

Innovation: A Pathetic Solution

04-21-17

Robert J. Gordon in an NBER Working Paper entitled, *Is U.S. Economic Growth Over? Faltering Innovation Confronts the Six Headwinds*, has serious doubts that the touted promise of Information and Communication Technology can generate a new industrial revolution and raise the American economy above its current long term stagnation.

After summarizing the rapid material development that occurred when the steam engine, railroads, electricity, internal combustion engine, telephone, automobile and the many related industries that hived off the core inventions, he feels that that the computer and Internet, while being great achievements in themselves, are not sufficiently substantive expand their base and conquer the headwinds. Those include: globalization and Internet leading to price equality; growing social inequality; rising cost of collegiate education and declining secondary education, environmental costs; and very high personal and public debt. Social networking and self driving autos are little more than fun and games compared to the creative process that gave us round the clock light, rapid transportation and a home where we can cook and bathe and sleep in comfort.

Brynjolfsson and McAfee in *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies* counter Gordon with a weak argument that claims innovation is not declining but recombining with what is already in place – thus the broad usefulness and popularity of Wikipedia, the socialization of millions by way of Facebook, the participation of the masses in the solution of problems that would normally require highly expert individuals – for example, with Kaggle.

While Gordon seems to be on the right track, what is left unstated is that no amount of innovation can survive the onslaught of the headwinds, especially the core problem of rising inequality between the capitalists and the rest of us. Between 1993 and 2008 the average growth of real household income rose 1.3% annually, but for the bottom 99% it was only 0.75% – the one percentage grabbed 52% of the gain. What is missing in the forest of uncertainty is the most obvious – that the fundamental material needs of all persons living in the developed nations of the world can be met, but they are not. The few remaining real needs, like curing diseases, are receiving an appropriate degree of attention. The only thing that can revive industry is its use in bringing up the rest of the world to the standards of the developed world. That can never be achieved under a system based on production for sale and profit.

The first condition that must be met if one is genuinely concerned about solving the problems confronting humanity at the present time is the laying of a sound foundation from which a solution is a real possibility. To pretend that the chaos and barbarity under which we now live can be made to stand upright and act in

the interests of humanity is like adding a gale force to the headwinds. It's a step backwards in that it presents the insufficient and the impossible as solutions and thus deluding many from seeking what really has a chance to work.

<http://www.unrealeconomy.org>