

# The Entrepreneur

An Economic Theory

Mark Casson



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*An Economic Theory*

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*The Entrepreneur*

*Dedicated  
to the memory of my cousin  
Nowell Barlow*

# Preface

Inside every long book is a good short book trying to get out. Or so they say. This book is much longer than I had intended it to be. However the subject it addresses is a very broad one. Given this breadth of subject, the book is actually quite short. Unfortunately though, to contain the size of the book it has been necessary to eliminate many of the formal models which appeared in earlier drafts. These models are useful because they illustrate in detail how the general theory can be applied. It has also been necessary to dispense with case studies which shed light on the historical processes in which entrepreneurs are involved. It is hoped that the models and the historical material can be published later in a separate volume of studies. Also, there has been no space to discuss the macroeconomic implications of entrepreneurship. However these aspects of entrepreneurship are discussed, in a short-run context, in my book *Unemployment: A Disequilibrium Approach*. Parts of that book may usefully be read in conjunction with the present study.

The organization of the book is slightly unusual in that there are no footnotes. Instead sources and references are provided for each chapter as a whole, together with any detailed qualifications which are necessary to the main points in the text. These can be found at the end of each chapter.

The literature on entrepreneurship is very diffuse: although the specialist economic literature on entrepreneurship is surprisingly limited, a great deal of applied economic literature – particularly in the field of industry and technology – has some bearing on the subject. The study of entrepreneurship is interdisciplinary, and there is also relevant literature in politics, sociology, psychology, economic anthropology, business history, marketing and finance. There is insufficient space to provide a comprehensive review of this literature here. The task is rendered still more difficult by the fact that in most academic studies of entrepreneurs the word ‘entrepreneur’ does not appear in the title, whilst most of the literature with ‘entrepreneur’ in the title is either nonacademic or is not about entrepreneurs at all – at least in the sense that the word is used in this book. As a result, I have tried to be selective in the literature to which I have referred. Only works that I have found useful myself, and are strongly recommended for further reading, have been mentioned. In scanning the literature of entrepreneurship I was fortunate to have the assistance of Frances Dakers, and I am very grateful to her for the effort that she put into this work.

I have presented papers on entrepreneurship to staff and postgraduate seminars at Bradford, Durham, Kent, Lancashire, Reading, Sheffield, Strathclyde and Sussex, and I am grateful to members of these departments for comments which have (I hope) much improved the final draft of the book. I am particularly grateful to Peter Buckley, Paul Geroski, Charles Sutcliffe and Mike Utton for their detailed criticisms of the manuscript, and to Phil Rosson for his advice upon marketing and business strategy in general.

Once again, it is a pleasure to thank Nicole Collis for producing the typescript so quickly and accurately, and my wife, Janet, for vetting the text in the interests of the non-specialist reader. I am also grateful to Jill Turner for her help in the final preparation of the manuscript. Finally, I should like to thank Edward Elgar, formerly editorial director of Martin Robertson and now managing director of Wheatsheaf Books, for encouraging me to write the book, and to Michael Hay and Sue Corbett of Martin Robertson for their subsequent support. I am glad to say (for my sake, if not for theirs) that they conform quite closely to my model of the entrepreneur!

Mark Casson  
University of Reading

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# Introduction

We all of us know someone who is an entrepreneur. He may be a property developer, a small businessman, or just someone who knows how to 'turn a fast buck'. Perhaps he buys secondhand Jaguar cars that are destined for the scrapheap, does them up and sells them to the Japanese. Or he buys unwanted books from publishers and sells them at 'unrepeatable' bargain prices from a high-street shop.

Nowadays it is quite fashionable to be an entrepreneur. Suburban front rooms are stacked high with pocket calculators to be sold through mail-order advertisements in the local paper. Commuters' wives run 'nearly new' boutiques in their local village. It was not always so. Quite recently a French sociologist, challenged to give a definition of the entrepreneur, is reputed to have said 'The entrepreneur is a pig'. This book attempts to give a more balanced view, but in doing so it faces the same problem as did the French sociologist: the most difficult part of studying entrepreneurship is to define who or what is an entrepreneur.

Most studies of the entrepreneur make no attempt at definition. They rely instead on a stereotype, that of the swashbuckling business adventurer. Anyone who conforms loosely to this stereotype is dubbed an entrepreneur. An examination of the folklore of entrepreneurship enables us to sketch the following portrait.

JACK BRASH – ENTREPRENEUR

John Brash was born in Stepney, East London, in March 1912, the son of Oskar Brasch and Sarah Meadows. His father, a Polish immigrant, changed his name to Brash on arrival in England, and took British nationality. He was a former merchant seaman, and ran a small import



agency, supplying traditional Polish products to the immigrant community. By the outset of the First World War he had built up a useful trade, but increasingly the profits of the business were spent on drink. When John was only two years old his father abandoned his mother, who was forced to take a job making fashion garments. She worked from home and, as he grew up, John helped his mother with the outwork in the evenings after school. They were paid on piece-rates; an item for which their wage was tuppence was priced at two guineas or more in the West End shops.

John did not do well at school; he was quiet and withdrawn. Leaving school at the earliest opportunity, he became an errand boy and then shop-assistant, but was sacked on his eighteenth birthday when he became entitled to higher wages. Finding another steady job hard to obtain, he resolved to go into business on his own account.

He chose house clearance and secondhand furniture dealing. It was a time of high unemployment, and many of the unemployed were so poor that they financed themselves by selling off family heirlooms, and many choice items were 'going for a song'. Jack's experience with fashion garments had taught him that while many people were poor, there were still those rich enough to afford expensive goods, if you knew where to find them. His idea was to buy in bulk from the local neighbourhood and sell to West End dealers. What the dealers would not take he stored in the front room at home and sold from a market stall at the weekend.

Before he could begin he needed to buy a handcart. He did not have the ready cash but, finding a cart locally that was rather overpriced, he offered to give the asking price if he could be allowed six months to pay. The owner was delighted to find a buyer, and the cart was Jack's.

Jack was selective in what he bought. He always promised his sellers that their effects would be disposed of discreetly. By this he meant that they would be sold on the other side of town for a high price instead of locally for a lower price. He often worked unusual hours, so that he could call when the husband was out of the house. Wives were more willing to sell old things that were 'just gathering dust'. If they thought their husbands would miss it they might buy a cheaper item to replace it with; Jack often had something handy that would do. He soon learnt by experience what sort of things the West End dealers were looking for, but eventually these became more scarce as potential supplies were depleted by his own activities, and by competitors moving in on his field.

Jack realised that supplies were so tight that he would have to