

# FINANCIAL POST

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Financial Post Wealthy Boomer

Jonathan Chevreau

## WEALTHY BOOMER



Jonathan Chevreau - July 14, 2010 – 11:55 a.m.

### The Great Reset and the future of Tor-Mon-tawa, Canada

*The Great Reset* is a recent book by author and “thought leader” Richard Florida that came about after he was commissioned to write a cover story for *Atlantic* magazine on [“How the Crash is Reshaping America.”](#) The article appeared in March 2009, the very month the rally started to gain steam.

The [book](#) expanding on the article was published earlier this year and I purchased my copy like anyone else at a local bookstore. When I flipped through it, I was intrigued by a chapter about my own city of Toronto. While Florida is originally from Newark, NJ, Toronto is his current adopted city — he is currently the director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management.

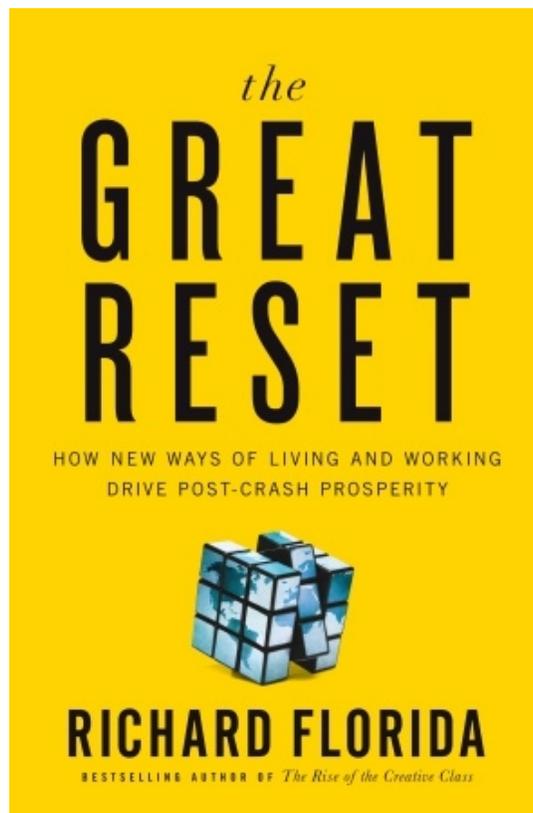
Nor is Florida a stranger to penning international bestsellers. He also wrote *The Rise of the Creative Class* [see related web site [here](#)] and *Who's Your City?*

The first “reset” and the one Florida believes is most like the one we're now in, was the Long Depression of 1873. The second was the one that started with the Great Crash of 1929.

But before we address those, what exactly does the chapter on Toronto say?

#### Northern Light?

The reference is about half way through the book in a chapter entitled *Northern Light*. Immediately preceding it is a chapter on the death and life of great industrial cities, chiefly depressed regions like Detroit (his wife's home town) and other manufacturing cities that have done a better job of reinventing themselves — like Pittsburgh, Boston, Buffalo and Cleveland.



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Here are a few direct passages about Toronto and by extension the megaregion he calls Tor-Mon-tawa, which includes the 22 million citizens of Toronto, Montreal and Ottawa:

Toronto's size makes for a diverse economic structure, one that's less like Detroit's or even Chicago's and more a mix of those of New York, Los Angeles, and even San Francisco, with heavy concentrations of finance, media, film, and entertainment. It also has more than its share of information technology and biotechnology, with more within commuting distance.

#### Canada avoided housing bubble & financial irresponsibility of the U.S

Or, speaking about the country as a whole:

... Toronto and all of Canada actually managed to avoid the humongous housing bubble and financial irresponsibility that plagued the United States .... None of this is to say that Toronto has somehow sidestepped all the stubborn problems that infect most rapidly growing metropolitan centres. Income inequality is increasing, and the population is becoming more segmented by class, ethnic, and racial lines .... Still, I'm convinced that Toronto has a tremendous upside potential coming out of the current crisis... It stands as a model of an older, once heavily industrial Frostbelt city that has not only turned itself around but continues to grow and thrive.



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Enough about Toronto and Canada. The book's main focus is on the U.S., particularly on jobs and the need to migrate to where the new jobs are. The two main kinds of jobs that are growing are higher-paying knowledge, professional and creative jobs; plus lower-paying routine jobs in the service economy – the stereotype being burger flippers and Walmart greeters. To get the good new creative jobs, two skill sets are important: analytical and social intelligence skills.



Richard Florida

#### Home ownership can inhibit migration to better job locations

Because workers need to be flexible and willing to relocate, Florida makes a case for renting homes rather than owning them. He even questions the wisdom of the cherished U.S. tax deduction on mortgage interest, something he says Canadians have managed to live without. He also urges an end to the American tolerance of letting borrowers mail in their keys and walk away from their home loans.

He recommends that governments make high-speed-rail-transit a priority in order to connect the major North American megacenters, which he calls Charl-lanta, So-Cal, Nor-Cal, So-Flow and Cascadia among others (the latter is Seattle, Portland and Vancouver). He'd like to see a high-speed link connecting Windsor, Toronto, Ottawa, Montreal and Quebec City.

#### Resets can take a generation to take hold

Major resets like the one we're in unfold over two or three decades but the challenge we face today is more daunting than that of the 1930s, he says. Our reset faces troubles closer to that experienced by the Long Depression of the late 19th century: the First Reset. It had to deal with the shift from an agricultural to an industrial economy while here in the early 21st century the challenge is to move from an industrial to an idea-driven creative economy.

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Politicians and financiers should consider this passage I highlighted on page 181:

Our efforts must concentrate on actively building the economy of the future. Instead of infusing scarce capital into the very banks and financial system that brought us to the brink in the first place, or trying to reinvigorate the housing and mortgage markets that pushed us over the edge, and instead of bailing out mismanaged old-economy companies, we must use whatever resources are available to accelerate the transition to an idea-driven economy, while improving the jobs that have survived or are now being created.

That pretty well says it all.