



## **The World Today**

### **The Rise of the Creative Economy**

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The creative sector refers to aesthetic, identity and copyrightable goods, services and intellectual property. It embodies a wide array of activities that make and circulate sounds, words and images or a combination of the above. It applies to artistic, creative and copyright works that are identifiable commodities and services that are for sale, exhibition or display in some marketplace, public arena or media. In short, the term cultural or creative industries describes the economic activities of artists, arts enterprises and cultural entrepreneurs, for-profit as well as not-for-profit, in the production, distribution and consumption of film, television, literature, music, theatre, dance, visual arts, masquerade, broadcasting, advertising, multimedia, animation, fashion and so on.

#### **Impact on Economic Growth**

In most developed market economies the cultural industries account for 2-5% of GDP and have generated consistent and stable growth above world average in the last decade, as exemplified in a rising share of employment and exports. Global estimates forecast that the creative industries will grow by 33% in the next four years. Creative industries are also a key driver of the digital economy. Consumer demand for creative content is driving the new sales (30 - 50%) in computers, broadband, cell phones, and ecommerce.

Similar trends are observed in some large developing countries such as India, Mexico and Brazil that have strong capabilities in the audio-visual sector and large home and diasporic markets. Increased personal, recreational and audio-visual services have also contributed to the economic growth. The sector also has strong synergies and linkages with sectors like tourism (e.g. heritage and festival tourism). In some major cities and tourism destinations cultural tourism is estimated to be as high as 40% of the annual visitor arrivals. In addition, cultural tourists tend to spend more on local goods and services than the average visitor.

#### **Effects of New Digital Technologies**

The new digital technologies have revolutionized the creative industries in terms of production processes and consumption channels. Low-cost digital recording technologies have facilitated the diffusion of sound, text and image production by small entrepreneurs

without any appreciable compromise in quality. For example, feature films can be shot digitally at a fraction of the cost of older analog technologies. Mass production technologies have been replaced by niche production and mass customization (e.g. ringtones, print on demand services, movies-on-demand, interactive TV). The proliferation of smaller production outlets makes the production stage of the commodity chain the most competitive and consequently prices and margins have been driven down in recent years.

The convergence of the telecoms, telephony, the Internet and cultural content has revolutionized product sales and marketing, changed the nature of piracy and royalties collections, as well as upset the balance between the major content distribution/marketing companies and the independents, thus giving the consumer greater choice. However, these gains are dependent on wider access to Internet services internationally, the growth of broadband and wireless access, and the expansion of interoperability between content providers/creators, digital distribution channels (e.g. online subscription services like iTunes) and consumption devices (e.g. mobile phones, iPods). All of this would not be possible without digital rights management which facilitates consumer usage rights while protecting the works of creators from unauthorized distribution and unfair use.

### **The Way Forward**

The challenges facing the creative industries are different from those posed to the traditional goods sector. Firstly, intellectual property protection must become a priority. The creative industries cannot survive in the marketplace without adequate protection from copyright infringement. Without such protection cultural entrepreneurs would be at the mercy of piracy, bootlegging, counterfeiting and other forms of infringement such as unlicensed broadcasting. For example, music is one of the easiest forms of art to pirate as a result of the wide diffusion of reproduction technologies such as recordable compact discs and Internet based file-sharing and peer-to-peer formats like My.MP3.com, Gnutella, Napster and Grokster. The latter technologies have helped to expand the demand for music but have also had a negative impact on the music industry with declining sales to the tune of 5% year on year since the late 1990s.

Secondly, research and development (R&D) must be placed higher on the agenda. In the cultural industries R&D means investment in human and creative capital. This is a critical area as the cultural industries start with creativity and it accounts for a large share of investment in the sector. For example, the Recording Industry Association of America estimates that the US music industry spends at least 15% of its turnover on research and development which is higher than in computing, chemicals and aerospace industries. Investing in creative capabilities calls for the establishment of professional training institutions, as well as business support mechanisms for young artists and cultural entrepreneurs.

Lastly, marketing and branding are crucial because audience loyalty is difficult to build and predict. With the rise of the digital and Internet economy there is a tendency to underestimate the level of the challenge of introducing new and alternative genres into the world market for creative goods and services. Ultimately, the issue that arises for

developing country regions like the Caribbean is whether they will be able to develop the expertise along with the distribution infrastructure and marketing savvy to tap into the growth potential of the rising creative sector.