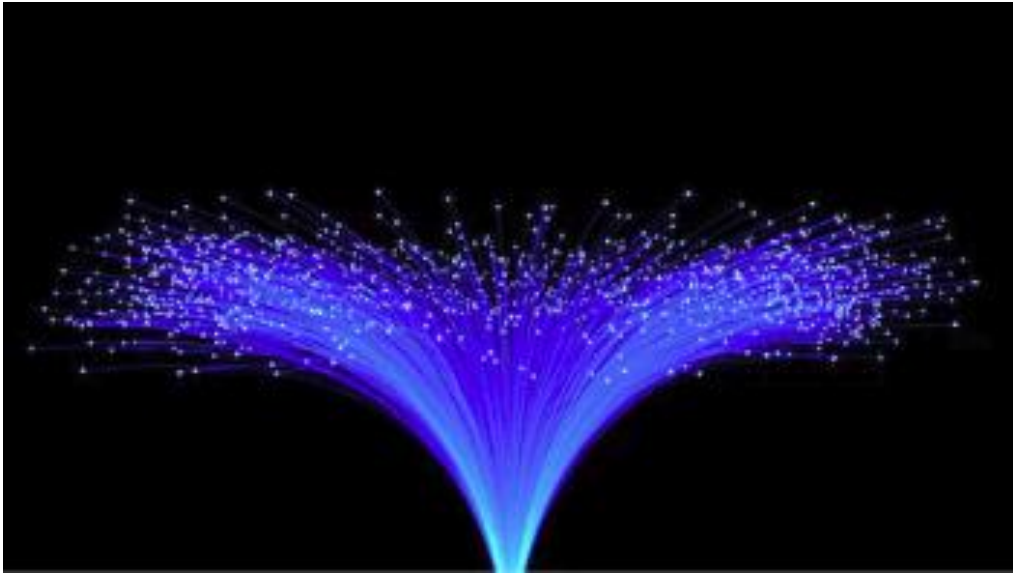


# Openness to Creative Destruction



## Sustaining Innovative Dynamism

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### **Brief Summary**

*Openness to Creative Destruction: Sustaining Innovative Dynamism* shows how life has improved through innovation, how innovation has occurred through the efforts of inventors and innovative entrepreneurs, how workers on balance benefit from a system of innovative dynamism, and how policies can be crafted to encourage the innovative entrepreneur to bring us more innovations.

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## From Draft of New Book Announcement

### **Key points**

- Shows how innovative dynamism creates more jobs than it destroys, and the new jobs are mainly better jobs, involving less danger and routine, and more thought and creativity.
- Highlights that too much regulation can reduce innovation and leave society worse off.
- Supports its findings with many compelling stories from the lives of inventors and innovative entrepreneurs.

### **Description**

Life improves under the economic system often called “entrepreneurial capitalism” or “creative destruction,” but more accurately called “innovative dynamism.” *Openness to Creative Destruction: Sustaining Innovative Dynamism* shows how innovation occurs through the efforts of inventors and innovative entrepreneurs, how workers on balance benefit, and how good policies can encourage innovation.

The inventors and innovative entrepreneurs are often cognitively diverse outsiders with the courage and perseverance to see and pursue serendipitous discoveries or slow hunches. Arthur M. Diamond, Jr. shows how economies grow where innovative dynamism through leapfrog competition flourishes, as in the United States from roughly 1830-1930. Consumers vote with their feet for innovative new goods and for process innovations that reduce prices, benefiting ordinary citizens more than the privileged elites. Diamond highlights that because breakthrough inventions are costly and difficult, patents can be fair rewards for invention and can provide funding to enable future inventions. He argues that some fears about adverse effects on labor market are unjustified, since more and better new jobs are created than are destroyed, and that other fears can be mitigated by better policies. The steady growth in regulations, often defended on the basis of the precautionary principle, increases the costs to potential entrepreneurs and thus reduces innovation.

The "Great Fact" of economic history is that after at least 40,000 years of mostly "poor, nasty, brutish, and short" humans in the last 250 years have started to live substantially longer and better lives. Diamond increases understanding of why.

## Key Bullet Points from *Openness to Creative Destruction*

- The "Great Fact" of economic history is that after at least 40,000 years of mostly "poor, nasty, brutish, and short" humans in the last 250 years have started to live substantially longer and better lives.
- Innovative new goods help us to achieve a wide variety of life plans, especially life plans that include the pursuit of challenging, engaging, and rewarding projects.
- Entrepreneurs who are mainly motivated by wanting to change the world (project entrepreneurs), are more likely to succeed because they are less likely to sell out.
- Breakthrough innovative entrepreneurs often "think different"—they are cognitively diverse.
- At the crucial early stage, breakthrough innovations almost always need to be self-funded, since they are difficult to explain, and seem unlikely to succeed.
- Intensity in the pursuit of breakthrough innovations can bring flow and fulfilment that partly offsets lost work-life balance.
- Innovative dynamism creates more jobs than it destroys, and the new jobs are mainly better jobs, involving less danger and routine, and more thought and creativity.
- Most job growth is due to "gazelles," young fast-growing firms, which have been declining in number in recent years.
- Regulations protect insiders from the leapfrog innovations of outsider gazelles, more than they protect consumers and workers from harm.
- If poor outsiders can find work in a robust job market and if they are allowed to invent and innovate, they will have access to the American dream of a better life.



## 14. Overture

When a young Eritrean woman leaps on a train hurtling to England, she risks her life in the hope for a better future. Her train is aimed for the place where all trains began, a place that allowed inventors and entrepreneurs to make trains come true.

Inventor Thomas Newcomen leveraged the muscles of workers with the power of steam. Inventor George Stephenson, a self-taught coal miner's son, improved a mine's Newcomen engine, eventually inventing a practical steam locomotive. As an entrepreneur, Stephenson found a way to lay track across a bog and built the first locomotive factory. Trains brought milk to London and job choices to workers.

Stephenson knew the motive power of locomotives. But what was the motive power of Stephenson? He had the courage, perseverance, and hope, to try to do what had not been done before. And he lived in an economic system that allowed him to try—a system of innovative dynamism.

Later inventors and entrepreneurs, motivated by courage, perseverance, and hope, created new goods and processes that usually gave us more control over safer, longer, and more satisfying lives. They also created more and better jobs—jobs with less danger and routine, and with more challenge and fulfilment.

Although the long-term news is good, the short-term news is not. The system is increasingly rigged to protect incumbent firms and the already-rich. We cannot sustain innovative dynamism if we keep binding the fast-growing startups that, by leapfrogging the incumbents, create more and better jobs. But if we again leave our inventors and entrepreneurs unbound, they likely will find faster cures for cancer, allow us to travel to Mars, and achieve other audacious projects we cannot yet imagine. What is certain is that they will bring us: more goods, more jobs, more choices, more life, more hope.