

Notes

1 The Nature of The Problem

1. For technical development in Europe before the industrial revolution, and before the existence of organized science, see Carlo M. Cipolla, *Before the Industrial Revolution* (Methuen, 1976).
2. Milton Friedman, *Essays in Positive Economics* (The University of Chicago Press, 1953), first essay entitled 'The Methodology of Positive Economics'.

2 Perfect Competition

1. The classic exposition of this model is that of Léon Walras in his *Elements of Pure Economics*, English translation by William Jaffé (George Allen & Unwin, 1954).
2. Best explained in K. J. Arrow and F. H. Hahn, *General Competitive Analysis* (Holden-Day and Oliver and Boyd, 1971).

3 Semi-perfect Competition

1. Similar views about the growth of managerial competence with experience may be found in E. T. Penrose, *The Theory of the Growth of the Firm* (Blackwell, 1959).
2. Even such an efficient firm as Marks & Spencer expands its scale of operation only gradually, adding a few additional outlets to its network each year. Presumably, it knows from experience that only by careful planning, and above all by careful selection and training of additional staff, can it ensure that its standards can be maintained. Further examples of similar behaviour by firms are given in E. T. Penrose, *op. cit.*, Chap. IV.

4 Fixprice Competition

1. See Joe S. Bain, *Barriers to New Competition* (Harvard University Press, 1956); and Paolo Sylos-Labini, *Oligopoly and Technical Progress* (Harvard University Press, 1962).

6 The Role of The Entrepreneur

1. See A. Maddison, 'Long run dynamics of productivity growth', *Banca Nazionale del Lavoro Quarterly Review*, no. 128, March 1979. The extension to 1990 has been made from data on changes in real gross domestic product and population (as a proxy for manhours of employment) from 1977 to 1989 published in OECD *Main Economic Indicators*, with an extrapolation to 1990.
2. Edward F. Denison, *The Sources of Economic Growth in the United States*, Committee for Economic Development, New York, 1962, and *Accounting for United States Economic Growth 1929-1969* (The Brookings Institution, Washington, 1974).

3. Edward F. Denison (assisted by Jean-Pierre Poulhier), *Why Growth Rates Differ* (The Brookings Institution, Washington, 1967), Table 15-5.
4. References in this section are to A. Marshall, *Principles of Economics*, eighth edition (Macmillan, 1920).
5. References in this section are to Frank H. Knight, *Risk, Uncertainty and Profit* (Houghton Mifflin Company: Boston and New York, 1921), available also as a London School of Economics reprint.
6. The English edition of the first book, originally published in German in 1911, is Joseph A. Schumpeter, *The Theory of Economic Development* (Harvard University Press, 1934) and the second is Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy*, first published in the United States in 1942, fourth edition (George Allen & Unwin, 1954).
7. Kirzner has published several books and articles on this subject but, since his essential ideas are contained in Israel M. Kirzner, *Competition and Entrepreneurship* (University of Chicago Press, 1973); references in this section will be made only to that work.
8. The tendency for paid managers to assume the entrepreneurial function in such cases has been pointed out by Kirzner in his *Perception, Opportunity, and Profit* (University of Chicago Press, 1979), p. 104.
9. See F. A. Hayek, *Individualism and the Economic Order* (Routledge & Kegan Paul, 1949).

7 The Supply of Entrepreneurship

1. M. Wiener, *English Culture and the Decline of the Industrial Spirit, 1850-1980* (Cambridge University Press, 1981).
2. See Ruth Towse and Mark Blaug, 'The current state of the British economics profession', *Economic Journal*, v. 100 (March 1990), p. 290.
3. See Ronald Dore, *British Factory – Japanese Factory* (University of California Press, 1973). Also Richard Tanner Pascale and Anthony G. Athos, *The Art of Japanese Management* (Penguin Books, 1982).

8 Some Wider Issues

1. The question is discussed further in my previous book *A Theory of Income Distribution* (Oxford University Press, 1979), Part II, which also contains some empirical data in Appendix B and some simulations in Appendix C.
2. On the disastrous economic effects of a poor educational system in Britain see Correlli Barnett, *The Audit of War* (Macmillan, 1986).
3. For further discussion see my *Yugoslav Socialism: Theory and Practice* (Oxford University Press, 1984); and *Yugoslavia in Crisis* (Oxford University Press, 1989).

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