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WHY CITIES GROW

Economist Richard Florida argues that cities must attract young, talented workers – what he dubs the "creative class" – if they want to prosper. Is he right? And is there anything new about his theory?

BY AARON STEELMAN

Economics can be used to better understand a whole host of social phenomena. But perhaps the most fundamental issue of all is why some places prosper while others stagnate. Often this question is posed of countries: Why has the United States outperformed Japan, for instance? But it also can be asked at the subnational level as well: Why have some individual states within the United States done better than others? And why have some cities within those states grown more quickly than their peers? Indeed, this last question is what vexes community development officials, many of whom are charged with revitalizing once-thriving urban centers.

Over the past 40 years — as the U.S. population has increasingly shifted from city to suburb — there has been no shortage of ideas about how to bring life back to America's downtowns. Pedestrian malls, convention centers, sports stadiums — these have all been touted as keys to urban redevelopment, but when tried they often have been unsuccessful. Today there is a new contender vying for the attention of city leaders: the "creative class" thesis, which says that a community's economic health is directly related to how attractive it is to young, talented, and open-minded people. These people generate ideas, work long hours, and generally make a city go.

In broad outline there doesn't seem much about this argument with which to quibble. As a descriptive matter, sociologists have talked about the "creative class" as a distinct group since at least the 1960s, although they haven't necessarily used that term. And as a prescriptive matter, economists have long argued that human capital, which the creative class is supposed to possess in abundance, is a key factor in economic growth — and may be more important now than ever. But when you scratch below the surface, some problems arise with the creative class theory. These problems don't invalidate the theory in its entirety — in fact, there is much that is important and true about the "creative class" concept — but they do suggest that it is not the magic bullet that many urban planners and developers have been hoping to find.

The Three Ts

If there is a leader of the creative class movement, it is without question economist Richard Florida, author of *The Rise of the Creative Class ... And How It's Transforming Work, Leisure, Community, and Everyday Life*. Florida, who developed most of his ideas regarding the creative class while teaching at Pittsburgh's Carnegie Mellon University, has recently taken a position at George Mason University's School of Public Policy. His move places him just miles from Washington, D.C., one of the cities that he touts as a leader in attracting the type of young, hip workers necessary for a dynamic, growing community.

According to Florida, economic development requires "The Three Ts": technology, talent, and tolerance. Many cities have one or even two of these traits, but all three are necessary for rapid growth because they work closely together. Florida's argument goes as follows:

> [R]egional economic growth is powered by creative people, who prefer places that are diverse, tolerant, and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skills sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation, and economic growth.

To measure how well cities fared on these three measures — technology, talent, and tolerance — Florida constructed separate indices for each. Combined, they are used to determine a city's overall "creativity index" score. The cities are then divided into the following four groups and ranked: (1) regions with populations over 1 million; (2) regions with populations between 500,000 and 1 million; (3) regions with populations between 250,000 and 500,000; and (4) regions with populations below 250,000. (For a list of the rankings of the best and worst cities in each group, see the accompanying charts.) Those cities with high creativity index scores should be expected to do well in coming decades, while those with lower scores should be expected to struggle. Not surprisingly, the index has ignited interest among city officials who wonder how they can move their region up the list.

The Memphis Manifesto

In the spring of 2003, representatives from 47 cities gathered in Memphis, Tenn., a city that fared particularly badly on Florida's creativity index, to draft the "definitive blueprint for communities competing for creative workers and seeking to retain their own." The result is what has been dubbed the "Memphis Manifesto." The document is long on vague notions and flowery language but short on concrete proposals. For instance, its number-one principle is, "Cultivate and reward creativity. Everyone is part of the value chain of productivity. Creativity can happen at any time, anywhere, and it's happening in your community right now. Pay attention." It also implores cities to "convert a 'no' climate into a 'yes' climate. Invest in opportunity-making, not just problem-solving."

The manifesto's most significant policy proposal is to "invest in the creative ecosystem," by which its authors mean "arts and culture, nightlife, the music scene, restaurants, artists and designers, innovators, entrepreneurs, affordable spaces, lively neighborhoods, spirituality, education, density, public spaces, and third places." If you build such institutions, they argue, creative, talented 20-somethings will be drawn to your city, fueling economic growth in the way Florida has described.

The problem, says Joel Kotkin, a senior research fellow at the Davenport Institute for Public Policy at Pepperdine University, is that the manifesto ignores the core functions of local government like public safety and effective schools. "The creative class concept is so popular with city officials because it acts as if there is an easy solution to the problems they face," he says. "There isn't. Cities need to work on fixing the basics and providing a reasonable tax and regulatory environment if they want to grow."

In fact, says Kotkin, some decidedly unhip places like Riverside, Calif.; Des Moines, Iowa; and Sioux Falls, S.D., are doing quite well while many of the places that scored well on Florida's index have been hurting in recent years. "Florida's theory looked pretty enticing during the tech boom. But a lot of those places that he says are models of urban growth, like San Francisco, are doing pretty badly now," he argues. "How can this theory be right when all the hip places aren't growing?"

In addition, even if a city can attract a talented young work force, it's risky to pin your hopes on them. People in their 20s are like a "revolving door," says William Frey, a demographer associated with the University of Michigan and the Brookings Institution. They tend to hop around a lot, taking advantage of new job and educational opportunities. The problem may be especially acute for the creative people described with so much enthusiasm in the Memphis Manifesto. "Once artists get their big break, they don't stick around. They go to New York or Los Angeles," says Kotkin. "The type of people who settle down, establish roots, and really contribute over the long run to a city's economy tend to be in their 30s or older. And they don't particularly want to live in lofts and go clubbing. They want some quiet and some space, and so they often go to the suburbs."

Human Capital or Creative Capital

The idea that talent is crucial to economic growth is not particularly controversial among economists. Adam Smith, Alfred Marshall, and Joseph Schumpeter all talked about the importance of new ideas to economic growth. In fact, Schumpeter described the "perennial gale of creative destruction" as the "essential fact about capitalism." More recently, Stanford University economist Paul Romer has made human capital a central part of his influential "new growth" theories.

But Florida wants to argue that his ideas are new — and the novel part is how he characterizes talented and creative people. He suggests that talented and creative people are drawn to "Bohemian" places that celebrate the new over the traditional, the unique over the conventional. Indeed, he has constructed a Bohemian Index, which measures the number of writers, designers, musicians, actors and directors, painters and sculptors, photographers, and dancers as a share of a region's total population. He then uses the Bohemian Index as one of the components of his larger Tolerance Index — the third of The Three Ts.

Many creative people, however, have little use for "socially free areas with cool downtowns and lots of density," writes Harvard University economist Edward Glaeser in a review of Florida's book. "I know a lot of creative people. I've studied a lot of creative people. Most of them like what most well-off people like — big suburban lots with easy commutes by automobile and safe streets and good schools and low taxes. After all, there is plenty of evidence linking low taxes, sprawl, and safety with growth."

In fact, the most successful skilled city in the 1990s, as measured by population growth, was Plano, Tex., not exactly a Bohemian paradise, says Glaeser. Indeed, the Research Triangle area of North Carolina, which has experienced rapid job growth in high-paying industries, is

America's Most — And Least — Creative Places

Regions With Population Over 1 Million

Top 10	Bottom 10
Austin, TX	*Norfolk, VA & Detroit, MI
San Francisco, CA	Cleveland, OH
Seattle, WA	Milwaukee, WI
Boston, MA	Grand Rapids, MI
Raleigh-Durham, NC	Memphis, TN
Portland, OR	Jacksonville, FL
Minneapolis, MN	Greensboro, NC
Washington, D.C.	New Orleans, LA
Sacramento, CA	Buffalo, NY
Denver, CO	Louisville, KY

Regions With Population Between 500,000 and 1 Million

Top 10	Bottom 10
Albuquerque, NM	Fresno, CA
Colorado Springs, CO	Greenville, SC
Tuscon, AZ	Scranton, PA
Richmond, VA	Mobile, AL
Columbia, SC	Tulsa, OK
Little Rock, AR	Toledo, OH
Wichita, KS	Fort Wayne, IN
Albany, NY	Baton Rouge, LA
Birmingham, AL	Stockton, CA
*Allentown, PA & El Paso, TX	Youngstown, OH

Regions With Population Between 250,000 and 500,000

Top 10	Bottom 10
Madison, WI	Erie, PA
Boise City, ID	Chattanooga, TN
Fort Collins, CO	Hickory, NC
Des Moines, IA	Johnson City, TN
Santa Barbara, CA	Ocala, FL
Lansing, MI	Saginaw, MI
Tallahassee, FL	Visalia, CA
Provo, UT	Evansville, IN
Lincoln, NE	Lakeland, FL
Melbourne, FL	Shreveport, LA

Regions With Population Below 250,000

Top 10	Bottom 10
Burlington, VT	Wausau, WI
Corvallis, OR	Mansfield, OH
Iowa City, IA	Victoria, TX
Champaign-Urbana, IL	Sheboygan, WI
San Luis Obispo, CA	Danville, VA
Portland, ME	Houma, LA
Charlottesville, VA	Lima, OH
Cedar Rapids, IA	Sumter, SC
Bryan-College Station, TX	Joplin, MO
Bloomington, IL	Gadsden, AL

Notes: Cities are listed in descending order. For instance, among cities with populations of 1 million or more, Austin is ranked as the most creative city, while Louisville is ranked as the least creative city. The rankings come from the overall "Creativity Index" scores compiled by Richard Florida and his colleagues.
*These cities tied.
SOURCE: Richard Florida, *The Rise of the Creative Class*, 2004 Paperback Edition

"a traditional Nerdistan," says Fred Siegel, professor of history at Cooper Union in New York and author of *The Future Once Happened Here: New York, D.C., L.A., and the Fate of America's Big Cities*. The majority of its residents are not at the cutting edge of popular culture, even though they may be tops in their highly creative professions.

Some might argue that this criticism is overly broad — that it overlooks too many obvious examples of tolerant, Bohemian places with strong, growing economies to be convincing. And the truth is there are quite a few such places. But ask yourself what else many of these cities have in common: Ann Arbor, Mich.; Austin, Tex.; Madison, Wisc. — these places are diverse and tolerant, and their economies are in fact growing quite rapidly. But they are also home to large research universities, which require support services from local businesses, have massive budgets of their own, and partner with private-sector firms on a wide array of projects. To some extent, such economic activity insulates these cities from broader downturns in the economy. And in the case of Austin and Madison, both state capitals, a large number of relatively stable, high-paying government jobs adds to the recession-proof nature of their economies.

When you subtract the number of university towns from the list of booming but also Bohemian cities, that list shrinks substantially. And of those that remain, it's not especially clear what policymakers can do to replicate their success. Consider Asheville, N.C. It's a relatively small city in the mountains of western North Carolina, just miles away from some of the poorer parts of Appalachia. Yet it has a thriving artistic community and a countercultural feel. How did this happen? Certainly not by any grand plan.

Instead, creative types have come to Asheville for differing reasons for more than a century, each adding to the area's unique culture. In the 1890s, artisans were drawn to Asheville to work on George Vanderbilt's famous Biltmore Estate, many of whom stayed in the area and continued to hone their skills. During the 1930s, a number of Bauhaus artists, including Josef Albers, fled Nazi Germany and settled in the Asheville region. And during the 1970s, New-Age bookshops and offbeat clubs began popping up.

In other words, much of Asheville's development was "spontaneous, organic, and untidy," to borrow the words of Jane Jacobs, author of the classic *The Death and Life of Great American Cities*. City officials may have played some part in fostering Asheville's growth, but the region's development was fundamentally bottom up, not top down. No manifesto could have accurately described or directed the path that Asheville has taken. "Local governments alone cannot make a place 'hip,'" says John Accordino, associate professor of urban studies and planning at Virginia Commonwealth University. "Usually there are other, more important factors, such as universities or a natural setting, that have already attracted artistic folks."

Sound and Fury Signifying What?

Like many other proposals that hold the promise of bettering society, Richard Florida's theories about the creative class have been seized by policymakers eager to help their cities. And in the process some of his ideas may have been distorted by well-intentioned public officials. At least that's how he sees it. "What's sometimes disheartening is that some community leaders seem to conclude the key lies in attracting creative class workers, and therefore the creative class simply needs to be lured like some sports franchise from another city with bike trails, music scenes, and other amenities," writes Florida in the preface to the 2004 paperback edition of his book. "There is no one-size-fits-all strategy. Each place has to use the ideas and theories developed in this book to create the best 'fit' for itself."

So where does this leave us? Florida's strongest ideas — about the importance of human capital to economic growth — aren't especially new. And his newest ideas — about the importance of creating Bohemian enclaves to attract talented people — don't appear to be particularly strong. As a matter of public policy, Harvard's Glaeser sums up things nicely: "Mayors are better served by focusing on the basic commodities desired by those with skills than by thinking that there is a quick fix involved in creating a funky, hip Bohemian downtown." The problem, of course, is that those basic commodities have proven awfully hard to provide in most cities. Perhaps it's time for economists to think creatively about how to deal with that issue. **RF**

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