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**Video Clips from Reality:**

**The Spirit of Elevation in Phelpsian Good Economy**¹

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The first impression of them was one of elevated uplift. I turned to the person seated next to me and asked, “Who is that seasoned couple over there, tall gentleman, beautiful aristocratic lady, with the circle of love radiating from them as a beacon of life?” We were at the wedding of the son of the late Pentti Kouri, a mutual dear friend, and I had spotted the Phelpses. They were obviously in love after decades together. Once the ceremony was over, I went up to them, and we started a conversation on the subject of love and lasting relationship, continuing well into the night over the wedding dinner.

How relevant is the subject of love from the point of view of individual values, human pursuits, self-realization and becoming? Fundamental. Economics? Hardly relevant at all, if you take the dominant position. But from the point of view of Phelpsian Good Economy, I will propose, love points to where the action is, to the miracles of elevation, connectivity and economic dynamism.

**The Phenomenon of Uplift and Elevation**

Reading Phelps as the father of soon-to-graduate children, a philosopher of life dissatisfied with the alienation of academic philosophy from people’s actual concerns, as a corporate coach of human flourishing and a devotee of inspiration, I am struck by the fact that in spite of being an acclaimed model builder and Nobel laureate in economics, Edmund S. Phelps, in his recent writings, makes immediate and accessible sense.

That sense comes through on a level that is fundamentally human. It concerns all. If in addressing managers, I tell of Ned and his idea of bringing people back to economic theory, the audience is excited.

¹ I am grateful for the support and comments of Prof. Raimo P. Hämäläinen and the members of my research team Ms. Salli Antila, Ms. Marianne Laakeristo, Mr. Peter Kenttä, Ms. Tuuli Lehti and Ms. Suvi Sillanpää. The current work draws heavily on my earlier papers on Phelps, collaborated with Kenttä, and his insights have been invaluable. Mr. Ian Marson helped with the language.
People resonate with Ned’s ideas. Indeed, a key feature of Ned’s writings on entrepreneurial, dynamic and innovative economy is that it makes you inspired. Ned’s writing has energy reminiscent of his chief predecessors and heroes, such as Hayek and Dewey or William James. In line with some of the finest features of American pragmatism, Phelps’s prose is accessible, non-technical and uplifting. Not only does Phelps describe vitalism, he promotes it and seeks to ignite it in his readers. Indeed, Phelpsian innovative, dynamic economy, I propose, is essentially about elevation and uplift\(^2\) as fundamental categories of the human economic condition. He presents a vision of economic activity as the platform for living the life at its very best. His program is one of approaching economy in the context of “what sort of life gives people the deepest, most lasting satisfaction” (Phelps, 2007c, p. 1).

The action of lifting up, raising aloft, or directing upwards — elevation and uplift — is easier to feel than to grasp conceptually. In order to appreciate this phenomenon that I believe is fundamental to Phelps’s vision, I propose to work via a video clip taken from the video recording of the first three tenors’ concert in Rome in 1990 (Domingo, 1990). In the performance of “No puede ser”, Zubin Mehta, the conductor, turns to Placido Domingo, the singer, in the second part of the three-part aria and looks at him for 4.5 seconds. Mehta’s glance carries respect, encouragement and warm appreciation. It paves the way for Domingo’s superlative success in the closing moments of the aria. Both men are visibly shaken once the mesmerizing, out-of-the-ordinary performance is over.

I have shown the video clip for widely divergent audiences and people invariably find it impressive of a phenomenon they can relate to — the phenomenon of elevation and uplift.

In the performance, uncertainty is forcefully present. Indeed, the performance takes its principal subjects by surprise. Their awe is evident. The exceptional added value draws momentum from something that takes place in real time in between and within Placido Domingo and Zubin Mehta. In some way hard to describe, the short glance of human warmth and appreciation by Mehta on his singer is a prominent part of what constitutes the miracle that the video captures.

I strongly identify with the idea that it is instructive to relate the clip to Phelps’s vision of vitalism in economic activities and to what constitutes the “deepest, most lasting satisfaction” in Phelps’s view of innovative economy. Not only do we witness in the clip genuine Knightian uncertainty in action (Knight 1921/2002), of the kind Phelps constantly emphasizes. The video clip crystallizes the core phenomenon of uplift and elevation, and the thesis I advocate reads: the phenomenon of uplift and elevation is a human possibility fundamental to economic life.

I propose that the spirit of elevation and uplift among human beings within the context of significant activities such as music or economic activity is the very basis of the entrepreneurial spirit of the kind Phelps advocates.

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\(^2\) I use the terms “uplift” and “elevation” to refer for the psychological state of being raised above the ordinary and for being spiritually and humanly stimulated. I follow what I take to be the dictionary understanding of these terms and deviate from the somewhat more narrow concept of elevation as studied by Jonathan Haidt (2002, 2003). Haidt defines elevation as a reaction to witnessing human moral beauty and for being “deeply moved by the sight of a stranger doing a good deed for another stranger” (Haidt, 2002, p. 753). The way I use the term, a human being can well experience elevation even when not witnessing anything morally exceptional. Uplift and elevation can also come from within. In particular, it can reflect an intrinsic motivation or a strongly felt personal conviction, or be the result of a spark of affection or an association with something held dear.
The accomplishment of Domingo and Mehta is exceptional. The fact that it is exceptional, far from making it marginal, makes it particularly illuminating for a student of the spirit in Phelpsian good economy and entrepreneurial dynamism. This is because Phelps’s description of the capitalist innovation economy does not focus upon the observable phenomena of that economy at its worst, but at its distinctive best.

Having worked for two decades as a practical philosopher with individuals and companies, I am struck by the fact how seldom people and organizations give themselves the permission to flourish. A tremendous phenomenon of holding back is the norm. Therefore Martin Seligman’s *Flourish* (Seligman 2011) strikes like a lightning. A book that is research based and openly value-driven at the same time, with its title deliberately chosen to issue an imperative, Seligman’s astonishing book, like Fredrickson’s *Positivity*, herald something I cherish. A glass ceiling has been broken and Phelps’s call for Good Economy has found an ally and a partner. The stage is set for an open attack against the life of serfdom, flatness and disconnectedness – against phenomena, philosophy, practices, institutions and modes of thinking that prevent people from realizing their true positive potential as human beings.

**Innovative and Dynamic Economy**

“Neoclassical *growth theory* was conspicuous in having no people in it”, Phelps states in his Nobel price acceptance speech. “Though in fact crucial for growth, a human role over a vast range of activities involving management, judgment, insight, intuition and creativity is absent [in the neoclassical theory]”.

This is a recurring theme in Phelps. Phelps addresses what he calls “modern economy” and goes on to point out that economic theory has failed to account for the observable phenomena of that economy. “Capitalism’s strength is its *dynamism*”, Phelps writes, “the readiness and adeptness with which it moves forward” (Phelps 2006b, p. 1). Economic theory, his chief thesis is, has not accounted for what is most characteristic of modern economy, viz. the *dynamic and innovative* nature of it. If, instead, one does address the phenomena of innovation and dynamism adequately, the seemingly unrelated concepts of *unmeasurable risk, fairness* and *vitality* are brought into focus.

Out of these conceptual centers in Phelps’s thinking, vitality is the most explosive vis-à-vis the paradigms of economic theory and what are commonly taken to be the dominant aspirations of economic reality. It suggests a view of economy that fundamentally has to do with human individuals with capability, drive and the urge to live a life of self-realization, challenge and vitality. The focus is on subjects with capabilities of self-expression to reach effects inside out rather than on aggregated structures capable of serving as objects to analysis from outside in.

Phelps holds that the dynamism of capitalism is something we need more of. “Our societies face *Grand Challenges*”, he writes with Foray, “from health care to climate change and energy conservation, and from food and water security and to ageing populations”, then adding strikingly: “The good news is that we may be able to meet these challenges.” This is because of “economies that possess the art of innovation”. (Foray and Phelps 2010, p. 2).

It is axiomatic that the scientific study of dynamic economy must first and foremost address the theme of innovation. That will involve the discussion of economic becoming, as stressed by Hayek and others, unmeasurable risk, as stressed by Knight, and the acknowledgement of “an anthropology that starts with innovative human nature: *homo innovaticus*, not *homo economicus*”, as stressed by Phelps (2009). To me, this means Phelps is calling out for economics as a fundamentally *integrative*, as well as, a *multi- and*
interdisciplinary discipline. Phelps calls for economic thinking to move away from narrow and specialized rationalism in a more dialogical direction where economics intertwine with the study of human pursuits as conceived by other disciplines.

As a non-economist, I have no inhibitions in letting myself feel the tone and emotional effect of such an interdisciplinary and humanistic Phelpsonian vision of the discipline of economics. In fact I suspect most non-economists welcome such a program. How much or little of the observable phenomena of modern innovative economy can be accounted for by neoclassical or other accepted theories is not my primary worry. But the case of a better economy does worry me. It concerns my children, it concerns everybody I love and care for. It concerns the future in the dimension of “economic possibilities for our grandchildren” (to use the words of Keynes). The radicalism of Edmund Phelps, it seems to me, is due to his head-on addressing of innovative and dynamic economy, along with homo innovaticus, as the fundamental theme of economic theorizing, not for the benefit of economists, but for the benefit of the future of mankind. Phelps envisions economics as dramatically broad and humanly contributive – as an economics of elevation and uplift, I would call it, an economics with a cause. “The definition of economics with which most textbooks begin – ‘the study of the allocation of scarce resources’ – is accurate but misleading, for it leaves out the most interesting part of the problem.” (Phelps 2009, p. 4). Instead of concentrating on what we don’t have, or what is scarce, we could concentrate on what we do have, and concentrate on getting the most of it.

When addressing the most interesting part of the problem, Phelps proceeds with terminology that is striking in its tone. “...a good economy promotes lives of vitality. An economy cannot be good that does not produce the stimulation, challenge, engagement, mastery, discovery and development that constitute the good life.” (Phelps 2007b, p. 6). He is after “the humanistic insights into the good life” which “help us to understand how and why an enterprising and innovative kind of economy began to sprout up once countries could afford it” (Phelps 2007c, p. 1).

The Finnish ski jumper Matti Nykänen has gained considerable fame in my country not only because of his four gold medals from the Olympics but also because of his memorable one-liners. One of these says that in life, it is important to give chance a chance.³ Implicitly he suggests that we might not be doing so. What Phelps is saying in his philosophy of innovative economics is that a similar trap lurks in the dominant thinking in economics. Give chance a chance, the dominant view seems to suggest, but only if the chance can be measured and calculated in advance and is quantifiable by rational and objectivistic methods. Thus, the chance should not be too vague or ill-defined. Phelps, the economist with exuberant love of life, is calling for the open skies. His thinking points to possible worlds economics,⁴ as opposed to getting stuck with what seems currently the real world with its scarce resources.

The Affective Turn in Economics

Phelps’s choice of vocabulary is remarkable in that it involves words that would perhaps be more commonly found in a future-oriented discussion with an 18-year-old son or daughter before the start of the college term. With no apologies, Phelps draws vocabulary from what could be called the naive basic discourse of life – employing concepts that have experiential and subjectively engaging meaning for an average 18-year old irrespective of her background and from the point of view of the actual conduct of life.

³ In original colloquial Finnish: “Anna tsaanssille mahdollisuus”. – The phrase sounds funny and it carries particular twists not fully captured in the English version.

⁴ I am pushing the phrase here somewhat, in order to pay homage to “possible worlds semantics”, a prominent theory of analytic philosophy, as developed by my teacher Professor Jaakko Hintikka and others.
In using an emotionally charged, generally accessible and qualitatively significant language in his description of good economy, Phelps, in spite of his mastery of formal economics, distances himself from the paradigm of formal economics and from the ideals of hard natural sciences. Phelps sides with Hayek here. In his powerful and neglected Nobel speech, Hayek criticizes the “pretense of knowledge” on the part of economists, the obsession of economics to pose as “science” next to the natural sciences (Hayek 1989). The fundamentals of economic life might call attention to constructs that are not readily rationally, intellectually, objectively or scientifically well-defined. No matter how ephemeral and ill-defined, amorphous and many-splendoured, subjectivistc and non-measurable, humanities and arts –related and value-based “self-realization”, or “vibrancy” may at first seem, they still form the foundation for economic activities, Phelps holds. The fact that the themes of self-realization and vitality are humanly enormously relevant does not make them economically irrelevant.

Phelps insists on focusing upon the fundamentals of innovative, entrepreneurial and dynamic economic life, over and above economic theories of that life. “Though in fact crucial for growth, a human role over a vast range of activities involving management, judgment, insight and creativity is absent.” (2007a, p. 14) Recognizing the lack of human parameters, Phelps challenges existing theories radically, even outrageously. “The modern economy, where fully developed, has indeed been transformative for nations – but much less so for economics” (2007a, p. 1, italics in the original).

Economists have largely bypassed the personal and energizing, exciting aspects of economic growth and in particular how it feels to be an agent in the economic realm, Phelps suggests. In particular, economists have bypassed “the workplace experience” and how good it feels to self-realize and how tremendous it is to experience a life of vitality, engagement and inclusion. In downplaying the significance of the human dimensions of affect and emotions, economists are dismissing the lead of Keynes in his emphasis of the animal spirits (a point discussed with force by Akerlof and Shiller 2009). But affect and emotions have also been a hard call for other behavioral sciences. Organization researchers and even psychologists have been slow to warm to the emotional fundamentals of human life. Using the words of a recent meta-article: “As psychology transformed itself from the science of the mind ... into the science of behavior ..., an important topic slipped from scientific view: the subjective experience of emotion.” (Feldman Barrett et al 2007, p. 374). Likewise, the emergence of focus on the emotional dimensions of organizational behavior has been so slow to come that some researchers have labeled its recent breakthroughs as the “affective revolution” in organizational scholarship (Barsade et al 2003).

In my own field of philosophy, the touch with how life feels and the connection to the actual conduct of people’s lives has long been lost. Indeed, the whole of what could be called content philosophy has been on a sidetrack for almost a century, since the days of Williams James and Henri Bergson. The question of good life, and the grand Socratic mission of philosophy to improve upon life and the passion to facilitate people in their quest for better lives – the original intention of philosophy – has been pushed to the

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5 For a discussion of some of the key aspects of what I take to be content philosophy, see Saarinen (2008).
margins. With Haeykian “pretense of knowledge” applied to the practice that originated with Socrates and with methodological orthodoxy counting more than relevance (Taylor and Saarinen 1994, Saarinen 2008), academic philosophy has cut itself off from the actual conduct of people’s lives.

Phelps’s call for good economy calls for relevance and for an affective turn in economics (cf. Saarinen and Kenttä 2009). Phelps’s content philosophy is a call to address economic phenomena as life with emotions.

The emotions Phelps brings to focus as fundamental to dynamic economy are striking in being positive. It is hard to find references to greed and self-interest in Phelps. On the contrary, the zeal of Phelps is one of warmth and sunshine.

“Innovation makes scarce goods abundant” (Phelps 2009). The “spirit of challenge and self-discovery” is fundamentally a constructive factor in Phelps, a creator more than a competitor in a zero-sum game. Calculations are assigned their due place, diminished in relative significance. In Phelps, the allocation of scarce resources is set aside in favor of abundance, rational expectancy is augmented by the rich life of engagement and creativity, and the animal spirits of greed, competition and destructiveness are replaced with the human spirit of self-discovery, flourishing and innovation. If Phelps’s vision is accepted into the center of economic theorizing, it will surely mark a paradigm shift.

Such paradigm shifts have been spectacularly successful in some adjoining fields. Beginning with the epoch making announcement by Martin Seligman in 1998, the President of American Psychological Association at that time, and by Mihaili Csikszentmihalyi, the famed father of the flow-concept (Csikszentmihalyi 1990), the phenomena of human flourishing have begun to attract increasing systematic attention in psychology and the human sciences. (Seligman and Csikszentmihalyi 2000, Seligman 2002, Snyder and Lopez 2002, Cameron, Dutton and Quinn 2005, Keyes and Haidt 2003, Fredrickson and Losada 2005, Sheldon et al 2011).

Similar development has emerged powerfully in organization research. The upsurge of positive organizational scholarship (Cameron et al 2003) has led to groundbreaking developments that have extended the focus of psychological and organizational research in directions similar to those identified by Phelps as the future of economics.

Joining the battle for a more positively tuned approach in the theatre of economy, and from a similar value base as positive psychology and positive organizational scholarship, Edmund Phelps launches a view of economics that stresses the positivity of the positive from the point of view of the functioning of the economic life. Thus it is only fitting to find in Phelps emphatic reference to explicitly positive, vitalistic notions such as self-realization, self-actualization, vibrancy, abundance, personal development, human satisfaction, creativity, and flourishing. Similar discourse and vocabulary is the hallmark of positive psychology and positive organizational scholarship.

In contrast to the neoclassical view, Phelps’s position amounts to a twofold attack. Firstly, he claims that neoclassical theories fail to account for modern economy on the level of observable phenomena. Secondly, as already observed, Phelps holds that neoclassical theories fail to account for what is distinctive about modern economy – its innovative, dynamic nature. I propose that Phelps’s position should be acknowledged as pointing fundamentally to positive human phenomena and positive life categories in the functioning of the dynamism Phelps takes as critical for what he calls innovative, good economy. Much of Phelps’s discussion can be paraphrased as the positive psychology, positive social psychology and positive
interactive dynamism between entrepreneurs, financiers, managers and customers, the chief players of Phelpsian economy.

Furthermore, scientific studies of team and interaction dynamics support the Phelpsian position.

In his groundbreaking work on team dynamics, Marcial Losada and his colleagues demonstrate a striking connection between the microbehavioral phenomena of positivity and team performance (measured by business criteria). A speech act was coded as “positive” if the person speaking showed support, encouragement or appreciation and negative if he or she showed disapproval, sarcasm or cynicism (Losada and Heaphy 2004, p. 745). The key insight of Losada and his collaborators was to “look at the effects of different ratios of positivity to negativity on the performance of business teams” (ibid, p. 745). What the researchers found was that the three types of teams systematically varied in the levels of positivity to negativity, with high performing teams scoring ratios of 5.6/1 as compared to 1.8/1 (mediocre performing teams) and 0.3/1 (low performing teams).

This is not the place to discuss the various details of Losada’s results or the question as to how far the results can be generalized from the 60 teams he studied. What matters most to us is the focus on the positivity and negative ratio that forms the basis of Losada’s investigations – and the fact that his research found a non-balance in favour of positivity in the dynamism of the interaction of the high performing teams. When it comes to the dynamics of business teams, positivity is positive.

Notice that this does not mean we should try to get rid of the negative – an objective that is unrealistic in business contexts anyway. In dynamic life, “appropriate negativity” is a necessity (Fredrickson and Losada 2005). It is important for people to disagree for a more comprehensive, innovative synthesis to emerge. A positivity surplus is needed for people to be able to disagree without being disagreeable and in order for people to bounce back when setbacks occur.

Losada’s findings gain further momentum when combined with the powerful results from marriage research by John Gottman and his associates. They have found a similar bias towards the positive in sustainable relationships over time. In Gottman’s comprehensive empirical marriage research that extends for over two decades and involves careful empirical study, the positivity-to-negativity ratio proves to be the single most significant predictor of marital success. Furthermore, the magic numbers turn out to be practically the same as the ones that Losada found for business teams. “Dissolution is related to positive-to-negative ratios of less than one (there is more negative than positive), whereas stability is associated with ratios that are around 5.0.” (Gottman 1994, p. 331).

On the basis of Losada’s and Gottman’s work there are definite grounds to conclude that positivity phenomena are critical for the beneficial functioning of business teams as well as for married couples. Are similar conclusions appropriate for economic dynamism? Phelps seems to think that way. I submit that the results of business team dynamics, and marriage dynamics yield support for his overall position.

Further grounds to the same effect are provided by the extensive empirical research on positive emotions, as conducted by Barbara Fredrickson and her collaborators (Fredrickson 2001, 2003, 2004, 2009 and other works). Fredrickson’s Broaden-and-Build theory of positive emotions, the leading theory in the field, says that the point of positive emotions is that they broaden our thought-actions repertoires and build our long-term resources. However, the benefits might not be immediate. In that sense, there is a risk involved in the broaden-and-build-process, one that cannot be calculated in advance.
Interpreting Phelps’s views on innovation economy through Fredrickson’s research on positive emotions, Phelpsian good economy becomes the broaden and build view of economics. Taking this into account, and recalling the results on positivity negativity ratios, it becomes evident that in order for such an economy to blossom, positivity must prevail.

The Power of Inclusion

One form of positivity Phelps explicitly discusses is inclusion. This is one of Phelps's recurring themes for which he argues on economic grounds (as well as on the basis of fairness and self-realization). While taking Rawls as a starting point, Phelps wants to proceed further than Rawls. (Rawls 1971) There is “great value”, Phelps suggests, if even the less advantaged people of working age have “the opportunity to obtain rewarding work in the formal economy and to earn enough in such jobs to be self-sufficient. These are the twin conditions for what is sometimes termed social inclusion, or, more aptly, economic inclusion.” (Phelps 2003, s. 1, italics in the original)

Phelps’s model of inclusion is fairly mechanical, however. It is based on external push rather than internal pull. While acknowledging the merits of a Phelpsian hard inclusion, Peter Kenttä and I have suggested the possibility of addressing what we call soft inclusion (Saarinen and Kenttä 2009, 2011). It is one thing to get included, and yet more to feel included – the way Domingo does in the example discussed above.

Let us take a look at the phenomenon of inclusion through a second video clip from reality, one from the Atlanta Olympics (Ali 1996). As with the Domingo-Mehta-example, my hope is the reader would have the chance to actually experience the video clip, instead of relying on my verbal description of it. The video clip features Muhammad Ali entering the court of the basket final during the halftime of the game between Yugoslavia and the U.S. Dream team. Although Parkinson’s syndrome slows his movements and makes him virtually unable to speak, he takes the stage with grace and dignity. The ceremony involves Ali getting a replacement for the gold medal he had won in the Rome Olympics in 1960 but which he had lost. The moment of uplift takes place after the formal ceremony. Once Ali has received the gold medal, the Dream Team players come and hug him with magnificent respect and ring of inclusion. In the midst of the generous, grateful embrace by the players, Ali’s whole posture changes visibly. It is almost like the iron grasp of Parkinson would momentarily get released, with the radiant Ali joyously smiling and whispering a joke to Charles Barkley, the Captain of the U.S. team, and the proceeding to pose for in pictures with the Yugoslavian players.

From my point of view, this is as close we can get to witnessing the elevation-and-uplift effects of inclusion at work. I love such phenomena of human expansion and find it hard to imagine a life worth living without them. Again, I humbly present the experience of having personally witnessed the considerable, even massive effect of showing this video to varied audiences in different parts of the world. If people allow themselves to feel that they identify with Ali, they experience something to connect us all – the core phenomenon of elevation and uplift through human inclusion and acceptance.

A general trend in innovation research has been a conscious shift toward constructs of collaboration, sharing, co-creation, connectivity and relationality (Stacey 1993/2007, John-Steiner 2000, Chesbrough 2003, Sawyer 2006, 2007, Prahalad and Krishnan 2008). It has been generally acknowledged in innovation studies that very little of significance can be explained by studying isolated subjects only. Instead, “every important innovation is fundamentally a network affair” (Johnson 2010, p. 221). In organizational settings, it is not a good idea to isolate innovation to separate units apart from other functions. As Keith Sawyer, a
leading scholar puts it, “although separation can be good for short-term creativity, it interferes with long-term innovation” (Sawyer 2007, p. 159). No serious scholar in the field assumes that innovation is a function of self-interest-driven, rational agents. It seems entirely inappropriate to suggest that innovation economy could still be based on separate, self-interest-driven, rational agents.

The pivotal problem with the concept of a rational agent is that apparently there is no need for love. But I love love. I love the phenomenon of elevation. I love to see it operate as an invisible hand that makes something mundane exceptional and something great even greater. That sight of Viviana and Ned in Miami, so obviously in love, is something I will treasure in my heart as long as I live. In my Paphos seminar, a weeklong seminar in Paphos on Cyprus, I have witnessed the phenomenon of elevation and uplift with thousands of people in the course of the past 15 years. Year after year, personal miracles happen, as people allow for the core phenomenon of uplift and elevation to take place.

This is what Dr. Phelps is calling out in economy – miracles of innovation. In the dimension of collaboration and joint action among human agents at their best, I call it elevation. I would go as far as to say that elevation and uplift are hallmarks of vitality in collaboration. Non-linear growth leaps are to be expected when uplift and elevation meet in human agents engaged in collaborative action and with the relevant hard competencies and professional skills appropriate for the challenges at hand. Elevation economy will be in full swing once Phelps’s insights are brought to bear on our actual conduct. It involves people experiencing the core phenomenon of uplift as illustrated by the two video clips, as part of their work experience.

**Nonverbal Dynamism**

“The subject of economics is the study of human activity in every field of endeavor and therefore must include human nature” (Phelps 2009, p. 3). What is the nature of that nature?

In their groundbreaking work, Beatrice Beebe and Frank M. Lachmann (2002) offer an intriguing answer. Drawing from well-documented results from infant research and developmental studies, and integrating the work of a vast number of scholars, Beebe and Lachmann present a striking perspective of what it is to be human.

At stake is the *co-created nature* of all human interaction. Emerging in early infancy, these forms are presymbolic, operate in milliseconds, and typically take place outside of conscious control. Relying on comprehensive empirical research data by themselves and others, Beebe and Lachmann set out to describe the nature of the interaction patterns between mother and infant. They use careful ‘microanalysis’ of sequences of behaviours from videotape. This work shows “how astonishingly subtle, complex, and rapid

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6 The Paphos seminar has been conducted 37 times since 1995. Total number of participants is about 3000 as per December 2011. The Paphos seminar and my “flourishing-focused pedagogy” are based on a mass-lecture format but deviate from traditional informative lecturing in not involving specific pre-fixed themes, skills, techniques or informational contents that the lectures would try to make the participants to internalize. The guiding idea is to stimulate personal insights in the participants. To that effect, I use personal examples, stories and video clips along with intuitively understandable conceptualizations to provide a platform for illuminating metacognitive processes and for the benefit for re-living one’s experience as a source of inspiration. The seminar is valued by the participants as a highly effective platform for intensified and spirited reflection regarding the most significant aspects of the good life, as perceived by the participant in opposition to how someone else or I might perceive it. The participants also appreciate my intensive and non-target-oriented, horizontally open, possibility-centered methodology. The Paphos seminar exemplifies my “positive philosophical practice” and draws inspiration from the Socratic ideal of philosophy as well as from positive organizational scholarship and positive psychology. For some discussion, see Saarinen and Slote (2003).
these early patterns of relatedness are.” (Beebe and Lachmann 2002, p. 85; cf. also Beebe et al 2010, Hobson 2002.)

Beebe and Lachmann are describing the repertoire of interactive capacities of infants. The chief point is to acknowledge “the role that dyadic interaction” plays “in the early organization of experience” (Beebe and Lachmann 2002, p. 22). The infant is involved in “a reciprocal, split-second, mutually adjusting system” (ibid, p. 22), where the “self- and interactive regulation affect each other continuously” (ibid, p. 87). The regulation is bi-directional, not one-directional from the mother to the infant.

A system is in place, a system that is co-created and co-regulated. “The success of the interaction is an emergent dyadic phenomenon” (ibid, p. 88) where each partner “responds to the other within fractions of a second” (ibid, p. 95). Beebe and Lachmann stress that “this rapid responsivity cannot be based on stimulus-response, because it is too fast for visual reaction time” (ibid, p. 96). “Thus the infant is responding to each behavior not only as a discrete event but also as an element of a predictable series” (ibid, p. 97).

A salient feature of the co-created dyadic system is the expectations the infant brings to it. “There is extensive experimental evidence that, from birth and even before, babies form expectations of predictable events ... infants are biologically prepared to detect regularity, generate expectancies, and act on these expectations.” (ibid, p. 150). The ability to have those expectations is part of the “systemic endowment”, the “striking systematicity” as Jerome Bruner has put it, of the infant (Bruner 1983, p. 28). In short, humans are astonishingly systems intelligent right from the start (to use a key concept of Hämäläinen and Saarinen 2008, Saarinen and Hämäläinen 2010). With her considerable interactive and social capabilities in the first months of her life, the infant is very much an active partner in her developmental processes and in the emergence of the co-created dyad she constitutes with her mother.

Beebe and Lachmann apply their perspective to psychoanalysis in adults. Their leading idea is that “infant research is most fruitful [as a perspective to psychoanalysis] because the basic processes of interaction at the nonverbal level remains so similar across the life span.” (Beebe and Lachmann 2002, p. 22-23, italics added) Insights gained from infant study carries over to adults.

I submit the same holds for economic dynamism when approached from the point of view of the spirit of elevation that I have suggested above is fundamental to Phelpsian good economy. To the extent that interaction remains co-created, nonverbal and out of conscious control, and to the extent the dynamics of economy hinge on human interaction that benefits from such co-creation and inclusion, in the Domingo-Mehta and Muhammad Ali - Dream team –style, there is an enormous resource in the human domain lurking here for the benefit of economic self-actualization and collaborative innovation as channeled through the human ability to co-create with others far beyond what can be made explicit or verbal.

Recent findings in brain research reinforce the conclusion that human connectivity far exceeds what has been assumed. The models that envision humans as Cartesian isolated minds do not correlate with recent findings regarding the nature of human brain, physiology and the functioning of our sensibilities. What the emerging field of “social neuroscience” (Decety and Cacioppo 2011, Hari and Kujala 2009) and parallel developments such as neuroeconomics (Loewenstein et al 2008) show is the depth with which individual human beings can tune in with another already on the physiological level. In sports as in life, in music as in infancy, people are much better mind readers and synchronizers than is commonly acknowledged. This is good news for the prospects of Phelpsian innovation economy – the real world of people has a built-in
access to astonishing possible worlds and to economic innovations whose base is in the miracles of human connectivity.

Innovative capitalism is about ideas and collaboration, Phelps stresses. I am suggesting that it is an economically beneficial idea to acknowledge that much of the best collaboration since infancy de facto is nonverbal in nature. Much of what makes collaboration so delightful and uplifting is implicit, nonverbal and cannot be captured by words even in retrospect. When experienced, the spirit of elevation is a real phenomenon of tremendous significance, yet it remains largely non-articulated.

Some evidence for this perspective is provided by the fact that frequently self-reports by the most impressive creators of economic value are intellectually strangely disappointing. In spite of their wealth of insight, something fundamental is lacking from accounts such as Jack (Welch 2001) or The Snowball – Warren Buffett and the Business and Life (Schroeder 2008). Maybe what is lacking is lacking by necessity – because much of the best of collaboration and much of the core phenomenon of elevation takes place in the nonverbal dimension. Both infants in their astonishing developmental systems intelligence as well as economic superstars tap into resources that are fundamentally human in nature. Much of what makes these functioning humanly fundamental has long been scientifically suspect and in many cases continues to be. It is only for a decade or two that the systemicity of infants has been generally recognized. Conceptualizations of collaborative action have been slow to emerge, and economics has operated from assumptions that detrack from the actual conduct of people. But the chief point of collaborative cocreation and spirit of elevation is that it happens, not that it can be described or theoretically modeled.

For a spirited economy of elevation it is imperative to recognize the relevance of the nonverbal dimension in the intersubjective field of working together. In the Phelpsian vision the emphasis is on the upscale possibilities of a dynamic economy and the human fundamentals that drive that dynamism. Phelps is a pragmatist. Capabilities are recognized as theoretically real, if they feed innovation as a matter of fact. Some such capabilities, I suggest, particularly those that form the basis for the core phenomenon of elevation, will be nonverbal, implicit and emotional and relate to how we feel about ourselves and others over and above what we know objectively and what can be subjected to rational calculations.

Models Go Down, Economic Activities Up

People have the ability to feel connected on some very deep level. This has been acknowledged by studies ranging from organizational scholarship and team performance to infant research and neuroscience, leading to fundamental phenomena of elevation, uplift, emergence and growth. I have proposed that this is the context of Phelpsian Good Economy.

Working with explicit, articulated intentions is one powerful way to strive for results. Indeed, this is how strategies are put in place and “roadmaps” and “must-win battles” are launched as part of everyday management. Beebe and Lachmann, however, along with their colleagues in infant research, show that infant capabilities of interaction reflect expectancies that are not delivered through articulated, explicit or verbal intention. The infant endowment for interactivity works prior to any articulate intentions. I am suggesting that it is a factor that economic reflection should take seriously – as indeed is done by practitioners in the field who do not want to trap their actions into any conceptual form even in retrospect. This is the line that Phelps advocates; this is the line of anybody who is more interested in growth than in theories of that growth. If growth towards the future is the primary focus and human innovation capabilities the source of growth, then any narrowing down of human resources is going to restrict growth.
From the vantage point of promoting vitalism and self-realization it is prudent to remember that “all models are wrong” (Sterman 2002) and Phelpsian good economy is more a vision than a formal theory.

On the level of real economy, phenomena such as the creation of the likes of Linux and the emergence of internet economy support the perspective taken here. Contrary to what you would expect if we assume that the economy has been driven by self-interest and rational calculations, much of the economic activity around the internet has resulted from excitement, joy, the sharing of insights and peer recognition. The “hackers” (as opposed to crackers) “believe in freedom and mutual help.” (Raymond 2001). A programmer enjoys the community of the likeminded where peer recognition is a major source of reward (Torvalds and Diamond 2001, Himanen 2001).

New forms of business have been developed with enormous revenues generated in spite of the fact that feasible models of internet business have been slow in coming. Is the emergence of the new and unprecedented, even “irrational” forms of economic life - such as giving away products free of charge - good news or bad news for economic theory? For the kind of dynamic, innovation-based theory Phelps is envisioning, the development is welcome and indeed can be taken to illustrate economy at its dynamic best. Models go down, economic activities up: exactly the kind of unpredictable change dynamics Phelps is talking about and pinpointing as the distinct nature of modern economy.

Ideas that Matter

What counts as a legitimate conceptualization in economics is no small matter. “There is little doubt that economics has won the battle for theoretical hegemony in academia and society as a whole” (Ferraro, Pfeffer and Sutton 2005, p. 10). As Keynes put it, “the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood” (Keynes 1936/1973, p. 383).

Given the hegemony of economy and the charisma of economic science, economics is a powerbase that potentially carries enormous weight as to how the future emerges. If the science of economics deems directly or indirectly some themes or concepts as illegitimate or “unscientific”, those themes and concepts will have a hard time being taken seriously by policy makers, politicians, decisions makers, other stakeholders and even by ordinary citizens.

Science is an attempt to describe reality, but reality is more than any description of it. The problem with theorizing, as witnessed time and again, is that a narrowed-down discourse may take over and start to live a life of its own. Features of economy may become reduced to issues of economic theorizing, and issues of economic theorizing to conceptualizations that the theorists are capable of conducting within their chosen discourse. If economic theorizing does not acknowledge as relevant constructs such as “people”, “innovation”, “vitality”, “uplift”, “co-creativity”, “connectivity”, “emotions”, “positivity”, “fairness”, “animal spirits”, “inclusion” or “elevation” so much the worse for those phenomena, an orthodox theoretician might conclude.

Real economies, however, continue as people enterprises. Economies in actual terms continue to involve innovativeness, excitement, engagement, uplift, self-realization and other real-life human dynamics. To the extent economics confines itself to its own self-defined, non-realistic subject matter while pretending it is dealing with the real thing, economics uses its considerable intellectual power, I think, against the interest of mankind. The interest of mankind is sustainable growth emerging from innovation and collaborative
progress. Its cause is one to which economists could and should contribute but that requires them to recognize as their subject matter the phenomena of economic growth and innovativeness, along with the upscale possibilities of elevation and entrepreneurial spirit which to me are the cornerstones of Phelpsian good economy.
References


