

Ahead of the curve

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The Gazette

Friday, October 17, 2008

We are living through a great turning point in world history. In just a few short months, our economy and our society are on their way to being transformed.

The U.S. and Canadian stock exchanges have lost as much as a third of their value. Gone are the days when regions will grow wealthy from ephemeral finance capital. Only those that build their real economy from the only true capital we possess - the creative energy of our people - will enjoy sustainable prosperity.

Gone, too, are the days when one's identity can be purchased literally off the shelf through designer brands and a Sex and the City lifestyle. Times are tight, credit is no longer freely available, and the house is no longer an infinite piggy bank that can be used to finance luxury consumption. The regions that will succeed and be attractive are those that offer history, authenticity and realism - and where the price tag is more affordable.

Montreal is well positioned not just to weather the economic storm but to flourish in the long run. The city and its surrounding region have underlying economic and social capacities which, if properly harnessed, will position them to develop a truly sustainable prosperity and perhaps to serve as a model for other regions in Canada.

By no means am I trying to pooh-pooh the problems facing Montreal. Some of them stem from external economic forces, while others are self-inflicted - and I'll get to them in a moment. But Montreal has not just the opportunity but the obligation - to itself, Canada and the world - to lead the way out of the current financial crisis.

With credit tight and in some cases unavailable, the real economy, real people and real creativity replace finance capital as the new coin of the realm. Montreal has this in spades.

My research shows that more than a third of the region's workforce comes from the creative class - scientists, technology workers, entertainers, artists and designers, as well as managers and financial types - putting it in the top 10 per cent of all regions in North America, and a global leader as well. Nearly a fifth of the Montreal region's workforce forms a super-creative core made up of the techies plus cultural and entertainment types.

Some years ago, when I conducted a study of Montreal's creative economy with colleagues Kevin Stolarick and Lou Musante, we identified the region's unique



CREDIT:
The Montreal skyline.

capacity to blend arts and culture with engineering and technology, and to combine that with street-level creativity energy. We were convinced the region would benefit from its ability to generate "spill-acrosses" between companies and industries, driving powerful creative economic engines. And look now at its video-game and movie production industries, at the burgeoning music scene, at the Cirque du Soleil.

Montreal also benefits from its dense, compact geography. Most experts agree that innovation and productivity are driven by density, and Montreal ranks third among all North American cities in average population density.

Montreal is a real and authentic place - perhaps the most authentic city in North America. It mostly avoided, and certainly did not suffer from, the insanely out-of-control, finance-powered new-wealth spiral, Gatsby-esque lifestyles and real-estate bubbles seen in places like New York, London, Miami and L.A.

Its genuineness and history are in sync with the social and economic pendulum's swing away from opulence and hyper-consumption. People today, especially creative people, are looking for authentic creative places that are affordable and allow them the openness and social space to do their work. Urban thinker Jane Jacobs long ago said that "new ideas require old buildings." Montreal has old buildings in spades, many of them in stunning historic neighbourhoods.

These attributes contributed greatly to Montreal today having one of the most innovative music scenes in the world with bands like Arcade Fire, Wolf Parade, Islands and Sunset Rubdown. It has attracted not just local musical talent, but musicians from all over the world. As Arcade Fire frontman Win Butler told the British newspaper *The Guardian* last year: "I felt like I discovered Montreal ... There's this great weird city, and it's full of arts and culture, and I was so shocked. A year in Boston, nothing. I come to Montreal, and I had a performing band straight away. It's hard not to think of it as fate that I found myself there."

The region's personality predisposes it to innovation and creativity. Regions, like people, can be sorted across five basic personality types, according to Cambridge University psychologist Jason Rentfrow. For example, Chicago is an extroverted city. Atlanta is agreeable, Indianapolis is conscientious, and Boston is neurotic.

Montreal is an open-to-experience region. Like New York and San Francisco, the city craves new experiences. Such regions, like open-to-experience people, may appear a little aloof or introverted and at times a bit prickly, but they are the source of innovation and a springboard for human creativity. They are magnets for those who may not fit into more conventional surroundings, but want to express themselves and try new things. Open-to-experience cities have higher rates of innovation and new business formation.

Creativity requires openness to self-expression, and it requires diversity. My own research - along with that of world values expert Ronald Inglehart - has found that a society's openness to gays and lesbians is linked to overall happiness, technological innovation and economic well-being. These are things etched in Montreal's very DNA. In fact, Montreal tops our new ranking of Canadian regions on the gay and lesbian index. It ranks sixth on our bohemian index. The Gay Village and festivals such as DiversCité are visible evidence of this openness.

Montreal has a broad structural economic advantage in being part of the fifth-largest mega-region in North America and 12th-largest in the world. The future will be defined by the mega-regions - urban agglomerations that reach far beyond a single core city and its suburbs, and that host business and economic activity on a massive scale. The 40 most important "megas" house 17

per cent of the global population, but account for two-thirds of its economic activity and more than 90 per cent of innovation.

Montreal is part of a mega-region that stretches through Ottawa to Toronto and out to Kitchener-Waterloo, and south to Rochester and Buffalo. Home to more than 20 million people, this economic powerhouse produces more than half a trillion dollars in annual economic output, making it one of the leading mega-regions driving the world economy.

Montreal also abuts a second, even larger mega-region: "Bos-Wash" stretches from Boston through New York to Washington, D.C., and has more than 50 million people and more than \$2 trillion in economic activity. That makes it the second largest mega-region in the world, larger than most countries. This positions Montreal as a key node in one of the world's largest and most formidable economic centres.

All these factors have resulted in real successes. For the Canadian edition of my book *Who's Your City?*, my colleague Kevin Stolarick ranked the nation's cities on their suitability across five key life stages: recent university graduates, young professionals, families with children, empty-nesters and retirees. Montreal ranked in the top five in every category and performed even better when housing affordability was accounted for. And a recent global ranking by *Monocle Magazine* named Montreal among the world's 20 best cities.

Still, Montreal struggles with substantial challenges and obstacles. There is the high dropout rate in secondary schools, the low level of college graduates, the crumbling infrastructure, and the legacy of linguistic and cultural tension.

They must be addressed head-on if Montreal is to realize its full potential. In fact, these obstacles and challenges have been in place for a long time, setting in motion a kind of institutional and civic sclerosis that keeps the city and region from doing better. Montreal is not alone in this; many, if not most, regions in the world have their own sorts of paralysis.

The point is we are in the midst of a historic turning point set in motion by the financial crisis. Those regions that can overcome the internal issues holding them back and can capitalize on their creativity and economic assets have powerful first-mover advantages that will position them for long-run economic advantage and sustainable prosperity.

Right now Montreal is wasting a lot of human creative energy. The city still has a very high number of people with low incomes, many living on social assistance. It has a high school dropout rate of nearly a third. This is not just a social problem; it's an economic issue that leads to lower rates of productivity and growth.

The region also has lagged on what we call human capital accumulation, with one of the lowest levels of post-secondary education despite having the lowest tuition in Canada. But it has the great advantage of being home to four universities, one of the biggest higher-education sectors of any city. And it has a fluidity across class lines.

It needs to use these advantages. It needs to develop a broad regional initiative to tap and harness the creative energy of all, giving these young people and those on social assistance the motivation to use their talents and participate in the creative economy. It has to make this a priority.

Montreal can take a cue not from economic development policy but from its own *Cirque du Soleil*, which combines the talents of circus performers and street musicians with those of designers and engineers.

It can also learn from the world's most successful manufacturing company,

Toyota. Long ago when I studied Toyota, its top managers told me point -blank that they would beat the Big Three U.S. automakers for one simple reason: While the Big Three gave super-rewards to their CEOs, MBAs and top engineers, Toyota worked day in and day out to harness the collective creativity of every worker on the factory floor.

Imagine if Montreal could become the world's first region to tap the creativity of all its people. This is not just a key challenge for Montreal; it's the key challenge of our time. It's here that Montreal can forge a real global leadership position and develop a new sustainable model for economic development: by extending the creative class far beyond a creative elite, and by stipulating that it will no longer waste either its natural resources or its human talent.

Creativity is in the region's DNA. More than just about any other region, Montreal has the underlying capacity to broaden the reach of the creative economy to service business, manufacturing plants, and even agriculture.

But the city and the region need a government that can help get them there. Governmental structures in Montreal and most other places are not up to the task. They are fractured and fragmented and filled with contradictions - complicated and clumsy. Hardly anyone who isn't involved full-time can understand them. In Montreal, there are local boroughs, municipalities, the agglomeration council, and a regional administration as well.

I saw similarly overbearing structures in Pittsburgh, Washington, D.C., and many other places. It leads to what people in Montreal call "immobilisme" - the tendency for nothing significant to happen because governments, business, social groups and unions are so at odds and so stuck in their ways that no one can provide clear direction and make anything happen.

Many people say a strong leader is the answer. They look back to Mayor Jean Drapeau and the successes of Expo 67 and other landmark projects. They ask what's happened and worry that Montreal has become gun-shy. How does the region get its mojo back?

But today's regions are too complicated for top-down, single-leader strategies. The key is to create a broad shared vision that can mobilize the energy of many groups - an open-source approach that can harness the energy and ideas of networks of people.

Some may say the region needs a large-scale marketing or branding campaign to overcome this legacy. In the creative age, the best marketing is viral.

Here's a simple suggestion: Capitalize on the region's growing music scene and audio identity. Pop Montreal, for example, has emerged as one of freshest and most offbeat musical festivals in the world. Where else could Burt Bacharach share buzz with an up-and-coming indie band like Black Kids? Where some music festivals rent hotel ballrooms and other traditional venues, Pop Montreal used the Notman House.

Still, the festival is largely unknown outside the mega-region. Montreal should follow the lead of Austin, Tex., home of the famed South by Southwest music and media festival, and transform Pop Montreal into a magnet for the most innovative music acts, blogs and talent scouting. That would extend the region's reputation as a creative centre, virally and organically.

This is just an example of the general principle; many other organizations, festivals and events can be marshalled in similar fashion.

This kind of vision must go beyond Montreal per se and extend to the entire mega-region. That's a tall order, but a necessary one, and there are signs it can be done. The positive relationship between Premier Jean Charest and his

Ontario counterpart, Dalton McGuinty, has been widely reported. It has even been jokingly referred to as a burgeoning "bromance." Provincial governments have authority over transportation, environmental and educational policies. Why not work together to build a powerful vibrant mega-region from Montreal through Ottawa and Toronto and down into the U.S. as a world example of cross-jurisdictional and cross-border co-operation, putting in place the transit infrastructure of high-speed rail, addressing environmental and natural resources issues, and harnessing the broad talent and skills of the workforce on this massive geographic scale?

But to be successful in these areas, provinces need to recognize that transportation and environmental systems are more faithful to economic boundaries than to provincial ones.

That brings me to perhaps the toughest issue of all. Montreal has been the focal point of a long history of linguistic, cultural and political issues that have held back the city and the province. On one hand, bilingualism is a huge advantage in the global economy. On the other, language laws and the threat of separation have scared people and businesses away and continue to discourage some companies from investing.

The region can ill afford to lapse into historic battles. It needs to overcome its past and use its uniquely French heritage and bilingualism to its advantage. Montreal must continue to work on making linguistic diversity into a strength rather than a weakness.

Recent events put us at a pivotal point - one that provides once-in-a-lifetime opportunities for Montreal. Now it's up to the region's leadership and people to develop a vision of how to overcome the challenges and obstacles of the past. Montreal can be a model for how to flourish in the new era of financial and economic turbulence.

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