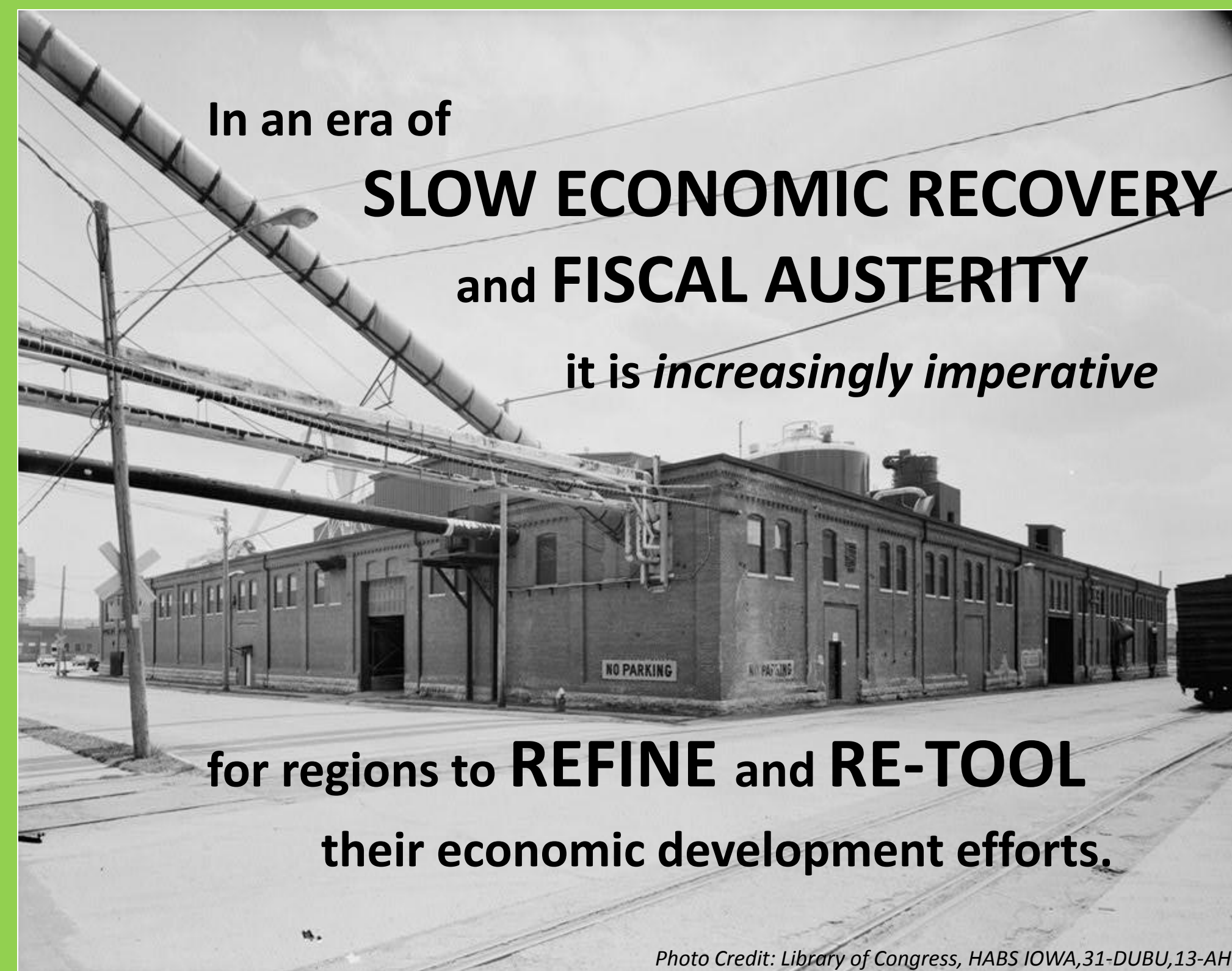


THE CREATIVE ECONOMY: FINDING NEW SOLUTIONS TO OLD PROBLEMS

Sarah Ammar, MPP – American University

THE POLICY PROBLEM:

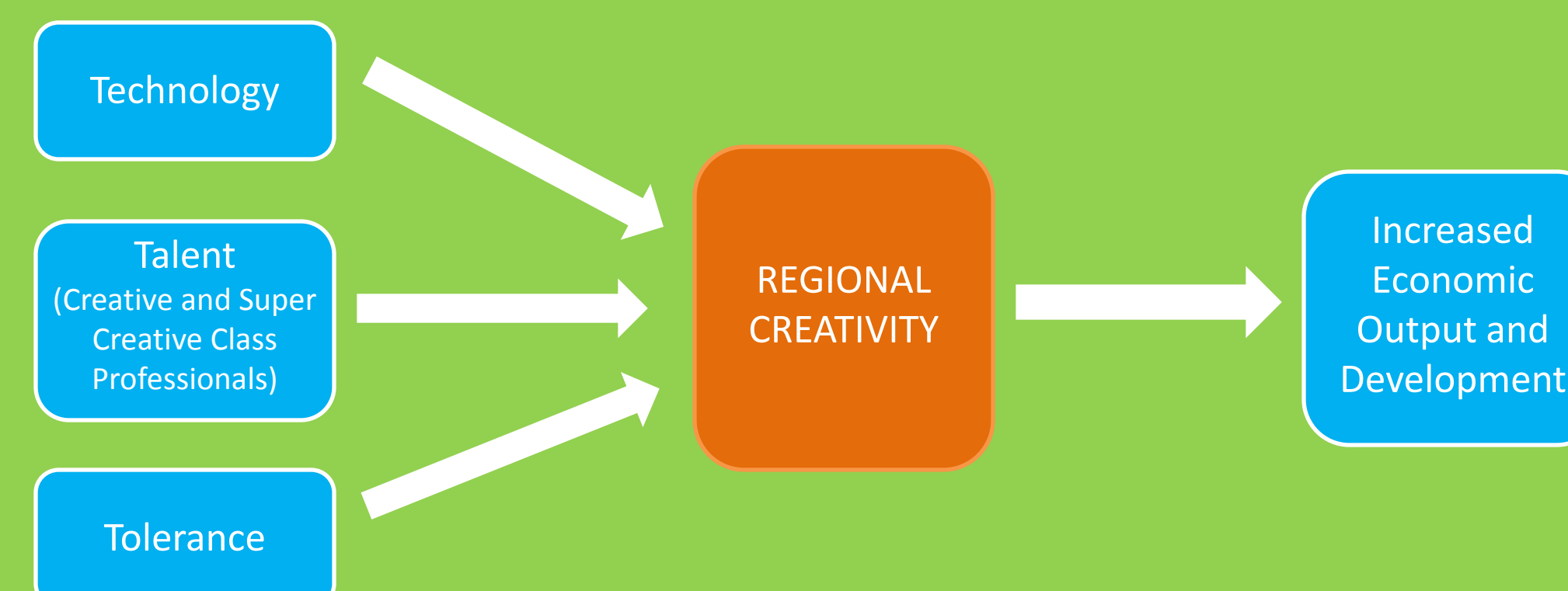


THE POSSIBLE SOLUTION?

THE CREATIVE ECONOMY APPROACH

"I certainly agree with those who say the advanced nations are switching to information-based, knowledge economies . . . Yet I see creativity as the key driver. In my formulation, 'knowledge' and 'information' are the tools and materials of creativity. 'Innovation,' whether in the form of a new technological artifact or a new business model or method, is its product .

"The key to understanding the new economic geography of creativity and its effects on economic outcomes lies in what I call the 3 Ts of economic development: Technology, Talent, and Tolerance." (Florida, 2002).



According to such creative economy notions, jurisdictions looking for effective economic development policies should focus on cultivating an environment that incubates the creativity of its residents and businesses by developing the '3Ts.'

THE INVESTIGATION:

HYPOTHESES

- 1) The more favorably a region is ranked in creativity, the higher its expected GDP.
- 2) The more tolerant a region is, the higher its expected GDP.
- 3) The greater the share of creative class professionals within a region's workforce, the higher the region's expected GDP.
- 4) The greater the share of super-creative class professionals within a region's workforce, the higher the region's expected GDP.
- 5) The more favorable a technology rank a region has, the higher it's expected GDP.
- 6) There is a relationship between wage-inequality in a region and its GDP.

METHODOLOGY

In an effort to begin understanding the creative economy from a quantitative point of view, this research uses ordinary least squares (OLS) regression to investigate how certain creative characteristics of a region* will affect its economic output. While the OLS method cannot establish causality between those creative characteristics and economic output, it does provide some insight into the statistical significance and strength of the relationships between the two. *unit of analysis = region (metropolitan statistical area)

Variable	Description	Beta Coefficient (Std. Error)	Mean	Standard Deviation	Minimum Value	Maximum Value
GDP	Gross Domestic Product by Metropolitan Statistical Area (in millions of dollars)	----	46,072.53	104,170.10	2,309	993,080
Creativity Ranking	Based on a region's Creativity Index score (derived from multiple factors deemed relevant by Florida)	-144.80** (67.68)	110.24	72.85	1	272
Technology Ranking	Based on an index measuring both high-tech industrial output and annual patent growth per capita	-15.25 (43.93)	130.35	80.41	1	275
Tolerance Ranking	Based on multiple indices measuring a region's racial make-up and its over/underrepresentation of coupled gay people, "bohemians," and foreign-born people as compared to the U.S. on the whole	-158.18** (57.92)	117.56	74.58	1	274
Wage-Inequality Ranking	Based on a region's average income gap between its lowest and highest earners	-203.48** (91.47)	115.93	71.69	1	273
Super-Creative Class Share of the Workforce	Share of the regional workforce that falls into the following occupational categories: Computers and Mathematics; Architecture and Engineering; Life, Physical, and Social Sciences; Education, Training and Library; Arts, Design, Entertainment, Sports, and Media	-3,223.28** (1,769.42)	11.22	2.96	2.70	23.04
Creative Class Share of the Workforce	Share of the regional workforce that falls into the Super-Creative Class or one of the following occupational categories: (Management; Business and Finance; Legal; Healthcare; High-end sales)	3132.22 (2053.05)	29.20	3.65	17.16	38.87
Size of Region	Categorized by a region's population : (0=population under 250,000); (1=population of 250,000 to 500,000); (2=population of 500,000 to 1 million); (3=population over 1 million)	----	1.36	1.13	0	3

** indicates statistical significance at the 0.05 level

Data sources: GDP data comes from the Bureau of Economic Analysis for the year 2004; remaining data comes from information provided in Richard Florida's book, *The Rise of the Creative Class* (2002), and is derived from data collected from the U.S. Bureau of Labor Statistics and the U.S. Census Bureau.

THE FINDINGS:

KEY FINDINGS

Key findings of this research support the notion that overall regional creativity corresponds to an increase in GDP; tolerance for the gay community, foreign-born individuals, and various ethnic groups corresponds to an increase in GDP; and higher income gaps correspond to higher GDP. However, the analysis failed to support creative economy theory in the cases of the Creative Class and Super-Creative Class and their impacts on economic output.

CREATIVITY RANKING

As a region increases from one rank value up to the next (larger rank values indicate a decrease in overall creativity), GDP will decrease, on average, by \$144.80 million, holding all other independent variables in the model constant.

TOLERANCE RANKING

As a region increases from one tolerance rank value to the next (indicating a decrease in tolerance), it's GDP is expected to decrease by an average of \$158.18 million, holding all other variables in the model constant.

WAGE INEQUALITY RANKING

As a region moves up from one Wage-Inequality rank to the next (indicating a decrease in wage inequality), the region's expected GDP decreases by an average of \$203.48 million, holding all other variables in the model constant.

SUPER-CREATIVE CLASS

Contrary to Florida's notions, the model suggests that, for every percentage point increase in the share of Super-Creative Class professionals in a region's workforce, GDP is expected to decrease by \$3,223.28 million on average, holding all other variables in the model constant.

THE IMPLICATIONS:

While policy decisions should not rely on this research alone, further investigation into the creative economy is important to understand both its validity, and then if deemed valid, its impact and how policies can be shaped with respect to those impacts. Florida's calculated rankings deserve further scrutiny and additional variables that measure diversity, workforce, and various other measures of quality of place should be taken into account, as should other, more traditional economic drivers for the sake of comparison.