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CREATIVITY: STIMULUS SOLUTION

A really new deal would stimulate the economy of the future, not the past

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Less than a month after taking office, the Obama administration unveiled its massive stimulus package aimed at recharging the lagging American economy - a staggering three-quarters of a trillion dollars. As the Harper administration rushes to dole out a \$40-billion stimulus of its own, it's high time to ask a simple question: Are we stimulating the right things?

Confusion was nowhere more evident than in the debate on the U.S. Senate floor, where a relatively small amount marked for the National Endowment for the Arts was derided as nothing but pork-barrel spending and waste. The stimulus, such thinking goes, ought to focus on infrastructure only.

As Jack Kingston, a Georgia Republican, put it: "We have real people out of work right now and putting \$50-million in the NEA and pretending that's going to save jobs as opposed to putting \$50-million in a road project is disingenuous."

However, the facts are that the locus of economic growth has shifted dramatically and a stimulus that focuses on traditional infrastructure cannot succeed. What drives the economy today is not the old mix of highways and single-family homes but new, idea-driven industries. They range from software, communication devices and biotechnologies to culture and entertainment - and importantly the convergence of the two.

The familiar kind of stimulus - the "shovel-ready" kind that built highways and roads, and worked so well during the Great Depression and its aftermath - worked precisely because it didn't stimulate that period's aging agriculture economy. Instead, it accelerated the transition to a new economy based on housing, autos and all the products of the industrial assembly line, from refrigerators and washing machines to air conditioners and television sets.

The Keynes-derived notion of pouring money into public works built the roads and infrastructure that spurred postwar demand and primed North America for postwar global

economic dominance, because the consumption embedded in our suburban way of life stimulated just the right kind of industrial production.

But eventually the system got out of whack. The housing and credit bubbles of the past decade ultimately biased and distorted our economy, channelling money and investment toward older industries, real estate and construction and away from more productive, innovative and creative ones.

For a stimulus to work today it has to stimulate the emerging creative economy, the engines of regional economic growth and higher incomes across Canada and the U.S.

Companies and workers in these fields also have "spillover effects." Computer scientists and designers - unlike, say, lawyers and doctors - foster productivity in others, beyond the services they provide themselves. Creative industries also benefit from considerable synergy as arts and design combine with technology, from iPods to video games.

But it's not enough merely to produce more scientists, engineers and artists or even high-tech entrepreneurs and entertainment moguls. We must also build an infrastructure and an economy that can sustain a demand for their creative efforts. In his book *The Venturesome Economy*, Columbia University business professor Amar Bhidé shows how sophisticated, risk-taking consumers who demand new things and buy new products are the key to technological innovation in places such as Austin, Tex., and Silicon Valley.

It's unlikely that the BlackBerry would have succeeded if it had come from Eastern Europe, for example, because consumers there would not have appreciated its security, convenience and systems integration the way that the Western world did.

The creative economy already includes roughly 30 per cent of Canada's work force and about a third in the U.S. It accounts for more than half of all wages and salaries paid in each country. So, if the stimulus were allocated proportionately, between \$250-billion and \$375-billion should have gone to the U.S. creative economy; in Canada, the figure would be \$12-billion to \$20-billion.

Stimulus funds could be used to strengthen Canada's science and technology infrastructure and its music, film and art scenes; it would provide entrepreneurial assistance and garage-like incubation spaces for innovators the Bloomberg administration is doing in New York City.

It would make far greater sense to invest precious infrastructure dollars in high-speed rail and broadband Internet lines to connect our communities than in roads and highways.

We will begin to move toward a durable recovery only when we stop unnecessarily propping up the old economy. Indeed, we have to make housing and transportation cheaper, as we did with agriculture during the New Deal, in order to free up the demand that will provide enduring stimulus for the creative-economy businesses and jobs of the future.

Fortunately, in the U.S., the \$50-million for the NEA was reinstated at the very last minute. But it still aimed a huge amount of its stimulus at the old economy. Canada has the chance to do much better.

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