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The world's creative hub or "bullshit Britain"? The future of the UK's creative economy

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Introduction

How is the UK to pay its way in the global economy of the twenty-first century?

Earlier this year, on 22nd July, the Confederation of British Industry (the CBI) unveiled a new strand in its programme of work at a private event in the Odeon West End cinema in London addressed by Jeremy Hunt, the Secretary of State for Culture, Media and Sport. The CBI was now on the case of the creative industries. This was interesting timing given that Mr Hunt had just announced his intention to cut staff levels in his Department by some 50%, and, with colleagues, had begun to broach the idea of cutting the level of public funding available to the arts and culture sector by up to 40%.

The audience that day, comprising around sixty senior figures in the music, film, TV, games, publishing, fashion and related creative sectors, seemed slightly bewildered by Hunt's relentlessly upbeat delivery. Given recent announcements, there was something uncomfortably counter-intuitive about the optimistic message being delivered to these hardened industry practitioners by the Secretary of State.

But to return to the question, where *is* growth in the UK economy to come from; and, to ask a consequential question, shall we in future be able to compete successfully against the great economic powers, old and new? Well, the indications are that advanced manufacturing in industries like biotechnology, avionics and pharmaceuticals will certainly be important; as, too, will financial services, though stripped, one hopes, of the credit default swaps and other derivatives that almost brought us to our knees in 2008-09. Professional services, including law and accountancy, at which on any comparative reckoning we excel, will also remain key drivers of national competitive advantage.

The creative and cultural sector, broadly defined, is another segment of the economy on which high hopes have been placed, both by the previous government and by the Coalition. "…culture", wrote Peter Aspden in the weekend *Financial Times* on 17th-18th April, shortly before the general election, " – not industry, not health provision, certainly not financial services – has been Britain's new jewel in the crown".

The purpose of my lecture this evening is to interrogate that statement, to look beneath the surface of what increasingly we refer to as the "creative economy", and to set out what seem to me to be the main conditions required for competitive success. But first we must define our terms.

Defining terms

I could spend a lot of time this evening dissecting the terminology of the "cultural and creative industries", or "CCIs" as they now call them in Brussels. You'll be relieved to know that I don't plan to do that. Those of you who wish to explore the taxonomy of the sector will find illumination in Professor John Hartley's edited volume *Creative Industries*, published in 2005, and in Professor David Throsby's more recent book *The Economics of Cultural Policy.* Even more handy as an introduction to the subject, and hot off the press, is an excellent summary published by the British Council under the title of *Mapping the Creative Industries: a Toolkit*.

Following Throsby and others I shall use the umbrella term "creative economy" to refer to a model of radiating concentric circles (think of it as a kind of dart board) at the heart of which are found visual and performing artists and producers – writers, directors, composers, dancers and other performers – populating that part of the economy which most embodies *cultural value* relative to *commercial value*. These were referred to as "core creative fields" in the Work Foundation's ground-breaking 2007 report *Staying Ahead: the Economic Performance of the UK's Creative Industries*, written in collaboration with NESTA (the National Endowment for Science, Technology and the Arts).

Radiating away from this core we find the "cultural industries" – publishers, theatres, museums and galleries, TV and radio companies, computer games and film production companies – where art more visibly mingles with business and considerations of commercial value relative to cultural value are more in evidence than at the heart of the model. Finally, in a third, outer concentric circle we find "creative industries" – architecture, computer software services, design, advertising and fashion for example - where cultural content is still an essential factor of production, but cultural value is generally seen as subsidiary to commercial value.

This model is certainly not the only one to be found in academic and policy-making circles, nor is it perfect. For example there is scope for argument as to what activity should fit precisely where in the overall schema. Another weakness is that artists, producers and technicians in practice tend to move backwards and forwards *across* the lines of these notional concentric circles. Ideally a more dynamic model is required, but this one will suffice for broad descriptive purposes. It is less satisfactory as a basis for making economic and regulatory policy decisions, for reasons which I'll touch on later.

Before moving on from definitional matters, some brief reflections on the notorious "c" word - "creativity". Given that we are discussing the future of something called "the creative economy", this would seem to be helpful!

Unlike many phenomena in science there is no single definition of creativity, and no objective way of measuring it. The writer and polymath Arthur Koestler famously identified three types of creative individual - the artist, the sage and the jester. But creativity, just to confuse matters, is as much the province of engineers and neurosurgeons as it is of poets and painters (or jesters for that matter). And it is certainly of interest to entrepreneurs and financiers in the entertainment business, where everyone is searching for the next "big thing".

For the sake of clarity let us try to nail down the "c" word a little further. In his book *The Creative Economy: How People Make Money from Ideas*, John Howkins argues that three essential conditions are necessary for the establishment of genuine creativity: personality; originality; and meaning. It is the personality and originality of the creator, or so Howkins argues, combining to produce peculiar *talent*, that gives rise to the individuality of what is created, that distinguishes what is created from what has come before, and from mere imitation or pastiche.

This is clear. Unfortunately however, under the influence of assorted management gurus, policy wonks and over-eager marketing executives, not to mention over-enthusiastic government ministers, the "c" word has come to be one of the most abused in the English language. It is therefore useful to highlight some supplementary defining characteristics.

First, creativity is not the same as *innovation*, the essence of which is *application*, or craft. The difference between creativity and craft is that the latter places less value on uniqueness than on top quality technical skills. The distinction is clear, for example, in the art of ceramics.

Secondly creativity is not, as some business pundits imagine, what happens when a group of people are dragooned in front of a whiteboard for half an hour in order to generate "ideas". It is not a substitute for knowledge, reflection and proper research.

Thirdly creativity is not a synonym for "smartness" or "quick-wittedness". As several commentators have pointed out, politicians take much of the blame for leading us into this conceptual error. Claire Fox for example, director of the Institute of Ideas, has criticised the language of Labour government policy documents, especially in the field of education for, as she sees it, diluting our understanding of what creative *talent* is, and encouraging the notion that everyone can be "creative" simply by being smart and "on-the-ball".

So what is creativity? It is, above all, a mind-set. At its core is a capacity to be *original*. In Howkins' words "creativity requires a person to see something, literally or metaphorically, and bring (that) something into being". He cites Sam Mendes, the Oscar-winning theatre and film director, who refers to that moment in directing a play or a movie "when you discover something that only you can do, only you can say." Something roughly similar can be said about our greatest entrepreneurs: only Richard Branson could have made the Virgin brand take flight. Only James Dyson could have given us the famous vacuum cleaner and sold it to the world. In each of these examples, the expression of creativity is associated with the taking of *risks*, which may also, therefore, be seen as a contributory defining characteristic.

In short the word "creativity" should therefore be used with rather more care than has often been the case in recent years. That said, its meaning and application cannot be set in tablets of stone in a fast-moving age. The phenomenon we loosely refer to as "the digital revolution" has already made a huge impact on the creative process throughout the economy. It profoundly affects the way people work at every point in the value chain – from origination, through development and production to distribution and consumption – because the value chain is itself being "dis-intermediated", to use the argot of media business.

This is perhaps most obvious in the world of multi-player online gaming but is also apparent more generally in the new world of wikis and crowdsourcing. In consequence the Howkins/Mendes concept of creativity ("something that only you can do, only you can say"), is under considerable challenge from internet pundits like Clay Shirky and Charlie Leadbeater, commentators whose world views are essentially collectivist. They are clearly right where production, distribution and consumption are concerned. Whether this fundamentally also changes the creative impulse as far as the *origination* of content is concerned, I personally doubt, though this is undeniably a matter of dispute.

How good are we really?

For reasons no-one really quite understands creativity is a peculiarly British attribute. From Shakespeare to Pinter, Turner to Hockney, Wren to Rogers and Purcell to Birtwhistle, not to mention, according to taste, Andrew Lloyd Webber, Damien Hirst, Vivienne Westwood and countless icons of rock and pop, this is something we're rather good at. That is what we tell ourselves - not without a hint of smugness, and much to the annoyance of some our friends in continental Europe.

On one level this smugness is harmless enough, but it can also shade into hubris when ministers, as under the previous administration, make the claim that Britain is "arguably the world's most creative nation". More seriously, as regards any proper analysis of the creative *industries*, it can also give rise to self-delusion. This is precisely the argument that has been advanced from the unreconstructed Left by writer and social theorist James Heartfield; and also, more rumbustiously and from the political centre, by two journalists, Larry Elliott and Dan Atkinson, respectively economics editors of *The Guardian* and *The Mail on Sunday*, in a book entitled *Fantasy Island* published in 2007.

Fantasy Island contains an entertaining chapter entitled "Bullshit Britain: Multiple Hallucinations of a 'Creative Economy'". The authors score some palpable hits by breaking down the creative industry sector into its constituent parts and simply analysing the numbers, many if not all of which appeared at the time to have been moving in the wrong direction. Elliott and Atkinson's examination of the design, film, TV and music industries in particular draws them to a series of negative conclusions. They are also able to cite NESTA research from October 2006 to the effect that things were not much better in other creative industries: employment in the advertising industry, for example, had fallen by 20,000 in three years; and the number of people working in games development had fallen by 6 per cent since 2000.

Overall, Elliott and Atkinson conclude that the key drivers of the creative economy were all in trouble and that this was a clear case of hype (or "bullshit") triumphing over fact and substance. "The difference between Germany's record trade surplus and Britain's widening trade deficit", we read towards the end of their book, by way of conclusion, "is that Germany has factories, Britain has

The Office".

A nice little joke, that, and more seriously, leaving aside a certain fairly naked cultural bias in favour of traditional manufacturing, there are some well-made points here. The general thrust of Elliott and Atkinson's argument was, and remains, a much needed antidote to some of the cruder forms of "boosterism" practised by New Labour ministers.

However, from a vantage point of some three years later, it seems to me that the picture is more complex and nuanced, as well as less pessimistic, than Elliott and Atkinson allow. By way of comment I want to make three brief observations on their thesis before turning to the main section of my lecture, which will take the form of a kind of cut-down SWOT analysis of the UK's creative economy.

First, the famous "DCMS 13" is largely a political, not an economic construct. For those of you who may be unfamiliar with this bit of recent history, I refer here to the now celebrated mapping exercises carried out by the Culture Department in 1998 and 2001 which categorised the following industries as "creative": advertising; architecture; art and antiques; computer games; crafts; design; designer fashion; film and video; music; the performing arts; publishing; software; and TV and radio.

From a political perspective the idea of the DCMS 13 has served its purpose well; it grabbed attention and helped change attitudes by focusing on the successes of the sector as a whole. From an *economic* perspective it has always been less satisfactory. Some industries appear, for example, to be far more pro-cyclical, or even ultra-cyclical, than others. This explains why the advertising and design industries shed so many jobs following the mini-recession of 2000-2001, and took so long to recover. The advertising industry indeed took a full five years to recover in terms of its gross value added (GVA) contribution to the economy.

Second, as everybody knows, the copyright-based industries – music, publishing, film, TV and games, and especially music – have been subject to enormous pressures associated with the digital revolution, changes in consumer behaviour and so-called "piracy". Some countries have been hit harder than others: the film industry in Spain, for example, has been virtually wiped out by piracy. What is less widely understood is that as regards the music industry especially this process has been going on for at least a decade. Global recorded music sales fell 5% in the first half of 2001. The only exceptions in terms of major markets were France and, oddly enough, the UK. The point is that some of the industry problems highlighted by Elliott and Atkinson in *Fantasy Island* were by no means confined to the UK.

My third and final observation on Elliott and Atkinson and their "Bullshit Britain" thesis is that amidst the knock-about and slightly mischievous point-scoring they miss what for me is the most important point of all, which is that **the UK genuinely is a great feeding ground for creativity of all kinds, but not good at building business capacity, and hence international competitiveness, in the great counting-house of the global creative *economy***. If I had to summarise the thrust of my lecture in a single sentence that would be it!

Now, this assertion must of course be substantiated if it is to command respect in a community of scholars. I would need rather more than 40 minutes to complete that task satisfactorily. However I think we can make some progress by sketching out the main features of a SWOT analysis on the UK's creative economy as it currently stands. I realise that SWOT methodology – the analysis of strengths, weaknesses, opportunities and threats – is regarded in some management consultancy circles as rather passé. Often the same phenomenon can be perceived both as strength and opportunity, or even as strength and weakness, whilst weaknesses may also constitute threats, and *vice-versa*, leading to niggling problems of classification. But, overall, I nevertheless still find SWOT exercises helpful as a way of getting into the issues to be investigated. So here goes.

Strengths

I believe that seven distinctive characteristics of the UK's creative economy are sources of competitive advantage, though there may be others.

First, we have an extraordinary cultural heritage in what might be called the story-telling department, and a no less extraordinary history of which stories can endlessly be told and re-told. Shekhar Kapur , who is a distinguished Indian film director, has chosen to make not one but two films about Queen Elizabeth I of England, financed by a lot of American money. Apparently a third is on the way. "Brand England", from Robin Hood to the Sex Pistols via Sherlock Holmes, holds an astonishing and undiminished fascination for global audiences. We shouldn't knock it!

Second, as I noted earlier, we are generously endowed with creative talent. I don't propose now to attempt to quantify this statement, though several ingenious attempts to do so have been made, especially in the USA. I will note, however, that there are said to be some 80,000 Brits living and working in Hollywood and the surrounding area. This is twice as many people as work in the indigenous UK film industry. That is one measure of our creative strengths, although it also reminds us that talent is highly mobile (think "threat" in a SWOT context).

Third, as Mr Kapur clearly recognises, the English language is increasingly the international language of the media and entertainment business. One of the vital statistics of economic geography is that more than 375 million people speak English as their first language. Between 470 million and a billion people speak some English as a second language. This is a colossal potential market for our creative products. It is very convenient for us and very annoying to the French (amongst others)!

We should, however, be careful not to congratulate ourselves too much on this good fortune. The English language is a sword but not a shield for our cultural producers. It allows everyone, including the Malaysians for example, to enter our markets, and is also inextricably identified in many parts of the world with all things American.

Fourth, we are a culturally diverse society. I refer to the phenomenon of diversity here not just in the usual senses of ethnicity, gender, age and sexuality, but also in the sense of "cognitive diversity" as understood by psychologists and others – meaning the coming together of different sets of knowledge to produce new outcomes. I am not an authority on this subject, but anyone who saw Damon Albarn's *Monkey: Journey to the West* in 2007, a work billed as a "circus opera", will probably understand what I'm talking about. Diversity in the broadest sense is a significant driver of creativity.

Fifth, we are heirs not only to a distinctive entrepreneurial tradition, as already noted, but have invested seriously in human capital, that is to say in skills. Perhaps there are really two separable points here, but entrepreneurs need access to a large skills base, and we have one. Other things being equal – I am thinking especially of the dollar exchange rate – the US studios come to make their movies at Pinewood, Shepperton and elsewhere because we have an incontestable track record of providing the required technical skills at the highest levels. Skills attract investment, and investment is the key to success.

Sixth, we benefit from the stimulus to the imagination, not to mention the commissioning power, provided by the component parts of an exceptionally rich, creative institutional infrastructure, by which I mean museums, galleries, theatres, libraries, universities and public service broadcasting, including radio. Ask any visiting American creative industries' academic what most distinguishes the British scene and s/he will say, quick as a flash, "the BBC".

Actually it's more complicated than that, but it is hard to dispute that the effects of a combination of a now ancient political intervention in the form of the establishment of the BBC in 1932; of other subsequent interventions, including John Major's National Lottery in 1994; and, more recently still, of Labour's more than doubling of arts and culture funding between 1997 and 2010; have been to stimulate and fertilise the development of creative talent in the UK on a scale which few countries, if any, have matched.

This applies most obviously to the performing arts, including dance, as well as the visual arts, whose practitioners are to be found in the two inner rings of the concentric circles model of the creative economy I described earlier. It also applies, though less obviously, to the commercial sector. Unfortunately, how exactly this works in terms of what economists call "spill-overs", is poorly researched and badly understood, as I have argued in a recent publication *Arts Funding in a Cooler Climate,* published by Arts & Business.

Finally, in my top seven of creative economy strengths, I would add digital infrastructure. UK businesses have access to competitive markets providing advanced, robust, keenly priced, bespoke fixed and mobile communications services without which content-based creative industries cannot thrive in a digital age. Other countries have certainly matched this achievement, for but for the time being we remain competitive.

Weaknesses

So much for the good news, and there is a lot of it. What about our weaknesses? I want to identify four, each one of which merits a lecture on its own.

First, at around sixty million, we have a relatively small domestic market, certainly compared to the Americans, not to mention the Indians and the Chinese. The reason why we need to export ideas and content is that the UK market on its own is really too small to enable us to scale up media businesses to the point at which they can compete head on with global corporations like Time Warner and Vivendi.

This relates to a second point. In some of our key creative industries, from a global perspective we have lost positions of business leadership. This is not true across the piece: in advertising for example, as well as in architecture and the art markets, we continue to punch at or above our weight on a variety of measures. We also have a world-leading position in the production of TV "reality" formats: *Pop Idol* remains the UK's biggest television export of all time.

But in the audio-visual industries generally, as in publishing (Pearson is a notable exception), we have ceded leadership positions to others, and especially the Americans. Film is one example, though much the same phenomenon can be perceived in music and, increasingly, in games development.

Four Weddings and a Funeral and the *Harry Potter* series are usually thought of as quintessentially English movies. After all, you can't get much more English than Hugh Grant or, well, Harry Potter! But follow the money and you will discover that most of the profits, and hence the tax revenues, flow back to the United States, because that is where the rights are owned and the key business decisions are taken. This is a recurring pattern.

It was not always so. Back in the 1950s and 1960s, when Sir Joseph Lockwood was running EMI and J. Arthur Rank was still chairman of the Rank Organisation, the UK could boast two world class media and entertainment companies. Fifty years later, with Goldcrest come and largely gone and EMI now effectively a spent force, at least in current business terms, we cannot boast a single international player to rival the Disneys of the global market-place. According to the European Audiovisual Observatory in Strasbourg, of the leading 14 film companies in the UK and Europe in 2008, measured by aggregate operating revenues (in production, distribution, rights and video), well over half were American, headed by Walt Disney International. There is only one UK theatrical distributor on the list, one UK film finance company (Ingenious), and no stand-alone UK film production company.

Third, and this point is clearly related to the loss of global leadership positions, although the UK is, as I suggested earlier, a great "feeding ground for creativity", it is not very good at building *business capacity*. This is a complex subject, fully understood by very few commentators, even creative business specialists. It is to do with skills, investment and finance, and – crucially - with the dynamic relationship between them. My colleague Patrick McKenna, who opened this splendid building on 17th March this year, took the opportunity on that occasion to address this subject at length. I commend his lecture to you if you missed it.

Fourth, and here I turn briefly to the realms of public policy and politics, there is disturbing evidence that we have largely stopped thinking! The mapping exercises carried out by the DCMS in 1998 and 2001 put us ahead of the game, but the world has been catching up fast, especially the countries of South and South East Asia, sometimes with British help (Singapore is advised by David Puttnam for example). A number of other countries, from Estonia to Colombia, have committed serious resources to the challenge of becoming globally competitive.

The Chinese are making great strides, especially in Shanghai. Sitting amongst the usual suspects, it was fascinating to note the presence of two Chinese government officials at an event held in June 2007 in the Hayward Gallery on London's South Bank to mark the publication of Will Hutton's report *Staying Ahead: The Economic Performance of the UK's Creative Industries.* I was thinking about them when I read recently that President Hu Jintao had made a speech that very year in which he said this:

> We must….vigorously develop the cultural industry, launch major projects to lead the industry as a whole, speed up the development of cultural industry bases and clusters of cultural industries with regional features, nurture key enterprises and strategic investors, create a thriving cultural market and enhance the industry's international competitiveness.

That is what you might call a statement of intent!

By contrast, almost everything that has come out of our government since 2007 has been a disappointment, excepting only chapter four of Lord Carter's final report on *Digital Britain*, which attempted to grapple with the very serious implications of the impact of digitalisation for the future of the UK's content industries. From a British perspective I would add, as an aside, that it is a great pity that Stephen Carter, the only minister with responsibility for media industries ever to have worked in one, decided to leave government in 2009. He now works in Paris for the global telecommunications company Alcatel-Lucent - another example, though perhaps of a different kind, of the mobility of talent.

The Opportunity

No new study of the creative industries produced in this country in 2010 could now justifiably adopt the title *Staying Ahead*. We must think more in terms of "getting ahead". This brings us to the global opportunity for the UK's creative economy.

There are two reasons for suggesting that an opportunity is there to be seized. The first is statistical. The global trade in creative and cultural products and services is growing as a proportion of the total global economy, according to the UN's trade and development body UNCTAD. In its 2008 *Creative Economy Report* jointly produced with the United Nations Development Programme (UNDP), UNCTAD calculated that the creative industries accounted for 3.4% of world trade and $424 billion of exports in 2005; and that exports had grown at an average annual rate of 8.7% between 2000 and 2005.

It should be noted that the production of international statistics of this kind is not without its difficulties, and some care should be taken in using them. Nonetheless the overall direction of travel is clear: the global market for creative and cultural goods and services is growing in both absolute and relative terms.

Second, and here I have to resort to hypothesis and anecdote rather than statistical evidence, there is the point that I have already made – that there is a huge global appetite for UK-produced and/or UK-associated creative goods and services.

There is a Vivienne Westwood shop in Moscow. I was once invited to an event there. On the way the taxi-driver asked me in excruciating English whether I knew the rock band "Sled". At first I couldn't figure out who he was talking about. Then the penny dropped. I was able to tell him that Noddy Holder, presiding genius behind the 1970s' band Slade, and I, are both long-suffering Wolverhampton Wanderers supporters.

Earlier this year, in the wonderful Rajasthani city of Udaipur en route to the airport, another taxi-driver asked me if there had ever really been a "Dog of the Baskervilles", as he charmingly put it.

Then, only a few weeks ago in Kiev, a student told me that she had seen the 2004 film *The Libertine*, starring Johnny Depp and Rosamund Pike (produced by John Malkovitch and others), and asked me if I knew anything about the poetry of the Earl of Rochester. (Actually, I'm not great on seventeenth century poets!).

This, I repeat, is only the stuff of anecdote, but nonetheless I believe it reveals an important truth about the opportunity for UK content creators and distributors if only we can figure out how to exploit it. In passing I would like to add that there is a view in Hollywood that we don't try hard enough to project a positive view of contemporary Britain, preferring instead to dwell on great historical disasters like the sinking of the *Titanic*.

Threats (Challenges)

That brings us, finally, to "threats", or "challenges" as we must now call them, at least in the business world.

In the rapidly evolving converged world of digital technology and creative content, most, though not all creative businesses, are essentially media businesses. This process of change is irreversible and will continue to pose enormous challenges to creative businesses everywhere. Many "old" media businesses, like newspapers and record companies, are really in trouble; whilst most "new" media businesses are still struggling to generate revenues and profits.

There are some exceptions: the leading social gaming companies, like Zynga and Playdom – significantly both based in California - are already generating big numbers in terms of users, revenues and valuations. For a much larger number of creative businesses, however, wherever they may be located, the biggest challenge will be to work out how to adapt their structures, skillsets and funding structures to support new, digitally driven ways of doing things.

Thinking more specifically of the UK's interests, I think there are four challenges to be addressed. The first is the most obvious: global competition. As I have already suggested we have certain competitive advantages, but it is by no means pre-ordained that we will compete successfully in all relevant markets. Our very successful games industry is facing enormous pressure from the Canadians and the French, amongst others. Much the same is true of our film animation industry: even Aardman Animations, of *Wallace and Gromit* fame, and Blue Zoo, another award winning British company, have found the going exceptionally tough, in part because of the tax breaks available to competitors in other jurisdictions.

That means, secondly, that we have to get our public policy framework right. It isn't at all clear, yet, how the Coalition administration will respond to this challenge. All we have so far is a commitment to high speed broadband and a recognition of the need to "do something" about copyright, whatever that might be. This is a formidably difficult challenge, as anyone who has attempted to engage with intellectual property issues will readily acknowledge. It is widely agreed that the Digital Economy Act, rushed through Parliament at the fag end of the last government, has not cracked it. We need to extend the framework of public policy to embrace interactive content; to modernise the licensing system; and to find ways of rewarding creativity in the digital world, meeting the interests of creators, aggregators, distributors and consumers alike.

Perhaps an even bigger challenge for government, especially in times of austerity, is to ensure that the investment climate is right. This is the third issue. Aggregate investment in UK originated creative content has been falling for several years, and was declining even before the recession began: according to OFCOM figures it fell by £314 million between 2004 and 2008.

Interviewed in *The Observer* on 15th August, film Director Stephen Frears, (you may remember *My Beautiful Laundrette* and *The Queen,* and you will certainly have seen the ads for *Tamara Drewe*), remarked that "…the true heroes of films are the investors. They take the risk, after all." Such perspicacity is not common amongst film directors, but Mr Frears is right: without risk capital you can't achieve anything in what is essentially a "hits" and "misses" business. Film is an extreme case, but to some degree all creative businesses fall into this category of high risk businesses.

To revert to an earlier point, this is where the concentric circles model of the creative economy is at its weakest. Indeed, it is almost useless from the perspective of investors. If we are to attract investment capital into the creative industries in sufficient quantities we need to develop a risk-based approach to fiscal policy and public intervention, and to public policy for the creative sector more generally.

Finally, under the heading of challenges, there is the shortage of business capacity. I make no apology for repeating the point. So often it is the missing element in the analysis. It is the key to seizing the opportunity. How to build sustainable creative businesses: this is perhaps the biggest challenge – for all of us.

Conclusion

So, to conclude, can we compete successfully? Answer: as regards the creative economy the jury is very much out. It all depends on whether we can effectively address the challenges I have sketched out this evening, exploiting our undoubted competitive assets and rising to the global opportunity.

And to answer the other question, the one I posed in the title of my lecture, we are neither "the world's creative hub", though we are certainly *one* of them, and a particularly favoured one, nor are we "Bullshit Britain". We have a fantastic reservoir of creative and technical talent to draw upon, and enormous potential for success. But in order to succeed on most *economic* measures we need to develop more of a strategy for international competitiveness than is currently on view.

Let us try to imagine the future. I can envisage two alternative scenarios. They look something like this.

Scenario 1. We fail to respond to the policy challenges. We fail to invest sufficiently, or sustainably, in our creative businesses. The commercial upside that flows from British creative talent which, as I have noted, is highly mobile, will continue to revert, in large part, to the US "majors"; then, later perhaps, to those Chinese and Indian corporations who have invested heavily in the acquisition of our creative businesses, and for whom many of us will end up supplying commoditised services.

Sure, lots of people will continue to have fun creating and working in tiny project-based businesses, but these businesses will never fulfil their commercial potential. In terms of the UK's position in the global creative economy, we will eventually slip to second division status.

Scenario 2. We rise to the policy challenges! We succeed once again in building on our large talent base to establish globally competitive businesses. Significant numbers of our small creative firms are able to make the critical transition to becoming *rights-holders*, not just project managers, and by this and other means to scale up and achieve international standing. The government benefits in terms of increased tax revenues. We all benefit from the commercial upside that competitive success delivers: the rewards of UK creativity flow back to UK citizens. Happiness!

This is, of course, a highly idealised and perhaps slightly frivolous way of setting out a vision of conceivable alternative outcomes, but it focuses the mind.

Finally, *finally*, since we are gathered in the Hugh Aston Building, I can't help fantasising just a little about what Hugh Aston himself would have made of all this. There have, for sure, been few distinguished musicians and composers in any age who were also practising politicians. That Aston was "creative" is not in doubt. And I note Professor Emmerson's comment that "Hugh Aston is noted for his innovative keyboard and choral writing…"

I also note Stephen Butt's observation that Aston, at the time of his death in November 1558, appears to have been in receipt of "no less than seven pensions". Right! So Hugh Aston was creative, a true artist, innovative, a politician of sorts, and appears to have liked money!

I think he might have been really quite interested in the attractions of scenario 2.

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