



## Here Come The Creatives

*And they are re-creating our economy*

23.7.2010    Words by [Sveinn Birgir Björnsson](#)

**Reconstructing the Icelandic economy will take more than increased fishing quotas. More than a new aluminium smelter. It will require a new way of thinking.**

In a downtown office loft, the staff of Caoz is immersed in the making of 'Thor: The Edda Chronicles – Iceland's first full-length 3D animation film, adopted from old tales of the Nordic God of Thunder. Caoz is perhaps not what you would expect of a movie studio. In fact, it is not so much a studio, as it is a computer cluster. One of the largest one in Iceland at that.

“We are a high-tech company, really. Every frame in the movie contains 10mb of data,” explains Managing Director Hilmar Sigurðsson. “There are 250.000 frames in the 3-D version of the movie, and behind every frame, there is probably twenty times that amount of data. So we need considerable processing power.”

In fact, Caoz is typical for the kind of company that more and more experts consider vital for restoring the Icelandic economy. A company that harnesses human resources, rather than natural ones. A company that above all places a premium on creativity.

Welcome to the creative economy.

### Mapping the creative economy

The term 'creative economy' first appeared in John Howkins' book, 'The Creative Economy: How People Make Money From Ideas'. In John's view “creativity is not new and neither is economics, but what is new is the nature and the extent of the relationship between them and how they combine to create extraordinary value and wealth.”

The United Nations' Creative Economy Report of 2008, states that the creative economy is founded on the creative industries, which are at the crossroads of the arts, culture, business and technology. The term 'creative industries' is a loosely defined concept that incorporates “the cycle of creation, production and distribution of goods and services that use intellectual capital as their primary input.” The creative industries are grounded on the formulation of new ideas, and the application of those ideas to “produce original works of art and cultural products, functional creations, scientific inventions and technological innovations.”

Creative industries are burgeoning sector of modern economy that ranges from fine art to software development. And everything in between. Worldwide, trades in creative services increased on average by a



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staggering 8.7% annually between 2000-2005. In Europe, the turnover of creative industries in 2003 totalled 654 billion Euros, employed more than 5,6 million people, and grew 12.3% faster than the overall EU economy. In 2007, creative industries were responsible for 6.2% of Gross Value Added in the UK, and export of services by the creative industries equalled 4.5% of all good and services exported.

These are large numbers, indicative of a rapidly expanding sector that will play an increasingly important role in the future. These are desirable economic indicators.

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### The Creative Class

“Economic growth is driven by creativity, so if we want to increase it, we have to tap into the creativity of everyone,” says Professor Richard Florida, at the Rotman School for Management at the University of Toronto. “That's what makes me optimistic. For the first time in human history, the basic logic of our economy dictates that further economic development requires the further development and use of human creative capabilities. The great challenge of our time is to find ways to tap into every human's creativity.”

In 2002, Professor Florida coined the term 'the creative class' to identify a socio-economic class of people that he believes will drive economic growth in modern societies through creativity. This class includes professional, scientific and artistic workers whose economic function is to create new ideas, new technology, and new creative content.



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I asked professor Florida to expound on his definition of the creative class: “I define the creative class and the creative economy a little broader than Peter Druker’s knowledge economy. I extend the definition to include designers, artists and entrepreneurs who are critical to our economic growth. The creative class describes two segments of workers: Creative Professionals – these are the classic knowledge-based workers and include those working in healthcare, business and finance, the legal sector, and education; and the Super-Creative Core – these workers include scientists, engineers, techies, innovators, and researchers, as well as artists, designers, writers and musicians.” In his estimate, some 40 million Americans, nearly a third of the American workforce occupies the creative class, and 12 million of them belong to the Super-Creative Core.

Florida maintains there are three key factors to nurturing creative industries: “Talent, technology and tolerance represent what I call the three Ts of economic development. The driving force behind any effective economic strategy is talented people. We live in a more mobile age than ever before. People, especially top creative talent, move around a lot. A community’s ability to attract and retain top talent is the defining issue of the creative age. Technology and innovation are critical components of a community or organization’s ability to drive economic growth. To be successful, communities and organizations must have the avenues for transferring research, ideas, and innovation into marketable and sustainable products. Universities are paramount to this, and provide a key hub institution of the creative age.”

Tolerance is equally important, and according to Professor Florida, creative people thrive in a tolerant atmosphere. “Economic prosperity relies on cultural, entrepreneurial, civic, scientific, and artistic creativity. Creative workers with these talents need communities, organizations, and peers that are open to new ideas and different people. Places receptive to immigration, alternative lifestyles, and new views on social status and power structures will benefit significantly in the creative age.”

### Searching for the Icelandic creative economy

This June, the Ministry of Education, Science and Culture, announced a project to map the economic effects of creative industries in Iceland for the first time. Official figures for the Icelandic economy do not accurately reflect the increasing importance of this sector in our society. Minister of Education Katrín Jakobsdóttir said at the time: “The knowledge that this project will create will be invaluable for making important policy decisions on how we want to reshape and reconstruct Icelandic society, in particular, how we want to shape our economy.”



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Despite little official information on the economic effects of creative industries in this country, we do have clues that clearly indicate the economic effects are considerable. In 2004 Ágúst Einarsson, Professor of Economics at Bifröst University, published his research on the economic effect of creative industries, in particular culture and music. “My conclusion was that nearly a quarter of the Icelandic workforce is employed by the creative sector. This conclusion has later been confirmed by other studies. I found that culture was responsible for 4% of the GDP in 2004, and music alone was responsible for 1% of the GDP,” Ágúst explains.

“I have been following this development since, and the share of creative industries has increased in the last years. The world's economy is at a milestone where the creative industry is as valid as primary production, industry, and service as a foundation for our economy. The rapid expansion of software development and computer games plays an important role, and Icelandic companies have gotten good results in these fields.”

He is very optimistic for future developments in this sector and believes creative industries based on culture and arts can be the industry of the future in Iceland. “There is a lot of cultural activity here, compared to other nations. This claim is supported by the large contribution of culture towards the GDP, in particular Gross Value Added. There is a strong music industry in Iceland that creates a lot of value, and there are many opportunities for growth in the film industry if we play our cards right. The same can be said for design. There is an industrial revolution taking place, fully comparable to the last one, 250 years ago with the arrival of steam power. We have great opportunities to be at the forefront of this revolution and improve our standards of living considerably. The foundation, interest in culture and creative ambition, is already in place,” Ágúst says.

### It's all in the game

Another positive sign for Icelandic creative industries is the expansion of computer game development in Iceland. Fifteen years ago there was no gaming industry to speak of in Iceland. In 1997, a few young men founded CCP with the goal to become a leading company in massively multiplayer on-line role playing games (MMORPGs). In 2003 the company launched their flagship title, Eve Online. Today, Eve Online has over 350.000 subscribers, employs 450 people and the yearly turnover exceeds 40 million Euros. And CCP keep developing more games.

The Icelandic gaming industry as a whole consists of at least ten companies, and the yearly turnover exceeds 60 million Euros. “We didn't even know that there was a gaming industry here until we planned a meet-up and



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realised that there were at least seven or eight different companies working in this field,” says Finnur Magnússon, a founding member of the Icelandic Gaming Industry (read more about this organisation on page eight), who moved back to Iceland two years ago after working for a computer game developer in London for several years. “That’s when we figured this was an industry and created a community called the Icelandic Gaming Industry as a way to join forces, create an infrastructure and share opportunities.”

Finnur founded his own creative start-up company, Agóra, developing crowdsourcing solutions and tools for generating ideas. He remains closely connected to the start-up scene. “In the last two years, the Icelandic start-up community has expanded considerably. Networking isn’t really necessary in Iceland, because it is such a small community and everybody knows everyone else. And everyone helps everyone else, too. For example, everyone is doing their best to market the Icelandic gaming industry outside the country. There is no Icelandic market to speak of, and this is such a diverse field that there is really no direct competition between the Icelandic companies, so everyone does their best to share knowledge, experience, and connections to help companies get a foothold abroad.”

### More Caoz

“We are a creative company, telling stories, and 3-D animation is our platform,” says Hilmar Sigurðsson of Caoz. Outside Caoz’ conference room, the walls are lined with storyboards and character development notes, artwork and to-do lists. The company is creating a product that in many ways combines the broad field of the creative industries; everything from art proper to design to highly technical software solutions.

“We jumped in the deep-end from the get-go, but we have been very goal oriented through the whole process. Our first film, ‘The Lost Little Caterpillar’, we mostly did to prove we were capable of doing it. The second film, ‘Anna And The Mood Swings’, was a much more ambitious project and included live characters. Again, we mostly did it to prove to ourselves and, not the least, our investors, that we were capable of doing this. But the goal was always to develop a feature-length film.”

‘Thor: The Edda Chronicles’ is already fully funded and in production, but the company has more projects in development. “We are already being asked about the sequel to Thor, and we have started laying the groundwork for a film based on the saga of Egill Skallagrímsson. Our goal is to be able to produce a new film every other year or so,” says Hilmar.



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The budget for Thor is 8.3 million Euros, and with the screening rights already sold to 26 countries, the film is on its way to recuperating that amount. “The creative industry brings in a lot of foreign currency. It creates highly paid employment opportunities – we're talking about exciting jobs that young people seek out and want to perform. I think the economic effects of creative industries are very underrated. If we manage to create another company the size of CCP in Iceland, this would be one of the corner stones of our economy,” Hilmar adds.

### So, what's the problem?

Despite many positive signs for the creative industries in Iceland, there are problems. For instance, high-tech companies such as CCP complain that there are not enough educated workers to meet demand. Agóra's Finnur Magnússon explains: “There is a great demand for engineers and programmers. I don't know a single programmer who has difficulty finding something to do. It is rather that they are moving on from dead-end IT jobs, to something more innovative. There is demand for good people, and this is a problem for many companies. This is one of the fastest growing industries in the country, but the government is ignoring the educational system and the need for educated staff. We need more people with education in natural sciences and technology. This is what Finland did when they went through a recession. And it paid off big-time for them. They are now one of the leading countries in the gaming industry, worldwide.”

Professor Ágúst Einarsson maintains a similar position: “Cutbacks in the educational system, like we are experiencing now, is the worst possible solution and, sadly, the one that have been chosen. It is pathetic to see that we are not seizing the opportunities when they are in front of us. We have all the conditions in place – economical, historical, cultural and educational – to succeed in the economy of the future, but Icelandic authorities don't seem to recognize that possibility.”

The lack of an educated workforce also manifests in another way in the start-up community says Finnur Magnússon. “The Icelandic funding environment is not bad, there are a several funds that start-ups can look to for funding and more venture capital funds are in the making. But at the moment there are not that many Icelandic start-ups, so there is a demand for companies to invest in. For people with ideas and a concrete business plan that is focused beyond the Icelandic market, getting funding should not be difficult.”

For the more expensive film industry however, funding remains a problem. “State contributions to The Icelandic Film Fund have decreased severely after the recession. For filmmakers, this means fewer projects will get



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funded, we will develop one or two less films each year, and probably one or two TV series less,” says Caoz's Hilmar Sigurðsson.

“The remarkable thing is that movie production repays in full all state contributions during production in the form of taxes and other fees, so the contribution from the Icelandic state isn't really an expense. Also, the production span of a film is relatively short, so funding an Icelandic movie is a short-term commitment for the state. The other thing is that half the production costs of an Icelandic film are usually financed from abroad, so we're really cutting the legs from underneath us by reducing state funding through the Icelandic Film Fund.

### So, what is the solution?

“Economic development, as anyone will tell, you is a long-term play,” says Professor Florida. “You have to invest in your communities now to reap the benefits in the future. This means creating the environment and ecosystem that will foster creativity and innovation. Economic development is also an incremental process, meaning steps taken today will have some immediate impact but some investments will take time to play out.”

“Communities have to realise they are competing for talent. Those who want to experience a 'brain-gain' need to have all the features of a complete authentic community – a good job market, thick amenities (restaurants, arts, parks, etc.), appealing aesthetics, safe neighbourhoods, viable public transportation, connectivity, etc.,” he continues. “In addition to creating viable authentic communities, our economic development officials and elected leaders have to invest time and resources into developing the support structure – increased higher education funding, incubators, technology-transfer – to bolster the innovation and technology that will create the jobs of the future.”

There seems to be a scholarly consensus that you have to spend money to make money. Professor Ágúst Einarsson believes that our best possibility to nurture the creative economy is by strengthening the education system. In particular, reducing dropout rates at the secondary school level and increasing the number of university graduates. “If the education system is working, a lot of other things fall into place,” he says. “Authorities also need to nurture creative, and innovative companies, and face the fact that there is a long road from idea to profit.”





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**According to a widely used definition by the Department for Culture, Media and Sports in the UK, creative industries are the following:**

- Advertising
- Architecture
- Art and antiques market
- Crafts
- Design
- Fashion
- Film and video
- Music
- Performing arts
- Publishing
- Software
- Television and radio
- Video and computer games

### **A Sampling Of Creatives**

By: Rebecca Louder





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CCP was founded in 1997, with the goal of becoming a massive multiplayer game company. They launched their company EVE Online in 2003 and have since become one of the leading companies in the field, winning critical acclaim worldwide. [www.ccpgames.com](http://www.ccpgames.com)

E-Label is an affordable designer clothing label for the modern woman who leads a full life of work, family and social affairs. Their goal is to create comfortable, stylish pieces that can be worn at work, or at a party.

[www.shopelabel.com](http://www.shopelabel.com)

Medialux is a production house situated in Iceland, but working globally. They provide music for commercials, computer games, TV shows and produces recording artists, with their own personal hub of artists at their disposal.

[www.medialux.com](http://www.medialux.com)

Marorka provides energy management solutions for the international shipping industry. They specialize in maximizing fuel consumption and energy efficiency on vessels and fleets in order to reduce harmful emissions and shipping costs. [www.marorka.com](http://www.marorka.com)

Iceland Airwaves is the largest music festival in Iceland, taking place every October since 1999. They have recently come under the new management of Grímur Atlason and the Icelandic Music Export, and feature a huge array of both local and international acts each year.

[www.icelandairwaves.is](http://www.icelandairwaves.is)

Sagafilm is the leading producer of independent film, television and commercials in Iceland and is the only producer of TV shows formatted for Icelandic audiences such as Idol and The Bachelor. They are based in Reykjavík and work with worldwide partners. [www.sagafilm.is](http://www.sagafilm.is)

Betware is an Iceland-based gaming solutions and services vendor with regional offices in Denmark, Spain, Poland and Canada. They offer turnkey solutions, gaming platforms and a large portfolio of games while constantly researching to keep up with industry trends.

[www.betware.com](http://www.betware.com)



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gogoyoko is a social music marketplace that promotes fair play in music sales. Fans can buy directly from each artist on the site, while artists can set their own prices and collect 100% of the profit of their sales in order to create a community. [www.gogoyoko.is](http://www.gogoyoko.is)

Gagarín is a digital design company that forges interactivity between time and space. Established in 1994 they specialise in creating media rich multimedia solutions for the natural and cultural heritage sectors and have created some of the largest and most ambitious projects of this type in Iceland.

[www.gagarin.is](http://www.gagarin.is)