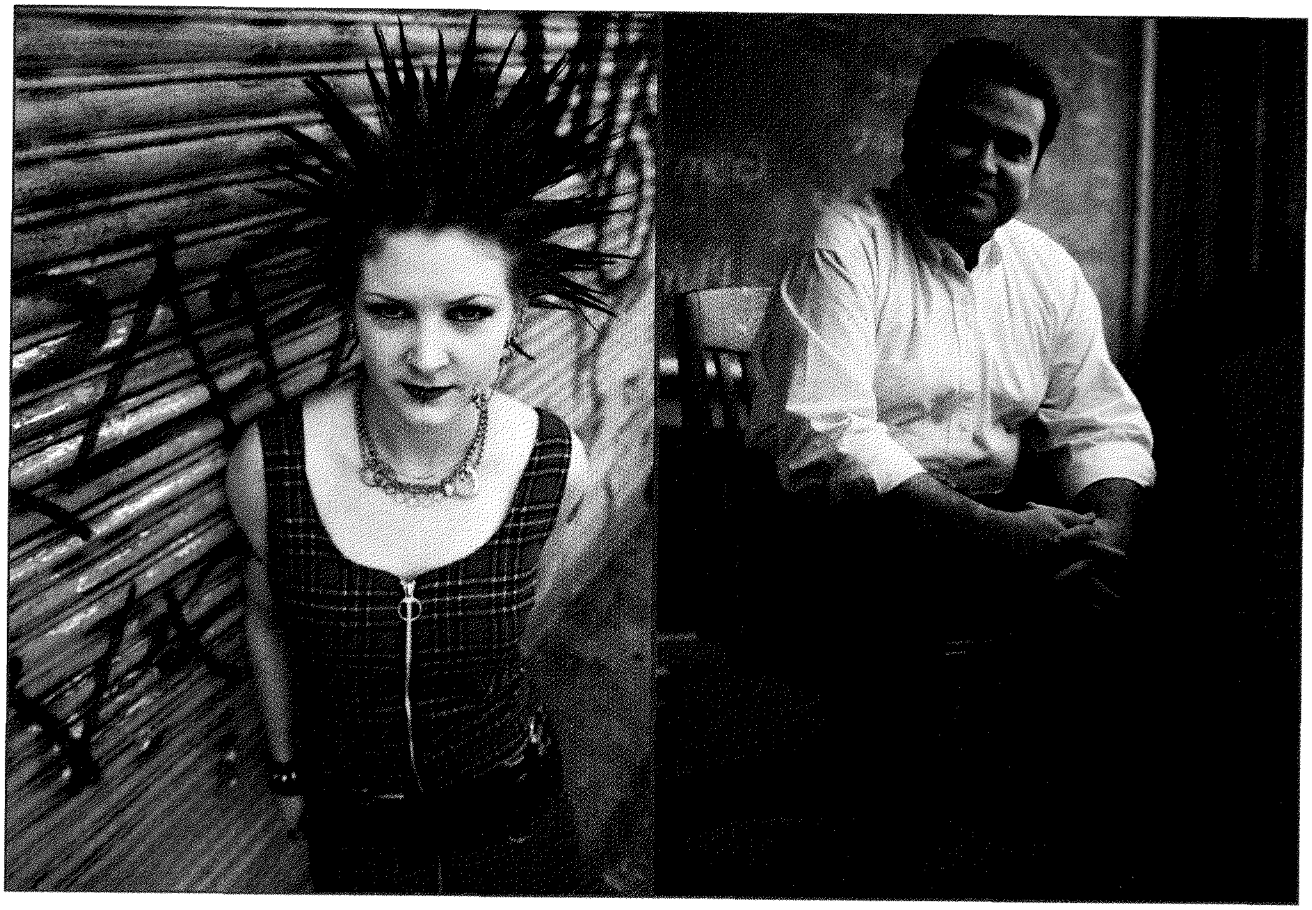

Paths to Prosperity

Many journalists believe yuppies, bohemians, and rock bands are the key to local economic growth. They ought to be looking at families.

By Joel Kotkin

It has been a disappointing couple of years for many entrepreneurs across the nation, but for Ramon Alvarez things have never been better. Sitting in a cramped office at his bustling car dealership within a sprawling auto center here, the 43-year-old Alvarez looks forward to the rest of the year, indeed the next decade, with nothing but eager anticipation.

The poor performance of San Francisco and other glamour economies rebuts trendy claims about the underpinnings of economic growth.

"The Dow says the sky is falling," explains the lean, handsome native of Tijuana. "But we are breaking records here almost every month, and so are all the other local dealers. We're up 8 percent from last year."

Alvarez, who bought his Ford-Lincoln agency seven years ago and added a Jaguar dealership last year, has boosted his sales from ten cars per month in the mid 1990s to 114 a month now. He credits most of his success, and that of the other 15 dealers at the Riverside Auto Center, to the remarkable demographic and business growth that has made the Riverside-San Bernardino region of Southern California into arguably the strongest regional economy in the nation. Since June 2001, this highly suburban region east of Los Angeles, known locally as the Inland Empire—with a population exceeding 3 million people—has enjoyed annual job growth of over 3 percent.

No other area of the country of comparable size has experienced anything like this rate of job creation during the current soft economy. According to Economy.com, California's overall job numbers *fell* by 0.2 percent during the same period (driven largely by a rapid collapse of the over-inflated, over-hyped tech sector in the San Francisco Bay area), while the national rate dropped by a full percentage point.

The striking success of the Inland Empire—and the poor performance of places like San Francisco and other glamour economies of the late '90s such as New York City, Boston, and Seattle—sharply rebuts recent conventional media wisdom on the underpinnings of economic growth. In the late 1990s, a trendy argument launched by academics and propagated by journalists held that future economic growth depended on attracting high-technology workers and affluent yuppies. It was said that this in turn would happen only in places with lots of graduate students, artists, bohemians, homosexuals, and unmarried singles packed into a vertical city with loads of nightlife. In other words, places exactly the opposite of the sprawling, highly familial, lower-bourgeois Inland Empire.

The person most responsible for making this argument fashionable in development circles has been Carnegie Mellon University professor Richard Florida, author of a book called *The Rise of the Creative Class* and related articles like "Why Cities Without Gays and Rock Bands Are Losing the Economic Development Race." His ratings of desirable business locales are actually built on things like the "Coolness Ranking" (which counts things like bars and nightclubs per capita), the "Bohemian Index" ("artists" per capita), and the "Gay Index" (measuring the number of homosexuals, not how chipper citizens are).

Economic Valhalla, says this guru, lies not in appealing to business executives, mundane industries, or (least of all!) families. Rather, locales must make themselves attractive to the more effete, fashionable, culturally liberal group he calls the creative class—which covers everything from fancy lawyers and boutique owners to caterers and computer geeks.

Florida's analysis relied on some spurious interspersing of data sets. The high-tech concentration in the Bay Area proved gays and bohos (bohemians) were good for high tech, he announced. Never mind that very few of the tech jobs were located close to the Castro District, San Francisco's gay mecca. The reality that Silicon Valley is centered in dreary suburban San Jose and the San Francisco peninsula was not allowed to intrude on this blissfully wishful analysis. And no media watchdog bothered to test Florida's claims before passing them on.

Admittedly, during the dot-com boom of the late '90s, such an approach made at least passable sense. Artsy places like Seattle's Belltown, San Francisco's South of Market, and lower Manhattan were hot. But with the crashing of the dot-coms, such ideas are loopily out of sync with reality. Those markets now have some of the highest vacancy rates and lowest job growth totals in the nation.

Today, economic growth is more likely to be found in areas dismissed by Richard Florida and his media supporters as barely worth living in. It's not likely that this correction will be trumpeted with anything like the fervor of Florida's original claims, however, because many journalists prefer his original perspective. In fact, a whole industry has arisen over the last decade to promote the premise that economic growth directly follows "quality of life" factors that appeal to singles, young people, homosexuals, sophistos, and trendoids. What really matters are dance clubs, cool restaurants, art museums, and hip shopping districts, many writers agreed.

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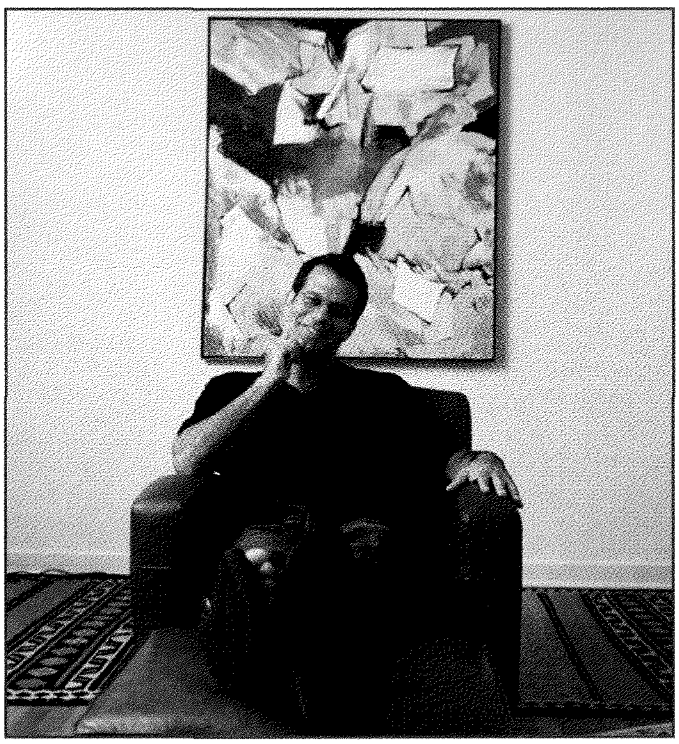
If you go to today's new growth hot-spots, however, you will find few of those supposed prerequisites of prosperity. Instead, in a land like the Inland Empire you will see single-family homes, churches, satellite dishes, and malls. These are places where households, not singles, dominate the economy. These are cultures attractive to ordinary families. And therefore to business people.

The reality is that family strength has a much longer and deeper track record as an indicator of economic health than bohemianism.

Family is the key factor here. The places high on Florida's "Creativity Index," such as San Francisco, Boston, and Seattle, also tend to be the parts of the U.S. with the fewest number of children per capita. In contrast, thriving places like McAllen, Boise, Fresno, Fort Worth, Provo, and the Inland Empire have among the highest percentages of children in the nation. And the reality is that family strength has a much longer and deeper track record as an indicator of economic health and entrepreneurial motivation than homosexuality or bohemianism.

America's new growth spots tend to be economies centered around basic industries like construction, distribution, retail, and low-tech manufacturing. This can be seen in the relative success of such diverse economies as Portland, Maine; Sioux Falls, South Dakota; and McAllen, Texas. Some tech centers—like Boise, Raleigh, Austin, and Provo—also rank as family-friendly locales, with well-above-average rates of married-with-children households.

In addition to being much more family friendly places, today's growth regions tend to differ from fashionable but economically lagging parts of the Northeast and coastal California in another way: They have different attitudes toward business and enterprising. Places like the Inland Empire are very friendly toward founders and builders of business establishments. In these places, expansion is regarded by citizens, local government, and regional media much more as a good thing than as a source of problems. That attitude is reversed in many more culturally liberal regions—and in the national media.



Richard Florida

"The governments here are basically honest and in tune with what people want in terms of jobs and services," believes Jack Brown, president of Stater Brothers, a San Bernardino-based food chain that has been adding roughly seven stores a year over the past decade, and now has 90 establishments spread throughout the region. "People here are not against growth."

Shifts in the logistics of business have also helped many of these regions succeed, suggests Jack Kasarda, a professor at the University of North Carolina's business school. Rather than being forced to locate their plants, storage warehouses, and distributions centers near major cities and entry ports, businesses now often set up in less congested areas with good air, rail, and freeway links, hardworking labor pools, and pro-enterprise attitudes.

This explains much of the rapid growth in places like McAllen, Texas—which has become the key shipping location in the Rio Grande Valley, and thus the hub for half of all trade between Mexico and the United States. Buoyed by a strong increase in distribution and manufacturing employment, the McAllen area enjoyed job growth of 2.5 percent over a recent 12-month period when the rest of Texas suffered a stagnant economy.

The successes of communities like McAllen are not flashes in the pan, but the culmination of many years of steady growth. Their solid growth patterns merely become more visible when other splashier industries and regions fall back to earth. "These places have been growing fairly consistently for over 30 years," says Kasarda. McAllen has been among the ten fastest growing metropolitan areas in the nation, measured by job creation, in every year of the past decade. The region grew in population by nearly 50 percent during the 1990s, to a current total of over 500,000 people. Over the last two years, McAllen recruited firms that added over 4,500 new jobs, mostly in call centers, distribution, and manufacturing.

Nowhere are the new patterns of job and population growth more evident than in the Inland Empire. The area has steadily increased its share of southern California's rail, truck, and air-transport business activity. An astonishing 70,000 logistics and manufacturing jobs were added during the '90s. In contrast, the coastal counties around Los Angeles lost over 43,000 such positions.

Once-obscure Ontario Airport on the outskirts of L.A. has now become a major air shipment hub, with six direct non-stop cargo flights to China daily. It now serves as the West Coast headquarters of UPS. The conjunction of these transportation nodes with cheap space—industrial and warehouse square footage costs roughly half what it does in Los Angeles—has made the intersection of Interstate 10 (the link to L.A.) and Interstate 15 (the north/south route between Las Vegas and San

Diego) the busiest truck route in the nation.

But being a trucker's heaven tells only part of the story behind the Inland Empire's relentless growth. Even more important, suggests local economist John Husing, has been the stimulus provided by continuing migration of families to this region. Roughly 50 miles east of the southern California coast, people come here seeking affordable homes, a less urban environment, and room to grow. These things are hard to find in congested and pricey L.A.

Since 1990, Husing reports, more than 660,000 people have moved into the San Bernardino-Riverside area. The bulk of this growth comes from family-minded ethnic minorities, predominantly Latinos, but also some Asians, who increasingly see the Inland Empire as the one place in southern California where their entrepreneurialism and hard work can be rewarded with a middle-class lifestyle. In the face of such enormous in-migration, it's remarkable that unemployment in the area has dropped by almost half since 1995.

New families keep coming as prices for homes rise throughout the rest of southern California. Today, only 36 percent of families can afford the median price of a home in Los Angeles County; less than 23 percent can do so in neighboring Orange County. In contrast, nearly half of all families in the Inland Empire (where housing is roughly 50 percent cheaper) can afford the current median price of a home. Not surprisingly, the region boasts one of the highest percentages of "married with children" households in the nation.

Few observers think the growth of these familial, suburbanized cities will slow anytime soon. Census Bureau projections predict population growth in the Inland Empire will continue throughout the next two decades, doubling the total population to almost 6 million. The metropolitan region is expected to gain more population than any but five states. Yet this growth and prosperity has done nothing to enhance the reputation of the Inland Empire among Los Angeles fashion-setters. Coverage of the region in the *Los Angeles Times* tends to be of the "hell on earth" variety. A typical November 2001 piece, headlined "Paying Price of Growth in Inland Empire," presented the typical litany of horrors: smog, congested freeways, year-round schools. Why, when other parts of southern California were "in full rebellion against sprawl," did the Inland Empire stubbornly continue "to welcome growth at almost any cost," wondered the journalists.

This reflects a consensus among many planners and government officials and political liberals that suburbs like the Inland Empire are horrible places to live. The post-war suburbs and "the great sweeping away of the old" they brought with them were a fateful mistake in this sentimental view, and doomed to failure. America is going to grow "into a placeless collection of subdivisions, strip malls, and office parks" instead of a "real town with real neighbors," claim the popular broadsides.

Today's growth suburbs are not only ugly and anti-ecological to many liberal analysts. It is often implied that there is "something wrong" with people who choose to live in them (i.e., they are stupid). Not to be outdone, a recent Centers for Disease Control report funded by slow-growth advocates denounced suburbs as a public health hazard due to lack of pedestrian activity and absence of safe bicycling areas.

Two thirds of California residents say they prefer to live in a suburban environment even if it entails more driving.

This is not to say that places like the Inland Empire don't have real problems. Traffic, pollution, and other effects of growth do have to be dealt with. Since the early 1980s, average rush hour speed in the region has dropped 25 percent, bringing this area into the same slow lane occupied by Los Angeles. Yet over time, the people of the Inland Empire will find ways to deal with these growing pains. New residents are coming here in droves not because they are deluded but because they are drawn by the economic opportunities and suburban lifestyle. A recent survey by the Public Policy Institute of California found that 66 percent of California residents prefer to live in a suburban environment even if it entails more driving. An overwhelming 86 percent say they prefer to live in a single-family home.

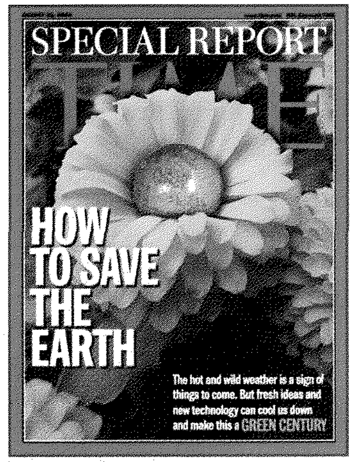
Many residents bristle at snide characterizations of places like the Inland Empire by media and academic elites. Husing, the economist, points out that there are a growing number of high-end positions among the 300,000 new jobs San Bernardino-Riverside added in the 1990s. As better educated workers tire of commutes, they will choose to join local companies, open satellite offices, start their own firms, or telecommute. A shift toward the upscale is already being felt by housing developers, who report growing demand for larger, more expensive homes.

Jay Moss of KB Homes, a firm that builds roughly 1,500 new houses in the area annually, reports that more and more of the affluent homebuyers moving into the area are working locally. Five years ago, he estimates, 80 percent commuted to the coastal counties for work. Now only 50 percent do so.

The addition of higher paying jobs at the top of the local occupational ladder is likely to spur even more local immigration in the future. This will create a growing cadre of service businesses. And continued improvements in the quality of life. Husing expects most of the growth to come in the form of family-minded suburbanites, especially upwardly mobile Latinos who will flood into the area from slower growing and more expensive areas closer to the coast.

Certainly the horizon looks bright to Alvarez, the car dealer, who is selling 30 to 40 Jaguars per month, half of them to Latinos. "What we have here is families, and families create growth," says Alvarez, himself the father of three children. "There is a lot of generational mobility around here. All I see is a run of more growth—one that could last for years." But don't expect to read media paeans to America's pro-family, pro-business cities any time soon.

Mixed Atmosphere



Good and bad environmental reporting swirl together

By Steven Hayward

In his new book *The Real Environmental Crisis*, Berkeley professor of energy and resources Jack Hollander writes:

> Can you remember a day when you opened your morning newspaper *without* finding a dramatic and disturbing story about some environmental crisis that's either here already or lurks just around the corner? That would be a rare day.
>
> One day the story may be about global warming. The next it may be about overpopulation, air pollution, resource depletion, species extinction, sea-level rise, nuclear waste, or toxic substances in our food and water. Especially jarring is the implication in most of these stories that you and I are the enemy—that our affluent lifestyles are chiefly responsible for upsetting nature's balance; polluting our cities, skies, and oceans; and squandering the natural resources that sustain us. Unless we change our thoughtless and wasteful ways, we are reminded, the earth will become a very inhospitable place for ourselves and progeny.
>
> Such media reportage reflects the pervasive pessimism about the future that has become the hallmark of today's environmental orthodoxy. Its central theme is that the affluent society, by its very nature, is the polluting society—the richer we become, the more we consume the earth's scarce resources, the more we overcrowd the planet, the more we pollute the earth's precious land, air, and water. The clear implication of this viewpoint is that the earth was a better place before humans were around to despoil it.... There is a big difference between advising caution on a slippery road and crying "fire" in a crowded theater. We've had too much of the latter, in the name of environmentalism.

News executives and editors constantly argue that they serve as "filters" of news for the public. Yet the journalistic filtering of environmental gloom and doom is often so porous as to suggest that the only filters employed in some newsrooms are in the coffee makers.

Media inaccuracies, fads, and the press's pack mentality produce problems in coverage of many subjects, but for a variety of reasons the faults may be more severe on environmental reporting than other topics. Environmental issues combine complicated questions of earth science with the arcana of bureaucratic regulation, offering two paths for news writers to go wrong. Even when a reporter has some background in science or regulatory law, it is difficult to convey the full dimensions of some environmental controversies to general consumers of newspaper or broadcast stories.

The problems of environmental reporting are aggravated by the politics of the issue. Environmental advocacy organizations enjoy great moral authority with the media, because of their self-identification as "public interest" bodies. Industry, meanwhile, is viewed skeptically by many reporters suspicious of the profit motive. This tends to lead to asymmetry in news coverage, with the claims of environmental advocates accepted at face value, while industry claims are often overlain with, for instance, the amount of campaign contributions an industry has given to political office holders (as if environmental groups don't put money into politics).

It is certainly reasonable for reporters to point out industry self-interests, and to describe how different players tend to congeal around the two political parties. But environmental advocacy organizations should be viewed as critically as any other group. Many, like the Sierra Club and the League of Conservation Voters, are heavily involved in politics—overwhelmingly as open partisans of the Democratic Party. And an ideological agenda can be just as perverse as a self-interested agenda in the political process.

Besides, environmentalists have their own selfish interests.

Steven Hayward is the F. K. Weyerhaeuser Fellow at the American Enterprise Institute, and principal author of the Index of Leading Environmental Indicators, *from which this article is adapted.*