

# A REDEFINITION OF THE ENTREPRENEURIAL FUNCTION CONCEPT

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*Fecha de recepción:* 4 de diciembre de 2019

*Fecha de aceptación:* 26 de febrero 2020

## I INTRODUCTION

This work is presented in the context of the Eighth International Conference of The Austrian School of Economics in the 21<sup>st</sup> Century, held in Vienna. Throughout it, I reflect on the concept of entrepreneurial function (which is the well-known backbone of the Austrian school of economics' entire theoretical arsenal) and propose a redefinition that best fits the state of current thinking about it.

The redefinition is based on two basic pillars: (1) the evolution that has taken place throughout thought within the Austrian school of economics and (2) theoretical reconsiderations on some of the fundamental characteristics of entrepreneurial function (creativity, human action as a function, and its relationship with ethics).

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\* Doctor in Economic Sciences from Rey Juan Carlos University. His doctoral thesis was directed by Jesús Huerta de Soto and published in Unión Editorial in 2016, under the title "Economic History of Entrepreneurship. Toward a Praxeological Theory of the Firm" (published in Spanish). This paper presents, in a synthesized and evolved way, two of the ten theoretical principles that contribute to a praxeological theory of the firm, namely (1) the principle of entrepreneurial function, as a synonym for human action under the general principles of law, and (2) the principle of creative-coordinating association and/or combination. Both principles are improved and presented for the first time in this work.

## II

EVOLUTION OF ENTREPRENEURIAL FUNCTION CONCEPTS  
WITHIN THE AUSTRIAN SCHOOL OF ECONOMICS

## 1. Richard Cantillon and Entrepreneurs as Persons

Twenty to forty years before Adam Smith's *Wealth of Nations*, Richard Cantillon (1680–1734) described a proto-Austrian concept of entrepreneurial function (even if he did not use these terms). At least two key characteristics of the Austrian concept of *entrepreneurial function* that have been manifested and developed throughout the history of economic thought were already present (although timidly) through Cantillon. These characteristics are that (1) the entrepreneurial function is innate to an uncertain environment<sup>1</sup> (Cantillon 2010, 73-77) and (2) that it exerts a coordinating power in society and/or market<sup>2</sup> (Cantillon 2010, 77).

However, the concept of entrepreneur that Cantillon used in his essay is not “functional.” Cantillon had not conceived of the idea of entrepreneurial function. Although some of the characteristics of what should now be part of the concept of entrepreneurial function were already present in Cantillon (uncertainty and coordination, as mentioned), his concept of entrepreneur was physical-personal. For Cantillon, an entrepreneur was a type of person, rather than a function of human action. Thus, for example, he (1) does not recognize “hired workers” as entrepreneurs (for Cantillon, this group has “fixed wages” and does not move in an

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<sup>1</sup> The idea that the entrepreneur “lives under uncertainty” is so clear in Cantillon that it even includes *beggars* and *robbers* within that category. He says, “All the others are entrepreneurs, whether they are set up with capital to conduct their enterprise, or are entrepreneurs of their own labor without capital, and they may be regarded as living under uncertainty; even the beggars and the robbers are entrepreneurs of this class” (Cantillon 2010, 76).

<sup>2</sup> The thirteenth chapter of his essay is titled “The Circulation and Exchange of Goods and Merchandise as Well as Their Production, Are Carried On in Europe by Entrepreneurs, and at a Risk.” The chapter ends by saying, “all the exchange and circulation of the state is conducted by the actions of these entrepreneurs” (Cantillon 2010, 77).

environment of uncertainty like entrepreneurs do) (Cantillon 2010, 76), and (2) he understands that there are unnecessary professions such as “dancers, comedians, painters, musicians, etc.” (Cantillon 2010, 71). Hence, Cantillon always talk about persons, not functions.

A similar concept of *person-entrepreneur* is found in Jean-Baptiste Say’s thought (Ravier 2016, 271–77), although he does not cite or refer to Cantillon’s or Turgot’s work (Rothbard 2006), and it is also present in the capitalist entrepreneur of Carl Menger (Ravier 2016, 303–18).

## 2. Ludwig von Mises and the Entrepreneur as a Catalactics Function Determined by the Uncertainty Inherent in Human Action

Ludwig von Mises (1881–1973) was the first to describe the idea of entrepreneurial function, thanks, in part, to his teacher Böhm-Bawerk’s contribution, who incorporated the importance of time into the productive process. This is the idea that entrepreneurship is a catalactic function intrinsic to human action and that all human beings are therefore entrepreneurs (that is, they exercise that function). In other words, an entrepreneur is not a type of person but a function that all human beings exercise (Mises 1998, 252–53). And so, he proposes a definition of entrepreneur as an “acting man exclusively seen from the aspect of the uncertainty inherent in every action.” (Mises 1998, 253–54)

Additionally, Mises attributes a special capacity of understanding (implicitly linked to creativity)<sup>3</sup> to this entrepreneurial function and places it as the market and production driving force (which logically includes social coordination; Mises 1998, 296–97, 325–26).

Therefore, the fundamental characteristics of Mises’s concept of entrepreneurship, which are an essential part of the Austrian tradition to this day, are (1) that entrepreneurship is a catalactic

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<sup>3</sup> Mises does not use the concept of *creativity*, but it can be perceived as implicit in his thinking.

category and a distributed function and (2) that entrepreneurship is necessarily exercised because man moves in an environment of uncertainty, (3) which implies a special capacity for understanding (which implicitly contains creativity); (4) therefore, we all are entrepreneurs, and we are entrepreneurs in any kinds of action. Everyone exercises the entrepreneurial function (including employees, comedians, and dancers) since everyone always moves under an environment of uncertainty, which (5) constitutes the driving force that moves the market, production, and therefore, the coordinating center of society.

### 3. Murray Rothbard and Systematization of the Entrepreneurial Function

Murray Rothbard (1926–1995) dedicated Chapter 8, entitled “Production: Entrepreneurship and Change” within his treatise *Man, Economy and State* (1962) to the entrepreneurial function. It was written when he was only 36 years old, and about 10 years before the book *Competition and Entrepreneurship* (1973) by Israel Kirzner. In that chapter, Rothbard masterfully synthesizes the concept of entrepreneurial function following the thinking of his teacher Mises. Thus, for Rothbard, action in an environment of uncertainty is called “an act of entrepreneurship” (Rothbard 2009, 64). In the same way that his teacher Mises did, he understands entrepreneurship as a human action function and not as a description of a type of person. He says that “Actually, in economic analysis of the market we are concerned with *functions* rather than *whole persons per se*” (Rothbard 2009, 410).

On the other hand, when Rothbard (2009) describes the capitalist as an entrepreneur, again recognizing the inherent uncertainty that accompanies his actions (434), in turn, he recognizes the importance of being alert by estimating the future market situation (510) and therefore of recognizing the creative aspect or characteristics of it (even if he does not use this specific term).<sup>4</sup> The

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<sup>4</sup> Not only can creativity be understood as implicit in his concept of “estimation,” but Rothbard also acknowledges that the entrepreneurial capitalist must be “always

act of entrepreneurship (which implies speculation) permanently coordinates and corrects market imbalances, bringing them closer to the equilibrium that is never reached (Rothbard 2009, 159). Therefore, before Kirzner did, Rothbard understood and recognized the intrinsic relationship between the coordination and adjustment of entrepreneurial function and its implicit creative characteristic.<sup>5</sup>

Finally, when Rothbard states, based on the tradition of *natural law*, that only two ways of appropriation exist—namely the economic means of production and exchange and the political means of expropriation (both concepts derived from Franz Oppenheimer; Rothbard 2009, 49)—he is explicitly warning that human action must be subject to law and that not every action is

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on the alert” (anticipating, in some way, the concept of alertness that Kirzner will develop later).

<sup>5</sup> Notice how Rothbard uses terms like *recognize*, *detect*, and *anticipate*, which all involve an essential and implicitly creative process. “What function has the entrepreneur performed? In his quest for profits he saw that certain factors were underpriced vis-à-vis their potential value products. By recognizing the discrepancy and doing something about it, he shifted factors of production (obviously nonspecific factors) from other productive processes to this one. He detected that the factors’ prices did not adequately reflect their potential DMVPs; by bidding for, and hiring, these factors, he was able to allocate them from production of lower DMVP to production of higher DMVP. He has served the consumers better by anticipating where the factors are more valuable. For the greater value of the factors is due solely to their being more highly demanded by the consumers, i.e., being better able to satisfy the desires of the consumers. That is the meaning of a greater discounted marginal value product” (Rothbard 2009, 511). He becomes much more explicit in relating coordination and creativity (using terms such as *innovation*, *estimates*, and *discover*) when he says, “Entrepreneurial activities are derived from the presence of *uncertainty*. The entrepreneur is an adjuster of the discrepancies of the market toward greater satisfaction of the desires of the consumers. When he innovates he is *also* an adjuster, since he is adjusting the discrepancies of the market as they present themselves in the potential of a new method or product. In other words, if the ruling rate of (natural) interest return is 5 percent, and a business man estimates that he could earn 10 percent by instituting a new process or product, then he has, as in other cases, discovered a discrepancy in the market and sets about correcting it. By launching and producing more of the new process, he is pursuing the entrepreneurial function of adjustment to consumer desires, i.e., what he estimates consumer desires will be. If he succeeds in his estimate and reaps a profit, then he and others will continue in this line of activity until the income discrepancy is eliminated and there is no “pure” profit or loss in this area” (Rothbard 2009, 547).

legitimate, ethical, and/or efficient. In this sense, Rothbard coined the concept of “intervener” or “invader” to refer to someone “who intervenes violently in free social or market relations. The term applies to any individual or group that initiates violent intervention in the free actions of persons and property owners” (Rothbard 2009, 1058).

Following the thought of his teacher Mises, Rothbard therefore attributes the following characteristics to entrepreneurship: it (1) is functional; (2) implies any action or act that a human being performs under an environment of uncertainty; (3) is a coordinator in that corrects market imbalances (social function) by bringing the economy closer to the equilibrium situation (which is never reached) through the relocation of productive factors where the consumer needs them; (4) is of a creative essence (in the terms used by Rothbard, it is something that is “discovered” in a state of “alert” through forecasts); and (5) additionally warns that human action must be subject to law, although not explicitly linked (but implicitly) to entrepreneurial function, and Rothbard (6) coined the concept of intervener or invader for those who violently intervene in market’s tendency toward natural coordination.

#### **4. Israel Kirzner and the Discovery or Creative Essence of Entrepreneurial Function through Alertness**

Israel Kirzner (b. 1930) contributed a synthesis of Mises’s theory of entrepreneurial function and integrated it into Hayek’s vision or concepts of knowledge and learning (Kirzner, 1973). Thus, for example, when Kirzner talks about the “pure entrepreneur” (which includes the intrinsic uncertainty; Kirzner, 1998, 78), he refers to the same idea as Mises’s “entrepreneurial function,”<sup>6</sup>

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<sup>6</sup> When asked about Rothbard’s or Salerno’s criticism that the “pure entrepreneur is excessively abstract” and “departs from Mises,” he replied, “I know that Murray Rothbard and Joe Salerno have suggested this, but I don’t think it is correct. Frankly, I’ve always thought I picked up the idea of the ‘pure entrepreneur’ from Mises. I’ve written a comment on this view in a book edited by Bruce Caldwell and

and when he refers to the importance of “individual alertness,” he is especially considering the Hayekian knowledge concept (Kirzner 1973, 38).

This integration allowed him to recognize—not implicitly, as Mises or Rothbard did, but explicitly—the creative essence of entrepreneurial function. The nature and essence of Kirzner’s alertness concept is “active, creative and human rather than as passive, automatic, and mechanical.” (Kirzner 1973, 34). This creative characteristic of entrepreneurship knowledge is also present when he uses the sculptor metaphor to explain how the artist transforms a stone into a work of art (Kirzner 1989) or when he defines this knowledge as the “highest order of knowledge” (Kirzner 1973, 67).

Kirzner recognizes that an entrepreneur, to obtain his or her benefits, requires learning, alertness, innovation, change, or creation (Kirzner 1973, 47, 65, 70). Given that these benefits are pure because they are the result of one’s own creation, it is possible to apply the “finders-keepers” ethical principle; therefore, the creation is the legitimate and fair property of the individual who found, discovered, or created it through his or her alertness (Kirzner 1989).

In addition, like his predecessors, Kirzner—opposing Schumpeter’s vision, recognizes that one of the fundamental characteristics of the entrepreneurial function is its equilibrating or adjusting force in the market (Kirzner 1973, 71–72). He adds that the entrepreneurial-competitive process is “discovering and correcting discordant individual plans and decisions” (218).

Therefore, Kirzner remains within the Austrian tradition, assuming that entrepreneurship (1) is a catalytic function or category (from which he deduces the existence of the pure entrepreneur and pure benefits); (2) is of a creative essence (although he maintains an ambiguous position regarding the difference

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Stephen Boehm [*Austrian Economics: Tensions and New Directions*, Boston: Kluwer, 1992]. I argue that it depends on your analytical purpose. We recognize that in the real world the pure entrepreneur never exists. A pure labor never exists. A pure capitalist never exists. Yet it remains highly useful to speak of the pure entrepreneur” (Kirzner 1997, 1–8).

between discovery and creation), as present in his alertness concept; (3) is an equilibrating or adjustment force (that adjusts or coordinate market imbalances), which also includes a driving force of the market, (Kirzner 1973, 7–8) and (4) is fair (the “finders-keepers” ethical principle).

### 5. Jesús Huerta de Soto, the Entrepreneurial Function, and the Theory of Dynamic Efficiency

Jesús Huerta de Soto (b. 1956) made a masterful synthesis of the entrepreneurial function’s characteristics and managed to integrate them under the concept of dynamic efficiency. Huerta de Soto, as Mises and Rothbard thought, understands that entrepreneurial function is present in every human action (Huerta de Soto 2010, 18, 43–44) and requires alertness (according to Kirzner’s definition)—that is, a discovery of profit opportunities (25–26). In the same way, he recognizes the coordinating aspect of entrepreneurial function. In this sense, Huerta de Soto goes a little further with respect to its predecessors, stating, for example, that “without entrepreneurship, economic calculation is impossible.” That is, he clearly links the *entrepreneurship* with the *force that drives the market*. (Huerta de Soto 2010, 37–39).

However, although based on Rothbard and Kirzner, unlike both, Huerta de Soto clearly and explicitly integrates the ethical characteristic that the entrepreneurial function must comply with the law (primarily based on the right to private property; Huerta de Soto 2010, 40).<sup>7</sup> Thus, Huerta de Soto will add that since entrepreneurial function is coordinating, its prevention produces uncoordination (that is to say, it prevents the adjustment required by the market; Huerta de Soto 2010, 45–46).<sup>8</sup>

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<sup>7</sup> Although Huerta de Soto incorporates the theoretical elements linked to the ethical aspects of Rothbard and Kirzner, he knew how to see the intrinsic relationship between entrepreneurial function and ethics in a much more explicit and clear sense.

<sup>8</sup> While someone might think that this aspect was already present for Rothbard or other Austrian authors, the truth is that the direct link between ethics and efficiency in relation to the entrepreneurial function was explicitly developed, for the first time, by Huerta de Soto (especially under his theory of dynamic efficiency).



Taking another step regarding the logical derivations of entrepreneurial function's characteristics, Huerta de Soto conceives the concept of dynamic efficiency as (1) indivisible from entrepreneurial function, (2) determined for the capacity and degree of promoting creativity (a continuous search for new means and ends) and business and/or social coordination, and (3) requiring an appropriate institutional and legal framework that favors its application and development (while recognizing the axiomatic principle that every human being has the right to appropriate the results of his or her entrepreneurship creativity, and identifying and removing all obstacles and coercion to voluntary exchange). In this way, Huerta de Soto integrates efficiency and ethics by recognizing that all fair action is efficient and vice versa, and that any prevention of human action and/or voluntary free exchange between individuals is not only immoral but also inefficient (Huerta de Soto 2008).

The concept of dynamic efficiency, for Huerta de Soto, can be considered an evolutionary and natural extension of the entrepreneurial function itself. Therefore, at this point, a redefinition is required that considers the current state of the concept.

### III

#### RECONSIDERATION OF ENTREPRENEURIAL FUNCTION'S ESSENTIAL CHARACTERISTICS AND ITS REDEFINITION

Table 1 summarizes the different characteristics as they have emerged in an evolutionary way, as they have been presented in this work. The white cells (marked with a middle dash) represent that the cited author did not articulate that characteristic in his thinking of each of the cited authors. The cells in light gray represent that the characteristic can be intuited or deduced from that author's thinking but that it is not articulated. The medium gray cells represent that the characteristic is present in an implicit, underdeveloped, or partially developed manner. Finally, the black cells represent characteristics that are present in the author's thinking in an explicit or highly developed way.

TABLE 1. EVOLUTION OF THE ENTREPRENEURIAL FUNCTION  
CONCEPT'S CHARACTERISTICS

Characteristics	Cantillon	Mises	Rothbard	Kirzner	Huerta de Soto
Uncertainty					
Social coordination					
Function: Catallactic category	–				
Synonym for <i>human action</i>	–				
Discovery/creativity					
Market-driving force	–				
Subject to law	–	–			

Given the evolution and current status of entrepreneurial function's characteristics, in order to offer a redefinition that best suits its current status, prior reconsideration is required on (1) the meaning of creativity, (2) the synonym given to *human action*, and (3) the need to be subject to law.

## 6. Regarding Creativity or Discovery as a Characteristic of Entrepreneurial Function

While Kirzner interchangeably uses terms such as *discover*, *innovate*, or *create*, his last argument is based on the fact that whether it is a discovery or a creation, it is produced *ex nihilo* (Kirzner 1989). Following this position, in the same way, Huerta de Soto understands the creative or discovery component of entrepreneurial function as an *ex novo* or *ex nihilo* creation—that is, as an act through which man creates “out of nothing.” This is expressed even when he judges as “excessive materialism” St. Thomas Aquinas's thought that only God is able to create, strictly speaking, “out of nothing.” (Huerta de Soto 2010, 33, 36, 756). Now, being stricter with the definition of the terms *creativity* and *discovery*, we will find a seemingly irresolvable paradox.

If the term *discovery* is used when defining human creativity, its meaning could be understood as the simple fact or act of “uncovering what is covered.”<sup>9</sup> It could simply mean the act of manifesting or exposing something that already previously existed and was already there before it was discovered. Two wrong conclusions can be reached by using this meaning. The first could lead us to understand that entrepreneurial function is to take advantage of opportunities that are already there and “are already given in the market” (which is widely criticized by the Austrian school of economics). The second, linked to the first, is that since it is there, there is no legitimate argument for the right to private property because it is not a creation of the individual who has found or discovered it.

But as mentioned, neither Kirzner nor Huerta de Soto uses the term *creativity* or *discovery* in the strict sense expressed in the previous paragraph. Both ultimately understand human discovery or creativity as an *ex nihilo* or *ex novo* act. That is, they use the terms *discovery* and *creativity* as a synonym for *creation* in the strict sense. If that were the case, then the legitimacy of private ownership of such discoveries or creativities—that is, creations in the strict sense—would be perfectly justified, and Kirzner’s ethical principle should be reformulated as “who creates it out of nothing, keeps it.” However, there is no scientific way (neither in economics, nor in psychology, nor in theology) to logically and through evidence sustain that human beings are able to create something out of nothing.

In short, the Austrian school could find itself at a crossroads with no way out, whether it assumes that human creativity or discovery is of an *ex nihilo* or *ex novo* nature (promoting a scientifically unprovable idea), as if the school describes this as a mere discovery of something that “is already there” (without effort, merit, or

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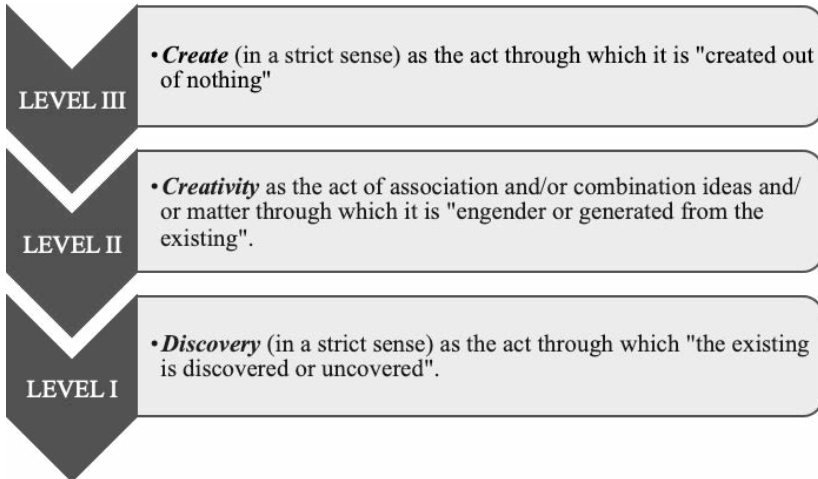
<sup>9</sup> This is the literal etymological meaning of the word *discovery*: «c. 1300, *discoveren*, “divulge, reveal, disclose, expose, lay open to view, betray (someone’s secrets),” senses now obsolete, from stem of Old French *descouvrir*, “uncover, unroof, unveil, reveal, betray,” from Medieval Latin *discooperire*, from Latin *dis-* “opposite of” + *cooperire* “to cover up, cover over, overwhelm, bury”». *Online Etymology Dictionary*, s.v. “discover,” accessed November 2, 2019, <https://www.etymonline.com/word/discover>.

legitimacy that can really fit the right to individual private property).

The solution to this paradox is found by understanding creativity as being constituted in the human capacity to associate existing ideas<sup>10</sup> (from the soul's intellectual power—that is, the mind) and/or combine existing matter (from the properties of nature's physical elements). Thus understood, every productive process is a creative process involving engendering or generating new ideas, actions, products, or services in the market. It is therefore a particular, special, and unique way with which to associate and/or combine ideas and/or matter, which makes possible the engendering or generation of new ideas, actions, opportunities, products, services, and so on.

Thus, human creativity is in a higher category or level than mere discovery (which, strictly speaking, animals can also perform) and in a lower category or level than creation (which, strictly speaking, only God can do).

FIGURE 1: DISTINCTION BETWEEN CREATE, CREATIVITY AND DISCOVERY



<sup>10</sup> The word "idea" is used by assigning the meaning of minimum and essential unit for the acquisition of any type of knowledge (be it technical or tacit).

## 7. The Synonym for Entrepreneurial Function with Human Action

As has been presented, according to Mises, Austrian school authors tend to present *entrepreneurial function* as synonymous with *human action*. In this regard, it is important to clarify that while entrepreneurial function implies human action, not every human action implies entrepreneurial function. In addition, the fact that every actor exercises the entrepreneurial function does not imply that every human action performed by an actor has to be linked to entrepreneurial function.

If we understand *entrepreneur*, as Mises says, as an “acting man exclusively seen from the aspect of the uncertainty inherent in every action” (Mises 1998, 254), then it logically follows not only that all actors or individuals are entrepreneurs but also that entrepreneurial function is exercised in all human actions. But Mises’s definition is incomplete. As Table 1 shows, for entrepreneurial function to exist requires not only (1) uncertainty and (2) creativity but also (3) social coordination and (4) the need be to subject to the law.

The last two characteristics, social coordination and being subject to the law, force us to modify Mises’s initial definition and those derived from it that maintain the same idea. Basically, just as society has coordinating actions, there are also uncoordinating actions. Just as there are actions subject to law, there are also actions that are not subject to law.<sup>11</sup> But both types of actions share the characteristic of being exercised creatively, under an environment of uncertainty.

That is why I propose that the concept of entrepreneurial function includes the social coordinator function, and I propose to add the coercive function, to refer to violent actions that exercise a social uncoordination function. Table 2 shows a synthesis of the conceptual review in this regard.

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<sup>11</sup> These two characteristics, social coordination and being subject to the law, can be recognized and studied according to the intrinsic relationship between the means and ends that are pursued in each human action.

TABLE 2. HUMAN ACTION, ENTREPRENEURIAL FUNCTION,  
AND COERCIVE FUNCTION

Characteristic	<i>Entrepreneurial function</i>	<i>Coercive function</i>
Uncertainty	Yes	Yes
Human creativity	Yes	Yes
Social coordination	Yes	No
Subject to law	Yes	No

The reconsideration present in the fourth characteristic (last row) included in Table 1 (“Subject to law”) is developed in the following subsection.

## 8. The Need for Entrepreneurial Function to Be Subject to Law

From Rothbard, through Kirzner, and reaching Huerta de Soto, the ethical aspect and its relationship with efficiency, within the concept of entrepreneurial function, have gained greater clarity and importance. Huerta de Soto not only clearly understood that entrepreneurial function implies a combination of creativity and social coordination but also realized that such coordination is necessarily efficient and fair.

One problem exists in finally understanding that entrepreneurial function necessarily implies that the action must be subject to law—that is, that this characteristic is not taken into account as something essential. Within the logical-deductive analysis developed by the Austrian school, when using the imaginary construction of the autistic economy and the aforementioned distributed function (catallactic categories) as analytical instruments, unexplained variables appear in their projection or application to the world of “flesh-and-blood” man, which can alter the deductions made.

In this case, social analysis of coordination and justice is unnecessary when individual human action is analyzed in an autistic economy and entrepreneurial function is deduced from it. Robinson

Crusoe does not require coordination with other actors; therefore, although one could speak of intracoordination (coordination with himself) and good and bad actions for himself, this analysis cannot reach the broader implications of both concepts. Thus, in this analysis, all of Crusoe's actions imply the entrepreneurial function being exercised since not only does it act under uncertainty and creatively, but his actions also do not require coordination or justice in a framework of coexistence.

Now, the "flesh-and-blood" man coexists with other men; therefore, intercoordination and justice have become essential parts of human action. Many individual actions are transformed into interactions with a cooperative (necessarily under the general principles of law) or coercive (contrary to those principles) essence. Huerta de Soto already noticed this aspect, in its most extensive sense. However, instead of redefining the entrepreneurial function concept itself, Huerta de Soto has, in short, extended and developed it under the new concept of dynamic efficiency. Importantly, his theory represents a natural evolution of entrepreneurial function concept in itself, and therefore, its reformulation is necessary.

## 9. The Concept of Entrepreneurial Function Redefined

Taking into account the natural evolution (Cantillon, Mises, Rothbard, Kirzner and Huerta de Soto) and the conceptual reconsiderations regarding the three essential characteristics mentioned above (the distinction between *create*, *creativity*, and *discovery*; the nonsynonymy between entrepreneurial function and human action; and the need of a human action frame under the general principles of law), the following redefinition of *entrepreneurial function* is offered: the human ability to associate and/or combine ideas and/or matter (creativity) under the general principle of law, which has coordinating effects on society and/or the market. In turn, this definition requires a distinction between entrepreneurial function and coercive function (that is to say, as a creative-uncoordinated capacity that transgresses or violates the general principles of law), that, therefore, is defined as: human ability to associate and/or

combine ideas and/or matter (creativity) outside the general principle of law, which has uncoordinating effects on society and/or market.

#### IV CONCLUSION

In this work, a specific and brief historical and theoretical analysis of the concept of entrepreneurial function has been presented according to the tradition of the Austrian school of economics.<sup>12</sup> The concept of entrepreneurial function has naturally evolved over time (from Mises to Huerta de Soto), and an explicit redefinition is required that best fits the current state of thought in our tradition. In summary, my redefinition of entrepreneurial function concept, includes the following characteristics: (1) It is understood as a function (catallactic category); (2) has a framework of inherent uncertainty; (3) is essentially creative as the act through which it is engendered or generated from the existing, through association and/or combination (that is to say, it is not a mere discovery nor an *ex nihilo* or *ex novo* creation); (4) exerts a power and function of social coordination (and therefore is the basis of the force that drives the market and production); and (5) must be subject to the general principles of law (which implies that entrepreneurial function is not exactly a synonym for all human action and that it therefore must be distinguished from the coercive function as creative-uncoordinating in society or the market).

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<sup>12</sup> It is important to keep in mind that in this work I have not included, within the tradition of the Austrian School of Economics, authors such as Peter Klein or Nicolai Foss, because, as explained in another work (published in Spanish), when they try to create a conciliatory ties between the Austrian School, the Chicago School and Neo-institutionalism (especially through authors such as Frank Knight, Ronald Coase and Oliver Williamson), they end up being redundant and contradictory, and implicitly disregard the praxeological method of our science (Ravier, 2016). For more information on the aforementioned criticism, see chapter 17 of *Historia económica de la empresarialidad. Hacia una teoría praxeológica de la firma*, titled "Peter G. Klein y Nicolai J. Foss. La integración de la escuela de Chicago, el Neoinstitucionalismo económico y la Escuela Austriaca en una propuesta de la teoría de la firma desde el "juicio empresarial" (judgment)" (Ravier, 2016, 541-577).



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