

Vernal Equinox: Our Fancy Turns to Better Mousetraps

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This article is the thirteenth in a year-long series about economics and holidays.

The vernal equinox falls on March 20th this year. That's the day when sunrise to sunset is exactly 12 hours. It's also the marker by which the date of Easter is determined, because Easter is a moveable feast, falling on the first Sunday after the first new moon after the vernal equinox. Many ancient customs, such as new clothes mimicking the snake shedding its skin and the emphasize on those very fertile rabbits, sacred to the Norse goddess Freya the Fair, have migrated from equinox to Easter. Ancient pagans greeted the spring equinox at sunrise, just as Christians now greet their risen Lord at sunrise on Easter.

Spring is a time of renewal and change. Think new thoughts, try new things, go new places. It's also a time to be creative, because nature is being creative—and procreative!—all around us. It's a great time to be thinking about invention and innovation.

Invention means creating or discovering something new. It can be big with multiple applications and uses, like lasers or the internet, or a smaller improvement in something already around, like compact fluorescent bulbs to replace incandescent ones. An invention doesn't have to be a tangible product. It can be a work of art or music that is different, a new idea about management or teaching techniques, a better way to lose weight or learn to speed read.

Invention is usually done by individuals or small teams of individuals. We as a society try to encourage invention by granting exclusive rights to the inventor for a period of time through patents, copyrights, and other forms of protection for one's original creation. But it's hard to keep imitators from making minor modifications, from song parodies to better paper clips, so inventors have to fight a continuing battle to earn a profit on their creations. The internet has made it even easier to steal, borrow, plagiarize, or otherwise take advantage of someone else's creative work without compensation. Cases like Napster and Google have won some small victories for writers and musicians, but it's an uphill battle.

For many inventions, there's a gap between the new idea and the practical application, making it commercially feasible and getting it ready to compete in the marketplace. That transition process is called innovation, putting inventions to work and earning a profit from selling the product or service to waiting customers. Invention can be solitary or interactive, but innovation almost always requires teamwork, because it needs specialized skills to produce and market products, services, ideas or creative works. You may write great songs or design great mousetraps, but you still need someone to produce your CD or construct large numbers of mousetraps, and someone else to help you market the final product.

That kind of interdependence applies to most of what we create or produce in order to sell our goods or services (including our labor services) in order to earn a living or make a profit. Most of us produce very little of what we consume—food, housing, electricity, health care, transportation, clothing, and so on. We depend on others to produce it for us in exchange for what we produce. But our interdependence is not limited to consumption. Most of us also depend on a team or organization or firm of some kind to provide us with an opportunity to contribute to production. It's not just sports teams that engage in joint production—it's factories, service firms, schools, or just about anything else that creates value. We have even taken to teaching the art and science of teamwork in school from kindergarten through M.B.A. But while we know a lot about the value of teams and teamwork, we don't have a good clear answer to the questions of how we share the profits (or losses) when the product or service is a team effort. We do know that part of the answer is to recognize, value, and reward the idea person, the creative person, as well as the members of the team that translate the idea into a marketable product or service.

In a communist system, the rule for distribution is "from each according to his abilities, to each according to his need." But that system doesn't provide the incentives and rewards that are an essential part of a market system. So in a pure market society, the answer would be, "to each according to the value of his (or her) contribution." Sometimes we can determine how much more we get in the amount of output, or sales, from adding one more worker, and pay accordingly—that's what economists call the value of marginal product. Some organizations reward some or all of the team members through some kind of profit-sharing system or year-end bonuses. Whatever the system, it's important to ensure that everyone, from the idea person to the delivery truck driver, is compensated fairly for their contribution and share's in the firm's success. That way, everyone has an incentive to work harder, work smarter, and feel appreciated in a concrete way.

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