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What Matters
Topic: Innovation

Talentopolis

by Richard Florida 7 July 2009

Today a highly significant demographic realignment is at work: the mass relocation of highly skilled, highly educated, and highly paid people to a relatively small number of metropolitan regions, and a corresponding exodus of traditional lower- and middle-class people from those same places. Such geographic sorting of people by economic potential, on this scale, is unprecedented. I call it simply the means migration.

The means migration can be seen most clearly in the increasing geographic concentration of college graduates. According to research by Harvard University's Edward Glaeser and the University of Chicago's Christopher Berry, in 1970 human capital was distributed relatively evenly across the United States. Nationally, 11 percent of the population that was more than 25 years old had a college degree, and that figure ranged between 9 and 13 percent in fully half of America's 318 metropolitan regions. At the low end of the spectrum, only 4 percent of adults in Cleveland had a college degree; Detroit and St. Louis did only slightly better, at 6 percent each. At the high of the spectrum, 17 percent of adults in San Francisco had college degrees, though Washington, DC, claimed first place with 18 percent.

During the past three decades, the percentage of Americans holding a college degree has more than doubled, reaching 27 percent by 2004. But those gains have not been evenly spread. For instance, more than half of all residents in the San Francisco region now have college degrees. And there are five regions nationwide where more than 45 percent of adults have graduated from college. The national share of adults with college educations has doubled, but regions like Detroit and Cleveland perform the same as or only slightly better than they did three decades ago—11 percent and 4 percent, respectively.

The means migration can also be seen in regional differences in income. The past decade or two has seen a dramatic movement and concentration of high-income households in the means metros. In 2006 the mean household income was $80,638 in San Jose, California, and $78,978 in Washington, DC; by comparison, New Orleans and Oklahoma City each boast just about $50,000. What's behind this phenomenon? It's not just that people prefer to live in means metros. To be sure, many of them are aesthetically pleasing—beautiful, energizing, and fun to live in—but they can also be cramped, dense, and expensive.

There is a deeper, more fundamental reason, rooted in economics. Increasingly, the most talented and ambitious people need to live in the means metros in order to realize their full economic value. The physical proximity of talented, highly educated people has a powerful effect on innovation and economic growth. Places that bring together diverse talent accelerate the local rate of economic evolution. When large numbers of entrepreneurs, financiers, engineers, designers, and other smart, creative people are constantly bumping into one another inside and outside of work, business ideas are formed, sharpened, executed, and—if successful—expanded. The more smart people, and the denser the connections between them, the faster it all goes. It is the multiplier effect of the clustering force at work.

In addition to the benefits of being a melting pot for smart people and their creative ideas, the means metros have a larger and simpler advantage over other regions: a head start. For a variety of historical reasons—the presence of great universities is usually one—means metros start off with a high concentration of talented people. And as more and more such people are added, the multiplier effect on growth keeps increasing. That's true not just for growth in the aggregate but for individual incomes and opportunities as well.

Of course, opportunities do not exist equally for everyone. For most of human history, population growth meant economic growth. This was certainly the case in agricultural economies, where population growth meant more people to work the farms. In industrial economies, too, population growth meant more people to man the factories. In both cases, overall population growth was key to economic growth, and economic growth meant more opportunities across the board.

The means migration severs the long-held connection between population growth and economic development. Changing technology, increased trade, and the ability to outsource routine functions have made highly skilled people less reliant on the colocation of the unskilled and moderately skilled.

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What matters most today isn't where most people settle, but where the greatest number of the most skilled people does. Because the returns from colocation among the ablest are so high, and because high-end incomes are rising so fast, it makes sense for these workers to continue to bid up the price of real estate and accept other costs traditional middle-class workers and families could not afford. As traditional middle-class families are displaced by smaller, higher-income households, population can decline even as economic growth continues. The most successful cities and regions in the United States and around the world may increasingly be inhabited by a core of wealthy and highly mobile workers leading greatly privileged lives, catered to by an underclass of service workers living in far-off suburbs.

The consequence is this: the means migration is dividing the world into two kinds of regions with very different economic prospects. A small number of means metros attract the lion's share of the mobile and the skilled, who see their incomes and real-estate values climb, while the masses witness the exact opposite. Some of today's means metros could eventually fall back as housing prices and living costs rise. But there are powerful reasons to believe that the economic disparity between some city-regions and others will continue to grow, and perhaps even accelerate, thanks to the snowball effect of talent attraction.

This article is excerpted from Florida's recent book Who's Your City? How the Creative Economy Is Making Where You Live the Most Important Decision of Your Life.