Conversation with Richard Florida, author, urban studies theorist

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In this episode, Paul talks with Richard Florida, delving into themes Florida discusses in his new book, *The Great Reset*. They talked about the cultural, economic and geographic factors influencing innovative time periods and places. They also wrestled with topics like: "Should cities be allowed to fail?" and "Why are college towns such hotbeds of innovation?"

Florida is Director of the Martin Prosperity Institute and Professor of Business and Creativity at the Rotman School of Management, University of Toronto. He also heads private consulting firm the Creative Class Group. Florida's research provides unique, data-driven insight into the social, economic and demographic factors that drive the 21st-century world economy. is author of the international bestsellers *The Rise of the Creative Class* and *Who's Your City?* Florida is a regular correspondent for *The Atlantic Monthly* and a regular columnist for *The Globe and Mail*. He has written for *The New York Times, The Wall Street Journal, The Washington Post, The Boston Globe, The Economist,* and *The Harvard Business Review*. He has been featured as an expert on MSNBC, CNN, BBC, NPR, and CBS.

He is a sought-after speaker on global trends, economics, prosperity, competitiveness and growth.

Previously, Florida has held professorships at George Mason University and Carnegie Mellon University and taught as a visiting professor at Harvard and MIT. Florida earned his bachelor’s degree from Rutgers College and his Ph.D. from Columbia University.

Paul Kedrosky Interviews Richard Florida

*Kedrosky:* I'm here with Richard Florida, author of the new book, *The Great Reset*, author, as well as the best selling *Rise of the Creative Class, Who is Your City?*, a host of
bestselling books on sort of new urbanism, if you will. Richard is the Director of the Martin Prosperity Institute and Professor of Business and Creativity at the Rotman School of Management at the University of Toronto. Thanks for being here, Richard.

Florida: It’s great to be with you, Paul.

Kedrosky: So I thought we could start in kind of a tangential direction and then back into a discussion of the new book and some of the things that are interesting to us at Kauffman. But just in general, you know, why are we so conflicted about cities? You know, we live in them, we love them, we hate them, and the majority of us now live in cities. Where does that conflict do you think come from and how does it sort of help or hinder, I suppose, urban change?

Florida: Well, I think the conflict’s been a very, very, very long running one going back millennia. And as you know, even people like Karl Marx wrote about the contradiction of town and country and I think there’s always been a fear, if you will, sociologically speaking, of cities. Cities were where people went when they left the family, when they left the farm. And I think there’s always been this great conflictedness, particularly in the United States, although I now live in Canada and I think Canada has the same kind of conflictedness. You know, in the United States, a big country with Jeffersonian ideals of democracy, small town, yeoman farmers, being close to family, being close to the earth. And I think, you know, now what’s so perplexing about that is not only do we have, you know, more than three-quarters, 80-90 percent of our population in the United States living in urban and metropolitan areas, and in Canada, bizarrely and ironically, 80 percent of the population lives in less than two percent of the land area, but now 50 percent, you know, according to the United Nations, 50 percent of the world’s entire population lives in urban or metropolitan areas, cities and their surrounding suburban hinterlands. And I think what we’ve come to understand, purely economically speaking, not with regard to ideology or politics, is that cities are really important economic growth and development. You know, as Jane Jacobs pointed out a long time ago and then Robert Lucas picked up, the Nobel Prize winning University of Chicago economist, cities are what make us really productive. They cluster talented and ambitious people. They’re also kind of wellsprings of innovation and they’re very important to new firm formation and entrepreneurship, something you’re interesting in, the Kauffman Foundation has been interested in.

Kedrosky: So, let’s turn backwards a little bit. Tell me a little bit more about what got you interested in the whole issue of cities and urban development. What’s sort of the intellectual origins of the interest for you?

Florida: Well Paul, that is a very interesting question. You know, I went, I come from a working class background and I was going to college in the mid 1970s and as we remember, it was a pretty bad recession, a couple of pretty deep recessions in a row. Even when compared to the current economic crisis, they were pretty bad. And I always thought, well maybe I’d have to get a job when I, even though I wanted to be a professor, maybe I’d have to get a job. So I did an undergraduate joint major in urban planning. And then when I decided, you know, much to my parents’ chagrin when I told them I didn’t
want to be a medical doctor or a dentist or a lawyer, I said I wanted to go on to get my Ph.D., working class Italian American parents didn’t really understand what that meant, staying in school. But I went into, again, a program and urban planning, figuring out if I couldn’t get a job because academic jobs were very hard to get in that period of time, I could at least get a job for a state or local government. And I always found myself fascinated by cities and the intersection, not just of cities, but cities and economic development. But when I was writing Rise of the Creative Class, it all sort of dawned on me. It wasn’t just an academic interest, it was the fact that I was born in Newark, New Jersey in 1957 when Newark was still a functioning working and middle class city, the kind of place Philip Roth writes about. And while I watched Newark get enveloped in racial riots and I was very concerned as a boy with racial and civil rights issues, and I also saw my dad work in a factory in Newark called Victory Optical. It was a large eyeglass factory in the Ironbounder section of Newark. Well, my dad worked there from age 13 to the time he retired when the factory closed at 65. In any event, I saw that factory which employed hundreds if not thousands of working class Italian, Polish, German, Puerto Rican, African-American, I saw that factory be a bustling factory and then decline. And I think those two experiences as a very young boy imprinted this idea of why do cities sometimes grow and why do cities sometimes decline and it was myself trying to make sense of this city that I was born into that was a bustling city with a big commercial district with ethnic neighborhood, Jewish and Italian and African-American neighborhoods, that sort of went up in flames, and my, the factory that employed my dad. I think those were the things very early on in life that got me interested in cities, and I found as I have gotten older, you know, I didn’t believe it. You know, I thought I was just intellectually interested in cities, but I think it came from this very visceral real world experience with cities as a very young boy.

**Kedrosky:** Let’s come back to that because it does touch on something I want to get to later on. But I think that’s a really interesting context for all of this. So let’s jump forward a bit from there and past The Rise of the Creative Class and so on, and take us up to sort of the, you know, your current book and current thinking in terms of This Great Reset, and it’s obviously something, you know, we think a lot about at Kauffman in terms of, you know, this crisis and the opportunities and threats it represents. And you know, you kind of talk about it in the context of not just rebooting, this reset not being just sort of rebooting the urban system, but sort of using that as a basis for rebooting a lot of the ways we think about the economy and about economics in general and how we transact within that economy. So maybe go backwards and forwards. So talk a little bit about, you’ve got some interesting musings in the book about similar periods in the past when we’ve kind of gone through this sort of reset moment and what the causes and consequences were there and what that means now.

**Florida:** One of the things I’ve been interested in from, for a long, long time, you know, having experience with the fields of innovation and entrepreneurship and economic growth and development and economic policy and technology policy and innovation policy, was putting geography and economic geography or things urban into the debate. Now that has obviously occurred. I mean, Paul Krugman has done marvelous work and many others have done marvelous work around, along these lines. But I think that
oftentimes, things geographic or things in terms of economic geography become an afterthought. So the spirit of this book, The Great Reset, was when the crisis hit, my editor at the Atlantic Monthly, a fabulous young man named Don Peck, who’s actually working on a book as we speak on jobs and the disappearance of jobs and the crisis, asked me to write a piece on the end of New York City and the crisis. And when I looked into it, it was quite clear to me that New York City faced some threats, but it was not going away, it was the center of innovation and entrepreneurship, similarly with London, and that something much bigger was going on in terms of our economic geography. I wrote that article; it was quite interestingly and successfully received into the market and people really liked it and folks convinced me that I should turn it into a book. So in doing the research for that book, I was able to go back and look at the two periods which seemed most analogous to our current economic situation. Obviously, the Great Depression of the 1930s and then the panic and long depression of the 1870s. And I think I was able to distill, by reading that historical literature on the history of innovation and the history of technology, the history of entrepreneurship, the history of public policy, fiscal and monetary policies and urban history, I think I was able to distill three or four key insights very quickly. One, these are periods of remarkable innovation. Even though they are long periods, and I talk in the book that they are generational events, they are 20 to 30 years from collapse to reset and into an era of prosperity. One, they are periods of remarkable innovation. And so we’ve seen in the 1880s and again in the 1930s, making a long story short, the two most technologically progressive or innovative decades of the last couple of centuries, lots of new firm formation, massive swings in entrepreneurship, the rise of Thomas Edison’s company, George Westinghouse’s company, Alexander Graham Bell’s company and similarly in the Great Depression. But there’s another set of insights which I think are less well known and which are important to understanding this economic crisis. One is that it may seem that government fiscal and monetary policy can pave the way for recovery and many people believe it was government spending on military affairs that helped pave the way for recovery after the Great Depression. What I was able to distill however looking at a wide range of geographic work, including the work of David Harvey, is that in addition to kind of a Keynesianism or even military Keynesianism, what paves the way out of crisis is something I would call geographic Keynesianism, or what geographers call a spatial fix, a fix about the way we live and work. And the short answer there is it wasn’t just military spending or fiscal and monetary policy that helped us recover from the Great Depression. It was a rise of a suburban solution, the rise of massive urbanization which fit the industrial economy and created demand. It actually was a geographic Keynesidium. It created demand for cars and appliances and refrigerators and all of the things that spurred the industrial economy. The question now is, of course, as we’ve moved away from an industrial economy through a new firm driven, entrepreneurial, innovative, knowledge and creative economy, by simply stimulating the housing and suburban economy, not that that’s a bad thing to do, you end up stimulating a lot more jobs and economic development outside the country than inside. It’s sort of like stimulating the Chinese economy if you will. So one of the things the book argues is that we have to begin to think in terms not only of a new era of innovation and entrepreneurship, small business formation and job creation, we have to begin to think about a new way of organizing ourselves in economic geography,
simply a new way of living and working. That’s going to be one of the key contributors to our long run recovery.

**Kedrosky:** So, and I obviously subscribe to most of that sort of geographic fix if you will, and I guess one of the thoughts that I had and I’m curious what you think about this. But, you know, one of the sort of lenses that I like to look at the world is sort of this idea of, you know, build costs, and the build to urban environment, and you know, and I argue and I’m sure, I’ve run into some other folks making similar arguments, that you know, one of the issues we have now as opposed to periods of the prior resets, to use your terminology, is that the built environment is simply immense now and that, you know, in a sense we’re kind of like we’re trying to migrate from, I don’t know, Windows 95 into Windows 7, you know, in that urban context. And it’s, you know, you’ve got an installed base problem in computer terms or in an urban environment, you have the built environment problem. And you know, there’s a wonderful book I’ve been reading recently, Christine Rosen’s book about the limits of power and great fires, this sort of the process of city growth in America, and she talks about this transformative role that, you know, huge urban fires had in 1871 and 1872 in Chicago and Boston and then elsewhere later on, and in a perverse sort of way that that sort of made a break in the built environment that existed at the time to this sort of emerging industrial urban environment that was more appropriate in those prior resets after the long depression and after, the long recession and then the Great Depression. And I’m curious, you know, what do we have, what tools do we have available to us now to sort of make the same break from our recent urban past?

**Florida:** Well, I think Christine Rosen’s argument is very compelling and a fellow here who’s a civil engineer and a student of infrastructure, a fellow named Christopher Kennedy at the University of Toronto, makes a similar argument looking back at the shifts in infrastructure over long sweeps of history. And he calls attention to that book and the great fire in London and how important the great fire in London was to revamping building codes and ways of building the city that helped in light of other things – England’s role in the capitalist economy, London’s role as a financial center. But this idea of thinking about the built environment, about our economic and social geography as a key element of economic growth and development, you know, someday, someday I hope to write a book called The Geography of Progress on the role of our economic and built geography and progress. What I’ve tried to do and what I encourage, what I’m so encouraged by you doing and Christine Rosen’s work, is that it’s putting geography in the built environment front and center on the table.

The fellow who wrote a lot about this in a brilliant way, is someone who’s work I’ve drawn upon for the past 20 or 30 years, is Mancur Olson. And in Olson’s classic work on The Rise and Decline of Nations, but also in his works on the Rise of the Sunbelt, he said it was this institutional sclerosis. He didn’t put it in built environment terms, but in terms of organizational relationships, managerial relationships, political relationships that once gave rise to growth become sclerotic and become a constraint on growth.
But I think you’re right. If we look at our physical built environment, our economic geography as an installed base, we have a massive shift. You know, Alexander Field in his great work on the Depression talked about just this. He not only talks about the increasing productivity and innovation that got us out of the Depression, he talks about the changes in housing and commercial real estate and he writes about the white elephant projects that were built into then emerging suburbs, these apartment communities that didn’t work, apartment complexes and suburban place that weren’t connected by infrastructure.

What I’ve been able to conclude after all of this is that we make one big mistake now when we think about our built environment and installed base. You and I don’t make it, but I think the thinking in our country and in the world, it’s this notion that there is a contradiction or a conflict between city and suburb. And in the popular conversation, this is, are we going to all densify ourselves and live in rabbit hutches and places that look like Manhattan, oh God, that’s a terrible way to live. Or, are we all going to live in bucolic suburbs and have large lawns. When I look back at the history of these resetting periods and that we do two things simultaneously and the United States tends to pioneer them. One, we expand our use of the built environment. We build new infrastructure at the periphery, we develop bigger cities in the first reset, we develop cities and suburbs in the second reset. But secondly, we intensify the use of urban space and the built environment. Our commercial districts get bigger and taller. Our ports become more aggressively used. And I think that’s the way we need to think about this. The history of urbanization has been both expansion and intensification and I think my most provocative notion, kind of stoking this debate and trying to bring geography back into the conversation is, if we’re going to really reset ourselves again, we have to not only become more urban and denser, we have to build bigger and stronger regions and that’s where I come to this notion, which has been widely debated and I think for good – it’s great to have a nice debate and conversation – this idea of a mega region, the idea of multiple cities and suburbs which are not only denser at their cores, but they have multiple commercial centers, but also they’re much more expansive. And I think that kind of thing, building and expanding upon the installed base, making it work more effectively and efficiently, making it utilization more intense, yet larger and more expansive, I think it’s one of the things that we have to factor into the conversation about a new way of growing and building a more robust era of prosperity.

Kedrosky: So, and I guess this kind of dovetails back into your earlier comment about growing up in a sort of post industrial, post industrial northeastern United States. But I often wonder, you know, we’ve got the luxury now, or at least we currently have the luxury, of being able to in a sense subsidize the existence of cities and in a prior age would have seen a mass exodus of the population and shrink, you know, to the point that they wouldn’t be tenable anymore. And in a sense, one of the things I see happening, I see it happening in Europe, I see it happening, you know, in terms of preserving these wonderfully tourist friendly cities in Europe, but I also see it happening around the US, we seem to be petrified of letting cities fail and it’s almost like it’s a bad word and a terrible conversation to have. But in the context of an economy where we’re criticizing ourselves for our willingness to let failed companies disappear, should we be at least
taking seriously the idea of what can we do to think about failed cities in the same sort of progressive forward-looking way?

Florida: Well, it’s very interesting when you write about trade policy, don’t get me wrong – people get all kinds of vexed when you talk about trade protection. But I think we have it pretty good sense, a consensus in economics now and even in economic geography that it’s not really productive to protect old declining industries. But when you make the suggestion that cities should recognize their position in the market and that cities should adapt and grow in light of economic forces, lots of people get very upset. And I think, you know, for a long time in this country, cities had a particular relationship to political actors and in many ways we subsidized all sorts of problematic ways that didn’t allow – you know, one of the things that I’ve seen in my looking at cities is this, you know, rebuilding cities with stadiums and convention centers, what we used to call this old urban growth machine, completely on the public dole. And so it seems to be two things. One, I think, cities have it within themselves to figure out what they’re going to be, what they’re going to do well, what their competitive advantages are, where their innovations come from, and the longer we enable problematic behavior - now, leave in place these sclerotic relationships, you know, problematic political actors that are not growth oriented. I’ve had mayors tell me in certain cities that they are completely anti [inaudible] like they were bragging that was good. You know, we don’t want progress, we don’t want more affluent households to come into our city, we’re anti progress. I mean, to my mind, that’s a recipe for decline. That said, I think that most of our big cities have the wherewithal to remake themselves. Now, and we can talk more about that. I don’t think it’s just a question of geographic location, although I think that plays a role. And you know, the best example of this is, well, Detroit has certainly hit on hard times; it’s a big city, it can come back. We can talk more about that. But look right next door to Detroit. When I look at levels of firm formation, innovative performance, housing values, income levels, human capital, Ann Arbor, Michigan, which is no more than 30 miles from downtown Detroit is performing like Boulder, Colorado or even more closely to Palo Alto, California than it is to Detroit. Similarly, if I take New York, which is seen to be a big dynamic city that can adjust to change and be resilient, I note that the city of my birth, Newark, which if anything has probably worse economic outcomes and innovative outcomes than Detroit, is located right in the shadow of New York. So that’s not to say that every city in every geographic location can remake itself, but there is a role for public policy and strategic behavior that can help utilize the assets of almost every city in every location. The problem is so many of those cities fall victim to all sorts of, you know, sub cities, protection, political behavior and fail to recognize and utilize the assets that they have at their disposal.

Kedrosky: And not to be nihilistic, but is there a role for the reverse kind of publicly policy because it’s all too easy from a policy standpoint to say, you know, we can fix this and we can fix this. And at a time when we’ve never been stretched more thin than we are now, is there a role for saying, you know, we can, there are some of these things we simply can’t fix? We kind of have to focus our energies?
Florida: Yeah, one thing I would like to experiment with gently, and I would urge the Obama administration to begin to think about, is we have all kinds of subsidies for geographic behavior, all kinds of subsidies underneath our economic geography. We have subsidies which forestalled and caused cities to forestall, certain cities, older cities to forestall their turnaround. You know, I witnessed this when I lived in Pittsburgh. For so long, Pittsburgh was going to build up the stadiums and rebuild its steel industry and finally when the collapse came, they had to get on with the business of building an entrepreneurial climate in innovation and rebuilding around the universities and becoming the kind of place that young people and people going to the universities and tech entrepreneurs wanted to stay in. But the other thing I think we need to get rid of is this just massive subsidy to our suburban model of living. So on the one hand, we’re kind of helping the cities to prop themselves up, but even more massive subsidy to our old suburban way of life, the massive subsidies to homeownership from tax subsidies to secondary market bolstering to all sorts of subsidies for infrastructure building and really see how our geographic, how the market would shape our geographic form. I strongly believe that if people needed help and a handout, we should develop better and more robust policies for enabling people, particularly those men in manufacturing industries that have been hard hit. But I think we need, we’ve done a little too much to convolute our spatial structure to really distort it. I think that’s the word I would like to use. We’ve really distorted our geography in a massive way and I think if we began to remove some of those subsidies carefully, not in a rash way, but began to see how the market would allocate space and how the market would allow the clustering of economic and social assets, while using public policy to make sure that people don’t take it on the chin, I think we’d get to a better outcome. And I think that’s something – I don’t hear that conversation. I hear a conversation, well, housing is a problem. We’ve got to fix that. But a more nuanced conversation about the kind of physical geography that public policy has created would be something that I think we could learn a lot from and maybe it would help our economy adjust a little bit quicker with better long run outcomes for lots more people.

Kedrosky: In that light, in terms of subsidies and other things, it strikes me – and then I want to sort of segue over into, you brought up Boulder and I want to come back to that before we end here. But just because I think there’s interesting examples there of sort of entrepreneurial renewal if you will. But one of the, it feels, it strikes me in an awful lot of the discussions of sort of the new urbanism and the transformation of cities and for want of a better word this sort of, you know, reintroduction of geography, there isn’t enough discussion any more of how geography initially factored into the location of so many cities which in a sense was about, you know, transactions and cheap transportation which is another way of saying, you know, energy. That energy, you know, energy to me, in terms of thinking about the structure of cities and their spatial form and the geography, really doesn’t get enough of a discussion because in a sense, one of the primary subsidies that we have, and I’m thinking of California in particular, is the construction of these fantasmagoric freeway systems. They’re in a sense an homage to cheap energy which if, you know, if we believe anything about what’s happening today, it’s probably those days are gone. And I wonder if one of the subsidies that we don’t talk enough about in the
The context of city form is the role that, you know, decades of unprecedented cheap and dense energy have played in terms of the formation of cities?

**Florida:** You know, people would argue that that has a lot to do with particularly in Ohio and Pennsylvania the rise of the Rockefellers at Pittsburgh and that network of cities up to Cleveland. That had a lot to do with America’s emergence as the world’s greatest industrial power. So I think, I think our city system in the United States has always been premised on the use of cheap dense energy. And obviously, I mean, one can say Detroit with its massive street, freeways, and L.A. are kind of the pinnacle examples, and greater L.A., the pinnacle examples of that. One of the things that I like to do in my work on cities is, and urban form, is to bring it back to kind of economic fundamentals. And it seems to me that that urban form, our suburban large stretched out cities, car dependent, energy using urban form, was so critical to our rise as a major industrial superpower and it fit perfectly. It fit perfectly with that industrial growth machine. We built a spatial model, a geographic model, a model of urban and suburban form, which stoked the fires of our industrial engines.

But as I mentioned, I think we’re into a new playing field now. One in which knowledge, idea formation, innovation, human capital become more important. And what’s interesting is, most people would think as those things become more important, physical form and urban form become less important. But actually as we’ve taken the energy constraints out of the system, we’ve taken the large factories out of the system, as we see that economic growth is much more likely to be a function of ideas and new businesses and technological advance and bringing town and people together, the packing together of people in even bigger cities becomes ironically, paradoxically more important.

So with regard, with regard to energy, I think one of the things that we have to consider now is that we’ve built a system in which – I’m going to pick a round number – between half and three-quarters of household budgets is devoted to paying for housing, cars and energy. And in some households, it’s more than 100 percent of the household budget. But on average it’s between 50 and 75 percent and to my mind, if we’re going to build a knowledge driven, idea driven economy which invests in human capital, personal development, more subjective wellbeing, increasing knowledge assets, more entrepreneurship, new technology based industries, we’re going to have to reduce the amount household spend. There’s no other way to do it.

So we’re going to have to make our housing, transport, energy system much more efficient. And the analog I talk about in the book, you know, I take Herbert Hoover’s, the classic quote attributed to Herbert Hoover, which he didn’t say, “A chicken in every pot and a car in every garage.” And what I take from that silly quote is in order to put a car in every garage and increase auto worker wages so that auto workers could buy, or that working class could go buy the cars, we had to make food and clothing, the chicken in the pot, much less expensive. So we made agriculture more efficient and we shrank the number of people down to less than two percent of our population engaged in agriculture, but we grew its productivity. It seems to me that’s the similar kind of things we have to do with the housing, auto, energy complex. We obviously have to be housed, we have to
get around, we have to be mobile, we need to use energy. But if it continues to compose 50 to 60 to 70 percent plus of our household budgets, we’re not going to have anything left over to grow the industries of the future. So one of the things I’ve tried to point to is in this new built environment, new urban fix, new geographic fix, we’ve got to configure ourselves so that we can more effectively and efficiently consume housing, more effectively and efficiently consume transport, and more effectively and efficiently consume energy. It’s just, it’s critical to our next phase of growth and development if we’re going to get there.

**Kedrosky:** If we’re going to get there. So you, just in the last minute or two left here, I was going to sort of ask you about this sort of, you know, if you were handed the keys to Detroit question, but I’ve gotten a bit tired of that one. So I thought a different way would be, and maybe there are flip sides of the same question. What can we learn? I mean, I’ve been struck in the last three years by this incredible entrepreneurial renaissance in Boulder, Colorado. And you know, at the risk of sort of ad hoc empiricism here and extrapolating too much from a single city’s experience, what are some of the specific takeaways you think we can walk away with in terms of thinking about sort of the entrepreneurial urbanism in light of, you know, I think somewhat surprising emergence of a particular city in a particular region and it’s really the Boulder experience and it’s broader than tech stars and broader than all of the things that have happened there. But I’m curious to the extent that you’ve looked at it closely, what are some of the takeaways that are some of the practical things we see from that experience?

**Florida:** Well, one of the things that I stumbled upon in writing Rise of the Creative Class, was using occupations, the occupational distribution. We call that the creative class, but it’s really a range of knowledge, professional, scientific, artistic and culturally creative occupations, to understand the growth prospects of places. And one of the things we found very early on is that Boulder was one of those places. That Boulder came up extremely highly on our list more than a decade ago, in fact, I believe Boulder was first on our rankings of places in terms of the share of employment in the creative class. Similarly, that’s the kind of thing we’re seeing, not quite that extent, with a place like Ann Arbor, Michigan today. So I think one of the things we have to ask ourselves is, what is it in these very high performing college towns, what is it in the nature of combining a spectacular research university with a great place to live, and adding in this entrepreneurial element? Now, I think there are two things that are very interesting. One is some of these entrepreneurial places, early on, seem to have developed very vibrant music scenes. Whether that’s the Bay area of California, greater Palo Alto, Austin, Texas. But I think the case of Boulder is even more interesting and I think it’s where technology and music and arts and sports come together. Boulder, in addition to having research excellence and a great university and being a great place to live, has always been a center for excellence in sports and athletics, where the best runners, the best cyclists, the best Olympians went train. And my hunch is, in these places that become very entrepreneurial and technologically excited, there’s not only a good university and not only a nice place to live, there’s an underlying norm that says if you’re excellent, we want you. We don’t care if you’re white or black, we don’t care if you’re Asian or Hispanic. We don’t care if you’re straight or gay. If you’re excellent, you belong here and you should make a go.
But I do think in looking at these college towns, one of the things that’s striking, not only with regard to Boulder, but a whole range of these college towns including Madison, Wisconsin, Ithaca, New York, you know, places in the dire frost belt, is how resilient they’ve been over the course of this recession. And in looking back at Pittsburgh, now Pittsburgh is not in a fundamental era of growth, but if I look at what stabilized Pittsburgh, it wasn’t rebuilding steel. It was empowering the same kind of entrepreneurial action around the universities, and not simply university spinouts. People coming to the universities and looking at the universities as an asset. And I think those are the kinds of things that happened in Boulder.

But we need a better approach. You know, I’ve tried to grapple this with my, grapple with this myself, which these technology assets, entrepreneurial assets, research university assets. And one of the things my work has tried to grapple with is what is in that socioeconomic climate of a place? What are the non-market factors, the social and cultural factors, that we can quantify and we can examine that are part of a place that enables it to activate excellence and ambition and talent and risk-taking? And I think Boulder has many of those characteristics. And comparing Boulder to other places with similar characteristics, maybe we can do a little better in creating a better theory of how cities and communities generate economic growth and development.

Kedrosky: I know I said the last question was the last question, but it kind of – you reminded me of, I was recently talking to Steve Blank who’s over at Stanford, a serial entrepreneur, really interesting thinker about sort of entrepreneurial urbanism in many ways. And one of the comments he makes is that everyone gets the Valley wrong, that one of the things that has driven this kind of entrepreneurial urbanism in the Bay area was that most people there aren’t from there. And in particular, he means the young people, college age predominantly, but you know, anywhere between, anywhere from there on up, who move there and in a sense are alienating themselves from their environment and therefore if you’re liberated to ignore the built environment, ignore what people say they should be doing, and take the kinds of risks they would never take if they were living at home or living within 100 miles of home. And I often, I wonder often if these college towns, what they really have going for them is there are so many people there who, you know, quite honestly don’t give a rat’s ass about what they should be doing because they’re not from there. So they do what they’d like to do and they take the risks they would never take at home.

Florida: And I think that’s why I created this somewhat controversial theory of the three T’s – technology, talent, and tolerance – trying to probe for some systematic underpinnings and empirical underpinnings that could shed light on that. So the first T is obviously a place needs great research universities, it needs technology assets, great art, research and development corporations. But what I saw in Pittsburgh is it had all of that and wasn’t turning that, at least at the time, into economic growth and development. Obviously, a place needs talent. It needs human capital. It needs good schools. It needs great research universities. It needs to develop talent and attract talent. But I think the third one, the most controversial of my T’s is what Steve Blank is getting at – this idea of tolerance. And how I define that and it’s interesting how that argument has been framed
in the popular conversation. I didn’t frame it as good coffee shops; I didn’t frame it as just openness. I did talk about openness to gays and immigrants, but I didn’t frame it as just cycling places. I framed it in a very simple economic construct called low barriers to entry for people. And I think this is what Steve is talking about and I remember being confronted with this terrible finding from my point of view where places that had this characteristic of separating people from their social ties, that were more transient, that had a higher rate of immigration, a higher rate of gay immigration if you will, foreign immigration, more artistic and culturally creative people who seem to be the first people, even before entrepreneurs take the step, gay men do and artistically and culturally creative people kind of find these places first because I think they’re looking for the same kind of places that don’t put a value on their behavior and their lifestyle. But in any event, what I found is that these places had very low levels of social capital. They were the lowest scoring places on Robert Putnam’s important barometer of places that would have a high level of social capital, social cohesion. And I think Steve Blank’s right, that the tradeoff here that we’re trading off higher levels of social cohesion, higher levels of social capital and more cohesive community for a more rambunctious, risk oriented and in a way diverse and open-minded community. And I think, Paul, I think you have a phenomenal insight, that that’s what makes a big city – not that a college town is a little emulation of a big city – but that’s certainly what distinguishes a college town from a more traditional suburb. It’s almost anything goes. You know, it doesn’t matter where you come from. If you’re good at your subject, if you’re a good scientist, if you’re a good engineer, you’re welcome.

So I think Steve is right and the missing ingredient in understanding these entrepreneurial communities is not just that they have great universities or not just that they have abundant venture capital, but there is something in their social and cultural environment that I think Steve is pointing to that we’ve tried to give some empirical underpinnings to. And again, this science is an ever evolving thing. You try something, it doesn’t work, you move on. But I really do think when we look back at the theory of innovation, entrepreneurship, and economic growth and development, what we’ll find in this past era is that understanding the social and cultural factors and trying to probe them in a systematic way is much more important than most of us ever thought. And the kinds of things that Steve Blank and yourself and hopefully I am pointing to are really fundamental and we just have to do a better job of getting a real empirical handle on them. But I think these social and cultural factors and, going back to our initial point, and in addition to that, the structure of the built form and urban form, they’re much more important to economic growth and development, to innovation and entrepreneurship, than we certainly would have thought a couple of decades ago. So in that sense, I think we’re making some progress.


Florida: Yeah. Paul, I’m a big fan of yours and I’ve been a, long been a huge fan to what the Foundation, the Kauffman Foundation has been doing, has been accomplishing. So it’s been a great, great being with you today.