



# **Identity Economics and the Creative Economy, Old and New**

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**CREATIVE DESTRUCTION:**

**LESSONS FOR SCIENCE AND INNOVATION POLICY FROM THE RISE OF THE  
CREATIVE INDUSTRIES**

## *Abstract*

I propose to associate the recent approaches to the economics of identity (Akerlof and Kranton, Davis) with the social network model of creative industries developed by Potts, Cunningham, Hartley and Ormerod. This implies that the latter just highlights a special case of the more general phenomenon that all economic activity is simultaneously involved in the process of agent identity formation. This conclusion is further supported by adding a third theoretical pillar, the theory of status goods. Status orders and agent identities appear to be major determinants of the nature of economic systems, resulting in contingent boundaries between systemic categorizations of production and consumption, or notions of productive processes versus non-productive ones. From that perspective, the major novelty in the emerging creative economy, viewed as a new kind of economic system, is the structural change of the social networks, which become less hierarchical and more integrated, resulting in the endogenization of identity formation. Changes in the agent identity trigger the further evolution of the economic system. This is mainly a move from an elitist and politically controlled system of the production of identities to a democratic and self-organized one, which is institutionally reflected in the increasing “marketization” of culture as a surface phenomenon. This relates to the ongoing debates over the redefinition of fundamental economic activities in the creative economy, such as viewing consumption as an essential part of the production of cultural goods.

# **1. The problem: What is special about the “creative economy” as a type of economic system?**

In recent debates about the structural, institutional and organizational changes triggered by the rise of the creative industries, the term „creative economy“ has been coined (Howkins, 2001). This concept can be understood in a twofold way, a conceptual ambiguity which also affects the term “knowledge economy” (for a survey of different interpretations, see Potts and Cunningham, 2007). One interpretation refers to newly emerging lead sectors, with the ITC industries in the latter case and the creative industries (i.e. content-related) in the former. The other is to raise the claim that an entirely new kind of economic system is emerging, similar to the rise of industrial capitalism in the 19<sup>th</sup> century. In this regard, the terms have a close resemblance to other kinds of typologies of economic systems, such as “Fordism” in the regulation school, for example, or, of course, the Marxian use of “capitalism”.

From the viewpoint of economic theory, these typologies are problematic, because their status as theoretical terms is not made explicit. Economic theory might simply assign a mere descriptive status to them in the sense that there is no special theoretical status of the underlying causal forces that shape the phenomenology of economic systems. This position played an important role in earlier debates over typologies, too, such as in the quarrels over the “moral economy” in traditional peasant societies. The so-called “rational peasant” argument claimed that there is a fundamental continuity across different historical and spatial configurations of economic systems in the sense that no specific explanatory concepts are needed for specific cases, in this case the traditional peasant economies (for a contemporary survey of the debates, see Feeny 1983). That means, established notions of economic theory are seen to suffice to explain both the phenomena in the social organization of production in pre-industrial societies and in the internet age. The methodological bedrock of this argument is the standard microeconomic and equilibrium framework, which is ultimately related to the idea that there are universals of economic systems, in particular with regard to the basic behavioral assumptions. As for our case of the creative economy, one would therefore argue that there is nothing essentially new here challenging economics as a discipline.

In this paper I present an argument against this universality hypothesis, which is based on three fundamental propositions (for a related approach, see Herrmann-Pillath 2008). The first two are not specific to the creative economy debate. I claim that the counterposition to the universality hypothesis can be based on the argument that economic systems build on certain identities of economic agents which are themselves subject to change through time. That is, once one posits the hypothesis that the identity of agents is contingent, the conclusion follows that economic systems are historically and spatially contingent, too. This holds for every kind of economic system.

The third argument is specific for the creative economy phenomenon. I consider the question how identities of agents emerge. This emergence can be endogenous or exogenous to the economic process in the narrow sense. I claim that the creative economy phenomenon can be reduced to the theoretically significant observation that identities of agents are becoming increasingly endogenous to the economic system properly spoken. This, of course, also changes the system, so that the claim that there is something new emerging under the sun can be substantiated in a theoretically concise way. My reasoning picks up a recent argument by Potts et al. (2007) on interpreting cultural industries as social network markets, but proposes

an inversion. That is, I treat their argument as a universal one which applies to the social construction of meaning in general, and I show how the ongoing “marketization” of this fundamental process implies the endogenization of the complementary process of identity formation which is constitutive for economic systems. In this brief sketch, I can only highlight the main steps of the argument, awaiting a more detailed exposition in a future version of the paper.

## **2. Identity, culture and economic evolution**

### ***2.1. Some earlier approaches to the relation between agent identities and typologies of economic systems***

The issue of identity of agents has been a major difference between Continental-European and British theories of economics in the 19<sup>th</sup> century, though not being expressed in the conceptualization of identity economics. However, many continental theorists have presupposed that there is a cultural and historical specificity of economic behavior. Indeed, the historically most influential split in 19<sup>th</sup> century economics, namely between Marxian economics and other approaches, was about the question of endogeneity of identities, which was put into the conceptual framework of the “class” in Marxian economics. A class defines a set of agents with similar behavioral patterns and structural roles in the economic system, and “class consciousness” might emerge as a peculiar expression of this identity, which might also enable those agents to collective action directed at changing the system. Thus, interestingly, Marx and Engels even had proposed a theory of endogenous identity formation in the sense that the evolution of technology (the material substructure) engenders changes in the structural relations among classes which ultimately would also lead to changes of identities in the sense of their reflection in the “superstructure”, i.e. cultural and ideological frames. As we know, this notion of identity change assumed a crucial role in the political realities of 20<sup>th</sup> century socialist systems, which claimed to create a “new man”.

The Marxian materialist position is only one extreme version of stating the linkage between economic system and agent identities. I would say that the climax of theoretical developments in that context was achieved in Max Weber’s works, which also marks the end of “identity economics” in the early 20<sup>th</sup> century. Max Weber, after all, was a professor of economics, later moved to hall of fame of sociology in the evolution of the academic division of labour. This assignment is a clear expression of the underlying theoretical trends, because the linkage between identity and economics was thereafter a topic in sociology, but no more in economics. The Weber approach clearly elaborates on the issue of the cultural formation of economic systems, with a focus on the identity of agents. The process of “rationalization” of the Western European world is seen as being essentially a change of identity of agents, and the Calvinist entrepreneur is just the historical prototype of a new kind of agent. Other regions of the world did not manifest the transition to rational capitalism, just because the identities of agents were different, the Confucian agent being a classical case in point. Although China had well-developed markets and a sufficiently rich endowment with capital and labour, as well as a large stock of technological knowledge, she did not manifest the “great transition”, because

the agents were lacking the fundamental tension of inner-worldly transcendence which was the distinguishing feature of the early Protestant capitalists.

I just exemplify the general point, without claiming that any of those earlier arguments might hold against the scientific evidence of today. The insight is that there have always been theoretical approaches in economics that established a close linkage between the identities of agents and the macro-properties of economic systems. In many of these theories, there is also the idea of a partial endogeneity. For example, the Weberian capitalist emerges exogenously, as a reflection of a particular religious belief system, but once the structural changes of the system had been triggered, other agents had to adapt. Thus, we have an heterarchic causation, triggered exogenously, but continuing endogenously, ending in the peculiar historical formation of “rational capitalism”. From the Weberian perspective, nothing warrants the assumption that rational capitalism is the “end of history”. Thus, it seems legitimate to ponder the issue whether the “creative economy” may indeed be a new formation in socioeconomic history.

## ***2.2. The new identity economics***

The issue of identity has been re-discovered in economics in two important contributions by both mainstream and heterodox economists, Akerlof and Kranton (2000; 2005) in the first case and John Davis (2003) in the second. One should also mention game-theoretic approaches which, in the context of evolutionary models, distinguish between “types” of agents, thus indirectly also raising the identity issue, even with the idea of endogenizing the formation of types in the economic process (Bowles, 1998). The Akerlof and Kranton approach is basically about the social identity of agents, and continues to treat personal identity along neoclassical lines, which means to set up a traditional utility function, which just includes identity as an argument. Social identity is about with whom else to identify, which immediately leads to economically significant observations, in particular the fact that social identity implies the existence of externalities among utility functions of different agents and network effects. As Davis (2006) emphasizes in his assessment of the Akerlof and Kranton approach, this means that identity is not reflexive, i.e. the image of the self is only implicit to the entire utility function which includes the social identity.

Personal identity differs from social identity in the sense that it relates to what makes people apart from others through time, in particular regarding what is the stable factor in the entire network of interactions that agents maintain with others (‘individuation’ and ‘re-identification’ in Davis’, 2003, theoretical conception). This distinction is crucial to fix the creative aspect in the formation of identity. In this sense, the Akerlof and Kranton approach is strangely deterministic even from the sociological perspective. It is precisely in the more recent sociological approaches proper, where roles and interpretations are differentiated, thereby opening the way to creative actions by individuals who are enmeshed in a web of social roles, but are also able to take a partial distance from those roles (Joas, 1996). This line of thinking is integrated by Davis with his alternative approach to identity, where personal identity is seen as being fundamental in the sense that the individual actively creates her identity, taking the utilities generated from multiple social identities into consideration. However, as this clearly would involve a paradox of reflexivity, the only way out is a deontological conception of the formation of identity in the sense of individuals actively

committing themselves to certain social identities, based on certain fundamental existential valuations.

What can be the basis of that deontology? In the context of our topic, I would pick out the role of symbolically mediated status orders. I emphasize this notion, because it is directly related to the creative economy issue. Status goods are defined according to their meanings, not to their functions, and they are relational goods in the sense that their utility depends on the interactions in social networks which manifest status orders. Status orders, in turn, build the foundation for webs of commitments and obligations in social interaction.

Now, the crucial point emerges that status goods are contingent in principle, i.e. they entirely depend on the cultural frame in the sense that everything can be a status good, i.e. there is no intrinsic quality that makes something a status good (although there seem to be some cultural universals, such as the role of gold). Thus, some economists have argued (foremost, Frank, 1985), beginning with Veblen's (1899) seminal contribution, that consumption is mainly about status goods in the sense that every act of consumption has the dimension of signaling status, even in the solitary case of self-confirmation of status. Status, in turn, is related to identity in several senses, one is that people associate themselves with particular status orders (the reference groups), and the other is that relative status is a crucial determinant of their patterns of behavior (such as a working class habitus). This is where the deontology of identity is rooted.

To this insight I just add that the deontology of identity is fundamentally related to culture, in the sense that the ultimate criterion of successfully establishing a personal identity in the web of multiple social identities is whether an individual meaning can be given to this manifold (Ross, 2005; 2007, sees the self as a narrative that draws on linguistic repertoires, which I treat as cultural phenomena). Meanings are not created from thin air, but are drawn out of a cultural repertoire in particular societies, where these meanings are continuously generated by a collective creative process. Thus, I think we can establish a direct relation between identity economics and the classical Weberian approach, in which the social organization of the production of meaning played a central role. For example, Weber emphasized very much the fact that in many societies the social production of meanings is monopolized by certain social groups, such as religious experts claiming a privileged access to sources of meanings. Thus, personal identity is not only constitutive for social interaction, but it is also a core principle of social structure in the sense that the cultural production of identity resources is a social one, and not simply materializing from nowhere in the individual.

I think that this is precisely where the link between identity, creativity and economic system can be located. The question is how far changes in the economic systems also change what Davis describes as the deontological setting of the individual creation of personal identity. For example, the transition to industrialization was accompanied by a fundamental shift in the social production of meanings, related with the rise of the nation state and the emergence of standardized national education systems (for a classical statement on this, see Gellner 1983). This implied a shift of the power to create meanings to national elites independent from religious experts, but still does not imply that the power to define meanings became more decentralized. In fact, one can even say that ideological control became more standardized and universal, fitting the needs of the emerging production system in need of a "standardized worker", in the sense of basic literacy, work discipline and conceptions of time, for example.

To summarize, I posit that every economic process relates to the formation of identities, in the sense that personal identities are the necessary prerequisite for the emergence of stable patterns of interaction. An essential ingredient of identities is relative status, since the deontology of identity is enshrined in status orders. The signalling of status draws on cultural repertoires of meanings (ideologies, worldviews, valuations etc.) which are in turn produced in particular social subsystems. This is the conceptual place where the debate over the creative economy is to be located.

### 3. Theoretical reprise: networks and identity

Section 2 has outlined, in a nutshell, how I see the relation between identity, culture and society: The linkage with the economy is established via the notion of status goods, or, more generally, the statement that meaning is the primordial category in defining a “good”. Against this background, it is straightforward to recognize the systematic relation with recent theorizing about the creative economy. Potts et al. (2008) have proposed that the cultural industries are social network markets, eschewing the notion of intrinsic features of “cultural goods” (e.g. the arts). In a nutshell, they argue that these markets are special because there is a fundamental interdependency between what people prefer on what other people prefer. Now, this principle also applies straightforwardly to meanings in general, in the sense of that individual meanings are simply impossible to state (following Wittgenstein’s famous private language argument, Wittgenstein 1958 and Candlish 2004). That is, the social network argument only transfers a general principle in the analysis of symbolically mediated interactions on the special case of cultural industries. However, this would imply that the creative industries are just a special and historically contingent case of a more fundamental phenomenon of the interdependence between the economy and culture.

This point is easy to establish if one relates the Potts et al. reasoning to the Akerlof and Kranton conception of identity. That is, the theoretical core conception of the latter seems to be just identical with a description of agents in social networks (a more detailed elaboration on what follows would have to build on the network theory of social capital, see Lin 2001; cf. Herrmann-Pillath, 2000). In a social network individual utility is affected by both one’s own actions and the actions of others, and by a complex process of determining one’s identity relative to a set of categorizations which define the degree of similarity with sets of other agents (Lin 2001, uses the term homophily in this context). For example, Akerlof and Kranton argue that individual utility is partly determined by the extent to which one perceives to conform with certain social types to which one strives to belong, such as a prototype of masculinity. This is precisely the same as when Potts et al. define social network goods as goods in which individual utility is partly determined by the extent to which others also consume the same good, leading towards collective patterns of consumption. This is evident from the Akerlof and Kranton utility function:

$$U_j = U_j(\mathbf{a}_j, \mathbf{a}_{-j}, I_j) \quad (1)$$

where individual utility depends one agent  $j$ ’s own actions  $\mathbf{a}_j$  and the actions of others  $\mathbf{a}_{-j}$ , which implies a certain network of interactions, and where identity  $I_j$  enters as an independent argument in the utility function. Identity is:

$$I_j = I_j(\mathbf{a}_j, \mathbf{a}_{-j}, \mathbf{c}_j, \boldsymbol{\varepsilon}_j, \mathbf{P}) \quad (2)$$

where  $\mathbf{P}$  refers to social prescriptions that define the categories and features which are the terms of reference that underly, firstly, the social categorizations  $\mathbf{c}_j$  which apply for a particular individual  $j$  and which provide the standard to assess the actual individual features  $\boldsymbol{\varepsilon}_j$ . In the approach of section 2, the  $\mathbf{P}$  and  $\mathbf{c}$  reflect cultural systems of meaning, in particular status orders. The relation with the Potts et al. approach is immediately evident when we realize that the network relations that underly the  $\mathbf{a}_j$  and the  $\mathbf{a}_{-j}$ , enter the utility function twice, namely directly and indirectly via the impact on identity. The latter effect causes externalities in the Akerlof and Kranton model, that is, the actions of others might affect  $j$ 's identity, without necessarily directly impinging on her. For example, if all other men change their valuations of masculinity, this devalues  $j$  position so far, even if the others' actions do not refer to him. These externalities are precisely the network effects in the Potts et al. model of creative industries.

If this assessment is correct, we have to recognize that the Potts et al. argument actually extends to all goods, in the sense that the Akerlof and Kranton utility function is a universal one. This is certainly the case if one takes the notion of status goods as fundamental for the theory of consumption. This is, of course, also a matter of degree, but one can argue that even in the case of simple goods such as foodstuffs there is an essential aspect of identity formation, which is reflected in quality grades, classification of specialities, food traditions and ethnicity, ethical concerns and so forth. That is, if one adopts the Akerlof and Kranton framework, the generalization of the Potts et al. argument follows immediately. In other words, insofar as consumption is always related to the process of identity formation, it is also always embedded into social networks.

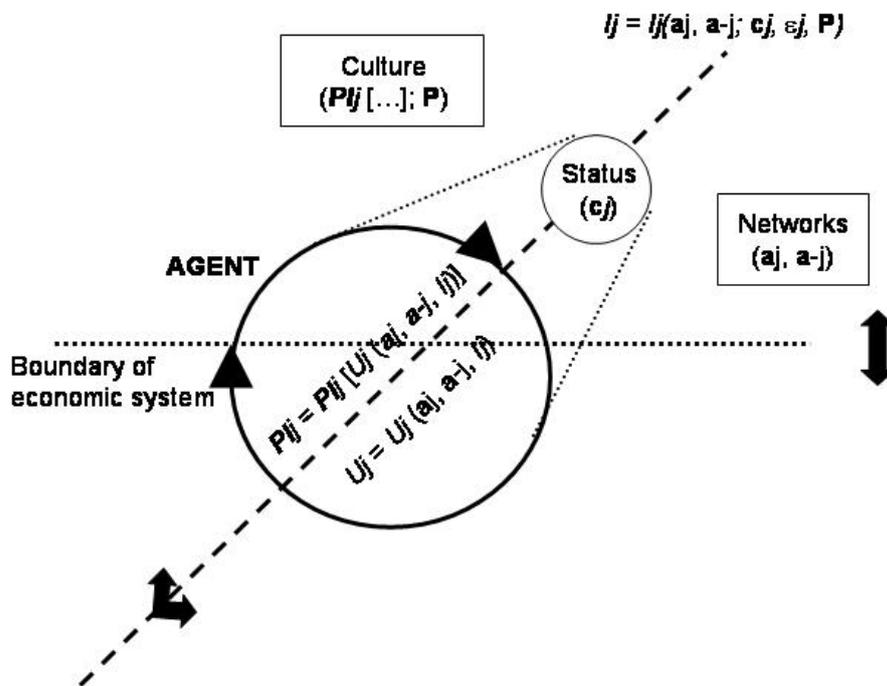
Accordingly, this also applies for the modification proposed by Davis. Davis (2006) had proposed an extension of the Akerlof and Kranton utility function:

$$PI_j = PI_j [U_j(\mathbf{a}_j, \mathbf{a}_{-j}, I_j)] \quad (3)$$

Where  $PI_j$  is personal identity, thus treating  $I_j$  as social identity. With this extension, identity becomes reflective in the sense that the agent assesses the utility generated from social identity in terms of the contribution to personal identity. As we have seen, this presupposes a deontological framework which is embedded into a cultural context. For example, an individual might consciously consider the question whether to accept established standards of masculinity, however, this reflective assessment relies on precisely the same cultural repertoire of meanings which is also the context for the  $\mathbf{P}$  and  $\mathbf{c}$ . At this point cultural creativity comes into play, for example, in the shape of recombinations and reinterpretations of the meanings underlying the  $\mathbf{P}$  and  $\mathbf{c}$ .

I summarize this integration between identity economics and the social network model in figure 1. The diagram visualizes the main causal linkages and structural units in the identity economics approach to economic systems. The agent is seen as being embedded into social networks and culture, thus being conceived as an emergent property of the causal interaction of the two related processes. The agent has two aspectual states, one being described with the Akerlof and Kranton utility function, by which the agent appears as an economic agent in the economic system. The other state is defined by the Davis utility function. The relation between the two is determined by a process of reflection, which is visualized by the arrows in the circle which denotes the agent. Reflection is enabled by the cultural frames, which determine, in particular, the  $PI_j [\dots]$  function (similar to the productivity parameter in

production functions) and the  $\mathbf{P}$  in the identity function. Reflexivity is a crucial determinant of the two boundaries indicated in the diagram, which run across the agent, thus showing the multidimensionality of agent features. One is the boundary of the economic system, i.e. the peculiar ways how agents perceive themselves as economic agents in some contexts and non-economic agents in other contexts. The other is the relation between culture and networks. In the strict sense, networks are defined via the structure of the  $\mathbf{a}_j$  and  $\mathbf{a}_{-j}$ . However, this does not reflect the impact of agent categorizations  $\mathbf{c}$  on the positions of agents in networks. This is manifest in the status orders that define a position of the agent, which is visualized in a projection from the agent to status, i.e. a process of social categorization. More specifically, this is the social identity  $l_j$ . The social identity is not just the result of a passive adaption of the agent, but an effect of the reflexivity involved in the formation of personal identity. This implies, especially, that the social identity also impinges on the boundary of the economic system, in the sense that there is a close interrelation between economic action and status, both as cause and effect.



**Fig. 1: Networks, culture and identity**

In this framework, the interaction between identity and economic system can be seen mainly as a dynamic process of shifting boundaries and structural effects of status on economic action. The diagram also highlights the possibility that the boundary of the economic system might shift to include also a larger part of the  $PI_j$  function. This is particularly relevant for the creative economy issue.

#### **4. Economic systems as meaningful formations**

I have presented a case for the renaissance of identity economics with reference to the general theory of economic systems. What are the major implications for systemic analysis? For sake of brevity, I just select one aspect which is important for the issue of the creative economy. This is how agents actually perceive the economic system in terms of fundamental roles and functions, and how they assign themselves to certain roles and functions. The upshot in this section is that the creative economy is just a special case of general features of networks and culture as determinants of economic systems. In the next section, I discuss the novelties that emerge with the rise of the creative economy.

On the aggregate level, identities refer to the division of an economic system into production and consumption, and to the question where production actually takes place, amongst other aspects. I think that recent controversies about the definition of “creative industries” just highlight this more fundamental issue. In classical economics, there was the distinction between productive and unproductive economic activities, related to a clear idea which kind of agent in an economy creates wealth and which just consumes wealth (Brooks et al., 1990). The very notion of “consumption” means, actually, destruction of what has been produced previously. These ideas cast a long shadow over the evolution of economic science, such as in the treatment of the government as “unproductive”. On the sectoral level, there were times when many services were regarded as being unproductive. Similarly, in the past there were clear presumptions about the social groups who create wealth, such as in the physiocratic views about agriculture as the sole source of productivity.

Similar phenomena also occur on the more disaggregate level. As has been shown in organizational demography studies (Carroll and Hannan, 2000), whether a pattern of economic activities is perceived and acknowledged to be an “industry” in the sense of a productive enterprise, is a complex process that essentially relies on assignments of meanings, social categorizations and even status issues. These assignments ultimately determine, for example, whether a newly emerging industry is able to generate sufficient equity and credit on the capital markets, whether customers trust the quality of products etc. Status orders in markets are of crucial importance to maintain regular patterns of interaction and to overcome, more specifically, problems of asymmetric and imperfect information (Podolny, 2005).

I claim that this kind of separation between “productive” and “unproductive activities” is a cultural one in the fundamental sense, i.e. it reflects the assignments of meanings in creative processes by the agents (for a related anthropological approach, see Gudeman 1986). In our context, the interesting issue is how fundamental cultural perceptions of structures match with particular configurations of identities. In the first step, can be interpreted as an equilibrium phenomenon along the lines of the Akerlof and Kranton approach. That is, in terms of figure one, the very notion of an “economic agent” is the outcome of the more general process of identity formation, and this directly implies that the economic system is intrinsically related with the status orders and systems of meaning that underly personal identity as the bedrock of the more confined identity as economic agent. These different forces arrive at an equilibrium state which is manifested as a certain type of economic system. For example, the social identity of a blue-collar worker is clearly stabilized via many complex interdependencies in behavioral patterns, role-specific consumption styles and other cultural frames. A workers’ culture stabilizes a particular kind of industrial production process, which generates both a positive externality for the workers in terms of a utility generated from a shared identity, and a

positive externality in increased productivity, as long as the Akerlofian (1982) “gift exchange” between the two sides of the employment relation works, which is an interaction regulated by status orders. This means, however, at the same time, that there is a cultural frame of the economic system, which assigns a separate role to the workers as a part of a production process which is guided by an entrepreneurial elite. The latter is automatically assigned with the creative role exclusively. Simultaneously, the workers are “unproductive” consumers, especially in the Fordist pattern of mass production and consumption.

As we see, notions of “production” and “consumption” are intrinsically related to status orders which maintain a certain institutional and structural pattern in the economic system. It has been frequently pointed out that the transition to “Fordism” went hand in hand with the emergence of democratic societies, with the extension of the status of a citizen (especially manifested in universal suffrage) mirroring the rise of the consumer. However, as has been emphasized in the creative economy debate, this evolution cannot simply be seen as a general rise of living standards in terms of material wealth. Instead, the citizen-consumer is a particular cultural phenomenon which also defines fundamental social-structural characteristics of the industrial economic system (Hartley, 2005: 9ff.).

Thus, it makes perfect sense when recently some authors raise the issue of the productive role of consumers in the creative industries. There is no physical determinism in assigning the role of production to a particular kind of process and agent: For example, “reading” can be viewed as a co-production of a book between the author and the reader, as there is simply no content without readers. One could even argue that a book is what the readers understand and make out of it, and only marginally what authors intend to say (Miller et al. 2001: 202ff. therefore even propose a “labour theory of consumption). However, this ambiguity is by no means necessarily acknowledged even in the creative economy discourse. Hartley (2005: 1) therefore critically reflects over talks of creativity being a “class act”, referring to the views offered by researchers such as Florida (2002) who perceive the emergence of a global “creative class”. This conception defines a new status order emerging out of the recent social and economic processes. Just in the same way as there are productive and non-productive processes, we now are being presented with a distinction between “creative” and “non-creative” people, with the creative ones manifesting a new kind of habitus, life style and organizational frames in corporate activity. This observation clearly demonstrates that the creative economy is just a special case of the more general phenomenon of identity based economic systems.

These very sketchy observations illustrate the fundamental fact that economic systems are systems of meaning, and therefore generally can be understood in the framework offered in section 3. For the case of the creative economy, this implies a kind of paradox: On the one hand, I have shown that the most recent theoretical approaches to the creative economy can be generalized into a universal theory of culturally embedded economic systems, but at the same time this means that the creative economy manifests many properties which hold true across all economic systems, such as the emerging status orders that I have mentioned in the previous paragraph. So, what is new about the creative economy?

## **5. The creative economy: Flattening, fragmenting and competing status orders**

Screening the literature on the creative economy, one can identify two major novelties on the systemic level: Firstly, the changing social structure of creativity, and secondly, the increasing scope of the endogenization of identity formation into the economic process.

The first observation relates to the much-discussed notion of consumer-created content, which further blurs the distinction between “productive” and “non-productive” spheres. This is a particular expression of the previously mentioned fact that in the consumption of meaningful goods, the roles of the producer and the consumer are not separate. Now, one should note that the role of consumption in innovation was always crucial. There are many instances in the history of technology and innovation that show how the actual producers of a technology misperceived the potential applications, and that the final pattern of technology only emerged once a close interaction with creative users had taken place. There is no innovation without creative activities on part of consumers, if only because they have to accept the innovation, which is a creative act on its own sake.

What is different with the “old creative economy” and the “new creative economy” is the social structure of consumption-led innovation. In a nutshell, the old model is basically an elitist model, whereas the new model is democratic, or, in a more neutral sense, the models differ in the underlying network architecture of producer-consumer interaction (for a related view, see Hartley 2008). The old model is hierarchic, with a strong upstream / downstream distinction and a crucial role of small groups of elitist early users of new products and services, whereas the latter model is based on a distributed network pattern, with flatter status orders impinging on the economic processes. As is well known, the hierarchical model also underlied the traditional conception of the industrial innovation process, which was conceived as a linear sequence of “heroic” inventions and a follow-up by industrial R&D leading towards applications. In the past three decades, this model was increasingly questioned, being substituted by a complex network model of feedback loops between users and producers of new knowledge (for a contemporary survey of these shifts, see OECD 1992).

But again, this argument is of general validity for all goods that involve meanings: All economic actions involve the creation and maintainance of identities, such that there are externalities between the actions of different agents. I cannot maintain my status without the other maintaining this as well. If I consume a good that is supposed to signal a particular status and hence, confirm a particular identity, and others in my reference group change the cultural frame for some reason, I suffer a loss of utility without any physical change of my behavior and the good involved. Thus, all status goods are co-produced in the collective that adheres to particular status order. So, what is new in the creative economy is how changing network structures affect these processes. These changes can be triggered exogenously or endogenously. Regarding the exogenous forces, for example, we observe an increasing impact of citizen activism on consumer behavior, which induces changes in the relative status of producers and consumers in the economy. For example, the international trade system has been a producer-oriented system for long, in which consumer rights had no systematic place. In the more recent developments of the system, these rights have come to the fore, causing many troubles with adapting the institutional practices, as these can only be interpreted as protectionist forces in the old system of meanings (Herrmann-Pillath, 2007a).

In the creative economy phenomenon, however, the endogenous forces seem to be of particular relevance. This is precisely the reflection of the intrusion of the market into the societal production of meaning.

An intriguing observation in this regard has been noted by Hartley (2005: 24ff.) who comments that the rise of the creative industries is related with the decline or at least fundamental change in the role of government-sponsored “high culture” and, in the longer run, possibly state-led education systems, in the sense of an evolving universal DIY culture (Hartley 1995: 108ff.). Viewed in the longer time span, there is a direct correlation between the general assumption that the arts, parts of the media, education, i.e. generally speaking, “meaning-producing subsystems” are not productive in the economic sense (that is, non-profit) and, on the other hand, the presumption of government regulation or even supply of those services. The latter phenomenon, however, is not simply a reflection of certain presumed economic characteristics of the goods and services in question, but the expression of a peculiar status order and social power structure that emerged in the 19<sup>th</sup> century national states, and that transpired globally in the economic and political catch-up processes of the developing world. The production of meaning was seen as a major vehicle of modern state power, partly also as a mirroring the spread of secularism.

Against this historical background, the “creative economy” phenomenon is the symptom of another fundamental shift of social control over the production of meaning. The production of meaning becomes “productive” and hence, profitable, because the power to create meanings is devolving, fragmenting and decentralizing – and not the other way round. One should note that this phenomenon reaches further than the scope of the creative industries as conceived so far. In particular, I would point towards the increasing penetration of religion by spontaneous processes of religious entrepreneurship, such as in the Pentecostalist movements and the megachurch phenomenon. “Pastorpreneurs” move religion into the realm of economically productive processes, and in fact they also import organizational approaches and corporate strategies into religious institutions.

If we put these observations into the framework of identity economics, we reach the conclusion that the notion of the creative economy seems to be superficial in the sense that the more fundamental phenomenon is the fact of the endogenization of the process of identity formation into the economic system. This is perceived by some critics of globalization as the increasing “marketization” of society. However, I would like to avoid such quick normative statements (see also Hartley, 2008). In the present context, globalization has to be seen as a process which heightens the competition among status orders by de-monopolizing the national systems of government-controlled creation of meanings. That is, I distinguish between the flattening of status orders via fragmentation and decentralization and the fact that status orders become increasingly de-coupled from the nation state. This process is supported by new means to generate resources for maintaining the emergent patterns of production of meanings, and in this sense “marketization” comes into play. But it does not necessarily imply that the underlying motivations of agents are just profit-oriented. After all, Attac needs money and human resources to come into action.

Indeed, there is now the widespread perception that the “creative industries” are firstly, more inclusive than previously thought, thus engendering the notion of the “creative economy”, and that secondly, the creative economy poses fundamental challenges to pivotal conceptions of economic systems. A case in point is the debate over the significance and the scope of intellectual property rights as opposed to the ‘creative commons’ conception, which correlates,

again, with the perception of fundamental shifts of the relative roles of the producer and the consumer. This is not simply an economic issue, but triggers the emergence of new configurations of identities and system features. Thus, we observe that this process also goes hand in hand with new forms of media and citizen activism, very often also cross-border. Therefore, I would argue that the creative economy discourse should be open to linking up with other discourses, such as, in particular, the diversity discourse, which displays the same vascillation between the political and the economic interpretations of the same underlying phenomena.

In the diversity discourse, we find the same tension between exogenous and endogenous forces of change, and the resulting difficulties how to deal with the problem of 'marketization'. Diversity as a value has emerged from anti-discrimination and affirmative action movements, which essentially call for an exogenous, i.e. political intervention into the economic process. The diversity management discourse, in contrast, claims that diversity has a 'business case', i.e. can be a productive force in the economy (the classic is Roosevelt, 1991). This seems to create a paradox, because diversity instrumentalized may be seen to jeopardize its autonomous value base. However, diversity can be related to the discourse on creativity, at the same time, as in the diversity management discourse there is also the strong stream of thought claiming that diversity is an essential source of innovation and new ideas in the economy. Thus, bridging the two discourses on creativity and diversity implies to include the entire scope of approaches two new management models and organizational tools into the range of topics that belong to the creative economy phenomenon (Herrmann-Pillath, 2007b). Again, this implies that the current debate about creative industries treats the phenomena as somewhat artificially circumscribed, such as in the context of the analysis of new forms of organization emerging in the creative industries. Perceptive commentators such as Rifkin (2000) have already exploded this confinement, which meets with more practically-minded observations of the consulting industry stating that we observe a fundamental shift in the nature of human work, moving from object-oriented manufacturing to subject-oriented transactional work (Beardsley et al., 2006), which even goes beyond the traditional notion of 'services'. For example, 'user-created content' is, in fact, structurally similar to a new conception of health care, which would emphasize the joint production of health by the health care worker and the patient. Thus, structurally similar developments seem to pop up everywhere.

## **6. Conclusion**

Thus, I reach the conclusion that the creative economy is old and new in a similar sense. Old, because its principles only appear to be new if we understand the economy from the perspective of traditional economics. Once we introduce identity economics, the creative economy is just a special case of general principles determining the nature of economic systems. The creative economy is new because it manifests the fact of the endogenization of the mechanisms of identity formation and the systems of the production of meaning. This results into the widespread perception that the scope and the size of "creative industries" is increasing rapidly. I have tried to show that this is not simply a matter of structural change in the economy, but is the expression of more fundamental social and political changes, which

can be theoretically distilled in the approach of identity economics. All this needs much more detailed elaboration, of course. But I hope to have been able to show that identity economics is a workable framework to bridge the theoretical gap between conventional economics and the multi-disciplinary approaches to the creative economy which are so far dominating the scene. If one were to argue that this kind of economics is somewhat different from the established economics, so let it be. The creative economy might also prove to be creative in economic science.

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