



**Lessons from the Great Recession and  
Other Economic Crises**

June 2020

## Change and Economic Crisis

Uncertainty can cause societal stress. When we do not know what is happening and things become more uncertain, it can immobilize individuals, organizations, communities and even countries. We are in one of those profound uncertain times connected to the COVID-19 Pandemic Health Crisis and now a deepening world economic recession and civil unrest. No living American can recall the last time we experienced a global health pandemic (i.e., The Spanish Flu Global Pandemic running from spring 1918 into early summer 1919). While we are still in the throes of the COVID-19 Pandemic, it is the right time to begin thinking about how we **restart** our lives, work, economy, and society; move into **recovery** mode healing the damages done, and seriously consider how we can grow a more **resilient** society and economy. This paper frames our thinking about a post-Pandemic Recession world.

### The Great Reset

In his 2010 book [The Great Reset – How New Ways of Living and Working Drive Post-Crash Prosperity](#), Richard Florida coined the term “The Great Reset.” The idea was basic and simple, but powerful – during and following a deep event like an economic recession, the current status quo is unraveled or loosened creating opportunity space that leads to fundamental change. At e2 we found this Florida book most insightful as we advised community economic development leaders throughout North America about how to position for and invest in strategies to return to prosperity following the Great Recession.

The Great Recession which ran in the U.S. from December 2007 through June 2009 (we consider the period to be from mid-2006 to early 2010), was the deepest economic contraction since the Great Depression of the 1930s. Florida and his researchers studied the post-Long Depression (post-Civil War period), the post-Great Depression (1930s) period, and the fundamental changes that were enabled by these profound events that evolved government, society, and our economy. We believe an important intention of this book was to prime us for the post-Great Recession period between 2010 and 2020 (e.g., one of the longest economic expansions in recent American history). The following summarizes just some of the transformative change that occurred with the Long Depression, the Great Depression, and the Great Recession.

#### Changes Enabled by the Long Depression:

- Acceleration of the 1<sup>st</sup> Industrial Revolution
- Assembly Line and Modern Manufacturing
- Telecommunications – Telegraph to Telephones
- Modern Electricity
- Good Government Movement
- Labor Reform
- Women’s Suffrage (1912)

#### Change Enabled by the Great Depression:

- Modern Banking System
- Rise of Suburbia
- College Education Becomes Common
- Worldwide Internet
- Air Travel Becomes International and Common
- Martin Luther King - Civil Rights

## Emerging Changes Enabled by the Great Recession:

- Real Estate and Investment Bubbles – Banking Reform
- Rise of the Tea Party – Role of Government – Obama and Trump
- Erosion of Legacy Employment – Rise of Outsourcing
- Rising Income and Wealth Inequality – Bernie Sanders and the Revolution
- Wide Acceptance of Gay Rights
- The Rise of Apps, Smart Technology, Artificial Intelligence, Automation, Social Media

## Restart, Recovery and Resiliency

Given our challenging times we are proposing an overall theme for 2020 and possibly beyond – **Restart, Recovery and Resiliency**. We are hungry to restart our economy and lives given the COVID-19 Pandemic shutdown. It is not clear how long it will take to reach some kind of new normal as treatments evolve and a possible vaccine emerges. As part of the restart process our communities, including ventures, will need support to ensure recovery. We continue to hope for a “V” recovery or in other words – a rapid and robust economic recovery. But we also know that certain sectors like hospitality, transportation and large gathering activities may not be possible until we have COVID-19 controlled. Finally, there is the aspiration that we will commit to growing more resilient ventures, economies, and communities post-Pandemic. If we fail to seriously learn from these tragic events, we run the risk that other serious challenges will further erode our vitality.

## The Reset Process

In the Great Reset Florida articulates the reset process that is set into motion when a significant event like a depression or deep recession occurs. Before the crisis there is an established status quo and transformative or major change is hard. Think of all the unaddressed issues facing our country including immigration, climate change and infrastructure to name just a few. Change is either blocked or very incremental. During and following the crisis the status quo is upended or unraveled. Traditional power blocks are shifted, and citizens and institutions are driven to change. According to Florida this creates **opportunity space** where fundamental change can occur or trends leading to change are accelerated. In all sectors of our society – government, nonprofit and economic – there is innovation (not necessarily desirable by all) and a new era of prosperity emerges. The footprint of the crisis and the period when fundamental change is possible varies and is often dependent on the depth and unraveling of the status quo that occurs along with the kind of leadership driving change.

The changes enabled by the Great Depression and then World War II were profound. First, there was an unprecedented change in political leadership and values (Franklin Roosevelt was elected President four times and is the longest running President in American history). These two events essentially ran from 1929 into 1946 or nearly two decades. The depth and duration of these two events drove and enabled widespread and fundamental change including the movement of industry from the coasts and big cities to America’s heartland and rural areas creating new opportunities for rural America. Massive social mixing occurred with World War II. The GI Bill greatly increased access to higher education, forever changing America.

## Preparing for Post-Pandemic Change

How do we rebuild American lives, careers, communities, and economies after COVID-19? If we start now, can we vision and grow more equitable and better economic opportunities for all who live in our

communities? We believe it is possible with a commitment to entrepreneur-focused development and ecosystem building. We propose a ground game around three themes: restart, recovery, and resiliency.

## Restart

The COVID-19 pandemic threatens every resident and has resulted in a shutdown of much of our economy and normal activities. We are practicing physical distancing, staying at home, and isolating from others in an effort to slow and even stop the spread of COVID-19. At present we are struggling to figure out how to restart or return to a new normal. From an economic perspective, this means restarting ventures and venture activities (not all, but a significant portion of our economy). A deeper understanding of our economy has emerged with respect to economic activity that requires physical presence (e.g., cruise ships, retail, cafes, etc.) and activity that can be done remotely employing information technology (e.g., knowledge workers in banking, finance, insurance, law, accounting, etc.).

**Damage Assessment.** There is no question that real damage will be done by the Pandemic Recession. Some estimate that up to one-third or more of place-based ventures (i.e., for-profit, nonprofit, and governmental) will fail during and following this recession. Other ventures will be forced to make fundamental changes in how they operate. Millions of Americans will be seriously hurt financially and even their wellbeing will be damaged.

But in market economies there is always churn and during and following the Pandemic Recession there will also be new opportunities. A local café may fail but as long as the café's assets are in place, new owners can emerge leading to even a better community café. Some assume that big-box retail, that has already been struggling, may see massive failures. This will create unemployment and vacant space in shopping malls and commercial districts. When any class of ventures fail, there are opportunities for others to enter those markets with new venture plans to capture consumer spending. **Helping entrepreneurs discover and leverage these emerging opportunity spaces where they can compete and rebuild communities is key to a successful restart effort.**

## Recovery

If restart is the first step toward a new normal, recovery is the longer-term process from when the crisis unravels the status quo and the new opportunity space slowly closes. During recovery massive change may be delayed, but over time a new normal or status quo does emerge where fundamental change slows and becomes much more difficult. Following the Great Recession there were concerns that the recovery was too slow and uneven (e.g., some things quickly recovered such as stock market values, while other things recovered slowly such as rising real wages).

Beginning with the COVID-19 Pandemic crisis period and then the recovery period, **it is essential for communities and their development leadership to begin (1) tracking macro trends that are likely to impact their economies (e.g., new opportunity spaces) and (2) work with their entrepreneurs to support re-opening and re-positioning into the new economy that emerges.**

### Addressing injustice and inequality

A new, but not unexpected dynamic is now part of the COVID-19 Health Pandemic shutdown and recession – civil unrest. For some time, there have been dual movements that appear to be coming together triggered by the tragic killing of George Floyd in Minnesota. Perhaps beginning with the corporate bailout push back during the Great Recession (e.g., occupy Wall Street camps across the

country), then the draw of millions of Americans, particularly younger American's, to Bernie Sanders' message of economic revolution, there is a continuing strong current of dissatisfaction with the growing economic and wealth inequality in America. The rise of the Tea Party and Trumpism is an alternative reaction to the same forces driving the economic revolution movement. The second trend relates to continuing racism in America and particularly incarceration and violence against people of color now reflected in the Black Lives Matter movement. Both of these movements reflect growing distrust of the status quo and traditional leadership and institutions. The killing of George Floyd was the trigger tapping into both of these energies resulting in peaceful protests and violent rioting in America's major cities beginning in May 2020. Throughout the summer and fall of 2020 media coverage may well include both COVID-19 and civil rest headlines. Addressing fundamental injustice and inequality is now imperative to both economic and social recovery post-Pandemic Recession.

**Delayed Challenges.** Not all fallout from a recession is immediate. Some ventures manage to survive the immediate event and challenges, but are stressed, damaged or unable to adapt to new realities and eventually fail over the coming years. **It is important for economic developers and their communities to be prepared to (1) minimize delayed fallout by helping stressed ventures reposition and (2) ensure there are new entrepreneurs to fill gaps in their venture community.** It is during the recovery period when robust and sustained development efforts are important. A strong entrepreneurial ecosystem is best positioned to address the challenges and opportunities associated with both immediate and delayed fallout driven by the crisis.

## Resiliency

Resiliency is the ability to recover from a serious stress such as a natural disaster, war, or economic contraction. At a personal level resiliency is important and measures our ability to cope with disease, loss, and other forms of deep stress. In the midst of a serious stress event we are too often, but understandably focused on the here and now – how do I survive? Individuals, communities, and systems with strong resiliency not only survive but often rebound stronger than before the stress event. Resiliency is not ordained but is created and can be increased through smart and intentional actions. A monoculture natural environment can become more resilient by increasing its biodiversity and health over time (think forest, soil, and wetlands biodiversity; good diet, exercise, stress management and health resiliency). The same is possible at the personal, family, community, national, and global level.

Resiliency is also an important economic concept. Economic resiliency has micro and macro perspectives. At the micro level resiliency with each and every enterprise and venture is important (including for-profit, nonprofit, and governmental ventures). A community or nation of resilient enterprises inherently creates a more resilient economy. In America, a collection of very resilient regional economies rooted in their unique collection of enterprises, economic sectors, and industries combine like the threads of a rope to create strength nationally. Strong and resilient national economies create the same positive dynamic internationally. Individual resiliency can and does drive collective or shared resiliency.

**Figure 1 – Three Kinds of Ventures within Each Entrepreneurial Ecosystem**

<b>Three Kinds of Ventures</b>		
<p>In all our e2 work we intentionally employ the term “ventures” or “enterprises” to reflect that we have three kinds of legally constructed economic units in America – for-profit businesses, nonprofit ventures and government enterprises. All three types of ventures or enterprises are important. As we pursue energizing entrepreneurs we encourage communities to consider all three of these kinds of ventures that can create economic activity, competitiveness and contribute to community prosperity.</p>		
<p><b>For-Profit Businesses</b></p>	<p><b>Nonprofit Ventures</b></p>	<p><b>Governmental Enterprises</b></p>
<p>For-profit businesses ranging from main street mainstays like cafes and hardware stores to manufacturing plants and resort are obviously important entrepreneurial development targets.</p>	<p>America’s nonprofit sector is growing fast. It employs millions of Americans. This sector ranges from health care to social services to the arts and humanities that contribute to quality of life. Supporting entrepreneurial nonprofits should be a focus of our development.</p>	<p>Despite political push back that suggests government is not important, the fact is for many economies government enterprises are foundation. For example, the existence of Rocky Mountain National Park in Colorado drives the Estes Park private economy.</p>

National and international policies can contribute to economic resiliency. Think of just a few of the following U.S. and international policy actions that contribute to current resiliency:

- U.S. Resiliency:
  - Federal Reserve and Monetary Policy
  - Unemployment and Worker Retraining
  - Economic Adjustment Support from the Economic Development Administration
  - Social Security, Medicare, and Medicaid
  - Congressional Stimulus Legislation
  - Food Assistance
  
- International Resiliency:
  - United Nations
  - World Health Organization
  - International Monetary Fund
  - Cooperation Among Nation’s Central Banks
  - International Trade Organization
  - Global Climate Accord

Despite the remarkable progress in creating public and private national and international mechanisms that contribute to resilience, **there is considerable opportunity and need to do more.** The evolving global Pandemic and associated recession, wealth and racial inequities, and emerging climate change challenges, illustrates that much more is needed to create more resilient economies, societies, and cultures.

## Moving Forward

Employing what we learned from the Great Recession Reset, our focus in the coming year will be on how we can support rural communities, regions and states to restart and recover from the COVID-19 Pandemic and do so in ways that increase individual, community and economic resiliency. We welcome your thoughts by contacting Don Macke at [don@e2mail.org](mailto:don@e2mail.org).



## How e2 Can Help



**e2 Entrepreneurial Ecosystems** helps communities increase prosperity through entrepreneur-focused economic development and ecosystem building. Led by [Don Macke](#), e2 has a national team of practitioners who bring research, coaching, incubation, market intelligence and other expertise to this work.

## What We Do

- ✓ **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work.
- ✓ **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data. Explore some of our research tools and reports [here](#).
- ✓ **e2 University (e2U)** is our platform for sharing guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the e2U team with analytics support from **Cathy Kottwitz** and report preparation from **Ann Chaffin**. Special recognition for their e2U legacy contributions goes to **Dana Williams** and **Deb Markley**, LOCUS Impacting Investing.
- ✓ **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City**, **SourceLink**, **Edward Lowe Foundation**, **Kauffman Foundation**, and **NetWork Kansas**. We are a founding member of [Start Us Up: America's New Business Plan](#), a coalition dedicated to strengthening entrepreneurship across America. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

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[NetWork Kansas](#), a 501c3 nonprofit organization dedicated to developing an entrepreneurial ecosystem in Kansas, is the home for e2 Entrepreneurial Ecosystems. NetWork Kansas connects aspiring entrepreneurs, emerging and established businesses, to a deep network of business building resource organizations across the state.

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