

Creative Class Theory

**(live telecast)**



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Now I think it's important to start and provide a context of where we are today. Times have changed a lot over the course of the last six months to a year, and although people are unwilling to use the word "depression," and for some good reasons, there is no doubt that we are in a world changing economic crisis. There's little doubt that there are only two previous events of this magnitude having confronted the advanced world: the Great Depression in 1929, which continued through the 1930s, was only resolved after the World War II in the 1950s. Also the Long Depression of 1873, which lasted for more than two decades. It was followed by the crisis of 1896 and only resolved itself towards the birth of the century. I personally don't like the word "depression." I don't like the word "recession" either. They grasp the fundamental issue, which is that the economy worsens and there are layoffs and restructurings. These layoffs hit certain classes of people more than others. But frankly, I find the word "depression" not only to be depressing but I also think it only captures part of the process of economic crisis and restructuring.

I was asked to write an essay by the American magazine *The Atlantic*, a more-than-a-century-old magazine of thought and debate, about possible answers to the current crisis. In that article I had a crash course on the reshaping of the world and its geography. Furthermore, in an interview related to that essay, I coined a term which I think captures the essence of our time. The term is "the Great Reset." Such crises have the ability to go on for years, decades, or perhaps even longer. Hopefully our tools of economic management, fiscal and monetary policy, our coordinated global effort will allow us to reduce the reset period.

However, reset changes us socially, culturally, economically, emotionally, and psychologically as well. What do our economic models really lack? This goes back to the great classical economics of Adam Smith. It goes back to Marx and his work on economic crisis and the dynamics of capitalism. It goes back to the great Joseph Schumpeter and his theories of innovation and entrepreneurship and his "notion of gales of creative destruction," which reshape old industries and wash away the old order through entrepreneurship, harnessing of innovation, and engaging with new markets that somehow reshape and recast industries for whole new waves of growth: technological, entrepreneurial, innovation and economic resetting.

I think this approach goes beyond Keynes, the great thinker, who said that modern tools of fiscal policy, government stimulus, government efforts to undertake, create and enhance demand, generate employment, were the only way out of crisis.

I think the resets go much deeper. They are psychological, socio-logical, cultural phenomenon. They change us mentally. They are geographic in the sense that the only way out of economic crisis, the true mechanism of reset is a creation of a whole new way of life. It wasn't simply Keynesian demand management that solved the problem of the Great Depression, neither was it simply the rise of social democracy spending programmes and government enhanced demand. It wasn't even, as it is said in the United States, war mobilization or military Keynesianism. It was the creation of a new lifestyle and a new way of life represented in a single family home. It was suburbanization, and creation of the entirely new ways of existing. It was a new order of life. It was the suburban dream! Perhaps the United States was its apex, but it spread throughout North America to Canada, and eventually it moved across the ocean to Europe and even to Asia. This notion of a single family home ownership, purchasing your own home, buying of a car, all of these durable goods and appliances were the stimulus—reaction to a whole new way of life!

However, that way of life has collapsed. This is why John's remarks about ecology are so important. It has collapsed as energy costs have increased and will continue to increase, as the limits of mass production have been so self-evidently shown, as the entire lifestyle of conspicuous consumption, fuelled by credit, has shown its limits and has collapsed. The challenge of our time is a new way of life.

This economic reset shows the great economic epic change that we have been going through for the past several decades. The fundamental shift in Europe, across the advanced nations, through Asia and back to North America, the US and Canada from an older economic system based on value, extraction of raw materials, and physical labour at the point of production. It is a fundamental shift from a fortress of national production to something quite new.

It's not just innovation. We made a mistake. The rise of the Silicon Valley model of high-tech innovation premised on venture capitalism, high-tech entrepreneurship, from university to industry technology transfer giving us many great things, from semi-conductors to personal computing, software, and now has given us many of the new bio technologies and green-tech.

One of my colleagues once said a very provocative but thoughtful thing. The Silicon Valley model is a continuation of fortress capitalism and he called it the "death rattle" of the industrial age. We are on the precipice of something new. It's up to us, all of us, to push beyond the precipice. When we went through The Long Depression of the 1870s, every advanced country remained a rural, agrarian nation. Industries, from textile, to iron productions, to steel, from the pin factories that Adam Smith originally wrote about, to the great mills of capitalist revolutionary market forces that Marx wrote about, were emergent but they did not dominate society and life. As we emerged from the long depression of the 1870s, 1880s and 1890s we became industrial societies, defined by our great industrial cities like Toronto, Pittsburgh, Detroit, Prague, and all of the industrial cities throughout the European heartland and, of course, in England. Millions of people became industrial societies. When we embarked on the crisis of 1929 and the Great Depression, we had a similar economy as the one which existed in the early 20<sup>th</sup> century. When we came out of the crisis in the 1950s, we had a whole new fortress way of life and a new model of prosperity founded in Europe, in Scandinavia by social democracy, in the United States by the New Deal and the mass urbanization.

My father, born in 1921, could never have imagined living in a small apartment in New York or New Jersey. He started working at the age of thirteen, taking a job to help support his seven brothers and sisters: nine people working together to make one living wage. By the 1950s he could buy a suburban home, support a family on a factory working wage and put his two sons, myself and my brother, through college. We're going through an even bigger reset today because for the first time in human history the way in which we extract wealth and value has changed. We're no longer dependent on the land; we're no longer dependent on physical resources for our wealth. We no longer have to organize ourselves in giant industrial agglomerations, around sources of iron and oil, steel and other raw materials, around great port centres. The source of economic wealth, for the first time in human history, is human creative effort. This is why innovation and technology alone are no longer enough. The composition of our economy depends fundamentally on the extraction and utilization of much more fundamental economic resources. You see only six percent of our people across the advanced world working in technology-based industries. The people working at Nokia, Blackberry, Apple, Google, in biotech, in green technology, they amount to only six percent. You can't build the economy on six percent of the people.

There's a much more fundamental characteristic of our economy driving growth and I think that it is important. It's the key to sustainability and to mankind's well-being. Harnessing of physical assets, development of industrial production, extraction of raw materials, they all did one thing very well. They allowed our productivity to improve and our material standards to grow. Yet they devastated our environment! We are still cleaning up the tragic devastation, the trauma of the industrial age, the trauma it cost our physical, natural environment. I saw it, while I lived in Pittsburgh. I saw the trauma. I saw the devastation. I saw this growing up in New York and New Jersey where the river would catch on fire from industrial waste and the boats would have to squelch fire on the river. I've seen this in the pollution: my mother and each of her seven sisters suffered from cancer caused by industrial pollution in and around New York and New Jersey. I've seen this in my wife's hometown, in Detroit, which is still trying to heal from these traumas. The use of creativity gives us the space to move beyond environmental degradation. But moreover, creativity is not merely an economic resource; it's a key component of our happiness and our well-being. In virtually every study that has been done, people who are able to engage their creativity at work, people who are able to use their full being, whether that is in a high-tech company, such as Google or Nokia, whether it is in an artist's studio, in a graphic design firm, or whether it is on a factory floor, creativity is a component in measuring happiness. When I look at the greatest company of the creative age, it's not the Apple or the Google. It's Toyota, because Toyota has solved the engagement of the workers for faculties. They utilize the complete worker as a way to enhance their productivity and growth. By engaging workers in continuous improvement, by forming teams from the workers, workers themselves become the source of innovation. As one of the architects of the Japanese production system said to me many years ago, "We don't separate research and development in innovation and keep it in the laboratory. Of course there are scientists working in our laboratories. But the factory itself has become a living laboratory where workers are constantly engaged in perpetual innovation by the application of their creativity."

Marx saw industrial production as a source of exploitation, alienation and degradation. He was right. He said the key of our future would be, if the working class, the proletariat, would recognize the alienation and exploitation and overthrow capitalism. Sean Pater amended Marx and said that these great ways of entrepreneurial effort allow capitalism to change internally, without revolutions. However, the reality is within the rise of creativity as the direct economic input: the actuality of the human mind. It's not just knowledge, it's not just information, it's not just services and we need to understand this in our forum today. We need to take it back to our regions, our leaders and leadership, because they do not understand it.

The great Obama, whom I admire and fully support, neglects this in his administration. It ignores the fact that the only way out of this economic crisis is to move beyond the fictitious wealth and conspicuous consumption of leverage and bubbles. These are all the by-products of our refusal to accept the fundamental driver of our time. It's harnessing creativity, which is deep and innate in every human being, it is our fundamental wellspring for economic growth. Yet, our economic theory is not equipped to handle it.

The great Paul Romer even continues to see knowledge as something scientists and engineers have and that can be poured into the head through the vessel of education. The best economists continue to focus on the notion of human capital accumulation through educational structures. And the more human capital and education you accumulate, the higher the growth. They neglect the fact that the greatest entrepreneurs in modern life quit school; they are drop-outs, from Dell to Gates to Jobs, because their creativity was squelched. It is similar with the greatest artists and musicians. They are leaving the institutional system to harness life, become complete people, to fulfill their creative mission, and overcome their alienation. Creativity is the fuel of our economy. But for the first time it is allowing us to step outside of the box of alienation and exploitation that puzzled theorists like Marx. It is the key to the way to well-being and it is completing the circle of human rights. You see creativity isn't just about an economic input. It isn't just about being technologically more successful, it isn't just about being more innovative. We need a new kind of social democracy. We need a new term for social democracy. We need to invent something equivalent to the social democracy we invented for the industrial age. You see what social democracy said in regards to well-being was that every single human being deserved the right to a job, income, healthcare, and social insurance in times of need. In Northern Europe, and in Scandinavia, and in my own adoptive country of Canada we have achieved that beyond our wildest dreams. But the key to our times must go far beyond the protection of material well-being and the provision of health care and social insurance. Creativity is the most fundamental human right. In the future, as we debate this, in the EU, in the US, around Asia, in this time of crisis we should keep our eye on one thing: the most fundamental human right of all is that each and every human being, each and every one of us who are creative human beings, has the basic, inalienable human right to use their creative effort fully. Everyone has the right to utilize, to harness, to mobilize all of their inborn, creative talent. That's the only way out of this crisis. That's the only way through the reset. That's the only way toward the future. To recognize that each and every human being, not only carries this creativity, but that every human being has the basic human right to utilize creativity in a way that they choose and see fit. They aren't obligated to use it in a productive fashion.

Now it's important for you all to understand how I came to my theory of the creative class. It didn't come from studying Silicon Valley or the high-tech districts of Europe. It came from studying the place where I lived at the time, Pittsburgh. And what I saw in Pittsburgh is so critical to our deliberations today about how to integrate culture, creativity and innovation. What I saw in Pittsburgh was a place that in the 20<sup>th</sup> century was one of the most technologically innovative places on the face of the planet. Pittsburgh had given rise to the world's most advanced steel industry, and many people considered it a steel town. Pittsburgh had much more technology than steel. Pittsburgh, along with a number of regions in Europe, Germany, The Netherlands, and elsewhere gave rise to one of the greatest electronic industries the world has ever seen. This was founded by a man whose name was George Westinghouse and his Westinghouse Electric Company: a leader in everything from power generation to nuclear energy to flat screen television technology at the time. It wasn't just electronics, but new materials. But it did not stop there. There were also chemicals—Pittsburgh Paints and other chemical companies. There were food companies like Heinz: one of the most dominant monopolies in the world producing food products like ketchup. The list could go on and on, with companies like Rockwell Aerospace and others. In fact, Pittsburgh, by any measure, was a much more innovative place than, for instance, the Silicon Valley is today.

The Mellon family were the first venture capitalists investing in and bringing new companies to the region. They established technology universities like Carnegie Mellon, where I taught. As means to provide research on a mass scale, the Mellon Institute, was the first applied research and development unit in the world to help industrial success. I saw all of that drain away. The factories closed, jobs withered, the steel mills shuddered, and the windmills shuttered. Then, when the research and development labs were still there, they began to transfer their technology elsewhere. They began to do research for companies and company units all over the world. And finally people began to leave. I saw this in Carnegie Mellon, where the most talented young people, the research director of Apple (Carnegie Mellon), the research director of Microsoft (Carnegie Mellon), and the top executives at Google (Carnegie Mellon) all left.

The great export of Pittsburgh was no longer steel, it was people. Technology is important; it's a driver of wealth, as Marx said. It's necessary but insufficient condition for growth. Technology is, in fact, a subcategory of this broader characteristic, this innate human characteristic. It is a subcategory of economic prosperity and, hopefully, of well-being, of subjective well-being and psychological well-being, and of creativity. In order to prosper you do not have to only have technological creativity or innovation.

You have to have economic creativity, entrepreneurship. You have to have city creativity and institutional creativity; you have to have artistic and cultural creativity, from Athens to Rome, London, Paris, Amsterdam, Vienna, Berlin, Prague, the San Francisco Bay Area, the great area of counterculture arts and culture in the 1960s.

Where does Silicon Valley come from? Is it just a technological phenomenon that grows out of nowhere? Silicon Valley comes out of the most advanced countercultural cauldrons called the San Francisco Bay Area. This is a broadly creative area which brought to the world new views on self-expression, free love, musical creativity in 1968, in its own way. A whole philosophy of life, green lifestyles, environmentalism, all of these glimmers which will hopefully become a new way of life in another decade or two come out this cauldron called the San Francisco Bay Area. Bill Gates and his collaborators, and Steven Jobs and his collaborators, when they were inventing those two technologies, didn't look like me or like a high-ranking minister of a Canadian or European government. They didn't wear suits and ties. They didn't have their hair styled. They looked like hippies; they looked like they were members of a local band. This is a place allowing free expression, is open-minded, tolerant, and allows the full human being to be free.

Alice Waters, the greatest chef of our time, founder of the organic food movement, said it was only by seeing the counterculture movement in the 1960s, by looking at the great explosion in music, that she thought she could find her way as a chef and not have to go into some other industry or career that her parents suggested, whether that was law or medicine. That's the key.

I say in order to be creative we need the three T's. First: technology. Technology leaders have to invest as a country or as a region or as a company in technology. You also have to have great universities. As I saw in Pittsburgh, it is a necessary but insufficient condition.

The second T is talent. You have to invest in talent. You have to nurture talent. Our school system is broken. I'm a school professor with many years of education who loves to discover and engage in research and loves to engage interesting people. I hated school, every single day of it. My salvation was found in my electric guitar and in my father's rock band. My brother played drums. My father bought me the electric guitar and the drum kit he bought my brother. I skipped school as much as possible. Fortunately, in high school we had a flexible schedule which allowed me to engage my musical interest. School was a giant squelching machine. I know schools are so much better in Europe. I don't mean to criticize all of them, but schools in the US, there's perhaps an hour of learning a day. The rest are sport events or a rally or some other kind of event where no learning goes on. We need to allow people new models for engaging materials and endeavouring in creative arts and technology.

We need to blow up our schools that are so badly broken and to allow individuals to utilize their creativity and not be squelched. That's the key to unleashing talent. Talent is highly mobile. It goes where the interesting opportunities are, and it goes where the interesting places are. As I saw in Pittsburgh it's not enough to have good jobs. Talented and creative people move to exciting economic opportunities. The average length of staying in a job for a creative person is about three years. The average length of staying in a job for someone under the age of thirty is about a year. People are looking for a total package. They want to live in a place that's economically and culturally and socially exciting. More than a great job, more than good schools, more than a safe place to raise their family; people want to live in a place where the number one factor is a place that has a wonderful, clean, green, and ecologically sensitive and sustainable environment. This is applicable for every class member. Creative, service, working, whoever, people believe this is the most important.

Number two is a place that is open-minded, tolerant, diverse, and allows them to self-express and be themselves. Every great psychologist will tell you that. The key to being a creative individual is your ability to self-express. If you're stuck in the structures and squelched you're made to be someone who can't separate, you can't be creative. Great psychologists will tell you that the key to happiness and well-being is to be yourself, to unleash your creative energy. It leads to personality and psychological well-being.

It leads me to the third T: tolerance. By tolerance I mean a proactively inclusive society allowing you to self-express and be yourself; a society and environment allowing you to reach your dreams. Furthermore, society and environment treating people fairly, doesn't discriminate with regards to race, ethnicity or sexual orientation.

Openness to immigration is a key factor and it cannot falter in this economic crisis in the United States, in Europe or Canada. In Canada we are opening our borders. We are engaging people from around the world. In Toronto, where I live, we're welcoming more than a 100,000 new Canadians and new people every year. We're asking young students to stay here for three years and find some exciting work. We're not going to make you renew your visas, you're welcome here. We're open to you.

Why is that important? People look at the Silicon Valley or the Boston area or New York, they think, wow, look at that, the United States productivity miracle, look at how the US grew in the 20<sup>th</sup> century. And they look and say, well that was a big market too, lots of raw materials, great universities. The United States is a big country but there are other big countries in the world. The United States has a big market but there are big markets in other countries. The United States has lots of raw materials but there are other places that have raw materials. The key to

the United States growth machine, the key to Silicon Valley, is openness to people from around the world. I learned it a long time ago in my original studies of Silicon Valley in the 1980s where I met Czechs, Finns, Estonians and an Italian man named Luigi Mercurio. I asked him, naively, "Mr. Luigi, why is the US more innovative than Italy?" He said that Americans are no more innovative than Italians. It's just that there are a lot of Italians like him who migrated to Silicon Valley to elevate the environment that was there. There were also Irish, British, Chinese and Indian people.

Fifty percent of those high-tech companies in Silicon Valley were founded by persons not born in America. They weren't even people who have Italian grandparents or great-grandparents like me. Fifty percent of them were founded by someone born in another country. Creativity doesn't care about your ethnicity, nationality, race or gender. It doesn't care if you're able-bodied or a disabled person. It doesn't care if you're gay or if you're straight or even what your sexual preferences are. It doesn't care about your lifestyle. Creativity comes to all human beings. The places on edge, frontiers, are places harnessing and attracting creativity of everyone. Open-minded tolerant places attracting people from all around the world, that's the key.

Let's get an idea of how big this creative class is. I think class is the right word although people shy away from it. I think class is the key economic and sociological unit and its key to understanding the economic trends and patterns of our time. The creative class comprises about 35 to 45% of the work-force in our countries. In the Czech Republic it's about 36%, in the US it's about 33%, in the Netherlands or Sweden it's about 40 or 45%. In the most advanced regions of the world, whether it's the San Francisco Bay Area, Copenhagen, Berlin, Washington, D.C., it's 45 - 50% of the work-force. Furthermore, I define class simply as your relation to the means of production. How you are related to the occupational and work structure of our world. Well, here are a few things we know. There are about 40 million people in the creative class in the US today. In the advanced world today, Europe and Asia, about 150,000,000 people are in the creative class. The creative class, although it counts for 30 to 40% of the world's work-force, accounts for 50 - 60 % of all the wages and salaries paid. It also makes up to 75% of all the purchasing power. It's big and it's growing.

If we look at every recession in the post-war era, across North America, Europe and Asia, the working class is devastated; it's tragic and terrible. Working class levels of unemployment go up into the double digits (10 - 15 - 20%) as companies throw the workers out. It's just like General Motors, what they do today, they throw the workers out. The workers, because they're low-skilled and tied to their job, have no way to re-engage the work force at a similar level of income. Right now, the level of unemployment in the United States among working class people is at 15%, as it is measured by the government. But if you look at other documents it is 25%. It is at depression level,

the Great Depression level. The creative class is much more able to weather the economic storm. Unemployment levels are on the 4% mark. Within the area of the creative class, in areas such as garment work, healthcare work, certain areas of arts and culture, they are actually gaining employment.

Class has a lot to do with who suffers the economic hardship. We'll be looking at this in our research. We'll be publishing more on the relationship between economic class and other characteristics and locations. It's not just that places with a larger percentage of the creative class do better economically. They have much higher levels of subjective well-being. In fact, working class places are negatively associated with subjective well-being, how happy you are with your life. Creative class places have much higher rates of well-being. In the US, working-class places voted for McCain, creative class places voted for Obama. There are different politics, politics of openness, and a progressivism of embracing the world.

It doesn't mean I'm negative with regards to the working-class. My father worked in a factory for more than fifty years. My father started his job in a factory at the age of thirteen, the day he could get working papers. Therefore, he could combine his wages to those of the seven siblings, my grandmother and my grandfather, who all worked; nine people to make a living wage. And as I said, when my father came back to work after World War II he told me, "The job I had in 1934, in 1935, in 1936, earned me a terrible wage. We had to put all of our money together to support one house and put food on the table. Then, almost as if by magic, I had a good job with a high wage." We made those jobs actually good jobs. Every single one of us has to realize we made manufacturing work good work. Currently we say that manufacturing jobs are going away.

Someone not long ago told General Motors, "We don't want the home factories; we want to make our people's lives good, we want to have nursery schools, and better education programmes, improve our environment, and we're not in the business of bailing out companies that can't manage themselves." I only wish it could happen in North America.

If there's manufacturing work accounting for 20% of working-class work, 20% of all jobs, then creative class work accounts for 35 to 40%. It means there's another great class. It's a class each and every one of us needs to think hard about. It's the service class. It's the largest class of our time. Those are the people who work in restaurants and hotels, preparing our food, making our beds, taking care of our homes, selling us our goods when we go to a store. This class accounts for 45 to 50%, depending on which country you're in. While our working class is shrinking, in China and other less developed places they take on these jobs. It's important to their development and we need to allow it so that they too can enjoy higher living standards. Anyway, we are sort of blind to the service sector. These people cut our hair, take care of our homes, make our beds, and pre-

pare our food. These jobs can't be outsourced. They can't be off-shored. They can be made better.

I know in Northern Europe and in Scandinavia there have been massive strides in the improvement of those jobs. We can do more. You see these service jobs are to our time what manufacturing work was to my father's time. These are the low skill, entry level jobs. Interestingly enough, these are the jobs that are the least stable, have the highest turnover, are the most likely to be held by disadvantaged persons, a lower income person, a single family female headed household. These are the jobs that are the most traitorous. We can make them better. We must.

One of the keys to understanding our time is that if we want to get out of this economic crisis, if we want to engage in the reset, if we want to build a better way of life, we have to make all work more creative. We have to increase the creative component in manufacturing work. We have to make more of our manufacturing companies like Nokia or Toyota, which engage the full worker, and we have to make service work better. We can see the examples of it in IKEA in Sweden; OMBRA, the design firm in Toronto; Homefoods, a new grocery store in the US; the Four Seasons in the hotel industry and other hotel chains; Starbucks. All of them are beginning to see that their future depends on engaging creativity of their workers.

Which country in which region of the world will begin to discuss ways to make the service sector pay higher? I challenge all of us and Mr. Obama. We need a service economy summit, bringing together the leading people in the world who understand this and are working to improve this massive number of low wage and insecure jobs. It's the challenge of our time, as important as making manufacturing good work, which improved my own father's job, turning it from a low-wage insecure job to a high-wage long-term job.

What does culture have to do with it? Why are the arts and culture so important? The arts and culture are critical. For one, we know they're a key to making exciting and thriving places. They're critical in our pursuit of creative ecology. They are the canary in the coal mine. They give indications of the quality of the work environment and warn us of dangers we may not see. Artists, musicians, culturally creative people are signals in one sense of a place that has these attributes, because artists, musicians and writers don't typically have permanent sources of employment. They're not attached to large companies. They're natural born entrepreneurs. To be successful they have to mobilize resources from the government, the city, the private sector. A great music scene can thrive and produce new bands and be musically innovative. They become places allowing individuals, to mobilize these resources very effectively. Therefore, it's not surprising that places having thriving artistic and musical scenes have the characteristics associated with technological innovation and entrepreneurship.

However, the role of arts and culture goes far beyond this. We look at business and finance; management and operations; at science and technology; engineering and architecture; government; healthcare and education, along with business, management and technology. Regions with robust arts, culture and design industries grow income and wealth. Arts, culture and design industries are wealth generators. They are wealth generators across the studies in science and technology.

Yet we are still thinking of the arts in the wrong way. We all have conversations about science and engineering, national policy and the need to strengthen it and do more. We talk about ways to get out of this crisis and invest. Arts and culture are pushed to the side table. We believe somehow, it is what rich regions do. Rich regions are like great benefactors. When they have money they can support the arts community.

Wrong! Rich regions are those allowing arts and culture, and design to grow in an entrepreneurial fashion. It is an economic generator across regions, states and provinces. Arts and culture are critical economic generators. We have to fast-forward. We need immigration immediately. Not tomorrow, not the next day, for we are in an economic crisis.

When you look at the broken system, like in the United States, when you look at the system where banks can't lend, where people can't get mortgages, then you see that it was all fictitious wealth. Then you realize where the wealth is located. It's nothing new; it's where it's always been: in human talent, human creativity, in people, in communities. Why are communities so important? When it comes to harnessing human creative effort the world isn't flat at all. The world is more concentrated today than at any point in human history and we must recognize it and put it on the agenda. When we look at the world in a detailed way using satellite images, at night images projected to the Earth, for the first time we can estimate local economic output. This is not national economic output coming from Copenhagen, Prague, Berlin, Dublin, New York, Toronto, and every little town in between. No. We find that the world is defined in forty mega-regions from Berlin to Prague, from Rome to Turin, from Barcelona to Lyon, from Amsterdam to Antwerp and Greater London. These forty mega-regions are the key to our economic future. They have about 80% of our population. They produce 2/3 of the world's economic output, and 9/10 of our technological innovation. Technological innovation has become so concentrated. We need to recognize this because our time is increasingly uneven. It's uneven by class and geography. It's most uneven in the great centres of the emerging world. We're not competing with China or India; we're competing with two giant mega-regions in those countries that are the talent magnets and engines of those two economies. We have to build a broader economy. The words I would use for it are creative, sustainable, and inclusive: CSI.

We can't go on like this any longer. Growing the economy on the backs of ecology, fictitious wealth or high tech Silicon Valley, New York, London and Hong Kong—it won't work. It is what the reset is all about: a new way of life, a new psychology which recognizes each person has to be part of the new social compact. Every single individual is the new compact.

The creative class is a universal class. Every single human being is creative. The challenge of our time is to stretch borders of the creative class, to allow every single human being to enjoy what we enjoy; to allow everyone working in manufacturing, in farming, service work, to develop their creativity. That's the real challenge of the reset, not to create more Silicon Valleys or more high-tech havens or greater financial districts. We can't go on anymore politically, sociologically, economically as a broken, divided world. Creativity has to become a basic right. We have to get this conversation through to our leaders. The utilization of human creativity deep within each and everyone, the billions of us populating this planet, has to become a political priority. We need to mobilize it, harness it, and create a new way of life which goes beyond the broken suburban model and is environmentally aware, green, sustainable, tolerant, diverse, inclusive, and recognizes creativity. This cannot be an economic solution only, but must also be a cultural, sociological, and geographic solution. We have to invent a whole new model of living. Suburbanization created the growth model for industrial mass production. We have to create something new. Do what the Google, Nokia and Toyota do for their workers. We have to create a way of life that is denser and more environmentally friendly. We have to create a place, where people consume less housing, cars and energy, where in contrast people consume more development, education, healthcare and quality of life.

When I was beginning to write on the creative class, I went to visit the great city of Seattle, Washington, which was just beginning its emergence as a creative centre, as a technology centre with Microsoft, Amazon, Starbucks and many other great companies. Seattle's downtown was very bad, like in many American cities. But I saw a new building rising, and I asked my colleagues what the building was. It was a beautiful building, very interesting architecture, and it was being built by Frank Gehry. He was not that famous then, it was before Bilbao. My colleague said it was one of their city's great technology leaders, Paul Allen (Paul Allen is the co-founder of Microsoft with Bill Gates, one of the greatest software developers of modern times), who was having it built to repay his debt, or to show a way for the future of the city and its environment and region. So I thought, as Mr. Allen is a great scientist, the building was going to be a new Seattle science centre. No. It's not a centre for science, it's not a centre for invention, and it's not a centre for entrepreneurship. It was the Jimmy Hendrix experience music project.

The person who spurred Paul Allen's creativity, which he expresses in software, was a young African-American musician, Jimmy Hendrix, who changed the way we hear music. He created a band fusing R&B, jazz and soul music and psychedelic sounds. Bob Dylan's music influenced Hendrix so much that he travelled across Europe with two English band mates, came back to the US and became a technological innovator. He invented new sounds, such as reverb, speakers that rotated the sound. He had created his own garage studio, Electric Ladyland Studios. Creativity is deep within all of us. We're never going to know if the great software engineer was motivated by a sculptor or a physicist. We never know the links between creativity we know that our future is this economic crisis. This economic reset may take time, maybe five years, maybe ten years, we may be in this for two decades, we don't know. But what we do know is that there is only one way out of it: we have to immerse and mobilize the creativity of every single one of our people and, ultimately, create a whole new way of life, which supports that.

## Curriculum Vitae

Entrepreneur, speaker, researcher, and go-to guru, Richard Florida is the founder of the Creative Class Group, a global advisory services firm headquartered in Washington, D.C. His invention of the “creative class” has been lauded by the Harvard Business Review as one of the major breakthrough ideas of our time and has inspired leading companies like Apple, BMW, and Virgin Atlantic to rethink their marketing and business strategies.

Florida is the author of three national bestsellers *The Rise of the Creative Class*, *The Flight of the Creative Class* and *Who’s Your City?*, which launched an intellectual revolution changing the way companies, nations, and communities compete and thrive. Combining in-depth analysis, cutting-edge trends, and fascinating personal stories, Florida is one of the world’s most dynamic, engaging, and sought-after speakers. A leading public intellectual on economic competitiveness, demographic trends, cultural and technological innovation, he was named one of *Esquire* magazine’s Best and Brightest alongside Bill Clinton, Jeffery Sachs, and other luminaries. Florida has also been appointed to the Business Innovation Factory’s Research Advisory Council and recently named European Ambassador for Creativity and Innovation.

Florida is Professor of Business and Creativity at the Rotman School of Management, University of Toronto. Previously, Florida held professorships at the George Mason University and Carnegie Mellon University and taught as a visiting professor at Harvard and MIT. He is a former senior scientist with the Gallup Organization. He earned his bachelor’s from Rutgers College and his Ph.D. from Columbia University. Florida lives with his wife in Toronto, Canada.

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