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Get ready for a new economic era

The mortgage-fueled market slide is leading the United States into much more than a recession—it is also ushering in a new economy. The consumer economy that was born in the 1950s is lurching to an end, and a new "creator economy" is emerging. This shift represents the third economic turning in just over a century. A look back at its antecedents reveals much about what to expect.

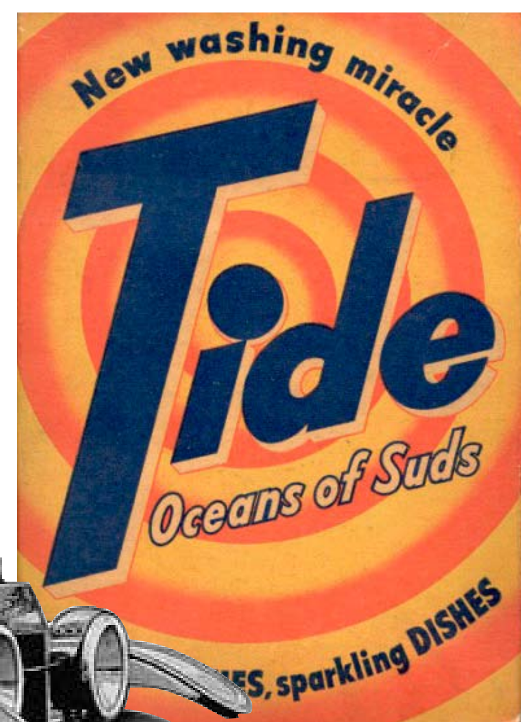
1900: The rise of the producer economy

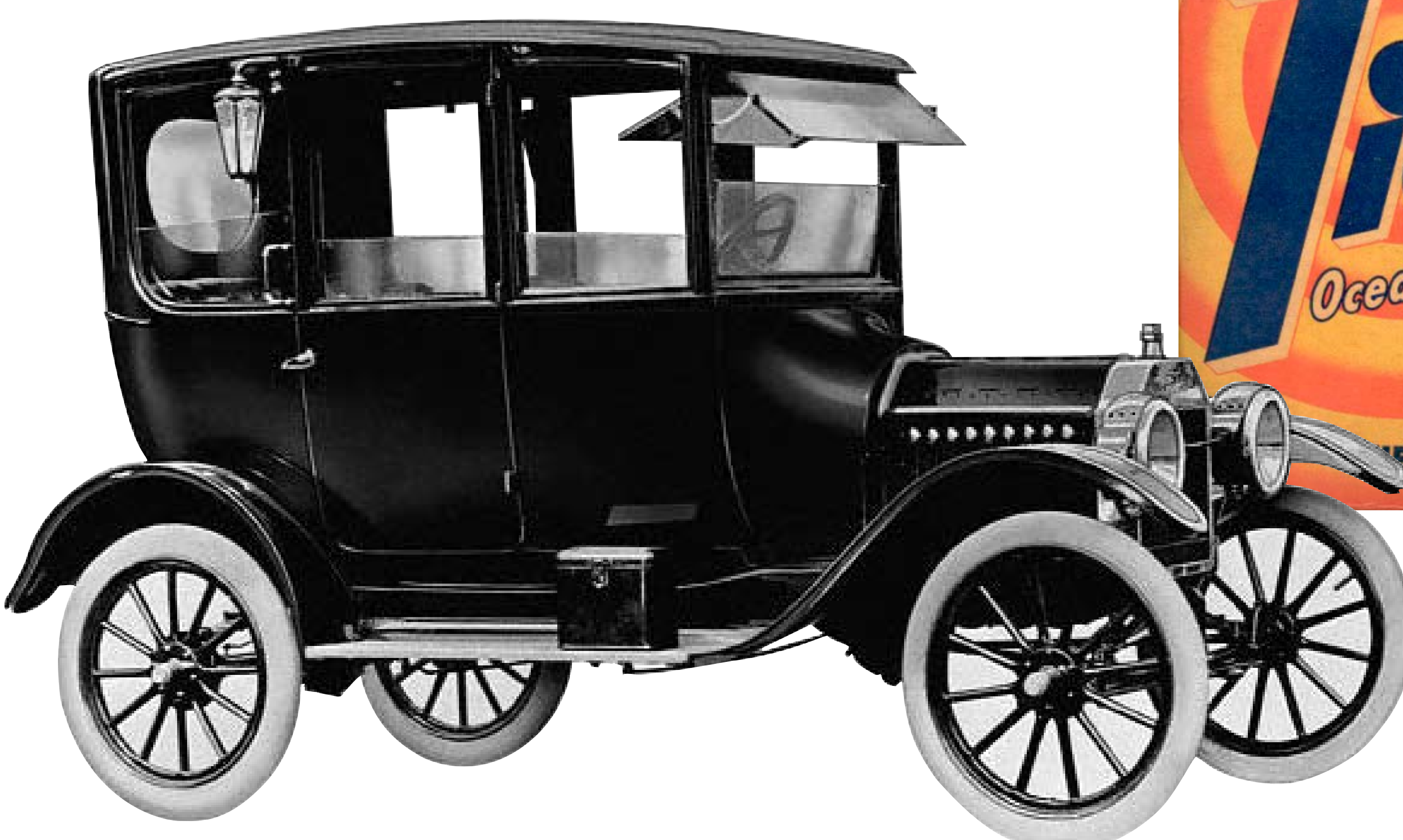
The producer economy harnessed manufacturing in the service of satisfying the material desires of a newly prosperous working class and emergent middle class. This was the economy out of which the great brands of the 20th century were born, and which promised the public a dizzying array of conveniences, from dishwashers and phonographs to cameras and cars.

The producer economy promised abundance, but it was haunted by scarcity, so efficiency became a managerial obsession. The spectre of scarcity was most visible during World Wars I and II, when patriotic citizens accepted rationing and surrendered everything from metal pots to old tires to be recycled into war material. But when the industrial giants returned to making civilian goods after the war, they were in danger of making vastly more goods than the public would ever want to buy. At this moment, the producer economy began to come to a close, doomed by its own success. The consumer economy had arrived.

1950: The consumer economy begins

The consumer economy began when companies realized that they had a demand problem rather than a production problem and shifted their resources to finding new ways to sell their existing products. The consumer replaced the worker as the economy's





central actor, resulting in dramatic power shifts. Within companies, for example, power migrated from manufacturing to sales and marketing, as corporations sought to generate ever-greater demand for what they produced.

Television was crucial in this transition. In 1950, 9 percent of households had a TV; ten years later, it was 90 percent. Marketers created new demand for products such as appliances and automobiles, and TV did its part to inflame consumer desires. The possibilities afforded by TV triggered two profound shifts. First, TV created category-dominating superbrands such as Tide. And second, it helped to create entirely new products that could never have been sold without TV. Swayed by the messages of mass media, consumers discovered that suddenly, their lives were incomplete without products they had never even known existed—things such as Saran Wrap, tail fins, TV dinners, transistor radios, and, of course, the hula hoop. Mass media turned consumer economy products into totems of aspiration. Consumers no longer waited until an appliance broke to buy a replacement; they upgraded because the color was no longer fashionable.

The consumer economy reversed consumer attitudes towards debt, from a producer-era vice to a consumer-era virtue. US household debt swelled from less than $20 billion in 1950 to $2.8 trillion in 2008. Debt was the key to the consumer economy's growth in the same way that manufacturing efficiency drove the producer economy.

The more consumers had, the more they desired; the forces that had driven the consumer economy's success now began to lead to its inevitable end, which came with the financial meltdown of 2008. It was a moment when the collective debt had become so large that even the US consumer was incapable of spending the world out of its financial hole. Just as the producer economy was brought to a close by overproduction, the consumer economy was dragged to its end by overconsumption.

Three icons for three eras
(From left to right)

For the producer economy: A Ford Model T

For the consumer economy: P&G's powerhouse brand, Tide

And for the emerging creator economy: the mouse

2008: The creator economy beckons

Now we are entering a third age in which the central economic actor is someone who both produces and consumes *in the same act*. I like the term "creator," as this new kind of actor is doing something more fundamental than the mere sum of their simultaneous production and consumption. Creators are ordinary people whose everyday actions create value.

Just as the mass media were essential to the rise of the consumer economy, today's emergent personal media platforms are making the creator society possible. The quintessential example of creation is a Google search. Two decades ago, online search cost money in the form of a monthly subscription, but now, thanks to Google, it is free to the user. Or, rather, it seems free but in fact the searcher is paying with each search—and the payment is the search string they enter. The string of text that goes into the search box seems valueless to the creator, but when aggregated with all the other search strings flowing in, it is valuable enough to make Google worth billions. A simple Google search thus typifies what drives the creator economy—creative value flowing in both directions at the same instant.

Other examples of creator transactions abound—think of YouTube and Wikipedia. Interactivity is the common thread, which makes sense because interactivity is what defines the creator economy. The rise of interactivity is no more exotic than the 1950s notion of ordinary consumers being able to purchase items that had been luxuries just a few decades earlier. Now, everyone will create as they go about their daily lives. These transactions may not be art or deathless prose, but they create value. Thus, just as the time clock symbolized the producer economy and the credit card the consumer economy, the computer mouse is the symbol of the emerging creator economy.

Not everything in the creator economy will require interaction, any more than manufacturing disappeared during the consumer economy. But the most successful companies will be the ones that harness creator instincts, and the biggest winners will be the companies who harness the smallest creative acts. More people watch YouTube than post videos because creating a video is work. More people read blogs than write them because long-form writing is a hassle. Meanwhile, the telegraphic sentences of tweets, texting, and Facebook updates are becoming ubiquitous acts of creator haiku. And everyone can scribble a few words to compose a Google search, which is why Google dwarfs other creator companies.

There will eventually be a company that dwarfs Google. I don't know its name, but I know how it will grow—click by click. ●