

WHY MOST THINGS FAIL

Paul Ormerod

Preface

My previous book, *Butterfly Economics*, was first published in Britain in 1998, and has subsequently appeared in many languages around the world.

An argument which I first made ten years ago in the *Death of Economics* is that conventional economics views the economy and society as machines, whose behaviour, no matter how complicated, is ultimately predictable and controllable. But on the contrary, human society is more like a living organism.

Butterfly Economics developed this theme. I analysed a wide and seemingly disparate range of economic and social questions, seeing them as analogous to living creatures whose behaviour can only be understood by looking at the complex interactions of their individual parts.

The idea that economics should look to biology for intellectual inspiration is a long and distinguished one. Alfred Marshall, who founded the faculty of economics at Cambridge University around 1900, was the first major scholar to articulate this view. Later, Friedrich Hayek, perhaps the most innovative social scientist of the 20th century and a thinker many years ahead of his time, stressed the importance of dynamic, evolutionary change in the workings of human social and economic systems. Joseph Schumpeter of Harvard wrote famously of the ‘gales of creative destruction’ which he regarded as the defining principle of the market-oriented capitalist economies.

These ideas have never really been absorbed into the mainstream thinking of economics. This discipline continues to emphasise stability, order and equilibrium when the real world is characterised by constant change, evolution, and disequilibrium.

Part of the reason of the failure of economics to move in this direction is sheer intellectual inertia. More forgivingly, the tools required for the systematic analysis of systems of this kind have only recently become available. *Butterfly Economics* gave a number of practical examples where the new kinds of analysis required to understand such complex systems provide better empirical explanations of how the world works than does the machine-like views of economic orthodoxy.

In this book, I address what is probably *the* most fundamental feature of both biological and human social and economic systems. Species fail and become extinct, brands fail, companies fail, public policies fail. Fortunately, not everything fails at the same time. And sometimes we can see examples of success which persist for long periods of time. The Roman Empire, for example, lasted for many centuries.

But to understand success we must first understand the pervasive existence of failure. The documentation of failure, the identification of subtle patterns amongst the apparent disorder of failure, and analysing why failure arises are the main themes of this book.

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