Origin and Evolution of the Term "Entrepreneur" in English

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Abstract: The words we use depend on the words that exist. There is now an entity for which we use the word “entrepreneur” that has been brought into English from the French. This paper describes both its slow drift into English and then the drift in its meaning in English which even now cannot be entirely pinned down. Previously, the word “undertaker” had been used in English which, apart from its other connotations, is a near equivalent but not identical in its use and meaning. This adoption of the French term provides an interesting example of the way in which words themselves shape our understanding. As a more general observation, there is work for historians of economics in bringing etymological order into economic discussion of the terms we use.

Key Words: entrepreneur, Jean-Baptise Say, Adam Smith, F.A. Walker, Joseph Schumpeter

What is referred to as the Sapir-Whorf Hypothesis argues that the very structure of the language we use affects the ways in which those who speak and think in that language frame issues and concepts and in this way influence how issues are conceptualised and discussed. This paper looks at the absence of the word “entrepreneur” in English during the first hundred years of the classical era beginning with the publication of The Wealth of Nations in 1776 and the possible ways in which economic issues have been framed due to its absence. And in discussing this issue, there ought to be no doubt that if we are thinking about what matters in allowing production to occur, no factor of production is more important than the entrepreneur. Factors of production do not organise themselves into productive output but require a guiding intelligence to decide what to produce, in what quantities and then how such production should take place. Yet the example provided by Mankiw in the first edition of his Principles of Economics is the near universal approach taken in teaching economic theory:

“The factors of production are the inputs used to produce goods and services. Labor, land, and capital are the three most important factors of production.” (Mankiw 1997: 384)

Indeed, the word “entrepreneur” does not even appear in the index in the same way it did not appear in the index of the first edition of Samuelson’s Economics published in 1948. Both authors would have understood the role and importance of entrepreneurial activities but both nevertheless leave out even mentioning their role. They are hardly alone. There are undoubtedly many interrelated reasons for this but here we discuss only one, the absence of the word “entrepreneur” in the English language until it was brought across from the French in the 1870s by F. W. Walker. And even then it was not until its use by Schumpeter in the 1940s that the word belatedly arrived and entered into common usage, although with a meaning that incorporates the notion of innovation. The plain everyday entrepreneur, the factor of production that organises and business and is responsible for its success, has no ready-made term to identify the specific risk-taking function in which individuals earn a living by making a profit by running a business.
**Historical Background**

My interest in this issue began with a query that had come to me from someone else. As a result, on 19 September 2013 I posted the following at the Societies for the History of Economics (SHOE) website:

“I have been asked about the origins of the word ‘entrepreneur’ which is generally associated with J.-B. Say but had already been used by Cantillon in 1723. The English equivalent based on the French *entreprendre* is ‘undertaker’, i.e. the person who undertakes some project and this word ‘undertaker’ shows up in *The Wealth of Nations* on a number of occasions in exactly that sense. But I am interested in the word ‘entrepreneur’ itself. Could someone guide me towards the first uses of the term ‘entrepreneur’ in English and who in the English speaking tradition had originally used ‘entrepreneur’ as a separate factor of production which I assume is what made Say’s use of this concept so noteworthy.

“Many thanks for any assistance.” (Kates, SHOE 2013)

The word “entrepreneur” is, of course, French in origin and has a history going back beyond its use by Cantillon in an article posthumously published in 1734 but which some believe to have been written in 1723. Irrespective of its use by Cantillon, its use by Jean-Baptiste Say in 1803 in his *Traité* is the landmark moment when the word and its associated concept cross into use amongst economics in French. But the concept itself is older and, so far as the English language is concerned, is unmistakably found in Adam Smith where he uses the term “undertaker” which is a direct translation of *entrepreneur* yet turns out to be not completely exact. An online search on the Library of Economics and Liberty website shows 21 uses of the term “undertaker” in Smith. “Entrepreneur” as we now use it in English could be substituted for “undertaker” in the following passage and would capture Smith’s meaning.

Still less, could a bank afford to advance [to a trader] any considerable part of his fixed capital; of the capital which the *undertaker* of an iron forge, for example, employs in erecting his forge and smelting-house, his workhouses and warehouses, the dwelling-houses of his workmen, &c.; of the capital which the *undertaker* of a mine employs in sinking his shafts, in erecting engines for drawing out the water, in making roads and waggon-ways, &c.; of the capital which the person who undertakes to improve land employs in clearing, draining, enclosing, manuring, and ploughing waste and uncultivated fields, in building farm-houses, with all their necessary appendages of stables, granaries, &c. The returns of the fixed capital are in almost all cases much slower than those of the circulating capital; and such expences, even when laid out with the greatest prudence and judgment, very seldom return to the *undertaker* till after a period of many years, a period by far too distant to suit the conveniency of a bank. Traders and other *undertakers* may, no doubt, with great propriety, carry on a very considerable part of their projects with borrowed money.” (Smith [1776] 1976: 326)

Yet when reading through the passage it will be observed that the word “undertaker” has, grammatically speaking, a verbal connotation even though used as a noun, while “entrepreneur” is entirely used as a noun with the verbal connotation of “to undertake” no longer part of the overtones in the way in which the word is used. The interesting sidelight here, however, is found in the various translations of Say’s *Treatise* and *Letters to Mr.*
Malthus in which Say writes *entrepreneur* in the original French but which are variously translated. Princep, Say’s American translator of the *Treatise*, makes this point in discussing how he had translated *entrepreneur*:

“The term entrepreneur is difficult to render in English; the corresponding word, undertaker, being already appropriated to a limited sense. It signifies the master-manufacturer in manufacture, the farmer in agriculture, and the merchant in commerce; and generally in all three branches, the person who takes upon himself the immediate responsibility, risk, and conduct of a concern of industry, whether upon his own or a borrowed capital. For want of a better word, it will be rendered into English by the term adventurer.” (Princep, editor’s note in Say 1821)

There is also the reverse translation of Adam Smith into French where the term “undertaker” is rendered as *entrepreneur*. This occurs as early as the first translation made in 1778 about which Jonsson writes, “we should reiterate that in the earlier translation of Smith’s (1778-9) *Wealth of Nations* into French, Smith’s ‘undertaker’ became *entrepreneur*” (Jonsson 2013: 10).

Of the word “entrepreneur” being used in an English text, Richard van den Berg (2013) noted this probable first use in 1811 by Daniel Boileau in *An Introduction to the Study of Political Economy*:

“The proper employment or application of capital requires diligence, ability, and a certain degree of courage or resolution, the want of which qualities, or any of them in themselves, frequently induces owners of capital stock to entrust its use to others. In that case the owner of stock is more particularly called a capitalist, and the individual who employs the capital is denominated an undertaker (*entrepreneur*). The profit of stock must in such instances be divided in certain proportions between the capitalist and the undertaker.” (Boileau 1811: 79-80)

Van Den Berg also notes the “pretty nice distinction between ‘capitalist’ and ‘entrepreneur’” found in Boileau which is indeed an important distinction. It is, in fact, interesting to see the word “capitalist” in use at all.

The possible first use of the term *entrepreneur* in an English text on its own, as noted by Nicholas Theocarakis (2013a) and José Manuel Menudo (2013), appears in John Stuart Mill’s *Principles of Political Economy*. There the term is found, still in French, in a footnote to this passage from Volume 1 Book ii Chapter xv in the first 1848 edition. Mill laments that the French have a superior word while those writing in English are compelled to use the less accurate “undertaker”. Mill appreciates that the differences between “undertaker” and “entrepreneur” are significant in relation to the economic function that is being described. This is the relevant passage in Mill along with the footnote reference to the *entrepreneur*:

“The gross profits from capital, the gains returned to those who supply the funds for production, must suffice for these three purposes. They must afford a sufficient equivalent for abstinence, indemnity for risk, and remuneration for the labour and skill required for superintendence. These different compensations may be either paid to the same, or to different persons. The capital, or some part of it, may be borrowed: may belong to some one who does not undertake the risks or the trouble of business. In that case, the lender, or
owner, is the person who practises the abstinence; and is remunerated for it by the interest paid to him, while the difference between the interest and the gross profits remunerates the exertions and risks of the undertaker.*"

“[*] It is to be regretted that this word, in this sense, is not familiar to an English ear. French political economists enjoy a great advantage in being able to speak currently of les profits de l’entrepreneur.” (Mill [1848] 1921: 406-407)

It is a shame Mill did not go on to explain what the advantages were that the French had access to such a word, but it is noteworthy that he did see that there was a deficiency in English that was regrettable.

Theocarakis also brings to our attention to what is almost certainly the first formal use of the term “entrepreneur” as part of an economics text written in English. Francis Amasa Walker in The Wages Question: A Treatise on Wages and the Wages Class, and first published in 1876, titles Part II, Chapter XIV, “The employing class: The entrepreneur function: The profits of business” (my bolding). And if one goes to the econlib copy of the book, under the search term “entrepreneur” there are 24 separate references to the use of this term.

Walker’s first use of the term “entrepreneur” is exemplary and interestingly highlights a matter that remains almost universal to this day:

“We have now to note a further source of error in the almost universal neglect by the textbook writers to make account of an industrial function which, while, the world over and history through, it characterizes a class no more than labor or capital, does yet, in the most highly organized forms of industry, especially in these modern times, characterize a distinct and a most important class. This class comprises the modern employers of labor, men of business, ‘captains of industry.’ It is much to be regretted that we have not a single English word which exactly fits the person who performs this office in modern industry. The word ‘undertaker,’ the man who undertakes, at one time had very much this extent; but it has long since been so exclusively devoted to funereal uses as to become an impossible term in political economy. The word ‘adventurer,’ the man who makes ventures, also had this sense; but in modern parlance it has acquired a wholly sinister meaning. The French word ‘entrepreneur’ has very nearly the desired significance; and it may be that the exigencies of politico-economical reasoning will yet lead to its being naturalized among us.” (Walker [1876] 1888: Part II, Chapter 14, 90-91 – my bolding)

And “naturalised” it has indeed become. Given Walker’s central role in the American economics community of the nineteenth century, that he states that he hopes to see the use of the term proliferate and the fact that the word did indeed spread throughout the profession thereafter, makes it almost certain that the domestication of the term “entrepreneur” belongs to Walker, although it is entirely possible he had taken up the idea from the footnote in Mill. I also think this comment on the antagonism between the owners of capital and the actual users of this capital, the entrepreneurs, is worth noting since this is an important distinction still not often made:

“In the highly-complicated organization of modern industry, the employer, the entrepreneur, stands between the capitalist and the laborer, makes his terms with each, and directs the courses and methods of industry with almost unquestioned authority.
To laborer and to capitalist alike he guarantees a reward at fixed rates, taking for himself whatever his skill, enterprise, and good fortune shall secure. How completely the laborer accepts this situation of affairs we see in the fewness of the attempts to establish productive co-operation, as shown in the preceding chapter. But the laborer does not accept the situation more utterly, more passively, than does the capitalist. Quite as closely does the man of wealth who has not been trained to business, respect his own limitations; quite as little is he disposed to venture for himself. [Walker [1876] 1888: Part II, Chapter 16]

If Walker in 1876 is then followed by Ely in 1889, and both have the same regret that is described by Mill, it appears almost certain that the laurel goes to Walker although Mill would have to be seen as a likely influence. The use by Ely would have, of course, established the term as part of economic discourse in the English-speaking world.

The genealogy according to the *Oxford English Dictionary* also tends to give Walker the laurel although they have a prior reference to Thomas Carlyle in 1852 and then only reference Walker in relation to his 1883 text on *Political Economy* and not to the earlier work on wages. There is no mention either of Boileau or Mill in the *OED*. This is the entry through until the citation of Ely:

“*Polit. Econ.* One who undertakes an enterprise; one who owns and manages a business; a person who takes the risk of profit or loss.

“1852 T. Carlyle *Let.* 15 Sept. in J. A. Froude *T. Carlyle: Life in London* (1884) II. xx. 107 A public set of rooms—*Kursaal* they call such things, finer than some palaces, all supported by gambling, all built by one French gambling *entrepreneur*.

“1883 F. A. Walker *Polit. Econ.* i. i. 203 The employer, or entrepreneur, receiving profits.

“1883 F. A. Walker *Polit. Econ.* vi. xi. 432 The state as capitalist is at no small disadvantage; as entrepreneur, that disadvantage is vastly aggravated.

“1889 R. T. Ely *Introd. Polit. Econ.* (1891) 170 We have...been obliged to resort to the French language for a word to designate the person who organizes and directs the productive factors, and we call such a one an *entrepreneur*.

There are also citations in the OED of Lavington in his *Trade Cycle* published in 1922 and by John Maynard Keynes in *The Treatise on Money* but these are well past the moment that the term had become part of economic terminology.

And yet even then the term *entrepreneur* may not have truly entered into the lexicon of economics in English. The actual moment that *entrepreneur* may have become part of the common language of economics may not have occurred until its use by Schumpeter in his *The Theory of Economic Development* which was originally published in German in 1911 but only translated into English in 1934. There Schumpeter associates the *entrepreneur* not only with the management of a business but also intrinsically as an innovator. But it may not have been until he wrote *Capitalism, Socialism and Democracy* (1942), in which he introduced the phrase “creative destruction” as the process through which entrepreneurially-led innovation occurs, did the concept genuinely catch on. It is Schumpeter’s particular use that still
pervades much of the literature on entrepreneurships although not all uses of the term include this additional connotation. Israel Kirzner, for example, who has written extensively on the role of the entrepreneur, uses the term to describe the manager of an enterprise in the more general sense it was meant by Mill and Walker.

Finally, it was suggested by Mason Gaffney (SHOE 2013) that being entrepreneurial does not necessarily make one a benefactor to society. This has been well brought out by Petur Jonsson in his especially interesting article where he wrote, following Baumol:

“Innovative entrepreneurship is not about creating new products and services per se. Innovative entrepreneurship consists of ‘finding creative ways’ to achieve one’s objectives whatever they may be (Baumol, 2010, p. 155). As explained earlier by Baumol (1990), sometimes this calls for unproductive or even destructive actions. Sometimes people find creative ways to increase their status, wealth, or power without producing anything of value for others. Innovative entrepreneurs will create tradable new goods and services if, and only if, they have an incentive to channel their creative efforts in such pursuits. In truth, even today, some of the most creative and innovative efforts we see anywhere are devoted to criminal enterprises. For example, as outlined by Jonsson (2009), much of internet crime is run by exceptionally creative people who consistently remain a step ahead of regulators, law enforcement and various internet security set ups.” (Jonsson 2013: 3)

Nevertheless, I am with those who think of the entrepreneur as the absolutely essential ingredient at the heart of the market process. There are no doubt forms of self-interested behaviour that are harmful to the social order and require planning and initiative – as is likely the case with all forms of criminal behaviour. But in thinking about how economies are made stronger and more productive, there is no other means to this end other than through entrepreneurially-driven market activity within a legal environment put in place and managed by government.

**Summing Up**

So to sum up. The word “entrepreneur” originates in French and has a long history going back before both Say and Cantillon. Nevertheless Say and Cantillon are the two most likely to have made it a standard in French economic discourse. There is a brief reference in English to the term in Daniel Boileau in 1811 and by John Stuart Mill in 1848. But the actual domestication of the term within English economic discourse was by F.A. Walker in *The Wages Question: A Treatise on Wages and the Wages Class*, published in 1876. He uses the term extensively in the text, notes how English is in need of a word with the connotations we now associate with the word “entrepreneur” and was himself an author who would have been able to influence the profession. The OED thus wrongly gives the attribution to Richard Ely who nevertheless was an important conduit of the term to the economics community in general after he had sourced the term in Walker.
Bibliography


http://www.econlib.org/library/YPDBooks/Walker/wlkWQ.html

Wikipedia. “Entrepreneurship” (as at October 31, 2013)
http://en.wikipedia.org/wiki/Entrepreneurship

Wikipedia. “Linguistic relativity” (as at April 3, 2014)
http://en.wikipedia.org/wiki/Linguistic_relativity

SHOE List Discussion

The full discussion on the origins of the term “entrepreneur” in English may be found at the Societies for the History of Economics (SHOE) website for the period from the third week of September 2013 until the first week of October 2013. The web address for the SHOE website is: https://listserv.yorku.ca/cgi-bin/wa?A0=shoe
The following are the individual postings cited in the paper:

Gaffney, Mason (SHOE 2013)  
https://listserv.yorku.ca/cgi-bin/wa?A2=ind1309c&L=shoe&T=0&P=1791

Kates, Steven (SHOE 2013)  
https://listserv.yorku.ca/cgi-bin/wa?A2=ind1309c&L=shoe&T=0&P=436

Menudo, José M. (SHOE 2013)  
https://listserv.yorku.ca/cgi-bin/wa?A2=ind1309c&L=shoe&T=0&P=1322

Theocarakis, Nicholas (SHOE 2013a)  
https://listserv.yorku.ca/cgi-bin/wa?A2=ind1309c&L=shoe&T=0&P=1206

Theocarakis, Nicholas (SHOE 2013b)  
https://listserv.yorku.ca/cgi-bin/wa?A2=ind1309c&L=shoe&T=0&P=1675

Van den Berg, Richard (SHOE 2013)  
https://listserv.yorku.ca/cgi-bin/wa?A2=ind1309c&L=shoe&T=0&P=542

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i Wikipedia provides a useful summary of the hypothesis under the heading “Linguistic relativity”.

ii Nor is “entrepreneur” found in the indexes of Able and Bernanke (2005) or Blanchard (2006) which are two of the leading introductory economic textbooks which happen to be at hand. Entrepreneur and entrepreneurship not surprisingly does appear in The Economic Way of Thinking (Heynes, Boettke and Prychitko: 2006), not surprisingly because this is a book more closely premised on the role of market principles.

iii Theocarakis (2013b) cites the OED but in his rendering is found a different origin in Ely and not Walker:

“The OED also offers the following: ‘1889 R. T. Ely Introd. Polit. Econ. (1891) 170 We have..been obliged to resort to the French language for a word to designate the person who organizes and directs the productive factors, and we call such a one an entrepreneur.’ [Actually it is the same page (170) in the 1889 New York, Chatauqua Press, edition].”

Also interesting in a similar way is the entry on “entrepreneurship” in Wikipedia where again the potential vagaries of internet sources is shown although the Wikipedia genealogy is truly woeful. It is found in the entry under the heading, “A Chronological List of the Definition of ‘Entrepreneur’” where the etymology is shown as follows:

• “1734: Richard Cantillon: Entrepreneurs are non-fixed income earners who pay known costs of production but earn uncertain incomes,
“1803: Jean-Baptiste Say: An entrepreneur is an economic agent who unites all means of production- land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

“1934: Schumpeter: Entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services.”

iv Schumpeter’s definition: “The carrying out of new combinations we call ‘enterprise’; the individuals whose function it is we call ‘entrepreneurs’” (Schumpeter 1934: 74).