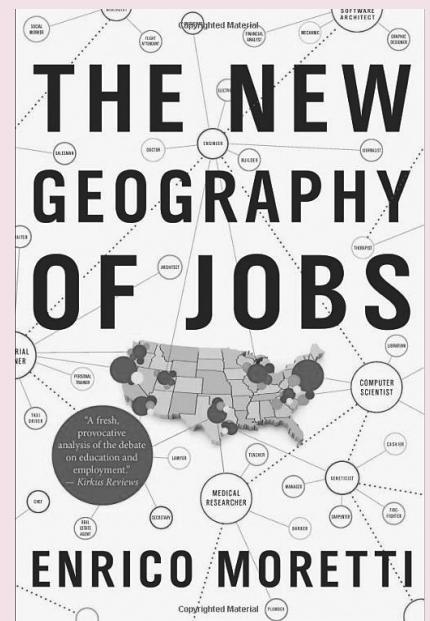


Book Review: The New Geography of Jobs

Moretti, E. (2013).
New York, US: Mariner Books
304 pp.

In the past few decades, we have observed that the world economy has become more integrated. Open trade and advance in logistics have shaped the global economic geography; products are made where the costs are cheap and shipped to everywhere around the globe. Manufacturing jobs have moved from one country to another. Many manufacturing towns in the US, for example, have become less and less populated as manufacturing jobs, that have long brought prosperity to American households and been a part of the “American Dream,” are moving out of the country, while manufacturing towns in emerging economy like China and Vietnam have grown dramatically. American workers in manufacturing sectors were particularly hit the hardest. It is obvious that an economic driver for the US, and for other developed economy, is no longer manufacturing.

If the manufacturing sector is no longer an economic engine of a country, one important question arises, then, what is a new economic driver for today's globalized economy now? And what can national and local governments do to thrive in this changing economy?



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The book “*the New Geography of Jobs*,” written by Enrico Moretti, sheds a light on economic landscape of jobs in today’s globalized economy. In Moretti’s view, globalization and new technological progress have shaped the economy not only at the global scale but also at the local ones. The new economic engine, Moretti argued, is jobs in innovation sectors. According to Moretti, “innovation sectors include advanced manufacturing, information technology, life sciences, medical devices, robotics, new materials, and nanotechnology. But innovation is not limited to high technology. Any job that generates new ideas and new products qualifies.” While these jobs in innovation sectors have impacted the global the economy through making break-through products or services available, these jobs are also an economic driver of local economies in places through their spending on local goods and services.

The reason why innovation sectors have become an economic driver is that the economic return of creativity and innovation has grown at a much higher rate than those of physical products—in manufacturing sectors, for example. As such, workers who are employed in these innovation sectors are likely to earn more than those who are not. But, in turn, these innovative workers help support local economy from their spending. When a company generates new jobs in innovation sectors, this higher employment increases the demand for local services. High salaries for workers in innovation sectors mean higher spending on local services such as waiters, nurses, hairdressers, teachers, and personal trainers. The impacts of workers in innovation sectors are captured in an economic concept called “multiplier effects,” that a dollar spending on local services can result in more than a dollar on the economy. Using the data of 11 million American workers in 320 metropolitan areas, Moretti found that for each new high-tech job in a metropolitan area, five new local jobs are created outside of high tech in a long run.

Human capital is the essential input for innovation. According to Moretti, “innovation makes intensive use of human capital and human ingenuity.” In fact, many scholars have agreed that human’s creativity and innovation is the core of economic development. For instance, Richard Florida’s notion of the creative class has shaped economic development strategies around the world (Florida, 2002). Cities have become more important as the locus of creativities and innovations, and therefore the center of cultural and economic activities (Glaeser, 2012).

This notion has a strong implication on local economic development as we can observe increasing polarization in the economy. While some cities in the US have faced job losses in manufacturing because these jobs move to other parts of the globe, some cities have grown into vibrant neighborhoods as jobs in high-tech and knowledge intensive sectors cluster. As we can see cities with high skilled cluster like San Francisco, CA and Boston, MA have thrived while old manufacturing towns like Buffalo, NY has experienced a constant decline in population. According to Moretti, this phenomenon is called “the great divergence” in America.

The book sheds light on the understanding of economic forces of contemporary economy and at the same time gives insight on development strategies for the local government. It gives reader insight on factors that drive contemporary economy that relies heavily on human capital, its profound effects on local economy, and suggestions to the local governance to harness and attract those talents. The book begins with the story of **America Rust**, the decline of manufacturing towns in the US, to give readers better understanding of historical economic development in the first chapter.

In the second chapter, Moretti discusses and emphasizes the important of **Smart Labor** in this new economy. A job in innovation sector is not just a job. It generates the prosperity to local economy through multiplier. According to Moretti, “the innovation sector generates a disproportionate number of additional local jobs and therefore profoundly shapes the local economy.” In addition, jobs in innovation sector tend to be high paid jobs. As such, these jobs generate demand on local services.

Moretti then argues that America is now entering the **Great Divergence** by comparing many characteristics of metropolitan areas in the US, for example, patents per capita, workforce education, and salary. This great divergence in America occurs not just economically but also socially as Moretti has shown the new geography of inequality in terms of life expectancy, divorces, and political participation.

If the great divergence occurs because jobs in innovation sectors tend to cluster in a certain place, why do firms tend to cluster in certain cities? And what draws talent near each other in such cities? These are **Forces of Attraction** discussed in chapter 4. Forces of agglomeration consist of (2) thick labor market, (2) the presence of specialized service providers, and

(3) knowledge spillover. Understanding these forces, argued Moretti, is important because they hold the key to success for making struggling cities more vibrant.

Moretti then moves on to discuss the key issues in economic development strategies for the local governance. In chapter 5, **the Inequality of Mobility and Cost of Living**, Moretti discusses the role of real estate development and gentrification as economic development strategies. In chapter 6, **Poverty Traps and Sexy Cities**, Moretti argues that “place-based policies” should be implemented to attract those talents. There are two approaches to revitalizing struggling cities: demand side approach and supply side approach. The demand side approach is to provide incentives to employees (firms) through tax breaks with the hope that workers will follow, while the supply side approach is to attract workers through improving local amenities and quality of life with the hope that employers will follow. Moretti also discusses the role of university in providing better-educated labor forces but the presence of universities is not enough on its own to sustain a cluster of innovative companies.

The book closes with the last chapter, **the New “Human Capital Century,”** by arguing that there should be more investment on innovation, from both public and private sectors, because it generates social benefits through knowledge spillovers and because of increasing social return of innovation.

“*The New Geography of Jobs*” indeed sheds some light on new economic driving forces and the role of governments at any level to tap into this new economic trajectory. Understanding these forces is crucial for the success of making struggling urban areas more successful. The book also leaves readers wonder whether the lesson learnt from the US can be applied to emerging economy like Thailand?” That is what next to be discovered.

Reference

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