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Richard Florida: How the Crash Will Reshape America

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... Big international economic crises—the crash of 1873, the Great Depression—have a way of upending the geopolitical order, and hastening the fall of old powers and the rise of new ones. In *The Post-American World* (published some months before the Wall Street meltdown), Fareed Zakaria argued that modern history's third great power shift was already upon us—the rise of the West in the 15th century and the rise of America in the 19th century being the two previous sea changes.

But Zakaria added that this transition is defined less by American decline than by “the rise of the rest.” We're to look forward to a world economy, he wrote, “defined and directed from many places and by many peoples.” That's surely true. Yet the course of events since Steinbrück's remarks should give pause to those who believe the mantle of global leadership will soon be passed. The crisis has exposed deep structural problems, not just in the U.S. but worldwide. Europe's model of banking has proved no more resilient than America's, and China has shown that it remains every bit the codependent partner of the United States. The Dow, down more than a third last year, was actually among the world's better-performing stock-market indices. Foreign capital has flooded into the U.S., which apparently remains a safe haven, at least for now, in uncertain times.

It is possible that the United States will enter a period of accelerating relative decline in the coming years, though that's hardly a foregone conclusion—a subject I'll return to later. What's more certain is that the recession, particularly if it turns out to be as long and deep as many now fear, will accelerate the rise and fall of specific places within the U.S.—and reverse the fortunes of other cities and regions.

By what they destroy, what they leave standing, what responses they catalyze, and what space they clear for new growth, most big economic shocks ultimately leave the economic landscape transformed. Some of these transformations occur faster and more violently than others. The period after the Great Depression saw the slow but inexorable rise of the suburbs. The economic malaise of the 1970s, on the other hand, found its embodiment in the vertiginous fall of older industrial cities of the Rust Belt, followed by an explosion of growth in the Sun Belt.

The historian Scott Reynolds Nelson has noted that in some respects, today's crisis most closely resembles the “Long Depression,” which stretched, by one definition, from 1873 to 1896. It began as a banking crisis brought on by insolvent mortgages and complex

financial instruments, and quickly spread to the real economy, leading to mass unemployment that reached 25 percent in New York.

During that crisis, rising industries like railroads, petroleum, and steel were consolidated, old ones failed, and the way was paved for a period of remarkable innovation and industrial growth. In 1870, New England mill towns like Lowell, Lawrence, Manchester, and Springfield were among the country's most productive industrial cities, and America's population overwhelmingly lived in the countryside. By 1900, the economic geography had been transformed from a patchwork of farm plots and small mercantile towns to a landscape increasingly dominated by giant factory cities like Chicago, Cleveland, Pittsburgh, Detroit, and Buffalo.

How might various cities and regions fare as the crash of 2008 reverberates into 2009, 2010, and beyond? Which places will be spared the worst pain, and which left permanently scarred? Let's consider how the crash and its aftermath might affect the economic landscape in the long run, from coast to coast—beginning with the epicenter of the crisis and the nation's largest city, New York....