

REVIEW OF LANDES, MOKYR AND BAUMOL'S *THE INVENTION OF ENTERPRISE: ENTREPRENEURSHIP FROM ANCIENT MESOPOTAMIA TO MODERN TIMES*

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*THE INVENTION OF ENTERPRISE: ENTREPRENEURSHIP FROM ANCIENT MESOPOTAMIA TO MODERN TIMES*. Edited by David S. Landes, Joel Mokyr, & William J. Baumol. Princeton, N.J.: Princeton University Press, 2010

THIS ANTHOLOGY DELIVERS 17 authoritative essays by accomplished scholars, surveying the sweep of history as seen from the vantage point of trade and commerce. The presentations on ten cultures from 20 different researchers are necessarily varied in perspective. Uniting them are their answers to the question, "What is entrepreneurship?" In the Preface by William J. Baumol, three hypotheses are presented. First, entrepreneurs find practical application for new inventions. However, in addition to those obviously creative actions, corrosive enterprises enrich their operatives without apparent net benefit to others. That, too, is enterprise because (third) "the direction taken by entrepreneurial activity depends heavily, at any particular time and in any particular society, on the prevailing institutional arrangements and the relative payoffs they offer..." Of course, other definitions have been offered. Peter Schumpeter, Israel Kirzner, Frank

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Knight, and even John Keynes, are referenced across the essays. But these three hypotheses frame those other views.

Little here will be challenging, except, perhaps by omission. The Babylonians are here, but their long distance trade with the Hittites is not. Michael Hudson (“Entrepreneurs: from the Near Eastern Takeoff to the Roman Collapse”) validates our belief that Plato and Aristotle, among other sources, show that merchants and craftsmen were held in lower esteem than farmers and soldiers. That does not explain the invention of coinage, nor the contemporary rise of the tyrants as self-made men, nor the vibrant commerce in goods such as wines and ceramics that were nominally available both at home and from abroad. It may be that our assumptions are defined only by the surviving works of a few writers whose opinions are too easily accepted by the would-be philosopher-kings of later academies and lyceums.

Similarly, Louis P. Cain (“Entrepreneurship in the Antebellum United States”) chronicles Robert Fulton and Robert Livingston without mentioning their competitor, Cornelius Vanderbilt. Senator Douglas Stevens and the Illinois Central are here, but James J. Hill and the Great Northern are absent from “Entrepreneurship in the United States, 1865–1920,” by Naomi R. Lamoreaux. The history of the computer revolution covered by Margaret B. W. Graham, feels the same as Cornella Wunsch’s telling of the Neo-Babylonians: as if the author researched it professionally, without actually living through it. If Steven Levy’s *Hackers: Heroes of the Computer Revolution* were condensed to a dozen pages, it would identify the salient moments and crucial decisions of the significant entrepreneurs, which this chapter did not.

The economic histories of the Islamic/Arabic matrix, China and India, are each covered in single chapters. They are like a view of the Earth from the International Space Station: admiring the geography is easier than finding the people. Nonetheless, from orbit, a telescopic lens on a commercial television camera reveals water wells in the desert, each no more than two meters across. And here, too, within the panoramic sweep are individuals.

In “The Scale of Entrepreneurship in Middle Eastern History: Inhibitive Roles of Islamic Institutions,” by Timur Kuran we meet Ismail Abu Taqiyya, a coffee merchant who was active 1580 to 1620. (His story is told fully in *Making Big Money in 1600: The Life and Times of Isma’il Abu Taqiyya, Egyptian Merchant* by Nelly Hanna, Syracuse University Press, 1998.) Like many innovators, Abu Taqiyya met social and religious resistance: coffee was considered an intoxicant; and so “black water” was opposed by clerics. Mobs attacked and burned coffeehouses. Finally, in a courtroom, it was demonstrated that people who drink coffee exhibit no signs of slurred speech, dull wit, or lethargy.

In fact, we know Abu Taqiyya only from court proceedings. Few merchants of the Middle East left any personal financial records. Certainly, as a class, they were literate. They must have kept track of their sales and expenses. However, unlike their counterparts in Florence and Flanders, they had no strong tradition of record-keeping.

That fact reflects the fundamental barrier everywhere outside Western Europe—and there as well, until modern times: the family and the partnership were the only available modes of collective action.

It was difficult to create an enterprise that outlived its founders. That was true not only for the Middle East, but also for India, and China. By contrast, both the Babylonians and the Neo-Babylonians, whose temples were economic actors, did leave evidence of contracts extending across years and lifetimes.

Yet those family partnerships enabled trust, which is essential for transactions across space and time. Louis P. Cain (“Entrepreneurship in the Antebellum United States”) outlines the extension and expansion of the post office and the telegraph, both of which empowered communication that carried business news. Cain explicitly cites the invention of specialized commercial newspapers transported by U.S. Mail at favorable tariffs. Unfortunately, he says nothing about the competitors to the federal postal service. He also leaves out the U.S. Mint which in this era adopted steam engines to produce millions of uniform objects to close tolerance on a tight budget. However, he does support his claim that entrepreneurs of the time brought fundamental innovations to three key infrastructures: law, transportation and communication, and finance.

It is easy to quibble with details and to criticize the book they did not write. Only when we take an “orbital view” of the history of enterprise do those large features stand out in patterns. The editors and authors of this anthology show that enterprise is a complex phenomenon. Entrepreneurs find uses for new inventions. They seek out inefficiencies and profit by reducing or removing them. They create novelties that destroy the patterns of existing goods and services. And they seek and gain special favors from political authorities. Entrepreneurs profit from war; but they do so only when and to the extent that their culture denigrates the merchant. When, as in Rome, the richest men claim poverty while using slaves to run their affairs, what we call “rent seeking” becomes the highest expression of enterprise.

Within that big picture, this anthology provides a wealth of facts, often as contrasts. Although Islamic law did not generally allow the existence of a non-corporeal entity, the *waqf* was adapted to that need. Originally intended to allow social service based on real estate—a well, for example—the *waqf*

was extended to the *caravansarai* and eventually to pure cash holdings. Despite the anti-capitalist ethics that dominated Germany and France, non-state enterprises succeeded there, as well. Across the essays, the authors provide specific narratives of common themes such as the the varieties of business organizations, including partnerships, joint-stock corporations, and cartels, the use (and abuse) of patents, innovations in accounting, the nature of debt, and the contradictory impacts of religions.

Societies that hold merchants in high esteem enjoy material benefits. Evidence for that in this book comes from “The Golden Age of the Dutch Republic,” by Oscar Gelderblom, as well as the chapters covering England, and the United States. The status of the merchant in ancient India and China and in modern Japan validates that assumption. The best the merchant could hope for was benign neglect. Japan eclipsed India and China when merchants were elevated in the culture, granted not merely political power (though there was that), but status and respect.

Allowing for some problematic distractions, this book can serve as an excellent primary text for a university class in economic history or as a supplemental assignment for a business school survey course in entrepreneurship. Aside from the content itself, each of these articles suggests topics for further study. Anyone who has already invested serious research in the development of trade and commerce will have questions—perhaps challenges—of their own to illuminate the work here. Thus, this anthology provides a reliable foundation for understanding how modern entrepreneurship came to be; and it also delivers a provocative engagement for new research and further discoveries.

Readers of this journal may not immediately recall the content of Ayn Rand’s essay, “The Intellectual Bankruptcy of Our Age” but they will not be surprised that Rand wrote a tract with that title. In *The True Believer*, Eric Hoffer warned that followers of mass movements often feel that they have access to special, even arcane, knowledge unavailable to, or unrecognized by, the mainstream culture. With that caveat as an anchor, it remains that several of the otherwise fine works here are tarnished by a kind of academic decadence, “death by citation.”

In the chapter “Entrepreneurship in France,” Michel Hau writes: “The persecutions of Protestants by Louis XIV (Lüthy 1955–1961) and then the troubles under the Revolution (Perrot 1982; Bonin 1985; Crouzet 1989; Aerts and Crouzet 1990) had more or less weakened entrepreneurship in many parts of France.” The facts are known to all; and Hau speaks to the expected, not the unusual. Moreover, Hau’s sentence contains modifiers (weasel words) “more or less” and “in many parts.” Of course, each chapter has its own

bibliography, lest we suspect these professors of invention. Michel Hau provides 178 references for his 26 pages, including Weber's *Protestant Ethic* in the original German.

In the chapter "Entrepreneurship in the United States, 1865–1920," Naomi R. Lamoreaux conjurs five citations to bolster this claim: "There was no higher goal for a young American male to pursue during this period than to be a 'self-made man'—to make a great deal of money through dint of his own hard work and 'pluck.'" Anyone who wishes to tout the Gilded Age as an Era of Altruism will need to see her five and raise her one.