



How the Great Recession Derailed the Industrial Revolution

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When we think of the economic engine that powers our world, we usually think of it going faster (or slower) but always forward. What if that was not the case? What if our economic engine actually went backwards and reversed trends established during the last 248 years?

Prior to 1760, many people in Great Britain worked in the home-based agrarian (farm) economy and had handicraft side gigs which included spinning fleece into the luxurious British wool which was coveted by the Neiman-Marcus crowd of that time period.

In 1760, that changed.

With the introduction of new power systems, factories sprang up which were able to produce more wool in one day than an entire village of spinners could produce in one month. Since the factory owners paid a steady wage, people flocked from the farms and into the factories to work. And thus the Industrial Revolution began when solo entrepreneurs left their spinning wheels at home by the fire to work as employees at large industrial looms.

In 2008, that trend reversed.

This past April, economic analysts from Arizona State University and University of Iowa released their study which found a trend which dates back to 2008: a rapid uptick in the creation of new websites and new business webpages (think of a store on The Grommet to sell handicrafts).

Since most economic growth studies focus on the number of new LLCs and corporations to indicate economic growth, this study was unusual because it researched data that had not been studied hitherto. The purpose was to find out if an increase in the number of online businesses correlated to economic growth in the community.

Indeed it does!

Starting in 2008 and the Great Recession, those who were forced out of the labor market or had their hours reduced, changed their status from “employees” to “solo entrepreneurs” by starting home-based, online businesses. Many of these are web-based side hustles included selling jewelry on Etsy, providing content for clients on Fivrr, or creating graphic designs for company branding.

The study also found an interesting economic shift this past spring.

When the pandemic closed down our economy, American ingenuity stepped in: traditional, brick and mortar businesses pivoted to create web-based micro-businesses. For example, many restaurants pivoted and improved their online order taking systems. From January to April 2020, restaurant orders placed online nearly doubled.

More importantly, this study discovered that the more micro-businesses a community had, the less that community economically suffered during the pandemic due to fewer jobs being lost.