Cultures for Creating and Sustaining Entrepreneurs and Entrepreneurship for the Rise of the West

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1. Cultures in Global Economic History

For modern economic history "culture" might be usefully conceived as a more or less coherent and widely accepted set of views of indifferences, approbation and hostility towards the full range of institutions, actions and propensities involved in the production, exchange and consumption of goods and services by societies bounded in space and time.

Cultures surround the behaviour of states, firms, partnerships, managers, entrepreneurs, workers, investors, innovators, consumers and all other agencies and agents engaged in collaborative and collective economic activity. Cultures encoded in language texts, systems of belief and recorded actions of economic agents and actors are what cultural anthropologists and cultural historians expose as the more or less homogeneous and persistent dispositions of particular economies and polities towards work, thrift, innovation, risk, debt, stability, expansion, novelty, trust, deviance and all other attributes of activities directed towards production, consumption and exchange. Cultures are accumulated historically by communities largely as responses to particular ecological and economic environments, but are mediated, sanctioned and maintained by cosmological beliefs about the natural world and the meaning and purpose of human life.

For millennia and, in general, most cultures across Eurasia displayed common tendencies to favour stability and homogeneity for an established set of dominant and persistent orientations. Cultures built by societies to organize collective economic life were, however, never stable or closed to innovations from within or imports from outside. When material and political conditions and systems of beliefs changed tendencies towards complexity and diversity eroded the bias of culture towards the reproduction in favour of change and (at conjunctures of crisis) towards a reordering of culture when otherwise durable dispositions towards the behaviour of economic actors and the way economies were organized and managed could be swept away.

Slower transformations as well as more rapid reordering of cultures in favour of private enterprise were led historically by distinctive human resource that economics and economic history has labelled and applauded as entrepreneurship. For this the 10th and final conference of a network in global economic history, the question of whether and why the West somehow accumulated a more elastic supply of this particular factor of production must be one relevant question to pursue.

2. Entrepreneurs and Entrepreneurship

My narrative will take the form of a "think piece" that will be both general and Eurocentric. I will not address historiographies dealing with the entrepreneurial traditions of India, China, Japan, Africa and the Arab world. My exploratory essay will not even cite anything from the libraries of historical detail found in business histories of American and European firms or in the biographies of famous Western entrepreneurs. Instead my aims are first to simply summarize the body of monographic literature in economics, business administration and business history which has derogated entrepreneurship as a distinctive factor of production in economic history. The argument at the core of modern literature I have in my sights maintains either that entrepreneurs simply responded to opportunities and are thus a "feature" and not a "factor" of economic growth; or that their role was entirely limited to short periods of transition before the divorce of ownership from control and managerial hierarchies in charge of large-scale rationally organized business firms emerged to dominate industrial market economies. Then I will proceed to revive Schumpeterian notions of entrepreneurs, to suggest that entrepreneurship has been a persistent and significant component of Western economic development. In a final section I propose to consider why the supply of entrepreneurs coming forward seems to have become more elastic after the cultural re-orderings associated with two formal conjunctures in European history: the Renaissance and Reformation.

a) Defining Entrepreneurship and the Neo-Classical Theory of the Firm

It may be helpful in defining an entrepreneur to locate economies where entrepreneurs are deemed not to exist. Paradoxically, as ideal types, such economies are represented in the textbooks of neo-classical economics dealing with the theory of the firm, where managers select the means to achieve profitable levels of marketable outputs. They are presumed to know the prices of inputs (land, labour, capital and raw materials) as well as the prices obtainable for outputs. Their task is to select, combine and coordinate the means of production in order to produce goods and services in the most profitable way. Given the information on prices and technical coefficients at their disposal, they can proceed to calculate the combination of inputs required, to achieve their goals. Thus in a neo-classical world of perfect information, of well specified production functions, of efficiently functioning factor and raw material markets ready to supply inputs to firms at know prices, there is no scope for initiatives from entrepreneurs. Managers and their staffs simply calculate, coordinate and optimize in rational ways. From time to time their routines change and they alter their demands for inputs in response to changes in conditions exogeneous to firms, such as fluctuations in the prices of inputs, the emergence of new technological possibilities to produce outputs or alterations to the conditions and structures of markets upon which they purchase inputs or sell final outputs.

b) The Real World of Firms and Entrepreneurs

Firms in the real world do not operate in contexts of well defined stable "means and ends" relationships. Their goals are frequently redefined to produce novel goods and services and to set up or incorporate other organizations in order to diversify production. Entrepreneurs identify new objectives and products for firms and establish, or buy, organizations to realize such goals. Their actions are creative and not calculative and predictive from data technologies.

Knowledge concerning the costs of inputs from data on prices and available sets of techniques was and remains far from perfect. Entrepreneurs stand at the juncture of factor and product markets and do not simply react to price changes. They are alert to and actively search for opportunities of increasing profits by buying cheaper inputs and selling outputs in markets where they realize higher prices. In short entrepreneurial behaviour includes perceptions of opportunities thrown up by markets and technological changes.

Furthermore, and only in theory, is there a predetermined connexion between bundles of inputs and volumes of outputs. That relationship, total factor productivity, has varied and continues to vary within wide limits among firms in the same industry, through time and across countries. Thus, all firms operate at varying distances from their production possibility frontiers. That occurs for several familiar reasons, but basically because the markets for labour, skill and especially managerial abilities are far from perfect and it is difficult for firms to ascertain the potential of workers for sustained and diligent effort; or to assess qualities of skill and above all to evaluate professional competence and imagination on offer from top managers. This implies the productivity of workforces depends upon two central qualities of embodied in entrepreneurship as a factor of production: (i) the establishment of selection procedures; (ii) the motivational and organizational structures of firms – their internal systems of incentives and chains of command for monitoring and rewarding employees.

c) Who is an Entrepreneur?

In management studies and business history entrepreneurs are represented as "innovative", "creative", "inspirational" and "far-sighted" controllers of firms. My analysis which now moves on from the neo-classical theory of the firm suggests that we think of entrepreneurs as distinguished from "managers" in three operational ways. They:

(a) redefine goals for an enterprise or set up new enterprises; (b) reallocate factors of production and output from uses and locations where they undervalue and (c) push firms closer to their production possibility boundaries.

Almost on a daily basis most businessmen take or are involved in a mix of decisions that are: (i) part routine and managerial (i.e. implicit in the situation and constraints confronting their enterprises; and (ii) part-entrepreneurial, partaking of perceptions, the exploitation of scarce knowledge and the capacity to design organizational structures that move firms to higher levels of efficiency.

Obviously capacities for entrepreneurial decision making and managerial abilities varies among individuals. Furthermore, the requirements for entrepreneurship also change through time because as economies develop the system throws up more and more people with perceptions of market opportunities; knowledge and information systems improve; and supplies of experts, trained in engineering, personnel management, organizational design, finance, marketing etc., become increasingly available.

Demand for entrepreneurs is likely to diminish over time. As trained experts take over the strategic planning and running of firms, the balance between management and entrepreneurs shifts and the entrepreneurial factor in national transitions to industrial market economies and their structural readjustments thereafter becomes a matter of record and assessment for historians to debate.

d) The Significance of Entrepreneurs and Entrepreneurship in Industrialization

Granted that a human resource referred to as entrepreneurship played some role in economic development of national economies particularly in the early phases of industrialization, a base line question arises, namely, is there any way that social scientists and historians of business can isolate and measure its contribution to precocious and successful industrialization and/or impute retardation, slower transitions, deceleration and crises of adjustments to entrepreneurial achievements and failures of various kinds?

What part did entrepreneurship play in the great divergence between the East and the West.

The extremes of a spectrum of positions taken on this issue runs on the one side from vulgar Marxism, in alliance with neo-classical economics fundamentalism on the one side to vulgar Schumpeterians on the other. The first maintains that economic conditions and technological possibilities create opportunities for the exercise of initiatives by businessmen, which will be taken up as a normal and familiar characteristic of profit maximizing behaviour in capitalist systems. In their perspectives entrepreneurs are relegated into an effect and not a cause of economic development. At the other extreme are the claims of Schumpeterians economists, Weberian sociologists, behavioural psychologists and many business historians who represent entrepreneurs as highly significant, even as a "vital" human resource in explanations for successful transitions to industrial market economies, and as responsible for climaterics or slow-downs in performance.

The Schumpeterian position which has been stronger in business schools and business history than departments of economics, refers to serious empirical evidence largely for the 20th century to support its case. First of all, there are citations to hundreds of econometric exercises in the analysis of production functions for the industries and firms of major modern economies which are unable to account for large shares of observed rates of growth of output as a function in increased inputs of factors of production, land, raw materials, labour and capital. This famous unexplained "residual" includes all kinds of immeasurable inputs, especially technological change, but also includes organization, the commitment and effort of workforces and privileged access to information - all of which have traditionally fallen under the label of entrepreneurship and seen as tacit knowledge and skills embodied in entrepreneurs.   Other bodies of data have been assembled displaying inexplicably wide levels of efficiency by firms of comparable scale, utilizing similar machinery, competing in the same product markets. These empirical studies have created a presumption that an “x” or unknown efficiency factor has pervaded the performance of firms and industries even in modern economies; that entrepreneurs are and have been the separable and significant factor of production behind such variations and are worthy of historical study and analysis.

That assumption which underpins research into business studies and history, as well as the practices of modern firms is, nevertheless, problematical simply because the indicators used to select successful firms, industries and macro-economies as a whole cannot be clearly correlated with the actions of entrepreneurs, or the effective exercise of entrepreneurship.

For example, and to take the most commonly deployed indicator of success, the rate of growth achieved by a firm, industry or national economy depends on demand as well as supply. It is simply easier for firms to grow on expanding markets or when information on the stock and range of technologies and modes or organization becomes accessible, exploitable and relevant.

Furthermore, no technique of production, scale or mode of organization can be represented, *a priori*, as “advanced”, “rational” and “progressive”. Optimal techniques and organization for production depend on factor prices and comparative advantages. If historians or economists wish to blame or praise the managers of firms for displaying some lack of foresight and entrepreneurship, they need to demonstrate empirically (with reference to factor prices, interest rates and engineering data): (a) that alternative and superior technicians and modes of organization were on offer, and (b) the retention of traditional ways of production reduced total factor productivities, outputs and profits.

Claims that this is or was historically the case are easily asserted, but are very difficult to prove. Even the decline and eventful failure of an industry could represent nothing more than an inevitable loss of comparative advantages within a national or the world economy in which the conditions for growth and stability change rapidly and unpredictably over time and almost year by year for modern economics. In situations of inevitable decline, entrepreneurship consists in postponing the unavoidable, managing the loss of long established competitive advantages and readjusting and diversifying the objectives of firms.

Yet most of business history has concentrated on “success”, on “growth” and “profitability”. Profit is, however, just one indicator thrown up by markets, displayed to shareholders by company directors and seized upon by journalists and some academics with a myopic and weakly specified view of entrepreneurship. After all, profit could represent little more than the achievement of a monopolistic position within an industry. Low profits (or even temporary losses) are often made by innovative firms whose outputs contribute to technological progress and generate externalities, public goods and consumer surpluses for other parts of a national economy. For example, what looks uncompetitive to the financial press or the shareholders of Mitsui is not necessarily bad for the Japanese economy as a whole. Private profit has to be juxtaposed against macro-economic rationality in the demarcation and evaluation of entrepreneurship. Firms and their managers closely following the dictats and signals markets are not displaying foresight or taking risks. Yet the accolade of entrepreneur is often socially and culturally ascribed to emphasize those very qualities. When long term achievement appears to validate decisions that appeared incautious at the time, these strategic decisions are redefined as “entrepreneurial”.

To sum up, professors of Business Administration and Business History rightly insist that entrepreneurs really matter for economic growth and may well have mattered a lot more during the early stages of industrialization. Their problems are to define entrepreneurship, to locate and if possible weigh its significance for accelerations, decelerations and climacterics in the economic histories of the national economics of Europe and Asia. Alas, that intellectual ambition has not been easy to realize and we cannot pretend that the lengthy bibliographies and libraries of monographs and articles in business history and biography have taken us forward and upward to plateaux from where secure generalizations have now become possible.

e) Business History as Case Studies in the Growth of Firms

Recent trends in business history has, moreover, been concerned to de-centre the Schumpeterian preoccupations of previous generations with the biographies of entrepreneurs in favour of company histories, configured to expose the organizational preconditions and “contingent” strategies that made for the survival, growth and success of famous firms with records to exploit. This modern paradigm reflects the antipathies of social sciences (particularly economics) to according emphasis to human agency as a potentially “fortuitous” factor in theories of the growth of firms, industries and national economies. That consensus (reinforced by the rise of business schools and the study of management) favours theories configured in terms of collective and group behaviour, operating within the established parameters of rationally constructed organizations – designed and attuned to respond to opportunities for the expansion of firms. Alas, although whole libraries of scholarly monographs in business history exist which refer to a variety of industries located in the Americas, Europe, Asia and Africa, the available sample of case studies is neither scientific nor random, and includes too many commissioned and potentially biased histories and seriously neglects the study of failure. Above all, business history lacks a theory that might impose order on this overwhelming plethora of case studies and tends to emphasize unique features of each and every enterprise and thus postpone the prospects for viable generalizations, lessons and predictions properly required by social science, into an indefinite future.

In aspiration the theories on offer aim to account for the long term survival and success of firms operating either in numerous countries around the world economy as well as multi-nationally. For the West they are dominated by celebrated and much cited “theories” from Chandler, Williamson and Porter and their followers. Alas, their commendable and interesting attempts to theorize seem under-specified and depend heavily upon corporate strategies and forms of organization that evolved in rather special conditions associated with the rise of the North American economy. Furthermore, by eschewing human agency they can offer few insights into the making and implementation of key/strategic decisions that historians (with hindsight) can plausibly represent as leading to the success, failure or even to survival of many enterprises.

Theories of the growth of Western firms have, however, served to trace and describe a historical process, namely the rise to positions of dominance across a sequence of industries and a succession of developed national economies – led by the United States – of large scale, hierarchically organized multi-divisional corporate enterprises.

Responding as they emerged to the opportunities afforded by technological changes in the means of transportation and communication, over the 19th and 20th centuries, businessmen designed and set up organizations to plan and control production and distribution on much larger scales and to deliver and sell goods and services over those ever-widening geographical spaces and extensive markets that became economically viable with the advent of railways, steamships, trucks, aeroplanes, telegraphs, telephone and the net, as well as cold and other storage systems. The conquest of distance goes back to the 16th century, but accelerated with the diffusion of railways which allowed firms to expand into new interior markets and which, in turn, promoted the design of organizations to cope with the problems and opportunities entailed by the expansion and integration of national and international markets. The forms of organization adopted differed from industry to industry. Nevertheless commonalities in structures are apparent because the problems involved in funding and coordinating production and distribution on larger scales across extensive spaces and longer spans of time are similar; because success stimulated imitation and because professors of business administration began to investigate, theorize about and discover "optimal" forms of organization. Unsurprisingly recommendations from America turned out to be influential, given the sustained economic and geopolitical power of the United States for long stretches of the 20th century.

Nevertheless, and despite the evocative vocabularies and persuasive analyses deployed to proclaim and account for the advantages of larger scale, hierarchically organized, multi-divisional, vertically integrated firms over their small scale more specialized competitors, run by owners and families and catering for geographically confined markets, several questions have remained about the universal significance of "modern" and "rational" forms of business and industrial organization as a panacea for growth and efficiency. For example, increasing returns to scale certainly became features of several industries with high ratios of fixed to variable costs producing standardized outputs of homogeneous quality for mass and fairly predictable levels of demand. Such industries such as electricity, cars, chemicals and steel will come immediately to mind. But these preconditions are not present across entire spectrums of agricultural, service and industrial outputs. Backward and forward integration to secure and regulate supplies of inputs and to control and stabilize systems of distribution and sales may well reduce the transaction costs of dealing at arms length with authorities, networks of suppliers, wholesalers and retailers. Nevertheless the supervision and monitoring costs confronting all forms and layers are not necessarily lower than franchising or contracting out to autonomous and specialized enterprises. In any case the costs and benefits of moving from the invisible hand of dependence on markets to the visible hands of integrated firms have rarely been estimated.

Nevertheless a consensus exists that large organizations run by professional managers with complementary ranges of expertise did learn to become efficient at distribution, sales and at securing stable supplies of raw materials and intermediate inputs required to achieve economies of scale and rapid high volume throughputs. As such firms grew in scale, their executives, professional managers and skilled workforces also “evolved” capacities to diversify their outputs into other and often novel ranges of products. Organizations embodied more knowledge that provided “scope” as well as “scale” for innovation, expansion and provided advantages of being a first mover into another market or new product line.

Business studies and history has certainly traced and analyzed the economic advantages built into the organizational structures of large firms across a range of industries and countries. What these scholarly and rigorous endeavours have not done (and cannot expect to do) is to isolate and to measure the precise significance of business organization for the growth and/or failure of a macro economy which depends upon a matrix of comparative advantages including: endowments of natural resources, skills, legal systems, governmental institutions, systems of education, cultures of approbation and hospitable domestic markets and other contexts in which all firms are embedded.

Clearly it is no surprise to discover that the design, construction and maintenance of an “appropriate” organizational structure for the pursuit of particular strategy will be a step (possibly a big step) towards efficiency. Indeed it is necessary for success for structure to follow logically from the selection of a particular strategy for growth. But since several strategies are usually on offer for the pursuit of expansion, neither the theory of how and why business organization evolved through time nor (alas except in too small a sample of cases) the history of firms tells us when, why, and how strategies leading to clear and sustained levels of achievement came to be preferred over strategies leading to more modest growth stasis and failure. We all need to know much more about strategic planning or what is more common (in unpredictable economic environments and business cultures hostile to change) about deficiencies in strategic planning or foresight. Meanwhile business historians have certainly exposed the forces of conservation, resistance and self-interest (schlerosis) built into organizations that were successfully adopted for the pursuit of a particular strategy for growth, but simply failed to adapt to the loss of competitive advantages, and unpredicted changes in circumstances exogeneous to firms. In short, since rationality is bounded, information still remains imperfect and inertia, survival and self-seeking are built into all types of bureaucratic hierarchies, however rational, the role for Schumpeterian entrepreneurs has not been superceded by optimally constructed organizations - combining strategies with structures required for long term growth over particular cycles of economic history.

Although the role of entrepreneurship changed with the extension and integration of markets and the devolution to trained experts of functions (finance, personnel management, factory layout, choice of techniques, transportation, marketing etc) exercised historically by individuals, partners, families and clans, its persistence is inescapable. Furthermore, the case for arguing its significance has been seriously diminished by the growth, development and specialized management, the growth in the scale and scope of firms; that it has been subsumed or embodied into rational organizations capable of coping with more predictable and stable national and international economies, is to say the least not proven. Entrepreneurs are still out there seeking new strategies for firms to pursue and designing the organizational structures that are congruent with those strategies, perceiving opportunities and imperfections in markets persuading top management teams to adopt longer views, to diversify outputs and to take greater risks. Alas, they also “lead” enterprises and their financial backers towards failure as well as success. Contexts for the exercise of entrepreneurship has and continues to evolve, but the need (and judging by the ever increasing rewards on offer to people who are perceived by markets as potentially entrepreneurial) the demand for human agents that make rather than merely respond and react to change is still omnipresent. If that reassertion of Schumpeter’s original insight is correct, then entrepreneurship has historically and continues to be a discrete factor of production as long as markets and information flows are imperfect, consumer preferences remain unpredictable, new technologies emerge and organizational structures of firms need to be redesigned to achieve pre-selected strategies or even to foster more creative and less bureaucratic thinking.

f) The Supply of Entrepreneurs

Given the persistence and continued pervasiveness of a demand for this recognized human resource (of un-measurable but arguably serious significance) then perhaps the most interesting and difficult question for students of global economic history to explore is what determines the supply of entrepreneurs potentially available to national economics around the world and over time? Since their reading of histories of growth, retardation and failures leads many economic historians to a stance of scepticism towards a basic and unverifiable assumption of neo-classical theory that the supply of entrepreneurs has historically and continues to be universally elastic with respect to "sets" of (un-measurable!) opportunities, they have turned to other social sciences (particularly psychology, sociology and cultural anthropology) to help them understand the rather widespread feats of entrepreneurial endeavour that they observe in the historical records of some societies and their absence in others.

g) Psychology

Psychology certainly offers theories and explanations for outstanding feats of human endeavour (including business success) by representing all celebrated examples of such creativity as the achievements of human agents with distinctive personalities marked by specific and ascertainable motivations. That is why behavioural psychologists (and particularly the Harvard School led by David McClelland) have conducted "scientific" investigations (thematic a perception test) into the internal drives of rather large samples of top businessmen from a range of countries and cultures.

Their clearly expressed findings are that “entrepreneurs” active in our own times can be characterized as people with distinctive personalities dominated by an inner compulsion classified (in the language of psychology) as “the need for achievement”. People with that very strong need are willing to work long and hard in situations of responsibility where their contributions can be singled out for praise (or blame). They like to pursue clear indicators or symbols of success (profits, sales, turnover) and to operate under conditions of moderate uncertainty. They tend to resist pressures to conform and prefer experts over friends as partners and associates. Unless the tests and the date are flawed, the Harvard and other similar programmes of research offers a body of published evidence to support claims that the directors of successful industrial enterprises located in a range of countries and cultures, share common and dominant personality traits. Psychologists have, moreover, devised ways of measuring the concentration of personalities with entrepreneurial potential within cultures, across cultures and changes over time. Do their findings apply to countries, cultures and historical periods not represented in the Harvard database is a question that could in principal be answered? Whether their hypotheses can be safely extrapolated to earlier centuries is questionable and the inferences that might be drawn from scanning and scoring childrens’ and others literatures for evidence concerning the personalities of those reading these books is even more problematical. But assuming, at least for purposes prolonging and exploring the argument that entrepreneurs could plausibly be represented as approximating to a definable “personality type”, what determines the stock flow of potential entrepreneurs within cultures and over time becomes a relevant and interesting line of enquiry for global economic history to pursue?

Psychologists have enough evidence at their disposal to rule out race and climate as determining variables and their discipline is virtually based on the assumption that relationships between parents and children will turn out to be highly (if not overwhelmingly) significant for the formation of adult personalities. This is no longer (pace Freud) accepted *a priori* and behavioural psychology has assembled banks of modern and historical data (interviews, surveys, family histories and books written for schools) to demonstrate that the need for achievement is inculcated into the younger generation by the childhood training regimes of families that are observed to foster self-reliance; that are neither permissive nor authoritarian and in which the role of maternal encouragement tends to be critical, provided wives and children are not subservient to patriarchal fathers. Alas, this entirely familiar 20th century assumption that the origins and sources of supply for entrepreneurial (and other) personalities might well be found in patterns of childhood training (supplemented by education outside the household), raises rather than settles questions. At least that remains the case for historians who agree with the standard objection to the overriding emphasis placed by psychologists on childhood as the locus of personality formation. History encourages its practitioners to enquire into conditions and contexts behind observed variations across cultures and through time into the patterns of training, socialization and education of children. Social historians will, furthermore, wish to consider the legal, institutional, cultural status and other conduits of steering, guiding and attracting adolescents with high needs for achievement into business rather than the army, the civil service, the church, the arts and other occupations.

Vulgar Marxists and neo-classical fundamentalists will at this point re-enter the argument and rejoinder that childhood training, education systems and the signposts into the workforce are connected and are all more or less adapted to prevailing economic systems. For example, industrial market economies produce adolescents with ambitions and drives that are at least congruent with the aims of industry. Parents perceive that certain occupations are will rewarded and others are of lower status. They then sensibly inculcate into their children the kind of attitudes and motivations that are likely to pay off. If they inhabit societies where higher material benefits and status are accorded for service to the states, armies or empires and to jobs that reward patriotism, loyalty and courage then families and education systems will nurture these qualities rather than foster the attributes associated with compulsion for entrepreneurial achievements in industry and commerce. Cultural anthropologists are, moreover, inclined by their discipline to draw correlations between the missions and aspirations embedded in national and local regimes for the training and education of the young on the one hand and society's dominant economies, social and cultural values on the other.

But is it still possible to avoid unilinear causation and escape from circles when we consider the concentration and supply of entrepreneurs and the quality of entrepreneurship available to different societies at different stages of their histories? On examination, family systems, childhood training and the institutions for education operate with varying degrees of detachment from economic systems and dominant social ideologies. They possess autonomies and trajectories of their own making. Marxist intellectuals will not agree, but the frontal attacks on family and wholesale reform of traditional education systems by "Maoists" in power certainly suggests that in their view, the influence of parents, kin and traditional education on personality formation was pernicious and had to be subverted and replaced.

Alas, social scientists cannot measure the precise significance of any single input behind the growth of firms and the success of macro-economics, but they might at least agree that societies endowed with a concentration of entrepreneurial talent are likely to respond more elastically to opportunities for product, process and organizational innovations than societies and cultures that discourage the forms of childhood training, education and cultural approbation that behavioural psychologists insist stimulates the emergence, concentration and exercise of entrepreneurship.

Unfortunately, although the findings of behavioural psychology do support Schumpeter's emphasis on a role for entrepreneurs and point to significance of their childhood training and education, that discipline offers no insights as to how, when, where and why historically some cultures came to be better endowed with this critical human resource than others? In short it lacks a theory of socio-cultural change.

h) Theories of Socio-Cultural Change

Before the transition to industrial market economies growth in labour productivity and incomes *per capita* seems to have been too slow for economies to have generated a rising supply of entrepreneurs. At best the political ideological and social structures of some pre-modern societies did not discourage but, in general, they emerge as hostile to the spread of regimes for the training and education of children that might have increased the flows of entrepreneurial personalities. Across Europe autocratic rulers, landed aristocracies, urban oligarchies, military commanders, priests, doctors, lawyers and merchants actively promoted cultures of obedience, deference and respect for birth, loyalty and submission to the will and the word of God. Elites (even business elites) were not looking to encourage families or educational institutions to form personalities that might become entrepreneurial. Parents, teachers and the training they offered conformed to norms and social expectations that their children would work within established hierarchies and they steered the most able of their offspring and pupils towards such careers and in turn they propagated traditional values. Pre-modern polities, societies and families appear in both European and Asian history as integrated into mutually reinforcing cultures for the preservation of authority, hierarchy and the status quo with little room for entrepreneurship or the formation of entrepreneurial personalities. Thus before the 18th century most Eurasian economies seem to have been embedded in political, legal and institutional frameworks that maintained them in low level equilibrium traps. Breakouts and breakthroughs could only occur at the margins of some economies where innovations and initiatives leading to incremental growth could be taken up and forwarded by entrepreneurs, operating in traditional environments, antipathetic and hostile to their endeavours.

Some of these entrepreneurs (and for obvious reasons, nearly all were men) came from within established political, aristocratic, ecclesiastical and professional hierarchies and manipulated traditional systems of power and patronage to secure their economic objectives. Others (the majority) gravitated towards opportunities in "niches" located for the most part in maritime cities which provided the political security and social approbation required for innovation and for the growth of commercial and industrial firms.

i) The Reordering of European cultures during the Renaissance and Reformation

Entrepreneurial opportunities for the exploitation of novel products improved technologies and the extension of markets overseas within and beyond Europe multiplied during the "Renaissance" - a period marked by the rediscovery and elaboration of useful and increasingly reliable knowledge, and as the connexion of European economies with transatlantic and Asian markets by regular seaborne trade which increased steadily for some three centuries after the voyages of discovery launched by Catholic Italians and Iberians, but taken forward by enterprising and aggressive Dutch and English protestants.

Following on from the Renaissance and the upswing in world trade came that other “conjuncture” in European history – the Reformation – which witnessed the break-up of the universal and institutionally enforced system of Christian values that had dominated assumptions about economic and all other behaviour and activity for something like five centuries before Luther initiated an ultimately successful challenge to the hegemony of the Roman Catholic Church in 1517.

Most economic historians remain profoundly sceptical about metanarratives that locate the origins and the “motor” for Western Europe’s precious and prolonged transition to a set of successful industrial market economies in this (albeit traumatic) religious schism that somehow released latent but suppressed energies for scientific discovery, technological invention, entrepreneurial vigour and commercial enterprise.

For a start too many innovations in agriculture, industry, science, technology, trade and finance had occurred within the legal, institutional and ideological frameworks of Christendom to warrant anything more than qualified support for interpretation of that kind. After nearly five centuries of futile and destructive conflicts over religion, Europe’s now secularized intelligentsia, demand for hard historical evidence that might demonstrate how the emergence and consolidation and theologies of protestant churches could be represented as a “profound” conjuncture for the economic rise of the West.

Furthermore, research and voluminous debate inspired by Max Weber's seminal theses included in his "Protestant Ethic and Spirit of Capitalism" reveals that the "mechanisms" he posited namely the emergence of protestant beliefs which supposedly impinged directly and unequivocally upon the economic actions of investors, merchants, farmers, industrialists and workers, no longer stand up to serious historical scrutiny.

Since the publication of Weber's celebrated essay in 1905, theologians, ecclesiastical historians and academics and commentators from every religious denomination have been splitting the finest of hairs in scholarly attempts to demonstrate that the varieties of Christianity that came on offer to European societies in the wake of the Reformation differed *discernibly and significantly* in the social, cultural and psychological support that they accorded to the promotion of personal behaviour and collective activities conducive to the growth of Europe's firms, towns, regions and national economies.

At the level of published theological discourse (which has constituted the major source of evidence available to historians) distinctions have been underlined between Protestantism and Catholicism and between Calvinism and the moral admonitions printed in theological texts of other protestant religions over such economically important cultural parameters as: the moral status of careers in business, the ethics of inequality and the accumulation of wealth, the responsibilities of the rich for the relief of poverty, preferences for frugality over luxury and the value of a commitment to diligent work in secular jobs compared to religious vocations. Early modern theological texts have also been deconstructed by historians to deal with matters of more direct application to the practice of business, including rational accountancy, just prices, usury and work..

Unfortunately the representation of the Reformation as a profound and significant reordering of cultures, surrounding economic activity is no longer tenable? Proclaimed discontinuities between Catholic economic doctrines and practices as they matured over the centuries before 1517 and Protestant departures from those evolving and heterogeneous scholastic traditions of economic thought are beginning to look more and more like tired assertions contaminated by religious biases of one kind and another. Apart from the now extensive amounts of evidence that European regions, towns, industries, firms and entrepreneurs who remained loyal to the Catholic church (and presumably to its teachings on economic matters) long after the Reformation, continued to be just about as economically progressive and/or as backward as their protestant counterparts, the identified contrasts between the pre- and post-reformation recommendations from ecclesiastical authorities concerned with moral (or even “rational” economic behaviour are probably more apparent to clerics and academics than they may have been at the time to literate, but hardly deeply read, businessmen let alone their workforces. Even if more “simplified messages” actually conveyed from pulpits to congregations of the faithful actually followed theological texts to the letter, their substantive content and differences relating to almost all injunctions dealing with economic ambitions, behaviour and activity hardly seem clear enough to support the kind of generalizations constructed by crude Weberians to suggest that the “great Schism” and subsequent break up of Christendom into a plurality competing churches brought about by widespread and profound changes in the cultures of approbation and disapprobation, freedom and constraints that promoted or inhibited entrepreneurial activity across Europe.

Historians who insist upon continuities between medieval and early modern Europe have, it seems, made their case that the continent’s national and regional cultures were not transformed by the Reformation, with any speed, into the kinds of legal, social and political environments that sanctioned, supported and elevated the status of hedonistic individualism or drives to maximize profits. Every religion and society maintained antipathies to avarice and luxury and sanctions against usury. Notions of moral economies and the primacy of God over Mammon remained in place throughout Europe for centuries after Luther and Calvin. The “rationalities” underlying protestant and catholic regimes for the pursuit of scientific and technological knowledge no longer look significantly different. Perhaps the overall economic impact of Great Schism is more plausibly represented as an event in the realms of religion and culture that promoted an acceleration of trends and tendencies already underway during, if not before the Renaissance.

Perhaps, moreover, the Reformation’s most significant influence in promoting shifts in supplies of potential entrepreneurs and a greater social appreciation and approbation for the exercise of entrepreneurship occurred outside the realms of personal belief and motivation, stressed by Weber and Weberians. For example, new religions, competing to secure converts, income and wealth from a long-established rival, became more hospitable and accommodating towards ambitions to pursue wealth combined with self-esteem and the spiritual needs of seriously religious men to remain in a state of grace. Losing congregations, income, property and power to its militant rivals, Catholicism also adjusted fairly rapidly to the ways of the world and to human appetites for money and power. Thus, while the moral containment of avarice slackened, the preaching of an ethic to the lower orders to work hard and diligently in the service of their masters became ubiquitous in protestant and catholic parishes alike.

j) Geopolitics and the Formation of Nation States

Unintended economic consequences or fall outs from the reformation that surely mattered more than any transformation of beliefs or reordering of cultures, underpinning and surrounding material life, operated perhaps at the political rather than directly at the psychological or cultural levels. The break up of Christendom certainly intensified the formation of nations with clear and separate identities, defined by language, history and above all by religion. As rulers of religiously homogeneous and more integrated communities of subjects Europe's monarchs, aristocrats and oligarchies found it both necessary and easier to construct centralized states, to monopolize the means of coercion to expropriate and redistribute the properties of rival centres of ecclesiastical and aristocratic power and to engage in conflicts (wars of religion, mercantilism and territorial aggrandizement) with other states.

While the reformation did not mark a sharp or sudden transition from a pax Catholicus to dynastic rivalry and conflict, it ushered in and promoted nearly three centuries of more continuous, larger scale and destructive warfare, mercantilism and nationalism that stimulated religious intolerance both across and within European nations. Although it is difficult to buy into the consensus that maintains that intensified inter-state rivalry and competition became positive and functional for Western economic growth, compared to developments within Oriental empires, there were unpredicted (alas un-measurable) outcomes that conceivably increased supplies of entrepreneurs as well as the social and political appreciation of entrepreneurship.

For example, emerging states, anxious to widen and deepen their fiscal bases, became more protective of and accommodating towards private enterprise that could strengthen the fiscal bases of national economies.

Religious persecution and repression pushed skilled workers, merchants and businessmen to migrate to cities, regions and countries where their beliefs could be tolerated and their capital, talents and entrepreneurship appreciated. As outsiders (and denied legal or easy social access to established routes for upward mobility) immigrants and their descendants are everywhere, often over represented in the historical records of Europe's innovators and entrepreneurs. So too, and for similar reasons, are "repressively tolerated" ethnic and religious minorities, with beliefs, inter-marital customs, community solidarities and childhood training and education systems that represented deviant variations from the mainstream national cultures and religions (Protestant and Catholic) that they operated and prospered within.

Across Europe, migrants, dissenters, non-conformists and sub-groups of many kinds fulfilled their ambitions for social acceptance, aspirations for spiritual solace and desires for material success by gravitating towards economic opportunities where innovation and entrepreneurship both responded to, and created, possibilities for the growth of firms, cities, religions and national economies in Europe.

In this sense, the cultural re-orderings associated with the Renaissance and Reformations seem to have exercised a more profound influence on prospects for economic growth in the West than the more familiar historical narratives of cultural shifts towards individualism and a protestant ethic.