



Analysis

A New Name for a New Economy

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A more nimble, productive economy lies ahead, according to this economic development expert

While most Americans are consumed with the reality of finding new jobs, paying their mortgages, and financing their children's educations, one author says it's time to look ahead. Richard Florida, author of the new book *The Great Reset: How New Ways of Living and Working Drive Post-Crash Prosperity*, argues that periods of economic distress can ultimately lead to significant demographic change — and that to capitalize on the changes to come, we need to develop and embrace the creative abilities of our citizens in order to take advantage of a nimble new economy. “Our biggest deficit isn't our budget or trade,” he told The Fiscal Times. “It's in talent.”

Florida is director of the [Martin Prosperity Institute](#) at the University of Toronto. Read our interview, below.

The Fiscal Times (TFT): First, please explain your term “the great reset.”

Richard Florida (RF): In the wake of a crisis, economies and societies invariably remake themselves — it's a necessary component of rebound and recovery. Outmoded industries and tired consumption habits make way for new goods and services, new careers and forms of employment, and population realigns itself in the landscape. All of these developments are connected to lifestyle changes.

The reset that took place as the 19th century turned into the 20th century, for example, involved the changeover from an agrarian economy to an industrial manufacturing economy. And the reset of the postwar, post-Depression era had to do with the rise of a high-powered consumer economy in which it seemed like every worker had been handed the keys to the American Dream — a house and everything to fill it, cars, and college for their kids so that the next generation could live even larger.

TFT: How, then, will a new “reset” affect average Americans?

RF: We'll start defining wealth and success differently. Things that have always signified wealth and security — [home ownership](#), new cars, luxury goods — are now a burden for many people. Those things will be replaced by more experiential consumption, like travel and recreation, self-improvement, and so on. By divesting themselves of certain big-ticket possessions that have kept them tied down, people will gain a new freedom to live more meaningful lives.

Changes in consumption and lifestyle are key to the great resets. We need to make the core products of the industrial age — housing, cars, energy — cheaper if we want to fuel demand for the new technologies and industries of the future, from health care and biotechnology to new information, educational and entertainment industries.

TFT: Explain how housing, as just one example, can be made cheaper.

RF: Housing has always been a key to great resets. During the Great Depression and the New Deal, the federal government created a new system of housing finance to usher in the era of suburbanization. Today, we need an even more radical shift in housing. It's consumed too much of our economic resources and distorted the economy. It's trapped people who are underwater on their mortgages or can't sell their homes. The labor market has been unable to flexibly adjust to new economic realities.

We need to remake our housing system so that it broadly supports the flexibility and mobility of our economic system. Home ownership is rewarded by the federal tax code, which made great sense when that piece of the American Dream, and all the consumption that came with it, was essential to rebuilding the economy. Now, however, it feels like a huge penalty to people who want to travel light within the new mobile economy.

New forms of short-term and long-term rental housing are already popping up in some metro areas. You can take on a house or apartment for a few months or even a year or two in developments that are striving to provide critical elements of community — schools, health care, social and cultural institutions — even for people who are living there only temporarily.

TFT: In your book, you argue for harnessing the creative power of American workers, including service and factory workers. It sounds interesting but unclear. How is it accomplished?

RF: Maximizing our creativity is critical to happiness and economic growth. If we want to increase it, we have to tap into the creativity of everyone. I'm optimistic. For the first time in human history, the basic logic of our economy dictates that further economic development requires the further development and use of human creative capabilities. The great challenge of our time is to find ways to tap into our creativity. We can do this by tapping into our great universities. We need a new paradigm for education; we must embrace concept learning everywhere. Our biggest deficit isn't our budget or trade — it's in talent.

TFT: You discuss the need to upgrade many service jobs into better, more innovative jobs. Haven't new technologies already done this, to a certain extent?

RF: In the middle of the 20th century, we saw a massive shift in the way people worked. Manufacturing jobs — the bulk of employment in America — transformed from low-paying and generally oppressive menial jobs into jobs that weren't just respectable, but actually desirable. The American Dream — the house, the car, the college education for your kids — was now within reach for the average factory worker.

Now, of course, most of those great jobs have gone overseas and the great majority of American jobs are now service jobs. We need to find ways to transform the more than 60 million service jobs, which make up 45 percent of U.S. employment, in the same way — rewarding workers financially, encouraging and empowering creative participation, creating professional communities, and so on. We can look to any number of new companies — [Zappos](#) and Starbucks, to name two — for examples of how this idea might play out. We need to do more to make service jobs into higher-paying, family-supporting jobs of the future.

TFT: The college graduation season is now upon us. What message would you give new grads about to enter the job market?

RF: Remember that the place you choose to live is the single most important decision you'll make. It has a profound impact on the jobs we have access to, our career path, our social networks, the people we date, our family and lifestyle choices, and ultimately the wealth we accumulate, as well as our overall happiness.

TFT: You're currently living and working in Toronto. What should Americans learn from Canadians?

RF: Places like Toronto and Vancouver are setting the tone for social inclusion and acceptance. The Canadian government has helped create a climate that is open and welcoming, and the region is reaping the economic benefits.

Our government must set a better climate for tolerance. Creative talent defies classification based on race, ethnicity, gender, appearance, or sexual preference. If a community is viewed as a place less open to gays and lesbians, immigrants, or young people, it will fall considerably behind other creative global giants. Governments can do this with policies as well as with the tone they set in their messages.

Places like the U.S. are falling behind with this. Remember, America's willingness to welcome those who the rest of world rejected during the 1920s, 1930s and 1940s is what made the country so great. During that time, the U.S. embraced some of the

best and brightest scientists, from Enrico Fermi to Albert Einstein. The U.S. is no longer communicating that same message to the rest of the world.

*Read our excerpt from **The Great Reset** by Richard Florida (HarperCollins):*

We're a hurried people in an anxious time. We want the economic crisis to just be over. We want our pension funds, stock portfolios, and college savings accounts to be healthy and growing; we want our jobs back; we want to be able to go out to eat or buy ourselves a treat without panicking about the household budget.

Resets, however, take time. They are complex processes that unfold over two or three decades. None of us can know what our economy or society will look like a generation or two from now. We can't predict with certainty what the next economic landscape will look like when fully formed. But we can try to find emerging patterns and recognize and understand the positive trends that exist even in difficult times.

One thing is certain: Government is not the prime mover in Great Resets. Government can take action to mitigate the most onerous effects of a crisis and to establish regulatory frameworks to prevent future ones. But though government can patch up some holes to keep the economy afloat for a short time, it lacks the means and the resources to generate the level of demand needed to power sustained growth.

Great Resets evolve organically, as new innovations emerge, new systems of technology and infrastructure are put in place, and new patterns of living and working take shape. Government's central task is to enable and accelerate these shifts by helping to create the fertile environment in which they can grow and develop. Resets are a combination of nature and nurture.

Great Resets are the pivot points of economic history, in the 19th century, the 20th century, and now. The challenge today, however, is much more daunting than that of the 1930s. The shovel-ready stimulus that built highways and roads worked so well during the Great Depression and its aftermath because it helped generate demand for the products of the industrial assembly line. Pouring money into public works and infrastructure literally paved the way for suburbanization, which then stimulated the kind of industrial production that the economy needed to get moving again.

Today, we are in the midst of a shift from an industrial to an idea-driven economy. The challenge is to accelerate the transition to a new geographic framework in which new living habits and work habits take shape.

Instead of infusing scarce capital into the very banks and financial system that brought us to the brink in the first place, or trying to reinvigorate the housing and mortgage markets that pushed us over the edge, or bailing out mismanaged old-economy companies, we must accelerate the transition to an idea-driven economy, while improving the jobs that have survived or are now being created.

Every effort and policy initiative we undertake can be measured by this simple yardstick: How does it increase the ability of people, organizations, places, and companies to mobilize human creative capabilities? The real key to economic growth lies in harnessing the full creative talents of every one of us.

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