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CREATIVITY AND ECONOMIC DEVELOPMENT

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Twice this week the *News-Star* has called attention to a presentation at Louisiana Tech by David McGranahan of the U.S. Department of Agriculture on the role of “energetic, talented, and knowledgeable people” in economic development. McGranahan no doubt is correct in highlighting the significance of creativity in economic affairs but this is nothing new. Rockefeller, Morgan, McCormick, Ford, Carnegie, Edison, among others are deeply enshrined in American economic history with good reason. More recently Turner, Walton, Dell, Omidyar, Jobs, Gates, to cite only a few, have been driving forces behind the U.S. economy. Each one in his own way was more than creative, he was visionary, was able to see what others could not and convert that vision into a commercially successful product or service. Further, many years ago economist Joseph Schumpeter trumpeted the role of the entrepreneur in economic development.

The old paradigm for U.S. cities was grounded in manufacturing: steel in Pittsburgh, beer in Milwaukee, shoes in St. Louis, automobiles in Detroit, farm equipment in Chicago, textiles in New England. In rural areas, the old paradigm centered on farming and natural resources including timber and minerals. The new paradigm in rural areas, according to Louisiana Tech’s Dave Norris and Kathy Wyatt is not based on “recruitment, incentives, and tax cuts” for established enterprises. Instead the new paradigm is based on “a general strategy aimed at attracting and retaining people - especially but not limited to creative people.” They cite Agriculture Department research that “rural and small metro areas with creative populations experience job growth that is typically twice the rate of areas with a less creative culture.” From a strictly analytical perspective, the issue reduces to which factor – job growth or creative culture – is the driving force.

McGranahan, however, in an April 2007 report published by the Agriculture Department which draws on three other publications that he had a hand in admits he does not know.

Counties with high proportions of creative-class residents appear to have more creative activity with regard to patents and technology adoption. It is not clear... if ... people who invent and/or adopt new technologies and practices may tend to locate in high-energy, creative-class settings or if high creative-class environments engender more patenting and technology adoption.

In the same report, McGranahan admits that the job growth rate depends on how one defines and measures the creative population. The measure he employs yields a rate of 44

percent for “high creative-class nonmetro counties” versus the 30 percent rate reported by Richard Florida.

There are a host of other issues that deserve scrutiny such as whether in making his estimates of job growth McGranahan included information on access to the county via modern transportation systems, on the commuting practices of creative persons who live in rural counties but work in nearby metro counties, on the spillover effect of job growth in metro areas on jobs in adjacent nonmetro counties, on the quality of basic public services including drinking water. Those issues might be pressed home with McGranahan at Tech on Wednesday.

Sometimes McGranahan’s reported statements are self-evident:

Good local universities alone will not lead to local economic dynamism as graduates move to more attractive places upon attaining their degrees. In this context, the key to local growth is to attract and retain talent, as talent leads to further job creation.

Sometimes they are confusing especially for higher education:

Counties dominated by colleges and universities also ranked high in creative-class proportions... Most of the nonmetro creative-class counties in low natural-amenity areas have colleges or universities.

Other economic development issues deserving of attention include most importantly the known destructive effects of successful entrepreneurship. Look at, for example, what WalMart did to Kmart and Sears, what Apple did to IBM, what CNN did to network news programming, what cell phones did to AT&T, what the Internet is doing to the print business. And if tax incentives “are not helpful,” as Norris and Wyatt claim in the *News-Star*, how do they explain the unusual and unexpected development of the film production industry in Shreveport?

They are right to argue that a business that has gotten incentives to locate can pull up stakes “at a moment’s notice.” But in the very same article they say that efforts must be made to “attract and retain creative, innovative, and entrepreneurial people.” Though not stating it explicitly, Norris and Wyatt are admitting that people too leave “at a moment’s notice.” Does this not suggest that it is necessary to find ways to attract and retain *both* business enterprises and creative people? Is it not a truism that creative people need work that is challenging and affords them opportunities to use and develop their talents, and that business enterprises need creative people to spark the innovational activities which will make the company competitive and successful in the future?

Finally, what is it that makes a creative person successful as an entrepreneur? The entrepreneur is the key agent in economic affairs because the entrepreneur precipitates change in the workplace and in the marketplace in five ways. In the marketplace, the entrepreneur introduces a new good or service and penetrates a new market. In the workplace, the entrepreneur utilizes different materials in the production process, introduces new production processes, and develops new business models. At times, more than one type of

change is necessary for success. For example, introducing a new product may require a change in the process of production.

Schumpeter identifies persistence as the key personal trait of the entrepreneur, setting him/her apart from others. The entrepreneur is dogged in the pursuit of his/her innovational ideas, and simply does not give up in the face of opposition. Entrepreneurs are visionary in the sense that they see opportunities and possibilities where others see nothing beyond the present. Large established companies resist entrepreneurial change in a way that is reminiscent of Newton's third principle of motion: for every action there is an equal and opposite reaction.

Thus entrepreneurs often are associated with small companies including firms that they themselves established specifically to implement their innovational ideas. They are driven at times by the survival needs of the company, but are not always successful. It is especially sobering to note that the chances are only one in five that a new business in the United States will continue operating five years after it was launched. Even so, entrepreneurs are more likely to accept the risk of failing and to try again in a culture where failure in business does not spell personal failure. Bankruptcy relief and "the golden parachute" are two ways in which the American culture encourages the entrepreneur to try again.

Unlike accountants, musicians, veterinarians, and others, the entrepreneur is not required to master a body of knowledge and demonstrate a certain set of professional skills. There is no designated educational pathway to becoming an entrepreneur, although entrepreneurial skills can be enhanced through formal education and training, and by entrepreneurial role models such as an older member of the family. There is no profession known as "entrepreneur" and no professional membership organization for entrepreneurs to join.

The typical business enterprise is like the human cell that must divide and separate in order to survive. For a company to prosper and endure, someone must be entrepreneurial. Failing to innovate assures its ultimate demise.

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