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Good Judgment, Good Luck: Frank Fetter's Neglected Theory of Entrepreneurship

Matthew McCaffrey

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Abstract

Frank Fetter's contributions to entrepreneurship and the theory of the firm are usually overlooked, even though his original treatments are relevant to both the history of economic thought and contemporary entrepreneurship research. I highlight three ways Fetter's work adds to our understanding of the entrepreneurial process. First, entrepreneurs direct their enterprises via the careful delegation of authority to managers, thereby maintaining residual control over the firm; similar views were pioneered by Frank Knight and the Austrian economists, who continue to study cognate problems like judgmental decision-making and "proxy-entrepreneurship." Second, Fetter foreshadows Knight's influential distinction between risk and uncertainty, arguing that entrepreneurs bear uncertainty through their investment decisions; however, Fetter adds to Knight's work by explicitly considering the role chance and luck play in entrepreneurial success, a problem still debated in entrepreneurship studies. Third, Fetter argues that scarcity implies the active investment of resources, and thus, the need for entrepreneurship; this view hints at current research on entrepreneurial *bricolage*, as well as work emphasizing *investment* rather than *opportunity* as the defining concept of entrepreneurship. It also provides "microfoundations" for *strategic entrepreneurship* research.

Keywords: entrepreneurship, judgment, risk, uncertainty, capital, political economy

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I. Introduction

Frank Albert Fetter has been mostly neglected in the history of economics and management, despite being one of the most prolific and influential American economists of the early 20th century (O'Driscoll, 1980; Rothbard, 1977, p. 23).[1] In fact, his transition from significance during his lifetime to relative obscurity after his death has even led one biographer to describe him as a "forgotten giant" of the social sciences (Herbener, 1999). Recently though, scholars in economics and management have begun to rediscover Fetter's ideas and incorporate them into current research. Furthermore, the centenary of his treatise *Economic Principles* (1915) provides an excellent opportunity to continue a revival of interest in his work. This paper picks up where previous studies leave off by turning the spotlight on one of Fetter's most insightful but least-appreciated contributions: his theory of entrepreneurship.

By "least appreciated," I mean that Fetter is not usually mentioned in either historical or contemporary entrepreneurship research. General surveys of economic thought tend to focus on Fetter's other contributions to economics (Pribram, 1983; Blaug, 1985). Joseph Schumpeter's account, for instance, speaks of Fetter's "high authority" on several topics (1986 [1954], pp. 515n1), but none related to entrepreneurship. Likewise, Robert Hébert and Albert Link's history of entrepreneurial thought (1988, pp. 90, 99n4) only cites Fetter in relation to a dispute with Herbert Davenport, and Frank Knight's survey of American writings simply hints at Fetter's originality (1921, p. 31n4). Even reviews of Fetter's life and work say relatively little about entrepreneurship (Rothbard, 1977, 1987; Herbener, 1999), and some pass over it completely

[1] Among other distinctions, Fetter was professor and chair of the Department of Economics and Social Institutions at Princeton University and a president of the American Economic Association. He also authored two leading textbooks, *Principles of Economics* and *Economic Principles*, which went through numerous editions. A biography and appreciation can be found in Stanley E. Howard and E.W. Kemmerer (1943). Gerald P. O'Driscoll (1980) discusses Fetter's reception by historians of economic thought, as well as his relevance for the Austrian school.

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(Howard and Kemmerer, 1943). These studies notwithstanding, Fetter did develop a coherent and sophisticated theory of entrepreneurship and the firm. His ideas have been briefly mentioned in other works, but a fuller analysis has not been attempted, and Fetter's relevance for entrepreneurship research has not been established. The present paper seeks to fill these gaps.

Fetter's ideas are worth discussing for two reasons: first, they shed new light on entrepreneurship in the history of economics, and second, they are applicable to current debates in entrepreneurship research. As far as the first point is concerned, Fetter plays an important role in demonstrating the continuity and coherence of "Austrian" writings on entrepreneurship (Salerno, 2008). Typically, surveys of Austrian contributions begin with Carl Menger's typology of entrepreneurial behavior, with due credit also given to the entrepreneur's role in the writing of Friedrich von Wieser (Campagnolo and Vivel, 2012). However, the focus tends to be on the writings of Ludwig von Mises and F.A. Hayek, with few references to the work of their predecessors. Yet recent research in the history of economics shows that early Austrian ideas on entrepreneurship were more systematically developed than is sometimes thought.[2] For instance, the entrepreneur was studied in detail by Viktor Mataja (Schulak and Unterköfler, 2011, pp. 56-57), and Eugen von Böhm-Bawerk also added substantive insights to the framework established by Menger (McCaffrey and Salerno, 2014). Mises' first writings discuss the entrepreneur as well, foreshadowing his later and better-known work (McCaffrey, 2013). Unfortunately, these early writings have generated relatively little attention, even though they provide the foundation for influential Austrian work in the inter-war period and beyond. As I explain below, Fetter's views

[2] Although this paper concerns mainly Austrian views, other economists in the German-language tradition wrote in detail about entrepreneurship, sometimes developing parallel ideas. Johann von Thünen and Hans von Mangoldt deserve special mention for their focus on uninsurable risk, i.e. uncertainty (Hébert and Link, 2006a, pp. 51-57).

belong to this tradition in entrepreneurial theory, and not only carried the work of the older Austrians forward, but quietly influenced later generations of economists as well.

Second, and perhaps more importantly, Fetter's work is worth revisiting because it anticipates developments in contemporary entrepreneurship research, and helps shed light on recent controversies. Decades before entrepreneurship emerged as a distinct discipline, Fetter suggested solutions to what have since become much-debated research questions. For instance, Fetter's writings contain discussions of the purpose of entrepreneurship theory, the definition and scope of entrepreneurship, the relations between entrepreneurs, managers, and firms, the role of luck in entrepreneurial success, and numerous other modern topics. His ideas therefore have something to offer contemporary research; so much so, in fact, that one economist even argues that "microeconomic analysis has a considerable way to go to catch up to the insight that we find in Fetter's writings in the first decade and a half of [the 20th] century" (Rothbard, 1977, p. 1).

The rest of the paper is outlined as follows: Section II explores the core of Fetter's entrepreneurial function: capital-ownership, decision-making, and the bearing of market uncertainty. It also discusses entrepreneurs' unique control over the production decisions of the firm, especially how they delegate authority to managers, or "proxy-entrepreneurs." Section III unpacks Fetter's concept of risk, showing he anticipated to some extent Knight's distinction between risk and uncertainty (entrepreneurs being concerned with the latter); Fetter also expanded on previous research by explicitly incorporating luck into his theory of profit. Section IV explains his definition of entrepreneurship and its relation to several current research trends. Section V concludes with a discussion of Fetter's place in the history of economic thought and his neglect in entrepreneurship studies.

II. Profit and Enterprise

Throughout his career, Fetter was widely regarded as working within the Austrian tradition in economics (Hoxie, 1905; Howard and Kemmerer, 1943).[3] The bulk of Fetter's best-known work involves capital theory, especially the pure time-preference theory of interest and its implications (Rothbard, 1977; O'Driscoll, 1980; Herbener, 1999). But he complemented and completed these works with detailed discussions of the roles of the capitalist, wage earner, manager, and entrepreneur.[4] Fetter's theory of entrepreneurship is found mainly in his second textbook *Economic Principles* (1915), although his first made similar arguments in less detail (Fetter, 1905). In Fetter's work, the entrepreneurial function consists in a kind of decision-making ability over combinations of the factors of production. This function in turn carries implications for important parts of economic theory. In particular, it lays the foundation for a theory of firm organization, discussed later in this section.

For Fetter, the vital problem of entrepreneurship is the definition of *profit*, which receives the lion's share of his attention. The reason is simple: separating different types of income enables Fetter to single out a revenue stream—investment profit—that flows only to entrepreneurs. Finding the cause of profit is therefore a way to explain entrepreneurs' unique role and avoid confusing it with others, especially management. Identifying profit and entrepreneurship means distinguishing between *contractual* and *non-contractual* incomes. In this framework, entrepreneurs are distinct because of their non-contractual, or risky, source of

[3] Although acknowledging Fetter's Austrian influences, Schumpeter suggests he was more of an original system-builder than a follower of Menger (Schumpeter, 1986 [1954], p. 841).
[4] Thus, Part V of *Economic Principles*, which studies entrepreneurship and the firm, directly follows the chapters on time and interest. In his earlier writings, Fetter uses the term "enterpriser" rather than "entrepreneur," and, according to Wesley C. Mitchell, was responsible for reviving the word "enterpriser" in American economics (Mitchell, 1969, p. 252n3). However, Fetter adopted "entrepreneur" in his later writings, after the word came into common usage in economics (Fetter, 1936, p. 504).

income.[5] Entrepreneurs earn profits or losses, which are distinguished from other incomes by the fact that the alternatives are contractual and therefore relatively certain or "safe" (1915, pp. 346-348).[6] Entrepreneurs, however, are "active capitalists," that is, they receive the only non-contractual incomes in Fetter's system (1915, pp. 318-321). Entrepreneurs must bear risk because they are capital owners; ownership allows entrepreneurs to decide how resources are allocated, and thus also implies any resulting profit or loss will accrue to them as well. As he explains, "profits are seen to be due not to the existence of risks, but to *comparative skill in taking risks*… [P]rofits in the long run are the share (non-contractual) of skill and ability in the function of enterprise" (1915, p. 359; emphasis added). This leads Fetter to assert that "the peculiar function of enterprise is investment and ownership," because only ownership and investment necessitate risk-bearing, and are capable of producing a non-contractual income, i.e. profit (1915, pp. 326-327).[7]

Fetter goes on to explain that the term "profit" is used in many different ways, only one of which, "investment profit," actually reflects entrepreneurial behavior. Investment profit is "the income attributable solely to the active capital-investment in the particular enterprise" (1915, p. 344). As a return to active investment, pure profit is an excess over the rate of interest on the safest loans, which are considered "passive" because interest secures income "by itself…or with

[5] This idea is at least as old as Richard Cantillon (1755), who emphasized the uncertainty of entrepreneurial income. A similar view is also found in Knight, who argues that profit is a non-contractual residual income share. Moreover, Knight also points out the difficulty of isolating "pure" incomes in actual business ventures (Knight, 1933 [1921], pp. 271-272). Cf. footnote 6.

[6] These alternatives include the incomes of "passive capitalists," who receive interest payments while bearing minimum financial risk. According to Fetter, the roles of active and passive capitalist are easily confused in practical business, because many people (especially the self-employed) are simultaneously wage-earners, passive capitalists, and active capitalists. Only when the division of labor intensifies and the firm emerges do individuals' functional roles become distinct and observable (1915, pp. 322-323). Cf. footnote 5. The active-passive distinction is similar to the one Alfred Marshall made by between two types of undertakers: innovators and imitators (1895, p. 676). Only the former bear risk, which must be overcome through superior business ability (1895, pp. 679-680).

[7] Many of the ideas covered in this section appear in less detail in Fetter (1905, pp. 257-344).

a negligible amount of judgment and supervision" (1915, p. 345). The difference between the interest and calculated profits of the firm thus represents the pure entrepreneurial element. Profit is distinct from interest, and consists of a return to the "element of investing management together with the carrying of the financial risk" (1915, p. 345).

By using ownership, risk, and profit as starting points, Fetter is able to more completely flesh out his theory of entrepreneurship. In particular, he argues that *judgmental decision-making* is the vital tool entrepreneurs use to navigate the marketplace in pursuit of profit. Judgment is actually an umbrella concept, covering many different behaviors, from the founding of the firm to the formation of its internal hierarchy. An enterprise can be understood as a network of entrepreneurial decisions bound together by the ownership and ultimate decision-making authority of the entrepreneur. As Fetter puts it, "The primary function of enterprise is the choice of a business in which to invest; the next, and essentially last function, is to provide competent management" (1915, p. 327). Unsurprisingly, this means entrepreneurs hoping to turn a profit must use good judgment in their choice of investment opportunities, or risk losing everything.

More importantly, the entrepreneurs' special role as owners means they are the *ultimate* or *residual* decision-maker for an enterprise. In practice, Fetter argues, this status separates entrepreneurs from other individuals within the firm: entrepreneurs are uniquely able to delegate authority to managers, and thus cede some degree of control over the firm's operations. However, the one task that can never be completely delegated is the choice of the managers themselves (1915, p. 323).[8] Decisions about the extent to which authority is delegated compose the residual function of entrepreneurship, and provide a basis for the implicit choices

[8] In smaller enterprises the entrepreneur may also act as a manager, but the two functions are distinct in theory, even if in practice their income streams accrue to the same person (1915, p. 326).

entrepreneurs make about the firm and its resource allocations. Owner-entrepreneurs supervise the managers and promoters of the firm, maintaining *ultimate* control over their activities. This final management represents the "active" side of entrepreneurship.

More explicitly, owner-entrepreneurs evaluate production decisions and guide the production process via the selection of superior managers (1915, pp. 327-342). Even though entrepreneurs may not be responsible for the day-to-day running of the enterprise, their role as residual decision-makers still implies all the firm's decisions about the marginal employment of the factors:

> The enterpriser must constantly study the question whether the application of another unit of any one factor at the price will, following the principle of proportionality, add to the value of the product as much or more than the cost. This calculation is made for every one of the minor factors entering into the business, and for the business as a whole. The proper proportion varies at different prices, or costs… [T]here is a constant substitution of the various materials. The right proportions change constantly with inventions. (1915, pp. 340-341)

Making these decisions requires the entrepreneur's careful judgment in selecting the managers, who in turn decide how the firm will allocate resources to specific uses. The "minor factors" Fetter mentions are production inputs chosen to optimize output, while "business as a whole" refers to the broader choice of market. This latter choice is made by entrepreneurs, but must be taken as given by managers.

What separates managers from entrepreneurs then is the fact that managers can always be replaced, while entrepreneurs, as residual decision-makers, cannot be.[9] Similar distinctions are drawn by numerous Austrian economists who either influenced or were influenced by Fetter. For

[9] Technically, entrepreneurs can be replaced by consumers, whose buying decisions determine the value of the enterprise, and thus whether the capital invested will remain in the hands of a particular entrepreneur.

instance, Menger's typology of entrepreneurial behavior, which predates Fetter's writing, describes both a general supervisory function and specific "acts of will" by which resources are allocated (Menger, 1994, pp. 159-160). Böhm-Bawerk follows this thread by suggesting that ownership implies a specific type of supervision over enterprise (Böhm-Bawerk, 1884, p. 6).[10] Likewise, Mises contends that whatever the nominal relationship between entrepreneur and manager might be, the true line is drawn by the fact that managers are ultimately subject to the decisions of a higher authority, and can be replaced (Mises, 1998, p. 301). Weaving these threads together, Murray Rothbard argues that entrepreneurs exercise a specific decision-making or ownership function that is necessarily distinct from ordinary management, and supersedes it (Rothbard, 2009, pp. 601-602).[11] Finally, recent research argues that entrepreneurs exercise "original judgment," whereas managers employ "derived judgment"—that is, authority derived from the ultimate owner of the firm and its resources (Foss, Foss, and Klein, 2007). There is therefore a common theme in Austrian economics regarding entrepreneurial and managerial authority, which runs from its founder to some of its modern supporters.

An important implication of this approach is that entrepreneurs, as residual decision-makers, may not have much involvement with the everyday decisions of the firm. In practical terms, entrepreneurs may be innovators, founders, startup experts, small business managers, and so on, but they need not be. We could rather say that they guide enterprise with "invisible hands."[12] Furthermore, entrepreneurs might be especially obscure in large enterprises where

[10] Böhm-Bawerk's comment has been described as "one of those extremely fertile but neglected hints of his" (Rothbard, 2009, p. 602n50). In response to this neglect, McCaffrey and Salerno (2014) discuss Böhm-Bawerk's ideas about entrepreneurship.

[11] Rothbard actually extends Fetter's analysis by arguing that the decision-making function can be completely separated from the entrepreneurial function, and thus implies an entirely different income stream (Salerno, 2008). For a criticism of Rothbard and Salerno's view, cf. Topan (2012).

[12] Marshall also notes that as organizations become more complex, their leaders engage in increasingly few of the tasks of ordinary business (1895, p. 680). Cf. also Loasby (2007).

authority is delegated through a sizable network of managers. This is another point of distinction between Fetter's view and contemporary studies, which tend to view entrepreneurs as founders and directors, but also as active participants in the constant shaping of enterprise, whatever their specific function—alertness, bricolage, effectuation, etc.—might be. In fact, most research takes it for granted that entrepreneurs are constantly "getting their hands dirty" in their ventures, which is why entrepreneurs are studied to begin with. In this research environment, where quantitative evidence of the effects of entrepreneurial behavior is in high demand, it is unsurprising that Fetter's approach has been largely ignored. Because his entrepreneur's decisions are often implicit, their practical impact may seem negligible because it is difficult to measure. Yet this does not undermine the importance of the entrepreneurial function as he sees it; after all, it may still be useful to distinguish between "an actor's economic function and the quantitative significance of that function" (Foss and Klein, 2012, pp. 239n11). Thinking of entrepreneurship as residual control has its advantages. For instance, by tracing authority relations in the firm, Fetter is able to disaggregate various entrepreneurial and management roles. The "original judgment" exercised by entrepreneurs can be distinguished from the "derived judgment" of managers, who can also be called "proxy-entrepreneurs" (Foss, Foss, and Klein, 2007; Foss and Klein, 2013). From this perspective, the stream of actions that is the entrepreneurial process continues even when it is difficult to identify and quantify each individual action.

More importantly, Fetter's entrepreneur is quite active in practice: while entrepreneurs in the abstract might not have much interaction with their firms, Fetter recognizes that empirical entrepreneurship combines the roles of owner and active director of production, along with numerous other skills and traits (several of which have become fixtures in the literature). As he puts it,

> The highest function of the management, that which properly is performed by the chief of the organization, is to form the general commercial policy of the enterprise… From the moment the general investment is made the management begins to exercise the power delegated by the enterpriser, investing and reinvesting, shaping and re-shaping the business in accord with a continuous policy. (1915, p. 332)

This more complete form of entrepreneurship entails both investment and ongoing direction through a process of decision making (1915, pp. 345-346). Furthermore, "continuous policy" is shaped by entrepreneurs in accord with their knowledge and expectations, and relies heavily on their individual personalities and abilities. A large part of successful entrepreneurship is the ability to search out opportunities, or to know generally where to look for them (1915, p. 360). The entrepreneur is "the man who can see most quickly and clearly," who is inspired to a "restless watchfulness and intuitive anticipation of dangers, and often the discovery of ways to convert them into advantages" (Fetter, 1977, p. 359). To do this, entrepreneurs deploy a "superior knowledge and superior insight" of market data (1977, p. 244). This in turn shows they are not passive, but rather, embodiments of "vigilance, strength, and self-assertion" (1915, p. 349), traits they use to perceive and act on constantly-changing market conditions. By likening the entrepreneur to an acrobat walking a tightrope, Fetter implies great personal skill that is not easily transferrable, and may be innate (1915, p. 359).

Similar views of the entrepreneurial personality were common in Fetter's era, especially among the Austrians.[13] Schumpeter and Wieser, for instance, are well-known for their romantic

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[13] The characteristics discussed in the previous paragraph are also close to Marshall's "business genius," who combines elements of "alertness, sense of proportion, strength of reasoning, coordination, innovation, and willingness to take risks" (Hébert and Link, 2006a, p. 327; cf. also Loasby, 2007). Furthermore, both stress the special ability of entrepreneurs. Importantly though, Fetter's entrepreneur is more active in his decision making, and less managerial, than Marshall's. In any case, it is important not to over-stress their affinities, as their economic views have other important differences. Schumpeter remarks that on a personal note, Fetter "did not like Marshall," a feeling that was "perhaps reciprocated." Schumpeter also notes Fetter's "directly anti-

depictions of the entrepreneur as a renegade industrial leader and creative destroyer of the status quo (Schumpeter, 1942; Wieser, 1927, p. 327).[14] However, Fetter's remarks do appear to evoke Israel Kirzner's theory of entrepreneurship as alertness to opportunities (e.g. Kirzner, 1973, 1979), a connection mentioned in other research as well (Foss and Klein, 2012, pp. 48, 226). Despite some parallels though, there are important differences between Fetter and these more prominent theorists. For instance, the scale and scope of entrepreneurship is narrower for Fetter than for either Schumpeter or Kirzner, both of whom stressed "system-level" theories of entrepreneurship with economy-wide effects (McMullen and Shepherd, 2006). Fetter's entrepreneur, however, acts mostly within the firm. Furthermore, for Fetter, entrepreneurs drive the market process through action; their discovery of profitable opportunities is the result of careful search, whereas in Kirzner's view search is completely distinct from entrepreneurial alertness (McCaffrey, 2014). Lastly, Fetter thinks of entrepreneurs as resource-owners, whereas Kirzner sees them as resource-less.

Fetter does have much in common with other Austrian views, however. In particular, the idea that real-world entrepreneurial personalities embody more than one economic function is common among Menger's followers, including Böhm-Bawerk (McCaffrey and Salerno, 2014). Mises is also noteworthy for warning that failing to separate different types of entrepreneurial action in theory leads to confusion in practice, if excessive focus on abstract concepts leads economists away from realistic descriptions of entrepreneurship. Mises suggested the entrepreneur can be thought of in two ways: first, as a "pure entrepreneur," an entirely abstract (and even logically contradictory) construct economists can use to illustrate the entrepreneur's

Marshallian" writings on the concept of rent, which played an important role in separating their two systems (Schumpeter, 1986 [1954], p. 841).

[14] Cf. Campagnolo and Vivel (2012), who compare and contrast the entrepreneurial thought of Schumpeter, Wieser, and Werner Sombart.

distinct role in dealing with uncertainty. Second, and more narrowly, Mises described the *promoter*, a real-world actor who earns monetary profits or losses by supervising production (1998, pp. 252-256). This promoter-entrepreneur is a capital-owner and industrial leader with a special gift for piercing the fog of Knightian uncertainty in order to capture fleeting profits.

Promoter-entrepreneurs incorporate elements of Fetter's theoretical (capital-owning) and empirical (supervising) entrepreneurs, which together form a "complete" or "integral" entrepreneur (Salerno, 2008). The integral entrepreneur links innovative action in the firm to the legal and financial power behind that action. Mises uses the integral approach to build on Fetter's ideas, anticipating modern process theories of entrepreneurship that stress specific types of entrepreneurial action (rather than unseen investment). Processual theories disappeared from entrepreneurship research for some time, but have recently re-emerged as important, even vital frameworks with which to study entrepreneurial action (Shanley, 2007; Shepherd, 2015). Nevertheless, although Fetter and Mises both allow for implicit and explicit decision-making within the firm, they emphasize that economists can err by focusing narrowly on managerial decisions. It is important not to pass over the significance of the owner-investor's ultimate authority, which binds managerial decisions together into a general entrepreneurial strategy. By concentrating only on derived judgment within the firm, it is possible to miss the entrepreneurial forest for the managerial trees.

After surveying Fetter's entrepreneurial function, it is important to mention how it relates to the overarching theme of equilibration. The relationship between entrepreneurship and equilibration has been debated for decades, especially in light of Schumpeter and Kirzner (Kirzner, 2000; Klein, 2008b). Fetter's theory is not Schumpeterian, in that it does not try to explain revolutionary economic growth or how entrepreneurs create disequilibrium through

innovation. Fetter is instead closer to the equilibrating tradition in entrepreneurship, though he does not stress these tendencies as much as Kirzner. Fetter has definite roots in Menger (Salerno, 1999), and some research does liken his views to Kirzner's theory of market clearing (Foss and Klein, 2012, p. 48). In this system, "Entrepreneurs earn profits, or suffer losses, as they lead the economy in the direction of a general equilibrium determined by marginal utility, marginal value productivity, and time preference" (Rothbard, 1987). Entrepreneurship is equilibrating because it reconciles the structure of production with the desires of consumers; the entrepreneur is a "medium" through which consumers express their preferences (Fetter, 1915, p. 356). Active investors do not disequilibrate in the Schumpeterian sense, but rather adjust the structure of production to deliver goods and services consumers will want to purchase in the future (Fetter, 1905, pp. 394, 410). Fetter's approach is therefore a "supply-side theory of entrepreneurship," in that it focuses on anticipating and satisfying future needs (Hébert and Link, 2006b). However, unlike Kirzner, Fetter's entrepreneur is not a solution to the problem of general economic coordination and market clearing. Instead, it has the humbler goal of explaining how entrepreneurs make decisions within the firm, and how those decisions form prices (Fetter, 1936). He does not conceive of entrepreneurship in terms of its system-level effects on plan coordination and growth, but as a kind of action that develops over time into a series of decisions or processes that allocate resources and responsibilities in the firm.

III. Risk, Uncertainty, and Luck

The previous sections made reference to "risk" and "uncertainty," but did not elaborate on how these concepts fit in Fetter's work. I now remedy this oversight by arguing that Fetter

partly anticipates Frank Knight's famous distinction between the two concepts.[15] First made in his *Risk, Uncertainty, and Profit* (1921), Knight's approach continues to play a role in how scholars understand entrepreneurial theory (Foss and Klein, 2012) and history (Casson and Casson, 2013). Although their occasional citations and professional interactions show that Fetter and Knight knew each other's work well, neither explicitly acknowledges the influence of the other. Nevertheless, the commonalities are significant enough that they can be considered part of the same tradition in entrepreneurship.

The basic elements of Knight's view are well known, and need only a cursory mention. Broadly speaking, risk is quantifiable and can be expressed as a clearly-defined probability. It is therefore insurable. Uncertainty, on the other hand, often defies quantification, and is difficult or impossible to describe as a simple probability, because the events it describes are highly heterogeneous, and therefore uninsurable. Importantly, entrepreneurial decision-making is characterized by uncertain conditions (1933 [1921], pp. 233-263).

Fetter's approach to this topic is somewhat different from Knight's, and perhaps this is why he is not discussed in Knight's treatment of his predecessors (1933 [1921], pp. 22-48). Nevertheless, Fetter does come close to articulating the risk-uncertainty distinction. This might appear a strange claim, because Fetter routinely uses the term "risk" to describe the environment of entrepreneurship. However, he does not always use the word consistently, often meaning more by it than simply homogeneous types of events, or quantifiable, known, or knowable probabilities of outcomes. Instead, his argument incorporates some finer distinctions that point to Knightian uncertainty. The most important discussion takes place in a chapter titled "Various

[15] O'Driscoll (1980) mentions in passing Fetter's use of the Knightian uncertainty concept, but does not explain its meaning or how uncertainty fits in Fetter's system.

Shades of Profits," where Fetter catalogues different conditions that influence the emergence of profit and loss. As he points out, "There are many chances and risks [in business], but few of them are completely objective, of a kind utterly beyond the control of the enterpriser" (1915, p. 359). There are thus several types of future events that play a role in profit-making activity, most of which directly involve the entrepreneur. But how exactly are the lines between different types of chance and risk drawn?

Fetter's answer bears some similarity to Knight's, and also draws on distinctions between classes of future events, the insurability of events, and entrepreneurs' use of judgment to deal with the unknown future. To begin, Fetter provides an example of how entrepreneurs differ from simple risk-bearers:

> The risk of business is not that of the throwing of dice in which (if it is fair) skill plays no part and gains in the long run offset losses. Business risk is rather that of the rope-walker in crossing Niagara; the task is easily undertaken by the skilful Blondin, it is fatally dangerous to the man of unsteady nerve and limb. (1915, p. 359)[16]

As the tight-rope example shows, individual aptitude, insight, and judgment are key factors in dealing with non-quantifiable risk. Fetter's point is that entrepreneurs do not simply gauge well-defined probabilities—as in games of chance—but rather attempt to judge situations

[16] This example avoids an objection raised by Hawley (1892) against Böhm-Bawerk's theory of entrepreneurship (which is similar to Fetter's). Hawley argues that entrepreneurial activity cannot be explained by any theory holding that losses and gains balance in the long run, because in this scenario there is no incentive for entrepreneurs to undertake production. Fetter's point is that there is no such balance in entrepreneurial affairs. Entrepreneurs with superior foresight "acquire resources at prices below the present discounted values of their eventual contributions to output" (Foss and Klein, 2012, pp. 48-49), and thus earn short-run profits. Profits bid up the rate of interest such that entrepreneurial gains disappear in the long run, while positive interest payments remain, reflecting a "long-run normal rate of profit" (Rothbard, 1977, p. 16). Rothbard (1977) and Foss and Klein (2012) both point out that this view anticipates Knight's distinction between short- and long-run profits (that is, between returns to entrepreneurial judgment and interest payments, respectively).

where such probabilities are nonexistent.[17] He describes entrepreneurs as relieving laborers and capitalists of the risks of unforeseen fluctuations in wages and interest (1915, pp. 364-365). Specialization in risk-taking is thus a form of insurance for contractual incomes.[18] But things are different for entrepreneurs: "The cautious businessman tries to reduce chance as much as possible by insurance, where a regular system prevails, and to confine his thought and worry to the parts of the productive process where his ability counts in the result" (1915, p. 365). It is clear then that entrepreneurial decision-making takes place in the context of uninsurable events, where ability "counts."

Nevertheless, although Fetter makes a distinction between insurable and uninsurable events, he does not take a strictly dichotomous view of risk and uncertainty.[19] He observes that "Risk is more or less everywhere in human affairs, but among various kinds of investments there is a well-recognized gradation in the uncertainty of returns. The enterpriser in a business takes the more exposed frontier of risk" (Fetter, 1915, p. 347). Risk is more like a spectrum then, with one end representing predictable, insurable events that can be dealt with "safely" by "rational" calculation and choice, and the other, events not subject to rational choice that must instead be anticipated through the good judgment of entrepreneurs.

The difference between risk and uncertainty is clearer in Fetter's discussion of factors that produce profit, one of which is *luck*. In one discussion, Fetter uses "chance" and "luck" in roughly the same way Knight uses risk and uncertainty:

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[17] In later writings, Fetter refers to these as "incalculable risks" (1936, p. 504).

[18] Knight takes roughly the same view, arguing that entrepreneurs pay fixed, relatively certain wages as a kind of insurance, while entrepreneurs bear the uncertainty of the market (1933 [1921], pp. 269-270). A similar idea is formalized in Kihlstrom and Laffont (1979). Fetter suggests, however, that passive capitalists cannot be completely relieved of risk (Fetter, 1915, pp. 346-347, 358).

[19] This view is different, for example, from Mises, who distinguished sharply between "case probability" and "class probability" (1949, pp. 105-118).

> What is luck? A result that is not calculable, coming to pass in conditions where a rational choice is not possible, is called luck, for lack of another name… According to the law of chance, in the tossing of a coin for "heads or tails," one side is as likely to come up as the other, and in the long run the number of heads and tails will be equal. Taking all together the pure accidents of certain kinds, in the community, they are so numerous that losses and gains distribute themselves about a general average by what is called the law of averages, or the law of large numbers. The individual's risk then may be eliminated by insurance… But many factors evade all attempts to reduce them to rule and there is no possibility of insuring against them: war, changes in markets, good and bad harvests, financial crises, etc. One year the enterprise gains, another it loses. One man makes a success because he happened to engage in business at that time, another man fails because he happened to undertake it at another time, with no more real judgment in the one case than in the other. (1915, pp. 360-361)[20]

Simply put, some events are insurable (chance) and others are not (luck). Interestingly though, "luck" in Fetter's sense can be more extreme than Knightian uncertainty: while both relate to unknown outcomes, Fetter takes things a step further by suggesting that wars, changes in markets, bad harvests, and financial crises fall outside the scope of entrepreneurial decision-making. The idea of "pure luck" therefore acts as a kind of boundary for entrepreneurial judgment. Furthermore, pure luck, without any element of entrepreneurial skill, is responsible for at least some profits.[21]

The implication is that entrepreneurial judgment can deal with some, but not all types of uncertainty—for instance, pure luck. Yet Fetter also argues that when luck appears beside deliberate choice, the role of luck is often exaggerated. In his words, "The more the causes of

[20] Similar examples of the influence of chance on entrepreneurial decisions are mentioned in Fetter (1915, pp. 330-331; 1936; p. 504).

[21] Fetter's examples of pure luck are not completely convincing. After all, crops can be insured against bad harvests, and even financial crises have sometimes been predicted accurately. Moreover, "changes in markets" seems so broad that it would preclude any possibility for entrepreneurial decision-making. It is strange that Fetter overlooks these facts, given his arguments about the power of entrepreneurial judgment. Unfortunately, he does not elaborate on why these events should be considered pure, non-judgmental, uninsurable luck.

success in general are studied, the larger is found the element of choice, the smaller that of luck" (1915, p. 360). Therefore, what is perceived as luck often turns out to be simply good judgment. This claim is echoed by Knight, who suggests entrepreneurial success is a combination of judgment and luck ([1921] 1933, pp. 277-278, 282-283).

The idea of luck hints at another way Fetter's theory can be useful in contemporary research, which has stumbled over similar issues. A case in point is the theory of entrepreneurial alertness pioneered by Israel Kirzner. Kirzner argues that the fundamental characteristic of entrepreneurship is alertness to profit opportunities (esp. 1973, 1979). By discovering previously-unknown opportunities, entrepreneurs capture gains from arbitrage, which in turn coordinate economic plans and cause markets to clear. Importantly though, entrepreneurs cannot search for opportunities, but must discover them spontaneously; in fact, in Kirzner's view, opportunities essentially cause their own discovery (Kirzner, 1985, pp. 96, 108-109; McCaffrey, 2014).

The notion of fortuitous discovery, however, is controversial. For example, Harold Demsetz (1983) criticizes Kirzner's theory on the grounds that "alertness" is ultimately a matter of luck. If this is true, alertness is a non-explanation of entrepreneurial success, or at the very least, a black box (Foss and Klein, 2010). Others add that if entrepreneurial success is really "accidental," is it basically impossible to give advice to real-world entrepreneurs (Fiet, 2007). Most importantly, if luck does play a major role in entrepreneurship, it is difficult to claim, as Kirzner does, that entrepreneurship tends to systematically coordinate plans and improve welfare outcomes. Fetter, however, anticipates and avoids this criticism by downplaying the role of "pure chance" and stressing that "luck" is often simply prescient decision making. By focusing on judgmental decision making and resource allocation rather than the serendipitous discovery of

opportunities, he directly links entrepreneurial outcomes with skill, and the problem of luck mostly disappears. As he puts it, "Throughout life there is constant opportunity, but it must be sought. One who has the good judgment to be ever at the right time at the place where he has the best chance of finding a good thing, usually gets the advantage, and men call it luck" (Fetter, 1915, p. 360). Theoretical emphasis is on action and the entrepreneur's decisions as they unfold over time. What outsiders perceive as luck is really a judgment process, and explaining this process is what entrepreneurship theory is all about.[22]

IV. Contemporary Entrepreneurship Research

Fetter's contributions to entrepreneurship are highly relevant in their historical context, because they form a link between the nascent theories of the older Austrians and the more fully developed ideas of their followers (e.g. Mises, 1949; Rothbard, 2009; Kirzner, 1973). This heritage is especially clear in his *Economic Principles*, which was recognized as a refinement and extension of Austrian ideas, especially value theory as developed by Menger, Böhm-Bawerk, and Wieser (Whitaker, 1916; Davenport, 1916). Fetter consistently applied Menger's subjectivism to a wide range of problems in price and capital theory, rejecting, for instance, Böhm-Bawerk's partial lapse into the productivity theory of interest (Rothbard, 1977). Unfortunately, Fetter also rarely cited his influences, leaving economists to infer them based on thematic similarities.[23]

Yet Fetter's writings are valuable for more than their historical significance: they also speak to current work in entrepreneurship, including some recent "Austrian" contributions.

[22] As opposed, for example, to explaining economic development or market clearing.

[23] Exceptions are Fetter's recommended readings for students, which are included in a series of essays he contributed to a collaborative textbook in the 1930s. There he cites both Böhm-Bawerk and the Carl Menger disciple Vernon Mund. Cf. Spahr (1936).

Modern readers will immediately notice the clarity of Fetter's 1915 exposition, particularly his explanation of core problems such as the entrepreneur's economic function. His straightforward but detailed account is especially noteworthy given the increasing complexity—not to say confusion—of some contemporary entrepreneurship research, which often struggles with the same questions he addressed a century ago.

As an example, consider Fetter's view of the purpose of theorizing entrepreneurship. It is well known that economists often disagree about the rationale for incorporating entrepreneurship into economic analysis. There is, for example, the Schumpeterian view that entrepreneurs explain the puzzle of innovation and economic development (Schumpeter, 1934), or the Kirznerian approach emphasizing the equilibrating and welfare-increasing properties of the market process (Kirzner, 1973). Fetter takes a different view, however. For him, entrepreneurship is an implication of scarcity: resources are limited, while human wants are essentially unlimited, so the factors of production must be combined in advantageous ways to satisfy consumer demands. Human beings are severely limited in their ability to increase the supply of certain goods, and it is therefore necessary to combine existing resources and transform them into more valuable forms. Most importantly, the factors do not come together spontaneously, but must be selected and directed; this requires an "intelligence to choose among the goods and to employ them in the best way" (1915, p. 318). Therefore the problem of entrepreneurship is to explain this particular form of "active intervention and effort" used in the combination and allocation of factors to alleviate scarcity (1915, p. 318).

This view has analogues in current research. For instance, Fetter's theory focuses on entrepreneurial *action* rather than equilibration or innovation. This fits well with dominant trends in entrepreneurship research, where some notable scholars argue that action-based theories are

more effective than the older "system-level" approaches of economists like Schumpeter (McMullen and Shepherd, 2006). In fact, action-based theory is even identified as one of the most important avenues for future work in the discipline (Shepherd, 2015). It is fitting then that scholars look to Fetter as a historical inspiration for such research, just as they have looked to Schumpeter for insight into the system-wide effects of creative destruction.

Furthermore, by invoking scarcity as the fundamental source of entrepreneurship, Fetter hints at recent work in entrepreneurial *bricolage*. While there are numerous competing theories of the entrepreneurial process, bricolage makes for a useful example. Similarities between these research streams are likely not accidental, as they share common ancestors. Edith Penrose, who is credited as an early influence on bricolage research, was a student of Fritz Machlup, who was in turn a student of Ludwig von Mises. Fetter's work on capital, interest, and rent was known to Mises and others in the Austrian tradition, who referenced and integrated it in their own work (Mises, 1949, pp. 262, 271, 486, 631; Rothbard, 2009; Salerno, 2009).

Bricolage theory emphasizes the fact that entrepreneurs often face severe scarcity when launching new ventures. However, although confronting these objective constraints, "there is a wide scope for judgment" in how existing resources can be usefully combined (Penrose, 2009, pp. 37-38). Entrepreneurs can therefore "make something out of nothing" by combining "whatever is at hand," or in other words, "[make] do by applying combinations of the resources at hand to new problems and opportunities" (Baker and Nelson, 2005). Bricolage theory therefore begins with the central fact of scarcity, which implies "action and active engagement with problems or opportunities," just as Fetter's approach does. Furthermore, the kind of system Penrose envisions "is explicitly not tailored to the major transformations which attracted

Schumpeter's attention" (Loasby, 2007). It is therefore appropriate to a narrow kind of entrepreneurship and firm theory.

In addition to bricolage, Fetter's writing is relevant for other fundamental research questions as well. For instance, current entrepreneurship theories vary widely in terms of their explanatory goals and corresponding units of analysis. A key example is the question of whether entrepreneurship should be treated as an occupation, a type of firm, or an economic function (Klein, 2008a). Fetter, along with many other economists, falls into the last category, which also includes theories of entrepreneurial alertness, search, effectuation, and judgment.[24] Specifically, Fetter's definition of entrepreneurship takes *decision-making* as the unit of analysis. This marks a significant break from current research, which defines entrepreneurship as the study of *opportunities* (Shane and Venkataraman, 2000; Shane, 2003). Yet while the opportunity-based approach has spurred the development of entrepreneurship as a discipline, it has also inspired numerous reflections on the meaning of "opportunity" and of the concept's proper place in theory. For example, there is a long history of debate over whether opportunities are discovered serendipitously (Kirzner, 1985) or as the result of search (Fiet, 2007), or if they are instead *created* by entrepreneurs (Alvarez and Barney, 2007). And the controversy goes further: some scholars argue the whole concept of opportunity has been a dead-end for entrepreneurship research, and actually inhibits it. According to this criticism, opportunities are notoriously difficult to define and operationalize, and as a result, are used in different and often inconsistent ways that add little to our understanding of core entrepreneurial problems (Davidsson and Tonelli, 2013). Bricolage theory also challenges the usefulness of the

[24] Although these approaches differ in their ideas about the entrepreneurial function, they agree entrepreneurship plays an important social and economic role that extends beyond narrow economic problems such as modeling self-employment or risk aversion.

opportunity construct, because “the processes of discovering opportunities and enacting resources [are] often one and the same” (Baker and Nelson, 2005). Therefore the answer suggested by some is to replace “opportunity” with a clearer and more realistic concept (Davidsson, 2015; Davidsson and Tonelli, 2013).

This solution is controversial, and ultimately, despite the criticisms raised against the opportunity construct, entrepreneurship research continues to discuss ways it can be conceptualized and operationalized (Shane, 2003; Lewin, 2015; Ramoglou and Tsang, 2015). This is another area where Fetter’s view sheds light on a possible way forward for the entrepreneurship discipline. First, by focusing on entrepreneurship as a kind of decision-making, he places opportunities in the background, thus avoiding the ontological problems of defining and operationalizing opportunities that frustrate contemporary work. Second, his definition of the entrepreneur as a resource allocator and active investor anticipates current action-based theories that consider entrepreneurship as a process rather than a single event, such as the founding of a firm (Shepherd, 2015). Third, it also supports the argument that investment activity is a more realistic unit of analysis for entrepreneurs than opportunity (Klein and Foss, 2008). Each of these is another reason to note similarities between Fetter and bricolage research. Because Fetter emphasizes scarcity, resources, and action in a setting of uncertainty, his theory does not depend on the opportunity construct—but it can account for it. For the same reasons, bricolage can be used in each of the major conceptual frameworks within entrepreneurship, regardless of their specific views on opportunity (Vanevenhoven et al., 2011). The joint focus on resources is also

notable, as both Austrian economists and bricolage theorists claim that entrepreneurs create and allocate heterogeneous scarce resources (Duymedjian and Rüling, 2010).[25]

Fetter's entrepreneurial process also adds microfoundations to research in *strategic entrepreneurship*. This rapidly-growing field studies the crossroads between entrepreneurship and strategic management, especially questions about how firms combine "opportunity-seeking behavior (i.e., entrepreneurship) with effective advantage-seeking behavior (i.e., strategic management)" (Ireland, Hitt, and Sirmon, 2003). Entrepreneurship and strategic management are both concerned with growth and wealth creation, but it is often unclear where the boundaries between the two fields are. A central challenge then has been to define the distinct domain of strategic entrepreneurship, and differentiate it from its component parts (Ireland, 2007). Knightian insights about uncertainty and action have already proved useful in the theory of the firm (Loasby, 2007), so it makes sense that Fetter's work will shed similar light. His process theory, by combining action and resource ownership, anticipates and solves the problem of finding the relevant overlap between the two fields. His entrepreneur combines key elements of both: entrepreneurs make judgments about how best to use resources to exploit "opportunities," thereby building an entrepreneurial organization from the ground up. At the same time though, their residual control means they influence the firm's competitive strategy as well. In fact, Fetter's integral entrepreneur sets strategic entrepreneurship on a stronger foundation, because it recognizes that entrepreneurial action is prior to, and provides a basis for, value creation and capture (Klein, Barney, and Foss, 2013). Whether entrepreneurs' efforts are successful ultimately

[25] One difference between Fetter and bricolage research is that the latter sometimes argues that entrepreneurs collect scarce resources "during unplanned encounters" and that they build them up "with no clear intention and purpose" (Duymedjian and Rüling, 2010). This view moves resource acquisition away from conscious action and the planning process, and toward what Fetter would call luck. However, the question of whether unconscious resource collection is part of entrepreneurial judgment lies at the heart of the tension between luck and judgment.

depends on their ability to use good judgment to cope with uncertainty. As Fetter points out, there are limits to entrepreneurial action and strategizing that are set by pure luck, which acts as a boundary for action, and limits its efficacy.

The above examples illustrate the advantages of building theory on a foundation of clear, realistic thinking. At every step of his exposition—from defining the entrepreneurial function, to analyzing entrepreneurial behavior, explaining the scope and purpose of entrepreneurship theory, and building a foundation for firm theory—Fetter uses recognizable, operational concepts that remain relevant to modern research. Yet these are only a few ways Fetter anticipates ideas that have since reappeared in the literature. More has been said above about possible links between his and modern work; for now, I only point out that asking fundamental questions about the definitions and core concepts of entrepreneurship reveals how researchers can gain insight for the future by studying the past.

V. Conclusion: Fetter, Davenport, and Neoclassical Economics

To round out the discussion, I now suggest several reasons Fetter has been overlooked in entrepreneurship studies. The first and most important is that his research agenda simply did not fit the trends in economic thinking that increasingly dominated the profession toward the end of his life. In surveying Fetter's life and work, Rothbard (1987) comments that Fetter's "general loss of interest in economics in the US between the two world wars and the continuing dominance of the neo-Ricardian Marshallian theory in Britain… gravely hindered the incorporation of [his] notable contributions into modern economics." At the time Fetter wrote, neoclassical economics had already begun to neglect the topic of entrepreneurship. In fact, Alvin Johnson—in a lengthy review of Herbert Davenport's work—expressed a sentiment that might

easily apply to a contemporary economics textbook: "In classical and neo-classical economics, entrepreneurship has figured chiefly as a pervasive reality which, once admitted in the premises, may then be dropped from the field of vision" (Johnson, 1914). Economists increasingly preferred to reason from and about equilibrium states, leaving little or no room for analysis of entrepreneurial action. Theories like Fetter's, which were more concerned with real-world action and the tendency *toward* equilibrium, rather than its realization, did not fit with such models.

As Rothbard argues, Fetter's contributions were overlooked because they failed to fit the then-emerging body of equilibrium theory. Therefore when the study of entrepreneurship was revived at the end of the 20th century, there was little information about Fetter to rediscover. This contrasts sharply with Schumpeter's experience; he described entrepreneurship in light of (dis)equilibrium analysis, thereby enabling it to survive the ensuing anti-entrepreneurial trend in economics. At the very least, Fetter's dissatisfaction with this trend should earn him a place in a literature that has long criticized economics for excluding the entrepreneur (Baumol, 1968, 2006; Hébert and Link, 1988). A similar case could be made for Herbert Davenport and other theorists of the period who were also overshadowed by Schumpeter and by equilibrium theory more generally (see e.g. McCaffrey and Salerno, 2014; McCaffrey, 2013). In addition to his unconventional views, Fetter's other scholarly work distracted from his entrepreneurial writings. His frequent disputes in the academic journals focused mainly on capital and interest theory, controversial topics that eclipsed some of the original contributions in his textbooks.

A related but minor explanation for Fetter's neglect in entrepreneurship is that he was highly critical of Herbert Davenport's *The Economics of Enterprise* (1913). In this book, Davenport did more than just highlight the importance of entrepreneurship for the market economy: he essentially defined economics as the study of entrepreneurial activity (1913, pp. 19-

27). Fetter’s hostility may thus have been interpreted as a more general animosity toward entrepreneurship. This view is plausible given that one of the only occasions Fetter appears in the history of entrepreneurial thought is in reference to his criticism of Davenport (Hébert and Link, 1988, pp. 90-93). Fetter’s criticism attacks everything from Davenport’s theory of banking to his bibliography (Fetter, 1914), but he largely avoided entrepreneurship.[26] Perhaps he failed to appreciate Davenport’s originality in laying out economic theory from an entrepreneurial perspective (Hébert and Link, 1988, pp. 90-91). This interpretation is supported by Fetter’s accusation of Davenport’s general lack of creativity. Yet the title of Fetter’s review, “Davenport’s Competitive Economics,” acknowledges the importance of entrepreneurship in Davenport’s work: it refers to Davenport’s claim that the starting point of economic analysis is “society organized under competitive entrepreneur production” (Hébert and Link, 1988, pp. 90-91). Fetter dismisses this definition, which in his view reduces economics to “the realm of exchange in a money economy, that is, to a régime of monetary price [i.e. of entrepreneurial competition]” (Fetter, 1914). Fetter’s theory, as we have seen, traces entrepreneurship to the fundamental fact of scarcity, so it is no surprise he would find Davenport’s view too restrictive. Yet Fetter did not argue for his own theory, choosing instead only to criticize.

Fetter also opened his work to criticism of unoriginality by accusing Davenport of the same, even going so far as to charge him with borrowing Fetter’s ideas without giving due credit (Fetter, 1914). Importantly, this criticism proved unfounded in a way that made it easier to neglect Fetter’s thinking. That is, Davenport quickly responded by pointing out his frequent acknowledgment of Fetter’s ideas (Davenport, 1916), correctly adding that it was Fetter himself who declined to cite any of his major influences! Fetter’s misguided criticism, combined with

[26] For more on the dispute between Fetter and Davenport, and its relevance for Austrian theory generally, cf. Gunning (1998) and Salerno (1999).

his own lack of bibliography, helped isolate his entrepreneurial theory, which at the time—and unlike his writings on capital and interest—seemed disconnected from the work of his predecessors and peers. It is reasonable to conclude then that the debate over Davenport's thoroughly entrepreneurial view of economics helps to explain Fetter's neglect. It is also likely that the personal animosity between Fetter and Davenport was partly responsible for the decline in Mengerian economics in the Unites States following the First World War (Salerno, 1999). Ultimately, however, Fetter's absence from the literature is probably a combination of the above explanations; in general, he was too critical of both neoclassical economists and their competitors to be preserved by either.

As I have shown though, Fetter was not alone in portraying the entrepreneur as he did: a judgmental decision-maker and bearer of market uncertainty. There is a long line of theorists linking entrepreneurs, and their profits and losses, to these concepts. The tradition begins with Richard Cantillon, and includes, among others, Carl Menger, Eugen von Böhm-Bawerk, Frank Knight, Ludwig von Mises, and Murray Rothbard. Fetter's place in this larger tradition is being explored by modern-day economists, who, like Fetter's contemporaries, point out his relevance for the Austrian school (Salerno, 1999, 2008). Specifically, Fetter fills an entrepreneurial gap between the older Austrian school of Menger, Böhm-Bawerk, and von Wieser, and the younger Austrians, especially Mises and Hayek (Herbener, 1999; Foss and Klein, 2012, pp. 48-50). Reading Fetter's work in light of Austrian economics thus leads to a greater appreciation of the richness and diversity of economic theory developed by Menger's many followers. Yet despite Fetter's past and present influence on Austrian economists, he is seldom mentioned in the literature, even though his discussions of entrepreneurship are often clearer and more systematic than those of his contemporaries.

Nevertheless, the value of Fetter's work is demonstrated through its applicability to contemporary theory and debate in entrepreneurship studies, and is all the more relevant given that this discipline still looks to its past for insight into current research problems. Questions about the roles of scarcity, opportunity, investment, judgment, risk, uncertainty, and luck in entrepreneurial decision-making are still debated, and can be understood in light of ideas Fetter advanced a century ago. Having a more complete picture of the history of entrepreneurial theory—one that includes Fetter—thus increases our understanding of numerous problems, and can help guide future work in economics and entrepreneurship. This much was already observed in Fetter's lifetime by Wesley Clair Mitchell, who confidently remarked that Fetter's ideas provided a basis for "critical evaluation which has been going on for two decades, and which will doubtless continue for years to come" (Fisher et al., 1927). To conclude, I hope Mitchell's optimism will be justified in the 21st century in ways it was not for most of the 20th.

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