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## Richard Florida: How the Recession Will Shape Our Economy — and Our Society

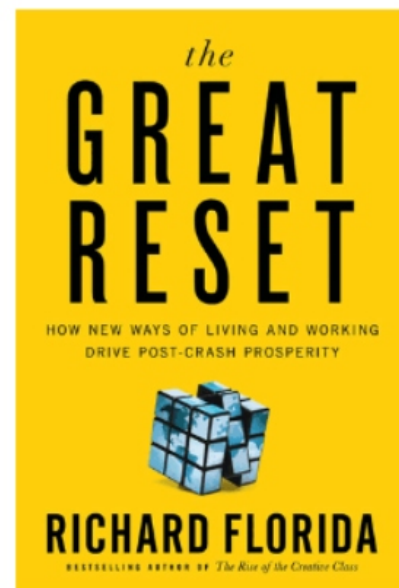
By Jeremy Dann

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Richard Florida's latest book, [The Great Reset](#), looks at the lasting effects of economic recessions: how they've shaped our society in the past, and how the one we're currently in will do so again over the next few decades. His vision of "the New Normal" includes a population move toward urban centers, as well as a shift from material consumption to what he calls "experience consumption." I spoke with him recently about what it will take to make these changes succeed and where we can expect to see job growth as a result.






### **BNET: What inspired you to write this book?**

**Florida:** I had just become head of the [Martin Prosperity Institute](#) at the University of Toronto and had moved from the United States to Canada. I was building a media and consulting company, establishing a new teaching program at the university, and learning about a new country, so I had all of this stuff on my plate. The last thing I wanted to do was write a book.

Then the economic crisis happened. I found myself trying to get a handle on it. I wanted to figure out why the crisis was so much worse in the United States than it was in Canada.

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Why were Canada's banks stable, while in the U.S. at that moment, the financial system looked to be collapsing? An editor friend at the *Atlantic Monthly* called me and said, "We're thinking about doing an issue on the collapse of New York and the financial crisis. Would you help me with it?" During our conversations, it became apparent to me that New York would not collapse and that the effects of the crisis would be felt more forcefully in older, manufacturing-oriented regions like Detroit, Pittsburgh, Cleveland, and Buffalo. They would also feel the crisis in the "cities of sand," - like Phoenix and Las Vegas - that had been developed through huge real-estate speculation. The editor said, "Well, why don't you write a story about that?" I did. The article, "How the Crash Will Reshape America," ended up being one of the most impactful things I'd ever done.

I had written my dissertation years ago on housing finance and then gone off to study industry and innovation, so I had to go back to my initial work and also go study the conditions that caused previous crises and depressions, the Great Depression of the 1930s and the Long Depression of the 1870s and '80s. But I wanted to write a book not so much about crises, but about the kinds of things that could spur recovery. I wanted to write about the role of economic geography in economic recovery.




**BNET: In the book you use the term "the New Normal." I've interviewed dozens of prominent writers and thinkers over the last couple of years, and many of them use this term. What are the main elements of *your* New Normal?**

**Florida:** I think every crisis or "great reset" really changes the dynamics of society. One of the things we really don't understand is how New Normals come about and how long they take. The first thing that dawned on me was that our New Normal will not appear tomorrow. We are in the process of working on it and creating it as we rebuild after the crisis. In the past, this was a two- to three-decade process.

I give an example in the book is about my dad. He was eight years old in 1929 when the

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stock markets collapsed, living in a small tenement apartment in Northern New Jersey with his parents and seven brothers and sisters. At that time, he could never have imagined that in his mid-30s, he would buy his first home in what he would have thought of as a farming area. He was moving into a "suburban house," an idea he'd had no conception of several years before.

So much of our New Normal is going to be defined by the geography in which we live and work. Before the Great Depression, we were an agricultural society where people lived on or near farms and spent the preponderance of their income feeding and clothing themselves. After the Depression, we had massive urban industrial centers and new suburbs surrounding them. And now, we're once again going to have to create a whole new way of organizing ourselves, of living and working. We'll have a whole new pattern of urbanization. I think we'll see the rise of bigger urban centers, mega-regions like the Boston-New York-Washington corridor. A big thing will be the rebuilding of suburbs as they become denser and more closely linked with subways, light rail or high-speed rail. Our urban centers will change from areas of 5 to 10 million into areas of 20 or even 50 million.




We'll shift from material consumption to experience consumption. We'll spend less of our limited resources on housing, transport and energy and more on technology and developmental, education, travel, and artistic and cultural experiences.

**BNET: People have talked about the economic crisis being rooted in material consumption. Is the American psyche unhealthy by nature, or are some elements of the solution embedded in there as well?**

**Florida:** We went off the rails over the last 20 to 30 years. This happens with every crisis. We were building a new knowledge-driven, highly creative economy. You could see it in the 20 million new jobs in the creative sectors of science, technology, arts, media and culture. I'm not saying those are all perfect jobs, but the people doing them tend to draw

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on their skills and talents and develop more meaning and purpose in their lives. Instead of pursuing that kind of American dream, during both the tech boom and the subsequent real-estate boom, for some reason we got confused. We thought that the American Dream was building two or three huge houses and buying more cars. It's a pretty empty dream...a sense of "keeping up with the Joneses."

If there's a silver lining to this crisis, it's that people have come to grips with this. You can't derive meaning and purpose from consumption. We have enough material things in modern society to be comfortable, so now we have to move on to purpose and fulfillment.

We got so caught up in houses - building them, flipping them, refurbishing them, expanding them...and getting nearly free money to do it all. I had this one student from Latin America working with me on the original article that inspired this book, and he told me one day, "Professor, I looked up 'the American dream,' and one definition I found was the opportunity to engage one's talents to create and develop new ideas. On the other hand, I see this notion of the American dream being related to a big house in the suburbs. These two don't look like the same thing. They look like they may be in conflict." I think he's right.




### **BNET: What kind of investment is going to be needed to move society in the directions you're talking about?**

**Florida:** In every Great Reset, what powers our way out of the crisis is not simply a wave of [Schumpeterian innovation](#) - although that is very important. And it's not simply new government spending - a Keynesian approach. What *really* powers our way out is this notion of a new way of organizing ourselves, a new economic geography, as we saw in the rise of industrial cities in the nineteenth century and the rise of suburban life in the twentieth century. Only when this happens again will we get the public infrastructure investments that make sense for our time.



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I think three kinds of infrastructure really matter. The first is massive new investments in education and skill development, such as the expansion of public primary education, the rise of our land-grant university system, federal support for research and development, the GI Bill, and so on. How do you massively expand the development of the full creative talents of each and every human being? Ultimately, investing in those skills seems to be the fulcrum of economic growth.




The second kind of investment represents massive expansions in our transportation systems. In the past that's been canals, railroads, subways, interstate highways and trucking systems, which speed the movement of people, goods and ideas. The third is investment in new ways of providing housing to people in ways that are more affordable and drive economic growth. The system shouldn't tie people to residences when times get bad; we need a much more flexible housing system. George Bush talked about the "ownership society," but we're moving toward leasing and rental models in a number of areas, including cars and software and technology. We need a much more rational system of leased and rented housing that can be quickly configured to your needs when you move...a twenty-first century system based on just-in-time principles.

### **BNET: Will all of this investment yield new types of jobs - and better jobs - in the U.S.?**

**Florida:** We have a huge challenge in creating jobs, and in *The Great Reset* I put that front and center. I think a lot about the "missing middle," and again I frame it in terms of the opportunities my dad had. He left school at 13 and got a job in a factory immediately. He worked there until he enlisted in the army, later storming the beaches of Normandy. He came back home and went to work in that same eyeglass factory in northern New Jersey and worked until he retired. He always told me that when he first got the job, it was a terrible job. Everyone in the household had to work to make a living wage. When he came back from the war, through modernization and labor legislation, the job had become a great job, a family-supporting job. He was able to buy a house and put two sons through

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college. This experience impressed upon me that manufacturing jobs weren't "born" good jobs, they were *made* good jobs.

What kind of jobs are we creating today? We're losing manufacturing jobs - we'll lose another million of them soon. If you're a college graduate though, unemployment has still not exceeded 5 percent and didn't even at the depth of crisis. If you're a high school graduate, unemployment is 10 percent. If you're not a high school graduate, it's 15 percent plus. If you work in manufacturing, it's 15 percent, and if you work in construction it's 25 percent.

The kinds of jobs that are expanding rapidly are lower-skilled service work: retail shops, cosmetology shops, hair salons, landscaping. *The Great Reset* says we owe it to ourselves and our country to make those better jobs. What can make service work a family-supporting job? We're not going to magically bring all of the manufacturing jobs back, and we are all not going to work in the knowledge and creative economy.

It's a premise that works across the board, and it works for the best companies. It worked for Toyota when they redefined the auto industry. It's also worked in the service industry in places like Whole Foods and Starbucks. They see their workers as assets to be invested in. We need a massive national effort to upgrade innovation, productivity, and creativity in the performance of service work - and in doing so, increase the wages there. This is a conversation we need to have, and I hope the book spurs it on.

Jeremy Dann is a lecturer in innovation and marketing at UCLA's Anderson School of Management.