



# The New Geography of Jobs

*Enrico Moretti*

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## The New Geography of Jobs Details

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# From Reader Review The New Geography of Jobs for online ebook

## Aigerim says

Highly recommend this book! Besides labor and urban economists, this book will be useful for those interested in jobs, innovation, workforce development, education and more. It attempts to explain why high-tech jobs are located primarily in the Silicon Valley, Raleigh-Durham, and Boston/Cambridge, why high-skilled immigrants are important for the U.S. economy, why your neighbor's salary affects yours, and more. Moreover, I've found it interesting to look at job creation and development from a city perspective instead of a traditional country perspective: Berlin and Miami vs. Seattle and San Francisco vs. Detroit and Flint (creative cities vs. high-tech vs. industrial).

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## Amy says

A great summary of Moretti's and other economists' research on why highly skilled workers tend to be attracted to cities, and why some cities become "innovation hubs" that make everyone who works there wealthier -- not just the best-compensated people -- compared with workers in cities with fewer knowledge-intensive jobs. Moretti raises his concerns about "The Great Divergence," his term for the fact that people's incomes, educational attainment, and even health are better in prosperous cities than in those that are falling behind. Among his proposals are increasing federal subsidies for basic research, which can lead to high-tech jobs years later, and improving public transportation to allow more workers to commute to jobs in expensive but especially productive cities such as San Francisco and New York.

If your primary concern is earning potential, then follow Moretti's advice and move to Silicon Valley, or Manhattan, or London soon after college graduation. If you have other priorities, his suggestions may be less instructive. Wendell Berry would be an interesting counterpoint to this book.

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## Jared Oliva says

I picked up this book a couple years ago because I was tired of reading periodicals constantly trying to incite American class warfare. Specifically, the articles and journalists that decried upwardly mobile sectors (like tech), but never gave holistic pictures of the actual problem or potential solutions to urban inequality.

Enrico Moretti, professor of economics at UC Berkeley, describes how developments in the US economy have contributed to the evolution (or devolution) of urban centers all over the United States. He also demonstrates how reactionary policies in both business and government can determine the rise or fall of American cities.

There are a lot of good case studies and trends in the book-- too many for a GR review. However, my favorite one was the job multiplier effect.

*"Every time a company generates a job in the innovation sector, it also indirectly creates additional jobs in the non-traded sector in the same city. Attracting a new scientist, software engineer, or mathematician to a city increases a demand for local services. This in turn means*

*more jobs for cabdrivers, housekeepers, carpenters, nannies, hairstylists, doctors, lawyers, dog walkers, and therapists" etc. (p. 59)*

This exemplifies the strengths of community synergy between skilled and high-skilled labor.

Moretti's *New Geography of Jobs* gives an honest, balanced insight into the systemic issues facing American cities, not just their symptoms.

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## **L.A. Starks says**

Moretti's book, copyrighted in 2012, is ahead of the curve of books like JD Vance's *Hillbilly Elegy* and Charles Murray's *Coming Apart* but gives early hints of the same thing. The book is both investigative--what causes job clusters in cities, especially Silicon Valley--compared with areas unable to attract jobs--and then what should be done to mitigate the divergence.

Moretti's factors include an important mesh of seed companies, early (but not continuing) public investment, strong universities, and good lifestyles.

Moretti's prescription for areas that fall behind rely, alas, on new government programs, and the assumption that the federal government is efficient and unbiased.

It is possible to wonder what might have happened to, say, Solyndra, if we'd taken trade negotiations and currency devaluation by other countries more seriously sooner. As well, Moretti neglects private incentives like the investment resulting from income tax cuts. He does make a good point about labor stickiness--sometimes, people don't want to move to areas with open jobs for family and other reasons.

I highly recommend this book to those interested in job geography for Moretti's research, analysis, and non-obvious conclusions about factors that encourage job growth in specific locations. It's instructive that he wrote it while on sabbatical at Stanford University.

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## **Stefani says**

I was actually pretty surprised at how much I didn't enjoy this book, since I had been looking forward to reading it for a while. Perhaps it's because Moretti's basic premise, that economic goods clusters are great for the economy because they promote growth, is really not anything new (see anything that Michael Porter has ever written). There might be a slight new angle in that the technology sector is now the beloved cluster example of choice and is different from past clusters like manufacturing because it is a knowledge-based good, rather than a physical labor-based good.

My biggest objection throughout the book however, has more to do with the way the author treated the subject of low- and moderate-income individuals, when he chose to do so at all. His suggestion for people

losing out because they don't have knowledge-skills is to simply move cities to where there might be more jobs. And there is a continual undervaluing of the impacts of displacement and systemic inequalities in education and neighborhood stratification. I would have liked to have seen a much deeper analysis of all the externalities of the growth he discusses in his book.

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## **Sean Williams says**

### **Didn't really answer any questions**

This was a solid book, but it raised a few questions that it really just ended up glossing over. Like it ignored the fact that visa recipients are usually willing to work for less money. Or that cost of living in innovation hubs may not matter much for the creative class, but it matters much more for the service sector people. Overall, it just didn't answer all the questions it brought up.

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## **Paul Signorelli says**

UC Berkeley professor of economics Enrico Moretti, in "The New Geography of Jobs," creates a wonderful complement to Richard Florida's books (e.g., "The Rise of the Creative Class" and "Who's Your City?") through his explorations of how our choices regarding our education and where we live affect the career and earnings options available to us. His first-rate research, combined with his ability to make information visceral through storytelling, make this an engaging work that never loses sight of the human-level impact of the topic he is addressing. The final chapter, "The New 'Human Capital Century,'" will be particularly interesting to anyone involved in training-teaching-learning--particularly the sections on "Why Inequality Is About Education" and "Math Races." There may not be ground-breaking revelations here, but there is a solid framework that helps keep us focused on the changing landscape of employment and opportunity (or the lack thereof) in our country.

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## **Bill Manzi says**

The "New Geography of Jobs" by Enrico Moretti is a book well worth reading despite the fact that it is a few years old. Moretti tackles issues of the economic divisions that exist in the country, how they developed, and why the trend is likely to continue under current conditions. Moretti describes the geographic clusters that have produced great jobs for the highly educated, while leaving some areas of the country (flyover country?) behind. How did these clusters come into being, and why are they not easily replicated? Moretti tackles those subjects with great and understandable analysis.

The implications of these economic developments in the United States have exploded onto the political scene, with the economic divisions Moretti highlights becoming the cultural and political divisions that have divided the country so seriously. Moretti refers to the "Great Divergence" and sees the trend-line of economic inequality increasing.

"This Great Divergence is among the most significant developments in recent American economic history. As communities grow apart, the U.S. population is becoming more and more segregated, not across urban neighborhoods but across cities and regions. With every passing year, college graduates are increasingly

settling in cities where many other college graduates already reside, while high school graduates are increasingly settling in cities where many other high school graduates reside.”

Moretti, Enrico. *The New Geography of Jobs* (p. 102). Houghton Mifflin Harcourt. Kindle Edition.

That dichotomy really has had a broad (and negative) impact, which we are seeing the tangible results of. The geographic divisions have indeed, in my view, deepened and hardened our cultural differences.

“This has tremendous economic implications, but also social and political ones. A country that is made up of regions that differ drastically from one another will end up culturally and politically balkanized. Moreover, the concentration of large numbers of poorly educated individuals in certain communities will magnify and exacerbate all other socioeconomic differences.”

Moretti, Enrico. *The New Geography of Jobs* (p. 104). Houghton Mifflin Harcourt. Kindle Edition.

Moretti certainly has that right. He talks about the economics driving the “great divergence,” and how those economics work. We often talk about how the supply chain influences business decisions on where to locate. Moretti highlights the “human supply chain,” showing us how the innovation sector, relying on “human capital,” has tended to concentrate geographically. ?

“This trend reflects deep changes in the global technological landscape and the United States’ comparative advantage in the world economy and is therefore unlikely to go away anytime soon. It is almost as if, starting in the 1980s, the American economy bifurcated. On one side, cities with little human capital and traditional economies started experiencing diminishing returns and stiff competition from abroad. On the other, cities rich in human capital and economies based on knowledge-intensive sectors started seeing increasing returns and took full advantage of globalized markets.”

Moretti, Enrico. *The New Geography of Jobs* (p. 106). Houghton Mifflin Harcourt. Kindle Edition.

As the traditional U.S. business hubs have faltered (manufacturing, steel production, auto production) these innovation hubs have driven economic growth, and contributed to this great divergence. Those hubs are concentrated geographically, and Moretti brings us the dynamics of why that is. Some of the facts brought forward are counter-intuitive, but upon examination make good sense. (Outsourcing traditional jobs from U.S. does not impact some “innovation hubs,” who continue to provide logistical support to the offshore enterprises, as well as non-innovative job classifications doing substantially better within the confines of an innovation hub than outside of it)

Moretti has written a book that is understandable to non-economists, without technical jargon. In discussing how these innovation hubs develop geographically Moretti gives us the example of Wal-Mart.

“But when Walmart set out to enter e-commerce twelve years ago, it did not choose to locate its Internet division, Walmart.com, in Bentonville. Nor did it choose Bangalore, where costs are even lower. Instead it chose Brisbane, California, just 7 miles from downtown San Francisco, one of the most expensive labor markets in the world. (It also happens to be an area that is politically hostile to Walmart, which makes it hard for the company to open many local stores.) What sense does this make, given how aggressive Walmart is in keeping the costs of every division under control? Has Walmart betrayed its own business model? No. As it turns out, in the world of innovation, productivity and creativity can outweigh labor and real estate costs. Walmart saw three important competitive advantages to a San Francisco location, which economists refer to collectively as the forces of agglomeration: thick labor markets (that is, places where there is a good choice

of skilled workers trained in a specific field), the presence of specialized service providers, and, most important, knowledge spillovers. Although not much discussed, these forces ultimately determine the location of innovative workers and companies and therefore shape the future of entire communities.”

Moretti, Enrico. *New Geography of Jobs* (pp. 123-124). Houghton Mifflin Harcourt. Kindle Edition.

As discussed this book gives us some of the underlying economics, and the impacts of those economics. The economic divide is becoming starker, with the highly educated widening the economic gap between themselves and those without higher levels of education.

“But whatever Americans’ self-perception is, differences in income levels are growing. As we have seen throughout this book, this increase has a strong geographical component. But it is also skill-based. Table 4 shows how the hourly wage of full-time male workers has changed since 1980 depending on their level of schooling. The wages of men with less than a high school education and of those with just a high school education today are lower than they were in 1980. By contrast, the wages of college graduates have increased significantly. The gain is even larger for workers with a master’s degree or a PhD. The “college premium”—the wage gap between those with high school and college educations—is the measure that labor economists most commonly use to track changes in labor market inequality, because it best captures the difference between the typical skilled worker and the typical unskilled worker. This premium was relatively small in 1980—only 31 percent—but has been growing every year since then and is now more than double its 1980 level. This difference is even higher when you account for other aspects of compensation, as college graduates tend to have better employer-paid health insurance and more generous pension contributions.”

Moretti, Enrico. *The New Geography of Jobs* (pp. 222-223). Houghton Mifflin Harcourt. Kindle Edition.

As we feel the impacts of political polarization and the vast cultural divide in America and wonder how we came to be in this position this book helps shed important light on the subject. Moretti has written an outstanding book which I recommend highly.

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## **John Barbour says**

This was my first foray into geographical economics or economic geography. The bottom line to the book is this: Jobs cluster around innovative centers. Because of this, there is a great divergence in salaries and standard of living that is taking place in America between the most and least innovative metropolitan areas. This has created three Americas (including the middle between the extremes).

All of this is because of a thing called agglomeration that occurs in innovative areas from such seemingly random events as Bill Gates locating Microsoft near Seattle, where he grew up instead of Albuquerque. Agglomeration is a word that describes the benefits that firms obtain when locating near each other.

According to Moretti, there are three primary factors contributing to this.

1. Big demand for innovative workers and big supply of innovative companies.
2. A kind of ecosystem that develops in an area that includes venture capitalists within close driving distance.

3. The idea of knowledge spillover which is a type of human capital externality.

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### **Yraya W. says**

This book was actually quite good. It started off really confusing, especially for someone like me who doesn't know much and isn't quite interested on business or jobs. However, the more you read the more it started to make sense. It got a lot easier to read and the content was very nice. It taught me a lot of things and it all made sense. I had to think about every now and then, but overall it was pretty good. The author included lots of facts and made sure that everything flowed well. His organization was well thought out as one thing lead to the other. I think it explained its point very well and persuaded people on how to help America be less divided.

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### **Marks54 says**

This book is a review ad update on research regarding the economics of geographic clusters in the US. It builds on an important line of work (including that of Krugman that was important in his Nobel Prize) which seeks to explain the emergence of various industry clusters, most notably those in Silicon Valley outside San Francisco or along Route 128 in the Boston area.

The idea is that geography is very important in US economic growth. While some metropolitan areas are growing and prospering, others (Detroit; Flint) are suffering and shrinking, and a third group is somewhere in the middle. By why is geography important, especially in the age of the Internet, when it is easy to connect with people from all over the world instantaneously? The punchline is that for some sorts of knowledge (tacit knowledge), which is often critical to new businesses, face to face contacts and interactions are important and geographic separation does not promote that interaction. Once a basic set of entrepreneurs and firms is established, however, a series of network and agglomeration economies come into play that make it more valuable for individuals to link up with others in the same area. Once a cluster is operating, it is a good and economical idea to move there and take advantage of the indirect benefits (spillovers) that one can get from those already there. This is not just important for those in a critical global industry and its stars (Apple, Google in the Bay area), it is also important for local workers not involved in the industry, who benefit from the successes of the globally competitive industry.

These are all really good ideas and they are backed up with sound economic research. The book is well written and clear, which is unusual for economic writers (Krugman aside). If you want to look at the research in detail, go to the articles. For more general perspectives on these issues, this is a nice volume. I am not really sold by the last chapters - on what to do about these negative trends. But the book stays away from fads and simplistic solutions and lays out the issues well.

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### **Veronica says**

"If you are a below-average worker, Europe offers better security. If you are an exceptionally talented individual, however, the United States offers more: your career will progress faster and your salary will be significantly higher. The United States has one of the highest returns on education among industrialized



countries."

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## **Bobparr says**

In questo periodo di vita costellato da libri nei quali voglio ritrovare un senso (non alla vita, ma alla attualità, e non so quale dei due sia piu' complicato) mi capita tra le mani questo di Moretti - che invidio gia' un pochino per il domicilio e per l'eta'. Il testo, originariamente scritto nella lingua del Bardo, è stato tradotto in italiano ed è semplice e immediato - come si richiede ad un testo anglosassone. Il corpus di studi e analisi di dati è ampio ed articolato e assai interessante.

Il fatto che sia sbilanciato sugli USA e' fin da subito dichiarato e non disturba. Anzi, sapere che gli americani che non hanno studiato e che abitano nei luoghi meno attrattivi degli States hanno la stessa prospettiva di reddito dei nostri migliori laureati nelle città del NordItalia, mi fa sentire un poco meno solo nel mondo.

Il messaggio che mi arriva e': studia e spostati.

Il fatto che tu abbia un futuro esattamente dove abiti e' solo questione di fortuna.

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## **Christian Overbey says**

This is an enlightening book. It attempts to explain income inequalities, income pricing, and global economies in the US context. It is depressing and exhilarating with winners and losers. If you feel like the 1950's were the best time ever, you will not particularly like the news.

There are bright spots and not so bright spots...craft is coming back, kind of. Everything will be mass produced, unless it is high-end specialties for well paid innovation workers.

Innovation is where it's at. That should be the subtitle and that is what ties it all together. Pay attention to this concept. It explains a lot, but not everything. It will be better to have a high school education in silicon valley than in Detroit.

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## **Garret Christensen says**

If you want to understand the long-run forces shaping the modern economy, read this book. Why can't I afford an apartment in Berkeley? Why are there no jobs in the middle of the country, or for less educated workers? What about immigration?

The only problem with reading this book is that unless you already own a home in SF, Seattle, Austin, DC, or a handful of other places, \*and\* are very well educated (I'm 1 for 2), you're SOL. The cities with tech jobs will continue to grow, the well-educated will continue to do fine, and former manufacturing cities and their on average less well-educated workers will continue to decline. (There's really not much political in this book, though there are a few basic policy prescriptions--America either needs to educate its workforce a lot better or let in more high skilled immigrants. We should also tweak unemployment insurance by helping the unemployed move from weak labor market states to hot ones, and building more housing in the hot one.)

Most economists are terrible writers; Enrico is refreshingly good. It's full of anecdotes explaining the data--almost like a journalist or someone who knows how to talk to human beings wrote it.

