

Why today's economic transformation may be the largest in our country's history

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Richard Florida speaks at the Nashville Area Chamber of Commerce's annual meeting on September 20. / John Partipilo | Tennessean

Our economy is going through the greatest transformation in our history — even bigger than during the Industrial Revolution, according to researcher and author [Richard Florida](#).

“We had the Great Depression in the 1930s, and a pretty big depression in the 1870s. But this economic transformation is bigger,” said Florida, who wrote the best-selling books “The Rise of the Creative Class” and “The Great Reset.” “It’s bigger even than what happened in America in the 19th century.”

During that time, the entire country — along with the major countries in Europe — was seeing a dramatic shift from a farm-based economy to a factory-based economy.

“Think about that kind of a shift,” Florida said. “It led to the rise in great cities like Chicago, Detroit, Pittsburgh — the industrial heartland. Think about the movement of people from the farms to the cities. That’s why we are a nation of immigrants.”

For nearly all of human history, he said, the path to wealth and prosperity had a clear formula: Place yourself near raw materials and figure out the best way to turn them into something that can be sold to someone else.

“We got wealthy because we were good at working our fertile soil, harnessing our raw materials and locating along the river delta,” Florida told a gathering of business and community leaders Friday at the [Nashville Area Chamber of Commerce](#)’s annual meeting at the [Music City Center](#). “We combined natural resources — oil, petroleum, coal, iron ore — and combined them with the physical labor of manufacturing workers. Backs and arms and legs and raw materials.”

Dramatic shift

For centuries, he said, wealth was created by gaining access to land, labor and capital, but that model has been shifting dramatically over the past two to three decades.

To illustrate, Florida pointed to a few key statistics. In 1900, only 5 percent of America's workforce was doing work that could be classified as "creative." But over the past two decades, the number of workers in the creative class has started to soar, and today, more than 40 million people — one-third of our national workforce — work in the creative class.

He said many economists have tried to explain the new economy as "post-industrial," or a shift from manufacturing to a service-based economy. But even calling it a shift to a knowledge-based economy doesn't quite fit either.

For Florida, it comes down to one basic premise: All great leaders, whether politicians, entrepreneurs or artists, share a common trait. "What they all have in common, what we all have in common, is ... the creativity that we all share.

"Every single one of us is creative, and the greatest companies and the greatest cities are going to stoke that creative furnace burning inside every one of us," Florida said.

But creative workers alone can't keep the economy going. Millions of service workers will be needed, he said, and that's part of the challenge.

Florida said successful creative-class workers must do better in terms of rewarding the efforts of those in the service sector; that is, salaries for those workers must rise so they also can see an improved quality of life.

Concentrated wealth

Florida also addressed another misconception of the new economy: that the world is flat. "In fact, our world is not flat. It's spiky and concentrated," he said, adding that the cities that truly attract wealth are more concentrated than ever before.

While the economy of the past was focused on attracting and growing companies, the economy of the future will be based on attracting people, he said.

Nashville and other cities will thrive by continuing to promote diversity and creating an environment in which people want to live, Florida said. He recalled Steve Jobs' comments about the power of Silicon Valley and how people were surrounded by others whom they could bounce ideas off and ultimately create something better. It was that environment — filled with other creative people — that ultimately fueled its success.

During his visit to Nashville, Florida said he had the chance to talk with Jack White, one of Nashville's new music luminaries.

"When I talked to Jack White (about Nashville), he sounded a lot like Steve Jobs," Florida said.

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