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**POWER AND ENTREPRENEURSHIP IN GERMAN POLITICAL
ECONOMY: THE CASES OF WERNER SOMBART AND
FRIEDRICH VON WIESER**

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POWER AND ENTREPRENEURSHIP IN GERMAN POLITICAL ECONOMY:
THE CASES OF WERNER SOMBART AND FRIEDRICH VON WIESER

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Abstract

In the present paper we are going to examine texts by Werner Sombart and Friedrich von Wieser on entrepreneurship and the capitalist economy using an interdisciplinary approach focused on economics but also dealing with economic sociology and political philosophy. We believe that both authors have been largely neglected, thus overlooking the main source of the theory of the entrepreneur in debates held in German language and between Germany and Austria around the 1900s. Without excluding earlier major references (such as Jean-Baptiste Say, the first French economist at the *Collège de France*,) we shall demonstrate that for both our authors the entrepreneur is the keystone of a renewed understanding of capitalism and the modern economy of their times. They stressed the origins, functions and roles of the entrepreneur and showed that there cannot exist only a single entrepreneurial form but there must necessarily be several ones, depending on the context. Two lessons can be drawn from their texts: 1/ the entrepreneur's action needs to be reinstalled in the social, economic and institutional context; 2/ the results of the actions of entrepreneurs are inherently difficult to predict because the action responds to institutional changes and is the outcome of such changes.

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Introduction

In the present essay, the analysis of the *entrepreneur* emerges from the study of the relations between the founders of the Austrian School and members of the German Historical School. Yet, rather than focus on the *Methodenstreit* (see among others Bostaph 1994, Hodgson 2001, Campagnolo 2010), we are going to deal with notions of *Power and Entrepreneurship in German political economy* through selected texts of Friedrich von Wieser and Werner Sombart.

The criteria for the selection we made (authors and texts) are pragmatic, and in opposition to the poor habit of practically always discussing the same authors and reassessing (already) well-known texts. Our authors have been long left into oblivion, and the texts we exhumed are thus put forth and made available to the international scientific community (for instance, those by Sombart had not been translated into English and we thus give access to them in this language).

Conversely, there has been a price to pay for this choice: we could not include an inquiry into previous attempts at a theory of the entrepreneur (we therefore regretfully, but conscientiously, left aside studies of earlier sources, for instance Spanish or French authors like Salamanca, Richard Cantillon or Jean-Baptiste Say). But on the contrary, we have taken into account considerations regarding sociology of power, political philosophy and even linguistic topics *as far as they are directly concerned with the emergence of a theory of the entrepreneur in the German-speaking context*, with a *Lehre des Unternehmers*, so to say.

This being said, let us focus on our topic and restore the context of the dawning Austrian theory. Naturally, Sombart appears as a member of the “youngest” German Historical School, that is to say *an opponent* of this emergent school (but, as we will see, sharing numerous converging opinions upon the topic of the key-role of the entrepreneur with his adversaries - represented here by Wieser). Marked by the rise of nationalism in politics and the increasing gap between the bourgeoisie and the working class, both authors see the entrepreneur as a true incarnation of power, as the driving force of capitalism and almost as a sacred character for the understanding of modern capitalism and economics at large.

We are going to show the wealth of concepts offered by those characterizations (the different natures of the entrepreneur - or *Unternehmernaturen* - as Sombart writes, and the typologies built by Wieser) to examine power, entrepreneurship and also *growth*. For the key-role of the entrepreneur is first to promote *growth* – or rather, so it seems and comes quite naturally to mind. We were thus surprised to find that *Wirtschaftswachstum* (“economic growth”) was much less present in the texts we examined than it is today. A possible explanation for this is that, at the time, the issue for Wieser and for Sombart was *how to understand* the striking phenomenon of an unprecedented growth, rather than cry out regretting something that was gone – as we often do today. The reader must keep in mind the following fact (acknowledged by historians and) first assessed by the *Committee on Commercial and Industrial Policy after the War* in their final report to the British House of Commons²: in 1900, the German Empire was the first exporter of manufactured products, *preceding* the British Empire. As is well-known, the label “made in Germany”, once forged to stigmatize manufactured products that were not British, was and would continue to be regarded as a label of quality.

We will consequently see that both authors focus on characteristics (and traits of character) found in all entrepreneurs throughout history: they are indeed construing an *ideal-type* of entrepreneur. At the same time, both Sombart³ - as a heir of the German Historical School - and Wieser⁴ - as a representative of the newly founded (by Carl Menger) Austrian school - illustrate the methodology of their respective schools. One would naturally expect that statement. But one must also stress that sometimes, and in a surprising manner, as we shall see, they elaborated *equivalent* types of entrepreneurs, which they described at length and in-depth in the writings that we are going to present.

² Source: *House of Commons Reports*, London, 1918.

³ Werner Sombart (1863-1941) is undoubtedly one of the main representatives of what was called the “Youngest German Historical School” in the 1900s (after the “Older Historical School” led by Wilhelm Roscher from the 1840s and the “Younger Historical School” led by Gustav von Schmoller from the 1870s on). Sombart contributed to editing the new series of the *Archiv für Sozialwissenschaften und Sozialpolitik*, which he co-directed with Max Weber and Edgar Jaffé.

⁴ Friedrich Wieser (1851-1926) was one of the direct disciples of Carl Menger and the main representative (with Eugen von Böhm-Bawerk) of the so-called “first generation” of the Austrian school. Like Menger and Böhm-Bawerk, he held high positions in the imperial government, and like Böhm-Bawerk, ended up Minister during the war. He was authoritative regarding the Austrian School and was asked by Max Weber to write a chapter for his *Wirtschaft und Gesellschaft (Economy and Society)*. In 1894, he was asked to write the entry « Austrian School of Economics » for the *Palgrave Dictionary of Political Economy* (Wieser, 1894).

Our analysis rests on the following materials: *Theorie der gesellschaftlichen Wirtschaft* (1914) and *Das Gesetz der Macht* (1926) by Wieser, and the little-known 1909 essay “Der kapitalistische Unternehmer” and “*Der Bourgeois : zur Geistesgeschichte des modernen Wirtschaftsmenschen*” by Sombart. One cannot but be astonished (as we were) to see how they merge in showing the *entrepreneur* as the power unit of capitalism.

It must be pointed out that some light has been recently newly shed on the role and significance of entrepreneurship (Chiles *et al.* 2007, 2010, Arena and Dangel-Hagnauer, 2002). This is due to the importance of considering the creative and dynamic nature of the entrepreneur’s creativity and of taking into account the beliefs of the agents who achieve their undertakings in the economic sphere. Yet, there doesn’t seem to exist any literature that has systematically compared and/or paralleled the approach to the entrepreneurs by the two authors we examined. And this, surprisingly so, despite the fact that their ideas inspired Josef Schumpeter’s “socioeconomics” (Ebner 2005, Shionoya 1997) and, of course, Austrian thinking more generally. We think this is where radical subjectivism forces economists to take into consideration human imagination as a creative force in the entrepreneurial process.

In fact, the lesson we learned from their texts is twofold:

- 1/ the entrepreneurs’ action (and their concrete activities) needs to be contextualized (with in mind the context set by both authors);
- 2/ the results of the entrepreneurs’ activities are inherently difficult to predict, because action responds to institutional changes and is the outcome of such changes.

Our method in approaching our two authors was contextual and, in the sense defined by Mark Blaug “relativistic” (Blaug, 1981). In that perspective, it must be pointed out that although it is true that entrepreneurial action has been widely studied in economic theory and in the history of economic thought, from Say to Coase *via* Schumpeter, Knight and Hayek, the two sources of many analysis - that is Sombart and Wieser - have usually been left aside (except for some references such as Hébert, Link, 1982). The object of this paper is thus nor to give legitimacy to a contemporary entrepreneurship theory, nor to solely seek roots of an Austrian theory of entrepreneurship. We acknowledge the fact that here is a renewed interest in Austrian economics today because of their focus on uncertainty (in particular on the uncertain

entrepreneurial process). But this renewed interest should not be limited to Kirzner's theory of entrepreneurship and its emoluments. We want to underline the contribution of Wieser and Sombart on this theme.

One reason for such long neglect has to do with the dubious tendencies both thinkers showed in the 1930s during the rule of national-socialism. We do not consider this to be a good reason for oblivion. First of all, the texts we studied are previous to that period and even the last one chronologically, *Das Gesetz der Macht*, dates back to 1926 (before Engelbert Dollfuss and Adolf Hitler came to power respectively in Austria and in Germany).

Moreover, as biographers (such as Lenger, 1994, regarding Sombart) have shown, it is a voluntarily biased use of texts that brought about such an evil reputation, generally badly construed anyway. Therefore, reading these authors' works does not mean endorsing any stand they had, but rather understanding the premises of their thought about a core theme of modern capitalism and economics at large, all the more significant as such works are seminal to the modern theory of the entrepreneur.

Finally, concerning methodology, we started from the original texts in German. We quoted existing English translations for the sake of the readers, and translated ourselves when there were none. Regarding Sombart, Campagnolo also used sources rarely explored in archives, namely Sombart's library now located at Osaka City University, Japan.

Summing up the main points we are going to stress in our two authors' theory of the entrepreneur, the structure of the present paper is the following:

1. Roots of the concept of *entrepreneur*
 - 1.1. Short reminders on the word itself, its concept and reality
 - 1.2. *Privatwirtschaften* and entrepreneurs: from Menger's redefinition of modern economics to Wieser's and Sombart's search for the entrepreneurs
2. The entrepreneur as the key-stone of development/growth in a capitalist economy
 - 2.1. Specificities of entrepreneurial action
 - 2.1.1. The entrepreneur is a determined pugnacious and willful decision-maker
 - 2.1.2. The entrepreneur is naturally imaginative, innovative
 - 2.1.3. The entrepreneur is both an agent and a victim of change

2.2. At the roots of entrepreneurial action: the spirit of entrepreneurship

2.2.1. Sombart's "capitalist spirit" relates entrepreneurs and "bourgeois" and traders

2.2.2. Wieser's typology of entrepreneur spirit: relations and shortcomings

3. The development of specific forms of economic/social "undertaking" and the role of the entrepreneur

3.1. Types of entrepreneurial action

3.1.1. "Primitive"-style and "modern"-style activities of the entrepreneur

3.1.2. Economic functions are separate within a modern firm and the future belongs to large-scale companies

3.2. Types of entrepreneurs and typology of entrepreneurial functions

3.2.1. The three components of entrepreneurial action in Sombart

3.2.2. The (gloomy) future of entrepreneurial action according to Wieser in 1926

4. Concluding words.

References

Annexes:

Table 1. *Common characteristics of the entrepreneur in Sombart and Wieser*

Table 2. *Diverging characteristics of the entrepreneur in Sombart and Wieser*

1. Roots of the concept of *entrepreneur*

1.1. Short reminders on the word itself, its concept and reality

The word *entrepreneur* is, as is widely known, a French word.⁵ Further back in time, its origin is to be found in the Latin expression *in prehendo*, from the verb that means a gesture at first, and then the attitude of the whole body, but also the state of mind corresponding to that gesture: one "takes things in hand" so to speak, and directs one's behavior according to that action. One is active and ready to "do things". The word "enterprise" in French and in English was coined with the same prefix "in-, im-

⁵ TV viewers, readers of newspapers and the public at large were reminded of this obvious fact when US President George W. Bush made the gaffe of saying, during an official trip to France, that the French language had no equivalent expression for "*entrepreneur*"!

(*impresa* in Italian), -em (*empresa* ou *hazaña* in Spanish) that has become “*entre-*” or “*enter-*”, juxtaposed to “*prendre*” (verb), “*prise*” (noun) in French. The equivalent root in Saxon languages is “take” in English and “*nehmen*” in German. The prefix “*under*” in English and “*Unter*” in German, the language of the authors examined in the following pages, are inseparable from the verb (English: *undertake*, German: *unternehmen*) which implies that the prefix does not bear the meaning “under”. *Unternehmen* corresponds to “undertake” in English and “an undertaking” has approximately the same meaning as the German “*eine Unternehmung*”. Hence, the German “*der Unternehmer*”, the focus of the present study, is *the entrepreneur*.

In German dictionaries, the entry *Unternehmer* is defined as a manager, or a person in charge of managing tasks (for instance, an “*Unternehmensberater*” is a managing consultant), but also as an employer (or “labor-giver”: “*Arbeitgeber*”) and is often presented as receiving profit or entrepreneurial benefits (“*Unternehmergewinn*”) as a remuneration for “undertaking” services. These various aspects are *not* synonyms of *Unternehmer* in the general sense, but refer to the different facets of the entrepreneur’s activities considered one at a time. The main question is thus whether their activities are crowned with success, or not. Results (success or failure of undertakings) are in fact fostered (and respectively hindered) by the ability of entrepreneurs to gather forces and convince the very environment (institutional, cultural or social) where they are acting and which they depend on, but also which they thus effectively help forming. The role and the importance of trust must be stressed too, although “*trustee*” is *not* a word one can use as a synonym for *entrepreneur*, but it is a warrant often required from entrepreneurs by their moneylenders, such as bankers.

In fact, a global character of entrepreneurs as a whole reunites these aspects and can be traced back to the history of the concept in economic thought. What makes entrepreneurs what they are is what they have been thought to be. The use that has become common is anchored in a set of studies, where the major role played by Friedrich von Wieser and Werner Sombart will be demonstrated in the following pages. Our research on both authors is coupled with the questioning of aspects of Austrian analysis here at stake. This paper is thus also an endeavour to trace the origins of the theory of the entrepreneur in the History of Economic Thought back to the origins of

Austrian economics. In this preliminary section, we will therefore briefly discuss how the founder, Carl Menger, prepared the field.

1.2. *Privatwirtschaften* and entrepreneurs: from Menger's redefinition of modern economics to Wieser's and Sombart's search for the entrepreneurs

The word *Unternehmer* (*entrepreneur*) is almost absent from Menger's writings: this should not prevent us from having a quick look at his works in that respect, though. Conversely, the analysis in Sombart's 1909 *Der kapitalistische Unternehmer* starts with a debate over the use of the words "capitalism", "capitalist" and "capital" (Sombart, 1909: *Der Streit um den Begriff 'Kapitalismus'*, 689-93) and their definition (*ibid.*: *Feststellung des Begriffes 'Kapitalismus'*, 693-8), in order to assess the motivations of the capitalistic agent (*ibid.*, *Die kapitalistische Motivation und ihre Objektivierung*, 695-708, with a significant turn towards the entrepreneurial agent from p. 700 on). The interest for the *entrepreneur* is anchored there.

Returning to Menger, one reason why the word is absent in his works is that he had to define the contents of the notion of *Privatwirtschaften* and *privatwirtschaftenden Menschen* first ("private economies" and "private economic men" meaning "human beings that act in an economic way", that is in one contemporary word "agents", or "economic agents"). In 1913, *Der Bourgeois* by Sombart was subtitled using exactly the same terms: "*On the spiritual history of modern economic men*" (*Zur Geistesgeschichte des modernen Wirtschaftsmenschen*).

The other reason is that, among the most authoritative economists in the sub-field of the theory of the entrepreneur, we find really many who belong to the Austrian tradition. Let us quote just Schumpeter, Knight, Hayek, Kirzner, Chiles etc... Is it coincidental? We do not think so, and these authors indeed conscientiously developed their views stressing that they belonged to that specific tradition. They often mentioned the inspirational role of the works either by Wieser the Austrian, or by Sombart the Historicist, or by both. And there does exist a parallel we shall try to understand here.

Consequently, ideas have to be traced back to the roots of the notion of 'entrepreneur' in the early Austrian works. This is the task we set ourselves, to seek epistemic foundations of the views expressed around the 1900s and developed by

economists who had taken into account the results of the *Methodenstreit*, namely that the core of economic analysis could no longer be naively regarded as collective entities (and their conceptual representations: *Kollektivbegriffe*), but had to be *private actions of individuals allowed to act out of their own will and responsibility and to bear the consequences of action*. This idea was first applied by Carl Menger in his fundamental theoretical work of 1871, his *Principles of Political Economy* (*Grundsätze der Volkswirtschaftslehre*) and later demonstrated in his *Investigations upon the Methodology of Social Sciences with Special Reference to Economics* (*Untersuchungen über die Methode der Socialwissenschaften und der politischen Ökonomie insbesondere*).⁶

In reshaping the economic science of his times, Menger starts by criticizing the use of collective notions, such as “the state” (*der Staat*) and “the people” (*das Volk*), which were commonplace in the view German economists were taking of things. Their outlook, which was revealed by the designation of the discipline itself as *Staatsökonomie* or *Nationalökonomik* and *Volkswirtschaftslehre*, should be discarded in order to become aware that *individuals* were acting, and that only some rational understanding of the logic inherent in their behavior could support economic theory – while also taking into account that they *never* effectively behaved as that ideal rational device would say. Thus, from the beginning the Austrian standpoint integrates the delay due to time, information bias (indeed, ignorance), agency costs to gather information, material, etc.

In a word, all that gives the Austrian methodology its specific taste was set, at least in a nascent state, in the lines of the first two chapters of the 1883 volume and in the Appendixes where Menger rectified the terminology used in his times – especially in Appendix IV: *On Terminology and the Classification of the economic sciences*

⁶ English translations have been available for some time now: *Principles of political economy*, Dingwall et Hoselitz, Glencoe, Illinois, 1950, rep. New York, 1981 and *Problems of Economics and Sociology*, Urbana, 1963, rep. *Investigations into the Method of the Social Sciences with Special Reference to Economics*, New York, 1985. One must stress that in French, the *Untersuchungen* have just been published, 128 years after the original text (!), by a co-author of this paper (Campagnolo 2011) as a full translation, with presentation and comments (from the original *Untersuchungen über die Methode der Socialwissenschaften und der politischen Ökonomie insbesondere* by Carl Menger, 1883, Leipzig, Duncker & Humblot, 288 p.). The volume also includes a translation of parts of Menger’s *Die Irrthümer des deutschen Historismus* (Wien, 1884). The 1871 *Grundsätze* are not available in French yet (translation underway by Campagnolo).

(*Ueber Terminologie und die Classification der Wirthschafts-wissenschaften*: Menger, 1883: 249-258).

It is not our goal to discuss these major topics here (see Campagnolo 2010 and 2011). Yet, one must first understand that the key role *entrepreneurs* play in the dynamics of capitalism in the texts by Wieser and Sombart is also linked to the debate upon the methods, a *Methodenstreit* out of which even Historicists like Sombart had to confess Menger came out as rather ‘victorious’ (against Gustav von Schmoller). To readers who would doubt the latter (quick but accurate) judgment, the following pages - where we shall see that Sombart built a *Realtyp* of the entrepreneur in the Mengerian sense - should prove to be a piece of evidence.

Besides, when Menger insists on speaking of *Privatwirtschaften* (Menger, 1883: 8, 10, 249 *et sq.* and *passim*), he calls attention to the unavoidable human factors that Wieser and Sombart were to draw from his texts and from other literature in general to discuss the *rationales* for the typologies they portrayed. Sombart says entrepreneurs are the keystones of the economy he is dedicated to. For this reason, his 1909 essay in *Archiv für Sozialwissenschaften und Sozialpolitik* is entitled « Der kapitalistische Unternehmer » (Sombart 1909) and paves the way for his 1913 556-page volume entitled *Der bourgeois : zur Geistesgeschichte des modernen Wirtschaftsmenschen* (Sombart 1913, we used the second edition published by Duncker & Humblot in 1920, without any change whatsoever).

It appears that there were various kinds of entrepreneurship, even before capitalist entrepreneurs are identified and finely analyzed. Lastly, we will stress institutional elements in the writings by both authors, and find out what entrepreneurial functions they put forward (including navigating risk, leading people, satisfying customers, introducing codes, norms and practices within an environment entrepreneurs contribute to modify as much as they need to adapt to it). We will also show how Wieser not only listed but also determined and carefully characterized specific qualities of various kinds of entrepreneurs, using (as indicated in the introduction above) *Theorie der gesellschaftlichen Wirtschaft* (Wieser, 1914a, and the existing English translation: 1914b) and *Das Gesetz der Macht* (Wieser, 1926a, and the existing English translation: 1926b).

Regarding Sombart, before proceeding it is necessary to say a few words about sources rarely explored in the archives, now located at Osaka Municipal University (as mentioned above).⁷ The Sombart Special Collection is made up of the largest part of the German Professor's private Library. Sombart's prestige in Germany - he was the last President of the old-style (pre-war) *Verein für Sozialpolitik* - not only spread internationally but also interested foreign buyers in the collection he had gathered. As a matter of fact, during his life-time he personally cut the deal that brought to the acquisition of a large part of his Library by the Japanese.

The Special Collection was acquired in 1929 and it is now at Osaka City University, with a catalogue dating back only to 1967: *Osaka Shiritsu Daigaku Fuzoku Toshokan shozô Verunâ Zombaruto bunko mokuroku*. The Library contains 11,574 books dealing mostly with economics and sociology *Volkswirtschaft, Soziologie* a big part of which has to do with Marxism and socialist-oriented literature. It must be also noted that the Collection holds 342 "rare" books, mostly published in the eighteenth century : it is a bibliophile's library.⁸

Living up to the rank of a University Professor and a *grand bourgeois* of pre-World War I Germany, Sombart had the habit of holding a *Privatseminar* at home with his best students. The influence exerted by such "private lessons", where free-talk but also deep discussion of the innovative ideas presented ruled, cannot be underestimated in the appalling *prestige* – then internationally recognized - of the German academic elites. Thus the Library is not only significant for its contents, but also for the sense of a whole era it reveals to those who examine it.⁹

⁷ For sake of commodity, though, we shall not mention archival reference call numbers as we go along—readers interested in them may contact Campagnolo.

⁸ Moreover, it must be noticed that in Sombart's case, his own home had been partly built upon his request in order to house the special collection he had gathered.

⁹ Another aspect of the collection is the quantity of materials in the *Italian language*. As a matter of fact, Sombart was enamoured of Italy, having travelled and studied in Pisa and in Rome law, history, philosophy and economic matters too. Sombart acted for two years in the Chamber of Commerce in Bremen (*HandelsKammer*) and then became Professor of *Staatswissenschaft* from 1890. All the editions of his works are naturally in the Library, especially those of *Der moderne Kapitalismus* (1st ed. 1902), and also his works on Socialism and Marxism (for instance, *Sozialismus und soziale Bewegung im 19. Jahrhundert*, published in 1896). When he got his *Venia legendi* (the ability to lecture) in Berlin in 1906, he was mostly known as a Marx scholar, if not openly Marxist. He tried to overcome the *Methodenstreit*, as many others, but mostly reformulated different strands rather than really achieving a synthesis: his *Drei Nationalökonomien* (1930) distinguished between natural law-like, regulative and comprehensive styles of economics. It was translated into Japanese only three years after its original publication, under the title: *Mitsu no keizaigaku no rekishi to taiei* by Kojima Shôtârô.

2. The entrepreneur as the key-stone of development/growth in a capitalist economy

The idea that the entrepreneur is the key-stone of development/growth in a capitalist economy, is not new. Nowadays, it even seems quite obvious that it should be so. And heterodox economic thought would on the contrary tend to look for other innovative entities and rehabilitate organizations, in particular official - even state - institutions. The same would denounce “entrepreneurship” as the advocacy of individualism, seen as immoral and/or perilous for the various solidarities that may still exist within modern societies. Hence, this is often (not always) the kind of criticism directed at entrepreneurs.

Now, it must be understood that at the end of the nineteenth century the situation was quite the opposite. It is no coincidence if major entrepreneurs, such as the Rockefellers and A. Carnegie in the US or W. Rathenau and Werner Siemens in the German Empire, felt the urge to write autobiographies often in a self-laudatory way to justify their power and convince readers of their legitimacy. Such books, which after that period seemed to some extent apparently ridiculous, were not only praised - albeit sometimes ironically regarding the literary talent of their writers (and ghostwriters, although at the time they probably were less common than today) - but were also used as material for the analysis of the subjective motivation of the specific character and major agent observed in the evolution of capitalism.

In the aforementioned essay “*Der kapitalistische Unternehmer*”, a full section details some passages of such writings (Sombart, 1909: 700-708). What is more, Sombart introduces those developments by stating that he wishes to analyze *what moves entrepreneurs* when they act like economic agents¹⁰, along the lines developed in the previous section.

In this perspective, Sombart meets the Austrian point of view and the following pages will first try to display some similarities in the key role of the entrepreneur by Sombart and Wieser. Before pointing out the major differences, we will highlight the

¹⁰ Sombart states that this helps “for the personal observation of our study-cases by themselves. Thus we will get a somewhat clear and, it seems to me, also faithful image of what moves our entrepreneurs, when they act in an economic way” (Sombart, 1909: 699-700, our translation as always when there is no English translation available.)

fact that both authors developed, in the same time period, yet on different methodological and ideological grounds, a somehow *similar* conception of the key role played by the entrepreneur.

2.1. Specificities of entrepreneurial action

In designing the concept of entrepreneur, Sombart and Wieser naturally stressed the fact that the entrepreneur holds effective power *and* is driven by a force, overwhelming and general, that materializes in the development of a capitalist company. Capitalism, and the capitalist within it, is “on the go”. We stress various aspects taken from the texts, which we develop in this section and sum up in Table 1 of the Annex. The entrepreneur, as described by both authors, is above all an agent driven by particular moral qualities: imagination, ability to judge and foresight that give impulse and constantly push the entrepreneur towards action. This is an individual who cannot be at rest. His action is both the cause and effect of changes.

2.1.1. The entrepreneur is a determined pugnacious and willful decision-maker

Concerning moral qualities, Sombart identifies the “lifeblood” of the entrepreneur as “*the essential prerequisite for any large enterprise, creating the joy of acting and providing the entrepreneur with some inner strength oriented towards action and sufficient so as to successfully bring the firm to completion*” (Sombart, 1913/1920: 217, section “modern economic man”, or *der moderne Wirtschaftsmensch*). The entrepreneur is described as being in constant motion: “*the true entrepreneur is someone that has an inner mechanism of tension like a spring that is never still, always in a state of tension, an inner strength that constantly pushes forward and makes resting by the fireside look like a real torture*” (*ibid.*).

Moreover, one may truly speak of business, of building a company or a firm when there is “a long term plan in the course of realization, whose implementation requires sustained collaboration of many people moved as if by a common single will”. Is this company image a remainder of formerly used *Kollektivbegriffe* in the mind of Sombart? In fact, the “nation” is no longer the basic entity of the economy as such, but it is still a collective undertaking. Has the *entrepreneur* simply replaced the Prince?

That would be too simple, as Wieser stresses the same point (see Table 1, line 1). Was then Wieser departing from the Austrian tradition? We will discuss that later. For the moment, let us point out that such a proposed “long-term plan” between individuals exists only if it gets done, that is if it is indeed achieved with collaboration of some nature between more than one individual required. This is where the persuasiveness of the entrepreneur who is behind the original idea of the company is so strongly emphasized. Pugnacity is the source of entrepreneurial activity in all its forms, and it is the main source of success. Now, an entrepreneur is precisely the engine that drives that activity, gets products manufactured and changes the economy (see *below*).

For Wieser, entrepreneurs are thus “heading” the economy, leading with specificities that are in their minds, uniting “the entrepreneurial thought and the entrepreneurial will” (Wieser, 1926b: 349). One major quality of the entrepreneur is to possess enough “autonomous force” to manage business according to one’s own wishes. Power is thus a feature displayed in the exercise of the entrepreneurial function. Entrepreneurs need to motivate others, to gather energies around a personality and a project, convincing workers to work and bankers to trust a project enough to fund it. Such a quality is rare and precious, say both Wieser and Sombart, and characterizes the organizational capacity of entrepreneurs.

2.1.2. The entrepreneur is naturally imaginative, innovative

According to Wieser and Sombart, entrepreneurs have an ability to judge and a perceptiveness that marks them apart. It is the ability of the capitalist entrepreneur as well as the ability of the conqueror at war to choose their companions and to seize opportunities brought about by new situations where they must innovate and invent in some way to make their enterprises successful. Sombart wrote that “the capitalist entrepreneur must possess three moral qualities... *alertness, insight and intelligence*” (Sombart, 1913: 189, we translate and stress).

- “alertness” means that entrepreneurs must have instant plans, a straightforward and ready judgment, persevering thinking, and must also possess a “sure sense of what is essential”, and be apt to seize the favorable moment”, that is what the Ancient Greeks called *Kaίpoς* (*ibid.*, 189-190)
- “insight” designates the kind of knowledge of men and the world that entrepreneurs must possess, an ability to appreciate their fellow creatures,

treating every and each human being according to their qualities and defects, and also enjoy the interaction between the people “accounting for all details and complications of status” that they may have, (*ibid.*, 190).

- “intelligence” is understood as the fact that entrepreneurs must be full of “ideas” and translate them into “projects”, which is indeed “a special kind of fantasy, that Wundt [*translator’s note*: the “pope” of experimental psychology then, Wilhelm Wundt], calls ‘constructive’, as opposed to the intuitive imagination of the artist” (*ibid.*, our translation, as above)

Regarding this comparison between entrepreneurs’ imaginative powers and the intuitive imagination of artists, Sombart had written that the former must be “*geistvoll*”, “full of spirit”, in that they should be “rich in ideas” (“*reich an ‘Ideen’*”), “rich in a certain kind of fantasy” (“*reich an einer besonderen Art von Phantasie*”). The type of fantasy referred to by Sombart is related to the then important research in experimental psychology by Wilhelm Wundt, who pointed out that kind of “combinatory spirit” (“*die kombinatorische Geist*”) as opposed to the “intuitive fantasy” of artists (“*im Gegensatz zur intuitiven Phantasie etwa des Künstlers*”) (Sombart, 1909: 741). In 1913 as in 1909, Sombart stressed the same pair of characteristic elements.

At the same time, Wieser similarly viewed the entrepreneur as a manager, who must have a “quick perception that seizes new turns of things in current transactions” (Wieser, 1914b: 324). This definition echoes the “moral qualities” of the capitalist spirit of Sombart’s entrepreneur, the above-mentioned alertness, insight and intelligence. One cannot but recall some themes put forth by Max Weber,¹¹ and note that this definition has since been taken up and popularized by Kirzner’s theory of entrepreneurship which is centered on alertness. It is more generally within the Austrian school that this tradition of scholarship on the *entrepreneur* had indeed been pursued.

2.1.3. The entrepreneur is both an agent and a victim of change

In the eyes of Sombart, change is the aspect of entrepreneurial activity that probably appears most clearly in the way he treats the links between entrepreneurship

¹¹ The reader should also be reminded that Sombart’s 1909 essay was published in *Archiv für Sozialwissenschaften und Sozialpolitik*, XXIX/3 of the new series edited by Edgar Jaffé, with the co-directorship of Sombart himself and, despite his enduring illness, of Max Weber. These were economists who renewed their field, and they are neglected mostly due to the twentieth-century upheavals of European and world history.

and technology. Technique as such plays a decisive role in the development of capitalist enterprise and Sombart wrote: “Every day brings new inventions and creates new opportunities and needs for technical and economic organization, which offer the capitalist spirit both new opportunities and new development needs” (Sombart, 1913: 308).

Yet, more than a mere factor of developmental growth, technical aspects of production have become over time a means of “selecting types of entrepreneurs on all economic issues” since:

“It is technique that disciplines entrepreneurs, who must meet requirements all the greater as organizations grow at a par with new technical progress [...and that is] because every new device invented requires other more complex hardware for its application, larger than that which existed before...” (*ibid.*, 307).

All this does not account for a consistent full-fledged theory of growth, however...

It may already be noticed that, as a mere consequence of developing techniques, feedback effects on technical matters indeed modify entrepreneurship as such, and a new style emerges, essentially the *rationalized entrepreneurship*. Rationality is here intended as the spirit of calculation (“*Berechnung*”) developed to its utmost possibilities as a result of the pervasive influence of *technology* on entrepreneurship. Sombart wrote that “more conscious and therefore more rational becomes the thought of the economic man under the influence of technique, particularly modern technique” (*ibid.*, 309-10). Advances in technology have permitted to develop firms, companies and have enriched entrepreneurs. The success of those companies has in turn strengthened a deep desire to enrich the core of capitalist companies and permitted new developments in technology. In fact, technique has been changed into a continual process of self-growth, whose study is *technology* (and the latter word has come to designate the object of the study itself, leaving for the word ‘technique’ a more partial and ‘quasi antiquarian’ meaning).

Even more importantly, technical change has modified systems of moral values, inducing an attitude where profit is accompanied by a significant increase in the value we place on material things (*ibid.*, 313). The “artificial world, the product of human invention and inert materials” has become the heart and soul of that value system, at the expense of the “living world”. Here, Sombart necessarily echoes the success of the

German “*Lebensphilosophie*” (philosophy of life) of his times: Rudolf Eucken (literature Nobel Prize in 1908 for his idealistic and vital philosophy) illustrates it best. There existed also a concept of “*Lebenswelt*” (“life-world”) that influenced economists, and Sombart was no exception. He wrote that “mankind was losing its economic, and even cultural value, since because of technology, it [the ‘humanity’ of men] ceased to form the core of the process of production” (*ibid.*, 315).

One should not exaggerate the ‘moralistic’ contents of such sentences as the previous one: it is more a witness of the then new conviction that life follows laws which it is the task of economics to vividly demonstrate, a conviction that pervades all those works. In Wieser’s *The Law of Power* (*Das Gesetz der Macht*), we find an analysis of the same kind: entrepreneurs are described as reacting to changes happening in techniques, yet also as the very sources of the development of the latter, and therefore a major factor of technological change. Entrepreneurs contribute to change in that they manage and lead “an army of salaried and wage employees”. The entrepreneurial function is thus similar to that of a military tactician or strategist: in organizing one’s business, an entrepreneur “acts as a discoverer and inventor” (Wieser, 1926: 347). Thus, “the great entrepreneur needs a free mind and an unfettered will in order to live up to the constantly changing requirements of the time” (*ibid.*, 348).

Wieser formulated some judgments upon the consequences of such an engagement on the workers, which we shall see at the end of this presentation (section 3.2.2.). For the time being, the role of the entrepreneurs is our main concern: they are once again the heart and soul of change, because they generate new ideas and implement new plans of action. Moreover, successful entrepreneurship is the activity that masses follow and select: one man becomes a leader (*Führer*)¹².

Old companies disappear when entrepreneurs are able men that lead masses who follow them towards “brighter horizons”. Of course, the nature of those future perspectives may bring along many delusions and in the twentieth century, masses were in fact the instruments of the most horrendous actions. Yet, originally, the idea was that

¹² Here, the German word itself has come to represent many problems because of later historical events. What matters, though, is not to indict any writing, but to understand how, from the analysis of economics and society, authors like Sombart and Wieser have been led to put forward such a notion, whatever it was later to be changed into. Besides, they were not alone, and Max Weber’s interest in “charismatic leadership” is also well-known. As a matter of fact, it is the further guise such ideas took in the political realm *outside civil society* that induced consequences later to regret.

entrepreneurs who managed to convince individuals who constitute the masses were apt to emulate others, and would not only achieve their own plans of action but rather a “tremendous influence of mass practice which grew to reach final results far beyond their expectations” (Wieser, 1914b: 165). Thus the economy is made up of social institutions that in the end do not necessarily conform themselves to plans of action that were designed and implemented in advance by entrepreneurs, *although they are indeed the* (unforeseen, albeit not involuntary) *fruit* of the “cooperation of countless individuals, each one of them independent in his sphere, yet each of whom has contact with only a few others” (*ibid.*, 166). And this is a typical “Austrian” statement...

The results of entrepreneurial action thus go far beyond the entrepreneur’s initial impulse – yet, without that first move, nothing would have happened. We are here reminded of the way in which Menger describes the emergence of money thanks to the first agents who understood the benefits of easier intermediaries of trade. Entrepreneurs have therefore influence on the results, but it is as if they slipped through their hands, or as if entrepreneurs let them do so. The resulting social institutions are the unexpected products of human action – and anyone aware of the history of the Austrian school will immediately associate those early insights with what Hayek would define later on.

2.2. At the roots of entrepreneurial action: the spirit of entrepreneurship

In Sombart’s opinion, what he calls “capitalist spirit” has induced the impressive development of capitalism as the result of “two (coexisting) souls”: “the soul of an entrepreneur and a core of middle-class itself, these two souls forming by their union the capitalist spirit” (Sombart, 1913: 192). Naturally “middle-class” and bourgeoisie are not identical, but it was a *cliché* at that time to link “little bourgeois” to middle-class men, somewhat in the spirit of the famous Viennese *Biedermeier* way of life.¹³

Already in his 1909 essay on the capitalist entrepreneur, Sombart devoted a whole section of the paper (1909, section VII of paper: 725-39) to what he calls the key combination: the spirit of the entrepreneur related to the spirit of the *Händler*. In 1909,

¹³ To be exact, the era, the way of life and even the literary style referring to that name precisely characterize a period (1815 – 1848) *prior* to the one dealt with here (1900s). Yet, in fact, the *petit-bourgeois* philistine, limited and naive, whose tastes are so *kitsch* in everyday life, persisted in style well beyond 1848, until the Central Europe Empires collapsed. As to the word *Biedermeier*, it comes from a character in the journal *Fliegende Blätter*.

Händler is stressed more while in 1913 *bourgeois* is. Let us now quickly discuss this shift in stress.

2.2.1. Sombart's "capitalist spirit" relates entrepreneurs and "bourgeois" and traders

It must also be pointed out that, although always difficult to define, "bourgeois spirit" here essentially refers to an ability to *save capital*, and that "trading spirit" - the spirit of the *Händler* - refers to a capacity of *immediately* finding, with clarity and vivacity, what would sell and in which quantity, under what conditions, and so forth. To put it in a nutshell, and although the word itself does not appear in Sombart's 1909 text, the ability to guess what is *absatzfähig* (saleable, marketable) is the main characteristic of the (entrepreneur + trader) attitude. One cannot but be reminded of the key role played by *Absatzfähigkeit* in the works of the founder of the Austrian school, Menger (see above).

Regarding the confluence of the entrepreneur and *bourgeois* spirit, the *bourgeois* soul as described by Sombart is mainly embodied by calculation, or what a marketed good will give in return for investment. *Bourgeois* "know objective values and calculate accounts", they are those "who hoard" (*ibid.*, 1913/1920: 217). Sombart sharply contrasts "bourgeois' temperament" against "erotic temperament", writing that we human beings, "we live either for economy or for love. Living for economy means saving, living for love means spending" (*ibid.*: 219). But a bourgeois' temperament is not a sufficient condition to exercise entrepreneurial activities as such. There are indeed "intermediate steps" between the two spirits and, of course, *not* all bourgeois are *entrepreneurs* (*ibid.*: 196) – especially if they are not endowed with the special abilities (pugnacity and an innovative spirit), bourgeois do *not* turn into entrepreneurs.

Therefore, the spirit of capitalism is based on, and keeps requiring from the latter "specific mental qualities". Some of these certainly occur in most, if not all men, but at very different degrees. According to Sombart, a "perfect bourgeois" first appeared in the late 14th-century Florence, as "stately" ways of life, based on display of expenditure, were gradually disappearing. Bourgeois are "solid businessmen", they are "sensible" and make "good family fathers" (*Hausvater*, writes Sombart, which is the German translation for the Latin *pater familias* of Ancient times). "*Hausväterlich*" ideas and principles provide a "good economy" (*ibid.*: 103). It may well be so, and indeed Sombart seems to give a positive (and rather lengthy) determination to what mere

bourgeois common sense has been since those times (1909: 734-739, the Genova-style first businessmen are evoked in the 1909 essay, p. 735). But we also know that Weber would later criticize that characterization as insufficient and insist on the role of book accounts developed by the Dutch rather than in the original Italian cities of Florence, Genova, Milan etc. Yet, Florentine, Scottish and Jewish bankers (1913/1920: 126) could indeed be investigated by Sombart as the first entrepreneurs in the modern sense of the word, which is centered on alertness (as seen in the previous section).

As a matter of fact, we may think that in a way Sombart's views prepared Weber's, although they did not fit together completely well neither then, nor in the end. Also, Sombart does not say what purpose such savings serve: is he suggesting what is saved is not necessarily to be invested later? Anyhow, a taste for money has emerged which would drive entrepreneurial activity, and this has accompanied the growth of greedy habits and numeracy skills, particularly in commercial calculation and accounting (1913: 123). At the end of the day, capitalist entrepreneurs have acquired a business ethics of "fair trade" that is described as some kind of "morality of fidelity to contracts and agreement" (*ibid.*: 1)

Entrepreneurial activity is in fact based on three principles in that sense: 1) rationalization of business; 2) willingness to do large amounts of savings; 3) business ethics and finally the habit and fondness of numeracy. Entrepreneurial action is characterized by "the rationalization of economic conduct, that is to say, it establishes a rational relationship between spending and revenues" (1913: 128). Entrepreneurs *voluntarily* save money like *bourgeois* do, but they do not *initially* do so because they feel compelled. Weber would say they do it because they serve God better that way, adding that only later the habit would become mandatory (who does not save lacks capital and misses opportunities).

2.2.2. Wieser's typology of entrepreneur spirit: relations and shortcomings

Wieser's writings indeed parallel the idea that entrepreneurs do not only have an economic, but also a *social* function. In the sense that, for Wieser, "man is by nature a social being" (Wieser, 1914b: 155). Such assumptions regarding human nature send us back to arguments exchanged between Menger and the historicists during the *Methodenstreit* (see above). Although heir to Menger, Wieser indeed wishes to reintegrate within the Austrian discourse some references to two distinct social forces of

which the agent's behavior is a product: "compulsion" and what is (quite clumsily) translated in English as "natural controls" (and which would rather translate as *freedom powers*).¹⁴

Clearly, any deliberate action that Wieser describes can be traced back (and actually is, in his texts) to the following two roots: one is the desire to achieve power and describes what results from that desire (*Begierde*, a term often used in German philosophy, that could lead us back to Hegelian philosophy as well), and the other represents the consequence of that power. More precisely, "there exists a twofold stimulus: the purposeful desire that our efforts attain their object, and an active motor stimulus that is massed under tension and strives to be discharged. Fundamentally, both the desire and this force are intimately associated, but they appear distinct at the surface of consciousness" (*ibid.*: 18). Some will combine the desire for accomplishment and power and its practice, and there lies the source of *all action*: without the force and energy of a strong will (to take action), no action could ever exist. The forces that determine the behavior of individuals are known as *their motivations*. Within society, these "must be cultivated – trained, disciplined and grouped – amid a ceaseless conflict of interests and powers" (*ibid.*: 19). Therefore, they also vary depending on various undertakings (firms).

Although influenced by the stress put on them by these inner qualities, men remain free to act or not to act: indeed freedom in the true sense of the term can never be a mere assumedly total lack of control. The constraint actually is a restriction on individual freedom, and its form is nothing but oppressive domination. But constraint is exogenous, and here Wieser designs inner constraints, which are never completely deterministic. Human beings act within a social environment that restrains them, but upon which they may nevertheless have an influence *in any case* (even by omitting to act in certain circumstances). Altogether, the constraint discussed here is larger than mere economic constraint, and also extends to social and moral "decisions that common men regard as their own [and which] are induced by the power of education and by the widespread practice of others who have been placed in like circumstances. The play that

¹⁴ The translation here plays a major role, as it orientates further reading and references that come to mind for the readers. It is best to go back to the original German term, that is "*Freiheitsmächte*". In the English version, the translator appears indeed aware of the problem that his choice induces (see footnote in Wieser, 1914b: 154), but unable to solve it (that poor choice of translation has contributed to misreadings of Wieser, who indeed advocated *freedom and not control*).

is possible to freedom of action, which exists legally, is narrowly restricted by morality, the state of the technical arts and other conditions” (1914: 156).

Wieser concludes with a “theory of elites”, saying that there exist two categories of people: the “masses”, which are the many, unorganized and unable to act by themselves, and the “leaders”, only able to stimulate action by controlling and directing the first. “Leaders” are elsewhere defined as “the great men of history” (1926: 37), but the word “chiefs” (*Führer*) also designates “all persons who stand in a guiding capacity above the masses” (*ibid.*). *The role of the masses is to follow their leader*. What looks like some early *Führerprinzip* must not be straightforwardly identified with the political consequences later to appear, but considered within an economic and social framework. This being said, it is clear that although in Wieser’s text leaders occupy higher hierarchical positions and exercise their powers so as to lead masses on the path *they* (*the leaders, not the masses*) have chosen to follow, leaders remain *dependent on the masses*. Let us point out that, in this sense, Wieser’s views may characterize a “strong” *democracy* as well (presidential-type, like in the US or the French Republic from 1958 onwards). According to Wieser, masses - even though *unable* to act alone - still play a key role in leadership selection as they have enough power to choose one leader over another. And there is no specific scenario that masses will follow, which means that every election is different. According to Wieser, the evolving relationship between masses and leaders actually depends on the conditions under which these relationships are expressed. This is why political and historical connections that immediately come to mind should be carefully avoided; it would be advisable to examine the typology prepared by Wieser himself. Let us sum up his lengthy developments.

The characterization of being a “leader” equally applies to “military or political leaders, to princes, army commanders, statesmen or party heads... religious leaders, leaders in the arts and sciences, in short to all who in any realm of social activity lead the way” (*ibid.*). As a consequence, Wieser distinguishes five forms of leadership (1926: 38-42), which he pairs with historical periods and regimes that the readers of historicist literature knew quite well:

1. “Despotic leadership” is predominant during the early periods of history, and is mostly based upon the use of force.

2. “Lordly leadership”-type of management is not simply based on the exercise of force but also encompasses “cultural traits”. Wieser cites the European aristocracies of the Middle Ages as an example.
3. “Cooperative leadership” is characterized by the fact that leaders “[are] chosen by fellows through election” (which may refer to elective monarchies as well as to some forms of democracy).
4. “Historical leadership” occurs only in the context of power acquired with all kinds of means (naturally including war, but also devolution, succession laws, etc.).
5. “‘Impersonal’ type of leadership” is specific to a *free* society where “it is never necessary to make collective decisions calling for a united leadership at the top”, which means that a non-central type of decisional process indeed exists and supplements the possible lack of a top leader (it is not impossible either that some decisions are taken through mere pre-existing rules of thumb, customs, or even bureaucracies that no longer infringe on individual behavior).

Readers of Weber’s works would immediately try to distinguish which Wieserian types of leadership correspond to which Weberian ones. We think this exercise should be left to scholars and that avoiding it does not prevent understanding Wieser’s views. Rather than ask where the “charismatic” leader lies, it should be noticed that the distinction between leaders and masses in fact provided the opportunity to portray that typology, but also left many questions unanswered. For instance, Wieser never raised the question whether someone may be part of two of the above types of leadership, depending on circumstances and historical contexts which are never ideal. It seems that, especially when thinking of concrete historical examples,¹⁵ a single person could belong to different types at different times within a lifespan, or that different persons could represent the same type, with a similar “spirit”, in different periods (in the next section, we shall come back to that latter view) .

With time and political change, former leaders are also eliminated by new ones. Yet, can’t we consider that a person belongs at the same time to separate “classes” (or “states”, in the sense of *Stände*) in different spheres within social life? For instance,

¹⁵ Indeed the representative of the Austrian school himself seems to think of such examples, and appears to induce readers to reflect in the manner of the Historicists, while we pointed out that - albeit a heir to German Historicism - Sombart used concepts put forward by Menger, founder of the Austrian school.

some leaders in the economic field may not have any role as leaders in politics and head no aspect of political life. Conversely, the economic laggard who is the “boss” of a political machine is a well-known study-case by Weber (in the American context of party-“machines”). Therefore, Wieser’s theory - albeit consistent with such an analysis - doesn’t seem to address this issue at all, which is clearly one of its shortcomings. That being said, we are thus led to differentiate the analysis by Sombart and by Wieser to evaluate both interest and limits by confronting their views.

3. The development of specific forms of economic/social “undertaking” and the role of the entrepreneur

In the following section, we will make a comparison of the different types of entrepreneurs identified by Sombart and Wieser. More than a list of types, we shall see that they fundamentally believe that entrepreneurial activity has not changed that much through the course of history – or to put it in a different way, that a universal and individual typology is the adequate manner to apply economic reasoning to historical periods. Only apparent forms of entrepreneurship have evolved, not the mechanisms inherent to these. If at times the same kind of person may perform different functions (entrepreneur, financial speculator or industrial director), the division of labor at work in the growth of capitalism itself induces those new forms of division of functions. Thus, the entrepreneurial action is perfectly distinct from other economic functions, especially in Wieser’s work as we will see, but it also pervades varied historical frameworks.

We will first discuss the “forms” (*Gestalten*) taken by companies in the history of capitalism. We will then highlight the fact that the growth of capitalism has led to the division of economic functions. This will finally bring us to emphasize the specificity of entrepreneurial action. As both Sombart and Wieser were indeed interested in the development of capitalism and the emergence of corporate forms, they both tended to highlight the fact that entrepreneurial action *precedes* the existence of capitalism.

Indeed, some “*primitive*” forms of business existed long before one may speak of capitalism as such. Similarly, it is possible to retrace various characters regarding entrepreneurial activities: the conqueror, the lord, the State official, etc. and that is true even though they were not entrepreneurs “in a capitalist sense”. We may gather the

points of view discussed in this section in a table: see Annex, where table 2 displays the *diverging characteristics of the entrepreneur in Sombart and Wieser*.

3.1. Types of entrepreneurial action

Sombart analyzed corporate forms in a rather linear manner and emphasized the decisive role of the entrepreneur along the way, while Wieser went further in showing the *dynamics* of capitalism as producing not only an increase in the size of the firms, but also an increased division of labor. The latter then appears as separating economic functions. This division in turn serves to emphasize how specific entrepreneurial action is.

Sombart's 1913 volume is indeed a *historical book* in contents, but also a theoretical book as regards the construction of the "type" of "the entrepreneur": that is what the historicist author meant, once the *Methodenstreit* was over and the impact of Mengerian ideas (see above) had reached deep into the German-speaking economy. The idea of "enterprise" or "undertaking" in the largest sense is indeed defined as "any realization of a long-term plan, whose implementation requires sustained collaboration of many people moving to a single will" (1913/1920: 71). A *capitalist* enterprise (as it appears in its modern form) is hence derived from the evolution of four major historical forms of organization, which are: military expeditions, large landownership, the Church and the State.

3.1.1. "Primitive"-style and "modern"-style activities of the entrepreneur

The emerging features of capitalist enterprises are to be found in the primitive forms of undertakings (or hypothetically-called "companies") pointed out by Sombart. Altogether they are smart organizational patterns. They explain the existence of projects for whose achievement leaders make their endeavors. The "entrepreneurs" in the widest sense (that is, also military chiefs, landowners, churchmen, statesmen) manage to gather numerous men around them. The specificity of entrepreneurial action lies in this ability to organize and persuade. Such aspects are not inherently related to capitalism, Sombart says, but precede it.

- a. In a military expedition, one may wish to consider a “corporate warrior”, that is “one of the most primitive forms of business in general, even its most primitive form, because it is the essential condition for all others” (1913/1920: 78). The most explicit example is none other than the “plundering expedition” led by the chiefs of mercenaries. And pillage is part of that *primitive* form of accumulation. Let us here recall that Sombart was a specialist on Marx and regarded by some as one of his potential academic heirs, and that the chapter about the genesis of the accumulation of capital in *Capital I* says more or less the same thing. Yet, while Marx had denounced the hypocritical remarks of present *bourgeois* about their origins, Sombart made neither resentful nor repenting remarks about that point. On the contrary, plunderers, pirates etc. were, according to him, indeed *true entrepreneurs*, not only because they conceived a project (which some may judge criminal, but which was completed anyhow), but recruited (and remunerated) men to execute it while they assumed the risk of the entire business (as pirates would be hanged by the French, Spanish or English Royal Navies). In fact, Sombart uses the example of the buccaneer, who is the head of the “business piracy”, to make his case clear: “military valor and organization were being used directly for the desire for wealth” (1913/1920: 87).
- b. The great landed property (or “lordly” property) is the second primitive form of enterprise presented by Sombart. It is characterized by “the organization of work in general, that is to say, the organization of the work of a large number of persons around a common task” (1913/1920: 80). Large estates developed over time in order to sustain the needs of their owners into “feudal-capitalist enterprises”, in which “the [politically] influent lords came together with wealthy bourgeois, yet even with poor inventors, for their common sake; the lord is thus responsible for obtaining licenses or protector rights while the moneylenders provide money and inventors bring in the ideas” (1913/1920: 95). Here lies the division of economic functions in principle. Let us notice that entrepreneurs are distinguished from capitalists (moneylenders) but also

from inventors: imagination does not suffice to characterize entrepreneurial action. The entrepreneur is needed to achieve real undertakings, to give life to enterprises. Inventors (be they geniuses, like Leonardo, scientists or technicians) are never enough in the economic realm, but must be coupled with moneylenders, managers and laborers. Implicitly, the idea that one of those categories could claim the whole revenue of the enterprise is thus already denied.

- c. The Church is also presented by Sombart as the birthplace of many companies. Or rather, according to the historicist who did not study religious behavior and the consequences of the religions of the world as deeply as his colleague Weber, the organization of a convent or a diocese already looks like that of a bank or a cotton mill (these are the very words used by Sombart, although the analogy is not exploited as in-depth as it could - or rather, would - be by Weber: Sombart, 1913/1920: 84).
- d. Finally, the modern state as it gradually emerges in the late Middle Ages is also a primitive form of enterprise because of its “administrative unit..., its organization of the world extended to every detail of life...” (1913/1920: 82)¹⁶. At the beginning of the capitalist era, the figure of the state officer appears as “the only one in possession of the moral and intellectual qualities that can ensure an enduring enterprise, its soundness and efficient functioning” (1913/1920: 111). Among the entrepreneurial qualities of staff, Sombart particularly highlights the ability to initiate and handle large projects. Princes and statesmen were the only ones able to finance large projects (besides the Church, but other constraints existed for ‘spiritual’ projects, like Medieval Crusades etc.): they financed discovery travels, mining, trading and colonial expeditions and the companies created to make them succeed. They were also the only ones who could set up and manage the whole organizational apparatus

¹⁶ Sombart presents the “pre-modern” state in the third place, before evoking the Church (“*die Kirche*”). But he describes state organization more widely and in-depth than the church, dwelling upon it several pages later, when discussing “*Staatsbeamten*” (civil servants of the modern state). This is why we put this study-case in the last of the four positions of “pre-modern entrepreneurship”.

necessary to carry out such large-scale projects. To put it in a nutshell, statesmen were the only remaining primitive powers who had the “ability to foresee the future and to design it [according to their will]” (1913/1920: 112). All the previous ones - buccaneers, feudal lords and churchmen - had limitations, while civil servants would have none other than the State’s. At the same time, they all had the common feature of relying on apparent or hidden coercive means (1913/1920: 117) – once again, one cannot but recall Weber’s definition of the state as the only user of legitimate violence towards individuals (by definition the subjects of the state regime they live in).

At this point, one should add three new forms of organization, which can now be labeled “corporate forms” in the common sense of the term in use today. They represent modern entrepreneurship and they are respectively the speculator, the merchant and the artisan (or “craftsman”). These characters differ from the ones above in that, rather than a physical or spiritual constraint, they mostly use an inner form of compulsion for their trade, that is the *force of persuasion*.

In a modern capitalist business, persuading others is the main quality necessary in entrepreneurs, and it replaces external constraint (*Zwang*). In this sense, speculative activities are such a form of business as well. It is the ability to influence others that permits to relate various economic functions. More precisely, a certain fondness for attitudes that remind what gamblers do indeed exists as a root for both speculation and a taste for business negotiations, and so we see “a state of mind, a disposition (*Gesinnung*) emerge: that is the main motto [that] so as to reach a goal, all means are good, especially those that call attention, excite curiosity, and a taste to buy goods” (1913/1920: 120). Wieser’s view according to which entrepreneurs are leaders who lead people not only at work, but in general and even for consumption, is consistent with Sombart’s. An entrepreneur behaves very much in that way: he/she convinces the capitalist who brings funds in the business, the inventor who finds the idea and offers it, the customers interested in the product, etc. Any capitalist undertaking is a free speculation on the future. It has the taste for adventure that former entrepreneur-like types of leaders also displayed.

Then, is the final form of business evidenced by Sombart an industrial enterprise in the sense of a speculation, or a factory with men at work, or what then? A leader of the type of business that produces goods is called an “artisan” (*Handwerker*); there is probably a translation issue here too, as Sombart himself noticed the following: “I find no other word to [better] describe what the English call ‘*manufacturer*’ and the French ‘*fabricant*’ ” (1913/1920: 132, in English and in French respectively). Thus the speculative form of enterprise is stressed and Sombart regards founders and directors of such enterprises as a *special* type of capitalists, whose power rests upon the hope that persuasion and even seduction indeed “*replace, in terms of motivation, constraint or fear*” (1913/1920: 120).

In fact, as business develops in a capitalist context, trading (capitalist) enterprises expand. Merchants therefore become entrepreneurs either due to the “*gradual extension of small business (artisan-type)*”, or as a consequence of *merchants seeping in the field of production of goods*” (1913/1920: 122).

3.1.2. Economic functions are separate within a modern firm and the future belongs to large-scale companies

Wieser’s analysis of entrepreneurship rests on ideal types. However, it differs from Sombart’s in that it highlights the process of separation of economic functions that emerges through the development of capitalism and the division of labor. Like Sombart, Wieser defines an “enterprise” as an organization whose internal structure determines the character of the entire structure within a monetary economy (1914b: 323). The term “enterprise” here translates the German “*Unternehmung*”, that is an “undertaking” and has come to designate more specifically a *modern* form of business with large units, which in the literature of industrial economics and industrial history nowadays designates *large-scale* business.

Individual establishments (craftsmen’s activities) are *not* considered by Wieser any longer as an “enterprise” in *that* sense, since Wieser speaks of “*Sonderbetriebe*” to designate them¹⁷. It is important to notice that Wieser *explicitly* chooses to neglect all “individual” (one-person) establishments which existed and obviously still exist, as modern times do not put an end to them but only display a newer type of productive

¹⁷ The expression “*individual establishments*” is the choice of the English translator and could be criticized, as *Sonder* means “particular” and does not necessarily refer to smaller activities.

multi-agent “*Unternehmung*”, which Wieser aims at painting in a simplified, ideal portrait of “the enterprise”. Once again like Sombart, Wieser thus sets craftsmanship aside, since this form of large enterprise appears in the course of the development of capitalism, while smaller forms remain but flourish less with time passing.

Wieser’s analysis therefore starts from the simplest and purest form of economic management, namely the *individual* entrepreneur, yet swiftly moves towards an understanding of the different economic functions present in *large* modern companies, such as trusts and cartels that finally appear; there, the management, the shareholders and the entrepreneurs are thus distinct from one another. Wieser goes well beyond Sombart in detailing the functions performed by the entrepreneur in those three.

According to Wieser, the individual entrepreneur is the *director* by law, and by his/her active participation in the economic management of the enterprise as well. As the legal representative of operations, owner of goods production, creditor of any money received and debtor of all money due, he/she is also the employer of workers or *Arbeitgeber*. We mentioned this in the first section, when we tried to define the *Unternehmer*, and we finally retrieve it here, as an evident consequence of Wieser’s inquiry. The steering power of the individual entrepreneur (indeed a steersman) begins with the setting up of the enterprise, based on the supply of capital (by moneylenders) and of original ideas (by inventors), but it also includes the power to hire staff – without whom nothing could be achieved. Once a business is established, entrepreneurs become technical and commercial managers.

As state and society grow, power increases, enterprises evolve and the role of entrepreneurs indeed begins to change. The entrepreneurial function is gradually detached from other functions such as ownership or management. Entrepreneurs thus separate themselves from owners or managers. Two forms of leadership then come out: a first form where the leader as owner has unlimited power at disposal, and a second form in which the power of the leader is limited by the terms of mandate and assumed responsibility *vis-à-vis* his principal. The capitalist firm in its modern form, namely the joint stock company, combines these two types of leadership. Entrepreneurs may be individuals as well as small groups of individuals. In both cases, the entrepreneurial activity in a monetary economy lies in the ability to suggest incentives for the investment of capital in order to make monetary profit (1914b: 326-330).

The development of entrepreneurship depends on the evolution of the forms taken by the enterprise. In other words, for Wieser *the institutional structure determines the form of economic action*. This is the reason why he may well be the Austrian thinker closest to institutional concerns. His use of economic history is also characterized by his interest in the size of firms along with their growth: an increase in a firm's size and the dissolution of entrepreneurial action as such until the term "entrepreneur", never totally disappearing, comes to refer only to the legal owner. Meanwhile, the entrepreneurial spirit that characterizes the individual entrepreneur has conversely spread to each and every level within the firm. The entrepreneur is thus no longer only the business owner, but his subordinates are engaged in the activity of the firm. Wieser wrote: "in capitalistic enterprises, the great personalities of entrepreneurs have risen to their full stature: bold technical innovators, organizers with a keen knowledge of human nature, far-sighted bankers, reckless speculators, the world-conquering directors of the trusts" (1914b: 327).

In the end, increased division of labor and growth and complexity of business have made any separate entrepreneurial function disappear, as it is scattered among all partners in the undertaking. It is still *very* present, yet always combined with other economic functions. Though the entrepreneurial function is conducted in conjunction by many, Wieser underlines that there should be no confusion regarding the original entrepreneurs: entrepreneurial and managerial actions are distinct.

Regarding the origin of profit, Wieser shows that the income of the entrepreneur consists both in salaries related to management or other executive work, and in *interests* of the share of capital invested in the business and *entrepreneurial profit* itself. The latter refers to the *specific* payment entrepreneurs receive. Profit appears as a sum deducted from the net income flux that is generated through sales once all other functions have been paid. *It is therefore not a kind of compensation for risk taking* – which is often a common view held by standard economists, both then and now. As to Wieser and Sombart, they agree that it is not so. In this case, the specificity of the income has to be explained: it comes from the legal position of the entrepreneur, from the exercise of leadership. Unlike Sombart, Wieser distinguishes different functions that *coexist* in the framework of modern enterprises. Wieser puts greater stress on the fact that the process of division of labor produces a burst of economic functions more

pronounced over time. Thus, the definition of entrepreneur and profit must always be presented in relation to other economic functions such as business management.

Finally, Wieser distinguishes “promoters”¹⁸ from “speculators”. In fact, entrepreneurs are not simply those who have founded enterprises: those are the promoters, who create businesses, for instance an enterprise by providing guarantees for its success. As such, promoters are only a specific type of entrepreneurs. Hence the entrepreneurial function should not be limited to the act of founding a business. Similarly, speculators may be entrepreneurs since their actions provide some economic service, for example when contributing to refine calculations by entrepreneurs.

Unlike Sombart, Wieser believes that speculators are distinct from entrepreneurs in that “it is never [their] intention to contribute anything by way of improving relations between the supply and demand” (1914b: 364). He distinguishes the actions of speculative entrepreneurs from the proper creative effort, even if he too thinks that speculation is no end in itself but a means to achieve a goal, namely a given undertaking. Consequently, only speculation that may be called “productive” in some way is in fact considered entrepreneurial. The *entrepreneurial* element of any action naturally depends on the nature of the project to be achieved, and financial speculation is *not* of the entrepreneurial kind if it achieves no such goal. Only speculation motivated by industrial and technical interests is properly entrepreneurial.

Moreover, unlike Sombart who refused to talk about “social classes” as such, Wieser is not afraid to label them and even suggest forging a name for a new class: “the middle class of the industrial bourgeoisie”, “a class of capitalistic entrepreneurs and moneyed capitalists” that rose from the end of the eighteenth century and early nineteenth century onwards, as the system of employment had changed a lot from that of the journeyman in the Middle Ages. Wieser agreed with Sombart that such a transformation had occurred without the “abuse of power but by legal means, by decisions obtained in the market in harmony with the law of prices, with the assent and active participation of the social demand” (1914b: 320); this time he did not insist on possibly involuntary changes forced upon unwilling populations. Neither author intended to criticize capitalism as Marx had, although their analysis seem at times to run parallel.

¹⁸ “*Gründer*” in the plural in German, the term from which the period called the *Gründerjahre* - the founding years of modern German export capitalism – takes its name.

Wieser's originality lies in his analysis of a *capitalist* class, divided into different layers which he juxtaposes and discusses; of course classes confront, but his text displays that the debate extends beyond that fact. He says there is "a capitalist upper class and a lower stratum, subdivided, composed of multitudes of workers deprived of all pecuniary means" (1914b: 321). Wieser evidently recognizes such deprivation. He also concludes that, although suffering from competition (as he could not imagine that they would render services larger companies could not offer at lower costs and with larger benefits for entrepreneurs), some non-profit enterprises could survive next to flourishing large-scale capitalist enterprises making large profit. Such confidence in the successful history of the growth of large capitalist firms, combined with the notion that separate entrepreneurial functions spread into other functions within those firms, prompted Wieser to try and define a typology of the "*Unternehmung*" as such. He had been preceded in that attempt by Sombart.

3.2. Types of entrepreneurs and typology of entrepreneurial functions

For Wieser *and* for Sombart, the analysis of the dynamics of capitalism and of the role played by the entrepreneur show clear similarities in their parallel development. However, if Sombart attempted to show that entrepreneurial action is always a combination of three types of action (which we will list shortly), Wieser stressed the need for some kind of "protection" against an outgrowth of the "capitalist forces". Therefore, a fundamentally interventionist position was finally taken by Wieser the Austrian theoretician, while Sombart the historicist would not take that path. This strange outcome explains why Wieser is also often regarded as breaking away from the direction followed by Austrian economists – and later on, from the theories of Ludwig von Mises and Friedrich Hayek, that seemed even more blatant.

3.2.1. *The three components of entrepreneurial action in Sombart*

Sombart clearly relies on *ideal types* in the most Weberian-like sense of the term. Let us add that Menger had first built the methodology to elaborate what he called "real types" ("*Realtypen*") in his 1883 *Investigations*. The features of Mengerian and Weberian types look very much alike in spite of the apparently opposite naming. But Menger had not applied it to the entrepreneur. Whether more or less borrowing from

one or from the other, Sombart did it. He distinguished three types of entrepreneur, naturally not encountered as such in their purity within all the details of concrete reality. Those are in fact *types*. However, it must be noticed from the start that the types he identified are not mutually exclusive. On the contrary, Sombart said that any entrepreneur is always a combination of these three types. Entrepreneurs are thus at the same time and in some way “conquerors”, “organizers” and “merchants”, along the three directions explored. The latter was made explicit already in Sombart’s 1909 essay, while all three were discussed at length in his 1913 book. Let us recall them to trace Sombart’s typology:

- a) Any entrepreneur is a *conqueror* (“*Erhoberer*”) and, as such, is characterized by wealth of imagination (“*geistvoll*”) and the possession of “*some degree of spiritual liberty*” in the essence of the spirit of undertaking (“*das Wesen des Unternehmungsgeistes*” says Sombart, 1913/1920: 70). To paraphrase the following pages in the volume, let us say that an entrepreneur’s work is signaled by the desire and constant will to achieve one’s projects, which drives towards action until the target is met. Therefore one must possess enough strength and *decisional spirit* to overcome all obstacles. Not only is the entrepreneur determined, but also able to face any danger and accept *risks* to succeed in the *enterprise*. In this sense, a conqueror is the closest character to a player who enjoys risk and possesses a real fondness for it. They react quickly and well, have clear foresight and the nerve to achieve their goals (Sombart, 1909: 746). He adds: “*Smarte Männer*” (*ibid.*, 748). From this perspective, *essential* qualities for entrepreneurs are strength, will and energy, all of which are also found in the description given by Wieser.¹⁹

We now understand why entrepreneurs are always described as capable of breaking routines, of fighting against and overcoming established habits. It is precisely why Sombart insisted, from the start of his analysis, on the role of strangers and migrants in the constitution of entrepreneurship. For Sombart, “migrations develop the capitalist spirit, by breaking ancient customs” and developing certain adequate virtues (*die bürgerlichen Tugenden*, 1913/1920: 135),

¹⁹ Outside a strictly economic context, one could say that the motto of the entrepreneur is Nietzsche’s sentence: “one must live dangerously” (“*man muss gefährlich leben*”). Naturally exegetes and scholars would give Nietzsche’s expression a different meaning, but using it here may not be totally inappropriate.

and that is “a trait inherent to any activity of a foreigner whether he/she be simply a migrant, or a colonizer: that irresistible trend to do as much as possible, as it is pushed to its furthest consequences, creates economic-technical rationalism” (*ibid.*)

However, emigration *cannot* enable the emergence of entrepreneurship *independently* from other spiritual factors that are discussed here. Therefore migrants are not all in the position to achieve entrepreneurship and economic success. The cases of persecuted and disciplined people are particularly illustrative. Sombart speaks highly of the wanderings of the Jews, as well as of the evangelical migrants (1909: 753-4). The forced “*Wanderungen*” prepared those people to acquire all the needed qualities for entrepreneurship and quick decisive moves towards better places and ways to live.²⁰

b) Any entrepreneur is then also, and secondly, an “*organizer*”. This second feature in the typology of entrepreneurs is described by Sombart as characterized by an ability to *organize* the work of other men, that is to say to coordinate and make their efforts “meet” in view of an efficient activity. To “*put human beings and things as well to the maximal possible useful effect*” is “*der Organisator*” (1913/1920: 71). Sombart also insists extensively upon the fact that somebody who is good at organizing things must also be “*able to judge men according to their aptitudes and see at once, and among the mass, those whose aptitudes best fit the goal sought after*” (*ibid.*). “Organizers” are natural leaders, and what we now call good managers or good officers.

²⁰ A footnote is necessary here, especially because later interpretations of Sombart, and the volume he dedicated to the Jewish case (*Die Juden und das Wirtschaftsleben*) could appear anti-Semitic (and indeed they did) during the national-socialist period. Sombart’s own relationships with the Nazis is also controversial. Now, an unbiased reading shows that the main wrong was done in interpreting a text, that is *not* anti-Semitic but that happen to give racists the opportunity to turn their anti-Semitic stereotypes into positive characterizations. The twist was not Sombart’s however. No unclear assumptions must be made as to his positions here: Sombart undoubtedly had deep respect for the Jewish people, one of those groups which best illustrated his own theories about the abilities of the migrant peoples. It is useful to remind that such respect was paid back as Sombart was elected a *corresponding member* of the American Jewish Historical Society in 1911 (Lenger, 1994: 210). Concerning those issues and Sombart’s biography, Lenger’s 1994 work may be considered today’s reference. Lenger leaves no doubt about Sombart’s *philo-Semitism*, although one may reckon that Franz Oppenheimer was right to point out that the *effect* was largely the opposite. The whole demonstration was given in particular by B. Schefold in his Keynote Address at the Twenty-fourth annual international Workshop on the History and Philosophy of Economics, at Beer-Sheba University, as he received the Guggenheim-Preis (December 13th, 2010, p. 8-9 of the mimeo handout, sent to Campagnolo by the author).

This type of behavior was once characteristic of large landowners who were in charge of gathering a large number of workers to provide for their livelihood. Although the most common known form of work organization was that of “labor under constraint”, Sombart thinks that the relationship between owners and workers had great variety (one may think of medieval tenants in Europe, but of American ranchers in the West as well).

It seems possible to observe that the role of the entrepreneur as an organizer finally relies on the power the owner may command. The latter indeed appears as the “supreme chief” of a group that “unites and assembles some men *intentionally* with the purpose of some *regular work intended towards some common achievement*”, men, one must add, who must first and foremost obey him (1913/1920: 72). While such power stems from ownership of property rights, it also depends largely upon the ability displayed in organizing the activities that are implied in the common engagement.

Similarly, in order to submit a large population dispersed over a wide area, Churches and States have established “systems of means that allow to exert the deepest influence in orienting human destinies, in keeping forces united and coherent, in constraining men to act in certain ways and refrain from acting in others” (*ibid.*). Thus in almost every civilization, but particularly in the modern states, an apparatus for the administration of the Church and of the State was developed. In fact, it tended towards “*organizing the world in all details of life matters*, and the state ended up *acquiring a proper life, so to say*” (1913/1920: 72). We notice here an attempt to define and explain those *Kollektivbegriffe* that Menger, and later Weber, had willfully set *outside* scientific explanation in economics and sociology.²¹ Sombart ends up stressing how they gave birth to an “*absolute, modern state, that is rationalism and interventionism conscientiously pushed to extremes*” (*ibid.*).

c) Any entrepreneur is then also a “merchant” (*Händler*). We have already discussed this third and last type of entrepreneur highlighted by Sombart. This type of entrepreneur corresponds to the “expedition leader” we met formerly,

²¹ As to comments regarding Menger, see (Campagnolo G., 2010, part III) and concerning Weber, read his letter to Robert Liefmann of March, 1920, as well as Keith Tribe’s comments (Tribe 1989, 2006).

and is not only a good leader in that he/she knows how to obtain the best out of people, but also knows “how to *negotiate, that is discuss matters with somebody else so as to have the other decide, of their own accord, to accept a proposal, to accomplish a given action or to refrain from interfering, and that simply by putting forward certain arguments and denying possible objections*” (1913/1920: 73).

This negotiation may be tacit, as when one asserts certain aspects of things that allow him to inform and convince potential customers (*die Kaufleute* evoked 1913/1920: 74, 123 *et sq.* and *passim*) – what we nowadays call *marketing*. Of course, it certainly is in some way questionable to consider mere advertising a tacit negotiation; however, it is indeed a *negotiation* since it implies bending someone else’s will towards one’s own goal. Notice that Sombart’s assertion does *not* mention if the negotiation is of a violent kind or if it implies any type of direct/indirect moral violence.

Sombart merely states that merchants practice the art of influencing others to feel they should do something different from what they would have otherwise done. This has nothing to do with the exercise of an *external* constraint. Sombart asserts that “if the counter-part accepts the deal, this is indeed always out of a free decision, with no external, but on the contrary only and wholly internal constraint, that is out of consent by the free will of a subject” (*ibid*). Whether this idea seems questionable as regards external pressures that can be exerted in the context of unemployment, for instance, and of *leonine* negotiations between entrepreneurs and employees, merchants and consumers, etc. is a different matter, yet of vital importance.

The parallel that Sombart drew between entrepreneurs and military commanders, entrepreneurs and “organizers”, entrepreneurs and merchants is epitomized in the analogy regarding a military expedition. In fact, Sombart described the latter as one of the four forms of organization that provided foundation stones for modern business (see section 3.1.1.). The main characteristic of this organizational type is the difference between leaders and followers.

The power of any military leader clearly lies in the risks he is willing to take and in the managing tasks that come from the “*necessity to provide their troops with all they might need in order to make the expedition successful, from the recruiting of*

mercenaries, gear and weapons needed, down to the everyday meals and lodging, and possible shelters in case of a hasty retreat” (1913/1920: 78).²²

This quote highlights the fact that the purpose of such undertakings, in military matters as well as in business, comes first and above any ethical or moral consideration upon the issue of whether to use it, or how to do so. That’s why Sombart regards piracy, plunder or voyage discoveries (especially in colonization enterprises) as the earliest forms of economic enterprise (1913/1920: 87). Pirates were often armed by noblemen, even by princes, and the great explorers by sovereigns, in order to increase both private and public wealth. The common feature of such enterprises is *adventure*, which economists would nowadays define as the uncertainty of the continuation and success of business.

3.2.2. *The (gloomy) future of entrepreneurial action according to Wieser in 1926*

In turn, Wieser was fascinated by the power possessed by large-scale capitalist entrepreneurs, especially in the influence they could exert upon price formation (supposedly none in the standard competition scheme of mainstream economics) by their ability to provide more and more products of a better quality and at lower prices. In fact, large-scale enterprises not only provide quantitative and qualitative increase in supply, but also distribute revenues that are spent by households. Sombart stressed this fact: “[such enterprises] create themselves a large part of the demand which will be required to withdraw from the market the increased supply produced” (1914b: 380). Isn’t this a kind of effective “pre-Keynesian” mechanism, so to speak, already outlined by the Austrian economist?

Leaving this question unanswered at the moment, let us notice that both increased production and consumption created “the illusion that [the entrepreneurs and society as a whole] were on the way to such all-embracing and astounding progress as had never before been witnessed in the history of human achievement”(1914b: 380-1). It is true that inequalities had meanwhile risen to an unprecedented level. Thus it seems that capitalism gives leeway to entrepreneurs and at the same time divides society into

²² As is obviously the case in the texts we are considering, the adventurer is more often a “he” than a “she” (for instance, Sombart 1909: 750). That went without saying at the time, even if it is not “politically correct” today. There have always been exceptional cases of women playing such “male” parts in military adventures (history recalls a handful of female soldiers and pirates, Calamity Janes and other representatives of the kind).

two groups, that is “a very small number of individuals of unmeasured wealth and a multitude in abject poverty” (*ibid.*: 381). Isn’t this a kind of “Socialist awareness” of the evils induced by the mechanisms of capitalism?

Once again putting this question aside (it is up to specialists of Wieser’s works to reply, though unfortunately this author is currently quite neglected in the Austrian school, maybe because those issues can indeed be raised), let us now point out that the increase in price range and inequality *cannot* be justified in the eyes of Wieser. Society is shocked and unsettled by “the excess of enjoyments that is accessible to the rich man, destroying not only his capacity for pleasure but also his ability to work”, Wieser wrote (*ibid.*, 381). Meanwhile, workers who left their places of origin to work in factories see their situation deteriorate. Poor working conditions expose them to the “gravest danger”, not only materially but also spiritually, for them and for others, since “social groups that have been made completely proletarian can never contribute to the cultural values of society. Culturally, they become destructive” (*ibid.*: 383).

It is worth pointing out that Wieser (1926b: 348-9) did recognize the *negative* effects on workers due to big business. In the *Law of Power*, he insisted that workers suffer from a “loss of vital energy and happiness” brought about by “the work load to which they committed themselves and by the difficulty and insecurity of working conditions in their occupation” (*ibid.*: 349). The State *must* intervene to protect individuals against such oppression and the despotism of capitalism: let us remember that *despotic* leadership is the first kind of leadership characterized by Wieser in his 1926 volume (see above section 2.2.2.). We now stress aspects of moral judgment clearly present in the volume, as the capitalist era is designated as an economy controlled by compelling capitalistic forces which in the end disfigure the social spirit of the economy from which they arose. Wieser had always believed that “If the state succeeds in protecting the economy from capitalistic interferences, the state’s action is in harmony with the social spirit of economy” (1914b: 412), but this turn towards an increased concern for the social (and national) spirit of an economy where capitalistic leaders are responsible for social evils is in itself characteristic of the 1930s.

Wieser certainly recognized that trade unions offer some resistance to capitalistic leadership, and judged it deeply inadequate to either, quite naturally, enhance production, or compensate the evils of capitalism, which would appear as their

goal. They represent only a segment of the working population, and manufacturers are always better organized than their employees. In a word, they are hopeless. For this reason, the State *must* implement reforms: the main reform is the establishment of labor laws and of a social insurance system. And a strong State is needed for this purpose. Yet, let us point out that this is in fact what a posteriori interpretations appear to neglect in Wieser's works whereas that seems most important according to us. Furthermore, when reading Wieser's work, it appears that he believed that the masses could (and should) organize themselves, with or without state support. This is why workers get organized and establish mass organs that resist the development of capitalist pressure.

The Austrian economist seemed to rediscover some basics of socialist thinking, or rather cooperative thinking upon the basis of individual choice. He underlined the role of *consumer cooperatives* (1926b: 350). These are based upon a fixed demand and may build into real producer cooperatives, that do *not* require any special *entrepreneurial* skills. Such producers' cooperatives put forward by Wieser are (ideally) surprisingly efficient. However, they do not constitute large-scale enterprises and they simply remain "mass enterprises" following the motion impulse provided by the big companies that run the economy. Wieser concluded this activity is far from what has been reached by the growth of capitalism. As to Wieser himself, he evolved quite differently from what the Austrian school has since then pursued in the tradition that leads to contemporary neo-Austrian economics.

In this perspective, it is noteworthy that Wieser considered *political liberalism* as some outdated "transitional state", where the role played by "the desire for enrichment" had to be acknowledged. As Minister of War supplies in Vienna in 1917, he wrote that this characterized some causes of catastrophic World War I. As everyone in post-war days, Wieser was shocked and felt betrayed and at the same time hopeful that the slaughter would not repeat itself. Yet, like others, he ran towards the second apocalypse. Times had changed, Wieser would be known to shift politically towards more dangerous nationalistic political themes.

Schumpeter (1942b) would then develop some of the same ideas about *entrepreneurship*, lamenting the fact that the future of capitalism would probably produce an *absence* of entrepreneurial function and the rise of an all-encompassing bureaucratic organization of society, already heralded by Weber. Would the remedy be

a State that needs a leader itself, in a *Führer*? Times had indeed changed, and the Great Depression would strike in 1929, with consequences that we will not enter into here: economic leaders - *entrepreneurs* – had practically vanished from the horizon and from the concerns of most authors.

4. Concluding words

In the late 1920s and in the 1930s, *the entrepreneur* seemed condemned by the rise of planned economies, mostly of a totalitarian type, and the collapse of capitalist market economies with the Great Depression from 1929 on. It seemed clear that entrepreneurs belonged to a type that would eventually disappear, either in the face of higher efficiency bureaucracies with a new type of leader heading them, or of the increasing regulations and interference from the state. Whether dictators were repeating the most primitive “despotic leadership” or interventionist governments epitomized the state leadership that represented the most rational and evolved kind of orientation for economies, one could feel free to say that times were over for entrepreneurs, or - as they say in Vienna - “*das ist passiert*” (“that belongs to the past and is over with”).

Reading Wieser in 1926, this is indeed the kind of feeling one is prone to. However, both Wieser himself and Sombart had in fact presented some accurate characterizations of the key role of the entrepreneur and assessed that entrepreneurs were the keystones on which capitalism grew, which was far from obvious both for economists in general at the end of the nineteenth century, or for the public at large in the 1930s. There had been a window available to introduce, characterize and define the notion of the entrepreneur with enough accuracy and consistency to make it a useful conceptual tool for economists. Schumpeter recognized it, and historians of thought pointed out once more (Ebner 2005, Shionoya 1997) that his views had been partly inspired by those masters. Naturally, the upheavals of twentieth-century history also brought lasting controversies and enduring confusion.

In the present paper we have therefore kept very close to the texts, being interested in presenting textual evidence on theoretical and methodological rather than polemical levels. In the end, the point of view that the entrepreneur is the keystone of a capitalist economy must be considered an achievement by Wieser and by Sombart, before

Schumpeter and influencing him. They went on a quest to discover the traits of this important figure, stressing the origins, functions and roles of the entrepreneur. As their analysis was anchored in earlier Mengerian and contemporaneous Weberian concepts, Wieser and Sombart would converge and diverge at times, as we have shown. The qualities of entrepreneurs were in fact not specifically theirs; they actually re-enhanced century-old qualities that conquerors, churchmen, statesmen and merchants had enacted, perhaps epitomizing them as their behavior is systematically rational and efficient. The *Realtyp* (if one uses a Mengerian terminology) or the “ideal-type” (if one prefers Weberian vocabulary) that both authors had coined was henceforth a concept expressed with a characterization clear and exhaustive enough to be useful in the realm of economics.

We also wanted to stress the *impossibility* to foresee the *results* of entrepreneurial processes (like in any adventure, be it that of a buccaneer, and especially the “creative dynamics” of entrepreneurs). Success or failure cannot be explained without accounting for forces on the market other than those at work in wars, plunder, or hierarchical organizations like the church and the state. We thus ended up somehow reversing the view according to which economic agents react (sometimes ‘overreact’) to governmental incentives to say that they affect institutions (of all kinds) as well: they are, as Wieser and Sombart made it clear, both agents and victims (or beneficiaries) of the changes they are compelled to deal with. They illustrate - perhaps in the highest form - the impact and limits of human (all too human) action.

The theory of “praxeology” that Mises would put forth later on isn’t in fact very far from this result – yet, it is not the same formulation and the final word does not go towards a Misesian analysis, whose audience is anyhow restricted, but truly towards a general theory of the entrepreneur. Whoever reads Schumpeter, Knight, Hayek, Kirzner, Chiles and others should now keep that clear in mind, as we can certainly assess to have found the source of their analysis in Wieser’s and Sombart’s texts.²³ It is a pity that these authors have been left in oblivion; if we have in any way contributed to reviving interest in them, it will undoubtedly be of use for the scientific community: that was our sole hope in writing the present essay.

²³ The authors of the present essay will come back upon that influence (especially but not exclusively about Schumpeter) more in detail in a future paper.

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NB: we have generally used the available English texts, either original or translated. When there was no English translation available, we translated the text ourselves. In case we revised an existing English version, it is indicated.

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Annexes

Table 1. Common characteristics in Sombart and Wieser about the entrepreneur

Features of the entrepreneur	Imaginative
	Determined and pugnacious
	Both agent and victim of change
	Capacity of organization. ⇒ Manager and CEO (director) of the company.
	Capacity of persuasion, negotiation, regarded as trustworthy. ⇒ Leader (<i>Führer</i>).
	Not risk adverse, conversely: appetite for risk ⇒ Speculator Profit is NOT remunerating financial risks, but uncertainty (regarding the state-of-the-world)
	The entrepreneur is not only/not necessarily a discoverer/an inventor/a promoter, even if he/she brings in innovative ideas. ⇒ An entrepreneur = a manufacturer, a technician or an industrialist.
Analysis and Methodology	Interested in leading role, power plays
	Use of ideal types
	Entrepreneurial action evolves with the growth of capitalism ⇒ Analysis must be both historical and contextual, focused on entrepreneurial activities

Table 2. Divergences that are characteristic of Sombart and Wieser about the entrepreneur

Sombart	Wieser
A company (the firm built an entrepreneur) is defined as the realization of a long-term plan necessitating collaborative work of one or more agents moved by a common will.	A company is an organization, not individually-grounded, not individually established.
The entrepreneur breaks routines and habits (key-role of foreigners, migrants and aliens – for the case of the Jews, see footnote 19)	
Economic functions are separate, but all remain jointly exercised. The specificity of entrepreneurial action lies in the combination of those functions.	Economic functions are separate and the entrepreneurial function is diluted within other economic functions.
	The form entrepreneurial action takes depends upon the institutional framework (the type, the size of the company) and upon the environment.