The Periodical Observer

Reviews of articles from periodicals and specialized journals here and abroad

Politics & Government 87
Foreign Policy & Defense 89
Economics, Labor & Business 92
Society 94
Press & Media 97
99 Religion & Philosophy
101 Science, Technology & Environment
104 Arts & Letters
108 Other Nations

What Makes Cities Grow?

A Survey of Recent Articles

From Providence, Rhode Island, to Bellevue, Washington, urban America has been beguiled by the notion that the key to a city's future economic growth lies in attracting hip young "brain" workers—the "creative class." But Richard Florida, the impressario behind the idea, warns in *The Washington Monthly* (Jan.–Feb. 2004) that the "creative economy" has stalled. He points to the increased allure of foreign cities and to retrograde Bush administration policies. His critics say that only the dot-com boom of the late 1990s made his "creative class" thesis seem temporarily plausible. The fact that Florida's favored "creative" cities are now struggling only reveals the bankruptcy of his prescriptions. Writes Steven Malanga, a contributing editor of *City Journal* (Winter 2004): "The basic economics behind his ideas don't work."

Florida, a professor of economic development at Carnegie Mellon University and author of the bestseller *The Rise of the Creative Class* (2002), believes that the U.S. economy is in the midst of a great transformation. Just as the 20th century brought a massive shift from an industrial base to services, the 21st is bringing a shift from service industries to creative work. Florida's "creatives" are the vanguard of this change: scientists and engineers, writers, artists, entertainers, architects, and certain people in fields such as law, medicine, finance, business, and software.

At www.creative-class.org, the website for his consulting group, he says that, since 1980, the "creative class" has grown from 20 percent of the workforce to more than 30 percent—38 million people. "The great creative sector of the economy accounts for nearly half of all salary and wages in this country, $1.7 trillion, as much as the manufacturing and service sectors combined." San Francisco heads his list of the top "creative" cities, followed by Austin, San Diego, Boston, and Seattle. Their products: "cutting-edge entertainment in southern California, new financial instruments in New York, computer products in northern California and Austin, satellites and telecommunications in Washington, D.C., software and innovative retail in Seattle, biotechnology in Boston."

Florida's prescription for struggling cities is two-fold. Instead of aiming chiefly to attract businesses they should focus on enticing young creatives to take up residence. (Business will follow.) And to do that, cities should invest in the kinds of amenities these folks like. (A cultural climate "known for diversity of thought and open-mindedness" is also part of the formula.) City officials around the country have eagerly set off down the creative path. They've funded arts projects and music festivals, built sports stadiums and bike paths, and tried to nurture downtown arts and entertainment districts. If they had to raise taxes to pay for these things, so be it.

All of this seemed to make sense in the overcaffeinated days of the dot-com boom, say Joel Kotkin, a senior fellow at Pepperdine University's Davenport Institute for Public Policy, and Fred Siegel, a professor at the Cooper Union. "Yet virtually all [of Florida's favored cities] have been hemorrhaging jobs and people since the boom busted," they observe in *Blueprint* (2003: No. 6). San Francisco, for instance, has lost jobs at a Depression-era rate, and roughly four percent of its inhabitants have left for "more affordable, if boring, places, such as Sacramento."

The critics say it was all a mirage. Florida's larger theory is just a creative repackaging of older theories of economic transition. And his studies are badly flawed. "Although Florida's book bristles with charts and statistics showing how he constructed his various indexes and where cities rank on them," writes Malanga, "the professor, incredibly, doesn't provide any data demonstrating that his creative cities actually have vibrant economies that perform well over time." Consider job growth. Taken together, the top 10 creative cities on Florida's list in his book not only did no better on that front than the national economy between 1993 and 2003, they did *worse* than his 10 *least* creative cities. These cities, led by Las Vegas, Oklahoma City, and Memphis, Malanga says, "turn out to be jobs powerhouses, adding more than 19 percent to their job totals since 1993—faster growth even than the national economy."

Or consider the incubation of fast-growing businesses. A 2001 study by the private National Commission on Entrepreneurship (at www.publicforuminstitute.org/nde/reports/2001-high-growth.pdf) rated cities on how well they hatched high-growth companies in the mid-1990s. ("High-growth" firms are those that grew by 15 percent a year for five consecutive years.) The study put Detroit—which is not among Florida's top 10—in second place among major cities. And New York, which *was* on Florida's most-creative list, finished at the bottom.

Far from being concentrated in high-tech, the study concluded, fast-growing firms "are widely distributed across all industries."

The creativity-oriented approach to economic growth no longer makes even "passable sense," Kotkin writes in *The American Enterprise* (July-Aug. 2003). Instead of dance clubs, art museums, and hip shopping districts, today's growth hot-spots—such as Boise, Fresno, Fort Worth, and Provo—are more likely to have single-family homes, churches, and malls. Families, not singles, dominate their local economies. For these people, *affordability* is the number one priority.

High-growth businesses are likewise concerned with keeping costs reasonable. Local governments in these growth hot-spots care less about lifestyle amenities than about the nuts and bolts of creating a favorable business environment. "Places kindest to business costs, whether in terms of office rents, taxes, or regulatory environments, seem to be doing best," writes Kotkin in *Inc.* (Mar. 2004). The worst large metro area (in terms of job growth and balance of industries) is San Jose, "home of Silicon Valley, the megawatt center of late '90s business hype."

Kotkin and Siegel think that the gossamer quality of Florida's ideas is what helped make them so attractive to city leaders and others: "This is a strategy for a frictionless universe" that makes no mention of politics and ignores "the problems produced by outmoded regulations, runaway public spending, or high taxes."

In his recent *Washington Monthly* article, Florida opens a new front in the war with his critics. If the "creative economy" is stalled, he says, blame foreign competition and the Bush administration. Foreign cities "from Sydney to Brussels to Dublin to Vancouver" have begun to lure the creative—and the Bush administration, with "its disregard for consensus scientific views" on matters such as global warming and stem-cell research and its unilateral foreign policy, is making the United States a less attractive place for internationally mobile members of the creative class.

The Bush administration also has shifted attention and resources to extractive industries and other "older sectors of the economy." This is no accident, Florida argues. "Red" (Republican) America is based in "the economically lagging hinterlands." The Democratic "blue" sections contain "the talent-laden, immigrant-rich creative centers." In his view, the November elections will be in part a referendum on the future of the "creative economy."