



## What Happens After the Crash? America Faces a Future of Discontinuity

[Jon Talton](#) - April 1st, 2009

We're going through the worst financial crisis since the [Great Depression](#) — and even this doesn't accurately describe a set of global distortions, swindles and unsustainable practices that present even greater challenges than those experienced during the 1930s. But what happens next?

Richard Florida, the urban theorist and author of the seminal book, [The Rise of the Creative Class](#), is talking about a [fundamental "reset"](#) in the North American economy as a consequence of the crash. The new winners and losers aren't necessarily who you might expect. For example, the urban Southwest may be at the end of its easy growth of the past half-century. Florida also argues that the "spatial fix" for the economy to come won't be found in sprawling American suburbia.

Florida is bringing into the mainstream one of the ideas that has been long consigned to "the doomers": that the next 30 years won't be a replay of the past three decades. But how much do American policymakers get it — and how much can the American people conceive of a future that contains so much discontinuity?

Before the crash exposed other long-simmering troubles, there were already compelling reasons to expect a very different, and challenging, future. The attacks of [9/11](#) introduced most Americans to what columnist Thomas Friedman calls "the world of disorder," where fundamental religion, anti-modernism and terrorism feed off a huge cohort of unemployed young men in authoritarian nations — many of whose rulers we prop up. The heart of this problem is also where most of the world's oil reserves are located. Climate change is another sharp disconnection already happening: it will bring huge economic and social costs, even if we start to address it.

In addition, we were facing peak oil, a geological fact where half of this one-time resource would be gone, and the remainder would be more difficult and expensive to reach. And, as President Bush said, much of it located in places "where the people don't like us much." This is part of a broader shift in resource costs caused by rapid population growth and industrialization in developing nations. Water, says the UN, will be a main

source of destabilization. Finally, Americans faced the competition from 3 billion new capitalists, especially China.

The financial meltdown has exposed further sources of discontinuity: an unsustainable goods-for-debt relationship between the United States and China; an American economy that has been rapidly moving away from making productive goods and instead relying on financial tricks, credit and bubbles to conceal its decline and indebtedness; broad destruction of wealth that has left America a substantially poorer country, as exemplified by the 50 percent vaporization of 401(k) assets; the corruption and rot exposed in myriad American institutions, and a badly frayed social compact, with much of the underpinning of the 20th century middle class eroded.

[President Obama](#) has been doing triage amidst the emergency. But he's a centrist Democrat, despite the screams of "socialism" from Republicans. He may not be the change agent that's needed. On the other hand, like FDR, he may know the country can only move so far, so fast. Most Americans are in deep denial about our predicament. They are waiting, along with the Wall Street establishment that includes Obama adviser Larry Summers, for the status quo to return, for another bubble to begin. It won't.

The Obama budget offers some clear breaks with the past, with its focus on improving education, investing in alternative energy, providing all citizens health care — even improving funding for Amtrak. But this faces serious opposition, even from Democrats. The pull of the past — and the very wealthy special interests that profit from it — remains strong.

It's telling that China is investing most of its stimulus money in infrastructure, education and research so that it emerges from the recession as an even more formidable competitor to an America it believes is overstretched and in decline. Not a tax cut to be found in this plan. China feels emboldened enough to lecture America to take good care of Beijing's investment in Treasuries. Europe, for all its troubles, is investing in such 21st century essentials as more high-speed rail.

America? We still don't quite understand. The question is what shock it will take to get our attention — because it's coming — and whether it will be too late to avoid a long, painful reckoning.