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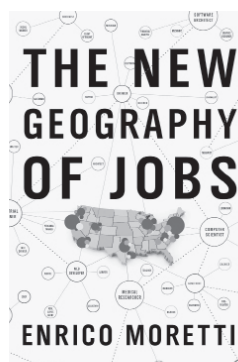

The New Geography of Jobs
Enrico Morretti
Reviewed by Jill Mead

In *The New Geography of Jobs,* Enrico Morretti presents his view of 21st century production in the United States. According to the author, the United States no longer produces heavy machinery like automobiles, nor should it seek to recapture its former manufacturing dominance. Instead, the U.S. should continue to exploit its new competitive advantage: its enormous share of the worldwide market for innovative ideas and technologies. Going forward, innovation is the export sector that will be the key to the nation's prosperity.

The emergence of this new innovation focus led to a shift in the economic geography of the country. Moretti opens with a description of the ways in which the "two Americas" are pulling apart, entitled "The Great Divergence." On one side are the stagnating cities in the Rust Belt and elsewhere, epitomized by Flint, Michigan, which are struggling to reinvent themselves following the demise of the manufacturing sector. Residents of these cities face higher unemployment, lower wages, and worse health, educational, and mortality indicators than the country as a whole.

On the other side of the divergence are cities or regions, such as Silicon Valley and the Research Triangle, which have invented or reinvented themselves in ways that take advantage of the growing importance of the "innovation sector." Residents of these regions are directly and indirectly benefitting from the prosperity generated by the new model of production. One of Moretti's key points is that gains in the innovation sector lead to higher employment and wages for the service sector employees that serve the tech workers and engineers, from hairdressers and waitstaff to patent lawyers. Moretti states that five service sector jobs are created by every innovation sector job, compared to only one job per manufacturing job. However, it is unclear whether this difference derives from a quality inherent in the "innovation sector" that differentiates this effect from that of other geographically-clustered, highly-remunerated groups such as doctors working at the Center for Disease Control (CDC) in Atlanta, or bankers in New York City.

One puzzle of the innovation economy is that participants choose to set up businesses in or outside of expensive cities such as New York, Boston, and San Francisco rather than in cheaper spaces elsewhere. The explanation lies in the forces of agglomeration that offer three priceless boosts to productivity and innovation: the presence of a "thick labor market" (offering a range of skills and number of potential employees not found elsewhere), a network of staff in supporting industries (such as lawyers and venture capitalists), and the potential for knowledge

spillover. Some cities initially achieved this critical mass through happy accident (e.g. Bill Gates' decision to move Microsoft to Seattle), while others, like Research Triangle Park, achieved this result more deliberately. However, Moretti cautions, cities without an innovation cluster will find it very hard to create one by design, and those that try will have to subsidize the process until the forces of agglomeration kick in—a very expensive proposition.

In light of this sobering fact, Moretti suggests that the solution lies in individual mobility. If cities cannot bring the forces of agglomeration to themselves, let people move to where the jobs and higher wages are. Towards this end, he suggests two policies to enhance mobility: allow people to collect unemployment in a new state, and build more housing to accommodate new workers in cities where a low supply of housing drives rent prices to unaffordability. Two more of Moretti's suggestions encourage strategies to enhance the U.S.'s human capital in the long run through the improvement of the quality of lower education and access to higher education and by increasing the number of visas for skilled technicians and PhDs from other countries. In the end, adding more people who can generate and realize ideas to the centers of innovation will increase production capacity and the competitiveness of the U.S. as a whole.

While the tone of the book is optimistic, this new geography of jobs has several implications that are less than cheerful for those outside of the winner's circle. Even though the innovation sector benefits the U.S. economy, its positive spillover effects are largely local. The ability of cities to create their own innovation centers is constrained by their ability to subsidize growth and the limited amount of public and private funding available for research and development. Residents of the numerous cities that cannot jump start their own innovation centers are faced with the need to move in order to participate in the new geography of prosperity. These realities have profound equity implications which are only touched upon in the book.

Moretti's focus on cities and regions as generators of economic growth makes this book of interest to planners. Although we are in the midst of a "great divergence," Moretti identifies a middle ground—cities which are poised to go in either direction depending on their embrace of the new knowledge-based economy. Whether planners choose to work in San Jose, Flint, or somewhere in between, Moretti's ideas are worth consideration.

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