

## EXCLUSIVE ACA INTERVIEW WITH REUVEN BRENNER

### THE ECONOMICS OF CREATIVITY

Interview by Russ Barnes

*Money and creativity: sometimes the two can be at odds with one another. But one thing is for sure -- according to McGill University (Montreal) economist, Reuven Brenner -- without creativity in an economy, there can be no wealth at all. Reuven Brenner recently spoke with ACA board member, Russ Barnes, (<http://home.earthlink.net/~rbarnes7/Bio.htm>) on creativity and economics in an exclusive interview for the American Creativity Association.*

*Brenner holds the Repap Chair at McGill's faculty of Management. His latest book is *The Force of Finance: Triumph of the Capital Markets* (Texere, April 15, 2002, <http://www.amazon.com/texere>) which was put on the London Times list for the book of the week. His articles and reviews have appeared in the Wall Street Journal, Financial Times, the London Times, the Boston Globe, the New York Times, Asia Times, Forbes Magazine, and Le Figaro.*

*Some of Brenner's major themes are risk-taking, creativity, match-making, exchange rates, gambling, anti-trust, and what it is that makes companies and countries either leapfrog over -- or fall behind -- others. What follows is ACA's interview with Reuven Brenner conducted by Russ Barnes August 26, 2004.*

RB. Mobility and the availability of capital. those two resources seem to add up to creativity in your newest book, **The Force of Finance**. I wonder if you could expand on how that mobility makes for creativity.

BRENNER. The question is, how is mobility essential for creating wealth? There are two notions you must associate with creativity. When people come up with new ideas, the question for me is: how do new ideas become commercialized? Well, if you have some brilliant ideas and if they stay in your head, then that's it. Those ideas stay in your head, and then they're gone when you die. Take some of the ideas of Russian Jews and take some of the ideas of citizens of Communist China, those ideas stayed in their heads. If those people had been able to be mobile, to move, for example, to the state of Israel or wherever else, then, in the '70s and '80s they would have come in contact with people who were available, in places like that, and in a position to back those ideas. If you want to create wealth, there must be someone to fund your creative idea. You must access some form of capital to bring your creative idea out of your brain and into the market. That brings your ideas to life, makes them manifest.

RB. So -- what if there's no capital to bring those ideas to life?

BRENNER. Then you have to move somewhere else where your ideas can be brought to life. And that place where you move must have the institutions to provide capital for you to realize your ideas. You must find a place which will fund your creativity. You must find that: a country, a place.

RB. You must find a country, a place, that supports creativity?

BRENNER. Yes. Take Solzenitzen. Where did he end up to exercise his creativity? He was sent to a gulag. Creativity can die there. He had to find someone in the West with money who would support his creativity, his ideas.

RB. Or at least, he had to get his writings to the West. He had to get a publisher. He couldn't get that in the gulag

BRENNER. No. If Solzenitzen had never found his editor, no one would ever have seen his creative work.

RB. We all would have lost. So it takes a formal financial institution to make a creative idea move from the brain to the larger society that can benefit from it? Someone has to take a risk on the idea?

BRENNER. Yes. In Hollywood, you can buy one thousand scripts at every gas station. Everybody and his brother has a script. There are many, many good ideas out there. Some one has to bet on these ideas. It's a gamble. Out of the thousands, you have to choose a hundred to bet on, to make a hit.

RB. So a creative idea must find funding. Someone must bet on it?

BRENNER. Otherwise, it's just an idea.

RB. On the other hand, what you're saying is it only creativity that can create wealth?

BRENNER. Oh, let me think . . . In order to create any form of wealth, you must have at least two people. It must be a transaction. Otherwise it's nothing. It may be a hobby or an entertainment. But it's not going to create wealth. If I write scripts and I don't show those scripts to anybody, then, well, it's like a game with my friends. It's an entertainment. Creativity only becomes a part of wealth if you make an exchange. Let's say you find oil in the ground. Let's say you find diamonds. Even there, if you just sit on that oil or diamonds and not show it to anybody, well, then there is nothing. Those diamonds are worthless. It's the exchange that makes wealth.

RB. And one of the things you say is that talent, creativity, entrepreneurship has to be matched with capital. You say match-making transforms creativity into wealth.

BRENNER. Yes. Well, how do these two people get in touch with one another -- the person with the creative idea, and the person with the money? Why is it that ideas died in Russia? It was because there were no financial institutions. In Russia, the central government decided who gets the money and for what. Every activity was prohibited unless expressly allowed by the government. So it was those bureaucrats in Moscow who did what I call "matching." So you didn't have anyone else there in those days. How did those bureaucrats get into their positions? The skills that get you into a position to make matches between the creative person, the entrepreneur, and the money are not the same in a dictatorial government than the skills it takes when you have open financial markets. The matchmakers are part of the open financial market.

RB. That's the equation, isn't it. What does it take to be a good matchmaker? What are the skills?

BRENNER. If you have competing institutions, you have good matchmakers. Whether it's books, whether it's a journalistic venture, any kind of venture, you need a good match-maker. Any gamble needs a matchmaker. You must have competition to increase the odds, you know,

that the idea can be funded. You're turned down. But you can go and try and try again. You can make it come to life if you have many matchmakers.

RB. So you have three elements here. You have the talent, the person with the creative idea, you have the institutional capital, and you have the matchmaker -- the one who brings the talent and the capital together?

BRENNER. And then you hold all sides accountable.

RB. So creativity must be disciplined.

BRENNER. Yes. By accountability. People have millions of ideas. The matchmaker has to have a sense of which idea is a good one and which one is a bad one. But the check is the financial institution that says, "Stop" when it doesn't work. And this is where accountability comes in. You don't want error to exist for a very long time. Creativity is a trial and error process.

RB. The bank can't miss a month.

BRENNER. No, it can't. That's information.

RB. Can you say something, Reuven, about who the matchmakers are? What makes a good matchmaker?

BRENNER. You ask a complicated question because matchmakers may be good at one thing, but they may not understand other things. The key is that you have alternative sources of financing. You can have a genius at matchmaking and things can work out very well. Good. If you depend on one person, the government, say, or any one source, then you are captive. You must be able to go to one and then the next and then the next and then the next.

RB. I do the same thing when I sell my articles.

BRENNER. Yes. You may have a brilliant investment banker or editor, but he may have a blind spot and you have to move on. A venture fund may have a very good record. But sometimes they miss very good ideas.

RB. So the talent, the creative, the entrepreneur must move on.

BRENNER. Yes. A society with diversity allows that.

RB. What are the elements of creativity, of making those ideas happen?

BRENNER. I'll give you an example from my own personal experience about what it takes for creativity -- all elements: talent, matchmakers, bankers. What does it take? I served in the Israeli army in 1967 during the Six-Day War. The ability to collaborate with others in a team, the ability to act under intense pressure, the ability to decide quickly, and so you learn all these characteristics. These characteristics are, by the way, not very useful in politics.

RB. Especially in congress and in parliaments.

BRENNER. In politics, you need to be able to manipulate people.

RB. And to delay.

BRENNER. Oh, yes. Delay. When you ask me about the kind of talent, it depends on the specific industry. Where you learn the particular talent, that's a long story.

RB. What's the story?

BRENNER. I never answered your first question about mobility and creativity. You take Ireland. It quickly got success recently. Why? You look at Hong Kong, you look at Singapore, you look at Holland in the seventeenth century, and even the United States. You look at these spectacular successes or those that spectacularly fell behind, both in countries and in individuals, and what you find is it is because there is a core group of people who move from one place to another. Take Hong Kong and Singapore. It is not the local population that made wealth. The communists confiscated all the wealth in Singapore and the entrepreneurs moved to Hong Kong. Even if you don't have the money, if you only have all the knowledge and skills in your head, then surprise, surprise, Hong Kong becomes prosperous.

RB. The human capital makes the big difference?

BRENNER. Absolutely. You take Budapest and Vienna at the beginning of the Second World War. They were the centers of cinematography and culture. And in fact, you know, Hollywood benefited from that immigration. It's not enough if you are a Hungarian or a Jew, you see, you also must have some talent!

RB. Yeah! So wealth is the confluence of talent, money, and the middlemen to bring them together?

BRENNER. Look at Amsterdam. Spain threw out the Jews. And the Huguenots had to leave France and Germany. They had no place to go. But Holland accepted them. Then you get bankers from Italy going to Holland who could not bank in Italy because of Vatican intervention. It was these huge movements of immigrants that made Amsterdam the financial center of Europe. You mention your client who is Indian and came to the U.S. because he said there was a favorable "social contract" in the U.S.

RB. Yes. He said he could trust me. Or the legal system would provide a remedy.

BRENNER. He couldn't get that contract in India?

RB. His family was disappointed he gave up his high status as a Brahmin to become a developer of educational software.

BRENNER. A tradesman.

RB. Yes. He is a creative person. He is by his nature creative. He was born into the priestly caste, but that's not what he is.

BRENNER. What was long term for this man. You must have long-term trust to have a financial market, to have creativity.

RB. Trust?

BRENNER. That's the legal contract. Trust is necessary to get creative ideas to materialize.

RB. Someone says, "I promise you," and they believe you.

BRENNER. Do you have children?

RB. Yes. I have a daughter. She's twenty-eight.

BRENNER. When they learn to ride a bike, you hold onto the back seat of the bike, right?

RB. Right.

BRENNER. Then you let go. A little at a time. You let go and you hold on to that bike at the same time. Back and forth -- hold on and let go. And trust develops in your child. Trust that they can do it for themselves. But they are backed up. Entrepreneurs need to get the same trust from the financial markets. And the financial markets need to trust the entrepreneur. It's trust that someone will be there when needed.

RB. So get a good matchmaker?

BRENNER. Your creative ideas depend on it. Be accountable. That will gain you trust.

RB. Thanks for your comments for our benefit at the American Creativity Association.

BRENNER. You're welcome. I wish every one of you well.