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# Class Distinctions for the Global Economy

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## Class distinctions for the global economy

**The Rise of the Creative Class (and How It's Transforming Work, Leisure, Community and Everyday Life)**

by Richard Florida

*Basic Books, New York, 2002, 404 pp*

*The Rise of the Creative Class* should be required reading for anyone who is even remotely interested in the future of the global economy. It should certainly be of interest to anyone with entrepreneurial aspirations. By identifying and documenting the rise of what is essentially a new social and economic class of individuals, Florida has provided a new conceptual framework for understanding the dynamics of economic development at both the local and the international level. As noted in the cover notes of the book, in the future, the 'creative class' will play an increasingly important role in determining how work is organized, which companies will ultimately be successful, and even which cities and regions are most likely to grow and prosper. These are relevant considerations for anyone thinking about starting a business in the new age of global competition.

For example, in discussing why many entrepreneurial companies in the USA have been more successful than their counterparts in other parts of the world, Florida explains that their success can be attributed directly to the development of financial innovations such as the venture capital limited partnership. Obviously, before a venture capital company can supply an entrepreneur with financial support, it has to have a mechanism for raising money. By selling stock in their own companies on the public stock market, venture capital concerns are able to raise substantial amounts of money, primarily due to the fact that the liability of the partners in the fund is limited. This type of arrangement contributed to the development in the USA of the world's most formal and successful system for developing and funding new companies. This also explains why so many

entrepreneurs travel to the USA and why American venture capital firms are extensively involved in entrepreneurial activities in other countries. According to Florida, it all comes down to creativity.

After an introductory chapter on the transformation currently taking place in the global economy, Florida presents the central ideas of *The Rise of the Creative Class* in four distinct yet interconnected sections.

The first part of the book, which consists of three chapters, deals with what Florida calls 'the creative age'. Florida sees creativity emerging as the defining feature of contemporary economic life. Members of the creative class are distinguished by their participation in work that has as its fundamental aim the development of 'meaningful new forms'. Moreover, the creative class can be divided into two distinct constituencies. The first is what Florida calls the 'super creative core'. This group consists of individuals who are engaged in the highest level of creative work, producing new forms that have multiple applications in a variety of different areas, ie scientists, professors, artists, researchers, writers, etc. The second group within the creative class comprises the 'creative professionals'. These people draw from complex bodies of knowledge in order to facilitate creative problem solving in specific situations. Creative professionals typically work in knowledge-intensive industries in which they are required to think independently: eg physicians, lawyers, managers, etc.

The second section of the book, consisting of five chapters, deals specifically with how work is viewed by the creative class. As he does throughout the book, Florida blends rather extensive and sophisticated research into a

narrative that is fairly straightforward and easily understood. His basic assertion here is that even when economic conditions shift dramatically, these changes usually have little effect on the motivation of creative individuals; and while Florida concedes that members of the creative class often become quite affluent, he argues that they have always valued intrinsic satisfaction over tangible rewards. The significant point is that what creative individuals tend to want from their work remains relatively constant, regardless of fluctuations in their personal financial situations.

The two chapters that comprise the third section of *The Rise of the Creative Class* address how the creative class tends to approach life in general and leisure in particular. Florida notes that the lifestyle of many creative individuals can best be characterized as a 'passionate quest for experience'. By this Florida means that the creative class, in general, strives to live a life that is punctuated with multidimensional experiences of a high quality and intense nature. Florida presents research as well as anecdotal evidence that tends to support the otherwise self-evident notion that exposure to a vast array of life experiences tends to inspire and enhance creativity.

The final section of the book is made up of five chapters that deal with community. This is perhaps the most provocative part of the book; it certainly accentuates the main theme that resonates throughout *The Rise of the Creative Class*. Florida argues that location is extremely important to creative individuals, and, as such, is integral to the economic development of particular regions. Florida presents a detailed description, backed up with hard data, of the characteristics of places that seem to appeal to the creative class.

The creative class, according to Florida, is slowly gravitating away from traditional corporate communities and towards what Florida calls 'creative class centers'. These centres are not successful due to the traditional reasons associated with economic development, ie access to abundant natural resources and/or locations close to main transportation routes. They succeed because creative people choose to live there. Florida goes on to explain that members of the

creative class do not decide where to live based on considerations that were important to their predecessors: access to sports stadiums, motorways, shopping centres and tourism/entertainment attractions. Instead, what makes a place appealing to creative individuals is the availability of high quality amenities and experiences, a genuine openness to diversity of all kinds, and most important, the opportunity to validate their identities as creative individuals.

Florida notes that several theories have attempted to explain why some regions succeed economically and others do not. For example, one theory holds that economic growth comes through attracting companies or clusters of industries to a particular region. Another asserts that economic growth is a product of social cohesion, trust and community connectedness. Still another theory contends that concentrations of educated people drive economic growth. Florida acknowledges that each of these theories has some merit, but he concludes that they are all fundamentally incomplete.

All the arguments and discourse presented in *The Rise of the Creative Class* revolve around Florida's concept of the creative capital theory of regional economic development. In this theory, regional economic growth is driven by creative people who like to congregate in places that are diverse, tolerant and open to new ideas. The basic tenet is that as the concentration of creative capital increases, it inevitably and almost spontaneously leads to higher rates of innovation, high-technology business formation, job generation and overall economic growth.

Specifically, Florida believes that for a region ultimately to be successful, it must possess what he calls the '3Ts' of economic development: technology, talent and tolerance. To attract creative individuals, stimulate ongoing innovation and generate substantive economic growth, a location must have all three of these components.

Many economists have argued that industries with 'low entry barriers' are important for economic prosperity. Florida believes that it is even more important for a place to have low entry barriers for people too: ie they should be places where newcomers are accepted and quickly assimilated into the entire

social and economic fabric of the community. Again, Florida fortifies his ideas with data. He notes that some cities, despite their strong technological base and world-class universities, fail to grow because they are not sufficiently tolerant and open – characteristics that are advantageous in the recruitment and retention of creative individuals. In the USA, he includes Baltimore, St Louis and Pittsburgh in this category. Similarly, Florida observes that cities such as Miami and New Orleans fail to attract members of the creative class primarily because they lack a well developed technological base.

At the same time, Florida notes that regions that actively promote high levels of traditional social interaction tend to offer more advantages to insiders, which promotes stability but also makes such areas less attractive to outsiders. As an example of how social capital can dampen the entrepreneurial spirit, Florida describes the situation in certain parts of Ecuador, where many successful businessmen have converted from Catholicism to Protestantism. By changing religions, these entrepreneurs were able to spend more time on their business pursuits because they were freed from the obligations traditionally imposed on male heads of the family by the Catholic Church. But in a predominantly Catholic culture, they often find themselves to be 'outsiders' in their own communities.

Throughout *The Rise of the Creative Class*, Florida also tries to dispel several misconceptions that he believes have evolved during the course of the last decade or so. These myths include the notion that technology will eventually liberate us all from the toil of the workplace, that the age of the large corporation is fading fast, and that everyone is becoming an independent agent who only likes to work on *ad hoc* projects. In each case, Florida argues

convincingly that what is often reported in the popular media simply does not reflect what is actually happening in the real world. For instance, he provides data that strongly suggest that new technologies inherently create more work, as well as increased avenues for abuse, that the global economy will continue to be dominated by large corporations for the foreseeable future, and that most people still place a high value on job security, although they do expect more from their work than was once the case.

One significant criticism of *The Rise of the Creative Class* is that it is oriented primarily towards American culture, although Florida does include countries and cultures outside the USA in his discussion of key concepts. If his ideas, which seem to be fundamentally on target, are to gain acceptance within the global community at large, Florida will have to address this deficiency in future writings.

Overall, *The Rise of the Creative Class* is a stunningly original and intriguing book that offers an interesting view of how economic wealth and power is being re-distributed throughout the world as a result of the rise of a new social and economic class. As Florida notes, roughly one-third of the current workforce in the developed world can legitimately be classified as members of the creative class. Anyone attempting to maximize their probability of success in the global marketplace needs to understand, as much as they can, the fundamental changes that lie ahead. Florida's book is a good place to begin that process.

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