Preface and acknowledgements

When I completed my book on *The Entrepreneur: An Economic Theory*, published in 1982, I realized, on reflection, that it was probably a mistake to try to construct a purely economic theory of the subject. Several readers of the book told me that it did not describe the ‘flesh and blood’ entrepreneurs whom they knew personally. There was a missing dimension to my discussion of entrepreneurial personality, they said – a charismatic quality which inspired loyalty amongst employees, and made successful entrepreneurs potential role models for the rest of society. These personal qualities were ascribed to leadership in my subsequent book – *The Economics of Business Culture*, published in 1991. Leadership, I suggested, can only be understood in terms of interactions between leaders and followers, in which leaders supply their followers with values and beliefs which the followers would find too time-consuming to construct for themselves.

This interaction between leaders and followers is essentially a sociological phenomenon. Yet it can also be analysed in terms of rational actions by the people involved. Indeed, the rational action approach seems to be much the best way to attack the problem, if clarity and precision are required. I have therefore found myself in the company of other ‘economic imperialists’ who have urged the application of the methods of economics to other social sciences. It seems to me that entrepreneurship and leadership are topics that rightly belong to an integrated social science – the kind of social science that was anticipated in the work of some of the great political economists, like Adam Smith and John Stuart Mill. The ambitious research agenda of these political economists was abandoned towards the end of the nineteenth century, as economics became increasingly mathematical and hedonistic. The political and social aspects of political economy were squeezed out by attempts to formalize economics. New disciplines like sociology, politics and economic history were set up in opposition to economics in order to fill the intellectual void that the formalization of economics created.

In the past twenty years, however, the various social disciplines have begun to converge again. Scholars such as Gary Becker, James Coleman, Douglass North, Richard Posner and Oliver Williamson have each, in their own particular way, sought to illuminate the ‘non-economic’ aspects of social scientific issues with economic insight. In truth, it seems that there is no
purely ‘economic’ aspect to social science phenomena, and conversely, no purely ‘non-economic’ aspect either. This point has long been apparent to public policy-makers, who have had to deal with all the messy inter-disciplinary aspects of practical problems. The same point applies to practising entrepreneurs, particularly those who control large and complex organizations. Such organizations cannot be managed properly without an integrated vision that encompasses all the social science disciplines. Such integration is difficult to achieve when separate social sciences are controlled by specialists who can see only part of an overall problem, and perceive it, moreover, from a dogmatic and blinkered point of view.

The construction of an integrated social science sounds a wonderful idea, of course, but there are obvious reasons why it has not already been done. It is such a major project that it will take an enormous amount of time to complete. However, the resources that are currently available, in terms of full-time academic researchers, data bases, computing power, and so on, are now far greater than they were a century ago. A large amount of specialist knowledge has already been accumulated, and is awaiting incorporation into a wider system of thought.

This book is offered as a small step in the direction of social science integration along these lines. Because the project is so large, the book is merely an interim report. It is, in fact, the second such report: the first was published in 1995 as *Entrepreneurship and Business Culture*. Both books are written from the rational action perspective mentioned above. In contrast to conventional economics, however, rationality is construed in a qualified way. People act rationally, it is assumed, in pursuing objectives that they believe to be legitimate within the context of the way that they perceive the situation. This perception is in turn a consequence of beliefs they have acquired from other people, and information which they have previously collected for themselves. Other economic imperialists working within the rational action tradition would undoubtedly approach the subject in a slightly different way. This book does not, therefore, claim to be a definitive statement of the position of the members of any particular ‘school’, but rather the perspective of an individual scholar working in the field.

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The ideas set out in this book have appeared in previously published work. Each chapter is loosely based on a previous publication. All these publications have been thoroughly revised and rewritten, however, so each chapter is to a large extent an original piece of work.


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Chapter 8 is a revised and much extended version of ‘The Economics of the Family Firm’, Scandinavian Economic History Review, 47(1), 10–23.


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