CITIES

Urban Inequality Is a Crisis, But Don't Blame Techies for It

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By Richard Florida

As technology companies and the techies who work for them have headed to cities, they have increasingly been blamed for the deepening problems of housing affordability and urban inequality.

A few years ago, for example, the San Francisco-based writer Rebecca Solnit complained that the Bay Area's conflict pitted “writers, artists, activists, environmentalists, eccentrics” against the newly moneyed tech elite.

But there is little evidence that the influx of wealthy people into the urban core and the transformation of some leading creative neighborhoods had led to any substantial diminution of these cities' overall creative capacities. In fact, cities like New York, London, Los Angeles and San Francisco have thus far been able to consolidate their overall creative advantages by adding innovation and high-tech industry to their economic mixes.

True, many "creatives" are undoubtedly struggling and being priced out of their neighborhoods. But, empirically speaking, even though the vast majority of them are not truly wealthy, their aggregate economic situation puts them closer to the company of a more advantaged urban elite, and a world away from that of the less-advantaged service class.

This becomes clear when we take into account the amount of money that artists and other cultural creatives have left over after paying for housing. In New York, artists and other cultural creatives have, on average, $52,750 left over after paying for housing, less than tech workers ($65,900) and business and financial professionals ($88,770), but nearly three times more than service workers ($16,800).

So, put bluntly, some of the noisiest controversies regarding our changing cities spring from the competing factions of a new urban elite. The real debate is to what extent the incredible wealth generated by tech startups can and does contribute to the growing gaps between the advantaged and less advantaged.

In a hotly debated essay, venture capitalist Paul Graham argued that startup cities and high-tech districts are “manufacturers of inequality,” but nevertheless defended them as the price of progress. “You can’t prevent great variations in wealth without preventing people from getting rich, and you can’t do that without preventing them from starting startups,” he wrote. He went on to point out that the real problem is persistent poverty and declining social mobility, and that our focus on inequality fixates us more on a symptom than on the underlying disease.

Yet, to what extent are urban startups and the techies who are increasingly settling in cities responsible for rising urban housing prices, inequality and gentrification? On this, the empirical evidence is actually mixed. There’s no question that the urban tech incursion has put pressure on housing costs, especially in cities like San Francisco, New York, Boston and Seattle. Housing prices are closely correlated with several key measures of innovation and high-tech industry.

The connections between economic inequality and urban tech are less clear-cut, however.

On the one hand, the concentration of tech startups and venture capital is closely associated with higher levels of wage inequality. This makes sense, since wage inequality reflects the divided job markets of cities, where knowledge workers make much more money than service workers and the working class. On the other hand, the statistical correlations between urban tech and the broader measure of income inequality are statistically insignificant, meaning there is no observable association between the two.

For now, it’s fair to say that urban startups and venture capital are not the primary drivers of the increase in urban inequality, which stems from other features of large, knowledge-based cities, the very ones that have made these cities attractive to techies and tech companies in the first place.

Other research comes to similar conclusions.

A detailed 2015 study looked closely at the connection between innovation and inequality over the past several decades across all 50 U.S. states. While it found a reasonably strong connection between innovation and the increase in the share of income going to the top 1 percent of the population, there was little, if any, connection between innovation and the broader income inequality between the rich and the poor.

In fact, metro areas with higher levels of innovation had higher rates of economic mobility as well. Innovation was positively and significantly associated with the likelihood that children would end up in a higher-income bracket than their parents. Despite the high housing costs and extreme wage inequality of superstar cities and knowledge hubs, the poor and working classes have better prospects for upward mobility in them than in other places.

High tech doesn't deaden cities; it increases their innovative capability considerably, while also providing the tax revenues that cities can use to mitigate the problems that come with them. Techies and startup companies may be convenient scapegoats for the very real problems of some places, but it makes little economic sense to discourage them from continuing to move back to cities.

New York's comeback after the 2008 financial crisis was driven not by its traditional strengths in finance, banking or even real estate, for instance, but by the incredible expansion of its creative economy, which grew by 13 percent between 2003 and 2013.

The city's 8.4 million people make up 2.6 percent of the U.S. population, but the city is home to 8.6 percent of the nation's creative jobs, up from 7.1 percent in 2003. It accounts for 28 percent of the country's fashion designers, 14 percent of its movie and television producers and directors, 12 percent of its print and media editors, and 12 percent of its art directors. This makes New York by far the pre-eminent creative center in the U.S.

Across the Atlantic, London's dominance in the creative industries is even more pronounced. Greater London accounts for 40 percent of all the creative-industry jobs in the U.K., although it is home to just 12.5 percent of the country's population.

These creative jobs include 58 percent of the jobs in TV, film and radio in the U.K., and 43 percent of the jobs in music and the performing arts. And London's dominance has been growing: between 2007 and 2014, it accounted for by far the largest share of employment growth in U.K. creative industries.

When my colleagues and I examined the geography of America's creative economy broadly, spanning music, the visual arts, acting and dance, we found that New York and Los Angeles had much larger concentrations of those jobs than any other metros, substantially more than what their populations alone would have predicted.

L.A.'s concentration of jobs in the artistic and creative fields across the board is nearly three times the national average, while New York's is more than double the national average. L.A.'s concentration of people in the fine arts, including painters and sculptors, is nearly four times as high as the national average; New York's is one and a half times as high. New York has nearly three times and L.A. more than twice the national average for musicians and singers.

Certainly, there has been a certain amount of sorting and shuffling between these two leading superstar cities. Artistic and cultural creatives are moving from New York to L.A. in numbers that are not trivial, according to research from the U.S. Census Bureau. But, together, the two stand far above other American cities.

Why do these superstar cities remain so dominant? For one thing, because they have great economic scope over and above just their large size and scale. They benefit not just from being big cities with big markets, but from being home to vibrant clusters of the varied talent and skills these industries require -- not just the performers and the artists, but also the companies, and the venues and producers, and the agents and writers, and the composers, choreographers and designers, and the engineers.

Cities with fully innovative and creative economies with capabilities spanning arts, culture, technology and management are indeed rare. Just 5 percent of all U.S. metros -- 19 out of 364 -- stand out as having high-performing creative economies across these domains. Besides New York, Los Angeles and San Francisco, they include San Jose, Boston, Washington D.C., Seattle and Austin.

Besides dominating in creative, high-tech and management fields, they also have stronger, more diverse and more robust economies across the board.

There's no denying that younger, struggling artists and musicians and other creative have been priced out of some New York, Los Angeles, San Francisco and London; and that some of the neighborhoods that were once the leading artistic centers have lost their creative verve.

But would anyone really want to trade the economies of New York and Los Angeles today for their economic situation back in the 1970s or 1980s? The answer, it seems to me, is obvious. The addition of high-tech companies to the traditional strengths of these cities in artistic creativity has made their economies stronger.

The much bigger problem is the widening gap between this relatively advantaged class and everyone else. It's the poor and the working classes who are truly being displaced and shunted aside in our thriving cities. The way to help them is to make the cities' flourishing economies more encompassing and inclusive. It is not to turn off the spigot of wealth creation.

(This is the second of two excerpts from "The New Urban Crisis: How Our Cities Are Increasing Inequality, Deepening Segregation and Failing the Middle Class -- and What We Can Do About It," to be published on April 11 by Basic Books. ©2017 by Richard Florida. Read the first excerpt here.)

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