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Why the Economy May Be Poised for a 'Great Reset,' and What It Means

Author and Futurist Richard Florida Predicts a More Urban, Creative and Service-Focused Market

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CHICAGO (AdAge.com) -- Everyone has an opinion about what the economy will look like when it stops looking like this. But few have studied the issue with the perspective of Richard Florida, an urbanist, futurist, professor, author of best-sellers like "The Rise of the Creative Class" and director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management.



MAN WITH A VISION: Richard Florida says that in a world in which it will be increasingly difficult for marketers to sell us things we don't need, luxury must be redefined to offer real value.

In his latest book, "The Great Reset," he says we will see a shift similar in scope to the transition to an industrial economy after the crisis of 1873 and the Great Depression or to a suburbanized, post-War lifestyle. These changes were fueled partially by the reduction in the amount people spent on food as agriculture became more efficient. That freed up money for other goods.

In "The Great Reset," Mr. Florida points out that currently more than 75% of income in the U.S. goes toward

food, shelter and transportation, health-care and other necessities. For this "reset," Mr. Florida believes we will continue a move to a more urban, creative economy with a rise in service-based jobs. Ad Age asked him where the shifts will come and what it means for marketers.

Ad Age: You say we need to free up money to spend on new kinds of goods in order to drive growth in new areas. What areas of expense are ripe for cutting?

Mr. Florida: My hunch is we're going to see a "reset" in what I call the housing-auto-energy complex. I don't think we can grow a knowledge-driven or creative- or experiential- or technology-driven economy if we continue to massively over-consume housing. We have to make housing a much more reasonable portion of the family budget. People need to get off the housing treadmill, which means more rental for some people and less land inflation for sure.

Ad Age: And cars?

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Mr. Florida: People will continue to buy cars, but they'll buy fewer cars, and I certainly see a trend of people moving away from multiple-car households, substituting that for a walkable commute, a transit commute, splitting a car between a mom and a dad, maybe buying a scooter or a bicycle if you're young. Certainly the big car and big house as a status symbol, maybe that's still true for some people, but it's losing its cachet.

Ad Age: A smaller house and cheaper car? That doesn't feel like progress. Property ownership has been important to society as a status symbol for eons.

Mr. Florida: So was owning a farm. A big-ass farm with lots of pigs and cows. Our status symbols changed in ways from a big mansion, fancy Gatsbyish house and all those things.

Ad Age: The fastest-growing segments of jobs are the relatively low-income and low-education service jobs. Will those people be able to afford non-necessary goods?

Mr. Florida: The bigger problem is how do we upgrade the wages and the earning capabilities of that huge part of society -- 45% of the workforce that is toiling away at low-skill, low-wage service work.

We have a bifurcated consumer market. We have a class bifurcation. The creative class that I have identified consumes not as a fragmented, fractured set of micro-masses but as a group. They drive the same cars, they shop at the same supermarkets, they buy the same kinds of jeans. I'm kind of amazed that if we talk about the mass society of the '50s, how much this creative class consumes across a similar set of brands. I think we have another group that is consuming across another set of brands. I think that bifurcation is going to stay.

Ad Age: With cellphones and laptops and child-care expenses, etc., has the list of "necessities" grown?

Mr. Florida: Yes. I do think one way the home and car will change is that some of those new necessities will come bundled, like a wired house or a house that is more highly automated or a car which has more of its value than in the electronics than the metal, which has already occurred. I think some of the new necessities will embed in the products of the old order, but they'll all have to become less expensive.

Ad Age: You're painting a case where it's going to be hard for marketers to sell us things we don't need.

Mr. Florida: Yeah, that's the evolution of capitalism, man. We need to build a fitter society. For a time I saw too many people like this, the whole L.A. gossip-blog, L.A.-style magazines where people without purpose or meaning were literally buying their identity off a rack. What a horrifying thing. Or buy it out of a car showroom. In that sense, "luxury" or "non-necessity" needs to be redefined to offer real value. I think some

of these companies are luxury manufactures who offer real quality but those who just offer a designer symbol are going to really struggle.

I like to follow sportswear or jeans companies. The ones that are successful are the ones who not only offer flash but the ones that offer quality. I think that's where we're headed. The companies that understand that will survive but the ones who just offer bling-bling -- they'll survive don't get me wrong. There are enough Dubais and Miamis. If it doesn't offer quality the market is going to be really thin.

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