Index

active planning 23–4
advertising 172–6
Andrews, P., on entrepreneurial firms 225–6, 231
arbitrage 64–7
in perfect competition 81
and pricing 67, 229
of stocks 68–9
and synthesis of information 70, 233–4
arrogance, in entrepreneurs 190–91
auctioneers (Walrasian) 12, 80–83
banks, and entrepreneurial finance 128, 167
bargaining see negotiation
barriers to entry 49–51, 71–5, 182–3, 184–5, 235–8
and capital requirements 142, 167–9, 236–7
in perfect competition 82
see also obstacles to trade
betting option
on commercial information 122–3, 194
see also portfolio speculation
bulk trading 93–4
capital 127–30
as a barrier to entry 142, 167–9, 236–7
and social advancement 207, 210–11
capital markets, internalization of 116–17, 131
collusion, and competition 184–5
combined markets 107–9
commercial information 51
exploitation of 119
betting option 122–3, 194
by employees 73, 129–32, 166–7
through coordination 125–7
through licensing 54, 120–23
through portfolio speculation 123–5, 126, 133
internalization of 122–3
communication
in decision making 27
and information 71, 98
see also advertising; contact making
competition 43–6, 225–6
and collusion 184–5
development of 182–5
for information 51–4
and information monopoly 49
and neoclassical economics 12–13
with a one-part tariff 46–8
and rewards 194–7
theories of see monopolistic competition theory; perfect competition
see also barriers to entry; pricing;
sequential negotiation; trade
competitive professionalism, for social advancement 205–6, 208, 209
composite goods see combined markets; multi-purpose goods
contact making 148, 152–5
see also social contact
contingency planning 22–4
contingent forward claims
in information 121
market costs 92–3
contracts
for information searches 53–4
long-term 50
for market making 148
see also defaults; employment contracts; enforcement services;
forward markets; implicit contracts; licensing; negotiation;
recontracting; sanctions
coordination 35–6, 121
attitudes to 212
The entrepreneur

forward integration into 125–7
of information searches 53–4
politicians’ aims 211–12
see also partial coordination; resource allocation; social coordination
copyright, as a barrier to entry 72
costs
definitions 85–6
see also market making, costs; monitoring, costs; pricing; resource costs; transaction costs
criminal entrepreneurship 203, 204–5, 209
decentralization
of contact making 152–5
of inventory stores 152–5
decision makers, recruitment of 170
decision making 20–21
activities involved 25–6, 30
delegation in 26–9, 239
demand for 22–4
qualities needed 25, 29–32
resource costs 24–8
by teams 28–9
see also information; judgmental decisions; managerial capacity; risk; uncertainty
decline, of firms 181
defaults
in decision making 27
in trade 87, 90–91
see also enforcement services; monitoring; sanctions
delegation
in decision making 26–9, 239
to entrepreneurs 129–32, 191–2, 203, 207–8
see also employees; establishment
demand
for decision making 22–4
see also markets; product demand
development see economic development; innovation; international development
discounts, for retailers 156–7
distribution 148, 149, 152–5
diversification 179–81, 227–8
economic development, and entrepreneurs 10–13
economic systems, types of 200–201
economies of scale see scale economies
education, and entrepreneurship 207–10, 237–8
employees
exploitation of commercial information 73, 129–32, 166–7
see also delegation
employment contracts 113–15, 216
enforcement services 148, 149
see also sanctions
entrepreneurial firms 192–3
theories of 225–8, 231
entrepreneurs
characteristics 13–14, 25, 29–32, 190–91, 193, 223–5, 227
definitions 19–22
as delegates 129–32, 192, 203, 207–8
matching to decisions 191–3
rewards 193–9
roles 216–17
skills 238–41
stereotypes 1–6
see also producer-entrepreneurs; retailer-entrepreneurs; self-employment
entrepreneurship
criminal 203, 204–5, 209
and education 207–10, 237–8
establishment 202, 203, 205, 208, 209
and ethnicity 11–12, 213
forms of 200–205
markets in 131, 188
political 202–4, 205, 209, 211–12
private 202, 203, 205, 209
and religion 212–13
revolutionary 203, 204, 205, 209
risk in 198–9
screening for 192–3, 198–9, 207–8
and social advancement 200, 210–13
theories of see Andrews; Hayek; Kirzner; Knight; Leibenstein; Penrose; Schumpeter
and uncertainty 220–23, 229–30
see also decision making; judgmental decisions; market making
decision-making, entry, barriers to see barriers to entry
establishment entrepreneurship 202, 203, 205, 208, 209
ethnicity, and entrepreneurship 11–12, 213
external markets 106–7, 112–13
families
as information sources 234–5
as suppliers of capital 116–17, 167–8
as suppliers of labour 169–70
family firms, and self-employment 116–17
finance see capital
financial speculators, and social advancement 202, 203, 205, 207, 210
firms
characteristics 161–2, 216
control within 163–4
development of
foundation of 165–7
constraints on growth 167–9
growth of product market 171–6
building on experience 176–9
diversification 179–81
growth of competition 182–5
decline 181
forward claims 132–3
labour supply 169–71, 239
scope of 162–3
see also banks; entrepreneurial firms;
joint-stock companies; market-making firms
forward integration, into coordination 125–7
forward markets
for firms 132–3
in quality of service 139–40
trading in 137–8
see also contingent forward claims
functional definitions, of entrepreneurs 20–22
goodwill
as a barrier to entry 50, 74–5
see also reputation
Hayek, Friedrich von, on market adjustment 218–19, 229
implicit contracts, and priority setting 139–40
indivisibilities, and diversification 179–81, 227–8
industries, definitions 181–2
information
access to 233–5, 237
and communication 71, 98
competitive search for 51–4
costs 23, 85–9, 98–9
and decision making 22–3, 26
and diversification 179
feedback from 235
monopoly of 49, 51
in perfect competition 82
and quality improvement 176–9
synthesis of 70–71, 233–4
and trade 38–41
see also commercial information;
decision making; judgmental decisions; uncertainty
innovation 223–5, 230–31
see also product innovation; technological innovation
intellectual rights see copyright
intermediate product markets, internalization of 112
intermediation see market making
internalization
of contact making 152–5
of distribution 149, 152–5
of enforcement services 149
and forward contracts 138
of inventories 152–5
of labour services 113–16
of market making 148–9
of markets 106–7, 111–13
in capital 116–17, 131
in information 122–3
of production 112, 149–52
internal markets, control in 163–4
international development, and entrepreneurs 11
invention, and innovation 224–5
inventories 148
decentralization of 152–5
investment in 136–7, 138, 151–2, 155
and speculation 142, 143–4
opportunity costs 135–6
and rationing 138–40, 141
see also retailing

joint-stock companies 128
judgmental decisions 20–21
identification of 188–90
selection of entrepreneurs for 191–3

Kirzner, Israel
on arbitrage 64
on market adjustment 219–20, 229
Knight, Frank, on uncertainty 220–23, 229–30

labour services
internalization 113–16
to new firms 169–71, 239
see also delegation; self-employment
Leibenstein, Harvey, X-efficiency theory 215–17, 228–9
leisure, for entrepreneurs 168–9, 195–7
licensing
of commercial information 54, 120–23
see also patents
loans see capital
long-term contracts 50
managerial capacity, utilizing 180–81, 227–8
market adjustment
in perfect competition 12–13, 82–3
theories of 218–20, 229
market failure, and obstacles to trade 84–5
marketing see advertising; contact making
market making
activities 148
and contact making 152–5
costs
factors 89–93
of information 23, 85–9, 98–9
and price/quantity determination 99–104
reduction of 93–5
internalization of 148–9
and monitoring 150–51, 241–2
for new firms 171–6
and production 149–52, 155–7
and product specifications 150
and retailing 155–7
services
packaging of 146
pricing 147
and social conventions 140–41, 144–5
speculation in 142–5
market-making firms 15–16, 97–9
see also banks; entrepreneurial firms
markets
combining 107–9
in entrepreneurship 131, 188
external 106–7, 112–13
internal, control of 163–4
internalization of 106–7, 111–13, 116–17, 122–3, 131
see also labour services
market structure 181–5
marriage, for social advancement 205, 206
merchant banks see banks
middlemen 36–41
monitoring 148
costs 100–101, 102–3
of information provided 121
in internal markets 163–4
and market making 150–51, 241–2
of trade 91, 96
see also risk control
monopolies
as barriers to entry 50, 73
of information 49, 51
monopolistic competition theory 82–3
multi-part tariffs 46, 48
see also one-part tariffs
multi-purpose goods 109–11
see also labour services
negotiation 41, 57–9, 88, 148, 238–9
see also renegotiating
neoclassical economics
of arbitrage 65–7
and the competitive process 12–13
criticisms 12–13, 79–84, 218–19
developments to 13–16
and X-efficiency theory 215–16, 217
see also perfect competition
obstacles to trade 84–5
see also barriers to entry
Index

one-part tariffs 40, 46–8
opportunism, and market making 141
organizational skills, in entrepreneurship 239, 240–41
packaging
  of composite goods 108–9
  of market-making services 146
  and arbitrage 64–9
  and product innovation 63–4
  and sequential negotiation 57–9
  and synthesis of information 70–71
  and technological innovation 59–62
patents
  as barriers to entry 72–3
see also licensing
Penrose, E.T., on entrepreneurial firms 226–8, 231
perfect competition 12–13, 80–84
planning see active planning; contingency planning; decision making
political entrepreneurship 202–4, 205, 209, 211–12
portfolio speculation 123–5, 126, 133
see also betting option
price discrimination
  and arbitrage 68–9
  and market-making costs 102–4
pricing 48, 74
  and arbitrage 67, 229
  as a barrier to entry 183
  and inventory adjustment 136–7, 138, 144
  and market adjustment 218–20
  and market-making costs 99–104
  of market-making services 147
  and product development 178
  and product innovation 63–4
  and quality 183, 184
  as a rationing tool 141
  and social coordination 62, 64
  and technological innovation 60–62
see also perfect competition; spot price stability; Walrasian auctioneers
priorities, under rationing 138–40
private coordination 35
private entrepreneurship 202, 203, 205, 209
producer-entrepreneurs 155–7
product demand, social factors 175–6
product development, and information 176–9
product innovation 63–4, 70, 239–40
see also multi-purpose goods; technological innovation
production concepts of 15
internalization of 112, 149–52
and market making 149–52, 155–7
see also scale economics
product specifications 86–7, 148
and market making 150
and market making costs 89–90
profit
  and uncertainty 220–23
see also rewards
cpyramid climbing see establishment entrepreneurship
qualifications see education
qualified entrepreneurs 193
quality
  and pricing 183, 184
see also product development; service quality
quality control see monitoring
quantity of trade see trade, volume
racketeering 204–5
rationality, in neoclassical economics 215–16, 217
rationing 138–40, 141
recontracting 83, 142
failure of 135–7
recruitment
  of entrepreneurs 191–3
  for new firms 170–71, 239
see also screening
religion, and entrepreneurship 212–13
repeat-trading 94–5, 96–7
in labour services 114–15
reputation
  and entrepreneurial loans 128
  establishment of 94–5, 97
see also goodwill
resale restrictions, on information 121–2
resource allocation 11, 34–5
The entrepreneur

see also competition; coordination; trade
resource costs, of decision making 24–8
resource flows, allocation of 49–51
resources, sequential negotiation for 57–9
resource utilization
of managerial capacity 180–81, 227–8
theories of 215–17, 228–9
retailer-entrepreneurs 155–7, 162
retailing 154–7, 226
revolutionary entrepreneurship 203, 204, 205, 209
rewards of entrepreneurs 193–9
see also profit
risk
in entrepreneurship 198–9
and uncertainty 220–23, 229–30
risk control 129–30, 132–3
see also monitoring
sanctions
in trade 96–7
see also enforcement services
scale economies, as a barrier to entry 73–4, 184–5
Schumpeter, Joseph, on innovation 223–5, 230–31
screening
for entrepreneurship 192–3, 198–9, 207–8
see also recruitment
secrecy, as a barrier to entry 49, 73
self-employment 115–17, 165–7, 203, 205, 207
personal qualities 210–12
self-esteem 190
sequential negotiation, for resources 57–9
service quality, forward markets in 139–40
shops see retailing
social advancement 200, 210–13
constraints 207–8
through competitive professionalism 205–6, 208, 209
through education 237–8
through financial speculation 202, 203, 205, 207, 210
through marriage 205, 206
social contact
and entrepreneurial advancement 210, 234–5, 237
see also contact making
social conventions, and trade 140–41, 144–5
social coordination 35, 40–41, 48
and arbitrage 65, 67, 69
and crime 204
and information searches 54
and prices 62, 64
in product innovation 64
in technological innovation 62
social factors, in product demand 175–6
specialists, recruitment of 170–71, 239
speculation
in market making 142–5
see also betting; financial speculators;
portfolio speculation
spot price stability, and forward markets 137–8
stocks
allocation of 49–50
arbitrage of 68–9
see also inventories
synthesis, of information 70–71, 233–4
tariffs see multi-part tariffs; one-part tariffs; pricing
teams, decision making by 28–9
technological innovation 59–62, 70, 72
see also product innovation
trade
defaults in 87, 90–91
see also enforcement services;
sanctions
in forward markets 137–8
with full information 38–9
with limited information 39–41
monitoring 91, 96
negotiation in 41, 57–9, 88
obstacles to 84–5
and social conventions 140–41, 144–5
through middlemen 36–41
time lag costs 90
volume determination, and market
making costs 99–104
Index 271

See also barriers to entry; bulk trading; competition; contracts; forward markets; market making; pricing; repeat-trading; reputation training. See education.

Transaction costs 14–15, 83, 84–5

Transport services. See distribution.

Uncertainty, and risk 220–23, 229–30

Unqualified entrepreneurs 193

Versatility, and product innovation 239–40

Walrasian auctioneers 12, 80–83

X-efficiency theory (Leibenstein) 215–17, 228–9