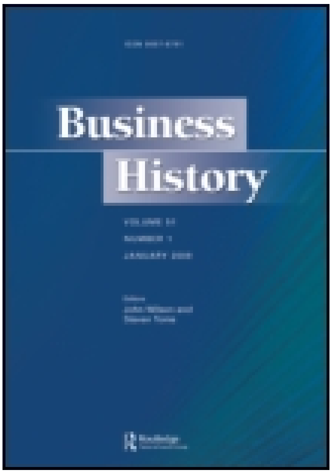

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The history of entrepreneurship: Medieval origins of a modern phenomenon

Mark Casson[a] & Catherine Casson[b]
[a] Department of Economics, University of Reading, Reading, UK
[b] School of History and Cultures, University of Birmingham, Birmingham, UK and Winton Institute for Monetary History, Ashmolean Museum, University of Oxford, Oxford, UK
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The history of entrepreneurship: Medieval origins of a modern phenomenon

Mark Casson[a]* and Catherine Casson[b]

[a]*Department of Economics, University of Reading, Reading, UK;* [b]*School of History and Cultures, University of Birmingham, Birmingham, UK and Winton Institute for Monetary History, Ashmolean Museum, University of Oxford, Oxford, UK*

The origins of enterprise are often associated with the Industrial Revolution, but this article presents evidence of entrepreneurial activities from a much earlier date – the medieval period. Between 1250 and 1500 the church, merchants and members of the royal court all engaged in activities that demonstrated the entrepreneurial characteristics of innovation, risk-taking and judgement. The activities of the prior of Tynemouth and the career of the wool merchant William de la Pole illustrate these developments. By focusing on individuals rather than firms, it is possible to push back the study of entrepreneurship beyond the Industrial Revolution and early-modern trade to a period that witnessed the origins of the modern state.

Keywords: entrepreneurship; enterprise; innovation; medieval business; networks

Introduction

Business history in the latter part of the twentieth century was dominated by the study of the large managerial corporation and debates over Chandler's *Visible Hand*.[1] Modern capitalism was identified with corporatism and bureaucracy rather than individualism and enterprise. In the twenty-first century business history has taken a broader view that gives due weight to small and medium-size enterprises and family firms – especially in the context of regional clusters and industrial districts.[2] There is still a significant emphasis on the firm as a managerial unit, however, rather than as a locus of entrepreneurship. The importance of the individual entrepreneur is often under-stated in modern business history.[3]

This paper argues that the situation needs to be changed. There needs to be more emphasis on identifying individual entrepreneurs within firms, and analysing their influence on decision-making.[4] According to Jones and Friedman:

> Entrepreneurship is an area in which business historians have made an important contribution, but in which most of the recent conceptual work has been done by economists and management scholars. Their theories provide a more powerful set of tools for examining the history of entrepreneurship than any that were available to the pioneering business historians in the 1940s and 1950s. … Huge areas of uncertainty regarding the causal links between entrepreneurship, innovation and growth still call for explanation.[5]

Greater focus on individual entrepreneurs would benefit the teaching of business history. Standard business history texts still emphasise the 'managerial revolution' of the

*Corresponding author. Email: m.c.casson@reading.ac.uk

early twentieth century rather than the 'entrepreneurial revolution' of the late twentieth century.[6] In the contemporary world, where politicians extol the virtues of small business and increasing numbers of MBA students aim to found their own businesses rather than climb the hierarchies of established businesses, many students are more interested in the history of entrepreneurship than in the history of the large corporation.

Greater emphasis on the individual entrepreneur can be problematic in terms of research, however. Business archives usually provide good information on organisational structures, but little direct information on the initiation of strategy. It is not always clear which individuals made which proposals, or who supported a given proposal and who opposed it. This makes it difficult to identify individuals who perform entrepreneurial roles. Biographical evidence has an important role in entrepreneurship research; synthesising information from business archives and personal archives can generate significant insights, as Corley has shown.[7]

This paper outlines an historical perspective on the evolution of entrepreneurship which is intended to complement the conventional perspective on the rise of the large managerial firm. The managerial firm was itself the product of enterprise. It was entrepreneurs such as Andrew Carnegie and Henry Ford that first recognised the economic benefits of mass production and mass marketing, and it was the entrepreneurialism of their successors that ensured that the firms they founded survived and grew. Furthermore, entrepreneurship embraces both large and small firms, as modern case studies demonstrate.[8] Economic theory suggests that entrepreneurship is best understood as a general human capability which contributes to survival and success. If entrepreneurship is a basic human capability then it should manifest itself in different times and places, and not just in one place at one particular time. This suggests that entrepreneurship should be examined from a long-term perspective. It should also be examined across countries and in different industries. While the intensity of entrepreneurial activity may fluctuate over time, and vary across societies, it will be present at all times in all societies to some degree.

Entrepreneurship can, however, be repressed through over-regulation, or discouraged through lack of incentives, according to Jones and Baumol.[9] Incentives affect not only the amount of entrepreneurial activity, but also its composition: appropriate incentives encourage productive entrepreneurship rather than unproductive 'rent-seeking' or illegal activity. Productive entrepreneurship is aligned with the wider concerns of consumers and society as a whole, whilst unproductive entrepreneurship mainly redistributes income between different economic groups (e.g. producers and consumers) with no gain (or even loss) to society as a whole. Pre-industrial entrepreneurship is sometimes dismissed as largely unproductive, but this paper argues that there was productive entrepreneurship in the pre-industrial period too.

Considered as a general human capability, entrepreneurship manifests itself in different ways in different contexts. Sensitivity to context is therefore important in studying entrepreneurship. In one type of society it may be wealthy aristocrats who are most entrepreneurial, and in another artisans and the industrious poor. When examining any given society at any given time it is a mistake to prejudge where entrepreneurship is most likely to be found. In the twenty-first century entrepreneurship is prominent in the creation of new high-technology consumer goods and global brands, but in the nineteenth century, for example, it was more evident in the exploitation of factory production methods and in the discovery of new raw materials for industry.

Three key themes emerge which are developed in this paper:

- Business history needs to place more emphasis on the individual and less upon the firm as the key business actor, and this can be achieved by drawing upon economic theories of entrepreneurship; it must be recognised, however, that not all entrepreneurship benefits society.
- Historical interpretation should focus more on the long term, where it is possible to identify the continuing role of entrepreneurship in innovation, and the cumulative impact of innovations on technology, institutions and economic performance.
- There is a shortage of case studies on early entrepreneurship, and particularly on entrepreneurship before the industrial revolution. It is argued below that the history of entrepreneurship should be pushed back to the medieval period, 1200–1500. At this time entrepreneurship was an elite activity that played an important role in financing church and state. Studying how this role was performed reveals similarities with, as well as differences from, entrepreneurial behaviour today.

Definition and theory

The modern theory of entrepreneurship suggests several ways in which entrepreneurship can be defined: by the function of the entrepreneur, by their role, their personality and their specific behaviour.

Economists typically think of entrepreneurship as a function. A classic writer on the subject – Joseph Schumpeter – defined the entrepreneur as an innovator.[10] Schumpeter visualised the entrepreneur as a heroic figure, without whom major innovations could not take place. Schumpeter distinguished five types of innovation: technological innovation based on a new production process, marketing innovation based on a new product, opening a new export market (e.g. in a new colony or a newly liberalised economy), exploiting a new source of supply (e.g. newly discovered mineral deposits), and the creation of a new type of institution (e.g. a cartel or a multinational firm). Schumpeter was adamant that the entrepreneur did not merely invent (i.e. think of a new concept or device) but actually *commercialised* their invention by committing resources to implement the invention and to bring it to market. The entrepreneur was therefore a business actor and not merely a creative or artistic individual.

In an uncertain world the commitment of resources incurs risk; costs sunk in a venture cannot usually be recovered if it fails. According to Knight, the entrepreneur is the person who bears the financial consequences of the risk that a venture may turn out worse than expected.[11] Knight argued that such risks cannot be insured, because each venture is unique.

According to Hayek, different people may assess a venture's chance of success very differently.[12] Sources of information are localised, he argued, so that different people have access to different information, and therefore hold different opinions. An entrepreneur who undertakes a venture is likely to be more optimistic than those who do not. Entrepreneurship can be found in firms of all sizes. Kirzner argues that small firms are good at discovering opportunities that larger firms overlook.[13] Penrose made a similar point when she suggested that small firms made profits by working alongside large firms and taking up opportunities that they were too busy, or too preoccupied, to exploit.[14] Audretsch and Keilbach make the same argument regarding high-technology small firms that exploit spill-overs from large-scale publicly – or privately – funded research and development.[15]

Despite their differences, all these writers agree that entrepreneurs take responsibility for important investment decisions made under uncertainty. These decisions require good judgement if they are to be successful.[16] Because opinions about success and failure differ, it is important that the right person takes each decision. If their judgement is good, and they are right, then they will make a profit; indeed, if others decide not to invest then they will earn a monopoly profit, until the others change their minds and decide to invest as well.

An entrepreneur who takes such responsibility is likely to occupy a distinctive role as the owner or manager of a firm. This proposition links the economists' view of the function of the entrepreneur to the popular notion of an entrepreneur as someone who owns or controls a firm. An owner may act as an entrepreneur themselves, or they may appoint a salaried manager to whom they delegate decisions, and who is encouraged to act in an entrepreneurial way.

The functions of the entrepreneur, and the roles they perform, determine the aspects of personality conducive to entrepreneurship. These include imagination,[17] intuition,[18] alertness,[19] ambition,[20] need for achievement[21] and a positive attitude to risk.[22] The use of personality to explain entrepreneurial behaviour has been a controversial subject. Where an entrepreneur is still living, personality can be assessed by administering a questionnaire, or by directly observing behaviour; where the entrepreneur is deceased, diaries and confidential documents can be consulted, together with published recollections of their contemporaries.

Personality is, by definition, specific to an individual. It is usually assumed to reflect a mixture of genetic and environmental characteristics, and may evolve as an individual gains confidence from their successes and learns from their failures. It is therefore expected to vary significantly across a given society. The easiest way to explain differences in entrepreneurialism at the societal level is through culture. The culture of a society may be defined as its shared values and beliefs relating to fundamental issues. These fundamental beliefs will be reflected in the institutions that a society develops. Successful entrepreneurial cultures, it has been suggested, combine individualism with high levels of trust. An individualistic belief that people are creative is likely to encourage innovation and creative self-expression. High levels of trust, on the other hand, encourage co-operation and curb excessive competition without recourse to expensive legal systems and regulatory regimes.[23] The recent experience of the Banking Crisis corroborates the view that while low-trust cultures may support short-lived spending booms, high-trust cultures may be more sustainable.

The positive impact of entrepreneurship on economic performance may be weakened by 'rent-seeking' activity. According to Baumol, free trade and competition favour 'productive' entrepreneurship, in which innovation boosts productivity, whereas restrictive regulation induces 'unproductive' entrepreneurship based on lobbying for subsidies and protective tariffs.[24] Entrepreneurship also varies according to the type of opportunity being exploited. Some opportunities require large commitments of capital, whereas others are much smaller; the larger the capital requirement, the greater the dependence on external sources of finance such as venture capital. Capital-intensity in turn varies between sectors; infrastructure opportunities typically require large amounts of capital to exploit them, whereas local retail opportunities can often be exploited with only modest capital. The focus in this paper is on larger projects.

Previous literature on the history of entrepreneurship

The first systematic attempt to develop the history of entrepreneurship as a discipline was initiated by the US-based Committee on Research in Economic History, comprising Simon Kuznets, Edwin Gay, Earl J. Hamilton, Herbert Heaton, Harold Innes and others.[25] In 1948 they established the Research Centre in Entrepreneurial History at Harvard, chaired by Arthur H. Cole, Librarian at the Graduate School of Business Administration, with active support from Thomas C. Cochran and Leland H. Jencks. Two leading economic theorists provided research guidance: Joseph Schumpeter and Frank Taussig. The Research Centre published the journal *Explorations in Entrepreneurial History*, to which younger members of the centre, such as Hugh G.J. Aitken and R. Richard Wohl, contributed. The Research Centre closed in 1958, and *Explorations* was subsequently re-titled and re-launched as a mainstream economic history journal.

The Research Centre had little impact on economics and economic history. Social scientists at the time were preoccupied with issues of corporate business, economic planning and the welfare state. Entrepreneurs were increasingly perceived as venal and small-minded, due to their alleged pursuit of short-term profit. The centre's research output focused on the link between the successful founder and the growth of their firm but, according to Cole, it failed to link the growth of firms to wider trends in business and society.[26] Its members produced a number of scholarly monographs detailing the activities of individual firms. Although a substantial advance on the popular business biography, no over-arching theme emerged.

The study of entrepreneurship was not eclipsed entirely; however. Porter and Livesay analysed the evolution of relationships between nineteenth-century merchants and manufacturers as an entrepreneurial process.[27] Livesay subsequently edited a collection on *Entrepreneurship and the Growth of Firms*.[28] Since then a number of useful surveys and reference works have appeared. A four-volume research collection on *Business History* focuses on the entrepreneurs, inventors and engineers of the Industrial Revolution.[29] Jones and Wadhwani have reviewed the growth of multinational enterprise from an entrepreneurship perspective.[30] The institutional context of entrepreneurship has been reviewed by Casson with special reference to market evolution, while the early origins of trade and entrepreneurship are examined in Moore and Lewis and in Landes, Mokyr and Baumol.[31]

In addition, biographies of British entrepreneurs are available from the *Dictionary of Business Biography* the *Scottish Dictionary of Business Biography*, and the *Oxford Dictionary of National Biography*.[32] Similar reference works are available for other countries, including China and the US.[33] The most recent reference work, edited by Casson and Casson, systematically surveys all papers published in *Business History*, *Business History Review* and *Enterprise and Society* (and its predecessor journal), together with relevant literature in sector-specific journals such as *Transport History* and *Agricultural History Review*.[34] It identifies over 100 articles that focus on individual entrepreneurs rather than their firms. Their selection criteria are that an article:

- focuses on the entrepreneur and their personality as well as on the business activities that they carried out;
- examines (where possible) the family background and education of the entrepreneur, and the institutional context in which they operate;
- analyses the behaviour of the entrepreneur and assesses their performance (it is not just a straightforward narrative); and
- demonstrates critical detachment: the author does not make sweeping generalisations, or simply praise the entrepreneur as a hero.

The editors note three key limitations of this literature:

- With one or two notable exceptions, most articles relate to entrepreneurs active in the English-speaking world; a truly global history of entrepreneurship would require collaboration amongst an international team of scholars.

- There is a strong emphasis on high-technology manufacturing industries, and relatively little discussion of services. In particular, knowledge-based professional services are poorly represented.
- There is a strong concentration on the period since the Industrial Revolution; there is some analysis of the role of entrepreneurship in the Early Modern Period, but almost no discussion of entrepreneurship in the Middle Ages. This problem applies across both sectors and countries, and can be remedied only by new research.

This paper attempts to take a first step towards addressing this final issue. Taking a long-term evolutionary perspective on the English economy, it suggests that key institutional innovations in the medieval period laid the foundations for the growth of trade in the Early Modern period, which in turn created the commercial environment in which the Industrial Revolution could occur. Given that entrepreneurship is a basic human capability for finding solutions to both technological and institutional problems, each innovation made by entrepreneurs provides a platform from which subsequent innovations can be made. On this view, institutional innovations in the medieval period provided a platform for the commercial and technological innovations of the Early Modern and Modern periods.

A long-term historical perspective

Business historians have always recognised that entrepreneurship was an important factor in in the Industrial Revolution, the growth of international business in the Age of High Imperialism, and the subsequent development of mass production and mass marketing.[35] Despite several important individual studies, however, they have not systematically explored entrepreneurship before the Industrial Revolution from a long-term perspective. It is possible, nevertheless, to discern a distinctive pattern in entrepreneurship in England before this time.

Significant innovations in agricultural practice began in the sixteenth century and reached a peak in the mid-eighteenth century. The enclosure of land and enlargement of farms and estates reduced the cost of food, expanded the population and made it possible to feed a growing urban manufacturing work-force during the Industrial Revolution.[36] Canals and river navigations were systematically promoted from the seventeenth century onwards, reaching a peak in the late eighteenth century.[37] Canals allowed raw materials, such as coal, clay and salt, to be transported in bulk to factories, and finished products to be distributed quickly to a national market (canals have been likened to the internet highway of today). These initiatives all relied on the commitment and foresight of entrepreneurs.

The promoters of canals in turn drew upon a tradition of project finance that had much earlier roots. Canal proprietors employed the joint stock principle, in which a group of wealthy individuals joined forces to share the risks involved in a large indivisible project. One of the earliest joint stock companies in England was the East India Company, founded in 1600 to compete with the Dutch in the spice trade. The company operated a large fleet of ships, and also substantial warehouses for the storage of goods in transit. Project finance was later enhanced by the formation of the Bank of England, and the establishment of a national debt; these innovations increased investor liquidity by stimulating the development of a secondary market for bills, bonds and shares. As a result, by the time the canal boom was underway, entrepreneurs were well versed in sophisticated methods of finance.

Some writers have criticised these early projects on the grounds that they created monopolies and stifled competition – a view persuasively argued by Adam Smith.[38]

Monopoly profits are usually temporary, however; in the long run, the benefits of innovation accrue to consumers and workers once competition erodes monopoly power. The key criticism is that the monopolies of the chartered trading companies did not erode because their statutory powers persisted indefinitely.

Another reason for playing down the significance of early enterprise is that much of it was actively supported by the monarch or state officials. Thus the monarch took shares in the East India Company; indeed, royal patronage was perceived to be important in providing political protection for private investors.

There was, however, a sound economic reason for such patronage. Until Robert Peel's income tax of 1802, invoked to finance the Napoleonic Wars, Britain had no effective means of taxing the population as a whole, other than through excise taxes or import duties. The monarch could tax the rich directly – such as town authorities and wealthy landowners – but this naturally generated opposition, which became stronger as parliamentary power increased. Creating monopoly projects in which the wealthy could invest was therefore an attractive proposition. The monarch sold monopoly rights to merchants and producers, who recouped their costs from selling their products to the public at monopoly prices. The monarch could thereby raise money without borrowing from foreign money-lenders, debasing the coinage or imposing poll taxes or property taxes – all of which, experience suggested, were dangerous options.

Monarchs could also act as entrepreneurs through their positions as owners of land and resources, and their control of trade. In the thirteenth century, for example, Edward I was not only a notable warrior, but also a notable entrepreneur. He sold charters authorising markets to wealthy Anglo-Norman aristocrats, who sought to increase the value of their estates by establishing market towns at strategic locations. Traders paid tolls for the right to sell their goods in these markets. Sometimes the new towns were built on the foundations of earlier settlements, but in other cases they were built from scratch. Both the king and the aristocracy benefited from such foundations; the aristocrat received a proportion of the revenue generated by tolls while the king usually received a money rent from the new foundation in return for granting it further legal privileges.[39]

The church too was active in entrepreneurship.[40] The Papacy is sometimes described as the world's first multinational enterprise (although there other claims to this distinction).[41] Because transport and communication were relatively slow in the Middle Ages, tight central control from Rome was difficult, and so religious establishments – such as cathedrals and abbeys – enjoyed considerable local autonomy. They raised funds from wealthy believers in return for spiritual services; they also promoted pilgrimage and provided hospitality.[42] More significantly, they operated markets outside churches and abbeys – sometimes in competition with markets run by local townspeople or local aristocrats (see below).

English experience was replicated in continental Europe, where commercial voyages of exploration were initiated by Marco Polo and his merchant family in 1274, who ventured to the Far East and returned to Venice as wealthy merchants. International banking developed throughout Europe in the fourteenth century, and in 1492 Christopher Columbus famously received financial backing from Queen Isabella I of Castile for a voyage intended to gain competitive advantage in the Eastern spice trade.[43]

It is possible to push the record of entrepreneurship back even further than the thirteenth century.[44] For example, monarchs before that date generated profit from seigniorage on currency issues, and by operating law courts to settle disputes. They also made innovations in the tax system – initially by extending the scope of violence and intimidation, and later by switching to the taxation of land based on estimated values.[45]

In practice the origins of entrepreneurship are lost in the mists of time. Continuous records of entrepreneurial activity in Europe exist from about 1200 onwards, however, and so this makes a convenient starting date for entrepreneurship history.

Historical case studies of entrepreneurship in England

This section illustrates how the history of entrepreneurship can be populated with additional case studies of the medieval period. For this purpose, it is crucial to use the broad functional approach to defining entrepreneurship set out above. It is impractical, for example, to define entrepreneurship in terms of a specific role, such as the ownership of a small firm, because the medieval legal system did not recognise the modern concept of a firm – and certainly not the modern joint stock firm with limited liability. The sole trader, the family and the business partnership were the basis of entrepreneurial activity instead.

It is also important not to pre-judge the motivations of the entrepreneur. In the medieval period (as in the Victorian period) pursuit of profit needed to be combined with concern for the immortal soul. Many successful entrepreneurs became noted philanthropists, endowing churches, monasteries, hospitals and charities. Medieval entrepreneurs were also constrained by prohibitions on usury and moral obligations to care for the poor (although in the case of usury, prohibitions were easily evaded).

Business risks were high in the medieval period. International travel and transport risked shipwreck, and domestic travel risked robbery. For this reason many entrepreneurs collaborated through companies of merchant venturers, based in the larger towns and cities, which allowed freight to be moved in convoys and for ships to be chartered collectively. Membership of these companies also provided social and cultural opportunities, and promoted the creation of high-trust social networks that could be exploited for business purposes.

High-status establishments such as the church, the monastery and the royal court were open, to some extent, to ambitious people of humble background and high ability. As noted above, it seems that these institutions permitted, and sometimes even encouraged, individual entrepreneurship. In the case of religious institutions, however, entrepreneurial success might be rewarded by internal promotion rather than financial reward, while at court it was important for the successful entrepreneur to avoid becoming as wealthy as the monarch.

The medieval period provides challenges with respect to primary sources. With the exception of the Paston letters and Cely letters, few personal records survive, although new discoveries are occasionally made.[46] On the other hand, while there are no conventional business archives, there are good records of estate management – particularly large ecclesiastical estates. Civic records provide important insights into trade disputes, especially concerning issues of quality control, while royal records contain a wealth of material relating to business activities connected with the crown.[47] Many of these records are in Latin, Anglo-Norman French or early English, however, and are written in a highly abbreviated form. Survival of records is somewhat erratic, and so a continuous narrative of events is often difficult to construct from a single source. On the other hand, royal records are often well catalogued and indexed.

Three case studies are presented below: the first, based mainly on secondary sources, provides a context for the second, which is designed to illustrate the challenges and opportunities of using primary sources. The third case study highlights the legacy of medieval business methods in the Early Modern period.

Churchmen in the thirteenth and fourteenth centuries

The Roman Catholic church was immensely powerful in England in the thirteenth century, but much of the Pope's authority was devolved to local bishops, abbots and priors, as noted above. These churchmen controlled large estates, which were normally run in a business-like manner. The Cistercian order, which pursued devotion through manual labour, was noted for large-scale sheep-farming – the upstream stage of the English wool export trade.[48] The Cistercians were credited with advances in sheep-breeding that enabled them to supply high-quality wool that commanded a premium price.

Sometimes devotion to business seems to have exceeded devotion to spiritual life. The prime objectives of the Benedictine order were prayer and worship, but lapses occurred.[49] Monks from St Albans Abbey were sometimes sent as a penance to the priory of Tynemouth on the banks of the River Tyne near Newcastle. This priory was a useful calling point for travellers between London and Berwick, on the border with Scotland, and was noted for its hospitality and good ale. It appears, however, that the priors had very ambitious plans. The burgesses of Newcastle, further up the Tyne at the first bridging point, believed that they held a monopoly of trade in the area on account of a charter to hold a market that they had acquired from the king.[50] After a number of skirmishes, the Newcastle burgesses petitioned the king in 1295:

> The burgesses of Newcastle-on-Tyne show this to the council of our lord the king: that whereas these same burgesses have the town at farm from our lord the king for a certain sum of money payable each year, the prior of Tynemouth has come and attempted to enfranchise the merchants who come with their merchandise into the river Tyne who sell to him and does not allow them to pay their due custom but he has them charge and discharge within the river Tyne in a place called the Shields and sells bread and ale to the merchants ... Moreover, whereas there used to be shacks at Shields to provide shelter for fishers coming from the sea only to shelter from the storm there has now been raised a large town whereas they brew and bake to the destruction of the said town.[51]

The burgesses also complained that four ovens owned by the prior had been leased out to independent bakers. There was a Sunday market with butchers' stalls. The monks were competing with local merchants by purchasing untanned leather in the area, having it tanned near the priory and loaded onto ships at Shields. To make matters worse for Newcastle, the Bishop of Durham had set up a similar operation on the other side of the estuary at what is now South Shields. The prior was summoned to appear before Parliament, where he defended himself by appealing to an old charter of dubious relevance, claimed (probably correctly) that his predecessor was the main culprit, and that he had not himself put up any new buildings (which was possibly untrue). Pending direct investigation by the king's justices, the prior was told not to hold any further markets and to take down any signs that he had erected advertising them.

Although King Edward I initially took a firm line with the prior, it appears that he later relented. North Shields soon became a major fishing port, but Newcastle retained its ascendancy in the coal trade. Quite a bit is known concerning the priors at this time, but which prior was most involved in this particular dispute is difficult to say.

While monks were busy selling wool and setting up local markets, bishops were involved in the pilgrimage trade. Pilgrimage was a progenitor of modern tourism.[52] It was, to some extent, a religious obligation, and interest in pilgrimage was boosted by the Crusades. While ordinary people could not afford the expense of visiting the Holy Land, they could more easily afford a visit to a local shrine. In Wales and Cornwall shrines to local saints abounded, but some English cathedrals offered a more up-market pilgrimage experience, with nearby accommodation and mementoes (such as badges) that could be purchased. Pilgrimage could be helpful in curing illnesses and easing the passage through Purgatory, not to mention providing a holiday from domestic chores. It also provided refuge from towns ravaged by plague, famine and disease. Pilgrims could travel in groups for security, as Chaucer's *Canterbury Tales* illustrates.

Entrepreneurial bishops were active in promoting their cathedrals as centres of pilgrimage. Pilgrimage centres competed against each other on the basis of the importance of the saints they venerated, the quality of the relics on display, and the facilities available to pilgrims.[53] Around 1230, for example, a monk of Worcester Cathedral Priory recorded the miraculous tale of Thomas of Eldersfield who had been castrated and blinded after losing a duel.[54] By the intervention of St Wulfstan, whose bones lay in Worcester Cathedral, Thomas's eyes and genitals re-grew. Miracles involving the restoration of body parts were amongst the rarest to be attributed to medieval saints, and as the tale circulated Worcester Cathedral became an increasingly popular pilgrimage tourist destination. Conveniently for the monks, the miracle and sudden influx of pilgrims coincided with their need for funds to restore the cathedral after a damaging fire. The profits of pilgrimage were thus an important source of finance for cathedral building and extension, which was a major feature of the period.

These examples might seem to exemplify Baumol's concept of unproductive entrepreneurship, but this interpretation could be misleading. Producers and consumers benefited from the competition between rival markets, whilst pilgrims gained from an increased choice of destinations and improved facilities. The spiritual life of Worcester citizens may also have been enhanced by the impressive size and beauty of their cathedral.

Merchants in the fourteenth century: William de la Pole

The early fourteenth century was a period of significant economic growth, characterised by an expansion in the number of trading locations, a diversification of the commodities traded and an increase in the overall number of transactions. However there were also economic challenges to be faced, notably the Great Famine of 1315–22, the Black Death of 1348–49 and the Hundred Years War of 1337–1453. The Hundred Years War originated in a conflict over claims to the throne of France and required an immediate and regular source of finance to support military campaigns. It also required money to be passed to a monarchy that already had a reputation for financial mismanagement.[55] The financing of the Hundred Years War provided an entrepreneurial opportunity, which required innovative solutions and also good judgement to counteract some of the risks.

Wool, 'the sovereign merchandise and jewel' of England, provided a key source of income for the war as it was a key export commodity from which customs duties could be raised.[56] By 1337 King Edward III was dissatisfied with the revenue that he was obtaining from the duty on wool, and wished to try out new methods for increasing his revenue. One possibility was to requisition wool in England at a fixed price and sell it to continental weavers at the highest possible price. Even better, if the supply of English wool was cut off for a period then foreign weavers might become so desperate that they would pay a very high price once a small amount was released for sale. It required an experienced wool merchant to devise and implement such a plan, however, and the 'man of the moment' was William de la Pole.

William de la Pole's operations centred on the East Yorkshire port of Hull.[57] His entrepreneurial activities were recognised by his contemporaries, even if they did not always approve of them. The monks of the Cistercian abbey of Meaux, with whom he had been in dispute, admitted that he was the foremost merchant in England, while the king, with whom he had a tempestuous relationship, praised Pole for his 'great assistance' in financing the Hundred Years War.[58] However, he was later described as unfaithful and fraudulent.[59]

Pole gained experience in royal financing during Edward III's wars with Scotland in the 1320s, where his business base in Hull placed him in a strong position to provision troops.[60] When Edward was no longer able to raise further money from the Italian bankers to finance his wars, William de la Pole and his brother Richard stepped in to fill the gap and made a handsome profit by doing so.[61]

War with France provided a further opportunity for Pole. In 1337, the year war was declared, Pole established a syndicate of merchants who purchased 20,000 sacks of wool which they intended to sell using a monopoly.[62] The sale of this wool was intended to raise a sum of £200,000 which would be lent to the king. The merchants expected that the profit would be more than sufficient to cover the loan; they expected to receive gradual repayment from the crown through their control over the customs.[63] However, the syndicate failed to export the necessary amount of wool by the agreed deadline and, furthermore, what wool was exported abroad was seized by the king's representatives before it could be sold.[64] It is possible that the king's expectations were unrealistic; at any event, the king was so desperate for money to pay his troops that he sold the wool he had requisitioned from the syndicate as quickly as possible at a very low price.

The failure of the 1337 scheme cooled relations between the king and Pole. Few merchants would take the risk of making deals with the king because of the serious personal consequences that could follow if the king were disappointed with the result. In acting for the king, Pole assumed personal risks as well as financial risks – risks that were greater than most other merchants were willing to take. In 1340, a year when many royal advisors were put on trial for financial mismanagement, charges were brought against Pole for his actions in 1337, including accusations of smuggling.[65] A chronicle describes how Pole and other 'false traitors' were arrested by the king on his return from Flanders and imprisoned 'separated from one another into different castles'.[66] In Pole's case his prison was Devizes castle where he remained until 1342.[67]

However, the king still needed the help of knowledgeable merchants to raise money for the war. By 1342 the king had a number of important debts that he needed to repay to people who had supported his war effort. The king had issued bonds as recompense for the wool that he seized in 1337, and he was under pressure to redeem them. A new venture was therefore established, known as the English Wool Company, and many of its members were merchants who held these bonds.[68] There was a built-in repayment plan for those who were owed money by the crown.[69]

Members of the Company obtained a grant of customs and subsidies for a little over three years.[70] In return the Company paid 1000 marks into the king's wardrobe every month and had to account every quarter for the balance. The king received a regular and predictable source of income, while the merchants obtained a monopoly of the wool trade and could therefore set their own selling price at the staple at Bruges.[71]

Pole played a crucial, but concealed, role in the foundation of the 1343 Company. Officially the company's founder was Thomas Melchebourn, who was also appointed the new mayor of the Staple at Bruges. However, several years later other merchants testified that Pole had been the instigator and originator, his fragile position with the crown in 1343 presumably being the reason behind his desire to conceal his name.[72] Pole appears to have been motivated by a desire to re-coup his money from the 1337 venture and to return to royal favour – in a petition written during his imprisonment he sought to emphasise his usefulness to the crown.[73] When his lands were restored by the crown in 1344 Pole was able to assume a more public profile in the Company, and was allowed to reorganise it.[74]

Unfortunately for Pole, the English Company of 1343 also suffered difficulties, partly because the king, in an attempt to get further taxes approved by Parliament, ended the monopoly in 1344.[75] The operation of the customs passed into the hands of a group run by Walter Chiriton and Thomas Swanland, whose activities, after brief success, collapsed following the disruption of trade caused by the Black Death of 1348–49. Chiriton and Swanland were no longer to meet their annual payment to the crown, and Edward III decided to recover the money that they owed him.[76] In their testimony before the Exchequer in 1353 they implicated William de la Pole, not only as the secret founder of the English Company of 1343, but also as someone who owed them money. Chiriton and Swanland argued that they had had to discharge debts to other merchants because Pole, despite swearing an oath to contribute to the discharging of Company debts, had not met his obligations.[77] Pole was called to answer the charges, but he appears to have instigated a series of adjournments that eventually stopped the case being resolved – another example of his capacity to sail close to the wind but avoid the storm.[78] However, he had more difficulties when a further trial was launched against him directly by the king in 1354, which appears to have been instigated with the aim of preventing any further claims by Pole for repayments of loans from the crown.[79] Eventually Pole agreed to surrender all claims to the king's outstanding debts and obtained a pardon, for his 'fruitful service' to the crown, which he used to halt any further proceedings.[80] While Pole survived this difficult period, some of his former colleagues were not so lucky.[81]

In his tumultuous career, Pole demonstrated his entrepreneurial qualities by experimenting with new methods of war finance based on innovations in the organisation of the English wool export trade. Leveraging the reputation that he had gained with the king through provisioning troops for the Scottish War, and by replacing bankrupt Italian bankers in raising royal loans, Pole devised and implemented a scheme for financing war out of an export monopoly. Instead of being a passive recipient of an export duty, the king became, in effect, a partner with a syndicate of merchants that actively sought to maximise monopoly profit. Unfortunately for the syndicate, the king had an urgent need for funds because of the unpredictable nature of war, and was therefore inclined to meddle. Pole, on the other hand, appears to have withheld information from the king, and probably tried to compensate himself for the cost of the king's intervention by engaging in smuggling, which was a very serious crime.

Pole was a risk-taker: he risked default when the king seized the syndicate's wool in 1337; he risked imprisonment when he smuggled; and he risked royal displeasure when he later secretly joined the Wool Company to try to restore his position. Pole appears to have been confident throughout of his importance to the king, as the only person able and willing to organise an export monopoly and to incur royal displeasure if it went wrong. His reputation with fellow merchants was such that they were willing to invest in his syndicates. His main limitation appears to have been lack of integrity; his fellow merchants often suspected him of exposing them to greater personal risks than he exposed himself, as demonstrated by the oath that Pole was required to swear in secret to fellow merchants in 1343. Royal distrust is reflected in the king's decision to separate all of those arrested in 1340 – which may have been intended to stop Pole assuming a leadership role amongst them.[82]

Despite his differences with the king, Pole retained sufficient of his enormous wealth to found a family dynasty of warriors, politicians and businessmen. One of his male descendants became recognised as an heir to the English throne, but due to bad luck and poor political judgement he was executed on the orders of King Henry VIII.[83]

Politicians and profit in the seventeenth century

The role of entrepreneurs in organising international trade is a feature, not only of the medieval period, but also of the chartered trading companies of the Early Modern period, the financial diplomacy of the Age of High Imperialism, and the 'oil diplomacy' of the twentieth century. This final case study links the business methods of Pole to those practised by the so-called 'pluralists' of the seventeenth century – entrepreneurs who assisted the state by organising trading operations for which they paid a licence and from which they made a private profit. Two entrepreneurs are discussed: Lionel Cranfield and Sir Humphrey Mackworth.

The seventeenth century witnessed enormous interest in the expansion of overseas trade. The success of piracy in the Caribbean and the defeat of the Spanish Armada increased business confidence. Courtiers such as Sir Francis Drake and Sir Walter Raleigh mounted overseas expeditions in search of new lands and resources. Competition with the Dutch in the Spice Trade, and growing links with India led to increasing interest in large-scale finance. The financial position of the state remained somewhat precarious, however.[84] Court expenditure had become lavish, and state monopolies were created to generate funds. Many public offices were leased out to individuals, including the operation of the customs and the sale of crown lands.

The operation of a state monopoly provided exceptional opportunities for ruthless entrepreneurs who, like Pole, Cranfield and Mackworth, could exploit market power to the full. With cut-throat competition to acquire monopoly rights, good social contacts and inside political knowledge were both important assets for such men.

Lionel Cranfield was born in 1575 into a family of London merchants and by his late teens already had a profitable business trading textiles and spices, although he was criticised for not always maintaining the strictest product standards.[85] As Cranfield's business flourished, he ploughed back his profits into financing the crown. His business model was similar to that of Pole; historians have described him as an 'economic pluralist' who, rather than remaining in one trade, shifted his capital to where he thought the greatest economic opportunities lay at the time. His methods were more subtle than Pole's, however, and he avoided conflict with the king for a considerable time. His methods were no less dishonest, but his timing was better. When his deceptions were eventually exposed he became a 'poacher turned gamekeeper'; after profiting from dishonest practices himself, he realised that even greater rewards would come from advising the crown on how to control corruption and negotiate higher leases for offices such as the customs. But when he became Lord Treasurer in 1621 his ambition finally over-reached his abilities; he misjudged court politics and was forced to relinquish his post.

Another political operator in the same tradition was Sir Humphrey Mackworth. When William and Mary took the throne they needed cash quickly to pre-empt rival claimants; new forms of taxation were introduced, the Bank of England and the National Debt were established, and a civil list was created to assert parliamentary control over state finances. A member of the landed gentry, Humphrey Mackworth established the Company of the Mine Adventurers of England in 1698, financed by a novel sale of lottery tickets, in which the winners became shareholders and the losers became bond-holders. Its well-publicised objectives were to make profits, serve the public interest and provide charity to the poor. The Company mined coal in South Wales which it supplied to local smelters of copper and lead. It provided employment for local labourers and convicts, and built schools and other amenities for their dependants. The mines were never sufficiently profitable to pay the interest on the bonds, however, and the Company began to adopt dishonest trading practices, which led to Mackworth's resignation and to the Company later being denounced as a scam.

Unlike Cranfield, Mackworth did not diversify his investments but concentrated them in an industry and a locality that he knew well.[86] Like Cranfield and Pole, however, his business methods became deceitful under duress, but unlike them he maintained his political influence to the end. He straddled the adversarial political divisions between the progressive Whigs and the more traditional Tories by working with both sides. He financed public works during a recession, and used his mining activities to provide employment and poor relief. His 'business model' proved unsustainable, however, because the profits from mining were insufficient to fund the subsidies to the poor.

Pole, Cranfield and Mackworth have all been criticised by various historians for being 'unproductive', on the grounds that they merely redistributed income from consumers to the state. Their role was to assist their sovereign, or the state, to exploit monopoly power. But as already noted, monopoly was one of the few effective ways of securing finance for the state. Mortgaging a flow of monopoly profits was a useful way of raising funds at short notice when taxation was difficult to administer and very slow to collect. It therefore facilitated both military defence and infrastructure investments, which in the long run contributed to the security and the economic development of the country. Although the impacts of entrepreneurial activity were decidedly mixed, the benefits were substantial, as well as the costs.

Conclusion

Recent calls for a new type of business history, and for changes in the way that business history is written, provide a timely opportunity to review its present scope. Business history is much broader than it used to be, examining small firms as well as large firms, international operations as well as domestic operations, and services as well as manufacturing. But it still focuses on the firm as an organic entity rather than on the individuals within it who take the key decisions. It typically assumes a sophisticated institutional infrastructure of commercial law, accounting standards, fractional reserve banking, income taxation and so on. So long as these assumptions are retained, the subject cannot be pushed back further than the Industrial Revolution, because in earlier periods such assumptions do not apply.

Focusing on the entrepreneur liberates business history from the constraints imposed by the modern firm and its institutional environment. Firms are established by entrepreneurs, but entrepreneurs can exist without firms – operating through partnerships, extended families or as sole traders. Entrepreneurship is more fundamental than the firm: the firm exists to support the entrepreneur, and not the other way round. In the absence of the firm, decision-making becomes more transparent, and the risky nature of business decisions becomes more apparent too.

While the institutional context was different in the pre-industrial period, the challenges and opportunities facing entrepreneurs were not. With respect to challenges, many of the risk factors in the modern global economy have antecedents in the pre-industrial period – civil unrest, religious conflict, climate change and unexpected diseases all threatened to undermine the economy. With respect to opportunities, the innovations of the pre-industrial era were, in their own time, just as fundamental as those of the post-industrial era. The harnessing of wind power today, for example, relies on twelfth-century innovations in windmill technology, whilst modern water management practices rely on drainage and river improvement technologies that originate in the fifteenth and sixteenth centuries.[87] The pre-industrial legacy is even more important where institutional innovations are concerned, for it includes the development of sound currency, the rule of law and Parliamentary representation (albeit restricted to the business and social elite). The main difference in the nature of opportunities is that the limitations of the medieval tax system provided opportunities for private entrepreneurs to manage state monopolies, and the collection of export taxes, excise taxes and import duties, on a risk-sharing basis. The history of entrepreneurship therefore makes it possible to study how innovation and risk management were organised in societies where the institutional environment was very different from that familiar today.

Case studies demonstrate that sufficient research materials exist to push the study of entrepreneurship back to the medieval period. By focusing on individuals and their business judgements, it is possible to observe the same kind of behaviour that later led to the Industrial Revolution. Indeed, responsibility for key decisions is, if anything, easier to identify in these earlier periods, when business decision-making was not cloaked by the legal form of a firm. Although the innovations made and the risks taken were on a smaller scale than some of those taken today, they were large relative to the overall size of the economy at the time. Moreover, without these earlier innovations it is possible that the later innovations would not have taken place.

An interesting feature of the medieval period is that no-one considered themselves too important to be engaged in trade. Kings, bishops and abbots all regarded the profits of trade as an indispensable source of income. Kings could not rely on compliant taxpayers and churchman could not rely solely on the voluntary gifts of the faithful. Whether it was making war, building cathedrals or cultivating a sumptuous lifestyle, expenses were always liable to exceed income unless profits from business were available. From this perspective, the modern notion that the political and social elite cannot be seen to soil their hands with trade appears to be a late Victorian invention, made possible only by the proceeds of universal taxation and private wealth inherited from the entrepreneurial activities of previous generations.

Writing entrepreneurial history affords an exciting research agenda. Schumpeter dated the origins of modern entrepreneurship to the credit-based international trade of the fourteenth century, and not to the Industrial Revolution of the eighteenth century.[88] His typology of innovations highlights the discovery of new markets and new sources of supply – both key features of the pre-industrial period. The study of pre-industrial entrepreneurship can inform current debates – such as the role of social networking in the discovery of business opportunities.[89] Transcripts of the records of medieval guilds provide significant insights into social links between entrepreneurs in different trades.[90] A systematic approach to the history of entrepreneurship can therefore inform modern debates in business history as well as setting out new research questions of its own.

Notes

1. Chandler, *The Visible Hand*.
2. Scranton, "Build a Firm"; Carnevali, *Europe's Advantage*; Colli, Peres, and Rose, "National Determinants."
3. Casson and Rose, *Institutions*; Corley, "Historical Biographies of Entrepreneurs."
4. Mason and Harvey, "Entrepreneurship."
5. Jones and Friedman, "Business History," 3.

6. Wilson, *British Business History*.
7. Corley, "Historical Biographies of Entrepreneurs."
8. Storey and Greene, *Small Business and Entrepreneurship*.
9. Baumol, *Entrepreneurship*; Jones, *The European Miracle*.
10. Schumpeter, *The Theory of Economic Development*. This summary of the theory is based on Casson et al., *Oxford Handbook*; for a critique of the theory see Mason and Harvey "Entrepreneurship."
11. Knight, *Risk, Uncertainty and Profit*.
12. Hayek, *Individualism and Economic Order*.
13. Kirzner, *Competition and Entrepreneurship*.
14. Penrose, *Growth of the Firm*.
15. Audretsch and Keilbach, *Entrepreneurship and Economic Growth*; see also Baumol, *Entrepreneurship, Management*.
16. Casson, *The Entrepreneur*.
17. Witt, *Imagination*.
18. Chell, *Entrepreneurial Personality*.
19. Kirzner, *Competition and Entrepreneurship*.
20. Schumpeter, *The Theory of Economic Development*.
21. McClelland, *Achieving Society*.
22. Knight, *Risk, Uncertainty and Profit*.
23. Casson, *Economics of Business Culture*.
24. Baumol, *Entrepreneurship*
25. Cole, *New Social Science*.
26. Ibid.
27. Porter and Livesay, *Merchants and Manufacturers*.
28. Livesay, *Entrepreneurship*.
29. Jeremy and Tweedale, *Business History*.
30. Jones and Wadhwani, *Entrepreneurship and Global Capitalism*.
31. Casson, *Markets and Market Institutions*; Moore and Lewis, *Birth of the Multinational*; Landes, Mokyr, and Baumol, *The Invention of Enterprise*.
32. Jeremy, *Dictionary of Business Biography*; Slaven and Checkland, *Scottish Business Biography*; Matthew, *Oxford Dictionary*.
33. Hamilton, *American Business Leaders*; Alon and Zhang, *Biographical Dictionary*.
34. Casson and Casson, *History of Entrepreneurship*.
35. Gough, *The Rise of the Entrepreneur*; Jones, *Multinationals and Global Capitalism*; Tedlow, *New and Improved*.
36. Mingay, *The Agricultural Revolution*.
37. Willan, *The Inland Trade*.
38. Smith, *Wealth of Nations*.
39. Beresford, *New Towns*.
40. Bouchard, *Holy Entrepreneurs*.
41. Moore and Lewis, *Birth of the Multinational*.
42. Ekelund et al., *Sacred Trust*; Ekelund, Hebert, and Tollison, *The Marketplace of Christianity*.
43. Sohl, "Venture capital."
44. Bailey, "Historiographical essay."
45. Hughes, "King John's Tax Innovations."
46. Davis, *Paston Letters*; Hanham, *Cely Letters*; Dyer, *Country Merchant*.
47. Barron, *London*; Liddy, *War, Politics and Finance*.
48. Donkin, "Cistercian Sheep-Farming."
49. Gibson, *Tynemouth*, Vol. 1, 75.
50. Fordyce, *History of Tynemouth*.
51. Brand, "Edward I: Parliament of Summer 1295."
52. Birch, "Selling the Saints."
53. Bell and Dale, "The Medieval Pilgrimage Business."
54. Hyams, "Thomas of Eldersfield," 9–15.
55. Allmand, *The Hundred Years War*, 7–20; Prestwich, *The Three Edwards*.
56. Ormrod, "Edward III: Parliament of September 1353"; Lloyd, *Wool*, 144–92; Lipson, *Woollen Industries*.

57. Horrox, *De la Poles of Hull*.
58. Bond, *Chronico*, 47–9; Maxwell Lyte, *Calendar of Patent Rolls, Edward III volume 4 1338–40*, 394; Given-Wilson 2005.
59. Maxwell Lyte, *Calendar of Patent Rolls, Edward III volume 5 1340–43*,110–11.
60. Fryde, *William de la Pole*, 44–7; Childs, *Hull*.
61. Fryde, *William de la Pole*, 44–7.
62. There is some variation amongst historians regarding how the number of sacks of wool is interpreted, due to the use of different standard sack sizes in different locations. This article uses the figures provided by Sayles, "The 'English Company' of 1343," 177–205 but for further discussion see Lloyd, *Wool Trade*, 149–50.
63. Fryde, *William de la Pole*, 57.
64. Sayles, "The 'English Company' of 1343," 184; Fryde, "Edward III's Wool Monopoly", page VI, 12.
65. TNA E/159/117, m. 11–16; Maxwell Lyte, *Calendar of Patent Rolls, Edward III volume 5 1340–43*, 110–11; Bond, *Chronico*, 47–9; Fryde, "Edward III's Wool Monopoly of 1337," 8–24.
66. Riley, *Chronicles*, 285–290.
67. Ibid.
68. Fryde, *William de la Pole*, 183
69. TNA E 13/79 mm. 56–8; Maxwell Lyte, *Calendar of Close Rolls, Edward III volume 7 1343–1346*, 138–57, 217–18, 266–7.
70. Sayles, "The 'English Company' of 1343," 183–4.
71. Ibid. For an alternative view see Lloyd, *Wool*, 195–8.
72. TNA E 13/79 mm. 56–58.
73. TNA SC/8/68/3369.
74. *Calendar of Close Rolls, Edward III volume 7 1343–1346*, 211; Fryde, "The English Farmers of the Customs," 10.
75. Ormrod, "Edward III: Parliament of June 1344"; Sayles, "The 'English Company' of 1343," 185.
76. Maxwell Lyte, *Calendar of Close Rolls Edward III volume 9 1349–54*, 394. Sayles, "The 'English Company' of 1343," 180–82; Fryde, "The English Farmers of the Customs," 15–17.
77. TNA E13/77 mm. 56–8.
78. Fryde, *William de la Pole*, 220–21.
79. TNA E13/79 mm. 122–6.
80. Maxwell Lyte, *Calendar of Patent Rolls Edward III volume 10 1354–58*, 158–9.
81. Fryde, *William de la Pole*, 226.
82. TNA E13/79, mm. 56–8.
83. Fryde, *William de la Pole*, 230–31.
84. Tawney, *Lionel Cranfield*, 74–5.
85. Ibid.
86. Yamamoto, "Piety, Profit."
87. Langdon, *Mills*.
88. Schumpeter, *The Theory of Economic Development*.
89. Gestrich and Schulte-Beerbuhl, *Cosmopolitan Networks*
90. MacDonald, *Holy Cross*.

Notes on contributors

Mark Casson is Professor of Economics at the University of Reading.

Catherine Casson researches medieval economic and urban history and is a Teaching Fellow in the School of History and Cultures, University of Birmingham and Research Fellow at the Winton Institute for Monetary History, Ashmolean Museum, University of Oxford.

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