

CRISIS, CREATIVE ECONOMY AND KNOWLEDGE-BASED SOCIETY. THE NEW GEOGRAPHY OF THE CREATIVE COMMUNITIES

Marta-Christian SUCIU¹

Abstract: *The paper topic is a key one mostly in the European context where 2009 had been declared as “The European Year of Creativity and Innovation”. I have chosen this topic starting from my strong wish to share part of my research results to the other members of the Academy of Romanian Scientists. The Academy of Romanian Scientists is a forum of scientific debates and offers me great opportunities for dialogue and for cooperation. The paper presents briefly some theoretical and methodological issues that reveal the state of knowledge in the chosen topic. It includes some of the research done within the national research project “IDEI” dedicated to “Creative economy and knowledge-based society. Challenges and opportunities for Romania”. This project benefits from a budget finance obtained under competition basis in 2007. The most important message of the paper is that creativity and innovation are becoming strategically important for any country, region, industry that is determined to break-even the crisis time by facing the challenges and by exploring the opportunities highlighted by the crisis time.*

JEL classification: Z1, A13, A14, A30, D89, O1, O4

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1. Introduction

The global crisis highlights the importance of creativity and innovation in order to find the best solution for recovery and for long-run competitive advantage and prosperity. Many famous authors consider that now we are at a turning point to a new type of economy: *creative economy* based on *creative class*, *creative clusters*, *creative industries* and *creative communities*.

2. Crisis and creative economy

Motto: “*Recession is the mother of invention*”.

Richard Florida

The *global crisis* asks for *recovery* and this means to understand the importance of unlocking the creativity of every citizen. We live now in the midst of a global socio-economic and mostly *moral and value transformation*. While this

¹Prof., PhD in Economics, Faculty of Economics, Chair: *Economics and Economic Policies Department*, University: *Academy of Economic Studies Bucharest, ROMANIA*, corresponding member of the *Academy of Romanian Scientists* (e-mail: christina.suciu@gmail.com).

transformation to a *knowledge-or idea-driven creative economy* has been underway for more than three decades, the current financial and economic crisis has accentuated its importance.

Richard Florida suggested recently “*We must create a society where learning is a way of life and learning is life-long. A knowledge society-where what counts is what you know, not who you know. A knowledge society where learning creates hope and opportunity. A knowledge society where every child gets an equal start*” [1].

Crisis opens great opportunities to ensure future prosperity. One famous author, Richard Florida sees the current *recession as an opportunity to "recalibrate" a distorted economy toward the prosperity principles* [2]. The creativity, innovativeness, and productive talents of people will *generate prosperity for the long term*. Greater returns seem to have gone in the most development countries to *innovative and creative industries*, to more highly educated people, to those in creative occupations (called *creative class*), and to *urban areas, mostly to the creative communities and creative cities*. Richard Florida had recently highlighted that “*the crisis is a break point that makes us understand that the only real capital we have is human beings and our creativity*” [3].

On March 2008 Premier Dalton McGuinty from Canada requested to Roger Martin and Richard Florida to undertake a study of the changing composition of Ontario’s economy and workforce and have provided recommendations. Roger Martin is the Dean of *the Joseph L. Rotman School of Management at the University of Toronto* and Richard Florida is the Director of the *Martin Prosperity Institute at the Rotman School*. *Roger Martin and Richard Florida call on Ontarians to embrace the promise of the global economic transformation underway and to harness its potential for building shared prosperity for Ontarians Toronto* [4].

We are moving to *an economy that values people’s creativity, especially analytical and social intelligence skills with great cities and regions, and a culture that values openness, diversity, and social cohesion*.

Preparing this report Martin and Florida had illustrated that crisis is simply accelerating an irrevocable trend in advanced capitalist economies – the near disappearance of jobs based largely on physical skills or repetitive tasks, from construction to assembly lines [5]. Martin and Florida consider that advanced knowledge-based societies will be made up of two classes [6]:

- *The creative class*, a term coined by Florida for workers with a lot of autonomy, including doctors, senior managers and artists;

- and *the service class*, made up of low autonomy jobs such as clerks, hamburger flippers and secretaries.

2. The new geography of the creative communities. The rise and decline of global financial centres through recent centuries.

Economic crises tend to reinforce and accelerate the *long-term trends* within an economy. Our economy is in the midst of a fundamental long-term transformation-similar to that of the late 19th century, when people streamed off farms and into new and rising industrial cities. In this case, the economy is shifting away from manufacturing and toward *idea-driven creative industries* and that favors *talent-rich, fast-metabolizing places*.

The economy is different now. It depends on *generating and transporting ideas*. The places that thrive today are those with *the highest velocity of ideas, the highest density of talented and creative people, the highest rate of metabolism*. The economy is driven by key urban areas; *a different geography* is required. It will be a more *concentrated geography*, one that allows more people to mix more freely and interact more efficiently in a discrete number of *dense, innovative mega-regions and creative cities*. It will be a landscape that can accommodate and accelerate invention, innovation, and creation-the activities in which there is still a big competitive advantage.

The economic historian Youssef Cassis in his history chronicles "*Capitals of Capital*" had tried to interpret *the rise and decline of global financial centers through recent centuries*. He considers that major shifts in capitalist power centers occur at an almost geological pace. Amsterdam stood at the center of the world's financial system in the 17th century; its place was taken by London in the early 19th century, then New York in the 20th. Across more than three centuries, no other city has topped the list of global financial centers. Financial capitals have "*remarkable longevity*."

The great urbanist *Jacobs* argued that, in the long run, *innovation* is what keeps cities vital and relevant.

The *University of Chicago* economist and *Nobel laureate* Robert Lucas declared that the spillovers in knowledge that result from *talent-clustering* are the main cause of economic growth. *Well-educated professionals and creative workers* who live together in *dense ecosystems*, interacting directly, generate ideas and turn them into products and services faster than talented people in other places can. As *globalization* has *increased the financial return on innovation* by *widening the consumer market*, the pull of *innovative places*, already dense with

highly talented workers, has only grown stronger, creating a *snowball effect*. *Talent-rich ecosystems* are not easy to replicate, and to realize their full economic value, talented and ambitious people increasingly need to live within them.

According to a pioneering theory of *urban evolution* developed by a *multidisciplinary team of researchers affiliated with the Santa Fe Institute* talent-attracting places benefit from accelerated rates of “*urban metabolism*”. The rate at which living things convert food into energy—their metabolic rate—tends to slow as organisms increase in size. But when the *Santa Fe* team examined *trends in innovation*, patent activity, wages, and GDP, they found that *successful cities*, unlike biological organisms, *actually get faster as they grow*. In order to grow bigger *creative cities* must become more *efficient, innovative, and productive*.

The researchers consider that, “*the larger a city’s population, the greater the innovation and wealth creation per person*.” Places like New York with finance and media, Los Angeles with film and music, and Silicon Valley with high tech are all examples of high-metabolism places.

The *Stanford* economist *Paul Romer* said “*A crisis is a terrible thing to waste*.” The United States has used crisis times to reinvent itself, clearing away the old and making way for the new. Throughout U.S. history *adaptability* has been perhaps the best and most quintessential of American attributes.

The global crisis highlights the importance of creativity and innovation in order to find the best solution for recovery and for long-run competitive advantage and prosperity. Many famous authors consider that now we are at a turning point to a new type of economy: *creative economy* based on *creative class, creative clusters, creative industries* and *creative communities*. It seems that creativity and innovation are becoming strategically important for any country, region, industry that is determined to break-even the crisis time by facing the challenges and by exploring the opportunities highlighted by the crisis time.

Romania needs to build a vibrant economy for the creative age. Our economy does not place the same kind of premium on the core creative skills that drive economic growth as do the most developed economies.

As a result, our citizens’ creative skills are less developed than those of the world’s leading countries. This creates a *self-reinforcing downward cycle*. When businesses fail to compete on unique, world-beating strategies, they lack the resources to invest in and reward the best creative skills in their workers. Workers in turn fail to develop their creative capabilities to the highest level through advanced education and training. The end result is lower levels of technological

innovation and lagging competitiveness globally. This cycle follows through in our public spending patterns, where governments under invest in post secondary education and make it unduly costly through tax policies for businesses to invest in machinery, equipment, and technology. The resulting danger is that the policy focus would shift toward hanging on to what has worked in the past and avoiding the new realities – thereby missing out on the new opportunities.

Romanians need to built a prosperous economy and achieve *a high level of social cohesion and diversity*. These strengths may create the possibility for emerging stronger from the current downturn and accelerating the longer term economic transformation. This will require us to build a creative economy that is more technologically advanced, inclusive, and sustainable. We are excited about the challenges facing us all, and we see this report as a first step in an ongoing dialogue and process for achieving this distinctive advantage for Romania.

Romania faces some challenges in strengthening its capabilities for competing in the creative age. The country is highly tolerant and diverse, but is not able to translate this openness to the level of prosperity that ought to follow.

I consider that *an integrated view* of prosperity, looking beyond economic measures to include *the importance of quality of place and the development of people's creative potential*. We consider that *a holistic approach* to achieving sustainable prosperity will mean higher wages, lower unemployment, greater resilience from economic shocks, and increased global leadership.

Knowledge and creativity together play an essential role in the economy; the first concept, *knowledge*, is ampler though, seizing a paradigm change within which the critical mass of the economic activity is placed in the knowledge production category while companies develop new techniques and technologies that meet the changes in the demand structure. In Romania, the concept of creative economy, as well as the one of creative industries, is still at the beginning of its research; there are no broad researches or specifically focused works on this topic, as it is the case in those countries that initiated and promoted this concept.

This paper is meant to be a first step in trying to shape an own point of view that reflects the concept which can be best implemented in Romania in this respect.

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