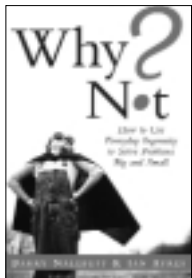


## *Why Not?: How to Use Everyday Ingenuity to Solve Problems Big and Small*

By Barry Nalebuff and Ian Ayres.  
2003. Boston, MA: Harvard Business School Press, Pp. 304, \$27.50 hardcover.



Is innovation a skill that can be taught? The authors of *Why Not?* believe the answer is yes and present a virtual innovator's guide to developing new ideas. Actually,

one of their insights is that many innovations are not new ideas at all. According to the authors, innovations are sometimes solutions for one problem applied to a different problem. An example of this type of innovation is the problem airlines have in showing r-rated movies. As a solution, they produce sanitized versions. Parents have similar problems, and firms now produce similarly edited DVD movie versions. It is a solution similar to the one where several languages are available on a single disk.

The authors are known for their Forbes columns and their programs on NPR's Marketplace. Both are economists with endowed chairs at Yale. Because Nalebuff teaches in the School of Management and Ayres is a professor in the Law School, the examples have a commercial focus; and the legal aspects of innovation are discussed. For example, they realize that copyright considerations complicate the DVD example.

In addition to their public notoriety via the popular media, the authors

have an evangelical bent. They are avid promoters of the notion that everyday citizens, who are not technical experts, can be genuine innovators. They also believe in the "open source movement," where an unorganized group of people can solve important problems and give away their ideas. Their motto is "just share it" and is consistent with some of the early computer programmers with some of the same objectives. Nalebuff and Ayres have a website, [www.whynot.net](http://www.whynot.net) that is a central focus of the movement.

While they don't mention it specifically, they naturally or subconsciously divide the innovating process into supply and demand. Problems produce the demand for innovation, and then there are solutions looking for problems that produce the supply. On the supply side, they look for symmetries in solutions and then try turning things around for innovative applications. ATM machines allow withdrawals from other banks, why not deposits to other banks? Just as I was thinking of all of the problems, they mention that in the U.K. and in Australia a person can go inside a bank to a teller and make a deposit to any bank. So maybe the idea has merit. Much of the success of the book is the interesting way the authors present the problem or the solution and then explain their view of the process of matching the two.

On the demand side for innovation, they recommend the potential innovator begin by assuming no financial constraints. In their terminology they ask, "What Would Croesus (rhymes with Jesus) Do?" The authors think of a modern day Croesus (think Bill Gates) and ask how he would solve the problem of waiting on hold for a call. Obviously,

people like Gates have personal assistants who wait for the call. Since we are not as rich as Croesus, what could technology do? They propose a service in conjunction with caller ID, where we would push a button on our phone, and the call center would call us back. We would never be on hold. Many other examples from the areas of business, finance, transportation and everyday life are used to help us in becoming familiar with their ideas, including, the WWCD technique.

Their approach is based on economics. They use concepts from game theory, externalities, law of unexpected consequences, contracts and many other ideas in their formulations. They rarely mention the economic basis directly, but business economists will see them lurking behind their presentations. As business economists, we cannot only learn to be more innovative, we can learn to present complex economic ideas to non-technical management executives—one target market of this Harvard Business School book.

One business aspect is introduced via the start-up process of a new business one of the authors began. The small firm brews and bottles a semi-sweet tea. The conception and birth of the new firm is an interesting story. It is refreshing in that the formal business plan is not mentioned, and the authors note and repeat several times that a unique and innovative product or business is not necessarily one that will be a business success. How they positioned this small firm in a world of multinational goliaths is an added plus and gives the book added credibility in the eyes of business managers. Almost like sitting in an MBA class.

A brief sample of the ideas that caught my eye are adjustable mort-

gages that have a constant monthly payment, but a variable term; changing the default rule in organ donation where no statement indicates agreement to donate; home equity insurance that protects owners from a decrease in home values in a geographic area; airline-like black-box event recorders in autos; telephone contracts that guarantee the lowest rates based on actual phone message units; extending the deadline for charitable contributions to April 15, in line with contributions to IRAs; assigned risk auto insurance bundled with gasoline purchase. Some of these are actually available, some are being tested, and others await implementation.

Implementation of innovation is covered, and several general approaches are recommended and detailed. My favorite is KISS, which normally means Keep It Simple, Stupid. Here it means—"Keep It Similar, Stupid." It is hard enough for listeners to learn a new idea. Don't make them absorb a new context. The first example they present is Colgate's packaging of Simply White tooth-whitening gel to look like the familiar White-Out or Liquid Paper for fixing typos. In the auto insurance example, a phrase like, "You drive you pay, you don't drive you don't pay," might appeal to areas in California where a large portion of the drivers are uninsured because of their immigration status. The authors also warn that good sounding ideas can fail. They mention several failed attempts to market orange juice with added caffeine.

Some of the examples are based on costs and will be known to business economists, such as only collecting tolls in one direction of one or more bridges. For example, everyone pays to get on the San Francisco Peninsula via a bridge; nobody pays to get off. Others are based on rev-

enues, such as network TV revenues being about 32 cents/ hour/viewer where a copy of *Forbes* magazine generates \$9 of revenue. These revenue differentials motivate the authors to search for innovative ways to produce advertising-free TV, but view advertising-free magazines as unlikely.

Virtual strikes are situations where both labor and management agree to continue to produce, but labor receives no wage and management receives no revenue. The objective is to make both sides feel the pain of the strike but eliminate the externality of lost production on the general public. Examples of this innovation in public transportation are presented as well as a discussion of the appropriate method to monitor the strike and determine if losing total revenue or only profit is the appropriate cost to impose on management.

The book contains more than fifty examples of innovative solutions or approaches to problems or annoyances that impact our lives. My sampling is not intended to be representative of the full extent of the book's coverage. However, they are examples that caused me to think of the problems, the solutions, and my own alternatives. Since that is the objective of the book, the authors succeeded in their goal. ■

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