# PREFACE

The existing body of economic theory, largely formed over the 20th century, has come to be an impressive machine for analysis. Yet there is now a feeling among many people that it has not fully grasped the forces and channels behind some of the important developments in the modern world. There is also a feeling in the profession that corrections to some of its mistakes are needed if it is to help society understand this world.

Several economists and noneconomists have pointed—some of them long ago—to human desires and satisfactions missing from or intentionally excluded from standard economic theory: Nietzsche on overcoming obstacles, Bergson on vitality and personal growth, Veblen on the instinct called workmanship, Sen on developing our capabilities, Frydman on forecasting consistent with Knightian uncertainty, Robb on "action that is for itself," and my work on the joy of creating.

Yet the economic models used to address public issues or theoretical questions continue to overlook these desires and satisfactions right up to the present time. Two premises of the standard theory are striking in their disregard of those desires and satisfactions, and both premises have to do with what goes on in the workplace.

One of these premises is the supposition that the reward of work is *solely pay*. But there is an abundance of evidence against that. In America, it is very clear that work is central to a meaningful life—as shown gloriously in the film *Shane*. The American Dream, held by many, is best interpreted as the hope of succeeding at something in that life—a hope realized in *A Star Is Born* and dashed in *On the Waterfront*.

In such an economy, conceiving a new thing or new method, imagining an unseen possibility, and exploring the unknown are apt to be the most deeply rewarding sort of work experience. When many of these experiences disappear from some jobs over much of the country, there is a sense of deprivation: some of the meaningfulness of work is lost.

The few attitudinal surveys stretching over a long span provide evidence of the meaningfulness that work has held for a great many people. Asked by Ipsos-Reid whether they enjoy their work so much they "have a hard time putting it aside," 51 percent of interviewees said "yes" in its earliest survey, conducted in 1955. Asked by Roper whether "work is the most important thing . . . or is it leisure?" 48 percent said "work" in its earliest year, 1975. Asked by Gallup whether they are "satisfied or dissatisfied" with their job or the work they do, 86 percent said "satisfied" in its earliest year, 1966. These data say something about who Americans were in those times and who they are today.

Lamentably, the subsequent surveys show a steep decline in job satisfaction starting in the 1970s and continuing to the last surveys around 2000. (The General Social Survey reports that "life satisfaction" has trended down since 1990—this in spite of a rise in household income.) This must be explained. Conceivably that decline is explained—in part, at any rate—by a substantial contraction of annual aggregate innovation. But what is the main force driving innovation? That brings us to the other problematic omission in the standard theory.

The other premise is the supposition that the source of innovation is *solely scientists*. In that view, economic advance is the insightful and fortunate commercial applications of scientific discoveries—applications seen as chosen by knowledgeable entrepreneurs. This would mean that the phenomenon of sustained economic growth, which sprang up early in the 19th century and had spread through most of the West by the century's end, and the subsequent slowdown of this economic growth, which started around 1970 and has since spread through the West, are simply a result of a rise and fall in the rate of scientific advance.

It is true that corporations in some industries of an economy may have R&D departments seeking to identify commercial applications that seem promising enough to be worth designing and marketing—thus helping the firm decide new products and methods to launch on the market. But these departments are not the *origin* of sustained economic advance any more than capital investment is the origin of sustained growth.

It is also true that Silicon Valley has created high-flying start-ups that rely on technological advances in computing and telecommunications. But apart from a brief episode in the late 1990s, the contribution of these companies to the economy as a whole has been minor, their mighty propaganda machines notwithstanding.

With *Mass Flourishing,* which appeared around six years ago, a competing hypothesis on innovation has arisen. There are nations in which ordinary people from "the grass roots on up," having backgrounds in various businesses and having acquired insights into the businesses where they work, come to possess the *capability* to use their acquired know-how to conceive better methods and new things. Further, if such a nation possesses the necessary modern values, these people will have the *desire* to develop those methods and things—thus, market forces permitting, to generate indigenous innovation. That is dynamism—the desire and capacity to generate indigenous innovation. And being engaged in this innovative activity is at the core of modern life. High job satisfaction, the exhilaration of new possibilities, and consequently economic progress are the fruit.

The fundamental purpose of this book is to test this modernist theory against the standard theory driven by exogenous scientific discovery and then to consider the implications of the results for some of the concerns of the present day.

*Mass Flourishing* presented a *historical* explanation of the rapid, sustained growth of productivity that broke out in a small number of Western nations over the 19th century and the accompanying "flourishing" in those nations—meaningful work, self-expression, and personal growth. Then it presented an explanation of the losses of prosperity and flourishing in one nation after another over the past five decades. These explanations imply a rise and fall of modern values.

But was all this right, or was the older view somehow better in some ways? Economics will not point us to the road we need to take and may point us to wrong roads if we misunderstand the roots of innovation.

This book measures values directly through surveys and estimates their effects through statistical methods. With the tests done and the results in, we can have a better understanding of the main cause of the secular decline—of the losses of growth and flourishing. Then we can begin to address the sense of a void that is felt in much of the West.

DYNAMISM