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IN PRAISE OF SPIKES

In an exclusive excerpt, the guru of the Creative Class explains the peaks and valleys of the global economy.

By Richard Florida

IT'S A MANTRA OF THE AGE of globalization that place doesn't matter. Technology has leveled the global playing field—the world is flat. “When the world is flat,” says *New York Times* columnist Thomas Friedman, “you can innovate without having to emigrate.”

It's a compelling notion—but it's wrong. Today's global economy is spiky. What's more, the tallest spikes, the cities and regions that drive the world economy, are growing ever higher while the valleys, with little economic activity, recede still further.

Population and economic energy are both increasingly concentrated. Of the roughly 170,000 patents granted in 2003 in the United States—which gets applications for nearly all major inventions worldwide—nearly 80% went to Americans, Japanese, and Germans. The next 10 most innovative countries—the usual suspects in Europe, plus Taiwan, South Korea, Israel, and Canada—produced another 15%. The rest of the world accounted for only 5%, with India and China responsible for just 0.4%.

That is not to say that people from India and China are not creative. Patents are hardly the only measure of creativity.

Photograph by
Matt Hoyle

WHERE ART THOU?

The four kinds of places that make up today's creative world



INNOVATORS

A handful of locales generate most innovations. The ongoing communications and transportation revolutions let ideas circulate among these places easily and constantly.



GLOBAL SLUMS

The large, densely populated centers of the developing world are rife with poverty, social and political unrest, and little meaningful economic activity.



PRODUCERS

These regions use established innovations and creativity—often imported from other places—to produce goods and services. Increasingly, they are becoming innovators in their own right.



BIG VALLEYS

The rest of the world is made up of the rural areas and far-flung places that have meager populations and economies.

For instance, AnnaLee Saxenian of the University of California, Berkeley, has shown that Indian and Chinese entrepreneurs founded or cofounded roughly 30% of all Silicon Valley startups in the late 1990s, generating \$20 billion in annual revenue and about 70,000 jobs. These particular ideas blossomed as part of the innovative ecosystem in Silicon Valley.

Geographic concentration encourages innovation because ideas flow more freely, are honed more sharply, and can be put into practice more quickly when innovators, implementers, and financial backers are in constant contact. Creative people cluster not simply because they like to be around one another or prefer cosmopolitan centers with lots of amenities (though both things tend to be true). They cluster because density brings such powerful productivity advantages, economies of scale, and knowledge spillovers.

Four kinds of places make up the landscape of our spiky world: first, the tallest spikes that attract global talent, generate knowledge, and produce the

lion's share of global innovation. Second are the emerging peaks that use established ideas, often imported, to produce goods and services. Some of these cities, such as Dublin and Seoul, are transitioning into places that generate innovation, but most, from Guadalajara to Shanghai, function primarily as the manufacturing and service centers of the 21st-century global economy. The two remaining types of places are being left behind: third-world megacities distinguished by large-scale "global slums," with high levels of social and political unrest and little meaningful economic activity; and the huge valleys of the spiky world, rural areas with little concentration of population or economic activity.

The main difference between now and a couple of decades ago is that the economic and social distance between the peaks has gotten smaller. People in spiky places are often more connected to one another, even from half a world away, than they are to people in their own backyards. This peak-to-peak connectivity is accelerated by the highly

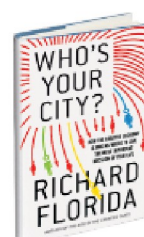
mobile, global creative class, about 150 million people, who migrate freely among the world's leading cities—places such as London, New York, Paris, Tokyo, Hong Kong, Singapore, Chicago, Los Angeles, and San Francisco.

Meanwhile, second-tier cities from Detroit to Nagoya to Bangalore are locked in potentially devastating competition for jobs, people, and investment. And in the so-called developing world, millions upon millions of people whose culture and traditions are being ripped apart by globalization lack the education, skills, or mobility to connect to the world economy. They are stuck in places that are falling further and further behind.

Spiky globalization is also wreaking havoc on emerging economies. In China, talent is concentrated in a few centers such as Shanghai, Shenzhen, and Beijing, each of which is a virtual world rising above vast, impoverished rural areas. According to detailed polling by the Gallup Organization, average household incomes in urban China are more than triple those in the countryside and have grown more than three times as fast since 1999. Because modern communication makes the world smaller at the same time globalization makes it spikier, those trapped in the valleys are looking directly up at the peaks and seeing the growing disparities in wealth, opportunity, and lifestyle.

Economic progress requires that the peaks grow stronger and taller. But such growth exacerbates disparities that threaten stability. Only by understanding that the world is not flat can we begin to address the greatest political challenge of our time: how to raise the valleys of the spiky world without sacrificing the peaks. **FC**

From the book *Who's Your City? How the Creative Economy Is Making Where You*



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Portrait artist Mackenzie Stroh photographed Laura Poretzky, Stacey Bendet, and Lela Rose for our story on the design aces at Payless, No. 42 on our list of the world's most innovative companies. The New York-based Stroh has had her work exhibited in solo and group shows throughout Canada and the United States. Her images have also been featured in such publications as *ESPN: The Magazine*, *New York*, *The New York Times Magazine*, and *Newsweek*.



DANIELLE SACKS

"Battling out this year's Fast 50 winners was like a staff poetry slam on innovation," says staff writer Danielle Sacks, who wrote about green cleaners Method (No. 16), ad kings Anomaly (No. 24), and Payless shoetique (No. 42) for this issue. The award-winning journalist has been with *FAST COMPANY* since 2003 and has written cover stories on scribe-cum-guru Malcolm Gladwell, ad agency JWT, and controversial environmentalist Adam Werbach.



PETER FUNCH

A native of Denmark and current resident of New York, Peter Funch shot Tumi's David Chu for this month's Fast Talk. Funch's most recent body of work is the critically acclaimed *Babel Tales*. "It's a voyeuristic collection of images that examines random human patterns from the streets of New York and stitches them together to create a surreal montage," he says. It will be published in book form later this year.



DAVE DEMERJIAN

Obsessed with commercial aviation since he was 10, Dave Demerjian was only too happy to spend hours inside Seattle's airport for this month's Design at Its Best story about Alaska Airlines. (He once flew between Boston and New York four times in a single day in order to qualify for Gold Preferred status on US Airways.) The Beantown-based Demerjian has also written for *Wired*, the *Boston Globe*, and *Business Traveler*.



RICHARD FLORIDA

The best part of Richard Florida's globe-trotting as the bard of the Creative Class is the chance to sample local flavor. The avid cyclist rides up to 40 miles a day, and a recent trip to Noosa, Australia, gave him the chance to get his first surfing lesson. Florida, a professor of business and creativity at the Rotman School of Management, in Toronto, excerpts his new book, *Who's Your City?* in the story "In Praise of Spikes."