

[Business](#) / [Economy](#)

Richard Florida: Saving capitalism from itself

Our economic system has just gone through a tectonic shift. It's time for our institutions to catch up.

By: Richard Florida Special to the Star, Published on Fri May 17 2013

You don't have to be a Marxist to wonder if capitalism has run its course. Though the stock market is soaring the economic recovery is jobless, millions remain un- or underemployed, and the economies of the world are mired in slow growth. At the same time, the gap between the rich and the poor is wider than it's been in more than a century.

Before we can treat capitalism's symptoms, we have to understand its disease. We are in the midst of the greatest, most thorough economic transformation in all of history. Agriculture, feudalism and industrial capitalism all depended on three classic factors of production: land, labour, and capital. Marx said that it was our physical labour — our ability to act on and transform nature — that not only generated real wealth (which the capitalists made off with) but knit the working class together and, in effect, made us human.

Other takes on the future of capitalism

[Don Tapscott: Transforming capitalism won't happen without leadership](#)

[Roger Martin: Chipping away at the foundations of our system](#)

But over the past several decades, the means of production has shifted from physical resources and labour to mental and creative ones. More than arable land, access to water, or a rich supply of coal, knowledge and creativity are the fuel that drives advanced economies and societies.

Just as the industrial era wreaked havoc on agricultural workers, post-industrialism has seen the blue collar Working Class decline from roughly 40 to 20 per cent of the workforce between 1980 and today (just 6 per cent of workers in Canada and the United States are "production workers" who actually make things). At the same time, two new classes have arisen: the high-skill, high-pay Creative Class and the low-skill, low-pay Service Class.

This tectonic shift in mature capitalism is at the root of our growing class divide. In Canada, 4.3 million workers — about 30 per cent of the workforce — are members of the Creative Class. But 7 million workers, more than 45 per cent of the workforce, belong to the service class, earning just 60 per cent on average of what the creative class does.

The same divides define and shape Toronto. The Creative Class accounts for more than a third of the GTA's workforce (nearly 850,000 workers); the Service Class makes up even more, 45 per cent (1.1 million workers), as the working class has fallen to less than 20 per cent. Left to their own devices, these class divides will only deepen.

We can neither turn back the clock nor turn off the economic engines. But we also cannot count on the current system of capitalism to right itself. If we are serious about fixing it, we need to create new institutions that can deal with the tensions, contradictions and stark inequities that it brings. Nothing less than a new social compact is required. Just as in the period spanning the New Deal through the post-World War II era, new institutions have to be established and put in place to regulate growth, reduce inequality, generate good family-supporting jobs and rebuild a vibrant middle class.

The outlines of that new social compact are clear. The logic of the new age of capitalism turns on the greater development of human capabilities. Therefore, we must cultivate the full abilities of every single human being, upgrading all work — not just in the high-tech sector but across our factories, offices, and farms. Most of all we must turn the low-wage service jobs at which millions upon millions of Canadian workers toil into more productive, higher-paying, family-supporting jobs, just as we did nearly a century ago for manufacturing work. And there's more. Workers need portable benefits that they can carry from job to job — and health insurance whether they are employed or not. A stronger safety net is needed for the truly disadvantaged.

We cannot impede the logic of capitalism, but we can and must move to a system of more sustainable growth — one that fully utilizes human capabilities, raises wages and productivity across the board and adds greater purpose and meaning to our lives.

Richard Florida is Director of the Martin Prosperity Institute in the University of Toronto's Rotman School of Management. @Richard_Florida

*Roger Martin, Richard Florida and Don Tapscott discuss *The Future of Capitalism? Or Not?* Tuesday at 5:30 p.m. at the University of Toronto. For details, visit [here](#).*