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**Robert F. Hebert and Albert N. Link, *A History of Entrepreneurship*,  
London & New York: Routledge, 2009, 121 pp.**

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## Book Reviews

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Robert F. Hebert and Albert N. Link, *A History of Entrepreneurship*, London & New York: Routledge, 2009, 121 pp.

There was a time, not long ago, when ‘entrepreneurship’ was confined to the economics texts alone. For almost two hundred years since the term was first used to connote a critical agent of economic change, none except the professional economists was concerned with the concept. In their search for the source of profit in the production process, economic thinkers found the concept a useful complement to their theoretical schema that identified parts of return on investment with rent on land and interest on capital minus wages paid to workers. As the residual in profitable cases was seen to be in excess of renewal for organising these facilities, entrepreneurs provided the missing component in profit.

This was the limit of debates about the concept until after the Second World War when economic development emerged as the overriding social concern. The focus now shifted from merely explaining entrepreneurship to understanding the sources of entrepreneurs’ motivation and how to augment the supply of entrepreneurs. These concerns drew into the field new academic disciplines, notably, psychology and sociology, that previously had remained practically aloof from it, while the economists practically withdrew from it. Much before the end of the century, entrepreneurs had almost disappeared from the macroeconomic theory.

The entry of non-economists into entrepreneurship-related discourse had one more consequences. The entrepreneur ceased to be a mere economic agent. Practically all creative activities, regardless of specific area of human endeavour began to be identified with entrepreneurship. Don’t we often come across expressions such as social entrepreneur, educational entrepreneur and even political entrepreneur? Political scientist

G.D.H. Cole once said of socialism that it had become like a hat that had lost its shape because everybody has used it—and used it in his own fashion. Something like that can be said of entrepreneurship as well today.

This somewhat long introduction is necessary to place the book under review in proper perspective. It does not purport to deal with ‘entrepreneurship’ in the loose, generic sense it is commonly used these days nor does it seek to prescribe the ways and means to develop new entrepreneurs. The title may suggest that the book may be an integrated historical account of significant entrepreneurial acts. This too is not correct. Brought out under Routledge Studies in the History of Economics (This is the one hundred and fourth title under the series), the volume limits itself to entrepreneurship as an economics concept and explaining how it has been treated in macroeconomic theory over a period of time. And, in this modest mission, it has grandly succeeded.

Like all works on the evolution of entrepreneurial theory, the volume credits Richard Cantillon as the father of the concept, although nowhere in his *Essai sur la Nature du Commerce en General* (Essay on the Nature of General Commerce) published in 1755 after his death, has the French banker-turned-author indicated that he has specifically coined the term or used it in a special sense to signify something different from what was commonly understood by it. Be that as it may, even though economic functions and organisations had reached a certain level of maturity in Western Europe, including Britain, much before Cantillon emerged on the scene, as the authors point out in their opening chapter entitled ‘The Prehistory of Entrepreneurship’, we know of nobody before him who was the architect of the process of economic change in the manner he was. Not surprisingly, practically all subsequent formulations have continued to echo, in some way or the other, two characteristics that according to Cantillon are basic to an entrepreneurial act, namely, risk and uncertainty. The rest of the volume bears this out.

For almost a century after the publication of Cantillon’s treatise, conceptual development about entrepreneurship remained confined to Western Europe, with scholars scattered in different countries having little chance to interact with one another or influence one another’s thinking. Rightly have the authors discussed the matter with reference to the country-specific schools that emerged in the process. Economic analysis

in France after Cantillon was dominated by physiocrats for whom agriculture in the ultimate analysis was the sole source of wealth. They, by and large, followed Cantillon's lead but with occasional modifications. J.B. Say, their best-known representative, for instance, underplayed risk and uncertainty as the mainstay of his theoretical structure, emphasising instead the personal attributes and qualities of the entrepreneur. But whether because of this entrepreneurship for him became virtually synonymous with management, in the contemporary sense of the term (see p. 19) as the authors maintain, is debatable. Say's entrepreneur, it seems to me, is an individual actor combining in him every conceivable quality of a perceptive business promoter the like of whom can be associated with only modest-size firms having little need for a managerial structure based on collective, though well defined, roles of a host of actors.

The German school began to take shape only after 1814 by which time a German translation of Say's magnum opus *Traite'd' Economie Politique* (A Treatise of Political Economy) had already been published. In terms of the quality and richness, however, the German contribution to entrepreneurial theory was next only to the French. According to Joseph Schumpeter, the analysis of profit by Hans von Mangoldt (1824–1868), perhaps the most insightful German thinker of his time was the most important advance since Say. The German tradition was also the first to point to the non-economic element in the entrepreneurial process. As early as the early 1890s Guslav Schmoller emphasised on the social context of the enterprise.

Of the three European schools of the late eighteenth and early nineteenth centuries, the English school paid the least attention to entrepreneurship. In fact, the word entrepreneur in the sense of organiser of various factors of production did not become a part of the English vocabulary well until the end of the nineteenth century, and the English thinkers from Adam Smith down to John Stuart Mill (1806–1873) equated entrepreneur with the supplier of capital, reinforcing perhaps unwittingly the fallacy that profit is not legitimate in a capitalist economy. If the European writers did not anticipate the full ramifications that later developed around entrepreneur and entrepreneurship, it was perhaps because the European firms were still relatively small managed mostly by the owner-capitalist. The distinction between those who financed the

undertaking and those who took critical decisions was therefore blurred and so was the distinction between the accountable and the non-accountable components of profits. It was left to the scholars across the Atlantic, with their views influenced by the momentous changes in the post-Civil War America, to highlight the conceptual distinction between the functions of capitalists and entrepreneurs and conceive a direct link between what John Bates Clark (1847–1938) called ‘entrepreneurial profits’ and successful introduction into the economic process of technological, commercial or organisational improvements. Most other American thinkers of his times echoed similar views.

Exactly two decades after Clark had published his paper enunciating the aforementioned views, Joseph Schumpeter (1883–1950), teaching in an Austrian University published his epoch-making work *Theory of Economic Development* in which he placed ‘innovation’ at the centre of entrepreneurship, relegating all other elements, including risk and uncertainty, to the background. As can be easily seen, Schumpeter’s concept of innovation was not very different from Clark’s sources of entrepreneurial profits but the former, known for his flamboyant style of living and unconventional ways (he reportedly said once that of the three ambitions he had in life to become the greatest economist, the greatest lover, and the greatest horse rider, he was yet to achieve the last!) put forward his formulations so forcefully and so convincingly that he literally overshadowed all his contemporaries—and even professional forbears. His theory of innovation became almost the last word in the long conceptual evolution.

This is not to suggest that theorisation about entrepreneurship came to a standstill after Schumpeter. The concept continued to evoke interest among economists to whose contributions the authors have devoted a full chapter. The list that includes such illustrious names as Edwin F. Gay, Arthur H. Cole, Israel Kirzner and Harvey Leibenstein is by no means small, and nobody interested in the concept can ignore their enunciations. But it can be safely maintained that the intensity that characterised the debate in the pre-Schumpeterian era is a thing of the past. It would not have been easy for authors to critically summarise this long debate within a mere hundred and odd pages, but they have done this with unqualified success.

Seldom has been so much knowledge compressed between two hard covers and that too on a subject of vast significance.

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Magnus Henrekson and Robin Douhan (eds), *The Political Economy of Entrepreneurship* (Vol. II), Cheltenham: Edward Elgar Publishing, 2008, 534 pp.

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In Part I of Volume II, Magnus Henrekson and Robin Douhan continue to expand the understanding of how various politically determined institutions affect entrepreneurship. In this volume, they focus on policy measures that are designed and specifically directed towards small firms, namely, financial support schemes, tax breaks and subsidies, advisory services and science parks. Five contributions have been listed to build a perspective. The one by Gilbert, Audretsch and McDougall captures the dramatic increase in government programmes aimed at small businesses despite the waves of privatisation beginning in the 1980s across the world. The authors of this contribution demonstrate that rather than re-treating, public policy towards business has been undergoing a profound shift. New policies focusing on enabling the start-up and viability of entrepreneurial firms rather than constraining existing enterprises have come to the forefront across the world and across all government levels. Entrepreneurship development is being viewed by the policy makers as a strategic option to offset the loss of employment and stagnation at local and regional economies. As monetary and fiscal policies were employed to create employment and growth during most part of twentieth century, entrepreneurship policies are likely to emerge as important instruments to achieve the same targets in global and knowledge-based economies.

In an empirical study appended here, Lerner examines a major US public venture capital initiative and finds that the awardees of the benefit enjoyed substantially greater employment and growth. Through another

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