

## A dire global imbalance in creativity

By Richard Florida

July 20 , 2005

There is much talk of the internationally destabilising effects of the "twin deficits" in America's domestic budget and foreign trade. But there is a third deficit, which may prove much more troubling. This deficit, which I call the talent deficit, will affect not just the US but also the UK, Germany, Japan and other traditional economic powers.

For decades, these powers have taken for granted their net gains in the circulation of more than 150m members of the global creative class: including scientists, engineers, entrepreneurs, artists, musicians and entertainers, and knowledge-based professionals in fields such as law, finance and medicine. The creative class accounts for between 30 and 40 per cent of the workforce in the advanced nations. In the US, it earns a staggering 50 per cent of all wages and salaries - as much as the manufacturing and services sectors combined.

The advanced nations have been living far beyond their capacity to generate talent and have essentially been borrowing from other places to fuel their growth and prosperity. This talent deficit is now growing for two reasons. First, around the world, a large share of the existing creative workforce is ageing and set to retire. Second, the advanced countries are not producing the talent they need in critical areas of science and technology.

In the US, for example, more than 40 per cent of scientific and engineering talent will leave the workforce in the next decade or so, according to the National Science Foundation. More than 50 per cent of US computer scientists and nearly a quarter of its science and engineering workforce hail from abroad. Entrepreneurs from China and India accounted for almost a third of high-tech start-ups in Silicon Valley in the 1990s - companies that generated \$20bn (£11.5bn) in sales and 70,000 jobs.

The flow of global talent has long provided the US its edge in high-technology, as people such as Sergey Brin, the Moscow-born co-founder of Google, and Sabeer Bhatia, Hotmail's co-founder, who grew up in Bangalore, emigrate to America. Yahoo's Jerry Yang of Taiwan, Pierre Omidyar, the French-born founder of eBay, and Linus Torvalds, the open-source software luminary from Finland, are just a few of the migrants who have helped revolutionize the global economy.

In the creative age, the ability to address this deficit by competing for and cultivating top talent will outstrip the competition for jobs, technology and investment. The US seems to have forgotten its core advantage in attracting top talent; its restriction of immigration and growing social intolerance suggest that it is retreating from global competition and culture. Partly as a result, the competition is heating up.

Countries from Sweden to Spain, Canada to New Zealand are increasing their efforts to attract talent - from high-tech workers to filmmakers, established scientists and promising graduate students. Australia and Canada have become particularly aggressive in the competition for talented immigrants. Both already have a higher proportion of foreign-born

residents than the US - 22 per cent and 18 per cent respectively. Foreign students make up greater shares of the student body in these two countries and in several others than they do in the US. Taiwan, Korea, India and China are doing everything they can to retain top talent and lure expatriates back home by increasing investments in science and creativity and offering better pay and opportunities.

Many traditional economic powers, especially European ones, are experiencing a backlash against foreign influence. Ironically, these places are virtually dependent on immigrants as replacement workers - not just for low-end jobs but also for critical high-skilled occupations in everything from software and information technology to biotechnology, the arts, entertainment and even sports.

If they wish to succeed in the growing global competition for talent, economic capitals the world over must act now. Aggressively recruiting foreign students and highly skilled workers must be coupled with increased investment in education to develop and harness creative talent. Laws and social practices that discriminate - whether against specific religions, ethnicities, age groups or sexual orientations - must be eradicated, so that all may contribute their ideas to a place's economic ecosystem.

Most of all, politicians and business leaders in the advanced nations must develop concrete strategies that enable people to see clearly how they can benefit from the global creative economy. Only by doing so can they overcome the growing opposition to foreign talent and immigration. If they fail to adapt their countries in such a way, the traditional powers will begin to see their industries suffer, their economies stall and their societies fracture. At that point, they will have far more to worry about than just a talent deficit.

*Richard Florida is the author of *The Rise of the Creative Class (Basic Books)* and *The Flight of the Creative Class (Harper Business)*. He is Hirst Professor of Public Policy at George Mason University.*