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Is the World 'Flat' or 'Spiky'? Rethinking the Governance Implications of Globalization for Economic Development

Richard C. Feiock, M. Jae Moon, and Hyung Jun Park

Feiock and his colleagues do a very good job summarizing the major ideas in Thomas Friedman's *The World is Flat* (2005) and Richard Florida's *The Rise of the Creative Class* (2002). Both books have shared many weeks on the short list of books likely to be mentioned whenever the topic of trends in the modern economy arises. Moreover, they continue to provide some underpinnings to any discussion of the process underlying economic development decisions. As Feiock and his colleagues argue, the economic stakes for cities and towns are high, as are the political upsides and downsides for local elected officials. They note that "understanding the

mechanisms by which growth occurs is fundamental to designing policies to promote economic development." Friedman and Florida offer provocative interpretations of these relationships and mechanisms, place them in larger contexts, and present their arguments in clear and readily accessible prose for readers anxious to understand what globalization means for their economic development strategies.

Feiock and his colleagues' premise is that economic development professionals have two significant models from which to choose to guide their work, which, ultimately, is to recruit and keep businesses in order to

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create jobs in their communities. The first, Friedman's "World is Flat" model, would lead localities to concentrate on using tools that reduce the cost of doing business relative to other localities. The most straightforward approach is through the use of incentives such as tax abatement and infrastructure improvement, as well as workforce training.

However, one must be clear that these serve as "deal closers" only after the municipality, town, or region has passed muster on criteria basic to the specific industry. These criteria include location for distribution-oriented businesses (i.e., access to transportation for obtaining raw materials and distributing products); educational quality sufficient to generate a workforce, expertise sufficient to ensure that companies can perform basic tasks, and appeal to workers with school-age children; and lifestyle options that (depending on the nature of the enterprise) are attractive enough for managers and others to agree to relocate.

The second model, Florida's "Creative Class" model, builds on the last of these considerations. It assumes that communities would be well served to concentrate on cultural amenities and resources that would attract the creative people who are the engines of the economy. These creative people do more than fill jobs; they create and grow companies. Other companies, in turn, will find this environment conducive to hiring and keeping talent.

Feiock and his colleagues not only argue that these models offer competing advice to practitioners and elected officials, but they also offer a third model that they say is better calibrated to advancing economic development. Conceptualizing Florida's and Friedman's arguments as a continuum, they argue that these authors offer economic pro-

professionals a choice between two extremes. At one end, those following Friedman's logic are to concentrate on creating direct incentives and an educated workforce; at the other end, those following Florida's logic must concentrate their resources on providing amenities that would draw creative people to the community. The authors argue, however, that these models miss the point: economic development follows regional rather than "flat" patterns (Friedman) or "spiky" patterns (Florida).

To some degree, this is a straw person argument. The polls of the continuum posited are not really in as much opposition as might first appear and as the article posits. When Friedman writes of a "flat" world, he is talking about an international-level playing field supported by an advanced telecommunications infrastructure, one that allows individuals and companies all over the world to compete. In this sense, geography does not matter, or at least it does not matter as much as it did. At the same time, Friedman is not writing about those who create the knowledge or technological advances that are so critical to economic development. Rather, he is focused on those who perform *support* services for those who create the knowledge. This occurs either through the analysis or entry of data, the provision of customer support, or the provision of like services.

The Friedman-Florida models are thus more complementary than they might first appear. The act of convincing existing businesses to locate in a community is indeed often predicated on the kinds of incentives one can offer, the costs of labor, available land, and a workforce able to supply qualified employees. As I noted, if a city or locale cannot pass muster on these, they are basically out of the recruitment game. For many companies, however, the decision-making process, even within a "cost-of-doing-business"

model associated with a Friedman view of the world, just enters another phase. In this phase, those considering the move often think about what might be called lifestyle amenities, cultural resources, entertainment options, and general livability.

My experience is that policymakers vary in the degree to which they will stress spending money on lifestyle amenities. It would seem that the main determinant of that spending is the political culture of the community rather than any overt strategy to minimize or maximize cultural amenities. The key to understanding the duality in approaches is that one (recruiting businesses in a flat world) is a matter of a relatively short-term political strategy and the other (drawing the creative class) is a matter of a political culture that supports a long-term political strategy. And the most likely basis of any community's commitment to providing a culture that welcomes creative folks is the community's own values. Any strategy toward a culture that supports the creative class is most likely a *response* to the community's citizenry for its own lifestyle purposes rather than an explicit economic development calculus.

Our experience in Knox County, Tennessee, is that the creative class argument addresses a relevant but decidedly indirect weight in the equation in economic recruitment. The City of Knoxville explicitly participates in a regional strategy to recruit industry. This recruitment strategy is not atypical of that employed in many areas. The selling points revolve around the advantages of doing business in the area. These include the costs of doing business, distribution advantages, low cost of living for employees, natural beauty of the area, and other livability factors.

Certainly these "livability factors" include many elements that are logical extensions of the creative class argument. However, it

would be a stretch to say that they represent an explicit use of a general strategy based on a creative class approach to economic development. In fairness, I should add that recently I got into a conversation with a new manager at a major media company located in town. When I asked why he chose to move here, he gave answers that would make Florida proud. This individual had been won over by the downtown lifestyle, theaters, restaurants, and art markets.

On balance, I would again emphasize that a missing component of all three models offered in this article (Florida, Friedman, and Feiock) is the type of industry involved. The world may be flat and, to some degree, so is the nation when it comes to the location of service centers. The nation is less flat when it comes to distribution and manufacturing. Most communities, thinking regionally, deal with the immediacy of meeting the needs of companies looking to relocate or expand by stressing the advantages they have over other cities in their region and by offering incentives. To be sure, Florida's model certainly has utility for these strategies, at the very least in the margins relative to the amenities that managers might prefer. But its application is much more long term and diffuse. And again, communities that work to provide lifestyle amenities that would establish an environment appealing to the creative class probably are motivated mainly by the appeal to residents rather than to potential transplants.

It is critical that economic development decision-makers understand the mechanisms of economic growth in order to derive successful economic development strategies for their jurisdictions and regions. And to the extent that thinking and acting toward that end involves creative class considerations, so be it. I agree, however, with both the authors and Laura Reese (see her commentary)

that building "cool cities" is not likely to yield results. In other words, there is no shortcut.

One other challenge correctly posed by Feiock and his colleagues is both the necessity and difficulties involved in creating regional cooperative strategies. I leave it to other commentators to speak more broadly on this issue, but I can report how Knoxville approaches regional development. Knoxville's regional cooperative strategy is multifaceted and built largely around a multi-county regional approach known as *Jobs Now*. This program is funded by local governments and local businesses. Its leaders help recruit businesses to the region by facilitating necessary discussions with local leaders when needed, while avoiding competition among jurisdictions. Local governments extend this cooperation by agreeing not to offer incentives for relocations of existing businesses within the region. This approach replaces a haphazard system often characterized by a lack of cooperation that had become painfully inadequate and counterproductive for both the city and the region.

Knoxville's role as the center, or informal capital, of its economic recruitment region is twofold. Of course, locating a company within the corporate limits of the city provides the greatest benefit to city residents. However, locating a company in the region is clearly a "win" as well. Thus, the city's strategy is regional in scope, with an explicit aim of pooling resources and using a third party to recruit and locate businesses in the most suitable location within the region. When a site within the City of Knoxville is identified by the *Jobs Now* staff, and after preliminary discussions have been held, Mayor Bill Haslam, former president of Pilot Travel Centers, personally meets and negotiates with industry representatives. *Jobs*

Now staff then initiate discussions with state officials to coordinate, among other things, any state incentives or necessary roadwork for the project.

Thus, I agree with Feiock and his colleagues that collective action problems can arise in the system. As they write, "Rather than functioning in a perfectly operating global market for jobs and new development, local governments operate in a quasi-market that is subject to market failures and driven by political, not just economic, considerations." I also agree, and as Knoxville's strategy illustrates, that "local governments can overcome transaction cost barriers to promote cooperation in regional economic development endeavors." In fact, Knoxville's strategy has relied on what the authors call for: "establishing positive reputations, repeating interactions among participants, making credible commitments, creating compatible incentive structures, and linking issues."

In sum, contracting or collective action difficulties can be overcome. And they must be nurtured and sustained by all involved, a dynamic best accomplished when regional economic development is not seen as a zero-sum game but as a mutually beneficial one for all concerned. Feiock and his colleagues have done a service by sorting out the choices, challenges, and opportunities awaiting those who take this path, rather than short-term and simplistic fixes premised on the latest *NY Times* bestseller lists. Our experience in Knoxville also suggests, however, that the choice between flat, spiky, and lumpy approaches is also not a zero-sum choice. Those who make it so, or who try to make their city into something it is not, risk significant strategic failures.

References

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