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Social tolerance and economic growth

In 2005, Washington state considered enacting a bill to ban discrimination against gays and lesbians. Microsoft, one of the largest employers in that state, caved-in to pressure from conservative groups and initially decided not to support the measure. However, when faced with an intense backlash from its own employees, Bill Gates and CEO Steve Ballmer not only were forced to publicly reiterate the company's support for gay rights but also to dedicate resources to lobbying in favor of the measure. In any event, the bill failed to be enacted by one vote.

Coincidentally, Microsoft recently announced a significant expansion of its operations in Puerto Rico. It would have been extremely interesting if one of the journalists covering the Fomento-sponsored photo-op would have asked Microsoft management what it thought about recent efforts under way in the local legislature to draft legislation that would amend the Puerto Rico constitution to legally allow discrimination against unmarried couples.

I could imagine the following tableau, had that question been asked: a sudden look of panic would be replaced by one of utter confusion across the faces of Microsoft's executives as they stuttered something to the effect that they were not aware of any such measure.

Meanwhile, Fomento's representatives would probably be caught looking to the side or, having discovered a sudden, profound interest in the state of ant life in Puerto Rico, intensely stared downward as if the question had nothing to do with them. The embarrassing silence would finally be broken by one of Fomento's PR people who would tersely state that questions should be limited to Microsoft's announcement.

The irony here is that the question would have been entirely appropriate given the subject at hand, namely, investment and growth in the knowledge economy. See, in this economy human creativity is the ultimate economic resource. The ability to come up with new ideas, with new and better ways of doing or building things is what ultimately leads to increases in productivity, higher wages, and a better quality of life. Ideas, however, do not grow spontaneously in the wilderness. You need people, highly creative people such as scientists, engineers, computer programmers, designers, architects and other knowledge-



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based professionals to think all those new ideas. Professor Richard Florida collectively calls these people the "Creative Class."

In the knowledge-based economy, business firms locate where there are significant concentrations of Creative Class people. In the words of Carly Fiorina, former CEO of Hewlett Packard, access to brains, not tax breaks, is the most important consideration in choosing where to invest. Members of the Creative Class, in turn, prefer to live in areas with high degrees of openness and tolerance. Indeed, Professor Florida has found and documented "significant positive correlations between regions that boast a large concentration of high-tech companies and those with large gay, bohemian, and immigrant populations, places such as the San Francisco Bay area, Boston, Austin and Seattle, where Microsoft is headquartered."

Florida argues in his book, "The Rise of the Creative Class" (Basic Books, 2004), that economic growth is driven by the interplay among and between technology, talent and tolerance. Cities and regions that provide all three, places such as San Francisco and Seattle, will grow and prosper; while places that don't will wither away and stagnate, like Detroit and Buffalo.

Furthermore, Florida found that of the three factors, tolerance appears to be the most important driver of employment growth. He devised various statistical indices to measure the presence of gay, bohemians (artists) and immigrants in various communities as a proxy for diversity and tolerance and consistently found a positive correlation between social diversity and employment in high-tech industries.

Note that Florida is not arguing that gays and bohemians lit-

erally cause regions to grow. Rather, he is suggesting that "their presence in large numbers is an indicator of an underlying culture that is open-minded and diverse, and thus conducive to creativity." In principle this relationship between social tolerance and the Creative Class should not be surprising to anyone. Talented people can be of any race, gender, ethnicity or sexual preference. Furthermore, creative work in the knowledge economy can be downright subversive, since it disrupts existing patterns of thought and life. Such subversion, in fact, is necessary to generate new ideas and ways of looking at the world.

All of which points to a huge inconsistency in our government's discourse regarding economic development. On one hand, a few government officials pay lip service to the wonders of the knowledge economy. On the other hand, some government officials seem not to have realized that a knowledge-based economy needs a strong base of creative workers. We need the kind of people who are by nature curious, defiant, insubordinate, disobedient, and non-conformist; many of whom have probably been stigmatized as odd, strange, or weird since grade school. These people, according to Florida, "see themselves as members of a broad, creative force, not as corporate officers or organization men; thus, they gravitate to stimulating creative environments, to places that offer not only opportunities and amenities, but openness to diversity, where they feel they can express themselves and validate their identities."

So, does Puerto Rico offer a culture that is open-minded and diverse, where creative people can express themselves and validate their identities? The answer is a resounding no. If we do not change this hostile environment, then the costs in terms of forgone economic growth will be enormous. In the words of Florida, "appealing only to traditional families and excluding or denigrating everyone else may be good propaganda for the culture wars, but as a development strategy it is a disaster. Any region or politician that tries it will surely turn away a lot of talented people." In other words, you need a 21st century society to support a 21st century economy.

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