More than the Accumulation of Capital?

An Analysis of the Genuine Nature of Entrepreneurship from a Historical Economist's Perspective

By Matthias Störring* und Nils Goldschmidt**

I. Introduction

The entrepreneur as an individual, and the entrepreneur's importance for the economic process, has been underemphasized in economic research since its beginnings. True, there were some early efforts, but they were mostly driven by the attempt to define entrepreneurship in the context of capital accumulation. The works of Joseph A. Schumpeter (1883-1950), who focused rather more on the economic functions of entrepreneurship, formed the well-known zenith, but they were also an exception, and the temporary end of that strain of analysis. Especially in the predominant theory of neoclassical economics, with its assumptions of perfect competition, the entrepreneur was transformed into a static and rational economic agent. In this abstract definition, the entrepreneur disappears behind his capital, or at best behind an ill-defined sector of 'firms'. There are surely few observers who would deny the distinct significance to the economic process of entrepreneurs and their functions; however, the founders of classical economics seem to have almost entirely neglected to undertake a differentiated analysis of the role of the entrepreneur.[1] The Classical School of English economic thought, working in the tradition of Adam Smith (1723-1790) and David Ricardo (1772-1823), established a quite sterile notion of entrepreneurship (cf. Hébert and Link, 2006, p. 308). Although Smith established in economic thinking both the concept and the functions of capital in his seminal work *The Wealth of Nations* (1776), he disregarded the essential functions of the entrepreneur, for instance the development of new markets or the incorporation of a business (Streissler, 1989, p. 19). In Smith's view, "[c]onsumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer" (Smith, 1776/1840, p. 274). In classical theory, where markets are self-regulating and market participants are all of equal standing, there was no conceptual necessity for entrepreneurs to actively shape the economy and society as a whole; their function was reduced primarily to that of providers of capital (Berghoff, 2016, p. 27).[2] The reasons for this state of affairs are doubtless chiefly

* Department of Contextual Economics and Economic Education, University of Siegen, Kohlbettstraße 15, 57072 Siegen, Germany. The author can be reached at stoerring@wiwi.uni-siegen.de.

** Chair of Department of Contextual Economics and Economic Education, University of Siegen, Kohlbettstraße 15, 57072 Siegen, Germany. The author can be reached at nils.goldschmidt@uni-siegen.de

[1] The term 'entrepreneur' is first used by Richard Cantillon (1680-1734), making reference to the uncertainty of economic activity and the willingness to accept risk (Cantillon, 1755/1931).

[2] Exceptions here are Jean-Baptiste Say (1767-1832) and John Stuart Mill (1806-1873), who argued that the concept of entrepreneurial functions should be broadened to include more than merely the provision of capital (Berghoff, 2016, pp. 29-30).

historical: As opponents of the mercantile system, it was – in a sense – in the classical economists' interests to demonstrate the insignificance of salesmen and their development of new markets. Furthermore, the markets in England at the time were sufficiently developed, and there was no lack of entrepreneurs (Streissler, 1989, p. 19).

The evolution of German political economy at the beginning of the 19th century, conversely, was faced with a quite different set of circumstances. Compared to England or France, the onset of industrialization was a relatively late development. The phenomenon of a nascent entrepreneurial class coincided here with the formation of a German approach to political economy, explicitly targeting a rapid economic 'catch-up effect' (cf. ibid., p. 22). Unlike their English counterparts, the German economists of the 19th century deliberately and comprehensively addressed the emergence and the role of the entrepreneur.[3] The German Historical School of Economics was primarily interested in dynamic and evolutionary processes within the "social organism" of the economy (cf. Hodgson, 2001, p. 63-64). Historical economists believed that in order to understand trends in economic phenomena, economics must describe human psychological behaviour, as well as the institutions that constrain it, both in realistic and in historical terms. They rejected the abstract deductive reasoning of classical economists in favour of an inductive and empirical method (Rieter, 2002, pp. 136-137). To this end, the Historical School gathered vast amounts of empirical data, the evaluation of which also led to numerous accounts of the economic and societal role of the entrepreneur. In particular, the figurehead of the later Historical School, Gustav Schmoller (1838-1917), pursued a very broad approach to this topic. Throughout his extensive oeuvre, Schmoller dedicates over 1,400 pages to the scrutiny of enterprise and entrepreneurs.[4] He described the enterprising spirit of the *Unternehmer* as a unique factor in all economic activity (Hébert/Link, 2006, p. 351); he intended his historically substantiated analyses to provide an answer to "what enterprise as an institution of society is, where it emerges, what different forms it takes under which conditions, which psychological and legal principles it is governed by, which persons and groups of persons have a role in it, what functions and consequences it has for production and commerce, for the distribution of goods and the formation of capital, for cultural life both societal and otherwise, how it is integrated into the system of the other social institutions" (Schmoller, 1890c, p. 738).[5]

Schmoller's economic theory of entrepreneurship grew out of a critique of Classical Economics' failure to deal with the socio-cultural institutions that had fundamentally changed the economy (Wadhwani, 2010, p. 345) – such as the entrepreneur or the structure of enterprises. With his works on the origin and development of the modern enterprise, he became one of the founding fathers of entrepreneurship research, albeit without this being his intention (Schmude/Welter/Heumann, 2008, p. 290). In fact, Schumpeter considered Schmoller's work on the private enterprise as one of his "finest pieces" (Schumpeter, 1954, p.

[3] Pioneering works here include Karl Heinrich Rau's *Grundsätze der Volkswirtschaftslehre* (1826), Wilhelm Roscher's *Grundlagen der Nationalökonomie* (1854), Hans K. E. von Mangoldt's *Grundriß der Volkswirtschaftslehre* (1863) and Albert Schäffle's *Die nationalökonomische Theorie der ausschließenden Absatzverhältnisse* (1867).

[4] Particularly noteworthy are the following Schmoller publications (1870; 1874; 1890a; 1890b; 1890c; 1890d; 1891a; 1891b; 1891c; 1892a; 1892b; 1893a; 1893b; 1978a, pp. 456-560).

[5] All quotations from German sources are translated into English by the authors of this article.

810). The focus of these works is the company or enterprise as a social organisation, one which is structured by an internal constitution, in order to function externally as a self-contained economic unit for the acquisition of profits on the free market (Schmoller, 1890c, p. 736). It is clear today that his comprehensive approach to entrepreneurship was ahead of its time, dealing as it did with both the internal structure and constitution of the enterprise and with its interdependent relationships with other economic and societal institutions. We can see in Schmoller's work, for instance, the building blocks for a contractual theory of enterprise, as proposed from the middle of the 20th century onwards by Armen Alchian (1914-2013) and Harold Demsetz (1930-), among others. He also foreshadowed the transaction cost theory, which was developed explicitly and extensively by Ronald Coase (1937-2013) and Oliver Williamson (1932-) (Hodgson, 2001, p. 115).

Schmoller identified the entrepreneur as both a consequence and a motor of institutional change (Berghoff, 2016, p. 30 f.), and considered the entrepreneur to be the decisive factor in all economic activity. Although he did not dedicate any studies to this topic exclusively, Schmoller's conception of the entrepreneur manifests itself clearly in the context of his comprehensive treatises on the enterprise (Welzel, 1995, p. 61). Schmoller's detailed depiction of the modern entrepreneur already portrays a creative and innovative driver of economic development, one who combines factors of production to develop either new products or new manufacturing processes (Hébert/Link, 2006, p. 351). In his analyses, Schmoller emphasizes the entrepreneur's readiness to accept risk, which secures for the entrepreneur a distinct form of income: entrepreneurial profit (cf. Schmoller, 1978a, pp. 495-497). Schmoller considered this benefit to be one of the reasons why the entrepreneur, conversely, actually bears a specific kind of societal responsibility (cf. Hecker, 2016).

With his complex descriptions, Schmoller anticipates the basics of later branches in the economic sciences, such as business administration, scientific management, business sociology, industrial relations, or industrial and organisational psychology (cf. Grimmer-Solem, 2003, p.282). Nevertheless, after the decline of the Historical School, his oeuvre has – whether knowingly or not – for the most part been neglected (cf. Hodgson, 2006, pp. 172 ff.; Senn, 1989, p. 279), which has necessarily resulted in his depiction of the entrepreneur, among other things, going unnoticed by many economists of the following generations.[6] It is only now – or so it seems – that a growing interest within the science of business administration in fields of research such as business history (e.g. Kipping/Kurosawa/Wadhwani, 2017) or entrepreneurship in context (e.g. Welter/Gartner, 2016) has led to a nascent rediscovery of Schmoller's early observations regarding entrepreneurship: This has unquestionably enriched these research programmes, predominantly in the field of business administration.

It might be too early to infer the emergence of a global 'Schmoller Renaissance' (e.g. Peukert, 2001), but it is to be hoped that modern economics will follow suit and realise that it too would profit from Schmoller's still underutilized groundwork in the field of contextual and institutional economics. His historical insights into entrepreneurship, the meteoric rise of which he analysed in the context of German industrialization; his profound understanding of

[6] Although there was, in the second half of the 19th century, considerable interest in the English-speaking world in a translation of Schmoller's work, even now only a few of his texts have actually been translated (cf. McAdam/Störring, 2016).

questions of the organisation and governance of modern enterprises and their institutional interactions with the economy and society; finally, his psychological and ethical depiction of entrepreneurs as individuals, without any abstractions, and their importance for the economic process: These are all good reasons for economists to examine (or re-examine) Schmoller's fundamental ideas regarding what is even today a relatively uncharted object of research. Knowledge of his works could be a great asset for, in particular, a better understanding of entrepreneurship in economics and its subdisciplines like institutional economics, industrial organization, economic sociology, or even behavioral economics. To this end, the following article will first sketch out Gustav Schmoller's research programme on entrepreneurship: We explain its position within his oeuvre, discussing the circumstances which determined why it was Schmoller and the German Historical School who were to develop a more differentiated approach to entrepreneurship (II). Subsequently, we examine Schmoller's conception of enterprise, and as a consequence establish its five constitutive characteristics. It will become clear that his analysis of enterprise was strongly determined by the processes of its historical origins and institutional integration (III). Our next step, based on Schmoller's observations of enterprise, will be to infer his specific conception of the entrepreneur (IV). We conclude with a discussion of Schmoller's rather unsung contribution to a better understanding of entrepreneurship (V).

II. The agenda of entrepreneurship in Schmoller's work

As a result of the abolition of serfdom, the introduction of economic freedom, and further wide-ranging trade and economic reforms, in the 19th century the freedom of entrepreneurial activity also took on new dimensions in the German nations. The enterprises which emerged in the course of industrialisation were quite different from the earlier forms of economic organisations like the family-run business or traditional handicrafts. These modern industrial enterprises engaged in production with high levels of capital investment, their creation of value was profit-oriented, and they were active in free, partly international markets. The accompanying institutional changes were the origin of numerous studies by the Historical School of Economics. For Gustav Schmoller, it is this kind of mutual interaction between institutions and society which drove evolutionary development and economic progress (Müßiggang, 1968, p.219).[7] This process, which Schmoller argued could primarily explained from a historical perspective, was the focus of his scientific interest. In order to explore this topic, however, Schmoller preferred to "first explain the development of the individual economic institutions, as opposed to the national economy as a whole" (Schmoller, 1978a, p. 120). As he considered enterprise to have evolved into the "fundamental provider of trade and of production" (Schmoller, 1978a, p. 460), he holds it to be one of the most important institutions. Accordingly, the development of entrepreneurship – alongside the question of labour and the concept of justice[8] – are of preeminent importance in Schmoller's writing.

[7] In its conception of institutions the work of Schmoller displays great parallels to the later work of Douglas C. North. The paper *Bridging old and new institutional economics* offers an illustrative comparison of Schmoller's ideas and North's approach to institutional economics (Richter, 1996).

[8] With his early work on the *Labour Question* (1864a; 1864b; 1865), Schmoller formulated the programme for the later foundation of the *Verein für Socialpolitik* (Grimmer-Solem, 2003, p. 138). Nevertheless, he considered his essay *The Idea of Justice in Political Economy* (1894), which was also published in the *Annals of the American Academy of Political and Social Science*, to be his best work (cf. McAdam/Störring, 2016).

Schmoller's scientific concept always involved a practical element, and a normative socio-political interest (Rieter, 2002, p. 146-149), meaning that his observations were often characterized by an argumentative approach defined by ethics and moral philosophy (cf. Hecker, 2016; Kreis, 1999). The normative orientating framework characteristic for Schmoller did meet, however, with considerable criticism from outside the Historical School. [9] By the time of the foundation of the *Verein für Socialpolitik* in 1872, the criticism of Schmoller's research programme had become quite specific, namely that "it had always been hostile to enterprise; that he had no appreciation for the functions of the private, capitalist entrepreneur, and was charitably biased towards the workers. This accusation is wholly unfounded" (Wagner, 1912, p. 14), writes Adolph Wagner (1835-1917), Schmoller's long-time colleague at the University of Berlin.[10] The accusation levelled against Schmoller and other academic members of the *Verein* – that they were socialists (of the chair) – really points more to an interest-driven conception of science on the part of their critics, for the representations of the entrepreneur in the texts of the Historical School were not coloured by socialism. In contrast to the Marxist hostility towards enterprise, Schmoller considered private property an accomplishment of the Enlightenment and a positive institution in a liberal economic system (Eidenmüller, 1995, 191). In order to prevent himself becoming the target of accusations to the contrary, Lujo Brentano (1844-1931) also makes his position unequivocally clear: "We have him [the entrepreneur] to thank for all of the great deeds by which economic life in the 19th century can be distinguished from that in the preceding centuries: the progress (...) by which not only commercial products have been made available to the millions, who formerly had to go without, but as a consequence of which the workers who manufacture these products have also been elevated to a higher standard of living (...) There is no praise which can do justice to the recognition which the entrepreneur deserves for the fulfilment of this entrepreneurial function" (Brentano, 1907, p. 21). In the following paragraph, however, Brentano states that "whosoever wishes to serve science, may not consider themselves to be in the service of any interest, but solely in the service of the truth" (ibid., p. 23).

It was of course Schmoller's intention to create as realistic and faithful a picture of entrepreneurship as possible, but he was also of the opinion that this picture should be embedded in its geographical, historical and cultural context (Schmoller, 1890c, p. 737 f.). The key here, he thought, was a comprehensive record of the genesis of enterprise. In reconstructing the history of its emergence, he made reference to the distant past, as far back as the "cultural states of antiquity" (Schmoller, 1890b, p. 376). Schmoller's research programme on the history of enterprise can be divided into three phases (cf. Schneider, 1993, pp. 245-248):

The *early phase* comprises two texts from 1870 and 1874,[11] in which Schmoller primarily develops preliminary value judgements regarding private property, labour contracts, cooperative societies, workers' committees, company hierarchies, and so on; these elements

[9] Their critical attitude and commitment to social legislation led to Schmoller and his academic allies being given the derisive nickname 'socialists of the chair' [*Kathedersozialisten*] (cf. Goldschmidt/Störring, 2018).
[10] Adolph Wagner is regarded as one of the leading 'socialists of the chair', although he is not primarily classified as a member of the Historical School of Economics (cf. Rieter, 2002, p. 133).
[11] *On the history of German small businesses in the 19th century* (1870) and *The nature of employment contract and the breach of contract* (1874); own translation of titles.

are included and expanded upon in his later work. Even before this, in his early work *The Labour Question* (1864a; 1864b, 1865), Schmoller establishes the entrepreneur as a kind of natural antipode to the worker. This narrative, with its conflicted opposition between entrepreneur and worker, is the essence of Schmoller's socio-political concerns, and is thus also a constituent part of his discourse on enterprise (Kreis, 1999, p. 140-141).

The *main phase* includes works published between 1890 and 1893.[12] Over this period, Schmoller develops his conception of the enterprise as an "economic and social organisation" (Schmoller, 1890c, p. 736) which is committed to its goals internally and externally. Schmoller considers the causal origins of enterprise to lie in the consolidation of the division of labour. He argues that the division of labour creates different occupational classes, within which hierarchies form that, in turn, lead to the formation of social classes. The differences between the social classes create conflicts which, Schmoller posits, can best be solved within an enterprise and its hierarchical constitution (cf. Schmoller, 1890b, pp. 378-379). The emphasis on and accentuation of the modern enterprise as an institution which is characterised by a distinct structure of command is the most important finding from an analysis of this main phase (Pierenkemper, 2011, p. 36), which concludes with a 13-part series of essays on the historical evolution of enterprise in which Schmoller attempts to trace the processes of institutional adaption in the command structures of productive organisations. If it was Schmoller's goal here to establish the valid, universal principles underlying this development, then Dieter Schneider's assessment would seem to hold true – he failed (cf. Schneider, 1993, p. 248). After a convincing introduction, the essays rather lose their way, with a series of – by today's standards – protracted descriptions of isolated points in history, from the "ancient labour cooperatives" in tribal society to the colonial "trade society of the 17th and 18th centuries".[13] Still, Schmoller's account is successful with regard to a different goal: Between the lines – and perhaps without any great intent – he paints a detailed picture of entrepreneurs and their role in an interdependent state of tension with institutional change.

The *mature phase* is constituted by Schmoller's magnum opus *Grundriss der Allgemeinen Volkswirtschaftslehre* (*Outline of General Economics)* [14], in which he, now reaching the end of his academic career, collects the entirety of his findings on *enterprise* and the *development of forms of trade and business* (cf. Schmoller, 1978a, pp. 456-560). In this work, in the final two chapters of the first volume, he manages to describe with relative accuracy modern enterprise at the beginning of the 20th century in all its complexity (Pierenkemper, 2011, p. 38). Schmoller explicitly distinguishes between internal observation – the "personal and technical organisation" – and external observation – the "commercial side" of the market; both are part

[12] *The nature of the division of labour and the formation of social classes* (1890a), *On the nature and constitution of large scale enterprises* (1890b), *On the development of large businesses and the formation of social classes* (1892b) and *The historical development of enterprise* (1890c; 1890d; 1891a; 1891b; 1891c; 1892a; 1893a; 1893b); own translation of titles.

[13] In the tenth part of the series, Schmoller admits to having produced a "perhaps too comprehensive representation of the fundamental substance of the matter" (Schmoller, 1891c, p. 1027).

[14] Schmoller published no further scientific work after 1911 (Kreis, 1999, p. 108). With his *Grundriss der Allgemeinen Volkswirtschaftslehre* (1978a; 1978b), his intention was to recapitulate the results of his "special research into political economy" (Schmoller, 1978a, p. IX). The first edition was published in two volumes in the years 1900 and 1904, after which he worked on a revised second edition, which was published in 1908 and after his death in 1919.

of any enterprise (Schmoller, 1978a, p. 460). This characterisation, which comes close to being a general definition of enterprise, can still be considered valid today (Pierenkemper, 2011, p. 38). Furthermore, Schmoller also presages the distinction which would later become common in the German economic sciences between *Betriebswirtschaftslehre* (usually translated as 'business administration') and *Volkswirtschaftslehre* (usually referring to political economy, but here to the economics of enterprise).

With his extensive works on enterprise and the role of the entrepreneur, which in today's terms would not just fall into the realm of economics, but also sociology, history, and political science, Schmoller can without question be considered one of the founding fathers of entrepreneurship research. Even if most of these 'fathers' would not have thought of themselves as entrepreneurship researchers, the origins of the discipline can still be traced back to the German political economy of the 19th century (Schmude/Welter/Heumann, 2008, p. 290).[15] An examination of entrepreneurship was not purely an end in itself, neither for the Historical School in general nor for Schmoller in particular. Instead, they thought of their research programme a means to an end, something which can be ascribed to the following five motivations:

(1) **Historical situation in Germany**: In the 19th century, Germany was something of developing country with regard to industrialisation. The domestic entrepreneurial landscape was only beginning to develop, and provided the German economists, interested in closing the economic gap, with a valuable field of research (cf. Streissler, 1989, p. 22).

(2) **Tradition of mercantilism**: Mercantilism (and its German form, cameralism) can both be considered forerunners of the Historical School, sharing as they do the basic conviction that a society's welfare can be nurtured above all by a state rich in economic resources (Rieter, 2002, p. 137). A further fundamental element of mercantilist theory is profit-oriented trade; in order to truly understand the concept, exponents of mercantilism were quick to begin analysing the entrepreneurial functions of the merchant (e.g. Thomas Mun, 1664/1895). Equally, in Germany, the concept of the entrepreneur was a familiar element of the cameralist tradition (Schumpeter, 1954, p. 555), of which Schmoller also considered himself a representative (cf. Schmoller, 1884).[16]

(3) **Inductive research approach**: Wherever possible, the Historical School rejected the acquisition of knowledge via abstraction and the deductive construction of models. Schmoller argued that only detailed historical research was able to adequately capture the complexity of economic phenomena; he considered the collection and analysis of empirical data to a prerequisite to the formation of any economic theory (Schmoller, 1881, p. 7). Accordingly, business data and statistics in particular were of great importance to Schmoller's detailed research (cf. ibid.).

[15] Besides Schmoller and the Historical School, of note here are, among others, Karl Marx (1818-1883), Werner Sombart (1863-1941), and Max Weber (1864-1920) (Schmude/Welter/Heumann, 2008, p. 2).

[16] The second chapter of Schmoller's treatise on Frederick the Great was translated and edited by the economic historian and Schmoller admirer William J. Ashley (1860-1927) under the title *The Mercantile System and its Historical Significance* (1896). It constituted the longest of the three works by Schmoller to be translated into English during his lifetime (McAdam/Störring, 2016, pp. Xf.).

(4) **Endeavour to refute Classical Economics**: The sterile and ostensibly universal conception of entrepreneurs held by classical economists ran counter to the Historical School's relativistic approach to theory (Wadhwani, 2006, p. 345). The detailed elaboration of the entrepreneur's various functions, taking into account the institutional and historical context, was thus another important element in the Historical School's unceasing intellectual efforts to refute the Classical School's claims of the universal validity of their theories (Streissler, 1989, p. 22).
(5) **Socio-political concerns**: The Historical School's research programme was not motivated by scientific knowledge alone, but in equal measure by the practical implementation of this knowledge in the form of economic policies and social reform. Schmoller was convinced that enterprises, as important institutions of the economy, could play a central role in his social reform agenda (Grimmer-Solem, 2003, pp. 235 f.).

Enterprise was, of course, not the only institution to have played an important role in the Historical School's research programme, nor were the scientific reports and resulting conclusions uniform (cf. Pierenkemper, 2011, p. 36 f.). The Historical School's ethical and normative orientation led to its representatives forming markedly different value judgements, especially with regard to the charged relationship between entrepreneurs and workers. Schmoller by no means considered the conflict between entrepreneurs and workers to be limited to the economic sphere, but he did see in the enterprise as an institution both the conflict's economic manifestation and a potentially fitting solution (cf. Kreis, 1999, pp. 141 ff.).

III. The nature of enterprise

For Schmoller, the 'socialist of the chair', the economic significance of private enterprises was beyond doubt. For him, they were a guarantee of personal freedom, of technological advancement, and of the ambition of the upper and middle classes (Schmoller, 1890b, p. 391); it was these characteristics which made them "the spine and skeletal system of the national economy"(Schmoller, 1890c, p. 739). With a suitably developed monetary economy, logistics sector, technological progress, and accumulation of capital, Schmoller considered private enterprises capable of a creation of value that would span the globe, while simultaneously noting the dependency of the national economy on enterprise that accompanied globalisation (Schmoller, 1890a, p. 52). In his *Grundriss*, at the latest, Schmoller delivered a clear vision of what, in his opinion, an enterprise actually is, of its conditions and of its purpose. In this, his magnum opus, the lines of argument which he systematically developed in his early discussions of enterprise are brought together, yielding a coherent, comprehensive image. There can be seen throughout his numerous publications on the topic of enterprise a clearly developing thread, based on which it seems reasonable to consider his essay on *The nature of the division of labour and social class formation* (1890a) as the starting point of this series of essays.

Schmoller described the division of labour as the "origin and driving principle of all societal, governmental and economic organisation" (Schmoller, 1890a, p. 48), considering it the source of enterprise itself. With the various institutions having undergone a long historical process of change, he argued that enterprise is "the most expedient organisation for the realisation" of

the free-market production of goods (ibid., p. 51).[17] Equally though, in Schmoller's representation of institutional change, the modern industrial enterprise is only the end of a "long process of mental, moral, intellectual and economic cultivation", (ibid. p. 56), one which enables the more advanced economic cultures to socialize the wealth resulting from the division of labour within an "increasing moral order (ibid. p. 58).[18] Schmoller saw the formation of social classes as the first stage in the developmental process set in motion by the division of labour.

The formation of social classes is, for Schmoller, "not the result of the accumulation of capital [or] of exploitation, but a necessary consequence of the division of labour" (Schmoller, 1892b, p. 466). His argument is as follows: The division of labour creates different occupational classes, within which hierarchies develop, which in turn leads to the formation of social classes. Schmoller identified this hierarchy as a "psychological necessity" of economic progress (Schmoller, 1890a, p. 79), while nevertheless warning that the formation of social classes could represent a danger to society if the resulting class differences were to become too great (Schmoller, 1892b, p. 96). However, the constant conflicts of interest between the classes, in their mutual interaction, also result in "specific conditions, circumstances and institutions" (ibid., p. 56 ff.) which enable society to make lasting use of the advantages of the division of labour. Schmoller describes the process as unstable, disputed and beset by hindrances, as "coincidental victories of power" influence the process just as much as "considerations of the social benefit and prescient morality" (ibid., p. 57). Ultimately, though – of this Schmoller is convinced – the "forces of morality" will advance a society's progress (Müssiggang, 1968, p. 217 ff.). He is thus describing, in the last instance, an ideal state of affairs, one which he does not exclusively but at least partially define with regard to economic prosperity (Schmoller, 1978b, pp. 747-750). Even at the start of his academic career, Schmoller felt validated in this unconditional belief in progress by the emergence of modern enterprise and the accompanying gains in society's prosperity as a result of the industrialisation (cf. Schmoller, 1864a, pp. 393-395).

The pre-industrial forms of commercial operation were, in Schmoller's conception, simply a precursor to enterprise, "as they, tied up as they were in the social structures of the family-run business, were by this very circumstance easily and commonly prevented from the goals of wholly rationally pursuing the market and engaging in mass production (Schmoller, 1978a, p. 500). It was only after the institutional development of a "market, monetary and credit economy, after long preparation by way of the division of labour and the formation of social class, and under the influence of a culture of writing and arithmetic, and thus the formation of market pricing", that the enterprise emerged as an independent organisation, serving its own purposes (ibid.). Schmoller defines this entrepreneurial purpose as, primarily, as the

[17] Schmoller differentiated between institutions and organisations, or organs, as follows: "Every institution is a collection of habits and rules of morality, of customs, of the law, (…) which are connected to one another, form a system, have been subject to common practical and theoretical instruction, firmly rooted in communal life (…) We understand the formation of organs to mean the personal side of the institution; marriage is the institution, family the organ. The social organs are the permanent forms of the links between people and goods for specific purposes" (Schmoller, 1978a, p. 61-62).

[18] Schmoller's institutional economics is, among other things, a developmental theory of technical, economic and moral progression towards a culturally ideal state of affairs. The framework for this progressively and culturally optimistic development is his conception of the stages of an economy (Rieter, 2001, pp. 147-148).

generation of "compensation and profit" (Schmoller, 1890c, p. 736); this formulation is certainly not itself a novel one, but with his emphasis on the independence of the enterprise, he hints at two innovative insights: Firstly, Schmoller considered enterprise, in its external relationship to the market and to society, a microeconomic agent (Eidenmüller, p. 183 f.), an aggregation of a "system of workforces and methods of production which, within the totality of the functions of national economic production, has independently taken on a separate function" (Schmoller, 1890c, p. 736). Secondly, the prerequisite for this form of external independence is the existence of an effective internal organisation, for, as Schmoller goes on to explain, "every enterprise, whether it consists of only one person or of several working in collaboration, forms a unit both inwardly and outwardly; it is a social organ with a certain amount of independence, with certain possessions, with an internal constitution which regulates cooperation and the distribution of profits to the participants" (ibid.).

Schmoller realised that cooperation and coordination were to become of even greater importance for competitive enterprises, seeing in the spheres of duties typified in business administration an important constituent of their internal organisation. He included in his concept such management duties as "timely forward planning, estimations and calculation of prices, the rational preparation of all technical and commercial operations" (Schmoller, 1978a, p. 500). Of particular interest to Schmoller, however, were the questions and problems pertaining to human resource management, because, he argued, the essence of an organisation does not lie "in the relationship of the workers to the capital, but in the personal relationship of the circles of management (...) to the circles of implementation (Schmoller, 1890b, p. 388). Schmoller exhibited a sensitive understanding of internal operational processes, formulating as early as the end of the 19th century the principal-agent problem:

> "[At] the head of [enterprises] there increasingly prevails a commercial class of officials who have learned to faithfully administer the assets of others, only partially with a share of profits, partially with a set wage" (Schmoller, 1890b, p. 384). "The principal, familiar with his people, (...) thus becomes a noble-minded taskmaster (...), acting only through (...) officials" (Schmoller, 1892b, 459 f.). "The psychological and institutional problem here is always the same (...) concerning as it does how to render the individual, egotistical acquisitive desire a collective one (...) if this is unsuccessful, [this desire] will repeatedly destroy these newly created structures (...) The bigger a society becomes, the more troublesome the problem" (Schmoller, 1892a, p. 1016).

Schmoller realised that ordinary acquisitive desire was insufficient to coordinate an enterprise's numerous individuals in such a way that they would appear outwardly as a microeconomic unit. "Other motives must do the best part: interest in the business, honesty, good increasing wages, provision in old age, contracts for years or for life (Schmoller, 1978a, p. 518). Alongside these incentives, he also recommended as a solution for *moral hazard* "complex surveillance and controls" (ibid.).

The focus of Schmoller's approach to the analysis of the internal organisation of the modern enterprise is the enterprise's constitution (Pierenkemper, 2011, p. 37), which, he argued, organises the hierarchical relationships of the various occupational classes within the enterprise by – in a way analogous with the theory of the right to disposal of property –

creating an unambiguous structure of command. Schmoller saw this, especially for large enterprises with diminished direct human relationships, as an absolute necessity in establishing the necessary discipline and order (Schmoller, 1890b, p. 378-379). Although the first enterprises initially retained, in essence, the patriarchal constitution of a family-run business (ibid. p. 375), this became less and less suitable for the management of an increasingly assertive working class with the introduction of the freedom of movement, free contracts of employment and private legal equality (ibid., p. 381). Over the course of the institutional change occurring throughout the economy, however, a process of institutional development also took place within the enterprises, the formal manifestation of which Schmoller primarily identified in the enterprises' constitutions. He welcomed the fact that the formerly "incidental and arbitrary precepts of entrepreneurial authority" had eventually become prescribed legislation (Schmoller, 1892b, p. 474), while still emphasising that this did "not mean the end of dominance", merely that the "forms of dominance and the attendant moral duties [change]" (Schmoller, 1890b, p. 421). The growing complexity of enterprises, and the greater independence between employer and employee, led Schmoller to develop specific ideas concerning, among other things, employment contracts, worker participation and profit-sharing mechanisms (cf. Goldschmidt/Störring, 2018). Schmoller's recommendations for the structure of an enterprise's constitution designates the freedom of individual workers as partially subordinate to the command of a management class, and partially subordinate to the collective of their own social class (Schneider, 1993, p. 255). Schmoller saw in this approach an opportunity to transform the antagonism between entrepreneur and worker into a cooperative employer-employee relationship, and to turn the enterprise into an ethical community of interest (Grimmer-Solem, 2003, p. 237).

In Schmoller's argument, then, the constitution of enterprise forms the connection between the institutional genesis of enterprise, initiated by the division of labour, and the social reconciliation of the class conflicts in society. For Schmoller, a monotheistic interpretation of enterprise was too narrow (Eidenmüller, 1995, p. 201); his ethical conception of political economy ascribes to enterprise a socio-political function, alongside its purely economic one. Although the state plays a particularly central role in Schmoller's socio-political concerns – he considered it a far-sighted corrective, "the highest court of appeal which moral, cultural life may invoke" (Schmoller, 1864b, p. 534) – the realisation of his own social politics was subsidiary to him.[19] Societal responsibility first begins, in his eyes, with the individual worker. Schmoller's primary and optimistic solution: "Self-reliance for personal responsibility" (cf. Frambach, 2006, 234-235). Still, at the next-highest level, he also assigned considerable responsibility to enterprise and its decision makers, which he inferred from an implicitly existing public remit (Hecker, 2016, p. 5). As he understood it, enterprises have "a public character, because they predominantly serve a production which supplies expansive territories and countless people, often enabling exports of interest to society as a whole (...), because from the first stages of their develop they depend on the state's civil and administrative legislation, on tolls, concessions, roads, railways, stations, post routes, schools, communal functions of every kind, because they change the circumstances of entire valleys and towns, cities and regions, they feed them, prevent them from stagnating or perishing from

[19] Kreis attributes the earliest formulation of the principle of subsidiarity to Schmoller, 67 years before it was declared a principle by Pope Pius XI in his social encyclical *Quadragesimo Anno* (Kreis, 1999, p. 136).

misfortune" (Schmoller, 1890b, p. 394). Schmoller considered the public character of enterprise here to mean its *public impact*; he did not mean that they should be owned or controlled by the state (Grimmer-Solem, 2003, p. 237). He thought it in the own interests of enterprise to business in such a way that their operations received at least a minimum of social acceptance. Schmoller would perhaps agree with the Friedman doctrine – "The Social Responsibility of Business is to Increase its Profits" (Friedman, 1970) – on a formal level, but certainly not with regard to its informal implications. Besides the internal "solidarity of interest" with an enterprise's own workers (Schmoller, 1890b, p. 389), he also assigns enterprise an external responsibility for "social order" (ibid., p. 408), thus advocating in broad terms a stakeholder approach with which he justified, from an ethical perspective, the fact that enterprises are responsible, among other things, for the moral and technical education and the ethical advancement of the lower classes (ibid.).

Enterprise was, for Schmoller, thus not merely an organisation resulting from economic progress, but equally an institution with a reciprocal relationship with the entire cultural development of society. The advancement of ethics, morality and law to which he was dedicated was, for him, a culturally holistic concept, and not limited to purely economic phenomena (Müssiggang, 1968, pp. 216-222): He was convinced that technological and economic development, driven by intense institutional integration, was also determined by intellectual and cultural progress (Schmoller, 1978b, p. 749). He saw in the desire of enterprise for self-improvement and efficiency a contribution to the general development and advancement of society (Schmoller 1890a, pp. 57-58).

The essence of enterprise was not defined by Schmoller by means of quantitative characteristics, for, he argued, "it was not the number of persons thus employed which determines its nature, but rather the tendencies at work within, its structure, its ways of dealing with and connecting its employees, its relationship with the rest of the economy" (Schmoller, 1978a, p. 501). Because the often digressive observations in his essays on enterprise, even in his recapitulatory *Grundriss*, tend to be very extensive and lacking in clarity, a more concentrated illustration of the constituent characteristics of enterprise in Schmoller's work is worthwhile (cf. Eidenmüller, 1995, p. 188). In essence, they can be condensed into the following five attributes:

(1) **Profit-oriented bearer of risk**: An enterprise does business "in order to deliver goods to strangers and thus make a profit" (Schmoller, 1978a, p. 462), differing from the goal of subsistence typical to family-run businesses (cf. ibid). The "enterprise as a bearer of risk [is] a necessary instrument which, in the critical spheres, generates the greatest levels of economic ability, of hard work and energy, of technical and organisational progress. It is, simultaneously, that social form which enables personal freedom and economic independence for those broad segments [of the population] who can give only their own property, and who trust in their own strength and in their independent achievements" (ibid., p. 560).
(2) **Autonomous microeconomic agent:** Enterprises are "autonomous institutions of production, trade, commerce, which (...), divorced from the personal fates of those involved (...) lead their own persistent lives, continuing for generations, (Schmoller,

1892b, p. 467), and in doing so interact "with the market and the rest of society" (Schmoller, 1978a, p. 460).

(3) **Internal organisation**: The "unity [and] integrity of the internal organisation (...) is the basis for the progress of a large concern" (Schmoller, 1978a, p. 515). "It is a case of making, through the proper treatment of heterogeneous element, a greater whole; it is a case of understanding and handling people, of the art of organisation and instruction, engendering trust, securing obedience; dozens, hundreds of mental atoms and individuals, being made to fit together, accustomed to one another" (Schmoller, 1892b, p. 461).

(4) **Social responsibility**: Enterprises "need only become aware of the fact that they are responsible by their actions not only for production and trade, but also for the social order, for human and technological education, for domestic and other moral capacities (...), that great public duties rest upon them (Schmoller, 1890b, p. 408). "Each individual large concern, whichever legal constitution it may have, becomes something halfway between a private and a public household (...) common interests, elements of public organisation insert themselves into the large concern" (Schmoller, 1892b, p. 468).

(5) **Driver of progress**: The fundamental principle of enterprise is "the system which created modern large-scale industry and modern international trade, which (...) in the last centuries has brought about the greatest technological advancements, the division of labour in production (Schmoller, 1890b, p. 383).

IV. The nature of the entrepreneur

At the centre of Schmoller's expositions on entrepreneurship stands the modern enterprise, simultaneously the result and the driver of progress: It needs an effective internal organisation and constitution in order to participate as an autonomous, microeconomic agent on the free market and to take responsibility for its own risks, and through its institutional interconnectedness it also bears a responsibility for society. Schmoller identifies the entrepreneur as the unique central factor of all economic activity (Hébert/Link, 2006, p. 351). It is surprising that, for all his appreciation and admiration for the role of the entrepreneur, Schmoller never produced a work dedicated to the topic. One exception could be seen in the volume *Charakterbilder* (1913, in English roughly *Character Portraits*), in which he describes the life and works of 22 personages from the spheres of politics, economics, science and publishing. Alongside biographical essays on Otto von Bismarck (1815-1898), Adam Smith (1723-1790) or Friedrich List (1789-1846), it also includes four descriptions of "great German businessmen"; Schmoller himself stated that he would have liked to have added more.[20] However, these compositions, some written as obituaries, are heavily distorted by personal romanticisation, and can hardly be thought of as scientific works on the common entrepreneur (cf. Schmoller, 1913, pp. 233-279).

Notwithstanding this, Schmoller rebutted the criticism that scientific political economy "did not appreciate the entrepreneur" (Schmoller, 1913, p. VI). In point of fact, although he did not

[20] Schmoller was personally acquainted with each of the four businessmen in question: the banker Killian Steiner (1833-1903), the publisher Carl Seibel (1842-1910), the entrepreneur and scientist Ernst Abbe (1840-1905) and the entrepreneur and politician Gustav von Mevissen (1815-1899).

always elaborate upon the figure of the entrepreneur explicitly, it is without question visible implicitly in his expositions on enterprise, in which he initially ascribes to the entrepreneur the Classical Economic function of the provider of capital: However, he emphasises at the same time that "if one were to imagine that it is capital itself [which generates enterprise], that would be quite wrong. It is yet created and maintained by the personal characteristics [of the entrepreneur]; any lack thereof will be punished by losses, often by total bankruptcy" (Schmoller, 1978a, p. 502). For Schmoller, the function of provider of capital is a necessary, but far from a sufficient condition for entrepreneurship. His assessment that "in many ways (...) the dominance of capital has even today been replaced by the dominance of talent, of great gifts, of commercial genius" (Schmoller, 1890b, p. 384) could hardly be more relevant to the digitalisation of the major economies of the 21st century (e.g. McCloskey, 2016).

Schmoller referred to a "genuine entrepreneur" if, alongside their capital investment, they are also responsible for the economic management of the enterprise (Schmoller, 1978b, p. 497 f.). Among the tasks of an entrepreneur of this kind, Schmoller argued, are providing the most favourable factors of production, determining their ideal combination, appraising the market demand for the goods to be sold, and calculating prices (ibid., p. 496). These duties, which predominantly focus on the bureaucratic analysis of information and the creation of an organisational structure, depict the entrepreneur's function as an administrative one. Schmoller, however, also saw the entrepreneur in a dynamic context, where they are continually forced to examine every process within their enterprise in the pursuit of optimisation "if the competition is not to destroy the business" (ibid.). In doing so, Schmoller hinted at the entrepreneur's innovative function, evoking Schumpeter's *creative destruction* (Schumpeter, 1942), albeit without formulating the macroeconomic implications.

Schmoller described a kind of entrepreneurial spirit as the necessary psychological predisposition for an entrepreneur; this may be expressed, for example, by having the initiative to found a new enterprise in order to solve existing problems (cf. Schmoller, 1978a, p. 505). Proposing that entrepreneurship has a sustained and yet dynamic momentum, Schmoller assigned further characteristic attributes to this entrepreneurial spirit: As such, entrepreneurs must "exhibit quite especially speculative and organisational mental character traits, tread their path with particular energy, in some instances even with ruthlessness; some pursue it consumed exclusively by the acquisitive drive, harassed by the competition, with rigour and shamelessness (ibid., p. 502). In this way, Schmoller also hinted at – besides a sort of resilience on the part of the entrepreneur – a potential dark side to the entrepreneurial spirit.

Schmoller saw the root cause of the entrepreneurial drive in their pursuit of profit (cf. ibid., p. 462), considering it "a misjudgement of human nature to demand that man not strive for profit" (ibid., p. 559); in this the entrepreneur was no different from other individuals. However, Schmoller also cautions that although public enterprises may seem more benevolent, they are subject to the misuse of the ruling classes and usually more inefficient and expensive, lacking as they do "the proper controls, which enterprise has because the market will not accept inferior and expensive products" (ibid., p. 556). In any case, Schmoller was of the opinion that it was not the most avaricious, but rather the characters with the greatest desire for power and authority who made the more successful entrepreneurs

(Schmoller, 1978b, p. 498). As entrepreneurial profit has something of the "character of a lottery" (ibid., p. 496), it is invariably accompanied by personal risk.

Schmoller's functional characterisations of the entrepreneur may be unsystematic and scattered widely throughout his numerous works on enterprise, but one can still infer some individual attributes. According to Schmoller, the entrepreneur exhibits imagination, daring, initiative, zeal, resilience, authority, desire for profit, and willingness to take risks, as well as exceptional innovative and administrative abilities. Schmoller admitted that the extent to which leading entrepreneurs need to have rare qualities is debatable, while noting "that it is immensely difficult to find such people in sufficient amounts" (ibid., p. 498).

Schmoller's notion of the entrepreneur is profoundly ambiguous. There is a discrepancy between the entrepreneur he describes as an actual individual and his ethical ideal of how an entrepreneur should be (Kreis, 1999, p. 138). The autonomously economically active entrepreneur was, for him, never just the unique central factor of purely economic activities, but in this role also the personal bearer of entrepreneurial responsibility (Hecker, 2016, p. 5). In Schmoller's eyes, the entrepreneur acts, "while at his own risk and his own costs, also, in truth, in the public interest, and thus, as it were, under the mandate of the collective, and so is bound by the limits and duties of this mandate" (Schmoller, 1892b, p. 468). It is ultimately with reference to the voluntary acceptance of this responsibility that Schmoller legitimises entrepreneurial profit (ibid., p. 502). This only appears coherent when Schmoller takes his concept of the social responsibility of enterprise and assigns it to the entrepreneur as a form of personal responsibility; however, this is occasionally intermingled with his ethical, normative expectations with regard to the development of a moral and ethical entrepreneurial ideal, for instance when he writes: Entrepreneurs "have such a high station, they can sense that on the force of the rudder they hold in their hands depends the woe and well-being of far more than their own workers and customers; for this reason, they steer it not just in the spirit of *money-making*, but equally in the spirit of that higher professional obligation which, by their very status, imposes itself upon the upstanding and capable man" (Schmoller, 1890b, p. 392 f.).[21]

V. Of wasted opportunities, forgotten acknowledgement and remaining potential

In positioning Schmoller as a forerunner of entrepreneurship researchers, we should acknowledge that he would not have consider himself to be one (Schmude/Welter/Heumann, 2008, p. 290). He examined the newly emerging 19th century phenomenon of modern enterprise as an economist, and more accurately a historical economist. The examination of enterprise was not, to him, an end in itself, but rather part of his inductive analysis of the entire national economy. In doing so, he invoked a definition of enterprise which described it as an organisation for "production at one's own personal cost and risk", for "the creation of market values for distribution", and for the "unification of diverse productive forces" (Schmoller, 1890c, p. 737). He saw his own contribution to the development of a more differentiated understanding of the concept in his definition of enterprise as "a social organ with a specific function and integrity, which has grown from the soil of existing morals and

[21] Schmoller uses the English phrase "*money-making*" as it is here, in italics, in the original German.

legal relations, [and] which can be attributed to specific causes" (ibid.). The strong emphasis on the institutional integration of enterprise in the economy and in society, independent of time and place, corresponds with Schmoller's notion of economics. With this philosophy, he engendered a realisation that both entrepreneurs and enterprises are invariably the result of their society, just as a society is, to an extent, the result of its entrepreneurs and enterprises. While it might, to his critics, sound tautological, this is the starting point today for the increasingly important research field of *entrepreneurship in context* (e.g. Gelderen/Masurel 2016; Welter/Gartner 2016).

With his expositions on the internal questions of an enterprise's organisation and command structures, Schmoller performed valuable groundwork in the segment of business administration now referred to as human resource management, and can thus be thought of as one of the progenitors of the theory and teaching of business administration (Eidenmüller, 1995, p. 205). However, there has been scarce reception of Schmoller's observations since his death and the decline of the Historical School. Various reasons can be given here: his methods, his perspective, his nationality, and the subjects on which he wrote have all seen their standing and significance decline since the First World War. The fact that only very few of his works have been translated into English is an obstacle to the widespread circulation of his ideas to this day (cf. McAdam/Störring, 2016; Hodgson, 2006; Senn, 1989). They were ignored by 20th century theories of business administration, but they may have been able to protect, for example, the doctrine of the constitution of enterprises from some of its misconceptions (Schneider, 1993, p. 248).

Schmoller and the economists of the Historical School identified and described aspects of the nature and role of the entrepreneur which had previously gone unnoticed by classical theorists (Welzel, 1995, p.57). In contrast to his works on the enterprise itself, however, Schmoller formulated his observations on the entrepreneur almost incidentally and without going into great depth. When it comes to the breadth of his depiction of the entrepreneur, on the other hand, there is one issue where he surpasses even Schumpeter: In his theory of creative destruction, Schumpeter overlooked the fact that one component of entrepreneurial activity is the administrative organisation of the enterprise (Plumpe, 2010, p. 47). Schmoller, conversely, had realised, even in the 19th century, that a key duty of modern entrepreneurship is also to organise the bureaucratic side of the innovative process. Fritz Redlich (1892-1979) once argued that Schmoller "could summon up no appreciation" for the entrepreneur (Redlich, 1955, p. 289 f.); this harsh judgement may hold true from the perspective of one of the most prominent researchers of entrepreneurship, but ignores the fact that Redlich's research focussed on the entrepreneur as a theoretical type, whereas Schmoller was interested above all in the entrepreneur as an individual (Kreis, 1999, p. 152). In this interpretation, Schmoller can be understood more as the founder of a rudimentary form of research on entrepreneurial behaviour, and less as a theoretical entrepreneurship researcher. Yet Schmoller has found no reception in this field either, even while the number of 20th century empirical investigations on entrepreneurial behaviour in specific economic and social circumstances has remained extremely limited (Schmölders, 1984, p. 43).

Unlike Redlich, Schmoller undertook no specific research on the entrepreneur. As he himself noted, he had always attempted to understand, besides the entrepreneurs, the workers,

among other things (Schmoller, 1913, p. VI). It was the "internal mental and moral restructuration of the relationship between employer and employee" (Schmoller, 1892b, p. 474) which he had primarily attempted to achieve with his socio-political approach. Schmoller saw himself, and his research, as conveying to "the worker the realisation that, for now, and with the best will in the world, things cannot be so hugely different, [and to] the employer in unprejudiced clarity the interests and desires of the workers" (ibid., p. 474-475), meaning that Schmoller can equally be counted as one of the founders of the multidisciplinary research field of industrial relations. It is, ultimately, the very plurality of Schmoller's approach from which the concept of entrepreneurship, decidedly heterodox even in its origins, has profited most notably – and from which it could potentially still profit even now (Wadhwani, 2010, p. 358).

It remains the task of research into historical theory to establish which new (i.e., as yet undiscovered) insights the economic sciences can gain from the work of Gustav Schmoller. In some ways – this is certainly true for some fields of entrepreneurship research – the current state of research has made Schmoller's theories obsolete. But scholars who were not familiar with Schmoller's works, or even knew who he was, have been building upon foundations that Schmoller helped to lay (Senn, 1989, pp. 283-284). In cases such as this, knowledge of his broad, sweeping and vivid fundamental research would have enriched the scientific discourse and, additionally, afforded Schmoller the recognition he deserves. Even judging by today's levels of knowledge, Schmoller described most of the phenomena of modern entrepreneurship with great accuracy, albeit, allowedly, he was not yet able to explain them adequately. Furthermore, especially when it comes to his conclusions, the modern economic sciences should not have the intention of applying his insights one-to-one to the present day. Any interpretation of Schmoller's work, a hundred years after his death, must always bear in mind its historical and geographical context, which would itself represent a continuation of his own relativistic approach. In doing so, it may well transpire that potential contextual parallels will emerge which make Schmoller's ideas seem much more relevant. For example, thanks to the digital revolution, the societies of the 21st century could conceivably find themselves having to confront a similar institutional transformation in the world of work and enterprise to the one Schmoller investigated during the first industrial revolution. His realisation that institutions have to 'grow' with society, in order that, over the course of industrialisation, they might help redefine the precepts of justice at the highest level possible (Priddat, 1998, p. 324), can also be applied – not least to enterprise – when considering the socioeconomic challenges of the 21st century. Schmoller's broad, undogmatic perspective on economic problems, on the relationship between entrepreneurs and workers, could once again be a model for a unifying politics at a time when society is drifting apart.

References

Berghoff, Hartmut (2016): Moderne Unternehmensgeschichte. 2nd edn. Berlin: De Gruyter Oldenbourg.

Brentano, Lujo (1907): Der Unternehmer – Vortrag gehalten am 3. Januar 1907 in der Volkswirtschaftlichen Gesellschaft in Berlin. Berlin: Simion.

Cantillon, Richard (1755/1931): Essai sur la nature du commerce en general. Edited and translated by Henry Higgs. London: Macmillan.

Eidenmüller, Isabel (1995): Betriebswirtschaftlich relevante Theorien der Kathedersozialisten, Stuttgart: M & P Verlag für Wissenschaft und Forschung.

Frambach, Hans (2006): The social question and fundamental priciples of modern market economics – there is more agreement than contraction: The case of Schmoller's labour question, in: Journal of Economic Studies, Vol. 33, No. 3, pp. 224-36.

Friedman, Milton (1970/2007): The Social Responsibility of Business Is to Increase Its Profits. In: Zimmerli, Walther C./ Holzinger, Markus/ Richter, Klaus (eds.): Corporate Ethics and Corporate Governance. Berlin/Heidelberg: Springer, pp. 173-178.

Gelderen, Marco van/ Masurel, Enno (eds.) (2016): Entrepreneurship in context. London and New York: Routledge.

Goldschmidt, Nils/ Störring, Matthias (2018): Gustav Schmoller - A Socialist of the Chair, in: Berger, Stefan/ Pries, Ludger/ Wannöffel, Manfred (eds.): The Palgrave International Handbook of Workers' Participation. New York: Palgrave Macmillan US (forthcoming).

Grimmer-Solem, Erik (2003): The rise of historical economics and social reform in Germany 1864-1894. Oxford: Clarendon Press.

Hébert, Robert F./ Link Albert N. (2006): Historical Perspectives on the Entrepreneur, in: Foundations and Trends in Entrepreneurship, Vol. 2, No. 4, pp. 261-408.

Hecker, Christian (2016): Die Verantwortung von Unternehmen für die Verwirklichung sozialer Gerechtigkeit – Von der Historischen Schule zur Sozialen Marktwirtschaft, in: Journal for Markets and Ethics, Vol. 4, No. 2/2016, pp. 1-23.

Hodgson, Geoffrey M. (2006): Schmoller's Impact on the Anglophone Literature in Economics, in: Schmollers Jahrbuch – Journal of Applied Social Science Studies, Vol. 126, No. 2, pp. 163-176.

Hodgson, Geoffrey M. (2001): How economics forgot history. London and New York: Routledge.

Kipping, Matthias/ Kurosawa, Takafumi/ Wadhwani, R. Daniel (2017): A Revisionist Historiography of Business History: A Richer Past for a Richer Future, in: John Wilson/ Steven Toms/ Abe de Jong/ Emily Buchnea (eds.): The Routledge Companion to Business History. London and New York: Routledge, pp. 19-35.

Kreis, Winfried (1999): Die wirtschaftsethischen Anschauungen in der deutschen Ökonomie des 19. Jahrhunderts unter besonderer Berücksichtigung des Unternehmerbildes. Berlin: Duncker & Humblot.

McAdam, Mark/ Störring, Matthias (2016): Bringing Schmoller to America: Notes on the Translation of "The Idea of Justice in Political Economy" and Beyond, in: Schmollers Jahrbuch – Journal of contextual economics, Vol. 136, 4/2016 (forthcoming).

McCloskey, Deidra N. (2016): Bourgois Equality. How Ideas, not Capital or Institutions, Enriched the World. Chicago and London: Chicago University Press.

Mun, Thomas (1664/1895): England's Treasure by Forraign Trade, in: Economic Classics, edited by W. J. Ashley. New York: Macmillan.

Müssiggang, Albert (1968): Die soziale Frage in der historischen Schule. Tübingen: J.C.B Mohr.

Peukert, Helge (2001): The Schmoller Renaissance, in: History of Political Economy, Vol. 33, No. 1, pp. 71-116.

Pierenkemper, Toni (2011): Unternehmensgeschichte. Stuttgart: Franz Steiner Verlag.

Plumpe, Werner (2010): Funktionen der Unternehmerschaft – Fiktion, Fakten, Realität, in: Ludger Heidbrink/ Peter Seele (eds.): Unternehmertum. Vom Nutzen und Nachteil einer riskanten Lebensform. Frankfurt am Main: Campus Verlag.

Priddat, Birger P. (1998): Produktive Kraft, sittliche Ordnung und geistige Macht. Denkstile der deutschen Nationalökonomie im 18. und 19. Jahrhundert. Marburg: Metropolis-Verlag.

Redlich, Fritz (1955): Unternehmerforschung und Weltanschauung, in: Kyklos. Internationale Zeitschrift für Sozialwissenschaften, Vol. 8, No. 3, pp. 277-300.

Richter, Rudolf (1996): Bridging Old and New Institutional Economics: Gustav Schmoller, the Leader of the Younger German Historical School, Seen with Neoinstitutionalists Eyes', in: Journal of Institutional and Theoretical Economics, Vol. 152, pp. 567-92.

Rieter, Heinz (2002): Historische Schulen, in: Ottmar Issing (ed.): Geschichte der Nationalökonomie, 4th edn. München: Vahlen, pp. 131-168.

Schmölders, Günter (1984): Verhaltensforschung im Wirtschaftsleben – Theorie und Wirklichkeit. München: Wirtschaftsverlag.

Schmoller, Gustav (1864a): Die Arbeiterfrage I, in: Preußische Jahrbücher, Vol. 14, pp. 393-424.

Schmoller, Gustav (1864b): Die Arbeiterfrage II, in: Preußische Jahrbücher, Vol. 14, pp. 523-47.

Schmoller, Gustav (1865): Die Arbeiterfrage III, in: Preußische Jahrbücher, Vol. 15, pp. 32-63.

Schmoller, Gustav (1870): Zur Geschichte der deutschen Kleingewerbe im 19. Jahrhundert. Halle: Verlag der Buchhandlung des Waisenhauses.

Schmoller, Gustav (1874): Die Natur des Arbeitsvertrages und der Contractbruch, in: Schriften des Vereins für Socialpolitik, Vol. 8, Leipzig: Duncker & Humblot, pp. 71-123.

Schmoller, Gustav (1881): Uber Zweck und Ziele des Jahrbuchs, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 5, pp. 1-18.

Schmoller, Gustav (1884): Studien ueber die wirtschaftliche Politik Friedrichs des Großen und Preußens überhaupt von 1680-1786, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 8, pp. 1-62, 345-422, 999-1092.

Schmoller, Gustav (1890a): Das Wesen der Arbeitsteilung und der socialen Klassenbildung, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reiche, Vol. 14, pp. 45-105.

Schmoller, Gustav (1890b): Über Wesen und Verfassung der großen Unternehmungen, in: ders. (Hrsg.): Zur Social- und Gewerbepolitik der Gegenwart – Reden und Aufsätze von Gustav Schmoller, Leipzig: Duncker & Humblot, pp. 372-440.

Schmoller, Gustav (1890c): Die geschichtliche Entwicklung der Unternehmung I-II, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 14, pp. 735-784.

Schmoller, Gustav (1890d): Die geschichtliche Entwicklung der Unternehmung III-V, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 14, pp. 1035-1076.

Schmoller, Gustav (1891a): Die geschichtliche Entwicklung der Unternehmung VI-VII, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 15, pp. 1-47.

Schmoller, Gustav (1891b): Die geschichtliche Entwicklung der Unternehmung VIII-IX, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 15, pp. 636-710.

Schmoller, Gustav (1891c): Die geschichtliche Entwicklung der Unternehmung X, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 15, pp. 964-1029.

Schmoller, Gustav (1892a): Die geschichtliche Entwicklung der Unternehmung XI, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 16, pp. 731-748.

Schmoller, Gustav (1892b): Ueber die Entwicklung des Großbetriebes und die sociale Klassenbildung, in: Preußische Jahrbücher, Vol. 69, No.4, pp. 457-480.

Schmoller, Gustav (1893a): Die geschichtliche Entwicklung der Unternehmung XII, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 17, pp. 359-391.

Schmoller, Gustav (1893b): Die geschichtliche Entwicklung der Unternehmung XIII, in: Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich, Vol. 17, pp. 959-1018.

Schmoller, Gustav (1894): The Idea of Justice in Political Economy, in: Annals of the American Academy of Political and Social Science, Vol. 4, Issue 5, pp. 1-41.

Schmoller, Gustav (1896): The Mercantile System and its Historical Significance: Illustrated Chiefly from Prussian History, in: Economic Classics, edited by W. J. Ashley. New York: Macmillan.

Schmoller, Gustav (1913): Charakterbilder. München/Leipzig: Duncker & Humblot.

Schmoller, Gustav (1978a): Grundriß der Allgemeinen Volkswirtschaftslehre. Vol. 1, 2nd edn., Berlin: Duncker & Humblot.

Schmoller, Gustav (1978b): Grundriß der Allgemeinen Volkswirtschaftslehre. Vol. 2, 2nd edn., Berlin: Duncker & Humblot.

Schmude, Jürgen/ Welter, Friederike/ Heumann, Stefan (2008): Entrepreneurship Research in Germany, in: Entrepreneurship Theory and Practice, Vol. 32, Issue 2, pp. 289-311.

Schneider, Dieter (1993): Schmoller und die Lehre von der Unternehmensverfassung vor der Betriebswirtschaftslehre, in: Jürgen G. Backhaus (ed.): Gustav Schmoller und die Probleme von heute. Berlin: Duncker & Humblot, pp. 243-259.

Schumpeter, Josef A. (1954): History of Economic Analysis. New York: Oxford University Press.

Schumpeter, Josef A. (1942/2010): Capitalism, socialism and democracy. London and New York: Routledge.

Senn, Peter R. (1989): What has happend to Gustav von Schmoller in english?, in: Journal of the History of Economic Thought, Vol. 11, Issue 2, pp. 252-295.

Smith, Adam (1776/1840): An inquiry into the nature and causes of the wealth of nations. Edinburgh: Thomas Nelson.

Streissler, Erich (1989): Der Unternehmer in der deutschen Nationalökonomie des 19. Jahrhunderts, in: Bernhard Gahlen/ Bernd Meyer/ Jochen Schumann (eds.): Wirtschaftswachstum, Strukturwandel und dynamischer Wettbewerb – Ernst Helmstädter zum 65. Geburtstag. Berlin/Heidelberg: Springer, pp. 17-33.

Wadhwani, R. Daniel (2010): Historical reasoning and the development of entrepreneurship theory, in: Hans Landström/ Franz T. Lohrke (eds.): Historical Foundations of Entrepreneurship Research. Cheltenham: Edward Elgar, pp. 343-362.

Wagner, Adolph (1912): Die Strömungen in der Sozialpolitik und der Katheder- und Staatssozialismus. Berlin: Volkstümliche Bücherei.

Welter, Friederike/ Gartner, William B. (eds.) (2016): A Research Agenda for Entrepreneurship and Context. Cheltenham: Edward Elgar.

Welzel, Burkhard (1995): Der Unternehmer in der Nationalökonomie. Köln: Institut für Wirtschaftspolitik.

Zrinyi, Joseph (1962): Entrepreneurial behavior in economic theory: An historical and analytical approach. Ph. D. dissertation, Georgetown University.