Rise Revisited: Inequality

Ten years ago, Richard Florida, Director of the Martin Prosperity Institute, released *The Rise of the Creative Class*. This best-selling book shed light into changing economic, geographical and demographic trends within the United States, shifted by the growing role of creativity. Ten years later, *The Rise of the Creative Class Revisited* has been released, complete with updated statistics, several new chapters and Florida's reflections on the impact of creativity over the past ten years. To celebrate the release of the new book, the Martin Prosperity Institute will release a series of four Insights, providing discussion of the new statistics, maps and analysis. This is the second Insight in the series.

With many issues facing United States citizens throughout the long winded recession, no issue has become as drastic as that of growing inequality amongst Americans. The gap between rich and poor is continually widening within the United States, with the top 1 percent receiving nearly a quarter of the nation's income annually according to Joseph Stiglitz. This continual growing success of the top 1 percent (the incomes of the top 1 percent has grown 18% over the last decade) has not led to shared success amongst others, but to a smaller middle class share and a wider income gap between rich and poor. Richard Florida, in the updated *Rise Revisited*, has added a chapter on inequality. He has addressed inequality before both in his novel *The Flight of the Creative Class*, and a 2006 essay in *The Atlantic*. The new edition of Rise provides insight into inequality in America through a detailed analysis of updated numbers regarding wage and income inequality indexes.

There are a number of different characteristics and interpretations of inequality. In the 2006 *Atlantic essay*, Richard Florida described inequality as a "means migration". This refers to a trend in which large numbers of highly skilled, paid and educated Americans migrated to a small number of metropolitan regions within the country. At the same time these metros experienced an exodus of traditional lower and middle class Americans. This has caused a geographic settlement of people associated with their individual economic potential. Factors such as de-industrialization, technological change and outsourcing have eliminated many low-skill high paying jobs in these cities, pushing many people out of the middle class. This economic environment is mainly split between high paying creative and low paying service jobs. This change has affected wage and income inequality, and *Rise Revisited* provides analysis into the growing inequality not on a national level, but a more in depth outlook at the metro level.

Exhibit 1 below displays the most unequal metros by wage inequality for 2010. The list is almost the same as the 2004 table. As Florida points out, when looking at this table, the first underlying trend is the large number of metros with high wage inequality scores that were also found to have high Creativity Indexes. Seven metros on the top wage inequality list were amongst the top 20 Creative metros. Many of the largest metros in the United States were also on the list, including New York, Los Angeles and Washington DC. Another trend is that most of the metros on the list, despite size and inequality, have well known institutions of higher education such as College Station TX (Texas A&M), Durham NC (Duke University), Boulder CO (University of Colorado) and others. Creative centers such as San Francisco, Los Angeles and Silicon Valley also have a high service class population and these low paying service class jobs that are needed in these metros, have much lower average wage than the high paying creative jobs, leading to greater disparity in wage. What was found is that while the inequality is greater for the most part in Creative centers, the overall average wage was greater in these metros. While the gap is greater, it seems as if a Creative Metro is still a better place for a working class or service class employee partially due to a higher average wage.

Most unequal metros by wage and income inequality, 2010

Exhibit 1

Rank	Metro	Wage Inequality Index
1	Huntsville, AL	.500
2	San Jose-Sunnyvale-Santa Clara, CA	.481
3	College Station-Bryan, TX	.473
4	Boulder, CO	.446
5	Durham, NC	.446
6	Bridgeport-Stamford-Norwalk, CT	.446
7	Las Cruces, NM	.432
8	Decatur, IL	.428
9	Austin-Round Rock, TX	.426
10	Oxnard-Thousand Oaks-Ventura, CA	.418
11	New York-Northern New Jersey-Long Island, NY-NJ-PA	.417
12	San Diego-Carlsbad-San Marcos, CA	.409
13	Los Angeles-Long Beach-Santa Ana, CA	.409
14	Raleigh-Cary, NC	.408
15	Washington-Arlington-Alexandria, DC-VA-MD-WV	.407
16	Columbus, IN	.406
17	Dallas-Fort Worth-Arlington, TX	.406
18	Rochestor, MN	.404
19	San Francisco-Oakland-Fremont, CA	.401
20	Fort Collins-Loveland, CO	.399

Rank	Metro	Income Inequality Index
1	Bridgeport-Stramford-Norwalk, CT	.539
2	Naples-Marco Island, FL	.522
3	College Station-Bryan, TX	.515
4	Athens-Clarke County, GA	.514
5	Gainesville, FL	.508
6	New York-Northern New Jersey-Long Island, NY-NJ-PA	.503
7	Miami-Fort Lauderdale-Pompano Beach, FL	.498
8	McAllen-Edinburg-Mission, TX	.497
9	Brownsville-Harlingen, TX	.496
9	Sebastian-Vero Beach, FL	.496
11	Morgantown, WV	.494
12	Monroe, LA	.489
13	Corvallis, OR	.487
14	Tallahassee, FL	.486
15	Auburn-Opelika, AL	.485
15	Los Angeles-Long Beach-Santa Ana, CA	.485
15	Midland, TX	.485
18	Bloomington, IN	.484
18	Santa Fe, NM	.484
18	Shreveport-Bossier City, LA	.484

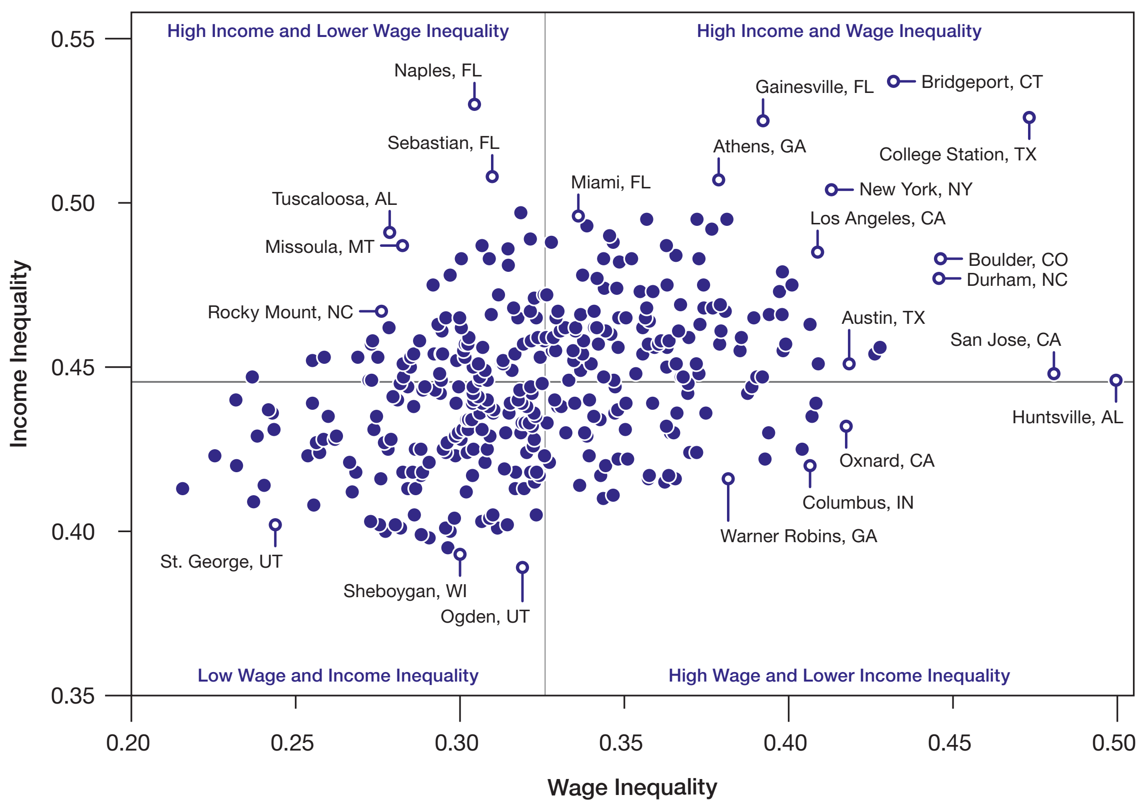
Inequality can also be seen as more than just the mean difference in wage. In *Rise Revisited*, income inequality was also analyzed. The difference between wage and income inequality is described as: "while wage inequality considers the differences between salaries only, income inequality as measured by the Gini coefficient takes rents, royalties as well as dividends into account". The table below also displays the most unequal metros in the US by income inequality in 2010. When mapping inequality according to income, a different picture is painted. No longer do metros that score well on the Creativity Index dominate the list, as some well-known impoverished and unequal metros are listed such as Gainseville (5th), Morgantown WV (11th), Shreveport (18th) and Bridgeport (1). The only metros above 1 million people in population on the top 20 list are

New York, Miami and Los Angeles, which are all well known for the extreme inequality within the metro (ex: Beverly Hills compared to Compton and East LA). As we go down the list, Athens GA, Gainesville FL, Tallahassee, FL and Shreveport, LA are other metros in which there are pockets of extreme overall poverty, leading to high inequality.

As the two measures of inequality provide two very different results, this was mapped out in *Rise Revisited* by using a comparative graph displaying wage and income inequality across metros, which is displayed below. The graph works as follows: metros in the upper right hand corner (College Station and Bridgeport) have high income and high wage inequality; metros in the upper left (Tuscaloosa and Sebastian) have high income inequality, with lower levels of wage inequality; metros in the lower right corner (Oxnard and Columbus, IN) have high levels of wage inequality, with lower levels of income inequality; metros in the lower left (St. George and Sheboygan) have low levels of income and wage inequality. This graph displays where the metros across the US fall in regards to the 2 types of inequality discussed. There is quite a variation of place as there is not one dominant cluster. One negative trend displayed within the graph is the large number of metros located within the upper right hand quadrant, as a number of metros are facing high income and wage inequality. While there are a number of metros with lower wage and income inequality (bottom left), the majority of metros within the US are experiencing some form of high wage or income inequality, if not both. Overall though, the graph also displays that there are striking differences between wage and income inequality and that they are not similar metrics.

Comparing metros on wage and income inequality

Exhibit 2



Design by Michelle Hopgood, Martin Prosperity Institute

Inequality in the US is growing and as the wage inequality chart and tables from *Rise Revisited* display, many Creative Centers are in fact very unequal. Inequality has become a geographical issue as "means migration" and the attraction of highly skilled, educated and paid employees have flocked in greater numbers to creative centers. A class split into high paid creative positions and low paid service positions due to many factors such as outsourcing has also led to greater inequality within US metros. Despite this, inequality according to income displayed different results as smaller, less creative and more impoverished metros were found to be most unequal within the income inequality index. While wage inequality is present in many highly creative metros, higher average wage, better amenities, higher tolerance, greater technological innovation, and more opportunities for upward social mobility make creative centers a better place to live for working and service class citizens.

The Martin Prosperity Institute at the University of Toronto's Rotman School of Management is the world's leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. We take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.