

Entrepreneurship: Economics of Innovation

Activity: Creative Destruction—Build a Better Widget

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INTRODUCTION

Joseph Schumpeter coined the term “creative destruction” to describe the process by which old products and processes give way to new ones. It is through this evolutionary process that economies progress and grow. In this activity, students will experience creative destruction as they create classroom inventions and then change, modify, and improve others’ inventions.

OBJECTIVES

At the completion of this activity students will be able to:

- Explain the process of creative destruction;
- Identify the costs and benefits of creative destruction;
- Explain how creative destruction leads to economic growth.

ECONOMIC CONCEPTS

Creative Destruction

Entrepreneur

Innovation

MATERIALS

- Video: *Creative Destruction*: <https://youtu.be/l-soJGRgAAQ>
- Video: *Who Was Joseph Schumpeter?* <https://youtu.be/UCplWdarLwA>
- Book: *Essential Schumpeter* – free pdf available at <https://www.essentialscholars.org/schumpeter>
- A variety of craft supplies that can be easily acquired from the home or classroom. Examples: paper, staples, glue, tape, string, scissors, markers, plastic/paper bags, paper plates/cups, ribbon, etc.
- OPTIONAL: Ask students to bring an item from home that has become obsolete. (See Debrief Question #6.)
- OPTIONAL: A Google slide with a variety of shapes and lines. (See Virtual Alternative.)

TIME

50 Minutes

TEACHER'S GUIDE

In preparation for teaching this lesson, read Chapter 3: Creative Destruction: Schumpeter's Perennial Gale from *Essential Joseph Schumpeter*. Available online at <https://www.essentialscholars.org/schumpeter>.

In the activity that follows, students may want to use resources that are additional to those that you supply. Or, in the case of the virtual alternative, they may ask if they can make copies of the shapes provided or add their own shapes. Resist the urge to control or regulate the creative process. If it's safe and appropriate, let them do what they suggest. After all, the purpose of the activity is to highlight the process of creative destruction and this can include changing production processes or finding new supplies of resources.

PROCEDURES

1. Assign students to groups of 3 or 4.
2. Show them the supplies available and explain that they need to create something that people would want or need, using those supplies.
3. Give them 10 minutes to create a product and give it a name.
4. At the end of 10 minutes give each group 1 minute to show and explain their product to the class.
5. Have each group pass their product to another group in the class.
6. Give the groups 5 minutes to change, modify, or improve the product they were given.
7. At the end of the 5 minutes, give each group 1 minute to show the product and explain how they modified or improved it.
8. Have each group pass the product along to another group (other than the original group).
9. Give the groups 5 minutes to further change, modify, or improve the product they were given.
10. At the end of the 5 minutes, give each group 1 minute to show the product and explain how they modified or improved the product.
11. Show the video *Creative Destruction*: <https://youtu.be/l-soJGRgAAQ>

Virtual Alternative

To run this activity in a virtual classroom environment, create a Google slide that shows a variety of shapes and lines. Make multiple copies of the slide (enough for 1 for each group) and adjust the share settings so anyone with the link can edit the slide. Assign each group a slide number and have them create something with the shapes on the slide. Follow steps 3-10, but instead of "passing the product," assign groups a new slide number.

DEBRIEF

Debrief the activity with these questions:

1. **Creative destruction** is the evolutionary process by which new products, processes, or markets destroy old ones, allowing economies to progress and evolve. What are some examples from this activity of simultaneously creating something new while destroying something old?
2. Joseph Schumpeter's view of creative destruction is not just a new good replacing an old one, but also changes to the production process, or even opening new sources of supply. What are some examples of changes to processes or new suppliers in this activity?
3. The term creative destruction is a paradox. The paradox is that in order to enjoy the benefits of progress, some individuals might be worse off. Who would be worse off? *(Answer: People who made the old goods or supplied resources for the production of those goods.)*
4. If your job was going to become obsolete because a new, better product or process came along, what might you do to stop it?
5. What is the cost of stopping or impeding the process of creative destruction? *(Answer: Future economic progress and growth).*
6. Ask the students to identify a product that has become obsolete. Ask them to explain how their lives are better off because that item is now obsolete. *(Example: Music CDs are obsolete. They are better off because CDs were replaced with streaming services, so the students can now listen to any song they want, whenever they want. The technology today does not limit them to owning just the few songs that are packaged on a CD, which has to be played in a CD player.)*

Virtual Alternative

If you are conducting this lesson in a virtual environment, instead of asking students to identify a product that has become obsolete (Debrief question #6), give them 2 minutes to find an item in their home that is obsolete and hold it up in front of their webcam for everyone to see. Choose a few to highlight or ask about.

CONCLUSION

Show the video *Who Was Joseph Schumpeter?* <https://youtu.be/UCplWdarLwA>

Joseph Schumpeter said the “process of Creative Destruction is the essential fact about capitalism.” It is how economies evolve and progress through time. Old goods and processes give way to new, creating a constant churning in the economy. Societies that allow creative destruction to unfold experience greater economic growth and development than those that don't.

ASSIGNMENT

Assign the following reading as **homework**: “Chapter 3: Creative Destruction: Schumpeter’s Perennial Gale” from *The Essential Joseph Schumpeter* (available online at <https://www.essentialscholars.org/schumpeter>). Have students answer the following question based on the reading:

In his 1934 book, *The Theory of Economic Development*, Schumpeter discussed five different types of changes he considered part of the process of creative destruction. What are those 5 types of change? Provide examples from the world around you of one or more of those 5 types of change.