



# Shrinking the American Dream

By [John Wasik](#) May 17, 2010 12:30 pm

The Great Reset is upon us. That means save more and spend less.

It wasn't too long ago when getting a decent job and a home were the top two priorities of the American Dream.

For millions, though, that picture has faded. Now many are happy just covering their monthly nut and renting. [Retirement](#)  
? What's that?

We're going through what University of Toronto urbanologist Richard Florida calls "the Great Reset," which is also the title of his new book.

I'd call Florida's reckoning the "great downsizing," a realization that our consumption-based lifestyle will have to change if we're to enjoy a sustainable standard of living.

Everything is being reevaluated during the Great Reset. We'll have to spend less and save more. Get into less debt. Buy smaller homes or rent. Abandon gas-guzzling SUVs. While much of this happened in the wake of the 2008 meltdown, there are deeper levels to this transformation.

"The sheen may be coming off the core elements of the old suburban-driven lifestyle," Florida writes in *The Great Reset*. "Bigger is no longer seen as better. People are downshifting, [trading](#) their big houses and big cars for smaller ones. For the first time in a decade, the median size of a new single-family home decreased, from 2,277 square feet in 2007 to 2,215 square feet in 2008."

Does that mean the McMansion is passé? The hulking house with the broad lawn is a thing of the past? Not entirely. But I'm seeing more newspaper and magazine features on chic homes that are 1,500 square feet instead of 4,000-plus.

An even deeper consequence is that the housing meltdown has altered our psychology as Americans. No longer will we feel compelled to "spend our way" out of misery. The answer to our anxiety isn't in a shopping mall and isn't an application on the **iPhone** ([AAPL](#)).

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Disposable income loss has made us somewhat more discriminating. The "wealth effect" of just knowing how

much our house is worth or the fatness of our 401(k) entitled us to spend with abandon. At least that's how we felt before two recessions, a stock-market crash, and a housing bust changed our world views.

Our "freedom to buy" homes, cars, appliances, and other consumer goods has been curtailed. As a country, we're so tapped out that it may take a generation before we recover. As a result, the new-car smell of a hot set of wheels just doesn't smell as sweet when you consider how much it costs to maintain and fuel the beast when gas rises above \$3 a gallon. Home ownership stings because of high property taxes, insurance, and maintenance costs.

We're in a major downsizing vortex as the allure of materialism has faded with our diminished ability to take on debt to pay for things.

That means home appliances that we once thought were standard are becoming optional. According to a Pew survey, in the wake of the meltdown 14% fewer people said a dishwasher was a necessity, 16% less thought air conditioners were needed, and 21% said they could live without microwaves.

Of the last statistic, my family embodied that trend. When our microwave died, we chose not to replace it. Lo and behold, we survived and actually cook more home meals (microwaving is not cooking). And we avoid turning on our air conditioning. This is just the small stuff. The big-ticket items are where Americans are making the biggest changes.

It's not necessarily a negative trend that home-ownership is falling or that more people are renting.

Florida has found that homeowners tend to be anchored to homes or jobs and unlikely to pursue better opportunities elsewhere. This "social mobility" is what made American culture dynamic and productive.

Perhaps Florida's Reset is more a comment on a disconnect between what we spend and what we borrow to maintain a lifestyle.

For too long, we've spent to cover up our unhappiness with lousy jobs, [economic](#) stagnation, and a declining standard of living. Instead of arguing that overspending made us happy, it was just a cloak for our unhappiness. We fell out of balance with what we truly needed.

It's funny how much [money](#) mismanagement during the Great Reset has in common with ecology. The boom, bubble, and bust clearly told us that speculating on real estate,

gorging on debt, and letting the banks have free rein was unsustainable.

On a personal level, you need a sustainability gauge. I could throw all sorts of metrics at you that you'll never use: Debt-to-income ratio, disposal income, savings rate, etc.

A simple measure is a sustainability meter. How do you know if you are living a sustainable lifestyle?

First, start with your housing. Check to make sure you're able to save after you pay your mortgage, taxes, [insurance](#), and other essentials. If you can't, maybe renting is a better option.

*John F. Wasik is author of [The Cul-de-Sac Syndrome: Turning Around the Unsustainable American Dream](#).*