Response to Edward Glaeser's review of ***The Rise of the Creative Class***

By Richard Florida

June 13, 2004

What a great time to be working on and studying the stuff that regional economic growth is made of. Cities and regions are out there developing new ways to grow their economies, spur business development, generate technology, attract and retain people, and improve their quality of place. And now a growing number of scholars and analysts are generating the new ideas, hypotheses, and research that will help to inform the actions and outcomes of these cities and regions.

Among the most influential of these scholars is Edward Glaeser, the dynamic, young, economics professor at Harvard University. Glaeser is currently playing a huge part in revitalizing the field of urban economics, with his focus on human capital, urban amenities, and what he refers to as the rise of the "consumer city." He serves as editor of the prestigious *Quarterly Journal of Economics* and was just named co-director of the Kennedy School's Taubman Center for State and Local Government (along with Alan Altshuler, the esteemed urban political scientist by whom I had the pleasure of being advised as a graduate student at MIT).

Glaeser recently reviewed my 2002 book, *The Rise of the Creative Class* (http://www.creativeclass.org). In contrast to much of the recent pop criticism that has sprouted up around the book, it's invigorating to engage with a serious reviewer and to be able to work through these issues with someone like Glaeser. As he notes, my team of colleagues and graduate students – mainly Kevin Stolarick and Brian Knudsen – supplied him with the data he used to run his own analyses. Sharing data and allowing others to replicate your work is a key element of what it is to be an earnest scholar; it allows people to independently test your ideas. Needless to say, I was thrilled that Glaeser – unlike my most vocal critics, whose backgrounds have little to do with economics and less to do with fact-finding – looked seriously at my ideas and work in reviewing my book.

What follows is a slightly edited and polished version of an e-mail I sent to Glaeser. It discusses the issues on which we see eye-to-eye and those where our perspectives diverge slightly. It's my sincere hope that this kind of dialogue will stimulate more thinking and analysis on the part of a broader group of scholars and analysts.

Here are my five key points responding to Ed Glaeser's review of *The Rise of the Creative Class*.

First, I agree with Glaeser wholeheartedly about the crucial role of human capital. I say as much in *The Rise of the Creative Class*. Human capital and my own creative class or creative capital measures are in fact highly correlated. In earlier work (my article in the *Annals of the Association of Geographers*, which I mention below), I used the human capital measure myself. The reason I eventually came to the creative class measure was to try to get what I saw as a slightly better handle on actual skills, rather than using only an education-based measure –- to measure what people *do*, rather than just what their training may say about them on paper.

The creative class measure is also a useful tool for regional analysis, as it allows one to get at what people *currently* do. This is in fact predicated largely on Glaeser's work that says it is occupations and skills that matter –- more than, say, industrial clusters alone. The creative class measure allows one to get at current *occupational* clusters in regional analysis, which serves a useful real-world function.

Second, I also agree that human capital/skills/creativity (or however one chooses to phrase this generally agreed-upon trait) is the primary driver of economic growth at both the regional and the national levels. Again, I state as much in the book, crediting Glaeser, Lucas, Jacobs, Romer, and many others. And I say this as someone who comes from a technology and economic growth background, and who only relatively recently has come to see human capital as far more important.

But the structure of our arguments is just a bit different. Glaeser and I agree that human capital drives growth. But the question my colleagues and I ask attempts to go one step further, to ask: *why* are some places better able to develop, attract, and retain human capital/skills/creative capabilities? I think this question is actually the key original contribution my work makes to the already well-mapped canon of economic development literature.

In my view, it is not amenities –- nor bohemians, nor even gays –- that account for the *why*. What accounts for the why is, simply put, openness. Sometimes we call this characteristic "low barriers to entry" for human capital. More recently, I have come to refer to it as "Tolerance," one of my 3 T's of economic growth.

In an article entitled, "The Economic Geography of Talent" (in the *Annals of the American Association of Geographers*, available at http://www.creativeclass.org), my collaborators and I try to get at this with "path models," focusing on the 50 largest Metropolitan Statistical Areas (MSAs). These models suggest that while Talent or human capital does indeed drive economic growth (measured as income and change in income), diversity has a powerful effect on Talent. Diversity acts indirectly by conditioning both Talent and Technology, which in turn affect growth. This is an early analysis and clearly much more needs to be done on the subject. But I do think it tries to get at the underlying structure and effect of the phenomenon.

So I'm not exactly arguing that diversity affects growth directly (human capital will always swamp these regressions), but rather that it does so *indirectly*, by affecting the ability of some places to mobilize skills internally and attract them from external sources (i.e. other cities and countries). The measures of diversity we use are admittedly crude, and we like to think of them as signals, as *leading indicators*, of an open environment or regional ecosystem that taps human creativity and can attract it from within and without. The NBER paper by Gianmarco Ottovanio and Giovanni Peri, "The Economic Value of Cultural Diversity: Evidence from US Cities," (available at http://www.feem.it/NR/rdonlyres/7723CDCE-4F43-4BA4-899A-

520403F3A87A/1078/3404.pdf) does this in a somewhat more systematic way, showing a powerful effect of diversity (measured as foreign-born people) on regional growth.

Third, in *The Rise of the Creative Class*, I look at the relationship between these various factors and the size of regions (metropolitan statistical areas or MSAs), based on an analysis by my colleague and collaborator Gary Gates of the Urban Institute. Here I clearly say that the effects of various diversity measures vary by size of region. The bohemian and gay measures matter much more for large regions – CMSAs over 1 million. What appears to be much more important for small- and medium-sized regions, as Glaeser's own work and the work of Ottovanio and Peri has noted, is immigration.

Fourth, there's the infinitely more vexing question of how exactly to measure growth. Much of our work has looked at the effect of diversity on *intermediate* outcomes like innovation and technology industries. There, the effects are marked. But what comprises "growth," and how to measure it? Population and employment growth are both crude measures. I find myself leaning often to income (both income level and net income change). Surely housing prices indicate how the market views the "attractiveness" of various places – the real *demand* for place, if you will. And the results for these factors are different than for population and employment growth.

Finally, there is the issue of "urban planning," as Glaeser puts it. Again, I largely agree with him on this subject. *The Rise of the Creative Class* doesn't make the case for "bohemianizing" a region –- though some of my critics try to belittle its message in that way (and, on the flipside of the same coin, some proponents attempt to give their cities a hip make-over in similar fashion).

Like Glaeser, I'm inspired here by Jane Jacobs. The main point I try to make is that regions need to have many options. Our demography is changing, regardless of whether we agree with the social implications of the changes or not. Fewer people are married; fewer live in nuclear families. We have singles, and power couples, and dual-income-no-kids, and gays. All of these groups need options. Of course, superb suburbs with excellent schools and low crime are essential. But so are other kinds of neighborhoods and communities. Jacobs long ago said that regions are "federations" of neighborhoods or communities. This is what regions like Boston, San Francisco, and New York provide: lots of options that appeal to lots of different contributors of talent.

Currently, my colleagues, students, and I are hard at work on several extensions of this work. Brian Knudsen's important research regarding population density and patenting is one such avenue. Kevin Stolarick and Gary Gates have been exploring many of these same issues in the Canadian context. Gary and Brian have also been exploring the connection between diversity and Robert Putnam's work on social capital (in particular his concept of "bridging" social capital). This summer, we are going to try, time permitting, to do more empirical work on what exactly conditions economic growth or what we like to call regional *prosperity* (meaning much more than just employment and population growth), using various measures and model structures.

In the meantime, dialogue with serious scholars like Ed Glaeser is essential, as we all struggle to better understand regional prosperity and to enable cities and regions the world over to innovate, generate jobs, and improve the living standards of their people.