



**THE NEW GEOGRAPHY OF JOBS**  
BY ENRICO MORETTI  
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REVIEWED BY DAVID A. PRICE

## BOOKREVIEW

# Cities Growing Apart

In the late 1990s and 2000s, numerous writers foretold the disappearance — or at least the shrinkage — of geography as a force in labor markets for knowledge workers. With the rise of the Internet and overnight delivery services, America seemed to be on a brink of a future in which software coders, marketers, and their counterparts in other professions would work from a beach, a backwoods cabin, or whatever location suited their humors. Companies, too, would be able to locate anywhere.

Yet markets for these workers seem to be moving in the opposite direction: The economic influence of geography is alive and growing. Not only that, but as the wages of more-educated workers relative to those of less-educated workers have been rising, the geographic concentration of more-educated workers in certain areas is widening the economic disparities among entire cities. That is the story told by University of California, Berkeley economist Enrico Moretti in *The New Geography of Jobs*.

Although there have always been differences in cities' economies, those differences are now increasing systematically and becoming self-reinforcing, Moretti reports. Cities with already-high levels of education in the 1980s, like Boston and San Francisco, have seen the educational levels — and prosperity — of their workforces increase further; education and pay in less-educated cities have been falling behind.

Moretti calls this trend the Great Divergence. It is driven by the geographical clustering of companies that comprise what he labels the “innovation sector” — industries based on highly skilled knowledge workers, such as information technology, life sciences research, finance, and some advanced manufacturing. Companies in the innovation sector have tended to be drawn into clusters to get the widest choice of skilled workers and to benefit from a shared commercial infrastructure of specialized service providers, among other reasons. Areas with such clusters, he notes, include Los Angeles for entertainment, Manhattan for finance, Seattle for software, and the Raleigh-Durham area for medical research.

Educated workers, in turn, are drawn to innovation-sector cities, both for their own jobs and, in the case of married workers, for those of their spouses. Moretti cites research by UCLA economists Dora Costa and Matthew Kahn showing that a society-wide increase in the pairing of highly educated people has made it more critical for those

couples to settle in an area where they can both find quality innovation-sector jobs.

Although innovation-sector jobs normally comprise only a small part of a local economy, perhaps one-tenth, Moretti sees them as foundational; they support the metro with the prosperity that makes its way to local services industries. As manufacturing jobs have moved abroad, the ability of the manufacturing sector to serve this foundational function has dropped off. Thus, cities that have been the most successful in making the transition from manufacturing to innovation-sector industries have seen higher pay for their workforces in general, both the innovation-sector workers themselves and services workers.

How, then, does a city develop an innovation sector? What did policymakers do to transform California's agricultural Santa Clara Valley, for instance, into Silicon Valley? Moretti reports that the usual prescriptions are risky at best. The benefits of having a top university, for example, tend to be greatly overstated. Tax breaks and subsidies to draw desirable companies may succeed in attracting the companies and benefiting the local workforce, but the bidding war for a company can lead to a package with costs to the locality that exceed its benefits. The development strategy of appealing to educated workers with culture and a vibe of coolness is also problematic, he finds. There are plenty of cool cities, like Berlin, with lots of jobless educated workers, while other cool cities, like Seattle, became cool only after they became prosperous.

*The New Geography of Jobs* is a readable and cogent synthesis of Moretti's work and that of other labor and regional economists. Still, it is disquieting that the consensus model within which he is operating rests on a vision of tomorrow's economy in which 10 percent or so of Americans work in the innovation sector while the rest of us pour their coffee, polish their nails, and sell their homes. Underlying this vision is a bet that the United States will retain a comparative advantage in innovation-sector work over the long term. It's a proposition for which the historical record gives mixed support. With U.S. policymakers having accepted the loss of low-end manufacturing on the ground that Americans would always have high-end manufacturing, and then resigning themselves to the loss of much high-end manufacturing as well, what is the likelihood of that story playing out again at the level of “creativity” or “innovation”? Even with America's advantages of the moment in innovation industries, how much should America rely on the assumption that it will dominate them in the long term — at least to the extent that the innovation sector can sustain a broadly middle-class economy? Should a healthy city, and a healthy society, hedge that bet?

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