Makin’ Money

Resetting the Way We Live

- Posted by Chris Farrell on August 19, 2011 2:14 PM

This week Marketplace Money looks deep into the mixed signals Americans get on saving (more) and spending (more). It’s a conundrum.

Richard Florida thinks we’re in the process of solving the conundrum by changing the way we live.
Richard Florida: With the stock market gyrating like mad and many leading indicators pointing toward a downturn or double-dip, the debate over our economic future continues to resolve around what the New York Times David Brooks has aptly dubbed “magic levers.” One group says recovery requires more government spending to stimulate demand. Still others argue more monetary easing will do the trick. An increasing number think it’s time to cut government spending and let the market take over.

But my own look back at the Great Depression of the 1930s and the Long Depression of the 1870s suggests that enduring recovery ultimately hinges on changing the way we live. Crises bring about gradually accumulating but ultimately dramatic changes in our way of life that underpin new demand and fuel the growth of industry. Neither New Deal spending nor the unprecedented mobilization for World War II were sufficient to end the Great Depression. Suburbanization -prompted as it was by substantial public subsidies for home-buying and roads - provided a powerful form of “geographic Keynesianism,” stoking demand for houses, cars, appliances and consumer goods.

We are in the very beginnings of a similar shift in where and how we live today, as suburban sprawl gives way to more efficient modes of urban living. Government can help bring about a less car-dependent, more sustainable way of life by eliminating incentives for home-ownership and highway subsidies, adopting congestion pricing for our roads, formulating new land use and zoning codes that enable denser development of urban cores, and making substantial new investments in infrastructure—from high-speed trains to more and better bike lanes to speed the movement of goods, people and ideas. This will redirect capital from housing, cars and energy toward the new technologies and industries that will spur much-needed investment and jobs.

Summoning up a magic lever to cure our economic ills sure would be nice. But the reality of it is that real recovery turns on deep changes in the way we live.