

A good time to reshape the economic landscape

Book examines how the financial crisis could spark real change

By Kim Blank, Times Colonist May 16, 2010

The Great Reset: How New Ways of Living and Working Drive Post-Crash Prosperity

By Richard Florida; Random House; 225 pages; \$32

It's a story we should know well enough -- a variation of boy-meets-girl, except the tale reaches not into our hearts, but rather into our pockets.

Though it sounds a little strange, it goes something like this: People meet consumption; people and consumption fall recklessly in love; people consume more of consumption than they can handle; finally, people wake up one morning and discover that what they thought they had was gone.

The narrative is initially fuelled by romance and hard work, but after some good times, it becomes contaminated by greed, benumbed by stupidity and tainted by a generous measure of good ol' ancient Greek hubris, though, ironically enough, in the latest version of the story, it turns out the modern Greeks are exemplary victims in the current incarnation of the story.

Bit roles are played by bankers and investors who thought that credit, like oil, would flow endlessly, which, unfortunately (the oil bit, I mean), turns out to be true only for those who make their living along the crude-saturated waters of the Gulf Coast.

Then there are governments who saw pie in sky despite standing in quick sand. The irrational mantra they operated under was that, to sustain capitalism and resuscitate the economy, it was necessary to spend, baby spend. Question is: Where is the fictional money supposed to come from -- Pandora? (For the culturally challenged, this is the moon exploited for its resources by Very Bad People in the movie Avatar, otherwise known as "Dances With Blue People.")

Finally, there were high financiers of enronic proportions whose specialty turned out to be the ability to convince people to over-invest in things whose worth was impossibly overvalued. Now, that's a bubble-bursting, liquidity trick we're still trying to get our wallets around.

But wait, there's more: Take the invested money, bet on it making a loss, but you nevertheless make money because you bet on the your investor loosing it-and they did.

Huh? Is that legal? You bet your bottom dollar it is, if, that is, you have a bottom dollar left.

Since the Industrial Revolution of the early 19th century, this story has played twice. First, in the 1870s -- the Long Depression -- and then as the Great Depression of the 1930s. Now we're there again, this time in something coming to be known as the Great Recession. Whatever it is, it is capitalism gone wild.

Call it what you want, but many countries are seriously mired in fiscal confusion at best and economic trauma at worst. And the worst may be to come as some first-world countries come to terms with the fact that they have nothing in their piggy banks, not even the pigs. The ungulate acronym "PIGS" also happens to hold too true: Portugal, Italy, Greece and Spain (though recently it has grown to "PIIGGS," to include Ireland and Great Britain) are in big trouble.

What intrigues Richard Florida, professor at the University of Toronto and author of *The Great Reset* as well two earlier successful books -- *The Rise of the Creative Class* (2002) and *Who's Your City* (2008) -- is what happens in the wake of such nasty, depressing economic collapse.

His new theory is as optimistic as the bright yellow cover of his book: Out of such busts can come booms; out of real calamity comes real change, creativity and innovation. As economist-entrepreneur-activist Paul Romer famously put it, "A crisis is a terrible thing to waste."

This is the "reset" that Florida, as an urban theorist, has in mind: "A true Reset transforms not simply the way we innovate and produce but also ushers in a whole new economic landscape. ... Eventually it ushers in a whole new way of life-defined by new wants and needs and new models of consumption that spur the economy."

What will this reconfiguration look like? Florida suggests it will involve less home ownership and fewer people depending on cars; it will involve flexibility, mobility and new consumption patterns.

It will also involve more intensive use of land and the evolution of "megaregions," areas that join or expand dense populations, like the Boston-New York-Washington, D.C., zones that will nurture development and lead to new forms of prosperity.

Florida might be right -- and let's hope he is. Capital, or what we have left of it, cannot continue to be siphoned off by the financial sector. Instead, as Florida notes, it needs to act like a modest middlemen, rather than as a parasite with its own self-indulgent goals.

"It is time," he writes, that "we stop confusing the practice of moving money around with generating real wealth."

No doubt Florida is a major smarty-pants with a penchant for coining his own terms and for sometimes over-simplifying both history and the data. His tone is in equal measure casual and certain, which helps when, for example, he characterizes previous and present crashes, meltdowns, and bailouts. He does, though, excel at stretching his message out. After all, a book makes more money than an article, and it's better for the economy.

There's an old song from the Great Depression, Buddy, Can You Spare a Dime. The lyrics ponder how, after all that hard work, we ended up on bread lines. Let's hope that this song is one thing we don't recycle.

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