

Edmund Phelps, the winner of the 2006 Nobel Prize in Economics, is Director of the Center on Capitalism and Society at Columbia University. Born in 1933, he spent his childhood in Chicago and, from age six, grew up in Hastings-on Hudson, N.Y. He attended public schools, earned his B.A. from Amherst (1955) and got his Ph.D. at Yale (1959). After a stint at RAND, he held positions at Yale and its Cowles Foundation (1960 - 1966), a professorship at Penn and finally at Columbia in 1971. He has written books on growth, unemployment theory, recessions, stagnation, inclusion, rewarding work, dynamism, indigenous innovation and the good economy.

His work can be seen as a lifelong project to put “people as we know them” into economic theory. In the mid-‘60s to the early ‘80s, beginning with the “Phelps volume,” *Microeconomic Foundations of Employment and Inflation Theory* (1970), he pointed out that workers, customers and companies must make many decisions without full or current information; and they improvise by forming expectations to fill in for the missing information. In that framework, he studied wage-setting, mark-up rules, slow recoveries and over-shooting. This served to underpin Keynesian tenet that say a cut in the money supply will not merely cause prices and wages to drop with no prolonged effect on employment.

From the mid-‘80s to the late ‘90s, he put aside the short-termism and monetarism of MIT and Chicago to develop a “structuralist” macroeconomics. Contrary to what Keynesian extremists see as unending and unexplained deficiency of “demand,” he sees employment heading to its “natural” level and seeks to explain the effects of structural forces on it. His book *Structural Slumps* (1994) and later papers with Hian Teck Hoon and Gylfi Zoega find an economy’s natural employment level is contracted by increases in household wealth, in overseas interest rates and by currency weakness. Thus, the big job losses in the US, UK and France result from the pile-up of wealth and puny investment, both stemming from the slowdown of productivity growth.

Now he has worked to put economics on a new foundation. Powerful innovation over more than a century alters the nature of the advanced economies: Having higher income or wealth matters less. As his book *Rewarding Work* (1997) begins to argue, what matters more are non-material rewards of work: being engaged in projects, the delight of succeeding at something and the experience of flourishing on an unfolding voyage. His book *Mass Flourishing* (2013) remarks that cavemen had the ability to imagine new things and the zeal to create them. But a culture liberating and inspiring the dynamism is necessary to ignite a “passion for the new.”