



## Opinion: How People, Places Can Shape Economic Growth

Both have roles in the state's Strategic Plan to spur development

By Lucy Vandenberg, [April 10, 2012](#)



Last week, the public comment period closed for the new State Strategic Plan. Last updated more than 10 years ago, it is intended to guide New Jersey's physical growth and development.

The document is relevant to anyone who cares about how and where New Jersey will grow in the future, how it will foster economic growth, what types of infrastructure investments will be made, and what's being done to create vibrant, diverse communities here in the Garden State. A vote on the revised version of the State Strategic Plan incorporating public comments is expected at the April 25 state Planning Commission meeting.

PlanSmart NJ weighed in on the draft State Strategic Plan last week. We see the State Strategic Plan as an opportunity to spur new business growth in New Jersey, attract and retain a talented workforce, and create thriving communities.

But how can we successfully foster sustainable economic growth? And what strategies will work best in New Jersey's political and cultural climate?

As we see it, New Jersey's economic growth strategy should hone in on strategies that address the desires of *people*, and the needs of *business*, all within the framework of creating great *places*.

New Jersey has a lot to learn from thought leaders such as Michael Porter, Harvard Business School professor and creator of the Regional Cluster Theory of economic growth, and Richard Florida, creator of the Creative Capital Theory of economic growth.

### *Regional Innovation Clusters*

Let's start with a place-based strategy that has seen a recent resurgence since first emerging as a promising economic growth theory through Harvard Business School professor Michael Porter's work in the 1990s.

Porter first put forth the idea of Regional Clusters of interconnected firms and supporting industries locating near each other, a concept that was adopted by several states around the country. The idea has recently seen resurgence here in New Jersey and in the national discourse. The new State Strategic Plan prominently features the advancement of Regional Innovation Clusters as a physical development and economic growth strategy.

Bruce Katz of the Brookings Institution, who is widely recognized as an expert on Regional Innovation Clusters (RICs), defines RICs as “geographic concentrations of interconnected businesses, suppliers, service providers, coordinating intermediaries and associated institutions like universities or community colleges. By facilitating such dynamics as market pooling, supplier specializing, and knowledge spillovers, industry clusters benefit all sorts of firms and regions by enhancing the local and innovative potential, encompassing entrepreneurship and ultimately promoting growth, productivity, wages, and jobs.”

The concept is that firms are drawn to a location because of its proximity to supporting industries and a deep talent pool. This in turn spurs more growth of the industry, as the region becomes known for these assets.

Potential growth industries identified in the State Strategic Plan include bio/pharma and life sciences; transportation, logistics and distribution; finance; advanced manufacturing; technology; and health care. Three additional industries that present growth opportunities include the green economy, tourism, and food production & processing (agriculture). Places such as North Carolina’s Research Triangle, which has been widely heralded as a successful high-tech cluster, have demonstrated the economic power of such an approach.

Experience has shown that Regional Innovation Clusters (RICs) will come up short in NJ, however, unless infrastructure, transportation, and housing investment are part of the equation.

As these RICs are developed, there will be a demand for sufficient housing supply at various affordability levels near employment centers to meet worker demand. Zoning for mixed-use development and residential development proximate to these industry cores will facilitate the success of the RICs. There will be a demand for upgraded highway systems and improved public transportation infrastructure to facilitate commutes. Utility and broadband infrastructure will need to be upgraded. All of these components must be in place to support a functioning regional economy.

The State Plan has a crucial role to play in terms of identifying these clusters, prioritizing public investments, and aligning state agencies to support their viability. If these elements are missing, the result will be increased traffic congestion and decreased quality of life, which will hamper the viability of the RICs.

This has proven to be a challenge in the North Carolina Research Triangle, where planning for transportation investment and housing did not keep up with job growth, resulting in real problems with transportation and livability in that region. New Jersey has the opportunity to learn from both the success and the mistakes provided by North Carolina’s example.

## *Creative Capital Theory*

We would be shortsighted if we did not also consider the people side of the equation. Today, PlanSmart NJ will host Richard Florida, author of *The Rise of the Creative Class* and *The Great Reset*, at our annual New Jersey Regional Planning Summit. Richard Florida brings another perspective to the table, one that is focused on the importance of *people*, and their locational choices as drivers of economic growth.

Florida makes a compelling argument with his “Creative Capital Theory.” Supported by extensive data analysis, he poses the theory that there are “3Ts” of economic development: Technology, Talent, and Tolerance. Essentially, Florida’s Creative Capital Theory posits, “regional economic growth is powered by creative people, who prefer places that are diverse, tolerant, and open to new ideas.”

Cities and geographic regions matter more than ever in the quest to build a competitive economy, Florida says. And he roundly debunks theorists who say that place no longer matters in a digital age.

Florida defines “the creative class” as a growing sector of the U.S. economy, up from 15 percent of the economy after WWII to 25 percent to 30 percent today. He includes in his definition not just artists, but scientists, engineers, computer scientists, designers, and knowledge-based professionals.

Economists too often focus on attracting companies and firms, and pay too little attention to what attracts creative people to places, Florida argues. To attract “the creative class”, regions must possess the “3T”s: Technology, Talent, and Tolerance.

In defining technology and talent, he uses the metrics of concentration of “the creative class” in a region, the percentage of people with advanced education (bachelor’s degree or higher), the number of patents granted per capita, and its “high-tech” index, the number of firms in growth sectors such as biomedical products, engineering and electronics.

Florida then goes on to argue that “Tolerance” is a crucial predictor of economic growth -- defined as places that are welcoming to immigrants, gays, and “bohemians” (artists, actors, writers). Essentially, he argues that places that are open and tolerant are the same places that are fertile grounds for innovation, entrepreneurship, and high-tech companies. Only places that offer all “3Ts”, he says, are those that will “succeed and prosper economically.”

PlanSmart NJ believes that both a place-based industry cluster strategy, that analyzes our core economic assets, locational advantages, and industry strengths as a state, and a people-based, “Creative Capital” strategy, that looks to attract the growing “creative class” of workers to New Jersey’s communities, have a role to play in New Jersey’s economic growth strategy.

We must figure out how to create places that are hotbeds of ideas here in New Jersey. If we succeed, we will attract new talent and creativity, new ideas and new businesses to New Jersey -- and create great, interesting places to live while we are at it.

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