

Common innovation: how we create the wealth of nations Common innovation: how we create the wealth of nations, by G. M. Peter Swann, Cheltenham, Edward Elgar, 2015, 272 pp., £80 (hardback), ISBN 978 1 84720 050 1

Peter Swann has discovered a new type of innovation – he calls it ‘common innovation’ – which is non-business, ‘vernacular innovation’ (lovely phrase, that) undertaken by the ‘common man or woman’, often involving ‘quite ordinary and unexceptional activity’ (p.3). The purpose of this thoughtful and interesting book is to provide what is in essence a field report with fast-moving sketches of initial sightings, and an attempt to formulate some theoretical apparatus with which to capture and study this phenomenon.

The idea that there is economic activity, and then there is innovative economic activity we owe to Joseph Schumpeter, who realized that this second type of economic activity – the entrepreneurial type – was the fundamental driver of economic dynamics. This has developed into evolutionary economics and the study of innovation systems through the work of Chris Freeman, Richard Nelson and Sidney Winter, among many others, with a central focus on the entrepreneurial agent and the innovating firm. Swann calls this ‘business innovation’ (‘B-innovation’, in his terminology), parsing the remaining space as common innovation (or ‘C-innovation’).

The idea that there are different species of innovation is not new, of course. Eric Von Hippel has developed the concept of user innovation since the 1980s, and Henry Chesbrough has long promoted the concept of open innovation. And then there are the many adjectives attached to innovation: soft innovation (Paul Stoneman), frugal innovation (C.K. Prahalad), collective innovation (Robert Allen), collaborative innovation (Yochai Benkler), social innovation (Geoff Mulgan) and disruptive innovation (Clayton Christenson). Swann observes that, while these concepts on the face of it variously extend, democratize or externalize the origins of innovation such that they emerge from deep in the user community, or cut pathways at an oblique angle to profit-maximizing venture-financed research and development, they all tend eventually to find their way back into the heartland of the Schumpeterian firm. Swann’s point is that common innovation is not a catchment area for business innovation, which is usually taken to mean ‘that which ultimately drives economic growth and development’, but a different thing altogether, closer in spirit to Gary Becker’s notion of household production.

This leads us to the second of Swann’s neologisms, but really the foundation of his argument – on the distinction between M-wealth (material/ mercantile wealth, *à la* the political economy of John S. Mill) and R-wealth (real wealth, *à la* the political economy of John Ruskin). Swann’s argument here is pre-Schumpeterian and post-Beckerian (and also post-Senian). It starts with economy in the sense of *oikonomia*, from which he separates M-wealth, not as the end in itself, as with measures of economic growth, but as the means to the end of R-wealth, which corresponds to *eudaimonia*. This framework is set out in Part I of the book, in Chapters 1–6.

The economic value of production is realized in consumption, and the economic value of innovation in production is realized, through the process of creative destruction, in improvements in consumption. The first part of this story is Chicago economics and the second part is Schumpeterian economics. What Swann observes is that the innovation-driven *eudaimonic* improvements in R-wealth need not actually pass through the mechanism involving business innovation and creative-destruction at all, but can take many different and, most interestingly, far more benign routes.

These are what he means by common innovation (as distinct from business innovation), and which range through pathways of the marketplace, socio-economic environment, natural environment, science, arts, education, health and consumption. This is the central organizing model of the book. Examples of each of these are arrayed in Part III of the book, in Chapters 15–23.

The case for the study of common innovation, however, is made in Part II of the book, in Chapters 7–14 (note that all chapters in the book are very short, in the order of eight pages), by setting up the main claim to a welfare economics of C-innovation versus B-innovation, which is that B-innovation is inherently destructive (as Schumpeter famously observed), while this is not necessarily so for C-innovation. Swann uses the metaphor of a ‘gentle breeze’ rather than Schumpeter’s ‘gale of creative destruction’ to wonderful effect in analogy to the Beaufort scale of wind-speed and damage: C-innovation can have a large effect on R-wealth, while doing very little damage, while B-innovation has a large effect on M-wealth, but at the cost of a lot of damage. C-innovation can be creative, without being destructive.

This argument is then extended in Part IV, where Swann presents two hypotheses: (1) that for some people and households, C-innovation matters more than B-innovation (he has in mind those who are reasonably well-off materially, and are time rich); and (2) that this group is likely to become more significant with time, meaning that C-innovation may not historically (at least through the capitalist era) have been the most important type of innovation, but this may change in the future.

The foundation of the common innovation approach is that the basic question is this: how does innovation create wealth? This then forces the question: what do we mean by wealth? Which gives rise to the R-wealth/M-wealth distinction, and to the analytic framework that Swann proposes, the many-routes-to-wealth model of innovation, only some of which go directly through business. The upshot is an as-seen-by-society approach to the role of innovation in the production of real wealth. Swann’s contribution, then, is to map out a schema of the distinct pathways by which this can occur, with representative (and he admits, somewhat random) examples to illustrate these connections. The purpose of the book, most directly, is proof of concept: to establish the idea of common innovation (vs. business innovation); to set it on conceptual foundations (i.e. wealth creation); and to illustrate the ways in which it can be observed in the wild (e.g. in the household, in nature, in science, in the arts, in health, etc.). Swann presents this as a kind of precursor to an eventual mapping expedition that would require a more systematic marshalling of resources and organizing of activities (this would make a fine large research grant bid).

I have two overarching points I want to make about the book, both in the direction of seeking to develop the research programme from this starting point. First, the underlying economics of this C-innovation still needs to be identified or developed. Swann very early on notes the homology with Beckerian household production functions, but does not then advance an optimal allocation of the resources model with substitution at the margin. So, that path is ruled out. Instead, he suggests welfare economics (couched in a Leontief model, which I will return to next). The B-innovation framework has two lines of connection to welfare economics. The first is the existence of market failure in the production of innovation, as associated with information economics (Arrow, 1962). This connects to policy models to maximize social welfare through resource reallocations. And second is

the related argument that the B-innovation process of creative destruction is Kaldor–Hicks efficient in that the gains from the winners could, in principle (although usually not in practice), compensate the losers, measured from the consumer perspective. In Part II of the book, Swann suggests that, for some cases, this might not be correct because of unaccounted externalities (an example he uses is e-waste in hardware caused by software innovation; another is high-frequency trading). The argument he wants to make is that B-innovation might not be as wealth creating as we have tended to assume, with the implication that C-innovation, while less powerful on the upside, may have less downside too, making its net value perhaps more than it at first seems.

I want to suggest a different line of approach from the economics of common innovation [and one which I should admit extends from my own work in this area (Potts, 2014; Hartley and Potts, 2014)]. Rather than viewing this as an economics of household production on the model of a firm (Becker, 1965; Nelson and Winter, 1982), or an economics of market failure (Arrow, 1962; Nelson, 1993), I suggest it may be viewed as an economics of *collective action* in the manner of a problem of knowledge production in the commons (Frischmann *et al.*, 2014) and thus with cooperative, rule-based institutional solutions (Ostrom, 1990; Bowles and Gintis, 2011). The economics of common innovation, I suggest, are likely to be found within the economics of the innovation commons. The economic problem here relates to the formation of groups to produce innovations and the incentives that are sufficient to induce cooperative behaviour in contributing resources and in pooling and sharing information and knowledge. So, I think there is a behavioural-institutional dimension that underpins the economics of C-innovation.

Secondly, I was not entirely convinced by the Leontief approach. The value of a matrix approach is that it formalizes the everything-is-connected-to-everything-else assumption, and allows us then to trace these consequences through. Leontief's model was, of course, originally established as an industrial planning tool at the macro scale to supersede market-guided coordination by connecting each firm to all other firms in a vast algebra of inputs and outputs. Swann seems to have something like this in mind behind his much generalized concept of innovation flows as not just between firms (i.e. B-innovation), but between households, nature, socio-economics, science, art, health, etc. This is an aid to mapping, certainly, but I struggle to see how it works as a dynamic model of a more general innovation process.

Instead, perhaps a better model comes from Austrian capital theory in the concept of 'roundaboutness' of capital investment as a function of the length of the production process (endogenously determined from consumption). *Contra* Leontief, a Böhm–Bawerk type approach suggests a roundaboutness theory of innovation as a function of the length of the innovation process through B-innovation and C-innovation. A more roundabout innovation process in this analogy would have increasing sources of innovation, which creates greater frontiers for discovery, and also for mitigating destructive downsides. Swann does allude to something like this in the concluding chapters (see p.222), but the idea is not clearly articulated. The Leontief model cannot quite carry it. Nor can it get at the significance of recombinant innovation (Weitzman, 1998), where ideas from B-innovation *and* from C-innovation pool together to create greater prospects for subsequent combinatorial innovation.

But these are suggestions for further development of what is a most interesting re-conception of the nature of innovation and its connection to wealth. What Peter Swann has clearly shown is that there is a lot left to do in innovation economics.

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Jason Potts

School of Economics, Finance and Marketing, RMIT University

jason.potts@rmit.edu.au

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Nonviolence unbound, by Brian Martin, Sparsnäs, Sweden, Irene Publishing, 2015, 354 pp., £22.00 (paperback), ISBN 978-91-88061-03-4

This book proposes to undertake a broad assessment of the nature of 'nonviolent action'. Many readers will already be aware of the idea of 'passive resistance', usually a term describing various forms in which an oppressive system or regime can be countered through pacific means. Brian Martin prefers to retain the key idea of activity, rather than passivity, and the result is an inquiry that aims to show the effectiveness of a specific form of agency in contemporary social, political and interpersonal predicaments.

Martin begins from an exploration of the boundaries circumscribing various potentially confrontational situations, and, in particular, he finds three areas that will help determine how he is to approach his central issues. These three are identified as the boundaries of physical violence, those governing 'usual politics', and transgressive forms of linguistic engagement. These will shape the further areas of exploration in the book as a whole.

The boundary question is interesting: at what point does an action become distinguished as violent, causing physical harm? In exploring this, Martin traces a route that goes all the way from things that obviously and by design cause physical harm (throwing stones, say) all the way down to cases that, while looking similar, have become more or less explicitly nonviolent. Thus, to throw a stone against a tank, for instance, looks like an action designed to cause physical harm, but one that is extremely unlikely to do so. However, it remains a clearly aggressive physi-