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## Upfront

**In the Mood for Creativity: Happiness, not melancholy, sparks innovation. By Alessandra Bianchi**

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# As Luck Would Have It

## Why the U.S. and Europe have such different social spending policies

"If you're born poor, you're better off in Europe. But if you're born rich, or born poor and have a lot of [initiative], you're better off in the U.S.," explains Alberto Alesina, summarizing an article he published with co-author George-Marios Angeletos in the September 2005 issue of the *American Economic Review*.

In their article, Alesina, a Harvard University economist, and Angeletos, an economist at the Massachusetts Institute of Technology, consider a long-standing puzzle in economics: Why do Western Europeans support welfare programs more than Americans do? Both groups' markets rest on nearly identical economic and political pillars. Yet taxing and social spending are much higher in Europe.

The authors posited – and presented a mathematical model to prove – that Europe-U.S. differences in government taxing and spending policies stem from the societies' different beliefs about the role of luck in becoming poor. Using data from a variety of sources, including the World Values Survey, government budgets, and studies of human behavior, the authors first found that Americans generally believe that poverty is a byproduct of laziness, and that wealth is within the grasp of anyone who works hard enough. Europeans, on the other hand, believe that poverty is a trap from which it is hard to escape, whereas wealth largely results from luck, birth, and connections.

These differing societal beliefs, rooted in history, have led Europeans and Americans to create public policies and markets that reinforce their beliefs, a cycle that is hard to break. In the United States, low taxes and minimal welfare programs encourage people to work more and invest in their careers and education. Because many Americans' personal experience is that the more they work, the more money they make, the nation's taxation and social spending priorities seem relatively predictable and fair.

Europe's high taxes and increased social spending, on the other hand, create a less predictable and fair market. Even when Europeans work little, they still receive a

decent income, thanks to welfare programs. At the same time, higher-earning Europeans have much of their income taken away by taxes – Europeans shoulder a 50 percent higher tax burden than Americans. This dissuades Europeans from working as hard or investing as much in their careers and education as do Americans.

Different taxing and spending policies also affect social mobility in the two regions. In the United States it's easier to move up the socioeconomic ladder because hard work really does pay off, write the authors. In Europe, however, it's harder to move into a higher income bracket by simply working more, because so much income ends up going to the government.

In both systems, market results end up reinforcing the cultural beliefs that created the market dynamics in the first place, producing a sort of self-fulfilling prophecy.

Despite differing beliefs about what causes poverty, Europeans and Americans are equally concerned with fairness, Alesina and Angeletos report. Both populations believe that income inequality caused by bad luck or corruption should be remedied. But the different taxing and spending policies of each region make luck look like a minor player in the United States and a major one in Europe. In Europe, the social class into which people are born – a matter of luck – affects later income more than it does in the United States. In the United States, however, the bad luck of being born into a low class can more easily be overcome by hard work, the authors say.

While Alesina and Angeletos did not study how charitable spending – higher in the United States than in Europe – fits into their model, Alesina acknowledges that Americans' contributions help make up for the U.S. government's minimal social investment. Even taking that fact into account, however, Alesina said that poor Europeans fare better than poor Americans. "There's a lot of charity in the U.S., but it's not enough, for example, to allow every person in the U.S. to have a European-style pension," he says. "There's just not enough money donated." –*Jeanene Harlick*

## In the Mood for Creativity

### *Happiness, not melancholy, sparks innovation*

Contrary to the popular notion of the tortured genius, recent research confirms that you don't have to cut off your ear to whip up wondrous works of creativity. Instead, good

moods are more likely to inspire inventiveness than bad ones are, report Teresa Amabile, Sigal Barsade, Jennifer Mueller, and Barry Staw in their September 2005 *Administrative Science Quarterly* article.

*Administrative Science Quarterly* article.

Amabile, who heads the Entrepreneurial Management Unit at the Harvard Business School, and her colleagues at the Wharton School and the University of California at Berkeley tracked the influence of mood on creativity in organizations. Their participants were 222 workers at seven companies (three high-tech, two

chemical, and two consumer product) who logged electronic diary entries for nearly five months. At the end of each workday, participants spent 10 minutes answering questions about their performance and mood that day.

Defining creativity as “the production of novel, useful ideas or problem solutions,” the researchers found that “positive feelings – joy, love – are positively related to creativity, and negative emotions – anger, fear, sadness – are negatively related to day-by-day creativity,” Amabile told the *Harvard University Gazette*. Moreover, good cheer can increase the flow of creative juices for up to three days.

After 15 years of teaching creativity to corporations, Gerry Tabio has



Cellist Yo-Yo Ma joyfully performs at the 2005 Nobel Peace Prize Concert in Oslo, Norway. Research shows that good moods inspire more creativity than do bad ones.

also observed the powerful effects of positivity. Tabio, a professional facilitator with Creative Resources of Tulsa, Okla., notes: “If I walk into a situation

where people are happy, they are more than willing to make a list of possibilities and new suggestions. But if they’re unhappy, they’re so stuck on

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**When people are happy, they see possibilities. “But if they’re unhappy, they’re so stuck on what is, that they cannot even consider what might be.”**

what is, that they cannot even consider what might be.”

The researchers’ findings are particularly important for nonprofits, notes Barsade, a management professor at the Wharton School. “People feel good about [working at nonprofits], and this is where nonprofits have the edge over corporations,” she says. “They can leverage this feeling ... with the payoff of greater satisfaction, productivity, and creativity. The challenge is to keep that positivity alive, to maintain and not reduce it.”

Sandra Malmquist takes an active role in keeping her nonprofit staff happy and imaginative. As director of the Connecticut Children’s Museum and Creating Kids Childcare Center in

New Haven, Conn., Malmquist spends time “hanging out on the floor a lot and assessing everybody’s emotional state,” she says. “If I hear or sense that there’s tension, I’ll address it right away.”

One of her teachers’ instructional units on dinosaurs is a testament to the organization’s inventiveness. Children made dino puppets; fossilized their hands in coffee ground dirt dough; counted the number of trian-

gles on a stegosaurus; sang songs about reptiles, birds, and amphibians; and constructed a gigantic 3-D dinosaur out of recycled tubes, paper, and garbage.

Being so emotionally in tune with her staffers makes Malmquist an exception to many managers, says Barsade. “Managers and staffers often become task oriented, constrained, and scared by organizational realities and budgets. They forget that maintaining a positive mood and supportive attitude can actually help them – not only by creating a better work environment, but also by creating more successful and creative task outcomes,” she says. —*Alessandra Bianchi*

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