

AMERICAN LABYRINTH

Intellectual History for
Complicated Times

**Edited by Raymond Haberski Jr.
and Andrew Hartman**

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THE REINVENTION OF ENTREPRENEURSHIP

Angus Burgin

In the midst of the binary rhetoric of the 2016 presidential campaign, an article posted on *Tech Crunch* drew attention to a dependable source of common ground. During an “otherwise contentious” campaign season, Aaron Chatterjee and David Robinson observed, there was “one issue on which both candidates can agree: entrepreneurship is good.”¹ As they turned their attention to the general election, Hillary Clinton and Donald Trump joined with down-ballot candidates across parties in emphasizing that their policies would foster entrepreneurial activities. Even as Trump fielded questions about his Trump Entrepreneur Initiative (previously known as Trump University), Clinton emphasized that her approach to student loans would make it “easier for young people to become entrepreneurs.”² In extolling entrepreneurship, they joined a bipartisan tradition: in 2012, Mitt Romney announced that he wanted to make America “the most attractive place in the world for entrepreneurs”; in 2008, John McCain’s tax plan proclaimed that entrepreneurs created “the ultimate job security” and were “at the heart of American innovation and growth”; in 2004, John Kerry highlighted his role as ranking member of the Senate Small Business and Entrepreneurship Committee; following his defeat in 2000, Al Gore taught entrepreneurship at Stanford.³ As his own presidency drew to a close, Barack Obama dropped hints of a post-presidential career in venture capital.⁴ Entrepreneurs, it seems, had become the least controversial figures in American politics.

The universality of the political embrace of the entrepreneur is all the more striking for its novelty. A simple Google NGram reveals that references to

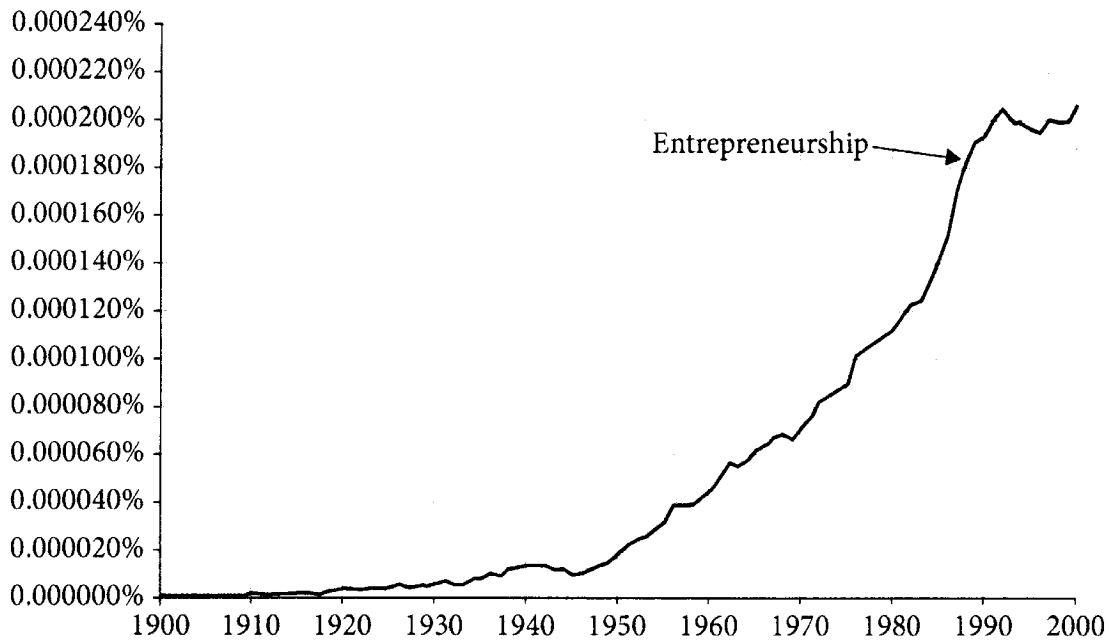


FIGURE 11.1 The vertical axis shows the percentage of references to the term “entrepreneurship” among printed words in Google’s English-language corpus. “Entrepreneurship,” Google NGram viewer, <http://books.google.com/ngrams>, accessed June 2016.

“entrepreneurship” grew exponentially over the middle decades of the twentieth century: a term that languished in obscurity until the 1940s had entered into common parlance decades later (see figure 11.1).

Such a chart raises an obvious question: What led a recondite concept to gain traction over the second half of the twentieth century? How did abstract debates among a small community of academics become a bipartisan staple of contemporary political discourse?

The history of entrepreneurship has generated a robust literature from certain corners of the academy. Ever since the founding of the Harvard Research Center in Entrepreneurial History in the late 1940s, economic historians have been investigating the degree to which various societies throughout human history have fostered or foreclosed entrepreneurship.⁵ Several economists since the 1950s have explored changes in the role accorded to entrepreneurship by leading economic theorists.⁶ Researchers in business schools have written extensively on the origins and institutional development of entrepreneurial studies.⁷ While all of these literatures have informed my inquiries, none of them explain how conceptions of entrepreneurship shifted in the middle decades of the twentieth century, or why references to the term propagated so rapidly thereafter.

My hope is that such an investigation might help to demonstrate the unique role intellectual historians can play in addressing some central questions about

the transformation of economic life since the late nineteenth century. The past 150 years have been marked by an extraordinarily rapid pace of technological change, which has unmoored societies from long-standing social traditions, reshaped the nature and experience of work, and made the future seem ever more uncertain. This can be (and has been) told in part as a story about social practices, cultural norms, political praxis, or the transformation of the state. But it is also, crucially, a story about ideas: how changing circumstances led people to understand their economic lives in new ways, and how those novel understandings, in turn, affected their actions and political identities. As Daniel Rodgers wrote in *The Work Ethic in Industrial America*, which remains (nearly forty years later) an exemplary text in this mode, such histories are focused where “intellectual history becomes most vital—on the meeting of fact and value.”⁸ Exploring the interplay between ideas and circumstances helps us to recognize the contingency of current assumptions about political economy, and to understand how and why some beliefs persisted long after the contexts that produced them were “all but obliterated.”⁹ Contemporary approaches to political economy were born in the moral struggles of prior generations. Recovering those struggles, and the conditions that produced them, can imbue the constrained economic debates of recent years with depth and dissonance.¹⁰

Many recent works on the intellectual history of political economy have explored the feedback loops between economic circumstances and academic theory. Perhaps the most striking example is the growing body of work on the invention of the idea of “the economy,” as statistical indicators allowed theorists to model, and broader populations to naturalize, a concept that was barely invoked before the twentieth century.¹¹ The changing patterns of economic life called forth a novel theoretical literature, which itself provided an analytical framework that people and politicians have drawn upon to explain and interpret their economic lives ever since.

This chapter will pursue a similar genealogy of the concept of “entrepreneurship” as it migrated from the periphery to the center of popular discussions of political economy. Michel Foucault, in his *Birth of Biopolitics* (1978–1979), argues that a distinctive aspect of “American neo-liberalism” is the universalization of entrepreneurship, such that every individual could be considered an “entrepreneur of himself.”¹² This is Foucault’s way of framing the distinctive logic of rational choice, in which each individual adopts the planning faculties of a firm based on a reductive fiscal calculus analogous to the maximization of shareholder value. But Foucault’s story also provokes crucial questions about the conceptual history of entrepreneurship. When and why did theorists begin arguing that “entrepreneurs” were common, rather than exceptional? How might we draw connections between such novel understandings of the concept and the increasing frequency of its use?

In the immediate postwar period, the meaning of entrepreneurship underwent a fundamental shift. Between the late nineteenth century and the 1940s, most theorists argued that entrepreneurship was rare because of the appetite for uncertainty or the cost of capital it required; and many worried that the growth of large corporations was marginalizing the role of entrepreneurship in the economy by routinizing innovation and creating increasingly rigid barriers between ownership and management, and management and technical work. In the early 1950s, a growing number of scholars began to emphasize, in contrast, that entrepreneurship was broadly accessible: anyone, whether working within a large organization or as a sole proprietor, could display and should try to cultivate entrepreneurial role behavior, and learning such behaviors should be a fundamental part of business education for the masses.

This transformation was in large part precipitated by shifting understandings of the implications of technological change. Over the course of the 1950s and early 1960s the idea of automation inspired an enormous popular literature, in which social theorists wrestled with the expectation that machines would eventually replace most workers who performed repetitive tasks.¹³ Some responded to this prospect by expressing concerns about the potential growth in inequality and unemployment, and anxieties about the social problems such deep uncertainties might cause.¹⁴ But others adopted the ebullient tones of the era's futurists, envisioning the many ways in which new technologies would help to bypass long-standing sources of friction and strife.¹⁵ The leading theorists of entrepreneurship in the 1950s and 1960s were exemplars of this second approach. They became convinced that technological innovations were eliminating the pathological routines of repetitive labor and opening new opportunities for those who possessed impressive capacities but little capital. They argued that the incipient growth of the service economy was a harbinger of a new age of "knowledge work," in which even employees of large corporations could draw on the capital of their accumulated education and experience to act as proto-entrepreneurs. Whereas the preeminent figures of the preceding generation wrote encomia to a vanishing "age of enterprise," this new generations of scholars suggested that they heyday of entrepreneurship had only just begun.

The concept of entrepreneurship is always slippery and never unitary: recently two economists listed no fewer than twelve separate definitions that have been associated with it.¹⁶ That slipperiness led most economists in the late nineteenth and twentieth centuries to ignore it altogether. When Joseph Schumpeter argued for its crucial importance to economic theory in *The Theory of Economic Development*, first published in German in 1912, he was a dramatic outlier in the profession.¹⁷ Although that book didn't appear in English until 1934, it had a

decisive impact on Frank H. Knight's 1922 book *Risk, Uncertainty, and Profit*—which made an influential distinction between risks that could (theoretically) be insured and uncertainties that could not, and identified the entrepreneur as a person who tried to profit from that uncertainty. In the wake of Schumpeter and Knight, more economists began to wade into discussions of the significance of entrepreneurship, albeit often in tentative and desultory terms.

Observers in the 1920s, 1930s, and 1940s were troubled by several developments that seemed to be eroding the role that Knight prescribed for the entrepreneur. One was the growing separation of management from ownership. Knight argued that the entrepreneur was almost always at least a “part owner” of an enterprise, as that ensured a direct personal stake in the attempt to exploit opportunities made possible by uncertainty.¹⁸ But as the Columbia economist John M. Clark observed in 1942, “the coming of the large corporation means a splitting-up of the entrepreneur function until it merges indistinguishably into investment and management.”¹⁹ The Harvard Business School scholar Arthur Cole wrote in more vivid terms that “entrepreneurial power” was “more like an uneven fringe than a neat clear line,” as “the diffusion of authority” had become “so great that sovereignty may be no less difficult to locate than in the British form of government.”²⁰ The corporate form was making it more difficult to associate entrepreneurship with any single individual.

Second, these corporations were working hard to minimize the very uncertainties that made entrepreneurship possible. Knight himself had written of this phenomenon, observing that people tried to “club” uncertainties by creating large-scale organizations with elaborate research departments. In subsequent decades, a number of theorists wondered if such efforts were reaching a degree of scale and sophistication that rendered entrepreneurship irrelevant. New products emerged from research departments that required more technical knowledge than business executives could cultivate. As Thorstein Veblen argued in *Absentee Ownership*, “the function of the entrepreneur, the captain of industry, gradually fell apart in a two-fold division of labor, between the business manager and the office work on the one side and the technician and industrial work on the other side.”²¹ Over time such institutions developed a different character from the smaller and more freewheeling and holistic business structures of an earlier era. In 1933 the German historical economist Werner Sombart suggested that societies were therefore witnessing a “rationalization of entrepreneurship,” in which a growth in size led enterprises to “attain the character of administrations, their leaders, the character of bureaucrats.”²² The following decade an American historian, Thomas Cochran, made the transition from entrepreneurship to bureaucracy a centerpiece of his synthetic economic history, *The Age of Enterprise*. The “age of individual enterprise, its fables, folklore and mythology, was finished,”

he wrote, as businesses had become “much more cooperative than competitive, much more social than individualistic.” Barriers to entry had become insuperable for nearly everyone, apart from those who had “access to large amounts of investment capital.”²³ Even the growth of theoretical interest in entrepreneurship after the publication of Knight’s book struck some as a sign of its diminishing importance in everyday economic life. After all, the émigré historian of entrepreneurship Fritz Redlich reminded his readers in 1942, the owl of Minerva flies only at dusk.²⁴

Cole, Cochran, and Redlich were each associated with the Research Center in Entrepreneurial History at Harvard, which was founded to explore the use of Schumpeter’s idea of entrepreneurship for historical research. It should therefore be no surprise that they derived this pessimistic perspective in large part from Schumpeter himself. In the emerging “‘trustified’ capitalism,” Schumpeter had written in 1928, “innovation . . . goes on . . . largely independently of individual persons. It meets with much less friction, as failure in any particular case loses its dangers, and tends to be carried out as a matter of course on the advice of specialists.” “Progress becomes ‘automatised,’” leading capitalism to create “a mentality and a style of life incompatible with its own fundamental conditions.”²⁵ These anxieties formed the foundation for his analysis in *Capitalism, Socialism, and Democracy*, in which “technological progress” became “the business of teams of trained specialists,” destroying “the romance of earlier commercial adventure” and the source of all economic dynamism.²⁶

Thus, by the mid-1940s, most of the leading writers on entrepreneurship saw it as a contested concept that was becoming diffuse and diminished amid the rise of the modern corporation. Even after the writings of Schumpeter and the early publications of the Harvard Research Center, there were few clues that entrepreneurship would become a dominant rubric for describing and defending the patterns of American economic life in the second half of the twentieth century.

In the early 1950s, one prominent theorist began to position himself against this wave of scholarship, arguing instead that changing business conditions were leading entrepreneurship to become *more* central to contemporary economic life: Peter Drucker. Remarkably little has been written about Drucker, and still less about his writings after *The Concept of the Corporation*.²⁷ Much could be written about Drucker’s role in the midcentury evolution of advisory literature for corporate executives, but my focus here will be on the transformation of his social criticism, and what it illuminates about the dramatic shift in attitudes toward entrepreneurship in the decades that followed.

Drucker was an early example of a phenomenon that has become omnipresent in the late twentieth century: the business school scholar who makes grand

pronouncements about innovation, entrepreneurship, and the right and wrong ways to structure corporate organizations, while writing mass-market books and moonlighting as a lucrative consultant. At the same time, his childhood in interwar Vienna, his wide reading in the history of philosophy, and his unlikely friendships with figures including Karl Polanyi, Buckminster Fuller, and Marshall McLuhan make him an unusually cosmopolitan intellect in the sometimes cloistered firmament of management theory. And management theory itself is remarkably understudied, perhaps because it is too abstract and ethereal for business and social historians, and too practice-oriented to attract the prolonged interest of many intellectual historians.²⁸ It is precisely the bastard nature of that discipline—evident in its attempts to address deep problems of social, economic, and political organization through reorganizations of the corporate form—that makes it a fascinating subject of inquiry. Its practitioners, to return to Daniel Rodgers's phrase, earn their livelihoods by traversing the uneasy divide between "fact and value."

A close analysis of Drucker's writings will reveal that he was not a static figure who espoused a common set of precepts over the extended course of his career. Rather, he underwent a dramatic transformation, with deep implications for the practical advice he provided to businesspeople and the social vision he expounded. Most of what has been written about Drucker, including two admiring biographies and frequent mentions in business reviews, distills his arguments into a limited series of aphoristic tenets derived largely from *The Practice of Management*—the importance of "management by objectives," the idea that the nature of a "business is not determined by the producer but by the consumer," the insight that too many businesses, in order "to obtain profit today . . . tend to undermine the future," or the conviction that (in Drucker's dauntlessly extravagant prose) "managing managers is the central concern of every manager."²⁹ Two intellectual historians, Nils Gilman and Daniel Immerwahr, have written illuminating essays on the early Drucker and his engagements with both Kierkegaard and Karl Polanyi, but they leave his writings after 1950 mostly unaddressed.³⁰ If we look at Drucker's career longitudinally, this hard shell of aphorisms and carefully cultivated aura of constancy begins to break apart, and we can see him as a figure whose social theories were deeply conditioned by the changes in the surrounding social and technological environment.

The story of Drucker's transformation can help to illuminate a broader shift in the ways people spoke about markets in the decades following the Second World War. Historians have produced an enormous amount of work in recent years on the postwar evolution of "conservatism," addressing topics that range from the politics of evangelical Christianity, to the social engagements of business enterprises, to the language of postwar economics, to the social politics of property in

American cities.³¹ But only rarely do intellectual historians turn their attention to the underlying technological transformations that in some cases drove and in some cases significantly reshaped the emerging political configurations of the time.³² A brief journey through Drucker's writings will help reveal how powerful aspects of conservative discourse about markets in the postwar era emerged in response to changes in the experience of work precipitated by the transition from an industrial to a postindustrial age.

In his diagnostic work from *The Future of Industrial Man* in 1942 to *The New Society* in 1950, Drucker argued that a disharmony had emerged between social values and institutional contexts. As he wrote in *The Future of Industrial Man*, many of the patterns of twentieth-century social and cultural life remained at least to some extent preindustrial. However, the foundations of that social order had collapsed: the managerial revolution had challenged the belief that property was the basis of legitimate power in social and economic life, the emergence of mass production and the increasing specialization of labor had diminished the sense of independence and fulfillment individuals could derive from the work they produced, and the rise of the factory system had created an indelible dividing line between family life and productive work. The factory or plant had become "the basic social unit" of many communities, but failed to play the social or political role that such an identity required.³³

The experience of work, Drucker argued, had become "automatic and mechanical," as the qualities associated with craftsmanship—"understanding of the process, knowledge of all its phases, initiative, the personal touch"—became perceived as "obstacles to efficiency and productivity."³⁴ Instead, productive labor had become "that of the man on the assembly line who, standing rigidly all day, holds in his outstretched hand a paint brush which automatically draws a red line on the flanks of slowly passing automobile bodies. He neither understands how an automobile works nor does he possess any skill which could not be acquired by everyone within a few days. He is not a human being in society, but a freely replaceable cog in an inhumanly efficient machine."³⁵ Drucker's critique of these working conditions reached beyond the monotonous and repetitive nature of the work itself to rebuke the resulting political dynamics of the workplace. As he explained in *The Concept of the Corporation*, "it is not the character of the work which determines satisfaction but the importance attached to the worker. It is not routine and monotony which produce dissatisfaction but the absence of recognition, of meaning, of relation of one's own work to society. . . . In many unskilled jobs in modern mass-production industry those workers who have ability and who are willing to take initiative and responsibility, have little or no opportunity to assert themselves. . . . the worker has not enough relation to his work to find satisfaction in it."³⁶ The specialization induced by mass production had led

workers to lose a holistic understanding of the goods they were producing or a clear sense of investment in and control over the political conditions of their employment.

But Drucker married this robust critique of the stultifying nature of industrial labor with a suspicion of its capacity to be effectively redressed by the state. Instead, he argued that the problems with the workplace experience were rooted in the social and institutional structure of the modern corporations and could best be remedied by both managers and the plant communities they oversaw. In Drucker's view, previous theories of workplace management had failed in their attempts to resolve these fundamental antinomies. For example, scientific management—in separating the planning function from the actions themselves—embodied precisely the separation of the part from the whole that he sought to overcome. Human relations theory recognized the pathologies of industrial organization but sought to address them through interpersonal relations rather than structural reform. Drucker's goal was to create a new management theory that would overcome these limitations and provide a blueprint for those who sought to resolve the basic problems of industrial society through the vehicle of the corporation itself. He believed that this restructuring of the corporate form, rather than the management of the business cycle or the pursuit of economic growth, would be the most important social issue in the decade to come. As he wrote in an essay on Henry Ford in 1947, "The chief economic problem of our time—the prevention of depressions—should be solvable by basically mechanical means: by adapting our employment, fiscal, and budgeting practices to the time span of industrial production—that is, to the business cycle. Much more baffling, and more basic, is the political and social problem with which twentieth-century industrialism confronts us: the problem of developing order and citizenship within the plant, of building a free, self-governing industrial society."³⁷

It is possible to read Drucker in this period as a business-friendly conservative in his reluctance to invoke the state as a solution to the problems he observed.³⁸ But acknowledging Drucker's suspicion of the state should not mask the seriousness of his critique of industrial society and the radicalism of the corporate reforms he envisioned. He was persistently and robustly skeptical of the capacity of the competitive market to provide an ordering structure for economic life. "We have learned that freedom and justice cannot be realized in and through the economic sphere," he wrote. "We have learned that a functioning society can no longer be organized in and through the market."³⁹ In contrast he emphasized the need for "drastic changes in our existing institutions" and called for "an entirely new concept of the government in economic life, that is neither '*laissez-faire*' nor collectivism, but one of joint responsibility."⁴⁰ His proposed reforms included income and employment protections, profit sharing, a depression policy that

would redress “the deep feeling of insecurity under which the worker today lives,” and a reorganization of the corporate form under the “principle of federalism.”⁴¹ Most importantly, he called for the creation of a “plant community,” in which workers would take sole control of transportation, meals, recreation, education, vacation schedules, and shift assignments, and joint control of safety and health matters, promotion, wage differentials, job descriptions, even new hires.⁴² Drucker was unequivocal in emphasizing the radicalism of these proposals. “An industrial society is beyond Capitalism and Socialism,” he wrote. “It is a new society transcending both.”⁴³

What happened to this early Drucker, who was so deeply concerned with the social pathologies of industrial civilization and eager to implement radical transformations in workplace organization to address them? What led him to become the more familiar Drucker of later years, who focused on innovation and the “systematic management of change” as the primary concern of the manager, and stopped talking of full employment schemes, plant community, and the catastrophic failings of free enterprise and the market society?

The answer lies in the early pages of his 1954 book *The Principles of Management*, the compendium of his management philosophy that worked its way into corporate offices across America through the late 1950s and 1960s. In the first substantive chapter of that volume, he begins talking about something that went unmentioned in his previous books, and had only just been processed in a few articles since his arrival at the NYU School of Commerce, Accounts, and Finance in 1950: automation. According to Drucker, its gradual but inexorable arrival heralded the transformation of the workplace experience. “Automation derives its efficiency and productivity mainly from the substitution of highly trained, high-grade human work for poorly trained or semi-skilled human work,” he wrote. “It is a qualitative change requiring people to move from work that is labor-intensive to work that is brain-intensive.”⁴⁴ Thus “the unskilled laborer of yesterday who contributed only animal strength has become the semi-skilled machine operator of today who has to exercise judgment.”⁴⁵ Machines take over the “repetitive,” “routine,” and specialized tasks that were at the heart of his anxieties about industrial man.⁴⁶ This was the moment when human societies would begin moving away from industrial labor and toward what he famously termed later in the decade “knowledge work.”⁴⁷

The implications of automation now percolated through Drucker’s writings, transforming his political sensibility at nearly every turn. The problems of social and industrial organization that had preoccupied the first phase of his career now seemed irrelevant: over time, he believed, the ongoing development of novel technologies would do more to solve them than industrial organization ever could.

The first effect of automation was a transformation of human interactions with machines. Whereas the mass-production technologies of the early twentieth century had forced people into ever more specialized tasks, new machines would perform those tasks themselves, freeing people to take on roles as creators and managers rather than subjects of machine technology. Drawing on the tropes of the contemporary literature on cybernetics and the early writings of Lewis Mumford, Drucker wrote that automation “might, with considerable over-simplification, be called an ‘organic’ philosophy—if only to distinguish it from the strictly mechanistic approach on which Henry Ford’s concept of mass production was based.” Its foundation in “*self-regulating control*” enabled it to respond to economic activity as a dynamic “process” based on “*pattern, order, or form*” rather than as a static event. To reduce automation to “gadgeteering” or “engineering” was therefore to miss its fundamental insight and contribution: “it is a concept of the structure and order of economic life, the design of its basic patterns integrated into a harmonious, balanced, and organic whole.”⁴⁸ Control technologies enabled machines to become reactive, dynamic, and newly capable of integrating themselves into complex systems. This language is strikingly similar to the concluding chapter on automation in Marshall McLuhan’s later book *Understanding Media*, and the close consonances between their views make their longtime friendship unsurprising.⁴⁹ Both perceived that new technologies mimicked the activities of animals and nervous systems, providing a supple and reactive connective tissue that responded to complex stimuli in sophisticated ways. The arrival of automation heralded a new era when technology would become an extension of rather than an obstacle to the human personality, and managers no longer needed to worry about devising radical social and institutional solutions to the stultifying effects of industrial labor.

Even as automation solved what Drucker had previously perceived as the basic problem of labor-management relations and industrial organization, it was symptomatic of a novel set of challenges that Drucker now reoriented himself around. “Innovation,” a word that went unmentioned in *The Concept of the Corporation* and received only one disparaging reference in *The Future of Industrial Man*, suddenly appeared in *The Principles of Management* as one of the three central concerns of the executive, extending “across all parts of the business, all functions, all activities.”⁵⁰ Drucker granted innovation such primacy because of a belief that the United States had entered “the technological revolution of the second half of the twentieth century,” with implications as far-reaching as the onset of mass production.⁵¹ “Throughout most of history change was considered catastrophe, and immutability the goal of organized human efforts,” he wrote in 1957. “By contrast we today no longer even understand the question whether change is by itself bad or good. We start out with the axiom that it is the norm.”⁵²

Executives would therefore need to manage businesses with a heightened sense of the uncertainty of the future, and a disciplined capacity to steer their organizations toward the deliberate practice of “innovation,” or “purposeful, directed, organized change.”⁵³ The idea of “systematic innovation”—or, as Drucker later termed it, “organiz[ing] for entrepreneurship”—became the centerpiece of his message to executives in the decades that followed.⁵⁴

The changing nature of his work captures a powerful but often latent political dimension of the discourse on automation and postindustrialism that flourished from the 1950s through the early 1970s. New technologies could be invoked to argue that long-standing radical critiques of the nature of industrial labor no longer applied to an age marked by the rise of the service sector and the growing centrality of knowledge work. Unshackled from the routine, repetitive, and highly specialized tasks of industrial labor, people would be freed to adopt an “entrepreneurial” approach to their workplace challenges, and organizations could focus on harnessing technological changes for profit without worrying about their social and cultural effects. Schumpeter’s chiliastic vision thereby began to evolve into the relentlessly optimistic discourse of entrepreneurship that has pervaded business education ever since.

In the years following Drucker’s transformation, two leading centers of free-market discourse adopted a similar emphasis on the rise of “knowledge work” and the capacity of most people to behave as “entrepreneurs.” One was the economics department at the University of Chicago, where—in terms strikingly similar to Drucker’s—Ted Schultz drew on the successes of postwar Germany and Japan to argue that “skills and knowledge are a form of capital,” and that their rapid “growth may well be the most distinctive feature of the economic system.”⁵⁵ In Schultz’s representation, anyone who leveraged his or her human capital to reallocate effort in the face of uncertainty—whether a laborer, or a housewife, or a student—should be seen as an entrepreneur. It is easy to see here how Schultz’s expansive understanding of “human capital” paved the way for the universalization of the entrepreneurial function in Gary Becker’s book on the subject in 1964. “Persons investing in human capital can be considered ‘firms’ that combine such capital perhaps with other resources to produce earning power,” Becker wrote.⁵⁶ In contrast to the prior generation’s anxieties about the disappearance of the entrepreneur, in Becker’s analysis *everyone* became an entrepreneurial firm, investing in his or her own human capital in the face of an uncertain future.

Austrian economists differed from their Chicago counterparts in many ways, but they too drew attention to the capacity of individuals to acquire unique knowledge and derive economic advantages from it. Israel Kirzner argued that all people could be entrepreneurs if they could merely determine “where to look

for knowledge” and thereby see opportunities that others had missed—a capacity open to “*anyone*,” since it presupposed “no special initial good fortune in the form of valuable assets.”⁵⁷

During the late 1950s and early 1960s a proliferation of works adopted a similarly broad understanding of the scope of entrepreneurship. The psychologist David McClelland’s *The Achieving Society* became a landmark in the field, in part owing to its argument that even those who were not labeled by society with the status of entrepreneurs could nonetheless display entrepreneurial “role behavior.” Thus one could see (and celebrate) politicians, or physicians, or ditch diggers, or even university professors behaving in an entrepreneurial manner.⁵⁸ Edith Penrose’s classic text *The Theory of the Growth of the Firm* (1959) described a segment of the corporation as providing “entrepreneurial services,” following Drucker’s inference that entrepreneurial activities could fall within the mandate of salaried employees.⁵⁹ In a telling phrase, *The Enterprising Man* (1964) divided entrepreneurship into two categories, one of which was exemplified by the “bureaucratic entrepreneur.”⁶⁰ The propagation of such a paradoxical term served as a testament to the broadening of the concept of entrepreneurship in the emerging age of knowledge work.

The shift toward a more expansive understanding of “entrepreneurship”—as a set of qualities that could be embraced by all, rather than an economic function reserved for a dwindling few—emerged only shortly before the study of entrepreneurship began receiving an extraordinary influx of money and attention. A review of courses on the topic, beginning with Drucker’s 1953 offering at NYU, reveals an acceleration almost without parallel in late twentieth-century postsecondary education.⁶¹ By the 1990s more than one hundred institutions had established separate entrepreneurship centers.⁶² Entrepreneurship became a major subject in flagship business publications, after having previously been almost entirely ignored (see figure 11.2). And the number of endowed positions

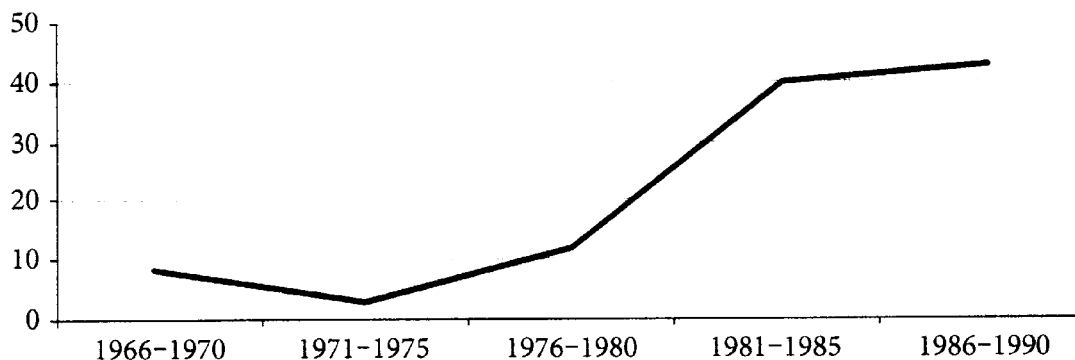


FIGURE 11.2 Number of mentions of the word “entrepreneurship” per issue, aggregated from the *Harvard Business Review*.

in the field grew rapidly: after the first was created in 1963, the number grew to 11 by 1980, 102 by 1991, and 208 by 1998.⁶³ Financial support for the study of entrepreneurship was at first provided by the Small Business Administration, which itself was created in 1953; later the field received major support from donors including the Coleman Foundation, the Price Foundation, the NFIB Foundation, and—adding a massive new influx of funds in the early 1990s—the Kauffman Foundation.⁶⁴ This was all paralleled by the rise of an entirely new journal literature, ranging from a wide array of academic journals (nearly all founded in the 1980s or thereafter) to a variety of more popular publications.⁶⁵ For a field that was still granting hardly any PhD degrees as late as the 1990s, the establishment of such a robust research and teaching apparatus was remarkable. This entailed the creation of an entirely new academic subfield, based not on questions emerging from within academic disciplines, but rather on the conjunction of financial support and perceived student demand.

The conceptual history of entrepreneurship cannot be reduced to any single causal chain: it was not driven solely by theoretical debates about the role of the entrepreneur in economic development, or the influence of foundation financing on a previously nonexistent field, or the romance of the tech entrepreneur in the age of Silicon Valley. Instead, a dynamic approach to its intellectual history reveals feedback loops at every turn, some detailed here and some beyond the scope of this chapter. Technological transformations inspired new understandings of entrepreneurial behavior, which were taught in business schools with growing foundation support and seemed to be further validated by the diminishing costs of capital in the Internet age. Only by following such circuitous pathways can intellectual historians begin to understand the origins of the upside-down rhetoric of the twenty-first-century service economy, in which change seems the only constancy, humans are the most important form of capital, and even bureaucrats can describe themselves as entrepreneurs.

NOTES

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3. Elaine Pofeldt, “The Hidden Winner of the Debate: Entrepreneurs,” *Forbes*, October 18, 2012, <http://www.forbes.com/sites/elainepofeldt/2012/10/18/the-hidden-winner-of-the-debate-entrepreneurs/#65d318c35257>; Donald Lambro, “Joe Exposes Candidates’

Sharp Divisions,” *Washington Times*, October 17, 2008, <http://www.washingtontimes.com/news/2008/oct/17/joe-exposes-candidates-sharp-divisions>; Elizabeth Olson, “Courting the Small-Business Owner,” *New York Times*, September 23, 2004, <http://www.nytimes.com/2004/09/23/business/courting-the-smallbusiness-owner.html>; Ellen McGirt, “Al Gore’s \$100 Million Makeover,” *Fast Company*, July/August 2007, <http://www.fastcompany.com/60067/al-gores-100-million-makeover>.

4. Jessica Stillman, “Silicon Valley VCs to President Obama: We’re Hiring,” *Inc.*, June 29, 2016, <http://www.inc.com/jessica-stillman/obama-the-vc.html>.

5. On the early history of the Harvard Research Center see Eduardo Canedo, “Entrepreneurial Economics: Arthur Harrison Cole’s Challenge to the New Orthodoxy in Economics, 1946–1959” (unpublished essay). For a recent broad-gauged history of entrepreneurship see David Landes, Joel Mokyr, and William Baumol, eds., *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times* (Princeton, NJ: Princeton University Press, 2010). Recently R. Daniel Wadhvani and Christina Lubinski have called for historians to return to the Harvard Research Center’s commitment to research on entrepreneurial history, without falling into the “structural and normative” approaches that scholars in the field later pursued. See “Reinventing Entrepreneurial History,” *Business History Review* 91 (Winter 2017): 767–99.

6. Bert Hoselitz, “Entrepreneurship and Economic Growth,” *American Journal of Economics and Sociology* 12, no. 1 (October 1952): 97–110; Mark Blaug, “Entrepreneurship before and after Schumpeter,” in *Economic History and the History of Economics* (New York: NYU Press, 1986); Robert Hébert and Albert Link, “Historical Perspectives on the Entrepreneur,” *Foundations and Trends in Entrepreneurship* 2, no. 4 (2006): 261–408.

7. Arnold C. Cooper, “Entrepreneurship: The Past, the Present, the Future,” in *Handbook of Entrepreneurship Research*, ed. Z. J. Acs and D. B. Audretsch (Dordrecht, Netherlands: Kluwer, 2003), 21–34; Jerome Katz, “The Chronology and Intellectual Trajectory of American Entrepreneurship Education,” *Journal of Business Venturing* 18 (2003): 283–300; Jerome Katz, “Endowed Positions: Entrepreneurship and Related Fields,” *Entrepreneurship: Theory and Practice*, Spring 1991: 53–67; Jerome Katz, “The Growth of Endowments, Chairs, and Programs in Entrepreneurship on the College Campus,” in *The Art & Science of Entrepreneurship Education*, ed. Frank Hoy, Thomas Monroy, and Jay Reichert (Project for Excellence in Entrepreneurship Education, 1994); Jerome Katz, “The Institution and Infrastructure of Entrepreneurship,” *Entrepreneurship: Theory and Practice*, Spring 1991: 85–102; W. Ed McMullan and Wayne A. Long, “Entrepreneurship Education in the Nineties,” *Journal of Business Venturing* 2 (1987): 261–75; Peter Robinson and Max Haynes, “Entrepreneurship Education in America’s Major Universities,” *Entrepreneurship: Theory and Practice*, Spring 1991: 41–52; William Sandberg and Elizabeth Gatewood, “A Profile of Entrepreneurship Research Centers: Orientations, Interests, Activities, and Resources,” *Entrepreneurship: Theory and Practice*, Spring 1991: 11–24; Karl Vesper and William Gartner, “Measuring Progress in Entrepreneurship Education,” *Journal of Business Venturing* 12 (1997): 403–42.

8. Daniel Rodgers, *The Work Ethic in Industrial America, 1850–1920* (Chicago: University of Chicago Press, 1978), xii.

9. *Ibid.*, xiii.

10. Howard Brick makes a similar case for the intellectual history of political economy in the midcentury United States in *Transcending Capitalism: Visions of a New Society in Modern American Thought* (Ithaca, NY: Cornell University Press, 2006).

11. Adam Tooze, *Statistics and the German State, 1900–1945: The Making of Modern Economic Knowledge* (New York: Cambridge University Press, 2001); Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011); Timothy Shenk, “Inventing the American Economy,” PhD diss., Columbia University, 2016.

12. Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978–1979*, trans. Graham Burchell, ed. Michel Senellart (New York: Palgrave Macmillan, 2008), 219, 226.

13. For a discussion of automation in the context of long-standing debates about technological unemployment see Amy Sue Bix, *Inventing Ourselves out of Jobs? America's Debate over Technological Unemployment, 1929–1981* (Baltimore: Johns Hopkins University Press, 2000).

14. For examples see Frederick Pollock, *The Economic and Social Consequences of Automation*, trans. W. O. Henderson and W. H. Chaloner (Oxford: Basil Blackwell, 1957); Ben B. Seligman, *Most Notorious Victory: Man in an Age of Automation* (New York: Free Press, 1966); Ad Hoc Committee on the Triple Revolution, *The Triple Revolution* (Santa Barbara, CA: Students for a Democratic Society, 1964).

15. John Diebold, *Automation: The Advent of the Automatic Factory* (New York: Van Nostrand, 1952).

16. The definitions include (1) The person who assumes the risk associated with uncertainty; (2) The person who supplies financial capital; (3) An innovator; (4) A decision maker; (5) An industrial leader; (6) A manager or superintendent; (7) An organizer and coordinator of economic resources; (8) The owner of an enterprise; (9) An employer of factors of production; (10) A contractor; (11) An arbitrageur; (12) An allocator of resources among alternative uses. See Hébert and Link, "Historical Perspectives on the Entrepreneur," 264.

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21. Thorstein Veblen, *Absentee Ownership and Business Enterprise in Recent Times* (Boston: Beacon, 1967), 106.

22. Werner Sombart, *Die Zukunft des Kapitalismus* (Berlin, 1932), 8–9, as translated and cited in Bert Hoselitz, "Entrepreneurship and Economic Growth," *American Journal of Economics and Sociology* 12, no. 1 (1952): 101.

23. Thomas Cochran and William Miller, *The Age of Enterprise: A Social History of Industrial America* (New York: Macmillan, 1942), 326, 355.

24. Fritz Redlich, *History of American Business Leaders: A Series of Studies*, vol. 1 (Ann Arbor, MI: Edwards Bros., 1940), 1.

25. Joseph Schumpeter, "The Instability of Capitalism," *Economic Journal* 38, no. 151 (1928): 384–86.

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28. On the midcentury evolution of management theory see Christopher McKenna, *The World's Newest Profession: Management Consulting in the Twentieth Century* (New York: Cambridge University Press, 2006); Rakesh Khurana, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton, NJ: Princeton University Press, 2007).

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31. Darren Dochuk, *From Bible Belt to Sun Belt: Plain-Folk Religion, Grassroots Politics, and the Rise of Evangelical Conservatism* (New York: W. W. Norton, 2011); Bethany Moreton, *To Serve God and Wal-Mart: The Making of Christian Free Enterprise* (Cambridge, MA: Harvard University Press, 2009); Kevin Kruse, *One Nation under God: How Corporate America Invented Christian America* (New York: Basic Books, 2015); Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York: W. W. Norton, 2009); Matthew Lassiter, *The Silent Majority: Suburban Politics in the Sunbelt South* (Princeton, NJ: Princeton University Press, 2006); Joseph Crespino, *In Search of Another Country: Mississippi and the Conservative Counterrevolution* (Princeton, NJ: Princeton University Press, 2007).

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64. Jerome Katz, "The Institution and Infrastructure of Entrepreneurship," *Entrepreneurship: Theory & Practice*, Spring 1991, 94; Cooper, "Entrepreneurship: The Past, the Present, the Future," 21–34.
65. Katz, "Institution and Infrastructure of Entrepreneurship," 96.