The New Geography Of Jobs
"A persuasive look at why some U.S. cities have prospered in recent decades while others have declined."—Bloomberg Businessweek

We’re used to thinking of the United States in opposing terms: red versus blue, haves versus have-nots. But today there are three Americas. At one extreme are the brain hubs—cities like San Francisco, Boston, and Durham—with workers who are among the most productive, creative, and best paid on the planet. At the other extreme are former manufacturing capitals, which are rapidly losing jobs and residents. The rest of America could go either way. For the past thirty years, the three Americas have been growing apart at an accelerating rate. This divergence is one the most important developments in the history of the United States and is reshaping the very fabric of our society, affecting all aspects of our lives, from health and education to family stability and political engagement. But the winners and losers aren’t necessarily who you’d expect. Enrico Moretti’s groundbreaking research shows that you don’t have to be a scientist or an engineer to thrive in one of the brain hubs. Carpenters, taxi-drivers, teachers, nurses, and other local service jobs are created at a ratio of five-to-one in the brain hubs, raising salaries and standard of living for all. Dealing with this split—"supporting growth in the hubs while arresting the decline elsewhere" is the challenge of the century, and The New Geography of Jobs lights the way."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."—Jonathan Rothwell, The Brookings Institution

**Book Information**

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Enrico Moretti uncovered that for each additional job in manufacturing 1.6 jobs are created in local jobs ranging from barbers, waiters, to doctors and lawyers. But, for the innovation sector, the job multiplier is 5. Moretti explores the implications of those job multipliers for the prospect of cities. By doing so, he dismantles Timothy Noah’s The Great Divergence: America’s Growing Inequality Crisis and What We Can Do about It. Moretti observes secular changes in the American workforce. 150 years ago, 50% of the labor force was engaged in agriculture vs less than 1% today. Yet, the agriculture output is far greater now. US manufacturing is undergoing the same process. US manufacturing output is as large as China’s (pg. 36) and has doubled since 1970. Yet, the US manufacturing labor force is smaller than in 1970. Just as agriculture, manufacturing has become more productive and less labor intensive. Job growth is in good part generated by the innovation sector (Internet, software, scientific R&D, pharmaceuticals). The innovation sector employs 10% of the labor force. But, it has a huge influence on overall job growth. When an extra scientist is hired in a city, over time it creates 5 additional local jobs outside the innovation sector; 2 of them are professional (doctors, lawyers, teachers) and 3 of them are low skilled (waiters, clerks). This is because innovation sector workers are highly paid and have discretionary income to spend on local services.

The American economy has been transitioning from an industrial to a knowledge-based economy. While this country has stopped making several types of goods that have become commodities they’re cheaper to manufacture in countries where unskilled laborers’ wages are lower than those prevalent here, it has the current lead in the origination of patents and the production of goods and services for the knowledge- and idea-based industries such as entertainment, software, and pharmaceuticals. As a result of this transitioning, job seekers who are better educated are expected to have more opportunities available to them than those who are less educated. According to the book’s author, however, because those opportunities currently tend to be clustered in a limited number of cities only, America’s transitioning from old (industrial) to new (knowledge-based) economy is dividing the country into three opportunity zones: the few cities that are at the forefront of the new economy are currently and likely to continue thriving for years to come, those that have been devastated by the old economy are in danger of becoming ghost towns if they’re not able to reverse their fortunes, and those currently not on either end of the opportunity spectrum have to
work harder to lift their economy to the next level up. According to the author’s as well as other economists’ research, a new economy-type job usually pays better than a manufacturing job, and the creation of a new economy-type job tends to produce other jobs that are high-paying (e.g., doctors) as well as lower-paying (e.g., waiters/waitresses). Cities that can build on their comparative advantage in select business sectors to create new economy-type jobs can obtain good payoffs for their investments.

"The New Geography of Jobs" by Enrico Moretti offers an insightful perspective on the American economy. Presenting original research and analysis, Mr. Moretti explains why individual worker’s fortunes have diverged since the 1980s and recommends how we might lift up those who have been left behind. Mr. Moretti’s timely and persuasive book is sure to appeal to economists, policy makers and general interest readers alike. Mr. Moretti defines the ‘innovation industries’ as companies that depend on human ingenuity such as software, pharmaceuticals and motion pictures. Although the end product may be costly to develop, once the first copy has been made it can be replicated inexpensively; thus generating enormous profits. In an argument not unlike the one found in Robert Reich’s classic The Work of Nations, Mr. Moretti contends that the people and support infrastructures that surround innovation industries amount to a kind of ‘non-tradable’ industrial zone in the sense that these communities can not be easily moved or replicated elsewhere. Consequently, those metropolitan areas that can attract the kind of human capital capable of producing innovative and marketable ideas will prosper; while others that are dependent on more easily-replicable manufacturing industries will inevitably see their standards of living decline. Throughout the book, Mr. Moretti does an excellent job of illustrating key concepts through case studies. For example, Mr.

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