HISTORY OF ENTREPRENEURSHIP

Entrepreneurship is defined as the process of starting a business. Today, entrepreneurs are romanticized as being the cornerstones of a successful capitalist economy.

But where did entrepreneurship begin? Who were the first entrepreneurs? In a global economy dominated by big businesses, what does the future hold for entrepreneurship?

Today, we're going to tell you everything you need to know about the history of entrepreneurship.

The Beginnings of Entrepreneurship and Trade

Believe it or not, the first entrepreneurs can be traced back to nearly 20,000 years ago. The first known trading between humans took place in New Guinea around 17,000 BCE, where locals would exchange obsidian (a volcanic glass prized for its use in hunting tools) for other needed goods – like tools, skins, and food.

This early type of entrepreneurship continued for millennia. Hunter-gatherer tribes would trade goods from different parts of their respective regions to provide an overall benefit for their tribe.

Entrepreneurship and the Agricultural Revolution

The first big shift in entrepreneurship took place during the Agricultural Revolution, which occurred about 12,000 years ago.

You probably already know the story about the Agricultural Revolution, but here's a brief refresher: humans started to domesticate plants and animals. Instead of having to roam, forage, and hunt for their food in different regions throughout the year, human populations could remain stationary in one location and farm the land.

This was a fundamental shift in human history. Villages and towns started developing close to fertile lands. There was no longer a need for everyone in the community to be directly involved with food production. People didn't need to spend all day hunting and gathering for their own sustenance – it was more efficient to let a smaller number of farmers handle food production while the rest of the population focused on other tasks.

By specializing in different professions, members of the community could trade valuable goods for food. These were the earliest entrepreneurs in human civilization. Some common areas of specialization included:

- Hunting and gathering
- Fishing
- Cooking
- Tool-making
- Shelter-building
- Clothes-making

Farmers could grow more food than they needed to support their own families. Thus, they would sell food at the market to say, a clothes-maker. The farmer's family no longer needed to make their own clothes. They could rely on the specialized services within a community to provide for them.

Over time, these specialists became better and better at their unique areas of specialization. Tricks of the trade would be passed down through families. The pace of innovation sped up. As specialists became better and better at their unique roles, they brought increased benefits for the entire community.

Towns and cities grew to include thousands of people. Dependable sources of food encouraged people to build permanent settlements and homes. Different social institutions arose around these permanent structures, including religious centers, courts, and marketplaces. This provided new business opportunity for entrepreneurs to explore.

As time went on, new areas of specialization began to emerge. Early entrepreneurs would work in areas like:

- Pottery
- Carpentry
- Wool-making
- Masonry

Standards of living continued to increase. Entrepreneurs were constantly at the forefront of innovation. If a problem needed to be solved, these early entrepreneurs recognized that they could profit by solving that problem.

The Expansion of Trade Routes from 2000 BCE Onward

Between the Agricultural Revolution and 2000 BCE, cities started to appear around the world. Early areas of civilization were concentrated around rivers, particularly the Nile, the Tigris and Euphrates, the Indus, and the Yellow and Yangtze.

By 3,000 BCE, cities in Sumeria (modern day Iraq) contained tens of thousands of people. The city of Uruk, found on the banks of the Euphrates, was home to 50,000 people in the same amount of space that would have previously supported just one tribe of hunter-gatherers.

As cities sprang up around the world, entrepreneurship took an important turn. Entrepreneurs were still specializing in all of the areas listed above (pottery, carpentry, tool-making, etc.). But they began to realize that profits could be made by trading between cities and cultures.

- The right international trade route could make an entrepreneur very wealthy. Some of the popular trade routes at the time included:
- Trading salt from Africa across the Roman Empire
- Trading technologies like Chinese paper-making around the world
- Trading rice from China across Asia
- Trading coffee, lemons, and oranges from Arabia into Europe
- Trading complex ideas like the Arabic number system into Europe (this occurred in the year 1200 thanks to an Italian trader named Leonardo Fibonacci).
- Trading gunpowder (a combination of carbon, sulphur, and potassium nitrate) from China to other parts of the world

Weapons trading was particularly important in these early times. Iron was discovered around 2000 BCE, and the civilizations that controlled iron were able to dominate other civilizations. This would lead to the world's first empires, including Alexander the Great's Empire, the Han Chinese Empire, the Roman Empire, and the Persian Empire.

Entrepreneurs that were able to trade military goods that created empires were justifiably rewarded for their work. Thus, some of the most successful early entrepreneurs traded the means of warfare around the world.

Of course, trade routes were about more than just raw resources and goods. They were also about ideas and technologies. In this way, entrepreneurs were responsible for spreading ideas around the world.

Entrepreneurship and the Invention of Money

One of the key developments in the history of entrepreneurship (and in human history) was the invention of money.

Prior to the invention of money, all entrepreneurship and trade took place through the barter system. If John wanted 5 bars of iron, then he might have to sell 1 horse to get those bars. Of course, he would also need to find an iron merchant who *needed* a horse.

The limits of the barter system were known as a "coincidence of wants." Understandably, this vastly limited trade and entrepreneurship in early history.

Currency changed all that. Some of the earliest forms of currency were found in ancient Iraq in the forms of silver rings and silver bars. Starting in 2000 BCE, early forms of money have been discovered. These forms of money were called specie and changed widely throughout the world: some cultures used seashells, for example, while others used tobacco leaves, beads, or large round rocks.

Over time, paper money and coinage would be developed. Currency gave entrepreneurs several important things:

- It facilitated long-distance trade
- It acted as a medium of exchange
- It provided a way for entrepreneurs to store value

Obviously, currency changed the fate of entrepreneurship forever.

Entrepreneurship and the Beginnings of the Marketplace in the Medieval Period

Starting in the medieval period, markets became more and more popular. Larger populations required larger marketplaces where they could purchase food, clothing, services, and other important things.

The population spurt starting around 1470 solidified the market's connection with entrepreneurship. Here are some of the important developments that took place in entrepreneurship during this period:

- Banking grew to new heights and complexities as small business owners had greater financing needs.
- The guild system expanded, giving skilled craftsmen and other entrepreneurs a way to organize their business together, regulate the quality of the goods produced, and develop reputations for certain goods in towns across medieval Europe.
- Entrepreneurs were able to purchase goods from abroad, turn those goods into finished products, and then sell those goods for a profit at a wider scale than ever before.

The Unexpected Stifling of Innovation

It wasn't all good news for entrepreneurs during this period. Many entrepreneurs had their inventions and innovations stifled.

Prior to the advance of merchants and explorers, many people frowned upon the accumulation of capital. Innovation was often – perplexingly – blocked around the world. There are even examples were visionary entrepreneurs had their inventions stifled because they weren't seen as beneficial for society.

StartupGuide.com writes that:

> *"Early on in the history of capitalism, the idea of monetary gain was shunned and shamed by many. The practice of usury, charging interest on loans, was banned by the Christian Church. Jobs were assigned by tradition and caste. Innovation was stifled and efficiency was forcefully put down, sometimes punishable by death. In sixteenth-century England, when mass production in the weaving industry first came about, the guildsmen*

> *protested. An efficient workshop containing two hundred looms and butchers and bakers for the workers was outlawed by the King under the pretense that such efficiency reduced the number of available jobs."*

Nevertheless, this period still gave rise to some of the world's most influential technologies, including the windmill, paper mill, mechanical clock, the map, and the printing press, among many others.

It paved the way for future entrepreneurs to use innovation to capitalize on growing trends.

Mercantilism, Explorers, and the New World from 1550 to 1800

The period from 1550 to 1800 gave rise to the philosophy of mercantilism. Followers of this philosophy believed that there was only a finite amount of wealth in the world. A country's wealth and value was solely based on how much treasure and gold it could obtain, and how many more exports it could sell compared to imports.

Columbus's "discovery" of the New World in 1492 would permanently change entrepreneurship. Mercantilist ideals combined with a vast New World to discover made early explorers some of the wealthiest entrepreneurs.

During this period, entrepreneurs were known more as merchants and explorers than as entrepreneurs. These individuals would raise capital, take risks, and stimulate economic growth (much like the entrepreneurs of today). Many see this period as the beginnings of capitalism.

Some of the key advances of this period were related to the goods and materials brought back from the new world. Silver imports from the New World, for example, fuelled expanded trade across the Atlantic Ocean. Later on, gold would provide similar motivation.

Another key advance in entrepreneurship during this period were Luca Pacioli's accounting advances. Pacioli created standardized principles for keeping track of a firm's accounts. These principles would later be used by the era's explorers and merchants.

Entrepreneurship in the 1800s Onward: Machines and Markets

Many people see the last 200 years of entrepreneurship as being fuelled by "machines and markets".

Capitalism became more entrenched in societies around the world. The theories of capitalism were solidified in Adam Smith's 1776 work *An Inquiry into the Nature and Causes of the Wealth of Nations*, where he destroyed the idea of mercantilism. Instead, he argued that self-interested was the driving force in societies around the world.

Thus, entrepreneurs of this period were able to act in self-interest while still improving society as a whole. Robert L. Heilbroner explains this theory in *The Worldly Philosophers:*

> *"A man who permits his self-interest to run away with him will find that competitors have slipped in to take his trade away; if he charges too much for his wares or if he refuses to pay as much as everybody else for his workers, he will find himself without buyers in the one case and without employees in the other."*

Thus, the competition of the marketplace regulates self-interest and leads to a type of entrepreneurship that fuels innovation, improves the standard of living, and increases the wealth of nations.

The Industrial Age and Entrepreneurship

The Industrial Revolution marked yet another profound shift in the history of entrepreneurship. Starting in the 18th century, entrepreneurship moved from small-scale production in small towns to large-scale production in big cities.

Two things fuelled this fundamental change in entrepreneurship, including:

Availability of Energy Production: Businesses were no longer restricted by small-scale energy powered by wind (which was weather-dependent) or falling water (which was location-dependent). Instead, they could rely on technologies like electricity, steam, the internal combustion engine, the locomotive, the automobile, and oil. This gave them the means to make large-scale factories.

Availability of Labor: Huge populations began moving to Industrial Revolution cities starting in the 1700s. This gave entrepreneurs a large pool of cheap labor with which to work.

Eventually, these powerful market forces would give rise to some of the world's greatest entrepreneurs and innovators. America played a particularly prominent role during this period, giving rise to entrepreneurs like Andrew Carnegie, J. Morgan, John D. Rockefeller, Frank Kenan and Henry Ford.

Post World War II Entrepreneurship

After World War II, entrepreneurship began to change for a few different reasons.

First and most importantly, the economy was increasingly global and becoming more global every decade. Better means of shipping and communication made it easy for entrepreneurs to sell products and services to a global audience. Massive economies like America could no longer afford to concentrate solely on selling products to American marketplaces.

There were also microeconomic factors like the number of people owning cars. Especially in America, car ownership made it more important to have highways between major cities. As highways became more important, restaurants were needed where people could eat while traveling.

This is the environment where entrepreneurs like Ray Kroc made their millions. Kroc created a standardized restaurant that cut down on costs by serving a limited number of men items. Then, he replicated that model.

Other companies that prospered during this period included General Electric, aircraft companies like Lockheed, IBM, and Holiday Inns.

Other countries around the world experienced similar boosts in growth following World War II. Japan, for example, became one of the world's largest economies by exploiting a large population available for cheap wages. Germany experienced a similar trajectory.

Modern Entrepreneurship

Today, entrepreneurs are the lifeblood of economies all over the world. Even in command economies like China, entrepreneurs are valued for their contributions to the economy and encouraged to innovate to compete with companies around the world.

The global economy – combined with modern infrastructure and communications – has introduced a new age of competition to the world of entrepreneurship. No longer are you competing with entrepreneurs in your tribe, town, village, or city: you're competing with entrepreneurs all over the world.

Many of these entrepreneurs can access cheaper means of production than you. They may have better access to raw resources of cheap labor, for example. This has made modern entrepreneurship more challenging – and arguably more rewarding – than ever before.

Conclusion: Where Does Entrepreneurship Go from Here?

Since the beginnings of history, entrepreneurship has always been ruled by the market forces known as supply and demand. Early entrepreneurs in the Agricultural Revolution met the needs of farmers by providing them with tools and shelter. In exchange, they received food that could feed their families.

As years went by, the means of entrepreneurship changed dramatically but the core *reasons* for entrepreneurship remained the same. Everywhere in the world, entrepreneurs arose to address demand by providing supply. They innovated and invented new technologies to solve problems that nobody had ever solved before.

At the same time, competition has ensured that the entrepreneur's self-interest doesn't cause an overall negative impact on society. Competition prevents entrepreneurs from overcharging for goods or underpaying employees, for example.

These foundational structures of entrepreneurship aren't going to change anytime soon. For that reason, entrepreneurs will continue to have a special place in society and will continue to be found at the forefront of innovation.