A central theme of the forum is social justice and human rights. I will introduce a new element into this discussion, which is I think underestimated in Russia, though it is the ‘secret ingredient’ of the success of cities like London where I worked until last July. I will show, using hard economic facts, that such rights as education, health care, dignified old age, housing and a decent wage are no longer a cost but an economic necessity. In the next phase of economic history, the winners will be those countries, cities and peoples that grasp this fact.

Even further, new universal rights are required, previously the privilege of a few: art, creativity and the free development of the individual – resting on are the basis. The reason is that creativity – the most fundamentally human capacity – has become the principal productive resource of the age. It is the foundation of a new paradigm of production.

Moral decency and social justice, for the first time in human history, have become essential pre-requisites of economic success.

To grasp this, a paradigm shift is needed.
I begin with two simple facts

Business now spends more on creative products – software, advertising, architecture and design - than on all other business services.

In 1994, for the first time, the average UK family spent more on creative and leisure products than it did on food. This was an unnoticed but world-changing event.

This is not the same for poor people. That will take time, leadership and wisdom. But we witness a fundamental shift to a world with enough wealth to treat leisure, creativity, and beauty – the ‘good things in life’ – as its top spending priority.

Emerging economies like China have grasped this. Their effort is going not just on traditional manufacture, and in fact manufacturing employment in China – again contrary to conventional wisdom – has declined. The effort is going into laying the groundwork to become the world’s leading creative economy. They seek to leapfrog the West, not to supply it with ‘cheap products’ but with high-value-added products. That is why, for example, the number of Chinese graduates has doubled every five years since 1995.
Where is value being added?

This leads us to technoeconomic paradigm, due to Carlota Perez who spoke yesterday.

The chart shows the biggest old-technology company in the world – Exxon; beside the top six design driven conglomerates. You don’t buy an iPod because it is cheap or fast; you buy it because it does what you want. You buy it for its distinctiveness.

This is the foundation of the creation economy

Great moments of change are driven by the technology that society has at its disposal. The steam brought a new world of travel, machinery, and power. Concrete, steel and electricity created a world over which Chicago and New York literally towered. The motor car, the ‘gadget’, and the welfare state built, in the 1950s, a world undreamed of twenty years ago.

Each past such age was opened by war, conquest and devastation. We have to prepare the next great age by other means.

Before periods of great changes, people continue to think and act in the old ways.

Legislators wanted to men with red flags to walk in front of trains. Today, that red flag is called austerity. Western leaders are sacrificing, on the altar of finance, the foundation of their past prosperity and the decisive ingredient of future success: the creativity of their peoples, and the environment - natural and built – that they live in.
Many speakers have noted that economic success needs industries with increasing returns, high value added, and high productivity growth. Yes – but the productivity of what? Today, four fifths of all US workers make services. Yet, few ask why service sector productivity is growing, and what must we invest in to make sure it continues?

This is what IT has done. It has revolutionised services. It lets us displace such basic human interactions as talking, writing, and seeing in time and space, and copy them without limit. To make a million cars, we needed giant factories, the production line, the car town. To make a million films we need a fast computer and a cup of strong coffee.

To call this the ‘information’ or ‘knowledge’ age is still old think; it supposes things are the form of wealth and machines are its source. The OECD ‘knowledge’ index adds together PhDs and PCs, as if a PCs could replace a humans.

The PC has not replaced the human; it has shown us why humans are not machines. In a word, the difference is that humans create.

This is not an ‘information’ economy. It is a creation economy.
A great talent of artists and designers, is looking at things differently. Economists are not quite so good but we have tricks up our sleeves.

These figures are from Will Page, chief economist with the Performing Rights Society (PRS). Will has access to data drawn from royalty returns, and he can make good estimates – and predictions that I have come to trust – about trends in musical consumption.

The solid chart shows the death of recorded media. Sales fall every year. The record companies treated these figures like most of the industry as a sign of doom and gloom. They were wedded to the old way of thinking, which focussed on the material product, and treated file downloading as a menace.

But income from Live performance – the bar chart - was going up every year, entirely making up the difference in spending lost as a result of cheaper downloads. People didn’t stop spending on music –they’ve saved what they used to spend on recordings, and spend it on performance. They focussed on delivery, on distinction, on aesthetics.
Thirty years ago, we thought machines would take over from people. It hasn’t happened like that. Instead machines have taken away the repetitive element of labour. What is left? Design, Creation and innovation. Creative labour is labour that machines can’t replace.

Long booms, like that of 1893-1914, or 1942-1968, don’t happen on their own. They come through conscious action. This time, the action needed is to unlock that creativity. The key to that is to invest in people and to invest in cities.

According to old thinking, production means using machines to make things. The basic resource you need is a factory; four walls, machinery, and a time clock.

Service products are not made in factories: they are made in cities. They are not made by machines; they are made by people. Scientists, technicians, software geeks, designers, artists – these are the modern drivers of productivity. We don’t know how to invest in them. This is what we must change.

This is why diversity, human rights, mutual respect, urban infrastructure, health, and education: it is because people are the resource of the future. Cities facilitate what Richard Caves terms the ‘motley crew’ who drive creative production.
Larry Beasley, former chief planner for Vancouver, introduced into urban planning the idea of love - not just love of each other but love of our cities. We have to construct cities as beautiful, creative, inspiring places to live in and to create in.

Because the factory is passing; and the city is taking its place.

We think of the environment as a cost, like human resources, because we conceive it only as only in terms of consumption – we wanted nice cities so that we could enjoy them. We think, therefore, of making cities we can love as an extra, a luxury, a cost, something we can’t ‘afford’. The same thinking sees education, creative talent, or ‘art’ as something that, when times are hard, we have to do without.

This is not merely morally repugnant: it is economically senseless. People, and cities, are a productive resource.

Russia can lead the world in this respect. The most multinational country in the world, it has become a sleeping giant because it has yet to awake full potential that this diversity offers – a potential that cities such as London, New York and Singapore have achieved, which great gateway cities like Berlin and Vienna aspire to, and which China positively thirsts for.

The last word has to go, appropriately, to an architect – Buckminster Fuller: the best way to predict the future is to design it.