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Editorial: A positive note in state's outlook

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Richard Florida's cover story in the March issue of the Atlantic Monthly should be on the reading list at the State Capitol this session.

While acknowledging that no U.S. metro area will be untouched by the current economic crisis, Florida makes a strong case that there will be clear winners (New York and Chicago, for example) and losers (Phoenix and Detroit, to name two) among cities and regions.

New York's spot on the winners list will surprise some, given the thousands of financial industry jobs being jettisoned on Wall Street. But there is more to New York than hedge fund managers and stockbrokers. Financial positions account for just 8 percent of the jobs in a diverse creative economy of media, high-tech, fashion, music and film. That diversity brings a variety of professions and skills together in one densely populated area, Florida writes, fueling the innovation that is essential for vital urban areas.

Such a critical mass of creativity and economic diversity is missing in previously fast-growing Sun Belt cities like Phoenix, which joins the more predictable Rust Belt cities of Detroit and Cleveland on Florida's likely losers list. Phoenix boomed during the housing bubble because of available land and warm weather, developing an economy increasingly dependent on real estate and construction. When that bubble burst, the area recorded the biggest decline in housing values in the country -- 32.7 percent -- between October 2007 and October 2008. At the same time, its many retirees took a hit on investment portfolios, resulting in a significant communitywide drop in net worth.

Without diverse economic foundations, cities like Phoenix and Las Vegas face long slogs as they recover from the bust cycle, while high-tech centers like Austin and San Jose are better positioned for innovation and growth. "The places that thrive today are those with the highest velocity of ideas, the highest density of talented and creative people, the highest rate of metabolism," writes Florida, director of the Martin Prosperity Institute and professor of business and creativity at the University of Toronto's Rotman School of Management.

Chicago is one of Florida's winners as a center for industrial management and a hub for some of the finance and legal business previously spread out over a number of smaller Midwestern cities. Florida doesn't mention Minnesota in the Atlantic piece, but in an interview he said we're relatively well positioned with a largely knowledge-based economy, a relatively resilient housing market, a strong creative class of talented professionals, a roster of global companies and a world-class University of Minnesota.

Florida advises state leaders to see the Twin Cities as the engine for the state's growth. He would push for more regional links to Chicago and Rochester. "If I were the czar of Minnesota, what I would want out of the stimulus is a fast train to Chicago," he said. He would position the U to take advantage of the economic downturn by poaching talent

from schools in the United States and abroad that might be weakened by financial challenges.

As Minnesota struggles to weather the recession, how well its leaders protect the state's most valuable assets -- and position the region for growth -- will determine its place in a reshaped American economy. Florida says Minneapolis-St. Paul "will still be standing" in 2030. Whether it will be flourishing remains to be seen.

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