industries. It is vital that we all grasp the challenges and tackle the failures to ensure these critically important sectors continue to grow and flourish.

Will Hutton
Chief Executive
The Work Foundation

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Introduction: London's Creative Economy – Less hype and more reflection

We are writing this report against the backdrop of the DCMS-led Creative Economy Green Paper Process and a decade after the 'Creative Industries' Taskforce first coined the term. Under the GLC in the 1980s, London was the site of pioneering work in the development of policy for what was then called the cultural industries, and it thus seems fitting to return to this city at a time when policy for these sectors is again the subject of national attention. Our aim in this provocation is not to attempt a detailed audit of what the last 10 years of creative industries policy have achieved. Still less are we going to present a strategy for the future development of London's creative industries.

Our aim instead, in what is often a debate characterised by boosterism on one hand and backlash on the other¹, is to raise some of the issues that often get overlooked in these debates. One of the besetting sins of creative industries policy-making is its obsession with the new, its insistence that everything is 'changed utterly,' and its seeming ignorance, often of its own history. In part this reflects the tangling up of creative industry policy in discourse about the 'knowledge economy,' with its persistent myth-making about novelty. In part it results from its association, with 'New' Labour, the setting up of the Creative Industry Taskforce and the Department of Culture, Media and Sport, being early New Labour creations. But the striking thing about any reflection on creative industries policy making is how many of the issues are not new; simply unresolved.

Thus tensions between culture and commerce; London as a global city and a series of neighbourhoods; the subsidised sectors and the market, and leisure and work, continue to resonate in these debates. Questions remain unanswered. At what point does economic policy for culture become cultural policy, and can we ever separate the two? Is policy in London about regional economic development, local community regeneration or international trade? Under what conditions, and by whom, does our culture get made?

Our argument is not that resolving these issues is simple; but that we have to live with and better understand their complexity – and that in particular greater subtlety is required in reassessing culture, work and place.

¹ See, Larry Elliott and Dan Atkinson, 'Talk is Cheap,' Guardian, 18 May 2007

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Of course London's distinctiveness matters too – indeed the city's twenty year makeover – 'Property Ladder' meets 'Civilisation' by way of City led 'greed is good' globalisation – continues apace. In part London's overall success has obscured some of the enduring weaknesses of the creative industries in London. A stark leitmotif running through our expert sessions was a sense both of fragility and of opportunities being missed. That the creative industries are more a symptom of London's inherited economic success, than a sustainable cause of future growth – an accidental success for London rather than its purposeful creation.

London was an imperial capital, it is home to large numbers of highly educated and cosmopolitan consumers; and it has strength in many of the complementary activities – financial, legal and educational that the creative industries feed off and feed into.

Therefore the pressing challenge is how to use London's overall economic success to be more ambitious in social and cultural terms and to develop policies that can address the longer-term threats to London's creative industries and bring about a more democratic and sustainable cultural economy. This will require more than successfully 'culture proofing' other policy areas, in transport, planning, education and migration, that impact upon the creative industries. It necessitates the development of new approaches and interventions to which we now turn.

Chapter One: London – The UK's Creative Industries Hub

The first thing to state is that there is little doubt that London functions as a 'global city,' and indeed many of the factors about London are inseparable from that status.

The size of London's economy is equivalent to that of many national economies. It is renowned as a global centre for international business and is dominated by the service industries, such as finance and business, the public sector, tourism and hospitality, and the creative and cultural sectors.

London has become the number one financial sector with the most foreign banks, 70 per cent of the world's secondary bond market and half the derivatives market. It remains the top European city for business location, according to European Cities Monitor², scoring top on availability of qualified staff, ease of access to markets, languages spoken, international transport links and quality of telecommunications. To the surprise of many of its inhabitants, no doubt, it even scored top on quality of internal transport links.

Given London's economic pre-eminence the size of London's creative industries sectors is as much a symptom of this broader economic success as it is a driver. Recent GLA data on the creative industries confirms the tight links between London creative industries and its financial and business services. In the post dot com crash years of 2001 to 2004, creative industry employment fell by 10 per cent in the capital, compared to 5 per cent for financial and business services employment. The last year for which data is available, 2004/5, shows a significant rebound for both. Creative industries employment grew by 5 per cent in that year alone, adding an additional 18,000 jobs in London, while finance and business services grew by about 2.5 per cent. As the GLA report argues, this suggests not only a close link between creative industries and the other major driver of London economy, but also considerable volatility in the creative industries – a volatility which is greater in London than the rest of the UK.

In financial terms, the creative industries – from architecture and advertising to the performing arts and publishing – add £21 billion annually to London's output, more than all the production industries combined and second only to business services at £32 billion.³

² European Cities Monitor, 2006, Cushman & Wakefield (<http://www.cushmanwakefield.com/cwglobal/docviewer/ECM%202006.pdf?id=c5900002p&repositoryKey=CoreRepository&itemDesc=document>) Access 21/05/07

³ (www.london.gov.uk/mayor/creativeindustries.jsp)

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But London has not just size but density. The latest figures reveal that the creative industries workforce in London was 554 thousand people (12.2 per cent of all London's jobs)⁴. London and the South East also remains the hub of Britain's creative industries, accounting between them for 57 per cent of all British creative workforce jobs.⁵

And whereas in the rest of the UK, over half (52 per cent) of those in creative occupations, that is people who define themselves as musicians, designers, writers or whatever, work outside the creative industries, in London this number drops to just under a third (31 per cent). In other words, in London creative industry sectors account for the majority of creative occupations and it is this concentration of creative industry employment and the significance of head offices that mean that London can afford to specialise in at least some sub-sectors of the creative industries.

The implications of this for creative industries public policy are not always stated as baldly as they should be. London is the UK's 'creative hub,' not because its share of creative industry employment is growing fastest, indeed the reverse is true, but because it alone can afford to 'specialise' in creative industry employment, providing the infrastructure of commissioning, distribution, management and other professional functions that enable these sectors to get their products to market.

But as our debate on growth in the creative industries made clear, this very success means that London faces perhaps a more acute policy dilemma than other parts of the UK. Given its ability to specialise and its ambition to become a global 'creative broker,' should London re-orient its policy away from smaller scale and localised interventions, away from the provision of workspace for micro-businesses or skills training for marginalised groups, and towards the attraction and retention of global business? Can it focus support on particular sub-sectors or particular firms and leave other interventions to education, regeneration or community development policy? Should it, in short, focus on growth rather than undergrowth?

⁴ GLA (2007) 'London's Creative Sector: 2007 update'. London: GLA. P 3

⁵ *ibid*

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The simple answer of course is to say, 'both.' We need the small creative businesses because they – and the labour and ideas pool that they sustain – are what attracts the larger ones. More convincingly, it may be that the existence of both sets of firms is the outcome of different legacies – larger firms are drawn by London's global role, smaller ones by its national status and local living and working conditions. The question then becomes, which is the more defensible base? London scores well on FDI, but for how long as competition intensifies, especially in India and China. When the argument focuses on what makes London distinctive, and hence what is less likely to be eroded, the answer appears to come from deep in the undergrowth.

Other cities, both those with aspirations to be 'global,' and more modest national champions, are consistently upping their game. The enthusiasm for large scale cultural investments or 'creative clusters'⁶ has not yet abated and with the bandwagon so full, London needs to understand the sources of its success, rather than get involved in a global game of one-upmanship.

It should be of concern to policymakers that very few UK creative industry firms make the leap from small to big. The endless churn of small firms has high costs, both for those who work in them and those who try to support them. But for London to work as a hub, or more realistically, as a broker, not just for itself but for the rest of the UK, it needs to continue to pay attention to the broad ecology of the creative industries within the city.

None of which is to say that the regulatory and financial environment shouldn't be configured in ways that encourage international firms to co-locate with London's creative industries. But it should be emphasised that an inward investment strategy of this sort can easily be replicated by other competitor cities and regions.

In contrast the combination of factors that produce a genuinely creative place and the asset base underpinning London creative industries, takes many years to emerge and embed, and is not so easily replicated. It is often not the outcome of specific creative industries or economic development policy, as much as it is a legacy of investment in education, the public realm and public culture. It is however, easily dissipated through insensitive policy or neglect, and London's

⁶ The Shanghai Government, for example, claimed to have established up to 75 creative industry 'clusters' in the city by the end of 2006 (see <http://www.tdctrade.com/alert/cba-e0705e.htm>)

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creative industries policy needs to do much to understand how best to connect the network, social, financial and intellectual capital residing within London's creative industries asset base.

Thus far creative industries policy has been better at establishing the types of infrastructure landscape required to encourage the growth of the creative industries asset base, or to encourage the co-location of complementary firms and resources, and much less good at the connections and spaces in between the different parts of the creative industries ecology. London's creative industries do not lack networks and infrastructure – but connectivity.

Chapter Two: London's creative economy: over-heated and under-connected

*'The Creative industries are a very particular kind of sector – very difficult to define, to corral and to connect'*⁷

One of the sharpest themes to emerge from this project was real concern about the potential long term fragility of London's creative economy. Is it really the case that the London and the creative industries are locked into some mutually sustaining path of success?

The optimistic view is that once a critical mass in a particular sphere of economic activity has been reached there are strong reasons to expect it will be sustained. In other words, London's creative industries will continue to benefit from the co-location of complementary services (legal and financial); the importance of tacit, face to face exchange in the creative process; and the concentration of sophisticated demand (both commercial and individual) in a metropolis like London.⁸

However, there are three related but distinct concerns that may puncture a mutually reinforcing trajectory of success for London and its creative industries.

2.1 The problem of success

There is a lack of admission that the growth of the creative industries are as much a symptom of London's inherited economic, social and political pre-eminence, as they are a cause – a friendly parasite if you like, that is in danger of being ejected by the host.

Many of the issues that face London could be described as the problems of success: high housing costs, congestion, the spread of sometimes corporate consumption space with its chain stores and 'branded' nightlife experiences, and the difficulties of obtaining affordable workspace in desirable locations, all threaten the delicate ecology of London's creative industries.

A good example is the borough of Westminster, which dominates London's creative employment, according to the GLA, accounting for some 17 per cent of all jobs. But property prices and rents have risen sharply in recent years, which is

⁷ Focus group participant

⁸ In its examination of innovation in cities, NESTA explores how innovation tends to cluster in specific geographic regions, rather than seeing any 'death of distance' through the revolution in information and communication technologies. The report notes that the high density of people in cities allows the transfer of tacit knowledge that can only be gained through personal experience and interactions.

driving out creative business, and having a dampening effect on start-ups. This is being felt across the creative industries sectors from services such as advertising and architecture to the loss of live music from central London to areas like Brixton or Camden. Only 2 per cent of Westminster's Creative Industries businesses interviewed in a recent survey⁹ were established in the past 12 months, and only 6 per cent were established in the past 2 years.

In this sense the downsides of higher living or rent costs in London are being constantly weighed by individuals and businesses against the ongoing economic advantages of proximity and closeness to collaborators and customers.

Yet the effect of London's high house prices, driven in part by a City-based corporate overclass, could, if unchecked, leave London as a city for large-scale cultural consumption and the headquarters of creative industry firms, while at the same time endangering the small-scale, the marginal and the local creative industries, which have been the seed bed of much of London's success.

2.2 London floating free?

Tristram Hunt warned recently¹⁰ of a new 'Edwardian' age in London, whereby London would continue to break away from the rest of the country, such that the UK would look more and more 'like a city state.' Some Londoners would no doubt welcome this, and indeed many delight in its perceived difference from the rest of the UK and its intense cosmopolitanism, whether this is seen in its absorption of tens of thousands of migrants a year or in opening its own international 'embassies.'

Yet the distance and relative separation of London from the rest of the UK is neither to the advantage of creative industries in London or in the rest of the UK. Combating this problem effectively requires clearer thinking on what London's distinct role should be within the whole creative industry ecology both in Britain and globally.

If the UK is to be the world's creative hub, as some have claimed it should strive to become, then London is going to be at the centre of that hub – no other metropolitan competitor will be able to support the attendant spokes.

⁹ See, Westminster's Creative Industries, BOP and GVA Grimley

¹⁰ See The Observer, Sunday 4 March 2007

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London needs to think harder about its relationship with other regions – it needs them to be successful if the sustainability of London's creative industries is to be secured. There are clear differences in the way that the creative industries function in London and the way they function in the rest of the UK, with a far more specialised labour market, closer links to finance and businesses services, and a more volatile employment pattern in the capital than in the rest of the UK. The overall performance of London's economy is the major driver of creative industries employment; even large public interventions are unlikely to play the same role as, for example, the relocation of parts of the BBC to Salford, will play for the North West. But this volatility is part of London's vulnerability. If businesses move out of central London because of high rents – is it better if they go to Brighton or Lyon? If London fulfils the brokerage role for the creative industries – providing lawyers and money men – it still needs flows of UK wide talent to 'broker.' And its own highly specialised labour market needs a national talent pool to draw upon, as it always has.

The more significant political point is that the more London drifts away from the rest of the UK, the less its cultural production will reflect the reality of life in the UK and the more its metropolitan media and political conversation will fail to resonate outside the M25. Regional policy looks like being a major challenge for the incoming Brown administration; a regional policy for the creative industries would be a good place to start.

2.3 Understanding a complex ecology

Another striking outcome of our expert sessions was the recognition that the creative industries in London form part of a complex ecology, which remains poorly understood.

This in part reflects the legacy of the 13 creative industry sectors designated a decade ago by the DCMS's Creative Industry Taskforce. Re-branding the cultural industries as 'creative' opened up the possibility of seeing activities such as the arts, media or design as *driving* the economy, not simply benefiting from tax payers' largesse. Cultural activities looked closer to the high table of economic policymaking than they have ever previously been. And, indeed, the re-branding delivered in many ways.

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But in becoming 'creative' the cultural sectors also disappeared into a whole host of IP-producing sectors, encouraging an inflation of their economic importance on one hand, (such as Richard Florida's attempt to annexe large parts of the service industries for the 'creative class'); and losing any claim to specificity on the other. This is not an argument for exceptionalism, simply the point that if one wants to promote a particular kind of economic activity, with a particular industrial structure, skills needs and remuneration arrangements, it helps to have some understanding of how it works. And scarifying a detailed understanding of how the cultural sectors work in the hopes of over claiming for their economic importance, has had its downsides.

Cultural industries became creative industries and have now become 'creativity,' a term so over-used it is in danger of becoming meaningless. In the process, we sometimes seem to have been in danger of making neither useful cultural policy – as recent concern about arts funding suggest – nor useful economic policy, failing to support the UK videogames development industry at a point where it had real international potential, for example.

One way around this is to unpick the 'creative industries'; concept and try to understand how different sub-sectors work and how they relate to public investment and public policy. Such an approach was outlined in NESTA's Creating Growth report¹¹, which helpfully distinguishes between creative content, services, originals and experiences, while accepting that there are overlaps.

Creative services, which includes areas like advertising and architecture, have business models similar to that of consultancy firms, they earn their revenues in exchange for giving their time and intellectual property. Public policy touch is light, except for regulation of advertising content, but the public sector is a large consumer – particular of architectural services – and can influence direction via procurement.

Creative experiences are those based around selling access for consumers to specific activities, performances or locations. These include live theatre, music, opera and dance. Public funding is an important element of support for some forms of music and licensing laws and planning and all have a bearing. From London's point of view, the role that experiences play in the tourist market, makes it a vital element of the creative industries grouping.

¹¹ See, Creating Growth, page 28 at http://www.nesta.org.uk/assets/pdf/creating_growth_full_report.pdf

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Creative originals, as the name suggests, are physical artefacts, where the value lies in the labour and, in some cases, in the perception of exclusivity. Crafts, designer fashion and visual arts come under this heading. London's education base in this area is second to none and it is here, as well as a supporting access to markets in some cases, that the maximum public policy impacts can be made.

Finally, content – broadcasters, record companies, and publishers, including computer games and leisure software. These are the IP producing sectors, which for some are the archetypal 'creative industry' in that they are often global, make extensive use of digital technology and feature the largest UK companies – whether private or public such as the BBC. In terms of growth, many would argue that the focus should be on these sectors.

Our argument is not necessarily about choosing between these activities in terms of public funding, but understanding better the roles they fulfil in the wider ecology. Recent work for the LDA¹², for example, suggests that designer-makers, producers of 'originals', are an important element in London's retail offer – a factor that retailers think is likely to grow as concerns about environmental sustainability and the provenance of goods grows consumers.

The challenge therefore is to better understand the existing creative industries ecology, and its richness, and then to get rather smarter at facilitating different types of connectivity between the cultural and creative industries, between large and small companies, between investors and potential investees, and in so doing build clever concentrations of creative development activity within the established ecology.

¹²'Design Dependent Sectors,' A Report for the London Development Agency, 2007

Chapter Three: Fragile labour and embedded exclusion

One issue which has received relatively little attention from policymakers, though increasing attention from academics¹³, is the nature of work in the creative industries themselves. The focus of policy interest has often been on the role of the individual entrepreneur and much of this rhetoric has been celebratory in tone, stressing the elements of self-determination and 'portfolio working,' that are seen to be freeing people from the drudgery of nine to five. Indeed, the creative industries have sometimes been proposed as a model for future work within a 'knowledge economy' context.

But while traditions of popular culture from pop music to videogames, the strength of sub-cultural identity, and in some cases the low capital entry that digital technology opened up, all combined to suggest that the growth of a 'creative economy' was one in which every one could play. It has long been apparent that this is far from the case. The perception that the creative industries were meritocratic, and that they thus opened up routes to participation among those from marginalised groups, has been largely dismantled when confronted by evidence.

The reality of work in the creative industries for many is less about self-determination than it is about increasingly precarious employment in industries with an over-supply of qualified labour. The very success of the creative industries in the last decade means that they are now the career of choice for many graduates – ensuring that entry to these sectors is highly competitive and increasingly reserved for those who are able and willing to work unpaid, often for months on end, as the price of entry.

The problem that this creates is obviously a huge one for the individuals involved and a progressive employment policy cannot afford to ignore issues of gross exploitation, however tightly involved it is with notions of self-exploitation. But the social problem is wider. If a middle-class safety net at best and a substantial private income at worst, is the price of entry to cultural labour markets, the culture that is provided in these sectors is unlikely to reflect, capture or express life in Britain very accurately.

¹³ See for example, Christopherson (2006), 'How transnational forms are constructing a new international division of labor in media work' or Gill (2007) 'Technobohemians or the new cybertariat? New media work in Amsterdam a decade after the Web', Report prepared by Rosalind Gill for the Institute of Network Cultures

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And indeed, a look at the visible difference aspects of the creative industry workforce suggests that this is the case. A smaller percentage of the creative and cultural industry workforce in the UK is from an ethnic minority background than in the labour force as a whole. This is even more disturbing when one considers the concentration of creative industry employment in London, where over a quarter of the labour force is from an ethnic minority background – up to 35 per cent in inner London.

The latest figures reveal that at least five out of the nine DCMS sectors for which workforce employment figures are available, employ proportionately fewer Black, Asian and Minority Ethnic (BAME) workers than in the London workforce as a whole. In at least three DCMS sector – radio and TV, advertising, and music, the proportion of BAME workers is less than half that in the rest of the workforce¹⁴. And, compared to the London workforce as a whole, employment of BAME workers has failed to improve over the last eight years. It is easy to trumpet ethnic diversity as a source of creativity, and few policy documents in this area fail to do so; in practice it appears much harder to ensure some kind of socially just distribution of the rewards of that creativity.

In terms of gender the picture is also of concern. Five of the nine DCMS sectors employ proportionately fewer women than the workforce as whole and an area like leisure software retains its status as a boys club; the proportion of women workers in this growing sector is less than half that in London's workforce as a whole. Even where women are active, they tend to be concentrated in lower occupational groups, and outside of fast-growing new technologies. Recent Skillset data on the audiovisual industries shows that while 87 per cent of those in make up and hairdressing are women and 64 per cent of those who work as cinema cleaners, only 18 per cent of those in post production or 17 per cent of those in 2 and 3D computer-generated animation, are women.

The public policy response has so far been led by the Skills Agencies (Skillset for the audiovisual industries and CCSkills), as well as by agencies like Arts Council England¹⁵, who have made efforts to track labour market participation and to address issues of under-representation. But their efforts have focussed largely on issues of visible difference – gender and ethnicity.

¹⁴ GLA (2007) 'London's Creative Sector – 2007 update' GLA, London. p46

¹⁵ See for example, The Diversity in Publishing Network (<http://www.diversityinpublishing.com/>)

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But while we have data on female and ethnic minority participation in the labour market, it is perhaps in terms of class that exclusion is both apparent and often unremarked on. The creative industries may embrace new economic activities, but they are based on the oldest dynamics of the UK labour market, tightly bound social networks, often formed in higher education, narrow points of entry and, in many cases, unpaid labour. While race and gender issues are at least visible; the nature of work in these sectors may soon serve to exclude all but the relatively wealthy from participation.

Competitive and professional labour markets, such as the Bar, have often displayed these characteristics, but the concern about exclusion on social justice grounds is rightly joined in the creative industries by concerns about exclusion in terms of identity and voice; in other words whose culture is it anyway?

It is at points like these when creative industry economic debates have to grapple with the reality of the fact that what we are talking about is the production of culture. The nature of the product – the film, book or music – is more intimately-related to the characteristics of its producers than may be the case in other parts of the economy; concern for a diverse cultural labour market, is also concern for a diverse and healthy culture.

The leadership and public policy challenges raised by these issues are sharp. The sweat equity dynamics of large parts of the cultural and creative industries, particularly at point of entry, are a standing challenge to the leaders of public and private organisations – in that business models whose long term sustainability are dependent on such practices suggests a vulnerability to the current size and scale of the creative industries, particularly in the event of economic downturn.

The labour market regulation issues are complex, not least because we are operating in an area of relatively little detailed knowledge. Organisations like Skillset perform an invaluable role in drawing attention to the characteristics of the labour market, but specific research would be required to, for example, uncover the real size and impact of unpaid work in these sectors.

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In terms of addressing these issues, at the very least greater efforts need to be extended to create better 'floors' in many CI sectors, in terms of the speedy recognition of acquired learning and matching rates of pay. Public procurement, as so often, can lead by example as it has with the 'Living Wage' agreement for the development of the London Olympics in 2012.¹⁶ And the many publicly-funded networks that exist to develop business opportunities for creative workers offer the potential to at least examine some of these issues from the point of view of those who work in the creative industries.

¹⁶ See, <http://www.livingwage.org.uk/olympics.html>

Chapter Four: Creative industries and cultural places

A city like London appears to embody the notion that the public cultural realm, in its built environment, its subsidised arts and culture and its public education; has a dense and symbiotic relationship with the 'market facing' creative industries. Far from being the entirely commercial offering they are sometimes presented as, the DCMS' 13 creative industry sectors always carefully represented the spectrum of activities from the voluntary and community to the highly commercial. They encompass activities that appear to have benefited very little from subsidy, such as videogames or popular music, as well as those which remain highly subsidised, such as the performing arts.

Yet when a clutch of British performers and writers are nominated for Oscars, they still feel the need to 'call upon government,' to reassert the importance of the subsidised theatre in providing them with a training ground, an inspiration and a home¹⁷.

Thus we have a situation where the subsidised arts (along with education) appear to have lost the confidence to state their value in anything other than instrumental terms (libraries are no longer where you go to borrow books or read the newspaper in peace; they are engines of the knowledge economy); while at the same time a government that wants to see the UK as 'the world's creative hub,' is willing to consider cuts to core cultural infrastructure. In response to concern that the British Library may have to charge readers for access, a DCMS spokesperson is quoted as saying, 'The cultural sector has had huge real-terms increases in funding since 1997. Clearly, this cannot go on indefinitely'¹⁸. One might argue that with increasing GDP and a stated desire to be a 'creative hub,' it is difficult to see why this is so 'clearly,' the case.

When Judy Dench says that, 'The health of our film industry depends on the health of our theatre,' it is simple enough for a child to understand. So why do policymakers find this so difficult to act upon in reality?

One answer is to do with a funding and policymaking infrastructure that still insists on splitting culture from commerce, but increasingly makes them compete for the same pot of money. Thus DCMS looks after the creative industry sectors, except where DTI or (less often) the Treasury take an interest, as in fiscal policy

¹⁷ See for example, 'Oscar Quartet plead for more theatre subsidy,' Guardian, 16 February 2007

¹⁸ Quoted in The Independent, 28 January 2007

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for film. We talk about an overall 'creative economy,' but have different bodies for film, for design, for crafts, and for 'the arts.' And funding to support the 'creative industries,' often comes from RDAs or city council budgets, most importantly from European structural funds. Within London, the Mayor's Office has responsibility for cultural policy; sectoral support for the creative industries comes from the LDA, and much local support is channelled through the boroughs.

This complex geometry might work – just - if agencies could be clear about their rationale and role in the overall system, rather than simply parroting one another's arguments. Arts funding agencies in particular appear to have seized on the creative industries as a saving vision in uncertain times, yet continue to give the vast bulk of their funding to traditional arts forms under traditional market failure arguments.

Another aspect of these failures is that the relationship between the subsidised sectors and the market is usually operationalised through a focus on organisations, rather than on individual cultural entrepreneurs, who given the dominance of not for profit business models in the culture sector are the pollinators forging commercial links, networks and transactions between the cultural and creative industries.

In turn the 'non-profit' governance structure that dominates the cultural sector makes it more difficult to capture the broader commercial value created by funds flowing into the cultural sector. This governance model is becoming outdated in the mixed economy, and the Creative Economy process should explore whether public funding rules should be relaxed to allow public funders to invest more freely in cultural organisations deploying new business models and governance structures that allow them to capitalise on the growing strand of cultural entrepreneurship.

Beneath this confusion about where culture 'sits' within government, and its commercial boundaries, is continuing confusion about what it encompasses. Almost fifty years after Raymond Williams told us that culture was 'ordinary'¹⁹, and part of the lived experience of the everyday, public discourse in this area still displays a remarkable amount of confusion about it.

¹⁹ Raymond Williams, 'Moving from High Culture to Ordinary Culture', originally published in N. McKenzie (ed) *Convictions*, 1958

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Thus while no middle-aged politician with his (or her) salt can make a speech about culture without mentioning the Arctic Monkeys or MySpace, in fact our funding and support system continues to blithely ignore many aspects of popular culture. As Justin O'Connor has written²⁰, the assumption is that, '*Classical culture needs protecting; popular culture can look after itself*,' thus the health of small record shops, music labels or independent book shops is left to, 'the market,' in a way that we do not yet consider acceptable for opera or ballet. Film receives specialist fiscal treatment because of its cultural importance, but videogames do not. And while it would be unthinkable to interfere with the market price for tickets at Stamford Bridge; it would be unthinkable not to interfere in the market price of tickets for Covent Garden.

The result of this confusion is that we are in danger of having neither meaningful cultural policy, nor effective economic policies. Part of the solution lies in admitting the fact that, in the creative industries, the two will never be entirely separated. Try imagining a purely economic policy for the BBC, for example. If implemented, it would likely result in the destruction of the BBC's cultural value ('let's cut back on all that expensive, domestic programme-making') which would in turn destroy it as a market player and global cultural institution.

In responding it is important to resist the temptation to both over-estimate and under-estimate the importance of public policy to this agenda. The role of public policy in supporting entrepreneurs is thus often over-estimated; successful ones will arise anyway and anecdotal evidence at least suggests that they are rarely the product of business support schemes. Similarly British popular music seems to run its own course of creative peaks and troughs, in the absence of relatively little *direct* public policy.

Yet we massively under-estimate the importance of public investment in creating the 'spaces and places' of culture. Recent work on innovation²¹, suggest the importance of 'public space,' not solely in terms of the built environment, but in the sense of somewhere where 'conversation' can take place in an atmosphere of trust, openness and mutual tolerance. Highly competitive environments, such as markets, may act as a spur to the later stages of innovation, but they can be inimical to these earlier, exploratory stages. These 'interpretive spaces', which

²⁰ In Critical Quarterly, Vol 48, no 4, pg 93

²¹ Lester, R & Piore, M (2004) 'Innovation: The Missing Dimension', Harvard University Press, Cambridge Massachusetts

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include universities and educational institutions, industrial districts or milieu, and the publicly subsidised arts sector; do not grow up *naturally* in market economies and indeed it is often the role of public policy, and public funding, to create them. In this sense, rather than simply providing cultural goods and services that a market would under-produce, (the standard market failure argument for public culture) the role of public funding is more akin to an R&D lab, providing risk funding and an atmosphere of experimentation, that markets find difficult to sustain.

Confusion about the role of policy often becomes particularly pointed, when *place* becomes the site of policy development, as often as not the city. It is not just that the creative sector is concentrated in cities, but, as the Infrastructure paper for the creative economy review points out,²² much of its 'support infrastructure' is inseparable from that of the city itself. The things that contribute to a vibrant, creative local sector are part of the wider cultural assets of a city – its sense of identity, its record shops, its large and small venues, its libraries and book shops, its museums and galleries, its parks and open spaces, its schools and universities, students and cafes.

The problem for policymakers is that these deep and interlinking assets are only occasionally the results of deliberate cultural (or even more unlikely) creative industries policy. Instead they are often the legacy of education policy, transport policy, planning and licensing laws, migration and housing policy, of Victorian philanthropy and commercial hard sell – mixed together with a variety of cultural assets, public and private. So complex is this mix that commentators sometimes fall back on the lazy assumption that, 'things just happen,' in cities, or that the invisible hand of the market has worked miracles again.

More alarmingly, they are therefore prey to 'toolkits' and 'recipes,' for developing creative cities, whether this is 'get more gay people,' or 'get a franchise of the Getty.' Instead of starting from where places are, and understanding their assets, there is tendency for mimicking – Middlesbrough must be the new Barcelona, or London must 'catch up' with Shanghai.

²² See, <http://www.cep.culture.gov.uk/index.cfm?fuseaction=main.viewSection&intSectionID=341>

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Perhaps in this sense the growing debate about the increasing importance of user generated and mass innovation in a whole range of cultural, creative, and commercial settings highlights the most profound potential link between the cultural and creative industries within London and elsewhere. London, like most big cities, has a poor record in engaging its citizens as genuine architects of its future – using their ideas to help shape future visions of the city, from the use of public space to its cultural and creative aspiration.

Given that the future of London's creative industries will continue to rely on the innate creativity of London and those that choose to live there, we need to start engaging London's citizens in ways that more fully honour their talents and the rhetoric about London's creative economy. If London can't broker a more productive and creative relationship with its own citizens, harnessing its creative, cultural and commercial assets in new ways that reinforce London's edge and aspiration, than London's grander claims to become the world's creative broker should be approached with the scepticism that London's current place based boosterism fully merits.

Conclusion: A global brokerage role for London – making policy like we mean it?

One of the central messages of this piece has been that if London's creative industries are to go on to prosper in the future London needs to turn inwards as well as outwards. Inwards in the sense that we need a more sophisticated understanding of London's creative industries ecology and in turn a more imaginative approach to strengthening its home foundations.

It is only by better understanding the uniqueness of London's creative industries, and therefore how best to nurture them, that the grand claims that London could become the world's creative broker might actually be given some credence. London will then begin to be able to turn outwards and exploit a global role in ways that will actively nurture the sustainability of its creative asset base

If that's the challenge, how can the home foundations and global reach of London's creative economy be simultaneously strengthened? We have already outlined a way of approaching the different sub-sectors within the creative industries to develop a more nuanced understanding of how they work and which policy approaches may be relevant in each case. Analysing London's strengths and weaknesses according to sub-sectoral types, might also help policymakers to understand which parts of the creative industries are likely to thrive in the capital and which are more likely to relocate in the rest of the UK or globally.

In addition, London remains in a strong position to develop the complementary services that support the creative industries both within London and globally. This may be about encouraging the development of specialist legal services – for example concerning intellectual property and commercial licensing across the burgeoning array of content and delivery forms that characterise the creative industries.

Or the key to exploiting London's cultural asset base and global brokerage role may also lie in specialist venture capital skills and the development of new models of financial support – in terms of business model innovation and a move away from the dominance of the not for profit form in the cultural sector.

It is also clear that place remains of primary importance, the virtual exists alongside the physical, it does not trump it. While recognising London's global

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status and embeddedness within global flows of money and ideas; much cultural production still takes place face to face; in offices, coffee bars, theatres and pubs. London needs to work harder to create public realm spaces that encourage more interdisciplinary exchange between commercial and cultural interests, thereby fostering an atmosphere of experimentation that markets find difficult to sustain.

So much for some of the key policy questions, how could creative industries policy making be better conducted? It is an uncomfortable truth that DCMS and other lead agencies entrusted with overarching CI policy have not approached the creation of policy in this area in an imaginative way – drawing the line at a patrician approach to elite networks and consultation.

Imagine how different, and potentially richer, the Green Paper process would be if it had genuinely engaged entrepreneurs from the creative industries, Londoners, and commercial industries in working through how a vision for the creative industries and commercial success could be married to a shared vision of success for London, and for those who want to work and live in the city.

London's status as a global city has long depended on its openness to flows of people and ideas. As a result of a strong economy and its heritage as an imperial capital, London has one of the greatest ethnic diversity ratios in the world. The migrant population stands at 29 per cent, with the largest group coming from the European Union Countries and the rest from Africa and Asia. About 300 languages are spoken and one in five small businesses belongs to minority ethnic groups.

London celebrates this diversity as part of its success – but it is not a success that is driving our creative industries – beyond creating the unique City atmosphere that attracts all kinds of people to London. Right now BME participants are largely shut out of our creative industries. We are not discussing how London's diverse communities could be connecting and attracting new generations of high skilled immigrants to help drive creative and economic renewal in London. London needs to be at the hub of migration flows that are driving the new types of creative and commercial exchanges, all within a new and distinctive phase of globalisation.²³

²³ Saxenian describes how we need to rethink our notions of migration and immigration – escaping the notion of 'brain drain' – and understanding new patterns of 'brain circulation' – in which high skilled immigration increasingly benefits both sides. As she notes 'economically speaking, it is blessed to give and to receive'. See 'AnnaLee Saxenian' *Brain Circulation: How High-Skill Immigration Makes Everyone Better Off* The Brookings Review, Winter 2002, Vol 20, No 1, pp28-31.

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At its worst this conjures up a vision of a hollowed out future – with the entrants into London's creative industries neither adequately representing our diverse population, and becoming dangerously bounded by common tastes and worldviews – whilst London becomes a city for the global rich and preserved economic elites to play and consume. All the while London becomes less and less able to fashion and create – as the world's ever more diverse and internationalised creative class look elsewhere – both for their fun and for the money.

This may be a future that never comes to pass – but some of the seeds of its creation are already in the ground. In response we need a more open and imaginative approach to creative industries policy making – embracing the shifts in focus and method we have discussed. The creative industries have become far too important to do anything else – or to continue to place so much of our trust on their continuing accidental success.

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