

## Rise Revisited: Knowing and Doing

*Knowing is not enough; we must apply. Willing is not enough; we must do.*  
– Johann Wolfgang von Goethe

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 in our work, communities and lives. To celebrate the release of the new book, the Martin Prosperity Institute has released a series of Insights with new statistics, maps and analysis of the ways in which creativity has impacted our lives over the past decade. In this last Insight in the series, we will revisit the human capital versus Creative Class debate.

With the release of [\*The Rise of the Creative Class Revisited\*](#), Richard Florida has analyzed the effects of the Creative Class on economic growth. While there are many measures that presumably predict and effect urban growth, two main theories are discussed in *Rise Revisited*, the human capital theory and the Creative Class theory of economic development. While both theories have their merits and usefulness to planners, policy makers and academics, this Insight will take a closer look at the debate surrounding these measures, and demonstrate the ways in which human capital theory is outperformed by the Creative Class theory.

Original proponents of human capital such as Adam Smith, saw human capital as talents acquired by a person through education or study, that benefit the individual and their society. While there is a cost to obtaining an education, Smith believed that there was value in studying and that the costs would turn a profit. The conventional human capital measure is the share of adults with at least a bachelor's degree within a region. The way in which human capital has a direct correlation with urban growth is that some economists believe that the more education a person gets, the more productive he/she becomes, and having a number of educated individuals within an urban region, increases productivity and wages. Used by economists such as Robert Lucas, Ed Glaeser and others, this theory has demonstrated that there is a direct connection between the level of human capital and the economic growth and success of a region. Cities that have grown are those that have been able to attract greater numbers of educated individuals as these educated individuals have many different positive effects on a region. Supporters of human capital theory argue that a city should try to attract and retain highly skilled and educated people. However, it is important to remember that having an advanced degree does not guarantee that it is being productively utilized in a person's occupation.

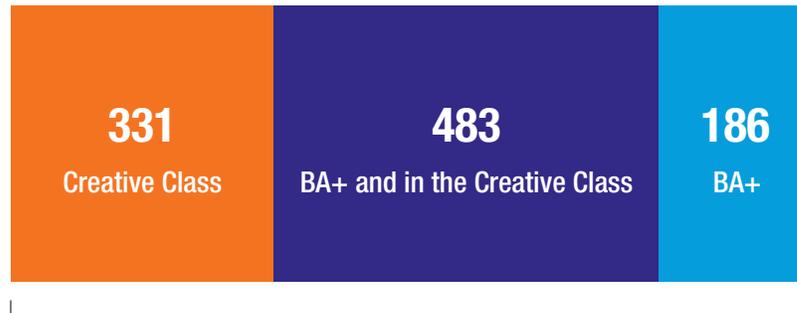
*The Rise of the Creative Class* introduced Creative Class theory. Florida's occupational typology examines the labor force through a four-part system: the Creative Class, Service Class, Working Class and Farming, Fishing and Forestry class. Rather than measuring education, an occupational measure is more closely related to productivity than education is. Creative Class workers

“produce new forms or designs that are readily transferable and widely useful – such as designing a consumer product that can be manufactured and sold; or composing music that can be performed again and again” (*The Rise of the Creative Class Revisited*, pg. 38). Briefly, Creative Class workers are paid for their thinking and problem solving skills, while Service Class workers are paid to perform routine work directly for, or on behalf of, clients. Working Class workers are paid to maneuver heavy machinery and perform skilled trades, while Farming Fishing and Forestry workers are paid to extract natural resources from the ground or seas.

In the United States, while 72.2% of adults with a bachelor’s degree or above are members of the Creative Class, only 59.3% of the entire Creative Class holds a college degree. This is because higher education is not a prerequisite for one to be creative, and many Creative Class workers do not hold higher academic credentials. While having a bachelor’s degree or above means you are more likely to be in the Creative Class compared to the other three classes, when looking at the entire Creative Class as a whole, only just over half of the labor force holds the credential. Steve Jobs and Bill Gates are examples of creative workers, who while not holding an advanced degree, still possessed skills that are essential to economic growth and innovation within a city. The knowledge spillover from creative artists and entrepreneurs contribute to their region, allowing for greater innovation and growth. Human capital does not account for people with occupational skills, but without a formal education, therefore a skills or high intellectual skills approach is more precise.

Distribution of Human and Creative Capital

Exhibit 1



**1,000 people in Creative Class and/or with a BA or above**

The graphic above displays a comparison between individuals within the Creative Class that hold a BA or above (dark blue bar), those in the Creative Class that do not hold a BA or above (orange bar) and those whom are not in the Creative Class yet they do hold a BA or above (light blue bar). The bars vary in size according to number of people within that specific category. The graphic displays how 1,000 people would be divided among the three categories. Also displayed is the number of individuals per 1,000 that fall within each individual category. Over half of those with either a BA or holding a Creative Class job are in only one of the two categories but not simultaneously in both. As the graphic shows, there is a large number of individuals that are within the Creative Class yet do not hold a BA or above (orange bar) and a substantial number of people with a BA or above who do not hold a Creative Class job (light blue bar).

Human capital measures the supply of talent (education), while Creative Class displays the absorptive capacity of talent within a region, or in other words, how the talent stock is being used within a region. Talent and skills are not predetermined by education as individuals, such as artists or entrepreneurs, without a formal education can add a lot to a city through their talent. There are a few regional examples of success regions with high levels of Creative Class, but with low human capital

levels. When looking at the metro of Huntsville Alabama, which is known for its growth and success as being one of the larger engineering, aerospace and technology hubs, the human capital measure does as accurately depict the regions occupational success. When looking at human capital, Huntsville is ranked 43rd in the United States, yet when using the Creative Class measure, we see that Huntsville's Creative Class occupational share is the 7th largest in the U.S. which is a more accurate reflection of the region's growth. In contrast, Lawrence, KS is ranked thirty nine spots higher at 4th on the human capital measure of percentage of people with a BA and above. The economic growth of this Kansas region is driven by it becoming a retiree destination. Or, when looking at the Creative Class share, Lawrence ranks 151st in the US, which is a more accurate measure of the region's growth and growth capacity. Lawrence has over 52% of its population working in service class occupations as opposed to higher paying, knowledge intensive Creative occupations. Therefore as displayed above, there are some regions such as Lawrence, KS and Huntsville, AL where the Creative Class and human capital measures display different results.

Members of a region without a Bachelors degree can add substantial amounts to a region's growth, like the musician or artist that starts a record label or production in a region that employs many highly skilled individuals (Jay-Z in Brooklyn and Manhattan, Prince in Minneapolis, Guy Laliberte and Gilles Ste-Croix (Cirque du Soleil) in Montreal). Human capital measure would not include these people and while it is a good predictor of regional growth, it is outperformed by the Creative Class measure. The occupational basis for the CC shows what people in a region are actually paid to do and how they contribute to the region's growth. There are many skilled people that contribute to a region's growth, and it is their skills that push growth; skills that cannot always be defined by formal education, but by the work that these individuals do, and the talent they bring to their everyday lives.

*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.*