

Entrepreneurship as Emancipation: The History of an Idea

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By

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I. The Three E's

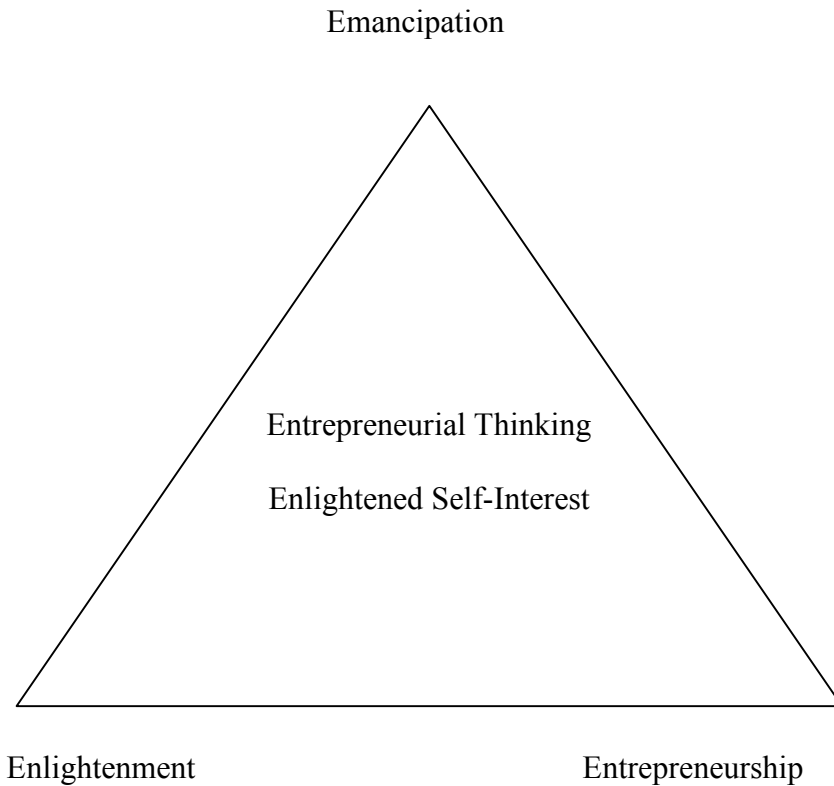
Today is the last event in a lecture series entitled “Entrepreneurship – Qualifikation der Zukunft.” I became interested in this topic some time ago, for a simple reason: for the last 23 years, I have been teaching at Babson College in Massachusetts, which several decades ago embraced entrepreneurship as the way of the future. Not only do we teach entrepreneurship as a subject, but we practice a new pedagogy allied with it: we offer integrated, cross-disciplinary learning in all programs; we practice what we preach (every first-year undergraduate becomes part of a business startup, for instance, learning theoretical skills while applying them to a real situation); as an institution, we are committed to a global engagement. Our rankings seem to support our commitment – in 2006, the *Financial Times* ranked our MBA program the No. 1 in Entrepreneurship worldwide). Our graduates are in demand – for instance, 97% of our undergrads have a job or are in graduate school within three months. We have been involved with NFTE from the start (one of the lecturers in this series represented NFTE Germany); my colleague Michael Feters serves on the board of NFTE in New York. In entrepreneurship research, we have such programs as GEM, the Global Entrepreneurship Monitor, which conducts comparative studies on entrepreneurship in over two dozen nations and is beginning to influence public policy worldwide. Babson has been leader in entrepreneurship education, and I have been lucky to serve on its faculty.

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Entrepreneurship is a field that involves creativity, integrated learning, openness to experience. My own exposure to it occurred at a business school. However, if we only define it as a business school discipline, it falls short of its potential. Since I am not a teacher of entrepreneurship myself but a professor of American literature, I have the advantage of marginality, which sometimes enables us to see a larger picture than those inside the circle. It is from this position that I dare to cast my net wide today and ask a very large question: how does entrepreneurship or, to use a more comprehensive term, entrepreneurial thinking, contribute to “emancipation”?

“Emancipation” carries the connotation of “freedom,” so we must begin by asking: freedom from what, and for what? In the economic context in which entrepreneurship is usually discussed, we may think about emancipation from poverty and dependence, and we can go from there to talk about emancipation from disabilities that come with poverty and lack of power. With economic self-sufficiency may come the opportunity for education and personal growth; for gaining a voice in the affairs of one’s community and polity; for a better understanding of the self and the world; an opportunity for a reasonable degree of agency, or the ability to act and shape, to determine one’s life and one’s goals, rather than accepting, as a sort of fate, the circumstances into which we are thrown.

As you may expect from the phrase “history of an idea” in the title of this talk, I also mean to poke around in a few places where we find a connection between entrepreneurship and emancipation, and I will spend a bit of time in the most interesting of these places: the transatlantic phenomenon we call the Enlightenment. In fact, I will be so presumptuous as to introduce a model I call the “Three E’s” – a trick that only works in English and is one of the reasons I have decided on this language, rather than German, for my talk:



For a German audience, perhaps the most familiar definition of “Enlightenment” is Immanuel Kant’s 1784 answer to the question “Was ist Aufklärung?” (“What is Enlightenment?”), in which he says that “Aufklärung ist der Ausgang des Menschen aus seiner selbst verschuldeten Unmündigkeit,” which is usually translated as „man’s emergence from his self-incurred immaturity” or “dependence.” Here is a more gender-neutral rendering: “humanity’s emergence from its self-incurred dependence.” Kant’s motto for enlightened progress is: “Sapere aude! Have courage to use your own understanding!” Unfortunately, says Kant, out of “laziness and cowardice,” most people prefer immaturity or dependence over thinking and acting for themselves – which is why our dependence has become “almost second nature.”

Emancipation. Enlightenment. The third “E” in our triangle is “entrepreneur,” and one place to look for a definition of that term would be the history of economic thought. The physiocrat Richard Cantillon is generally credited with introducing the term (in a posthumous publication, 1755), although the concept itself was not new. An entrepreneur is “celui qui entreprend,” a person who does or undertakes something. However, the term remains ambiguous for the next two centuries, although many writers

stipulate a meaning. In reviewing this terminological history in 1982, Robert Hébert and Albert Link came up with a list of 12 overlapping definitions:

1. The entrepreneur is the person who assumes the risk associated with uncertainty.
2. The entrepreneur is a supplier of financial capital.
3. The entrepreneur is an innovator.
4. The entrepreneur is a decision maker.
5. The entrepreneur is an industrial leader.
6. The entrepreneur is a manager or superintendent.
7. The entrepreneur is an organizer or coordinator of economic resources.
8. The entrepreneur is a proprietor of an enterprise.
9. The entrepreneur is an employer of factors of production.
10. The entrepreneur is a contractor.
11. The entrepreneur is an arbitrageur.
12. The entrepreneur is the person who allocates resources to alternative uses.

(Hébert and Link 108).

Although they go on to develop a taxonomy of theory types (109), they admit that “the entrepreneur remains an elusive figure” (114) and entitle their final chapter “In Search of the Heffalump” (the Heffalump, you may remember, is a mythological creature from the children’s book *Winnie the Pooh*). A decade later, after the emergence of the New Economy in the United States, Robert Formaini summed up a similar inventory of ideas with this definition: “an entrepreneur is an ingenious, risk taking innovator who might also be an imaginative manager and whose actions both disrupt and coordinate our market economy” (Formaini 9). In 2003, in the best review of entrepreneurship studies to date, my Babson colleague Maria Minniti (who is now the research director of the GEM project) and her husband Roger Koppl offered a definition based on the work of Israel Kirzner that seems to capture the widest consensus available today.² I quote:

In Kirzner’s work, entrepreneurship is first the “alertness” to new opportunities.

² For a more comprehensive attempt to write a history of entrepreneurial theory formation, see Murphy et al. One of the best short overviews is Mark Casson’s entry in the *Concise Encyclopedia of Economics*.

Entrepreneurs are alert; this is what they are like. Second, entrepreneurship is seizing an opportunity by taking innovative actions. Entrepreneurs innovate; this is what they do. Alertness leads to the discovery of new opportunities. If the opportunity discovered is a real one, the entrepreneur acts on it. Alertness necessarily leads to innovative actions such as founding a new venture. (Koppl and Minniti, “Market Processes” 87)

“Alertness” as a quality that leads to innovation usefully connects “entrepreneurship” as an economic activity, and “entrepreneurial thinking” as a multi-dimensional activity and aptitude. We’ll hear more about “alertness” later in this talk.

II. Examples

That entrepreneurship may contribute not only to the social mobility and political status of individuals who practice it, but also quite literally to their emancipation, their “liberation” from a state of unfreedom and powerlessness, could be demonstrated through many historical examples. Let me take you to three places you might not spontaneously associate with entrepreneurship:

- (1) the City of Athens in the 5th century B.C.;
- (2) the transatlantic slave trade and the African American struggle for emancipation;
- (3) the lives of women in the poverty-stricken nation of Bangladesh.

(1) Athens: Entrepreneurship for the Common Good

We might not expect entrepreneurship to be much esteemed in a society whose philosophers held that the highest human characteristic was virtue, and that virtue could best be achieved by free men who did not have to labor for their daily bread. Indeed, in the Athenian city state of the 5th century BC, virtue was held in high regard. At the same time, however, as George Bitros and Anastassios Karyannis have shown, there also existed “a sophisticated system of incentives for undertaking entrepreneurial activities and for using the wealth created thereof in a socially responsible way” (6). This policy rested on four “pillars”:

First, it recognized the positive impact of entrepreneurial activities for the autonomy and liberty of the citizens and the strength of the city. Second, entrepreneurial activities were encouraged only in so far as they were conducted within certain ethical, social and economic boundaries. Third, success from entrepreneurial activities was rewarded by the city with various honours if the accumulated wealth was spent in a socially responsible manner by granting loans free of interest and undertaking expensive “liturgies” [public projects financed by a form of voluntary taxation] on behalf of the public. Fourth, the policy provided specific socio-political incentives such as social advancement to citizens and metics [resident aliens] and/or liberation to slaves. (10)

Bitros and Karayannis discuss a number of instances in which slaves were able to purchase their own freedom and become respected members of the community. The most striking feature about government support for entrepreneurship in ancient Athens, however, is its non-individualistic purpose. Wealth, it was believed, must not lead to personal luxury or waste; entrepreneurship as a wealth-creating activity was justified by what it could accomplish for the common good.³

(2) Slavery, the African American Experience, and the Rehabilitation of Booker T. Washington

The period of slave trading and slave-keeping in the English-speaking world produced many texts that criticized and, in some instances, defended the practice. Among them are famous narratives by 19th century slaves such as Frederick Douglass and Harriet Jacobs, classics not only in the literary genre of the slave narrative but also classics of “American” literature. As scholars have begun to study slavery as a complex transatlantic phenomenon, they have drawn attention to older Afro-British narratives of slavery and liberation, the most famous of which is *The Interesting Narrative of the Life of Olaudah Equiano, or Gustavus Vassa, the African. Written by Himself*, first published in London in 1789.

³ The “common good” is not an easy or widely accepted notion. For a first overview, see Velasquez et al.

Equiano's *Interesting Narrative* is a spiritual autobiography that begins with an idyllic childhood in Africa and tells a story of kidnapping and enslavement, complete with the horrific Middle Passage across the Atlantic to the Caribbean and a plethora of abuses under the slave system as it was practiced on those islands and on the North American mainland; it tells of Equiano's conversion to Christianity, his efforts for the abolition of the British slave trade, his involvement with a failed recolonization scheme in Sierra Leone, and his final settlement as a resident of England. Equiano is a controversial figure – not only is there evidence that he may have made up his African birth, but he himself participated in the purchase and sale of slaves on behalf of masters and business partners. His conversion to Christianity has also been read as part of an entrepreneurial self-invention that took advantage of an emerging global marketplace to fashion a self defined by its ability to manipulate markets to its own advantage (Hinds).

But it is precisely as an entrepreneur that Equiano interests us here. After some years in the service of a British naval officer, he arrives back in England in 1759, where he expects to be legally freed, as his master had often promised him. Now, he writes, "I thought ... of nothing but being freed, and working for myself, and thereby getting money to enable me to get a good education" (214). That goal is upset when his master breaks his promise and has him shipped once again to the West Indies. Fortunately, he is sold to a kindly merchant, in whose service he learns to trade among the islands and, eventually, accumulates a small amount of capital with which to trade on his own account. Always hungry for new skills and knowledge (a standard feature of both slave narratives and stories of entrepreneurial success), he learns navigation and soon becomes his master's most valuable employee. After several more years of struggle and many setbacks, he is able to purchase his freedom and is manumitted on July 11, 1766 (240 years ago yesterday).

Equiano is a fascinating and complex character, and of course I cannot do him justice here. Let me just highlight an aspect of his tale that tends to disappear behind the larger narrative of cruelty and injustice: his inability to participate in the marketplace on equal terms. His life as a trader is an endless experience of fraudulent behavior on the part of racist whites (usually, buyers who take his goods and then refuse to pay for them), of broken promises, contempt, disrespect and, not infrequently, violence when he insists

on his rights. Not only is he repeatedly robbed of his goods and money, but he is also in danger of re-enslavement by whites who want to turn him back into a commodity – a fate that befell his friend Joseph Clipson. On this occasion, he writes,

Hitherto I had thought only slavery dreadful; but the state of a free negro appeared to me now equally so at least, and in some respects even worse, for they live in constant alarm for their liberty, which is but nominal, for they are universally insulted and plundered without the possibility of redress; for such is the equity of the West Indian laws, that no free negro's evidence will be admitted in their courts of justice. (Equiano 232)

While Equiano himself is lucky enough to purchase his freedom, his entrepreneurial activities that lead him to that point are severely restricted by the absence of legal protection, and by the institutionalized racism he encounters as a free black man. That he spends so many years of his later life fighting against slavery and racism and, in the process, taking care of his soul, connects him to other major figures in the transatlantic abolitionist struggle.

In the North American colonies and the new United States, there is much evidence that slaves, and later freedmen, became entrepreneurs to gain freedom for themselves and members of their families. In the years following the Civil War, African American business activity flourished briefly but was increasingly restricted when southern states began to pass segregation laws. These laws, in effect, limited the ability of African American businesses to compete outside their own ethnic category, restricting these businesses to a much smaller market (less than 10% of the population) and African Americans themselves to being primarily consumers, rather than producers. What people mostly remember about that topic today is an ideological debate within the African American community that began in the 1890s, intensified in the years before WW I and, after several metamorphoses, continues to be with us today as a debate about what to do with what William Julius Wilson has called the black “underclass,” a subject of demagoguery for generations of white politicians.

Booker T. Washington, the leader of Tuskegee Institute (today Tuskegee University) in Alabama, became a darling of white America when he advised his fellow blacks to stop asking for civil rights and higher education, and to focus instead on

economic progress. In two of the best-known and notorious passages of his famous speech at the Atlanta Exposition of 1895, Washington said:

we shall prosper in proportion as we learn to dignify and glorify common labour and put brains and skill into the common occupations of life ... No race can prosper till it learns that there is as much dignity in tilling a field as in writing a poem. It is at the bottom of life we must begin, and not at the top. Nor should we permit our grievances to overshadow our opportunities.

(...)

The wisest among my race understand that the agitation of questions of social equality is the extremest folly, and that progress in the enjoyment of all the privileges that will come to us must be the result of severe and constant struggle rather than of artificial forcing. No race that has anything to contribute to the markets of the world is long in any degree ostracized.

Washington was taken to task by critics who considered this position a sell-out, most famously by W.E.B. DuBois in his book *Souls of Black Folk* (published in the same year as Washington's autobiography, *Up From Slavery*). That book is best-known for its prescient statement that "the problem of the 20th century is the problem of the color line," but what it has to say about Washington also contributes to its status as a classic. His key criticism is summed up in what DuBois calls the "triple paradox" of Washington's career:

1. He is striving nobly to make Negro artisans business men and property-owners; but it is utterly impossible, under modern competitive methods, for workingmen and property-owners to defend their rights and exist without the right of suffrage.
2. He insists on thrift and self-respect, but at the same time counsels a silent submission to civic inferiority such as is bound to sap the manhood of any race in the long run.
3. He advocates common-school and industrial training, and depreciates institutions of higher learning; but neither the Negro common-schools, nor Tuskegee itself,

could remain open a day were it not for teachers trained in Negro colleges, or trained by their graduates.

Although he has always had his defenders as well, Washington's reputation as either an Uncle Tom, or a cynical manipulator of white racism for his own purposes, follows him to this day. The disenfranchisement of African Americans for much of the 20th century reinforced a focus on civil rights, although the later Civil Rights Movement very much involved a "war on poverty" as well. More successful African Americans were often portrayed as the "black bourgeoisie," which was castigated for its own class snobbery and color fetishism; sociologists after DuBois generally failed to look at the potential of black entrepreneurship for creating opportunity for substantial numbers of African Americans.

In 1991, however, on the new wave of interest in entrepreneurship there arrived a book entitled *Entrepreneurship and Self-Help Among Black Americans*, by John Sibley Butler, that provides a new look at the economic history of African Americans, richly embedded in the context of social and political history. (I am thrilled to say that John Butler, a distinguished professor at the University of Texas, has just accepted an appointment as a part-time visiting professor at Babson.)

In this book, Butler documents how participation in an integrated marketplace, even under conditions of slavery and discrimination, produces significant wealth for these participants and, for many, the ability to purchase their own freedom. He cites many instances of entrepreneurs and inventors from the colonial period through the early republic and even to the Civil War. When Booker T. Washington argued for the primacy of economic development over civil rights in his Atlanta Exposition speech, he was assuming, not implausibly, that participation in the market would lead to economic and eventual social power. What Washington failed to acknowledge was the determined effort by southern governments to exclude blacks from open market participation through legal segregation. His program of economic progress, in exchange for a deferral of civil rights, was therefore bound to fail. As Butler points out, no other ethnic group was forced to take such an economic "detour" as African Americans were; as late as 1939, the U.S. Department of Commerce kept statistics on two separate markets in the United States – the African American market and all others, lumped together as "white."

What this case study in the sociology of entrepreneurship shows is that entrepreneurship cannot offer a road to emancipation when certain conditions are not met, most notably the protection of the law, the impartial role of government toward all market participants, and access to an open market.

(3) Muhammad Yunus, “Banker to the Poor,” and Women’s Emancipation through Entrepreneurship

Almost on the other side of the globe, but in our own day, we encounter an example of entrepreneurship that shows a clear path to emancipation: Muhammad Yunus, founder of the Grameen Bank in Bangladesh, inventor of the micro-loan and of banking without collateral. After studying economics on a Fulbright scholarship in the United States, Yunus returned to Bengal in 1972, after the war of separation from Pakistan had created the nation of Bangladesh. As the head of the economics department at the University of Chittagong, he noticed the poverty in the villages surrounding the university and discovered that the most severe suffering occurred among women; even when they worked from dawn to dusk, they could never get out of poverty. Many were at the mercy of usurious money lenders, since the all-male banking establishment would give them no credit. But the reality was that most women needed just tiny loans, from 22 cents to 25 dollars, to be able to buy supplies for the small businesses they conducted, such as weaving bamboo stools. Yunus persuaded a bank to let him serve as guarantor for a loan of \$ 300. He parceled that money out in small amounts and required tiny but frequent repayments, which were handled by women in borrower groups that provided mutual encouragement and some social control. No collateral was required, but the Grameen Bank, founded in 1977 in a country where wealthy borrowers routinely fail to repay their loans, has a repayment rate of over 98%, the highest of any bank in the world. Most of its loans go to women (94% as of 1998); it has trained tens of thousands of women to handle credit and has hired many into the banking business (despite huge resistance from their conservative relatives). It has become the model for a world-wide micro-credit movement that stimulates small-scale self-employment. When Professor Yunus spoke at Babson last year, he told us that in his patriarchal country, a man with money in his pocket would

always spend it on himself first (and not always wisely). A woman would first spend it on her children, then on the household, and on herself last of all. As a result, women presented an excellent risk for banks, since their social behavior encouraged responsible economic behavior. Women who borrowed money from the Grameen Bank in their own name to support a small business venture gained power in their family and community, were able to support education for the next generation, and to model the entrepreneurial process.

In his compelling autobiography, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* (1999), Yunus talks about his initial observations and experiments, and about how he and his co-workers learned from their mistakes. With its pragmatic, unpretentious approach, *Banker to the Poor* can serve as a blueprint for how entrepreneurship can shape the future of the world; he does present it as a “qualification for the future.” He believes in self-reliance, local control, equal opportunity, and accountability as the means to help people help themselves. His ideas are rooted in close observation of real people, their humanity and their habits, their prejudices and their potential. This close attention to human nature and the specific habitat in which it unfolds itself differentiates his ideas from anything resembling an ideology. There is an emphasis on the imagination and on learning from experience that keeps this body of thought from becoming a closed, self-referential system.

III. Enlightenment and Entrepreneurship

These are, of course, central ideas of the transatlantic Enlightenment of the 17th and 18th centuries, which was also profoundly anti-ideological in its insistence on experimentation, observation, and evidence. To see them re-applied in an economic movement of world-historical significance confirms the obvious: so far from being outdated, the Enlightenment still gives us the best direction for a decent future. The present-day discourse about entrepreneurship gives us a chance to revisit, after a detour of two centuries, the Enlightenment’s promise of economic self-realization.

Just to refresh your memory, here are some of the other key ideas we associate with the Enlightenment:

- a “belief in natural law and universal order”;
- “confidence in human reason”;
- a “rational and scientific approach to religious, social, political, and economic issues”;
- a “general sense of progress and perfectibility”;
- a belief in a global humanity and an aversion to blind nationalism.

Leading Enlightenment thinkers “sought to discover and to act upon universally valid principles governing humanity, nature, and society. They variously attacked spiritual and scientific authority, dogmatism, intolerance, censorship, and economic and social restraints” (all quotations from the online *Columbia Encyclopedia*).

Among the lasting results of the Enlightenment are our modern science and technology; our notion of individual human rights and the rule of law; the modern skepticism towards established religions and all traditions not based on reason; and new theories of psychology and education that emphasize the ability of each individual to grow and change.

But let us now turn to Adam Smith and Benjamin Franklin, the two 18th century Enlightenment figures I want to discuss today. They had quite a few things in common. They died in the same year (1790); both published important texts in the same year (1776): Smith, the *Wealth of Nations* and Franklin, with his co-author Thomas Jefferson, the *Declaration of Independence*. Both were charming, sociable, and gifted at winning people’s trust. They met once, during Franklin’s tour of Scotland in 1759. Then in his early fifties, Franklin was already a world-famous scientist, a Fellow of the Royal Society, and a recipient of honorary degrees from major European and American universities. Smith, then in his mid-thirties, had been appointed to a professorship at the University of Glasgow at age 28, currently held the chair in moral philosophy, and was the author of *The Theory of Moral Sentiments*, published in the very year the two men met, 1759. Both had benefited from patronage; both were philanthropists who gave much or most of their money away. Both were to become hugely influential in their lifetime and to become mythological figures after their death.

Although Franklin was the older of the two, let me start with Smith, since he is the one who popularized the concept of the “commercial society” that helps us

understand Franklin (and, for that matter, Equiano) and is also the one whose most famous work is as widely unread and misunderstood as it is referred to. It helps to remember that, although he wrote the most influential book on economics, Smith was primarily a moral philosopher, who was interested in institutions that might help with the project of moral perfection. Jerry Muller, in his wonderful book *Adam Smith in His Time and Ours* (1993), describes Smith's project as follows:

As a moral philosopher, Smith was concerned about the nature of moral excellence. But like many other Enlightenment intellectuals, he tried to begin by describing man as he really *is*. His conception of man was not as an intrinsically good creature corrupted by society, nor as an irredeemably evil creature except for the grace of God. His project was to take man as he is and to make him more like what he is capable of becoming, not by exerting government power and not primarily by preaching, but by discovering the institutions that make men tolerably decent and may make them more so. (Muller 48)

One of these institutions is the market which, so far from being the place of “laissez faire” (a term never used by Smith), is a place that needs to be regulated for the common good and that inculcates such human qualities as self-control, prudence, honesty, and fairness. In a society of increasing interdependence through market relations, says Smith, “Every man ... lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society” (from Muller 70). In fact, our capacity for exchanging the fruits of our labor in the pursuit of self-interest gives us a “specifically human dignity” (Muller 70); it encourages improvement, making good use of our different levels of talent, and it fosters peaceful interdependence. Knowing what he does about human nature, however, Smith cautions against relying on altruism and advises us to acknowledge that each of us acts from self-interest. The one quotation from *Wealth of Nations* that everybody remembers is this:

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest ... Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens. (*Wealth of Nations*, Book I, Chapter 1, “Of the Principle which gives Occasion to the Division of Labour,” I.2.2)

Here is also the cue for understanding self-interest not as blind, but as enlightened self-interest: “nobody but a beggar,” says Smith, relies on other people’s benevolence. By legitimizing self-interest, Smith un-stigmatizes the merchant and recognizes the value of labor. Commercial interdependence, which can channel self-interest toward a common good through clearly understood norms of behavior, provides more opportunity for human agency and dignity than older, inflexible and often arbitrary forms of dependence -- of serf on lord, of servant on master, and so forth; it puts contractual relations in place of personal dependence. Government has a role in regulating commercial society, first and foremost by abolishing the privileges granted to special interest groups and powerful monopolies. Only a truly free market can create the opportunities and the civilizing effects that Smith associates with it. But government must do more: it must provide broad opportunities for education, so that the blessings of commercial society can be extended to all who wish to participate, and it must help with providing an infrastructure that enables commerce: not only roads and harbors (in Smith’s day), but also reasonable and enforceable laws that encourage fair exchange and prevent abuse.

One of the ways, then, in which the market contributes to individual and social betterment, as Muller points out, is by “[*disciplining*] *society*” (133): “Smith valued the market most because it promoted the development of cooperative modes of behavior and because it made men more self-controlled and more likely to subordinate their asocial passions to the needs of others” (Muller 94); his “works articulate a vision of ‘commercial humanism.’”⁴ Commercial society does not liberate the passions in a helter-skelter free-for-all but tames them. Smith’s famous contemporary Edmund Burke wrote:

Society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things, that men of intemperate minds cannot be free. Their passions forge their fetters. (From Muller 99)

To paraphrase a famous contemporary of ours: “It’s the morals, stupid!”⁵

⁴ Muller borrows the term from J.G.A. Pocock – see 223, n. 5.

⁵ The phrase “It’s the economy, stupid” was coined by Clinton strategist James Carville during the 1992 presidential campaign.

And yet commercial society is not just, or even primarily, about constraining the passions; it is also about liberation and newness and celebration – even a celebration of economics as the art of living.

Sound like a fairly tale?

Here goes. Once upon a time (about a century and a half ago) and once upon a place (more than 3,000 miles from here), there lived a man who, by the standards of his day and by the standards of most people today, was not a success. He came from a pretty good family, lived in a pretty good town, went to a pretty good local college (Harvard), but he never worked in the profession for which he was trained, he was unsuccessful as a businessman, he wrote books that didn't sell, he never married, and he died of tuberculosis at age 44, as poor as he had lived. The one book for which he is mostly known today begins with a chapter called "Economy" and goes on to show, over many pages, how little it takes to feed the body and how much it takes to feed the soul.

I am, of course, talking about Henry David Thoreau from Concord, Massachusetts, whose book *Walden*, published in 1854, addresses the relationship between making a living, and making a life. "We are often reminded," he writes in the Conclusion to *Walden*, "that if there were bestowed on us the wealth of Croesus, our aims must still be the same, and our means essentially the same." Croesus, as you may recall, was the famously rich King of Lydia, who lived in the sixth century B.C. Let me repeat Thoreau's line: "if there were bestowed on us the wealth of Croesus, our aims must still be the same, and our means essentially the same." He could have stated this as a caution for entrepreneurs: individual wealth-creation is just the beginning of the journey. But it can be an inspiring and ennobling, not a demeaning, journey.

In a 1912 lecture at Brown University entitled "Business - A Profession," Louis D. Brandeis (later known as Justice Brandeis and the man after whom Brandeis University is named) said, "Real success in business is to be found in achievements comparable ... with those of the artist or scientist, of the inventor or the statesman. And the joys sought in the profession of business must be like their joys ..." -- the same joys, I suspect, that Henry David Thoreau had in mind when he wrote about commerce as an example of creation and self-creation, an antidote to passivity and fear. "Every path but your own is the path of fate," he says and praises commerce for "its enterprise and

bravery”: “It does not clasp its hands and pray to Jupiter,” but it is “confident and serene, alert, adventurous, and unwearied.” Notice his use of the term “alert,” Israel Kirzner’s chief attribute of the entrepreneur. Human beings, in Thoreau’s words, need “to live deliberately, to front ... the essential facts of life,” to know themselves, to be what he calls “awake.” In one of his most-quoted lines at the end of *Walden*, he reminds us: “Only that day dawns to which we are awake.” Only that opportunity arises to which we are alert.

Like Adam Smith, Benjamin Franklin has come down to us in many voices, not all of them his own: taken as the prophet of the self-made man, he was made a co-inventor of the American myth of opportunity (I was tickled to learn from Gordon Wood’s recent study, *The Americanization of Benjamin Franklin*, “that the book Davy Crockett had with him when he died at the Alamo was not the Bible but Franklin’s *Autobiography*” [Wood 3]). For Max Weber, in *The Protestant Ethic and the Spirit of Capitalism* (1905), Franklin became “a perfect exemplar of the modern capitalistic spirit” (Wood 7). Just this year, to commemorate the 300th anniversary of Franklin’s birth, Entrepreneur Press in California published a book entitled *Ben Franklin: America’s Original Entrepreneur*, which is rendering of Franklin’s autobiography rewritten by one Blaine McCormick in 21st century English, with such chapter headings as “A Strategic Response to a Competitive Betrayal” (Chapter 30), “Franchising Across the Continent” (Chapter 42), and “The Power of Contingent Contracts” (Chapter 59).

Franklin certainly was a self-made man, one who not only created his own fortune but also his own public image. He cultivated many of the qualities that make for commercial success, such as prudence and temperance, reliability and regularity, and he learned to govern a young person’s desire for instant gratification. His most lucrative project during his days as a printer and bookseller was an annual publication that he continued for over 20 years, *Poor Richard’s Almanac*, full of advice on all sorts of things, not least on how to succeed through good personal habits. In compendium form, entitled *The Way to Wealth*, Franklin’s folksy sayings and proverbs attained classic status.

He was an immensely curious man, who always wanted to know how everything worked and how the phenomena of the world were connected. He was also immensely pragmatic – for instance, he supported all churches in Philadelphia while attending none,

holding (like Smith) that religion was useful as a social institution and that competition among denominations, or religious pluralism, was a check on theocratic tendencies. He distrusted altruism and thought that appealing to people's self-interest was the best way to make them see the common good. He was a passionate autodidact, with only two years of formal schooling and a distrust of useless learning divorced from reality (again, like Smith, who thought that his professors at Oxford wasted his time as well as theirs). As an entrepreneur, Franklin helped to implement a form of networking (beginning with his famous Junto) that could replace patronage by social superiors; as a social entrepreneur, he was a tireless initiator of civic and commercial institutions (a lending library, a college, a fire department, fire insurance, etc.) that combined benefits for individual participants with benefits for the common good. Besides his scientific and technological inventions and innovations (most famously, the Franklin stove and the lightning rod, for both of which he declined patents), he came up with commercial innovations such as franchising. While he became one of the richest men in North America, who could afford to retire at age 42 to lead the life of a gentleman interested in "natural philosophy" and public service (he had a portrait painted, acquired a coat of arms, etc.), he repeatedly extended his own capital for public purposes. At the end of his life, he threw in his lot with the new nation of shopkeepers and artisans, disgusted with the society of gentlemen he had cultivated during his years in England. Franklin re-invented himself not once, but multiple times. For our purpose, it is easy to claim him as the archetypal entrepreneur as well as a model of creative, innovative, entrepreneurial thinking.

And yet it is as an Enlightenment figure, in company with Adam Smith, that he is most inspiring, because he helps us expand our conception of entrepreneurship as a "qualification for the future" not just for individuals but for the world. Franklin the Enlightenment figure was a person who never stopped trying to understand the world around him, and who never stopped trying to improve himself and others. His autobiography, which was never completed and remained unpublished during his lifetime but portions of which circulated in manuscript, introduces the trope of life as a book, in which one's mistakes appear as printer's errors, or "errata": "were it offer'd to my Choice," Franklin writes, "I should have no Objection to a Repetition of the same Life from its Beginning, only asking the Advantage Authors have in a second Edition to

correct some Faults of the first” (Franklin 1). Perhaps the most famous part of the autobiography is Franklin’s project of attaining moral perfection. To accomplish this, he identified 13 virtues that seemed to him most important, as well as a checklist that allowed him to trace his own progress during any given week. Here is the list:

1. **Temperance:** Eat not to dullness; drink not to elevation.
2. **Silence:** Speak not but what may benefit others or yourself; avoid trifling conversation.
3. **Order:** Let all your things have their places; let each part of your business have its time.
4. **Resolution:** Resolve to perform what you ought; perform without fail what you resolve.
5. **Frugality:** Make no expense but to do good to others or yourself; i.e., waste nothing.
6. **Industry:** Lose no time; be always employed in something useful; cut off all unnecessary actions.
7. **Sincerity:** Use no hurtful deceit; think innocently and justly, and, if you speak, speak accordingly.
8. **Justice:** Wrong none by doing injuries, or omitting the benefits that are your duty.
9. **Moderation:** Avoid extremes; forbear resenting injuries so much as you think they deserve.
10. **Cleanliness:** Tolerate no uncleanness in body, clothes, or habitation.
11. **Tranquility:** Be not disturbed at trifles, or at accidents common or unavoidable.
12. **Chastity:** Rarely use venery but for health or offspring, never to dullness, weakness, or the injury of your own or another's peace or reputation.
13. **Humility:** Imitate Jesus and Socrates.

In his discussion of these virtues, Franklin makes it clear that he considers them, and goodness in general, as pragmatic (not socially prescribed or transcendently ordained): it is simply in our self-interest to be good. (For his newspaper, the *Pennsylvania Gazette*, he once published a Socratic dialogue to prove “that a vicious Man could not properly be called a Man of Sense” [Franklin 80]).

But we need to go back to “emancipation.” To emancipate ourselves from the accidental circumstances life has handed us and to become the person we desire to be, we must reason, we must learn, we must act, we must view the world in terms of opportunity. We must practice “entrepreneurial thinking.” It implies a readiness to take the initiative, to investigate innovation, to test tradition, with full awareness of possible consequences. In business as in life, it downplays constraints and highlights possibility. In philosophical terms, this implies a quasi-existentialist, anti-determinist stance that stresses free will and free choice. In Sartre’s book *Being and Nothingness* (1942), there is even a concept called “bad faith,” by which Sartre means the refusal to accept personal agency, and therefore to accept responsibility for one’s state or condition.

For Franklin and his contemporaries the question was: how can I overcome constraining circumstances, how can I take advantage of opportunity, without taking advantage of others? How can I do well and do good at the same time? For the academic discipline of entrepreneurship today, as for all of us who think about entrepreneurship as a new beginning, the intellectual challenge is: how can we develop a new social philosophy that is compatible with entrepreneurship as a new business paradigm? Muhammad Yunus says: everyone can be an entrepreneur. Whether or not that is realistic, the question is: what would a world be like in which entrepreneurship is triumphant?

We can go to Franklin for cues. There is a letter to Franklin that is inserted in the printed editions of his autobiography between the first and second part (which were undertaken 13 years apart). His correspondent Benjamin Vaughan, who had seen a copy of Part One, encouraged Franklin to continue the work, so as to give an example to young people from all kinds of origins. Vaughan suggests that it is absolutely crucial to demonstrate that one can be both successful and ethical: “for the moment that all men, without exception, shall be conceived abandoned, good people will cease efforts deemed to be hopeless, and perhaps think of taking their share in the scramble of life, or at least of making it comfortable principally for themselves” (Franklin 62). Economic individualism is a dead end. Investing in our own life alone is meaningless unless we also invest in the lives of others. Our own wealth creation must lead to the creation of wealth for all. Adam Smith meant this when he spoke of the “wealth of nations.”

IV. Educating for Enlightened Responsibility: Entrepreneurial Learning and Social Entrepreneurship in a Globalized World

The “wealth of nations” is alluded to in another book that most of you in this audience know: *Reichtum von unten*, or “wealth from below,” by Günter Faltin and Jürgen Zimmer. A “hidden gem” is how Babson College has been repeatedly rated by the *Wall Street Journal*, and a “hidden gem” is what I would call this book. It is a truly visionary look at the future, based on an incisive analysis of the present. I first read the book over a decade ago, and I just reread it for this talk. I am amazed and impressed by the freshness of this work – “fresh” in the double sense it has in English: “innovative” or “new” as well as German “frech,” provocative. Its radical prescription for the malaise of Europe’s late industrial economies lies in the tradition of Smith and Franklin: let everyone have a chance; don’t feel sorry for yourself but roll up your sleeves and think for yourself; throw out old systems that have gone to rot, first and foremost the educational systems you are so fond of; create a culture of entrepreneurship and entrepreneurial thinking; take more responsibility for your own life; be alert; have courage. And although entrepreneurship is all about the creation of opportunity and wealth, Faltin and Zimmer also fall in the tradition of Transcendentalists like Henry David Thoreau, by advocating an anti-materialist message they call “intelligent asceticism.” Entrepreneurship is not about acquiring more things; to the extent it is about individual opportunity, it’s primarily about personal growth and independence. “Sapere aude.”

I would like to end this paper with two additional suggestions for how we might think about a more comprehensive “philosophy of entrepreneurship.”

First, I would like to draw your attention to the concept of philanthropy, which literally means “love of man” or “love of humanity.” It used to mean something like charity, giving of your own wealth to the less fortunate, or to some public purpose. In recent years, it has begun to be renamed in the academic discourse (at least in the US, where it is an academic subject in which you can get a Ph.D.) as “social entrepreneurship,” which I think is a promising development. The Third Sector, as Americans call it, the not-for-profit sector, is a source of much entrepreneurial action,

with many good results. Many institutions in the United States are not-for-profits, including my own college, but also places like Harvard, Yale and Princeton. The richest entrepreneur alive today, Bill Gates, has decided to give most of his money away; his foundation just received a \$ 32 billion pledge from Warren Buffet, one of the world's most successful investors. Although social entrepreneurship can never replace the role of governments in addressing the world's social needs, it is an important complement and often does things governments cannot do.

Secondly, we need to spend some more time thinking through the implications of globalization, which Germans generally perceive as a threat, and how it connects with entrepreneurship.

The most advanced entrepreneurship educators define entrepreneurship as a set of ideas and skills that liberate human potential, that encourage imagination and initiative to create personal and social wealth. The underlying philosophy, which I have tried to place in the tradition of the Enlightenment this evening, is universally applicable and not limited to a particular nation or culture. Where elements of entrepreneurship have been employed thoughtfully in Third World countries like Bangladesh, they have supported local economies and positive social development. These forms of entrepreneurship can be seen as a corrective to those forces of globalization that are represented by multinational corporations with weak connections to local communities. Large thinking about entrepreneurship needs to consider its global dimensions, real and potential. Large thinking about globalization needs to consider the power of entrepreneurship, real and potential, among its concepts. "Think globally, act locally." And always, have courage.

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