

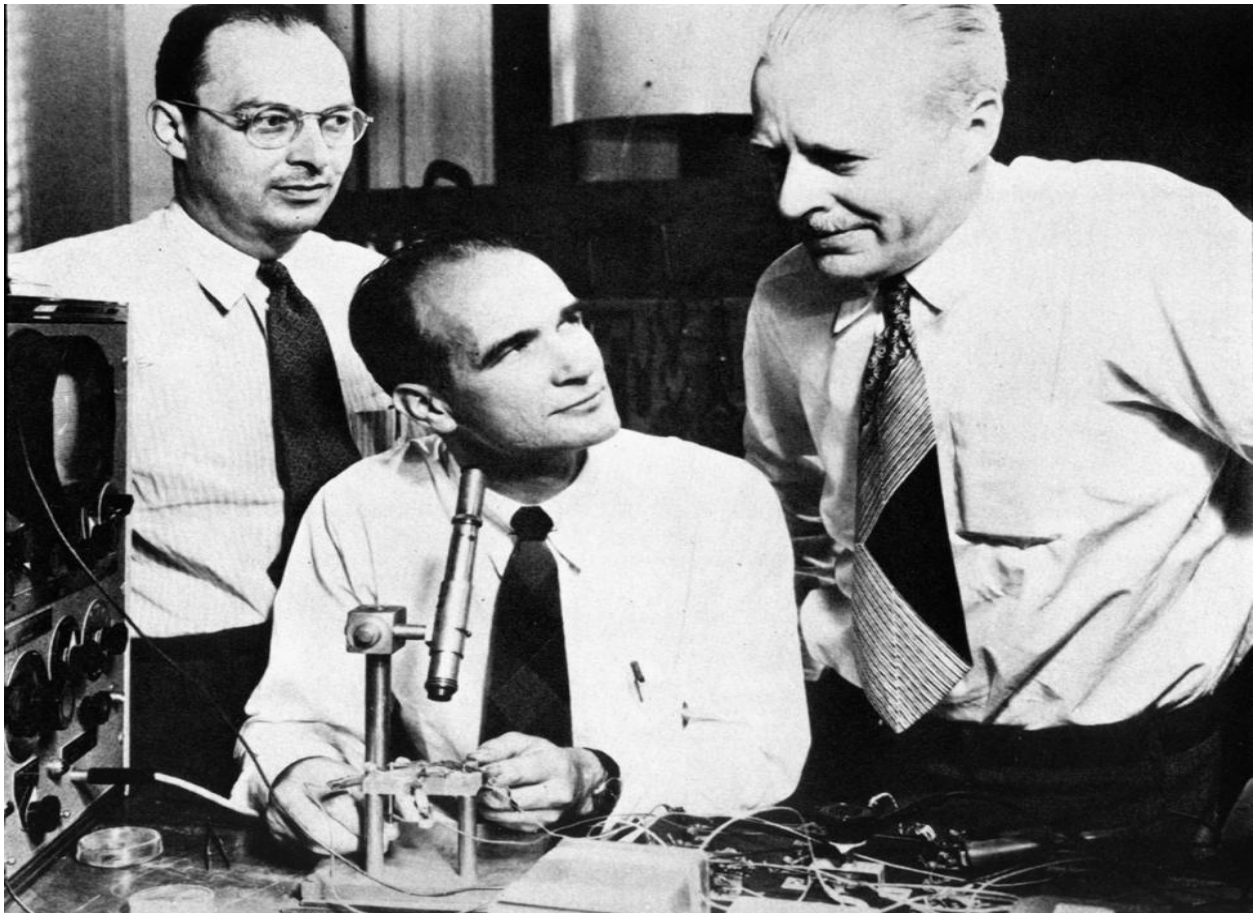
## Tech returns to its NYC roots

The talent that fled to suburban nerdistan is returning to the cities

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Jersey genius

In the years after World War II, when Silicon Valley was still mostly orchards surrounding a up-and-coming university, New York was the most innovative city in the world. Its suburbs were home to Bell Labs and IBM, two of the companies that trained the talent and created the technology and the ecosystem for the revolution that would reach critical mass on the other side of the continent.

New York owed its energy and vitality to the factors that Jane Jacobs would identify in her groundbreaking 1961 book “The Death and Life of Great American Cities”: its density and diversity. Unruly and unpredictable and filled with unlikely combinations of people, its economy was quintessentially entrepreneurial. Writing in the American Economic Review that same year, economist Benjamin Chinitz contrasted New York’s hundreds of start-ups to Pittsburgh’s staid corporatism and predicted Pittsburgh’s steep decline.

But a no less destructive process than the one that was undoing Pittsburgh was already under way in New York, one that the urban economists Edgar Hoover and Raymond Vernon dubbed “the flight from density” — the great exodus of jobs and people to the suburbs. High-tech industry and talent followed suit, shifting from the urban core to the suburban nerdistan.

Many date the rise of Silicon Valley to 1925, when Frederick Terman returned to Stanford from MIT to mentor a generation of engineer entrepreneurs, including William Hewlett and David Packard. But Silicon Valley’s banner year was 1956, when William Shockley and his team of engineering geniuses left Bell Labs in the New Jersey suburbs to form Shockley Semiconductor in Mountain View. A year later, eight of his colleagues left to form Fairchild Semiconductor. A decade later, two of those founders — Gordon Moore and Robert Noyce, along with Andy Grove — founded Intel.

Not only did these engineer-entrepreneurs — some of them refugees from Hitler’s Europe and most of them East Coast transplants — revolutionize the electronics industry, they pioneered a new model of management in which engineers had an entrepreneurial stake in the products and companies they created. Eugene Kleiner, who’d studied engineering at NYU and Polytechnic in Brooklyn, would go on to co-found Kleiner Perkins, perhaps the Valley’s most important venture capital firm. He was not the only one. Arthur Rock, a Wall Street security’s analyst and investor in Fairchild, later joined forces with a Tommy Davis to create Davis and Rock, another leading Silicon Valley venture capital fund that invested in Intel and Apple.

They were no doubt drawn to the open-minded, freewheeling frontier culture of the San Francisco Bay Area. But they were also pushed away from the stifling bureaucratic culture of “no” that was the default mode of bureaucratic corporate capitalism of the “Mad Men” era.

As giant corporations became more overbearingly bureaucratic, R&D operations were cut off from innovation and production. Joseph Schumpeter had anticipated this in his classic 1947 book “Capitalism, Socialism and Democracy,” writing that the “perfectly

bureaucratized giant industrial unit not only ousts the small or medium sized firm . . . but in the end it also ousts the entrepreneur.” Frustrated and restless, the most innovative and entrepreneurial scientists and engineers began to look west.

As their high-tech paradise flourished, the old-line corporations became still more sclerotic. RCA sold off its Sarnoff Labs; Xerox allowed its Palo Alto Research Center to languish, leasing some of its most important discoveries to upstarts like Apple.

If suburban Silicon Valley was long the preeminent eco-system for entrepreneurial creativity, the pendulum has begun to swing the other way. Young techies and entrepreneurs are not only returning to cities in droves, they are building their new companies in them — returning to those “old buildings,” as Jane Jacobs put it, that are such productive nurseries of “new ideas.”

New York attracted nearly \$3.5 billion in venture capital in 2013, eclipsing greater Boston as a center for venture capital and startup activity, and not too far from the \$4.8 billion invested in Silicon Valley. Out West, the shift of high-tech startups to urban districts in and around downtown San Francisco have now made it the nation’s leading center for venture capital investment. High tech is coming home to cities — the true centers of innovation of all along.

When it comes to tech, New York might not have hit on “the next big thing” yet — but anyone who bets against its future just doesn’t understand its past.

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