

The Wrong Stuff? Creative Class Theory and Economic Performance in UK Cities

Max Nathan
Research Associate, Centre for Cities
Enterprise House
59-65 Upper Ground
London, SE1 9PQ

Introduction

A few years ago, *New York Times* columnist David Brooks wrote an instructive guide on 'How to Be an Intellectual Giant'. Amongst the advice on tone, subject niche, demeanour, how to title one's first book and cadge the next newspaper column, Brooks includes one crucial insight: be wrong. But be wrong in the right way – ideas should be eye-catching and controversial enough to get everyone paying attention. That way lies fame – or at least infamy.

Many would accuse US academic Richard Florida of being wrong in the right way. For cities and the urban policy world, the biggest idea for years is Florida's 'creative class' theory, as set out in his bestseller *The Rise of the Creative Class* (Florida 2003) and more recent sequel, *The Flight of the Creative Class* (Florida 2005).

Florida has a striking take on city performance: diverse, tolerant, 'cool' cities do better. Places with more ethnic minorities, gay people and counter-culturalists will draw high-skilled professionals, and thus attract the best jobs and most dynamic companies.

These ideas are novel, controversial – and for progressive commentators, politicians and policy-makers, highly attractive. On both sides of the Atlantic, Richard Florida's work has been met with much interest and some scepticism. Not

surprisingly, Florida's ideas have taken him from academic obscurity to worldwide recognition, and the author has developed a new niche as public intellectual, consultant and urban policy guru.¹

It is important to understand the creative class approach, and what it implies for cities around the world. First, because if it is correct, many countries' approaches to urban policy will need a rethink. And second, because – without much-needed examination or scrutiny – it is becoming part of the conventional wisdom about how to make cities work better.

Some cities and states are already putting Florida's ideas into practice – Michigan, Cleveland and Philadelphia have all launched 'cool cities' initiatives, for example. The Mayor of Detroit has announced the city is 'hip hop'; Berlin's Mayor says the city is 'poor but sexy' (Storper and Manville 2006). In the UK, Liverpool is now considering creating a 'Gay Quarter' to rival Manchester's Gay Village, and Dundee has zoned a new 'Cultural Quarter' next to the city centre (Kelly 2005; McCarthy 2006).

In the US, creative class ideas have generated headlines like 'Cities Need Gays To Thrive' and 'Be Creative or Die' (Malanga 2004). They have also been slated, attacked and written off by a mob of angry academics, wonks and other pundits (e.g. Peck 2005; Kotkin 2005; Markusen 2005; Hannigan 2004; Malanga 2004).

So has Florida hit on something profound about how cities work, or is he just wrong in the right way? And what are the lessons for post-industrial cities across the West?

About this Paper

Much of Florida's research concentrates on American cities. This paper aims to test the Florida thesis on British cities. It examines the creative class theory in more detail, and its implications for cities and urban policy in the UK. It then explores some broader themes in diversity, creativity, and city economic performance, and extract some generic lessons for post-industrial Western cities.

The paper is structured as follows. The next section provides context, locating creative class theory among broader debates on the drivers of urban economic performance – and the real recovery of UK cities over the past decade and a half. Then, Florida's approach is looked at more closely, and how it has evolved. This is followed by a discussion of one recent attempt to reproduce Florida's findings for urban areas in England and Wales. The next section takes a critical look at the assumptions underlying Florida's model, and the penultimate section presents a discussion of some of the broader debates around diversity, creativity and urban economic performance. Finally, some conclusions are presented.

1. See the 'Richard Florida Creativity Group' at www.creativeclass.org and www.catalytix.biz.

Where is Florida? Placing the Creative Class Approach

The resurgence of cities is a big theme right now, for researchers seeking to explain it – and for national and city governments seeking to exploit it.

In the UK, cities have risen up the policy agenda, and the British Government recognises that the major conurbations, or ‘city-regions’, are the building blocks of the UK economy (ODPM / DTI / HMT 2006).

This policy shift reflects real progress on the ground. Until the early 1990s, big British cities were in decline, losing population and employment share and suffering a range of negative social consequences. They were seen by Government as problems to be dealt with, rather than assets to be developed. As Mrs Thatcher (1987) so memorably put it:

“We must do something about those inner cities”.²

Over the past decade or so, big British cities have got better. On key outcomes like population, output and employment, London has grown significantly; large conurbations like Manchester and Leeds are in recovery mode; and many small, service-based cities in the regions around the capital – such as Reading, Slough and Milton Keynes – have expanded hugely. Over the longer term, this last group of cities has been gradually gaining in economic significance (ODPM 2006; Moore and Begg 2004). Not all UK cities have shared the gains, however: many Northern ex-industrial cities – like Oldham, Burnley, Doncaster and Hull – continue to look for new economic roles.

Urban recovery is partly due to factors outside cities’ control – in particular, strong macroeconomic growth since 1993, and high public spending since 2000. But it also reflects performance factors at city and city-region level.

How do current theories help us understand the recent recovery in cities? Urban resilience and adaptability – especially in non-‘global cities’ – has been explained in two main ways.

The Preferences of Firms

The first set of theories focus on the behaviour and preferences of firms, and the production economies that cities provide businesses (Marshall 1920; Hoover 1948; Jacobs 1969). Despite falling transport costs and pervasive new forms of ICT, urban areas remain locations of choice for many businesses. Agglomeration economies in cities remain strong (Fujita et al 2001). Thick labour markets, hub infrastructure and access to markets all matter, particularly for firms in the service sector – where face to face communication with suppliers, colleagues or customers is also important. Technology appears to have double-edged effects, probably

2. Delivered on the morning of her 1987 Election victory, on the steps of the Conservative Party’s HQ.

increasing the need for face to face communication to build trust and process complex and/or tacit information (Charlot and Duranton 2006; Sassen 2006; Storper and Venables 2004).

More broadly, cities may benefit from dynamic agglomeration economies – if knowledge spillovers and the flow of ideas stimulates innovation across sectors, and leads to the creation of new goods and services over the long term (Jacobs 1969; Storper and Manville 2006).

These ideas are considerably more controversial and harder to measure (see e.g. Polese 2005). Why does ‘dynamic agglomeration’ happen in some cities and not others? Cluster theory, and related concepts of innovation systems provide some partial answers. Over time, localisation economies allow close, ‘competecollaborate’ relationships to develop between networks of firms (Porter 1995; Simmie 2004). The public sector and HE Institutions play a critical role in mediating and shaping these networks.

There is a good deal of evidence for agglomeration-based theories of city performance, particularly the role of simple urbanisation economies in bigger cities (see e.g. Graham 2005; Rice and Venables 2004; Rosenthal and Strange 2003). Nevertheless, none fully explains UK cities’ very variable performance, or why some relatively small cities have grown rapidly at the expense of others. Cluster theory, in particular, has come in for strong criticism (e.g. Martin and Sunley 2003).

The Preferences of People

A second, linked set of theories may help us here. These newer approaches focus on consumption and quality of life, and the preferences of consumers, workers and residents.

First, at a basic level cities offer ‘agglomerations of consumption’ to residents and visitors – access to lots of different goods and services in a relatively small area (Storper and Manville 2006). This is an increasingly important role for cities, particularly larger cities (Glaeser et al 2001). Their growing consumer base reflects the largely service-based character of many Western economies – nearly 80 % of UK employment is now in the service sector.³ And an increasingly service-based economic base in turn reflects and reinforces some deep social and cultural shifts.

Retail and leisure are blurring into each other. Leisure is becoming ever-more commodified; shopping is now one of the most popular leisure activities in the UK.⁴ Shopping in big city consumer districts may confer cultural capital – providing information on what’s in or out, and signalling consumer status to others (Zukin 2004).

Second, lifestyle changes – particularly among young people – seem to be increasing the demand for urban living. Over the 1990s, the phenomenal rise of city centre living in UK cities reflects the aspirational quality of urban life, and the

3. According to the UK Labour Force Survey, cited at www.statistics.gov.uk.

4. The GB Day Trips Survey lists shopping as the fourth most popular leisure activity - after eating/drinking out, walking and seeing friends / relatives (Countryside Agency 2004).

popularity of ‘adultescent’ lifestyles (Nathan and Urwin 2006). In one British survey, over 90% of 25-34 year olds said they wanted to live alone before settling down (Lewis 2005). City centre living is very attractive for many of these people, particularly the better off: it is a space to work hard and play hard (Chatterton et al 2003; Urry 2000). City centres full of young single people also operate as huge markets for future partners (Glaeser and Gottlieb 2006).

More broadly, these theories intersect with more established approaches emphasising the role of skilled workers in city performance. There is a robust, long-run link between levels of human capital in a city and urban economic growth (Glaeser 2004). More specifically, availability of skilled labour is a key factor in many firms’ location and expansion decisions. If skilled workers are attracted by a city’s consumption and amenity ‘offer’, then it follows that policymakers should focus their efforts on attracting and keeping skilled people – particularly young graduates who may stay and raise families.

Many of these emerging ideas are much less well-explored than those of more traditional economic geography (Glaeser and Gottlieb 2006). Florida’s work is best seen as bridging these two approaches. There are some familiar components – agglomeration, the importance of human capital and the role of knowledge spillovers in innovation. There are also some more novel ideas – the merging of bohemian and consumer culture, the importance of amenities and the preferences of young skilled workers. It is significant that much of Florida’s thinking is sited in these emerging approaches to urban performance – certainly, this highlights the need for thorough analysis of his ideas. It is to these ideas that we now turn.

Exploring Florida: The Geography of Bohemia

Richard Florida’s ideas have developed in two distinct phases. His academic work links social diversity, high human capital and the presence of high-tech industry (Florida 2001). He tests these connections across 50 US metro areas, using:

- A Bohemian Index, measuring the share of creative people in a given area (e.g. authors, designers, musicians, actors, visual artists and dancers)
- A Talent Index, measuring the population share with a BA or above
- A Melting Pot Index, measuring on the foreign-born population share
- A Gay Index, based on the number of households with co-habiting same-sex partners.

Not surprisingly, Florida finds that bohemianism is spatially concentrated. He also finds areas with a large bohemian population tend to have a large skilled population, are ethnically and sexually diverse, and have concentrations of high-tech industry. Correlation does not make causation, but Florida suggests a causal connection between bohemia, diversity, technology and talent:

“The presence and concentration of bohemians in an area creates an environment or milieu that attracts other types of talented or high human capital individuals. The presence of such human capital in turn attracts and generates innovative, technology-based industries” (Florida 2001: 1)

The Creative Class

Florida’s later work staples a second argument onto the first. He now argues that advanced economies are driven by ‘creativity’, and are dominated by a ‘creative class’ at the top end of the labour market (Florida 2003). Florida splits this creative class into two groups: a ‘Super-Creative Core’ and a larger ‘Creative Professional’ group. The first group includes scientists, engineers, actors, poets, novelists; the second group covers high-tech service professionals, legal and health care professionals. Both groups are highly qualified, and either generate new ideas or apply them. Together, the ‘creative class’ as defined by Florida comprises 38m people, over 30 % of the US labour force.

Drawing on interviews and focus groups, Florida suggests the creative class is overwhelmingly liberal and cosmopolitan, with a strong preference for city living. Creative people seek ethnic and sexual diversity, openness to others, vibrant cultural life, a good environment and excellent amenities. As before, bohemian types pull in high-skilled creative types. Organisations compete for creative people, and business increasingly locates where the best people are.

Cities that can attract and keep the creative classes will do well in this new economy. Places like New York, San Francisco, Boston, Austin, Seattle and Portland – top of the US Creativity Index, offering a mix of ‘technology, talent and tolerance’ – will thrive in years to come. As Florida puts it in a recent paper:

“My message is simple. Without diversity, without weirdness, without tolerance, without difference, a city will die. Cities don’t need shopping malls and convention centres to be economically successful, they need eccentric and creative people” (Demos 2003: 3).

Working with British think tank Demos, Florida has also produced a stripped-down ‘UK Creativity Index’ illustrating the ‘creative potential’ of Britain’s largest 40 cities (Demos 2003). Cities were weighted according to patent applications per head, non-white residents and levels of gay-friendly services. The top 10 are Manchester, Leicester and London (equal second), Nottingham, Bristol, Brighton, Birmingham, Coventry, Cardiff and Edinburgh.⁵

5. This Index does not actually test the creative class model in the UK. Rather, it illustrates what the model could show if it were true (as the authors are careful to point out).

Testing the Theory

Overall, Florida is making three big claims about the causal connections between diversity, creativity and city performance. These are:

- There is a creative class in Western societies, which wants to live in diverse, tolerant, cool cities.
- The creative class shapes the economy of many cities. Increasingly, jobs move where the skilled people are.
- Cities which attract and retain the creative classes will do better. Creativity is driving their development.

So how does it stack up? The rest of this paper tests Florida's arguments. It does so in two ways. First, we assume Florida's basic model is sound, and his results for US cities hold true. Can we replicate the results in the UK, a much smaller country with significant cultural and economic differences? This section draws heavily on work by Chris Gibbon (Gibbon 2005).

Second, we drop our initial assumptions and take a closer look at Florida's model itself. Do his three major claims hold true, in the UK or elsewhere? This section draws on predominantly US and UK findings from a number of fields – gentrification and city centre living, migration, business location decisions and overall city performance. An earlier version of this material has already been published by the author (Nathan 2005).

Bohemia in the UK? Applying the Model

This section looks briefly at whether Florida's findings can be replicated in the UK, by highlighting one recent attempt to do so (Gibbon 2005). Gibbon applies Florida's basic methods (as set out in Florida (2001)) to large cities in England and Wales. Because of differences in city boundaries and data collection, there are some differences in approach.⁶

For the England and Wales data, Gibbon finds some initial evidence for the creative class model, with strong bivariate correlations between a skilled workforce and the presence of creative 'bohemians'; a gay population and a foreign-born population. However, the skills-creatives relationship is affected by multicollinearity (i.e. there are other factors outside the model that help explain this relationship). Applying further regression analysis to the different elements of the

6. Most significantly, Gibbon's High Tech Index – unlike Florida's – is a measure of high tech employment, not the presence of high-tech firms. This means the results do not necessarily show any link between skilled workers and high-tech *firms*. Rather, they show that the presence of high-tech *workers* is affected by the presence of a bigger set of skilled workers (not a surprise). This finding is even consistent with an anti-Florida argument, that firms have labour market power, skilled workers move to where jobs are – and have no effect on business location decisions.

Florida model, he finds:

- no relationship between a bohemian or diverse milieu and the presence of skilled workers, i.e. no evidence that a diverse, tolerant climate attracts skilled workers to a city
- a significant link between a skilled workforce and the presence of high-tech workers, i.e. apparent evidence that a skilled workforce helps attract high-tech employment.

Similar results are found testing the model within Greater London. Gibbon concludes that there is weak support for one element of Florida's thesis, but there is no support for the novel element of his model, the importance of diversity and tolerance. Overall, Gibbon's analysis suggests that Florida's results cannot be replicated in the UK.

Opening the Box: Unpacking the Model

The previous section attempted to replicate Florida's results for some British cities, assuming the underlying model was robust. This section, conversely, questions that assumption – and examines each of Florida's three key claims in turn.

A Creative Class?

First, how important is creativity? Florida is on to something here. Western economies are changing. Returns to human capital are rising, and many companies are competing harder for the most able people (Machin and Vignoles 2001). Traditional manufacturing is becoming less important. In the UK high-tech manufacturing, science, services and the public sector now form a larger share of the economy. Between 1971 and 2001, Britain lost 4m manufacturing jobs – but gained 3m business service jobs, 2.3m jobs in distribution and leisure, and 2m positions in the public sector (Moore and Begg 2004).

This is nothing new. The problem has always been the language we use to describe such changes – phrases like 'the knowledge economy' aren't always helpful. Neither is 'the creative class'.

The concept feels large and unwieldy. Florida includes claims adjusters and funeral directors, but not airline pilots, ship engineers or tailors. Many of those working in 'non-creative' professions will exhibit creative behaviour day to day, even if they lack high educational qualifications. It's hard to see why some are 'creative' and others not (Markusen 2005).

In practice, the concept has a number of drawbacks. First, the Gay Index is not as straightforward as it looks. Florida proxies 'gay' households by the number of same-sex households – so university cities with a lot of shared student houses are likely to score high on 'gayness' and human capital. (In which case, the result simply reiterates the well-known relationship between high human capital and

urban growth. We will return to this later.)

Second, US Metro Areas cover city cores and suburban areas.⁷ Many of the creative class will choose to live in suburbs, not cities. So it is also unlikely Florida's creative class has the common progressive outlook he suggests. Engineers, accountants, designers and social workers might all be professionals, but won't all share the same values, politics, preferences and behaviour as artists, musicians and dancers – or spend time with them (Markusen 2005; Hannigan 2004).

British evidence tells a similar story. Studies of the middle classes in UK cities find that professionals and managers have diverse attitudes to cities, live in different neighbourhoods – and use them very differently (Jarvis et al 2001).

Experian's 'Chattering Classes' study found seven distinct socio-economic types across UK cities (Doward 2004). Recent work on middle-class London neighbourhoods found significant differences in politics and outlook (Butler 2004). In the same way, research on Manchester's financial and business services sector found most employees lived in suburban areas, wanted to move out to the countryside and showed little interest in loft living (Halfpenny et al 2004). During the 1990s, professionals, managers and technical staff were more likely to leave big conurbations than any other economic group (Champion and Fisher 2004).

This author's research on city centre living finds more encouraging evidence. Shops, bars and buzz pull students and young professionals into big city centres, boosting the property market and the local service economy. However, this is not necessarily Florida's 'creative class'. First, most residents stay for a few years at most. Their lives and preferences change, and they move out to suburban areas. The continued growth of city centre living has not yet changed the basic patterns of lifecycle migration – people come to big cities as young singles and leave as older families. Second, it is consumerism as much as 'high culture' that is the attractor – people move into city centres to have a good time. Shopping and going out are the big pulls, not museums, artists or performance spaces (Nathan and Urwin 2006).

Where does this leave Florida's ideas? Some of them work. Human capital is increasingly important. Cosmopolitan and bohemian values are becoming mainstream, in some sections of society (Brooks 2000). But there's not much evidence for a single, 'monolithic' creative class in the US or the UK. And although knowledge, creativity and human capital are becoming more important in today's economy, more than 20 years of endogenous growth theory already tells us this.

Do Jobs Follow People?

Even if managers and professionals don't see the world the same way, maybe they still shape cities' economic futures. Personal mobility in the US is much higher than in Europe (Nathan and Doyle 2001). Rich and poor travel greater distances, and make more moves during their lifetimes. Across the West, the most mobile

7. Markusen points out that in the Atlanta Metro Area, 'the creative class live North of the city and I-285'. Similarly, the Washington-Baltimore Metro Area includes at least 10 rural counties.

workers are those at the top of the labour market. Professional and business services firms routinely search in national or international jobs pools (ibid).

So some jobs may follow people. People follow jobs too. Turok suggests that Florida ‘contradicts the overwhelming evidence that employment is the main determinant of migration patterns’ – especially in the UK (Turok 2004). Even in the more mobile US, there is some evidence to suggest that lifestyle amenities follow high incomes, rather than the other way around (Shapiro 2005, quoted in Storper and Manville 2006).

And even the most mobile workers are unlikely to make location choices without thinking about the different employment bases and career structures in different locations (Markusen 2005). US evidence suggests many ‘power couples’ choose to locate in areas where they maximise joint access to jobs (Costa and Kahn 2000). Similarly, UK evidence suggests high-income dual-earner households prefer ‘accessible peri-urban locations’ outside cities, with easy access to the city core and transport hubs (Green 1997).

Business surveys tell us the same thing. Cushman Wakefield Healey and Baker’s *European Cities Monitor* is a survey of 500 senior staff across 30 cities (CWHB 2004). For organisations, availability of qualified staff is the single most important location factor – but communications, low costs, access to markets and good transport links are also essential. Quality of life is the least important factor. Again, Florida is half right. The best-qualified, highest-paid workers are most able to choose where to live. Firms take this into account when making location decisions. But all this is well-established. And the true picture is more complex than Florida suggests. Organisations and workers juggle several location factors, and they don’t appear to rank ‘creativity’ or amenities that highly.

Do Creative Cities Do Better?

The final test of the creative class approach is how well it performs over time. Do Florida’s ‘creative cities’ actually do better?

It is important to remember the big picture here. In the US and UK, ‘urban renaissance’ in central cities is part of a bigger, more complex pattern of urban change. Urban resurgence is one element of a broader ‘urban emergence’, which includes suburbanisation and – in the US, at least – the growth of Sunbelt cities in the American South and West (Storper and Manville 2006).⁸

Florida makes links between diversity, skills and high-tech sectors. Much of his substantial work was done in the late 1990s, where high-tech and new media was a good proxy for employment growth. After the dotcom collapse, this works less well: for example, San Francisco lost 17 % of its business services jobs and 9 % of financial service jobs between 2001 and 2004 (Kotkin 2005). Many firms and jobs are leaving big city cores and migrating to lower density suburban ‘Nerdistan’ in smaller cities and towns.

8. In the UK, a (very) rough analogue is the growth of smaller, South-Eastern service-based cities – part of an emerging polycentric urban system around London (Hall and Pain 2006).

The US economy was in recession post-2001, and this will explain much of these job losses. But more seriously for Florida, these patterns stretch well back beyond that business cycle. The city of San Francisco lost 5 % of higher-paying jobs between 1995 and 2004, while the surrounding suburbs gained 3.3 %. New York's share of securities jobs fell 37-23 % between 1981 and 2004 (Kotkin 2005). And overall, the cities Florida ranks as most creative created less jobs than the least creative over the 1980s and 1990s (Malanga 2004).

Glaeser uses a different measure, population growth, to check the effects of diversity and bohemianism on city performance (Glaeser 2004). Using Florida's own data, he finds a significant link between high skills and population growth. But – in a similar result to the UK study – the presence of artists, gay people or bohemian population share has no effect.⁹ So a simple link between skills and city performance may do a better job of explaining urban growth than the Florida theory.

What about British cities, especially those Demos and Florida ranked highly? Remember, these are Manchester, Leicester, London, Nottingham, Bristol, Brighton, Birmingham, Coventry, Cardiff and Edinburgh.

London skews the results. The capital has huge gravitational pull, and its hub role explains why so many of the highest performing cities lie around it. But London also has massively uneven growth: high unemployment, a low skills problem, areas of severe deprivation (Buck et al 2002).

How about the rest? The top line is that while many are doing well, few are the top performers. Core cities like Manchester, Nottingham, Bristol and Birmingham recovering. Between 1995 and 2001, they have seen substantial increases in output and employment (SURF 2004). And since 2001, they have been showing signs of population growth.¹⁰

However – and as noted above – over the past 20 years population, jobs and output growth has generally been highest in small, Southern, service-driven cities (ODPM 2006). And these relatively homogenous, uncreative, medium density locations have seen the biggest growth in high-end financial and business service jobs – jobs which Florida suggests should gravitate to the big creative cores. These smaller cities have caught the wave, and the bigger places are playing catch-up.

Between 1991 and 2001, for example, employment growth was highest in Milton Keynes, Reading, Warrington, Brighton, Crawley, Northampton, York, Cambridge and Worthing. For 2001, GVA per employee was highest in places like Aldershot, Bedford, High Wycombe, Oxford, Derby, Reading, Coventry and Swindon (ODPM 2006). Only Brighton and Coventry match up in Florida's list.

These results suggest Florida's model is a patchy predictor of real world city performance. It also suggests that there are many routes to success, not just the creative class approach. None of these models is perfect. But it looks as if others do just as well, or better at predicting performance: agglomeration in bigger places, clusters in smaller places, or human capital in both (Glaeser 2004; Simmie 2004).

9. Although the Bohemian Index does explain some population growth in Las Vegas and Sarasota, Florida.

10. ONS Mid-Year Population Estimates, 1999-2004. www.statistics.gov.uk

Right in the Wrong Way?

Florida's work makes many useful points. However, the weight of the evidence implies that neither creativity or the 'creative class' (should it exist) explain city performance in the way he suggests.

This is not to say that creativity, skills and diversity do not matter. Florida's work is probably best seen as an unsuccessful attempt to pull together a lot of good ideas about cultural and ethnic diversity, talent, creative activity and urban economic performance.

First, quality of place is important. The right mix of physical, economic, social and cultural assets does probably help some cities. Glaeser and colleagues have done some work suggesting a link between consumer sectors, amenities and city growth (Glaeser et al 2001). In fact, it is hard to argue that good architecture, a strong economic base, skilled people, vibrant cultural life and a pleasant environment *don't* matter (Nathan et al 2003).

Second, there should be some positive links between prosperity and creative activity. Clearly, richer cities and citizens are able to spend a greater share of their income supporting creative activities and industries. But the two do not always go hand in hand. Renaissance Florence was rich; Liverpool had the Beatles, then thirty years of industrial decline. Detroit techno has not helped Detroit much.

The relationship may work the other way too. Markusen argues that because spending on art and culture is predominantly local – it does not tend to flow out of the area – artists and art subsidies can boost indigenous economic growth in cities (Markusen 2005). More generally, developing a base of artists can pay an 'artistic dividend', through dynamic agglomeration economies – artists' work can enhance design, production and marketing in other sectors, and can catalyse innovation elsewhere in the local economy. Over time, the economic impact of the arts sector helps expand the wider regional economic base (Markusen 2005).

Zukin suggests that cultural industries have a number of indirect, symbolic benefits to city economies, not least through rebranding and perceptions effects on tourism and inward investment (Zukin 1995). O'Connor and Banks argue that a distinctive local cultural identity is essential in a post-industrial economy (O'Connor and Banks 2003). Barcelona, Bilbao and Glasgow show what can be achieved. But further research is required to properly frame and measure direct and indirect economic impacts.

Third, skills and talent matter. Glaeser points to the well-known link between human capital and city performance. Ideas and knowledge flow more easily through urban space; a skilled population helps the economic base grow (Glaeser 2004). Similarly, the business world is clear there *is* a 'battle for talent', that companies *do* compete for the best individuals and that place-based strategies can help anchor talent in cities (Gertler 2004). In the UK, big cities need to turn the trick of attracting jobs and keep people, growing a skills base and an economic base at the same time. Again, it is not clear how best to do this – should cities try to be distinct, compete on the basics or try a little of both?

Fourth, and perhaps most importantly, there is other work demonstrating

positive links between ethnic diversity and economic performance. In theory, cultural diversity could be a bad – for example, communication and cultural differences could make it harder for workers to get on, increasing the costs of doing business. Or it could be a good – by plugging skills gaps, and bringing together diverse products and skill sets, thus helping companies innovate (Pinelli et al 2004). Ethnic and cultural diversity can also increase the range of available goods and services (Glaeser et al 2001); and ‘lifestyle diversity’ – particularly among gay people and young singles – helps fuel urban consumerism, especially in city centres (Storper and Manville 2006; Nathan and Urwin 2006).

Over time, greater prosperity should also help explain patterns of ethnic tolerance and tension. By and large, for example, community relations are better in the more prosperous parts of the UK. Does it work the other way round? In the UK, we already know that immigrants contribute more in taxes than UK-born citizens (Sriskandarajah et al 2005). And cultural diversity and intercultural spillovers could also be forces for longer term endogenous growth.

It is critical that researchers and policymakers get a better understanding of these issues, in the UK and elsewhere. In Britain, immigration and ethnic diversity are major topics of debate: the value of British multiculturalism is being questioned as ‘homegrown’ terror plots are unearthed; and the country has experienced one of the biggest waves of in-migration in its history on the back of EU expansion (Economist 2006).

It is critical that we understand how migration, ethnic and cultural diversity affect cities too. In the UK, London’s population growth and economic expansion over the 1990s has been partly driven by in-migration. Big cities are the main sites of demographic and migration change, and they are the economic building blocks of the national economy. It is here that we are likely to see the biggest impacts on the economic, social and cultural fabric.¹¹

One study of US cities finds that between 1970 and 1990, cultural diversity increased US citizens’ wages and rents – because immigrants bring complementary skills and provide new services (Ottoviano and Peri 2004). Of course, in a growing economy immigrants could also bump the indigenous population up the employment ladder, taking the lowest paid jobs and swelling the ranks of the poor. Immigration would benefit indigenous – and better off – users of cities, but overall, there might not be average welfare gains. Further research is required to understand the impacts of migration and diversity at city and city-region level.

11. There are many questions here for further work. Which cities’ populations and economies are most affected by immigration, and why? And – in the UK at least – what are the impacts of migration from Central and Eastern Europe, which – unlike much migration from the Commonwealth – is made up of predominantly young, white single people and appears to be dispersed around the UK?

Conclusions

This paper has examined the case for Richard Florida's creative class model of city performance. The evidence we have stacks up heavily against it. What's true, we already knew. What's new is probably not true.

So much for the creative class approach – though not, perhaps, for some of the ideas and issues around it. What are the lessons for policymakers?

First, remember your geography. For example, the UK is unusual: a small island dominated by one huge city and the 'mega-city region' around it (Hall and Pain 2006). London's unique position in the UK urban system makes it the dominant city for creative types. This creative core exhibits increasing returns to scale, which is why very few cities have emerged as counterweights.

Second, be careful with policy transfer. Not all urban policy ideas travel well, and UK decisionmakers should do due diligence on new concepts and proposals. This doesn't always happen – the UK has a particular weakness for looking to the US for ideas and ignoring Europe, even though many European cities perform demonstrably better than their American counterparts (Nathan and Marshall 2006). But Florida is not always wrong. Policymakers should pick out the insights and ignore the rest. British city centres are exhibiting something like a creative class effect – but it is short term and consumerist. And it is no substitute for a strong urban economy. People will ultimately go where the jobs are: for most, a career structure is more important factor than a cool city.

Third, avoid silver bullets. Cities should not rely solely on creativity, diversity and lifestyle as regeneration tools. In a few of Britain's bigger cities – London, Manchester, Liverpool – creative and cultural industries are emerging as a significant economic force. Everywhere, culture and creativity improve the quality of life; iconic buildings and good public spaces can help places reposition and re-brand (Zukin 2004; Markusen and Schrock 2006).

But most cities – large and small – would be better off starting elsewhere: growing the economic base; sharpening skills, connectivity and access to markets; ensuring local people can access new opportunities, and improving key public services. National governments also need to recognise the economic role of major conurbations, and give them the flexibility and powers to improve their performance further.

There may be important longer term advantages from cultural diversity and quality of place. Decision makers should be alive to this agenda and the policy implications that emerge from it. For now, though, they should begin with the basics. Diversity, creativity and cool are the icing – not the cake.

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