The Seattle Times

Sunday, May 30, 2010 - Page updated at 12:01 AM

That Great Reset? Not so fast

THOMAS JAMES HURST / THE SEATTLE TIMES

By Jon Talton
Sound Economy Special to The Seattle Times

During the worst of the Great Recession, we heard much about how it would lead to a Great Reset for America's economy and society. Profligacy was out. Sustainability was in. And this wasn't just coming from greens and doomers.

Microsoft Chief Executive Steve Ballmer said we faced "a fundamental economic reset" as the era of cheap credit and growth built on debt was exhausted.

Over at General Electric, CEO Jeffrey Immelt argued, "This economic crisis doesn't represent a cycle. It represents a reset. It's an emotional, social, economic reset." He added, "People who understand that will prosper. Those who don't will be left behind."

And yet two-and-a-half years since the downturn began, things look remarkably the same.

The big banks that most caused the meltdown are doing fine, trading and playing with risky derivatives as if the panic of October 2008 never happened.

The richest 1 percent actually increased their share of national wealth during the recession, while the rest of America lost ground â€" an unprecedented event in a modern downturn.

Despite threats of reform, the old order seems safely entrenched. Not one major prosecution has emerged from the frauds of the Wall Street casino.

Economic power is more consolidated than ever. The great imbalance of debt and trade deficit between America and China remains. A green economy is moving only slowly here, compared with aggressive efforts in China and Europe.

Meanwhile, most Americans still sit in traffic jams, live in car-centric suburbs, remain deeply in debt, shop at the end of a 10,000-mile supply chain and dream of the next easy path to riches that will replace house flipping. Consumption still makes up an unhealthy part of the economy.

A poll finds 76 percent of respondents nationally disapprove of BP's handling of the Deepwater Horizon oil spill. Yet how many would reset their lives to be less dependent on single-occupancy car trips?

Progressive Seattle seems most focused on ambitious and expensive state highway projects, albeit replacements for existing infrastructure are probably unavoidable.

And while downtown has been wounded by the loss of Washington Mutual and the independent headquarters of Safeco, the region's economic pillars remain pretty much the same as before the collapse.

Appearances can be deceiving. Some resetting is happening, and much of it is ominous.

Fifteen million are officially unemployed; an additional 11 million are working part time when they want full-time jobs, or have dropped out of the labor force. The ranks of the long-term unemployed are very high.

Among them are millions of older Americans, as well as a record-high number of young people without jobs. Many people may never find work paying what they once earned.

State fiscal shortfalls are forcing measures that will drastically alter the country we once knew. While Washington has been spared the worst, so far, in other places this involves closing state parks, selling off state buildings and eliminating what were once considered basic services.

Cutbacks to universities, including here, threaten economic engines critical for attracting talent and creating breakthrough research. Human-services cuts damage the chances of economic mobility for the working poor. These appear to be structural changes with no rebound likely soon.

My friend Richard Florida, the creative-class theorist and professor at the University of Toronto, still sees the upside of the recession. His new book's title is unsubtle, "The Great Reset," and he argues that economic collapses such as the 1870s and the Great Depression are also the seedbeds of new innovations, industries and ways of living.

"The promise of the current Reset is the opportunity for a life made better not by ownership of real estate, appliances, cars, and all manner of material goods, but by greater flexibility and lower levels of debt, more time with family and friends, greater promise of personal development, and access to more and better experiences."

Florida's reset is ambitious. More Americans would be in denser, quality urban areas, less dependent on cars and more likely to generate innovation and ease of living.

It's not cities vs. suburbs, because Florida views the competitive landscape as one of so-called mega-regions worldwide (including Cascadia, with Portland, Seattle and Vancouver, B.C.).

Renting would allow individuals to move where jobs are. High-speed rail would link the regions for easy travel. Also, the nation would find ways to add creative value to service jobs, thus raising wages.

I like it.

But where will it come from? Government debt will be used as an argument against retrofitting suburbia with transit, actually building high-speed rail or even enhancing regular Amtrak service, and against investing more in science and education.

Customs are hard to change; most Americans can't imagine different living arrangements. The financial sector will protect its dominant position.

A greater reset may yet come, but it won't be painless.

The recession was only the first act in the Great Disruption. We'll keep pushing the boundaries of unsustainability until we can't. Then, watch out.

You may reach Jon Talton at jtalton@seattletimes.com