

KEYNOTE LUNCHEON – RICHARD FLORIDA

Richard Florida, author of *The Rise of the Creative Class*, *Cities and the Creative Class*, and *The Flight of the Creative Class*, says he is very familiar with Maryland, since he lives in nearby Washington, D.C. He said Maryland is doing really well.

Dr. Florida said for most of his career, he believed in traditional economic development principles. He earned his Ph.D. from Columbia University and then worked at Ohio State University. He was at Carnegie Mellon University in Pittsburgh in 1987 when the “entire industrial landscape was wiped out” and the region lost 150,000 jobs in five years. The population of 800,000 fell to about 350,000.

Pittsburgh had to do something dramatic to rebuild. There was a core of technology-related activity to build on because of the research and development laboratories at major industries, and a great research university. The powers that be put together the university’s technology, research and development to spur economic rejuvenation. They launched a technology council, the first in the nation. Many companies grew in the new technology field, including one named Lycos that was spun off from Carnegie Mellon. The University invested in Lycos, and the company grew quickly. A new sector formed with a cluster of high technology companies anchored by the region’s two research universities – Carnegie Mellon and the University of Pittsburgh.

Dr. Florida was at the Kennedy School at Harvard University when he learned that Lycos planned to move from Pittsburgh to the Boston area, which was offering the company no incentives to move. The company said it needed to get better access to talented workers, and the Boston area had a readily accessible pool of talent. Dr. Florida started to think about it and realized his traditional economic development theories were all backwards. He had assumed that all regions need to do to grow their economy was to create good, high-paying jobs. But in Lycos’ case, the jobs were moving to the people instead of the people moving to the jobs. He realized that people are the most important unit in economic development.

Dr. Florida studied the issue and came up with the following major conclusions:

People matter a lot. We have to get the people climate right, in addition to the business climate. Cities and states have to be the places where people want to be. The economy is transforming itself – the industrial economy is gone, replaced by the “creative economy.” Dr. Florida recently spoke to Goldman Sachs, and their #1 issue is how to retain 22-year-olds. The economy is not driven by natural resources or high technology; instead it is organized around human creativity. Our #1 asset is human talent. Creativity is the source of wealth.

In 1900, more than half of the U.S. economy was on farms, and less than 5% was in the creative occupations. By 1950, there had been an economic shift. More than half of the U.S. economy was in manufacturing, and more than 10% of the economy was in creative occupations. Since then, more than 20 million

new jobs have been created in the creative sector. Today more than 35% of U.S. workers are in creative occupations. Massachusetts is the #1 state in terms of the percentage of population in creative occupations. Maryland is #2, with 40% of its workforce in creative occupations. People are migrating to creative jobs, and 10 million jobs will be generated in the creative sector.

The U.S. will lose 500,000 manufacturing jobs and gain 5 million service jobs. We need to make service jobs more interesting and more long-term. He cited as an example a masseuse who had been an economist with the Bureau of Labor Statistics. However, she left that career to give massages because in that career, she couldn't use her creativity.

Dr. Florida learned his theories from his father, who came back from the war and moved to the suburbs. He became a manager of a manufacturing plant, where learned that the most important thing at the plant was not the machines, it was the knowledge, intelligence and creative energy of the people. Creativity is transforming everything. There is more of a cost margin in creativity.

Globalization spreads economic activity, especially things that can be standardized. Dr. Florida cited Tom Friedman's book, *The World is Flat*. People don't need to emigrate. People locate in cities because of an external economy. Our productivity rises, and everyone else's productivity rises. There is a concentration of skilled and talented people. Fewer places are at the cutting edge. The U.S. is competing against Shanghai, Beijing and Bangalore, not China and India. The only thing that matters today is who can mass talented and creative people.

We get to choose. In his next book, *Who's Your City*, Dr. Florida writes that the decision as to where you will live is the most important decision you will ever make because it will change everything else. He cited a Gallup study that concluded that in choosing where to live, people cited the area's life style and values as the most important issues. Peoples' happiness depends on three issues

-- personal life, jobs and finances, and the role of place. What people want in a place is the things that really matter. They need to live in a place they can use and enjoy. Our place is the only thing in our lives that can reduce our stress. The most important issue related to place is that people say their place needs to somewhere where they can be themselves and be accepted.

Dr. Florida said people want to know they are important and can be themselves. In her book, *Death and Life in American Cities*, Jane Jacobs said the task of real political leadership is to make sure each family has the type of community it wants. Poor leaders are squelchers – people who put down others' good ideas.

In response to an audience question about how Pittsburgh could have kept Lycos, Dr. Florida said the city's leaders were squelchers. Pittsburgh needed more inclusive, engaging leadership, plus affordable housing for its workers. We have to spread development in Maryland and have to use our position in the creative economy to our advantage.