

Entrepreneurship and Wealth-Generation in Socially Structured Economies

An Overview

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Chapter 1: Introduction

- ▶ This monograph presents theoretical and empirical considerations in the field of entrepreneurship. Specifically, we investigate the interaction between institutions, networks, and entrepreneurship.
- ▶ **Fundamental thesis:** The act of entrepreneurship expresses a crucial development of the social division of labour. This is reflected in a major modification of institutional environments and interaction infrastructures.
- ▶ In particular we investigate the conjecture that entrepreneurial activities lead to new socio-economic roles and, as a consequence, unique positions in the networked economy.
 - ▶ Unique positions are *uncontested* and can be exploitive.
 - ▶ However, they are also wealth-generating actions and positions facilitating deeper divisions of labour and the connection of communities that would otherwise be disconnected.

Aim and objectives

- ▶ **Aim.** To provide a theory of entrepreneurship and entrepreneurial activity within socially structured economies.
- ▶ This consists of four objectives.
 1. Develop a relational perspective of embedded economic activity based on a population of specialised economic agents that form a functional social division of labour.
 2. Explain and illustrate the role of the entrepreneur within the relational perspective and highlight the impact that entrepreneurship has on the evolution of the social division of labour.
 3. Provide a distinction between the act of entrepreneurship and the entrepreneurial function of the economy and relate this to .
 4. Complement the theoretical discussion of the relational perspective and entrepreneurship with empirical analyses of entrepreneurial activities.

Dissertation structure

- ▶ The analysis of entrepreneurship within the relational perspective is partitioned into three consecutive Parts:

Part I. Develops a theory of entrepreneurship and wealth-generation within a *socially structured economy*.

Part II. Investigates entrepreneurial activity and positional power in an economy consisting of a horizontal division of labour.

Part III. Investigates entrepreneurial activity and positional power in with more complex interaction structures and a vertical division of labour.

- ▶ Throughout we complement theory with empirical examples; this includes the analysis of elite Florentine families and the directorate network of New York City during the early Twentieth Century.

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Part I overview

- ▶ Part I provides a set of fundamental notions that define the relational perspective. From this we describe the notion of the entrepreneur and entrepreneurial activity.
- ▶ This Part results in:
 1. Definition of socially structured economies given a network-institutional perspective of social and economic activity.
 2. Development of consumer-producers, socio-economic roles, and the division of labour.
 3. Clarity regarding the definition and impact of entrepreneurship and the entrepreneurial function within this framework.
- ▶ This is expressed over three chapters.

Chapter 2: Toward a relational perspective

- ▶ Relational perspective is developed using an axiomatic method: this chapter discusses these underlying modelling axioms and hypotheses.

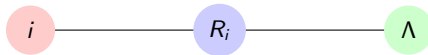
Axiom I. Bounded rationality: Limited cognitive abilities to compute the consequences of their own and others actions. This results into fundamental perceived uncertainty in the economy.

Axiom II. Harmonisation of production and consumption: Economic agents are bearers of consumptive needs as well as productive abilities.

- ▶ Fundamental notions are derived from these axioms.
- ▶ These include: (1) Economic agents as consumer-producers; (2) Socio-economic roles and specialisations; (3) Embeddedness, governance systems, and institutions; and (4) Interaction infrastructures as networks.

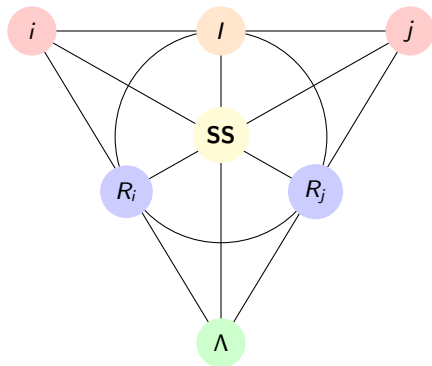
- ▶ Economic agents are identical and defined as consumer-producers, possessing both consumption and production functions consisting of increasing returns to specialisation over the set of economic goods.
- ▶ The production sets can be seen diagrammatically below.
- ▶ The assumption of strict IRS leads to the theorem that given a population of > 1 economic agents and no transaction costs, each agent always has an incentive to specialise.

- ▶ To engage in functional wealth-generating interaction each agent adopts a specialisation and with it a socio-economic role.
- ▶ A socio-economic role expresses an agents *embeddedness* in a well-defined governance system.



- ▶ A socio-economic role is a reflection of the governance system (Λ) that an agent exists within: includes behavioural rules, cultural norms, media that are associated with specialisations.

- The fundamental problem of the Core needs to be resolved through the use of institutional mechanisms.



- Economic agents are considered as *centrifugal* forces and the governance system as a *centripetal* force.