

Audio Transcription of Interview with John Howkins, by Larry Quick on January 10, 2006

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Larry: So what you're talking about is that foresight for you is just as much about awareness of what's going on?

John: Absolutely. And having, in your society, people that can pick up an idea, not knowing if it's right or wrong, but knowing that it's... funky, and be able to follow it through, generate some money for it and put it into market. So it's not really which technology is going to win, but which technologies are the other guys developing that I could develop a bit better?

Larry: That's interesting, so what's going on at the moment is that there is a big push for innovation, in a creative economy, your area of specialty still is the mantra. Another mantra of the 21 century is 'must innovate' and we must look at entrepreneurialism as a key element of that. So how does what you're saying fit with the whole entrepreneurship push?

John: I don't want to get too much into semantics, but the so-called creative industries are themselves no very innovative, they don't innovate, they create. The music industry is occasionally good at being creative; they are quite bad at being innovative.

Larry: Can you give us the distinction you make between creative and innovative?

John: Creativity is a personal objective of talent or aptitude, and innovation is objective, competitive, and comparative. And innovations have to go to peer review at some stage, have to go to the committee at some stage. I could write a pop song, it can not be innovative at all, but it can be creative and be successful and become very popular. But it would be absurd to call it innovative. So if you look at the music business, especially in Europe over the last 10-15 years, I would include Universal in this as well, they have not been at all innovative, they've been really, really un-innovative, and they've also not been particularly creative. Yet, they've still managed to create an industry. You must be very clear about the words one is using. Creativity is also something that all people can do whether they're working in the pop music business or the industrial design business, when indeed designing urban transport. It just so happens that recently the music business has not been very creative or innovative. It took companies from outside the music business to work out what to do online. They misread peer-to-peer completely, and Google got it right, Google works on peer-to-peer, Google just looks at everything and pushes data around as quick as possible and I can put in 'Bob Dylan' and I get into websites and there are PDF files and I can open them, and they're copyrighted, for sale. Google doesn't care and the guys at the record industries don't care. There's a lot of stupidity in the music business at the moment, they're not creative and they're not innovative.

Larry: Ok, so in that thinking you spoke of the music business, for instance, and not being very innovative or creative and those that understand the industry would agree with that,

some may not, but I think it would be hard to find someone that didn't agree with that. Taking it a step further, what would you say is the most creative and innovative industry in the creative industries?

John: I would say computer software. I mean, coming back to the music industry they have to change from being a low-volume, high-price item to a high-volume, low-price item. That's what they have to do, once you could put music online, then people the people that own the rights need to make that move. The technology says you can do high-volume, which means you need to do low-price. And so if you do low-price you can squeeze out the competitors. They didn't do it. The music industry didn't do that, it required other people to do it first illegally, and in the end Apple came along and did iTunes, which is just a brilliant marketing proposition, incredibly innovative.

Larry: So just talk about that a bit terms of the ability...one of the benefits of, as you've said, of the United States, at least the 20th century side of things, is the generation of ideas, the density of ideas, and also the higher level of acceptance of failure that does create a more sustainable environment for entrepreneurship. How does that rate in China and the other areas of Asia, the potential competitors of the United States.

John: Well it's difficult for China on two levels. (1) It's difficult for the government to say to the people that you need to move from this manufacturing economy which is very safe, which was simple and oil-driven. It's a repetitive process, get it right to start with, and press a button and it goes on forever. And it grows 5% per year; they will celebrate that every year. If the government then has to say "I want you to become more creative, and you will fail, much more than you ever failed before, because the creative economy is an economy of failure. Manufacturing is an economy of success," that's very hard for the government to say and its very hard for the individuals in China and in other totalitarian, authoritarian, closed societies to take that personal responsibility upon their own shoulders, they find it very hard to do that.

Larry: And do you see them actually achieving that though?

John: I do, because their doors are pretty open, they're natural traders, and they're playing from a very, very low base, and I predict that they will grow in this direction very, very rapidly.

Larry: And one of the theories that I have worked with over time as I've had experience throughout southeast Asia, Australia, etc. is that I've found them much more connected to markets because of the expatriate Chinese community, who might be multiple generational Chinese-Malaysians but are still part of the greater Chinese expatriate network, a network that goes all around the world. Do you see the Chinese using that?

John: I think so. This is what I meant by them being great traders, especially in southern China, from Shanghai down into Guangzhou and Shenzhen into Hong Kong. And the diaspora all through South Asia and Singapore I think they are extraordinarily active and strong traders, and they have a link into Western fashion and Western ideas that, say, the Indians and Indonesians have never had.

Larry: So what actually happens, in effect, is they're able to amplify that capability themselves and teach it to other parts of those networks. So using fashion as an example, while it has been predominantly owned and manifest of Western creativity it perhaps is on a path to more ownership in Southeast Asia or at least equity there.

John: I think so, a lot of this stuff, the lower end stuff, not the high end, is being made in China already, so the factories already know how to make this stuff, and they could well say "yes, we'll start to design it." The ones that go forward will be Western-facing brands, because we don't want to buy stuff made in China, it's not funky, we prefer to buy stuff that was designed in America or Europe, so the French and the German brands are the ones that work. I remember when 'Made in Japan' was a real downer in the 40's and 50's and then 'Made in Japan' became a real mark of quality in the 70's and 80's. The Japanese were initially becoming very hostile to things made in Korea and now 'Made in Korea' is also a mark of quality. Now 'Made in China' is ok for household items, but nothing better than that. Why should China, which has very good technological and scientific and business expertise, not replicate what happened in Japan and Korea. They're not going to do business with Japan and Korea, because they hate them, but they'll do business with America and they'll do business with Europe.

Larry: Well that's the first part of the move. I've just written down 5 things that I think promote conditions around China. One is strategic trade networks, global trading network. Second is the best practice in manufacturing, at least that's what they're moving towards, they've got the people for it. Third, you say technical, scientific, and financial capabilities to replicate what Japan and Korea did. Fourth, they're getting funky. Fifth, is they've got the critical mass of internal markets to be able to externalize them. That's one of the problems that Australia doesn't have, is that you can't mass market to the world based on overstocked markets, you need internal markets to get that sort of momentum.

John: That's right.

Larry: Ok well just in closing there's two things I wanted to say. One was that you talked about the music industry and the computer software industry, and I think one of the things I've noticed about software's central technology or central capability is that it's been a great glue for convergence. Whether you call them software developers or web-thinkers or whatever you might call those catalysts of information technology, they've been the center for quite a few convergences, take, for instance, Apple converging with iTunes, iMovie, the whole iLife suite, what do you say is on the horizon from the convergence level? Where do you see the creative economy convergence?

John: I think it's so hard. No one anticipated iTunes, no had the foggiest idea that it would happen in the way that it did and the success of it and the fact that Microsoft's stumbles over the past 5 or 6 years. Now Apple machines are capable of running windows, and vice versa, and that's a huge question mark. Who knows? I'm not expert or knowledgeable enough, and even if I was the most expert person I'm not sure I'd get it right, there are too many variables in that one.

Larry: Do you see convergence as a critical part of the whole landscape?

John: I'm not sure what convergence means in general. I use it to mean two things coming together. Two or multiple things coming together, and somehow uniting or merging. It sort of made sense when everything was very separate but now so much is interoperable. You can send a photograph around the world or back to yourself in so many different ways now that, yeah, the principle of convergence works, but whether or not something will make commercial sense is up to vision, hard work, luck, regulation, cost structures, and because everything is converging, to isolate one or two that might be successful, even if everything else, at that moment, was frozen in time, would be difficult. And because everything else is not frozen in time, the dynamic is so rigorous and vigorous that I don't think it's as if we have separate things. I think that is a throwback to a world in which we lived in terms of physical entities that were separate but could be brought together because of hard work, or

a regulatory change saying “these two things want to come together, so we’ll change the rules so that they are allowed to come together”. But nowadays in a commercial or intellectual or creative sense, the world has become more complicated than that, it’s become a lot of individual units, whether its organic or inorganic, lots of ‘digital bits’ hanging around. And in a sense instead of saying “well nothing much is converging, but a few things are, and I know what those few things are” it’s sort of more sensible to say that everything is converging. There may be some things out there that will never converge, but it’s quite hard to know what those two things out there that will never converge really are.

Larry: It’s like a complex adaptive system.

John: Highly adaptive, on a very rapid basis, and so in terms of creative economy convergence, I’m not sure what that means. All I’d say is that people can be creative in any aspect of their life, any aspect of their work; they can do it outside, or in the office, on the street. They can do it whether they work in a so-called creative industry or a so-called manufacturing industry, or a service, and hey, even teachers can be creative in the educational system. Some people may call that convergence; I would not call it that. I would say what we’re doing is redefining what we mean by creativity and the role of creativity in an economic system. Is that convergence? I think convergence implies two things that were separate coming together, what I’m saying is here there is a recognition of individuals, and their talent and aptitude.

Larry: Very good. Excellent. Thanks mate.

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