

The Great Reset: Richard Florida presents enduring image of America in recession

A spacious house in the suburbs, far from the city crowds. Sprawling lawns for the children to play in. Several cars in the garage to drive to work. An affordable mortgage. This has been the great American dream, one that the rest of the world has imbibed as an ideal of good living.

But it is also a lifestyle that is at the root of the global recession and as such, it's set to fade away in the aftermath. The future of the world lies in densely populated cities that conserve resources and where talented, creative people live work in close proximity — and live, by choice, in rented apartments.

"Innovations in housing have always been crucial to resets after economic crises," says Professor Richard Florida of University of Toronto's Rotman School of Management. "The mortgage financed single-family house was appropriate to its time. But it leads to countless forms of over-consumption that have a horribly distorting affect on the economy."

In his new book, *The Great Reset: how new ways of living drive post-crash prosperity*, Florida goes beyond economics in his analysis of the affects of global financial crisis. His work is built around the theory of 'spatial fix' advanced by neo-Marxist geographer David Harvey in mid-1970s, to describe how capitalism resolves inner crises through geo-graphical restructuring.

"Economic systems are embedded with the geographical fabric of society," says Florida. "The way land is used, the locations of homes, the infrastructure, all combine to shape production, consumption, innovation. A reconfiguration of this economic landscape is the real distinguishing characteristic of a reset."

The Great Reset presents an enduring image of America in recession: bulldozers razing brand new suburban homes, abandoned under foreclosure, which the banks took to demolishing in order to make the rest of the neighbourhood safer.

"In cities like Phoenix, real estate, mort-gage finance, construction became the economy," says Florida. "They were employing more workers than manufacturing, government, healthcare and education combined. They essentially lacked an underlying economic base to support high housing prices."

The collapse of the housing market in the USA has ended the tradi-tional idea of a home as an investment. But real estate has never actu-ally been a great financial investment anyway, says Florida, pointing to a study by Yale University's Robert Shiller that found that from "1890 to 1990, the rate of return on residential real

estate was just about zero after inflation.

Besides, home ownership goes against two of the key principles of the modern economy - mobility and flexibility. "Economic opportunity is inherently at conflict with home ownership. In the economy of the future, geographic mobility will be vital in matching workers with jobs," says Florida.

What kind of housing best suits the new economy? Florida offers up a solution that's already become popular in fast growing cities like Bangalore: the service apartment. Once designed for global expatriates in transition, the service apartment now caters to all kinds of people on the move. Many stay on for years.