

[PDF] The New Geography Of Jobs

Enrico Moretti - pdf download free book



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Description:

Featured Guest Review: Q&A with Enrico Moretti

Q. What is the New Geography of Jobs?

A. If you look at the economic map of America today, you do not see just one country. You see three increasingly different countries. On one hand there are cities like Seattle, San Francisco, Raleigh-Durham or Austin, with a strong innovation-based economy and workers who are among the most creative and best paid on the planet. At the other extreme are former manufacturing centers like Detroit, Flint or Cleveland, where jobs and salaries are plummeting. In the middle, there is the rest

of America, apparently undecided on which direction to take.

The difference between the three Americas was small in the 1980's and has been growing ever since. My book explores this new geography of jobs, and especially its root causes and what it means for our country.

Q. In the last two years, American manufacturing has been doing very well. Even the car companies are hiring. But you seem pessimistic about the future of American manufacturing. What's so wrong about manufacturing? And what is so special about the innovation sector?

A. The last two years have been good years for manufacturing employment. But they are the exception. The previous two years have been terrible. More in general, for the past 30 years, we have been losing an average of 370,000 jobs per year in manufacturing, and not just during recessions. This trend reflects the adoption of new technologies that make production of physical good increasingly automated. For example, for each car produced, GM today needs 70% fewer workers than in 1950. American manufacturing companies produce today more goods than in 1980, but they only need a fraction of the workers. I do not think these trends are likely to change in any significant way. By contrast, the innovation sector is growing, both in terms of jobs and salaries. For example, jobs in the Internet sector have been growing 200 times faster than the rest of the labor market. For all the talk about outsourcing, software is also growing. And it is not just high tech: Scientific R&D, pharmaceutical, digital entertainment, parts of marketing and finance are creating jobs.

Q. You write a lot about the importance of high tech and innovation for American jobs. But not everyone can work at Google or Apple. What about the rest of us? Where are the jobs for the average American supposed to come from?

A. This is the most important part of the story. You are right: The average American will never work for Google or Apple. But the rise of the high tech sector matters to all of us, including those who work outside high tech.

One important reason is that attracting an Internet company or a biotech company to a city results in significant job gains for workers in the local service sector--occupations like waiters, carpenters, doctors and teachers. I call this the multiplier effect. This multiplier effect is surprisingly large. My research shows that for each new high tech job in a city, five additional jobs are created outside high tech in that city. In essence, from the point of view of a city, a high-tech job is much more than a job.

Take Apple, for example. It employs 13,000 workers in Cupertino, but it generates almost 70,000 additional service jobs in the region. This means that, remarkably, Apple's main effect is not among high tech workers--it is outside high tech.

Most sectors of our economy have a multiplier effect, but the innovation sector has the largest multiplier: about three times larger than that of traditional manufacturing. An important implication for policy makers is that the best way for a city to generate jobs for less skilled workers is to attract innovative companies that hire highly skilled ones.

Q. The Great Divergence is an economic phenomenon. Are there any effects outside the realm of economics?

A. The economic differences between American communities have become so large that they are now generating a growing divide in many other aspects of our lives, including politics, family life and

culture. Take health, for example. Health varies enormously across communities. The average man in Fairfax Virginia lives fifteen years longer than the average man in Baltimore, 60 miles away. This difference in health is truly staggering, and it is much larger than the difference between the US as a whole and some poor countries. The difference was smaller in the 1980's and it has been growing for three decades--driven by the growing differences in schooling levels and income levels between the two communities.

Q. Which cities will prosper in the future and which will decline?

Sixty years ago the rich areas in America were manufacturing centers, with an abundance of physical capital. Today human capital is the best predictor of a city success. A large number of highly educated workers in a city is associated with more creativity and a better ability to invent new ways of working. Economic research shows that cities with many college-educated workers tend to develop an innovation-based economy; and this brings even more well-educated workers there, further reinforcing their edge. It is a tipping point dynamic. By contrast, cities with few well-educated workers miss-out on the growth of high tech, and this further reduces their appeal. These self-reinforcing dynamics magnify the differences between winners and losers in an innovation-driven economy.

Q. Is geographical location more important than your college degree or which college major you choose?

A. Geographical location is increasingly important, although not as important as going to college. One of the most intriguing paradoxes is that our global economy is becoming increasingly local. Despite all the hype about exploding connectivity and the death of distance, where we live and work is more important than ever. Our best ideas still reflect the daily, unpredictable stimuli that we receive from the people we come across and our immediate social environment. Most of our crucial interactions are still face-to-face, and most of what we learn that is valuable comes from the people we know, not from Wikipedia. The vast majority of the world's phone calls, Web traffic, and investments are still local. Telecommuting is still incredibly rare. Video conferencing, e-mail, and Skype have not made a dent in the need for innovative people to work side by side. In fact, that is more important than ever. At the same time that goods and information travel at faster and faster speeds to all corners of the globe, we are witnessing an inverse gravitational pull toward certain key urban centers. Globalization and localization seem to be two sides of the same coin. More than ever, local communities are the secret of economic success. As Yaniv Bensadon, an Israeli entrepreneur who recently moved his startup to Silicon Valley, put it, "It is true that things can be done anywhere on the Internet, but at the end of the day, it's still a people business."

Review

"Moretti has written the most important book of the year, I can't recommend it enough. The Cal-Berkeley economic professor's book is extremely necessary for politicians and commentators alike, book that artfully slays myriad myths that cloud the economic debate. Brilliant."

—Forbes

"Enrico Moretti's superb book highlights why the study of economic geography is vital for

understanding fundamental issues such as the root causes of rising income inequality, innovation, and job growth. For those who are curious about how the United States will continue to thrive in the global 21st century economy, I can think of no better book to read than *The New Geography of Jobs*.”

—**Matthew E. Kahn, author of *Climatopolis***

“A fresh, provocative analysis of the debate on education and employment. . . A welcome contribution from a newcomer who provides both a different view and balance in addressing one of the country's more profound problems.”

—**Kirkus Reviews**

“Wow. . . Without referring to Charles Murray, Moretti blows *Coming Apart* totally out of the water, replacing Murray's moralistic sociology with solid economics.”

—**Arnold Kling, EconLog**

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“[A] persuasive look at why some U.S. cities have prospered in recent decades while others have declined.”

—**James Pressley, *Bloomberg - Businessweek***

“*The New Geography of Jobs* explains the major shifts taking place in the United States economy and reveals the surprising winners and losers—specifically, which jobs will drive economic growth and where they'll be located. Which communities will transform themselves into dynamic innovation hubs in 2012 and beyond? It can be done. Get educated, get a map and get going!”

—**Troy Onink, *Forbes***

“In a new book, *The New Geography of Jobs*, University of California at Berkeley economics professor Enrico Moretti argues that for each job in the software, technology and life-sciences industries, five new jobs are indirectly created in the local economy. The jobs range from yoga instructors to restaurant owners. Mr. Moretti calculated such a multiplier effect by examining U.S. Census Bureau data from eight million workers in 320 areas during the past 30 years. By comparison, he found that just 1.6 local jobs were created for every new job in the manufacturing industry during the same period. Mr. Moretti says the data support the argument that technology innovators are one of the most important engines of job creation in the U.S.—with three of those five jobs going to people without college degrees.”

—**Jessica E. Vascellaro, *Wall Street Journal***

“Decade after decade, smart and educated people flock away from Merced, Calif., Yuma, Ariz., Flint, Mich., and Vineland, N.J. In those places, less than 15 percent of the residents have college degrees. They flock to Washington, Boston, San Jose, Raleigh-Durham and San Francisco. In those places, nearly 50 percent of the residents have college degrees. As Enrico Moretti writes in *The New Geography of Jobs*, the magnet places have positive ecologies that multiply innovation, creativity and wealth. The abandoned places have negative ecologies and fall further behind. This sorting is self-reinforcing, and it seems to grow more unforgiving every year.”

—**David Brooks, *The New York Times***

“As Enrico Moretti documents in compelling detail in a recently released book, *The New Geography of Jobs*, even if we don't assemble iPhones or sneakers in America, we supply their designs to those who do. And we do still make things—things like precision scientific instruments and jetliners. But the way we're producing them has changed as well: Even in sectors that have expanded production over the last decade, there are fewer jobs to be had—the so-called productivity paradox. The

reason? Production is increasingly automated, requiring more computers and fewer human beings. All this adds up to an economy that generates just as much income, but with profits flowing into far fewer pockets than they did in the previous century. Moretti suggests that the prognosis for the average American worker need not be so gloomy if, as he predicts, America continues to thrive as a hub of knowledge generation and innovation. While the idea creators—those who design iPhones and develop new drugs—will continue to be the drivers of prosperity, more than a few crumbs may fall to the workers who support them. For example, Moretti estimates that Microsoft alone is responsible for adding 120,000 low-skill jobs to the Seattle area, where the company is based. This is because of the support workers required to style the hair, cut the grass, and yes, build the houses, of all those Microsoft engineers and computer scientists. And they earn more doing it—a barber in San Francisco earns about 40 percent more than his counterpart in Detroit or Riverside, Calif. So one way of boosting incomes of the bottom quintile would be to provide incentives for them to pick up and move from the rust belt to innovation hubs like Austin, San Francisco, and Boston.”

—**Ray Fisman, *Slate***

“In *The New Geography of Jobs*, Moretti explains how innovative industries bring 'good jobs' and high salaries to the communities where they cluster, and their impact on the local economy is much deeper than their direct effect.”

—**Joann Steinmetz, *Buffalo Rising***

“*The New Geography of Jobs*, examines how and why hiring is stronger in some U.S. cities than in others.”

—**PBS NewsHour**

“Whatever this month unemployment report turns out to be, it's probably not gonna be great news for the Rust Belt. Best guesses are manufacturing jobs are still scarce. Meanwhile, new economy places like Silicon Valley continue to thrive. The difference? Location, location, location. So says economist Enrico Moretti in his latest book, *The New Geography of Jobs*.”

—**NPR MarketPlace**

“Professor Moretti is a visionary scholar and one of the most important new voices in economics.”

—**The Costa Report**

“The choice of where you live is the most important choice an American worker can make today.”

—**MSNBC - The Dylan Ratigan Show**

“The book is excellent, I strongly recommend it.”

—**Forbes (Adam Ozimek)**

“What explains the wide range of economic growth and prosperity across U.S. regions, and why is it so hard for struggling metro areas to reverse multi-decade trends? These are the questions that urban economist Enrico Moretti addresses in *The New Geography of Jobs*. In his vision, innovative workers and companies create prosperity that flows broadly, but these gains are mostly metropolitan in scale, meaning that geography substantially determines economic vitality. [...] Moretti has written a clear and insightful account of the economic forces that are shaping America

and its regions, and he rightly celebrates human capital and innovation as the fundamental sources of economic development.”

—**Brookings Institution (Jonathan Rothwell)**

“An important new book.”

—**The American**

“A bold vision.”

—**MIT Sloan Management Review**

“Enrico Moretti’s, *The New Geography of Jobs* has been exceptionally well received by many of the economic development literati. Some commentators have described *New Geography* as the best economic development book of 2012. And if you don’t read *New Geography*, you would also miss reading the best, most readable explanation and defense of innovation, knowledge-based economics and their effects on the location of jobs in the United States. There is a lot going on in *New Geography*.”

—**Journal of Applied Research in Economic Development**

“Economist Enrico Moretti finds that earnings of a high school graduate increase 7% for every 10% increase in the percent of people in a city that are college graduates. While having more high-skilled workers around tends to raise everyone’s salaries, Moretti’s research shows that low-skilled workers benefit four to five times more than college graduates. Even as liberals work to find a way to counteract the problem of the 1 percent, they should view HSI as a step toward turning America back into a true middle-class society.”

—**The Atlantic**

“Prof. Moretti’s findings are both significant and provocative.”

—**Institute for Research on Labor and Employment**□

“[There is] a growing divide among American cities. The winners are metro areas like Raleigh, N.C., San Francisco, and Stamford C.T. where more than 40 percent of the adult residents have college degrees. The Raleigh area has a booming technology sector and several major research universities; San Francisco has been a magnet for college graduates for decades; and metropolitan Stamford draws highly educated workers from white-collar professions in New York like finance. Metro areas like Bakersfield, Calif., Lakeland, Fla., and Youngstown, Ohio, where less than a fifth of the adult residents have college degrees, are being left behind. The divide shows signs of widening as college graduates gravitate to places with many other college graduates and the atmosphere that creates. “This is one of the most important developments in the recent economic history of this country,” said Enrico Moretti, an economist at the University of California, Berkeley, who recently published a book on the topic, *The ...*

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