Richard Florida
(“The Creative Class: What I learned…”, “Whose City…” are we?, and “The Great Reset”
From a speech in Savanna GA, 2007 and three of Florida’s books)

Robert Reich

MBA 8125
Information Technology Management
Richard Florida
(“The Creative Class: What I learned…”, “Whose City…” are we?, and “The Great Reset”
From a speech in Savanna GA, 2007 and three of Florida’s books)
&
Robert Reich

The Global (and changing) Nature of Work: what is it, who does it and what should we do about it?
Mega-Populations: an uneven world population distribution
World Economic Production

Florida, 2005, Map B
The world’s most prolific and influential scientific researchers overwhelmingly reside in U.S. and European cities.
Patent Spiky

PATENTS
Just a few places produce most of the world’s innovations. Innovation remains difficult without a critical mass of financiers, entrepreneurs, and scientists, often nourished by world-class universities and flexible corporations.
Florida’s notions
The economy is changing

- Not in the ways theory predicts (e.g., service, knowledge work, technology economies)
- Biggest (Economic) transformation in American history
  - Away from physical resources to intangibles: to CREATIVITY
  - Wealth created:
    - 1900 > 50% in farm-based; <5% science tech, art, design entertainment, education
    - By 1950 >50% in industrial segment, fewer in agriculture, < 10% creative fields
    - 1980-2007 25 Million new jobs in the creative sector of the economy WHILE losing manufacturing; 1/3 Americans work in the creative sector, science, education, art, design,…
    - 2007 -2117 will grow 10 Million new Creative economy jobs.
  - Manufacturing, service & creative sectors >50% all wages and salaries
- Huge social and political effects
The creative class is...

- Not just
  - street musicians...
  - Gay and lesbian agenda; ≠ to undermine the family
  - Not just Yuppie class people
  - Not just clubs and night clubs

- His theory is:
  - All humans are creative...ALL
    - Build an economy for everyone
    - Tap that in services and manufacturing, technology and the arts alike
  - Social barriers are imposed on ourselves
    - Gender, age, family of origin, ethnicity, place of birth
    - Creativity is not like inherited wealth that can be passed on
Why America as a leader and not others?

- Not wealth, natural resources, large population, large geography
  - But the 1st to open ourselves up to immigrants
  - Open mind, open door where anyone can accomplish and succeed
  - Not just PhDs, software engineers, MDs
  - But even the dispossessed, disenfranchised, and poor, those with nothing, are free to innovate and be entrepreneurial
Why we might lose

• We don’t understand that collective intelligence, creativity, insight resides
  • Not just in the design suites and engineering managers
  • But on the factory floor--like Japan
What Tom Friedman misses or is wrong about...

- Only half right
  - World is flat in basic economic activity and manufacturing
  - A fabulous myth

- Misses the 2nd counter force
  - The counterforce of concentration, conglomeration, centralization
  - Cities will survive and thrive,
    - not shopping and jobs
    - it is the concentration of creative energy and people

- 25 mega regions in the world
  - We are one and control >80% of the creative wealth
Economic and creative growth factors

- People say “Human Energy” requires…
  - An exciting, challenging job
  - People I want to be with
  - Out door activities and things I like to do

- Technology, Talent and Tolerance
  - Tech centers
  - Create and keep talent
  - Centers of open
  - mindedness
“Whose your city?”

- **The most important decision** you will make in your life!
  - Not choice of significant other, job etc...
  - All will hinge on where you choose where we live
  - Implications are HUGE
    - Networks, partners and spouses, housing, jobs all depend on where you live
    - Source of incredible joy; acts on the positive side four well-being; less of stress
      - When works well boost well-being
Creativity of entrepreneurs are:

- The debate over place is false,
- It is not about crime, services, aesthetic dimension..

- 30,000 responses found all comes together but a pyramid
  - Base: Good schools, low crime, streets, place to work, opportunity
  - 2- economic opportunity, to work and worship
  - 3-Leadership- political, economic, educational
    - Not the squelches (disempower people) but bring in all people
  - 2nd Highest level **Lifestyle,** NOT a frill! People across income and all groups must have. City must look good. Parks are public goods!
  - Top: Values open minded care about all their people; free to be ourselves whatever that is. Energy is related to self-express.

- The group in all 331 metro regions; critical of cities...
  - 1st- The poor and disadvantages
  - Close behind- The **YOUNG,** recent college graduates
  - Only 30 are open to the young; 90% exporting our young people!
Characteristics of the best Cities

- Cities and universities and colleges merge
  - Can’t tell where one begins and ends...

- Welcome’s everyone
  - All, ... straight, Latino, immigrant, native born, poor, wealthy, gay, ...
  - Can all be part of the creative economy
Creativity matters

- People have ideas
  - Create music, films and images
  - Played on machines invented by other people
  - Invent products
  - Build companies
  - Broker ‘deals’ and global relationships
  - Improve, or worsen, the human condition

- Creative People create wealth
  - Three part economy -
    - creative, manufacturing and service sectors
      - In the US the creative sector almost equals manufacturing and service combined

IB 8710/ CIS 8220
International IT Issues and Policy
Professor Truex
The Creative Class (Richard Florida, 2002)

- Science, Engineering, architecture, design, the arts, law business, finance and related fields
  - 100-150 million people world-wide

- As percentage of the workforce
  - 1/3 in Ireland, Belgium, Australia, the Netherlands
  - 1/4 in New Zealand, Estonia, the UK, Canada, Finland and Iceland
  - Adding ‘technicians’ to the pool and the top eight countries show from 40-47% of the labor pool in creative occupations
  - nearly all nations have >30% of the labor pool

- Developing Nation’s know this
  - Huge commitment to the capitalization and growing of the educational system to produce these people
Convergence on Talent

- “A wide range of countries around the world are increasing their ability to compete for (and retain) global talent” (Florida, 9)

- “In today’s global economy the places that attract and retain this talent will win, and those that don’t will lose.” (Florida, XV)

- “Innovation, economic growth and prosperity occur in those places with that attract a critical mass of top-talent”
  - Globalization has strengthened the lure that ‘innovation centres’ hold for the planets best and brightest.
Production vs Knowledge work

- Ranks of production workers
  - Fallen from 1/3rd of workforce in advanced economies to 1/4th
  - Alliance Capital Management in New York, studied 20 major economies
    - found that between 1995 and 2002 more than 22 million factory jobs vanished.
    - US lost 11% of manufacturing jobs
    - Japan lost 16%
    - Brazil lost 20%
    - China lost 15%

- Creative Work is Growing
The New Rich-Rich Gap

(Robert Reich, Newsweek, "Issues 2006")

- 15 years ago Reich described and predicted a three-tiered workforce common to advance societies:
  1. Bottom tier
     - Workers offering personal service in retail and service industries
  2. Second Tier
     - Production workers
  3. Top-tier
     - Symbolic analysts
       - E.g., Engineers and lawyers
       - All well-educated, critical thinkers
       - The ‘knowledge workers’ of the new economy
- That wealth and opportunity gaps would widen with Advances in technology and globalization

Creatively analytical with Three Critical Abilities

1. Problem identifiers and imaginers
2. Option identifiers and creators of Solution possibilities
3. Relationship builders
   - Broker deals
   - Old friends will be old friends

Is part of the ‘Creative class’

- All well-educated, critical thinkers
- Accountant, engineers, lawyers, and other university-trained professionals
- Manipulate symbols with aid of computers
- The ‘knowledge workers’ of the new economy
- The core of the middle class
National vs Global Symbolic Analysts

‘National’ symbolic analysts
- Work within a national economy

‘Global’ Symbolic Analyst
- new powerful class has emerged at the top
- CEOs, CFOs of global corporations
  - Partners and executives in global investment banks, law firms and consultancies
  - Most have been educated at the same elite institutions
    - America’s Ivy League universities, Oxford, Cambridge, the London School of Economics or the University of California, Berkeley.
    - Increasingly the IIT’s, Yonsei’s, ESSADE, INSEAD programs worldwide
- Most work in similar environments, tend to work very hard, they live comfortably, and enjoy first-class life styles and their income and wealth far surpass those of national symbolic analysts.
### A clash of interests between National and global symbolic analysts

#### For National Symbolic analysts
- in advance economies
- National symbolic analysts are becoming interchangeable
- Jobs transcend boarders and travel where work is cheaper

#### Global symbolic analysts
- Relational capital is far less transferable
- So they have a huge, and growing, stake in globalization
- As globalization grows they are in ever more demand
Competition between National and Global Symbolic Analysts

- For **National** Symbolic analysts
  - National symbolic analysts are becoming interchangeable
    - Skill sets become standardized, commoditized and digital
    - Jobs transcend borders and travel where work is cheaper

- **Global** symbolic analysts
  - Relational capital is far less transferable
  - So they have a huge, and growing, stake in globalization
  - As globalization grows they are in ever more demand
The global symbolic analysts emerged on top? .... Why?

- Global commerce is on a scale and complexity no commercial contract can adequately cover and no single legal system can enforce.

- Dealmakers must rely on Trust:
  - people they can trust
  - The extended relational network of people whom they trust
  - Trusted circles developed in the jet-setting live world round
  - Significant time in face-to-face meetings
Florida’s Global Creativity Index (GTA)

- Technology, Talent, Tolerance Measures the creative competitiveness of nations
- Top four
  - Sweden, Japan, Finland, United States
- Close behind
  - Switzerland, Denmark, the Netherlands and Iceland
Mobility of the Creative Class

- Participate in a global technology system and Global a labor market
- Digital sharing links areas
- Leading city-regions
  - London, New York, Paris, Tokyo, Hong-Kong, Singapore, Chicago, Los Angeles and San Francisco are strongly connected
- Commonality?
  - Large concentrations of immigrant populations
    - Indian and Chinese, other Austral-Asian nations
Should national symbolic analysts be afraid?

- Despite the new competition the demand is still rising
  - Growth of salaries of university grads outpace those without; the professions do even better
  - If the demand for Symbolic analysts were dropping salaries would drop
BUT....

- Without substantial investment in basic R&D and education
  - We will lose the advantage in science, engineering and high-value added production
  - Symbolic analysts will lose ground
  - Global symbolic analysts will gain and the gap will widen
  - The income and wealth gap will widen and the culture wars will increase.
Counter evidence to the Flat-world hypothesis

- The world is flat
  - Only when viewed from the mountain-tops of Bangalore, Shanghai, London, New York,...

- Explosive growth of Cities
  - Population density as a crude indicator of human economic activity
  - Share of the world’s population in urban areas
    - 3% in 1800s -->
    - 1950 at 30% -->
    - Now >50%

- and in advanced economies > 75%
  - Five mega-cities > 20 Million inhabitants each
  - 24 cities with > 10 million inhabitants
  - 60 cities with > 5 million
  - 150 cities with > 2.5 million
Economic Activity is Spiky

– If US metropolitan areas were countries the would make up 47% of the biggest world economies
Innovation is even more concentrated

- 85% of patents protecting Intellectual Property went to just 5 countries
  - Japan, The United States, South Korea, Germany and Russia
  - IBM world largest for 23 years
  - Samsung is #2

- Of the 170,000 patents granted in the US in 2002
  - 80,000 went to foreign inventors
  - 35,000 Japan; 11,000 German,
  - 25,000 more - Taiwan, South Korea Israel and Canada

- Innovation is even more concentrated in Cities and regions
  - Top Four patent producing cities
    - Tokyo, Seoul, New York and San Francisco
  - Close seconds-
Wealth

- Top-fifth of workers held 85% of US wealth
- Growth of the symbolic Analyst class was Faster than Robert Reich expected
- Symbolic analysts make up > 20% of all jobs in advanced economies
  - Their income is soaring relative to other workers’
  - In China the wealthiest 5% control > 50% of bank deposits.
  - India’s symbolic analysts have become a new national elite
The Impact and Implication

- Productivity Gains
  - New equipment and new technologies
  - Market reforms force state-run plants
    - Greater production with fewer workers
  - Office work not immune to productivity gains and job replacement
    - Digital symbolic work is heading to lower-wage countries
      - Accounting, filing legal papers, call centers, tech support, routine coding... etc

- The work of the creative class becomes more important
“Resets”

Financial crises often spur periods of incredible inventiveness followed by new economic models and expansion. The notion is aligned with J. Schumpeter’s theory of “creative destruction”.

Examples

1. 1<sup>st</sup> Reset following the ‘Long Depression’ of the 1873
   - A revolution in materials, transportation and energy innovation production and distribution leading to a fundamental ‘reset’ in the organization of production (The American Manufacturing System) and of society itself. Mass production and factories were centered around the core of cities.

2. 2<sup>nd</sup> reset following the Crash of 1929 and WWII
   - The “move to the suburbs”, work and manufacturing, and of living was decentralized and moved away from the core.

3. 3<sup>rd</sup> reset underway now
   - A new geography of working and living is underway
The Spatial ‘fix’

“The Spatial fix effects a way out of crisis by creating a physical framework for development and further geographic expansion.” (p. 38)

Five stages to achieve “the fix”

1. Old institutions break down
2. New innovations emerge
3. New technologies are forged by entrepreneurs into bigger/better technological systems
4. Public and private investment for infrastructures in support
5. The new spatial fix emerges
   • With its new economic landscape and closer fit with the productive fit of the new economy