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The Great Reset and The Rational Optimist

Essay by Felix Salmon

As a financial blogger, I've spent the past couple of years following the global financial crisis as it has evolved from hour to hour and from day to day. Recently, a number of "crisis books" have come out, and some of them try to place recent events into a broader context -- going back to the 1980s or even the 1960s to explain where we are today.

University of Toronto urbanist Richard Florida has a broader perspective still. In his latest book, The Great Reset, he starts by looking at what he calls "the crisis most like our own": the Long Depression of 1873. Out of that painful era, he says, came many of the technologies which would help define the 20th Century. The electricity grid, the telephone, mass-produced steel, large-scale public education, urban sewer and public transportation systems -- they all arrived in that first great wave of urbanization.

It's no coincidence, says Florida, that a great wave of invention followed that major economic crisis. In fact, he sees a pattern, with something similar following the Great Depression: large-scale economic deprivation has a tendency to result in both a physical and a conceptual "reset," in which the failed ways of the old order crumble, die, and are
replaced by something radically new. And a large part of that reset is the "spatial fix" -- urbanization at the beginning of the 20th century, and what you might call suburbanization in the middle, as America became dominated by roads and automobiles.

The conceit of this book is that the crisis of 2008 will act much like previous crises in 1873 and 1933, and mark the point at which the old way of doing things died and a new social order began to rise from the ashes.

The picture that Florida paints of where he thinks we're headed, as a country, will be familiar to students of his work. It's based around cities, and especially "megaregions" -- areas like the Boston-Washington corridor which can encompass many cities and which collectively account for the vast majority of the world's economic activity, even as they house fewer than one in five of the world's population.

Florida's vision for how we're going to rebuild our economy in the decades to come is a reasonably attractive one, although of course there are winners and losers. It's full of creative professionals in vibrant downtown live/work communities, swapping out a life of long commutes from boring exurbs for something much less carbon-intensive and much more interconnected. It's a vision where good union jobs in manufacturing industry become vanishingly rare, replaced by service-industry jobs which are only now, slowly, beginning to get the respect they deserve.

The fact is, however, that Florida has been preaching this vision for years now -- since long before the financial crisis. If Florida's Great Reset does happen -- and I hope that it does -- then its roots will lie in the revivification of downtown areas in the 1990s, as well as in the way in which the internet revolution has turned our lives from being fundamentally bipolar (work and family) to being extremely multipolar, with many of the most successful individuals being those who manage to connect dozens or even hundreds of disparate ideas, individuals, and businesses. The crisis of 2008, while it surely looked gruesome when the book was being pitched, now seems to be neither so devastating nor so important that it will ever be considered an important contributor to our future lifestyle.

But what of even bigger drivers of how we're going to live in the decades to come -- not only in the U.S., but around the world? With all the high-speed trains and creative-class economies that Richard Florida could ever want, will we still be at the mercy of global warming and peak oil?

That's the subject of Matt Ridley's new book, *The Rational Optimist: How Prosperity Evolves*. History from 1873 to the present day is nothing to him: Ridley starts his book half a million years ago, and doesn't even get to the year 1200 until page 191. (Admittedly, he does take a few detours into the present along the way.)

Ridley does an impressively comprehensive job of looking at the entirety of human history through the lens of a single big idea: that of the awesome power of trade and David Ricardo's principle of comparative advantage. Ridley's history is not one of
empires and Great Men; it's one of trade in ideas and goods, and of resource
management, and of the way in which humans, left to their own devices in contact with
other humans, have a tendency to grow and prosper unless quashed by outside forces or
rentiers.

Ridley sometimes gets a little bit too caught up in his own optimism: he claims to be
quite sure that the 21st century will be a wonderful time to live, while conceding that
human progress comes in fits and starts, and has often gone backwards for much longer
than that. He barely mentions the horrors of the Second World War, or the fact that the
invention of nuclear weapons means that the human race is now more than capable of
annihilating itself many times over, and his faith in markets is so strong that he
uncritically rabbits the old canard about how selling anti-malarial bed nets is better at
reducing malaria in Africa than giving them away. (It isn't.)

When it comes to peak oil and global warming, Ridley makes as strong a case as I've
seen that the lesson of history is that we'll be able to cope with them and thrive while
doing so. Humans have been driving "renewable" resources -- especially large mammals -
- into extinction for millennia, yet so far haven't run out of a single non-renewable
commodity. And global warming is likely to increase the world's agricultural output, says
Ridley, while remaining well within the limits of human adaptability -- at least for the
next century. He doesn't deny that the challenge of this adaptation raises real issues: he's
just, well, rationally optimistic that the issues will prove to be surmountable. Which
doesn't stop him, late in the book, from proposing a new carbon tax to replace payroll
taxes.

Ridley's book is a useful corrective to prevailing pessimism, and should certainly be read
by anybody of an apocalyptic bent, or anybody who is convinced that renewable fuels
and organic food are obviously better for the environment and for humanity than the
alternative. Still, Ridley is himself an interesting example of what can happen when
someone is too optimistic: he was chairman of UK bank Northern Rock, which, when it
failed in 2007, became the first bank in the country to suffer a bank run since the 19th
century, and had to be taken over by the government. Sometimes, a bit of precautionary
pessimism can be decidedly useful.