

Fritz Redlich and the entrepreneur as God and demon*

*Fritz Redlich e o empreendedor
como Deus e demônio*

RAFAEL GALVÃO DE ALMEIDA**

RESUMO: Este trabalho recupera a contribuição de Fritz Redlich (1892-1978) ao pensamento econômico. Redlich escreveu trabalhos importantes nas áreas de história econômica, empreendedorismo e história de empresas. Entre as principais ideias de Redlich sobre o empreendedor estão a sua distinção entre diferentes tipos de empreendedor. Redlich também foi um dos primeiros autores a analisar os problemas estruturais da ação empresarial, ao propor a ideia de “empreendedor ‘demônico’”, em que a acumulação de poder causada pela ação empresarial destrói o espírito inovador no sistema, tornando o empreendedor em inimigo da sociedade.

PALAVRAS-CHAVE: Fritz Redlich; empreendedorismo; estudos críticos do empreendedorismo; história de empresas.

ABSTRACT: This work recovers the contribution of Fritz Redlich (1892-1978) to the economic thought. Redlich wrote important works in the disciplines of economic history, entrepreneurship and business history. Amongst Redlich’s main ideas on the entrepreneur there is his distinction among different types of entrepreneurs. Redlich was also one of the first authors to analyze the structural problems of entrepreneurial action, proposing the idea of “demonic entrepreneur”, in which the accumulation of power caused by the entrepreneurial activity destroys the innovative spirit of the system, turning the entrepreneur into an enemy of society.

KEYWORDS: Fritz Redlich; entrepreneurship; critical entrepreneurship studies; business history.

JEL Classification: B25; L26; N01.

* I would like to thank the Study Group in History of Economic Thought of the Federal University of Minas Gerais and to the audience of the meeting of the ALAHPE, Montevideo, 2021. Besides, I would like to thank Kirk Wetters and Mike Hauptert for the collaboration, and Luiz Carlos Bresser-Pereira for the comments.

** Universidade Federal de Minas Gerais, Belo Horizonte/MG, Brasil. E-mail: rga1605@gmail.com. Orcid: 0000-0002-3582-9906. Submitted: 8/January/2022; Approved: 8/April/2022.

For what shall it profit a man, if he shall gain
the whole world, and lose his own soul?
Mark 8:36, King James Bible

INTRODUCTION

Fritz Leonhard Redlich (1892-1978) was an important figure to economic history, business history and entrepreneurship, in spite of not being as remembered in today's history of economic thought.¹ The objective of this article is to recover some of his ideas concerning the scientific study of the entrepreneur. Although not as famous as Schumpeter, he was his colleague in Harvard and in the Research Center in Entrepreneurial History, which is considered the place where entrepreneurship was established as an academic discipline (Fredona, Reinert, 2017; Landström, 2020). Redlich studied the entrepreneur as if trying to find a “divine” quality in entrepreneurship, that is capable of using forms and resources creatively. This is reflected in the most prestigious award given to entrepreneurship scholars, the Global Award for Entrepreneurship Research; the winner receives “The Hand of God” statue, sculpted by the Swedish artist Carl Milles.²

Redlich's contributions to be studied in this article are the emphasis in the “personal element” in the economic history – by emphasizing the contribution of business leaders – and distinctions among “entrepreneur”, “enterpriser” and “businessman”. The definition of the term “entrepreneur” never became unanimous because of ambiguities in his identity. Popular narratives do not help, because they turn the term so incredibly plastic to the point that any person can claim the title of “entrepreneur”, from Elon Musk to the student who sells desserts at the entrance of a university restaurant. This problem was already present in Redlich's time. He called the attention to the context in which the entrepreneur acts. Having been a businessman himself for years, Redlich was aware of these questions.

Redlich was also one of the first economists to identify structural problems in the entrepreneurial action. In spite of the ambiguities in its definition, ever since Schumpeter few people would say that the entrepreneur is not something fundamental to economic growth and development. There is even a vast pop management literature framing entrepreneurship as a means of personal self-realization (Duarte, Medeiros, 2019). Redlich was one of the first to identify problems of entrepreneurship by proposing the concept of “demonic entrepreneur” – the idea that a successful entrepreneur can become harmful to society, because financial success translates itself into accumulation of power and the need to defend this power by

¹ If we search his name in an internet search engine, there will be greater chances of returning the psychiatrist Frederick “Fritz” Redlich, dean of Yale's medicine college, who became famous for analyzing Adolf Hitler's mental health (E. C. Redlich, 1999).

² See <https://www.e-award.org/>.

all means necessary (Redlich, 1953a,b). From this point on, the entrepreneur becomes an enemy of society, just like the robber barons in the 19th century United States. This problem is not something external to the entrepreneur – as in Schumpeter, where the entrepreneur is victim of capitalist anomie –, but it is something intrinsic to him. For these reasons, Redlich still has relevant things to say on the potential of the entrepreneur in the economy and his costs and issues.

BIOGRAPHICAL NOTE ON FRITZ REDLICH

At the time of Fritz Redlich's death, his work was remembered in many journals, such as the *Journal of Economic History*, *Business History Review*, among others (Carpenter, Chandler, 1979; Jaeger, 1979; Kocka, 1979; Hermann, 1979; Arcand, 1981). The variety of obituaries is evidence that he was respected in the community. According to Arcand (1981), his curriculum in the Harvard archives listed 147 publications. During a certain period, the Economic History Association paid homage to him by naming the prize given to best article published in the *Journal of Economic History* of "Fritz Redlich Prize".³

Born in 1892, in Berlin, son of an international trader, Redlich was influenced by the intellectual environment of his social circle from an early age. In spite of his interests in history, his father forced him to be a chemist and businessman to inherit the family's business. He met members of the German Historical School and other important intellectuals, such as Ignaz Jastrow, Heinrich Herkner, Max Weber, Ernst Troeltsch, Werner Sombart and William Dilthey. He cultivated lasting friendships with some of them, especially Jastrow and Dilthey (Kocka, 1979; Poettinger, 2018). He still remembered Schmoller's classes in his late age (Redlich, 1955, p. 103).⁴ In order to conciliate his father's demands and his interest in history, he defended his thesis on the development of the German pigment industry (Redlich, 1914). After the First World War, where he enlisted as a soldier, he took over the family's business against his personal wishes. In his words, he considered this decision "a sin against the spirit" (Jaeger, 1979, p. 156).

After a few years, Redlich left the company and returned to his academic plans, publishing some articles (e. g., Redlich, 1932). As the director of a cooperative of fur farmers, he had time to write his *Habilitation*, so that he could lecture in German universities (Poettinger, 2018, p. 8). However, the reception to his ideas was tepid because business history was not a popular topic at the time, which led him to write his *Habilitationsschrift* on the history of advertising (Redlich, 1935;

³ The prize is currently named "Arthur C. Cole Prize" (email from Mike Hauptert, manager of the Economic History Association, November 2021).

⁴ In spite of being critical of Schmoller's view of entrepreneurship, there are similarities between them, such as the necessity of a contextual economics and warnings toward the unbalanced growth of the firm (Störring, 2023).

Jaeger, 1979; Poettinger, 2018). His interests changed when Redlich learned of a prize to the best study of the German entrepreneurship, which remained unclaimed. This led Redlich to study the history of entrepreneurship (Redlich, 1971a; Carpenter, Chandler, 1978).

The ascension of Nazism made Redlich, whose parents were Jewish, to emigrate to the United States. He landed in 1936 in New York, with 54 dollars in his pocket and no written academic recommendation. After a visit to Harvard, Joseph Schumpeter and Frank Taussig helped and encouraged him to study American entrepreneurship (Jaeger, 1979). It was a challenge, because the abilities valued by American economists were different from the German ones (Redlich, 1973; Jaeger, 1979). His later writings would be, in Kocka's (1979) words, work of a complete outsider to the American tradition. They focused on the actions of important people in the historical process – what he called “personal element of the economy” – and being skeptical about the discovery of “laws of history” (Poettinger, 2018, p. 6). He recognized he was not an “economist” according to American standards, admitting his empirical work was short of the best (Redlich, 1971a; Poettinger, 2018, p. 13).

After a time as professor in small universities, Redlich went to Harvard as a researcher. Although he did not achieve tenure, he became an important figure in the Economic History Association and in the Research Center in Entrepreneurial History – founded by Arthur Cole for the scientific study of entrepreneurship and gathered many important scholars, such as Schumpeter, Alfred Chandler, Thomas Cochrane, Douglass North and also Redlich, who was appointed as senior researcher in 1952 (Carpenter, Chandler, 1979; Reinert, Fredona, 2017).

After the center's closure in 1958, Redlich continued his research, although in a slower pace. Even when he ended his days in a retirement home in Newton, Massachusetts, Redlich received almost daily visits from his peers and was always available to talk about various issues (Jaeger, 1979). Kocka (1979, p. 170) wrote that his horror for the narrow specialization, that which economics adopted, is admirable, even if he could not have reached a great synthesis of the relations between economic history and history of people, including entrepreneurs.

THE “PERSONAL ELEMENT” IN ECONOMIC HISTORY

Redlich was not a conventional economist. Being one of the last heirs of the original members of the German Historical School, he admitted that his approach became mainly analytical, with an “*Weltanschauung* (worldview), reflected in a non-deterministic outlook on history” (Redlich, 1971a, p. viii). He called his holistic, interdisciplinary view of economics of “*Gestalt*”, which he integrated with other areas beyond the economic one (Redlich, 1973, p. 6).

Ever since the beginning of his career, he criticized the Austrian School – at the time associated with marginalism and Carl Menger –, because he did not agree with the idea that “truth was simply a model” (Poettinger, 2018, p. 5). He considered the

“clear-cut theorems” made by economists as “entirely worthless for historical analysis” (Redlich, 1951a, p. 290) and that traditional economics “left [him] with a rather bad taste in [his] mouth” (Redlich, 1973, p. 6). The transplant of Newtonian concepts to economic science was “disastrous” (Redlich, 1949a, p. 223). In the end of his career, he became critical of the budding cliometrics – the application of the rational choice theory to the study of economic history –, which would dominate the *Journal of Economic History* from the 1970s on (Redlich, 1965).⁵

Being a non-conventional economist helped him in his entrepreneurship studies. Due to the large quantity of entrepreneurial variables that cannot be quantified and do not fit comfortably in mathematical models, it is necessary to be open to different approaches (Baumol, 1968; Paula et al., 2004). Redlich’s interests were interdisciplinary since the beginning (Redlich, 1914). In many of his reminiscences he emphasized the influence of other fields besides economics (Redlich, 1973).

Advised by Schumpeter and Taussig, Redlich redirected his research on the German entrepreneur to the American one.⁶ One of his most important focuses was banking history. Redlich wrote on the banking histories of the United States (Redlich, 1944a, 1951b, 1952a), France (Redlich, 1948) and Belgium (1949b). He also saw a connection between banking history and the history of economic thought, arguing that the early American banking system was influenced by the mercantilist doctrines of James Steuart (Redlich, 1944a). Bodenhrn (2000, p. 117) credited Redlich for promoting the idea that the antebellum American banking system promoted economic development, in spite of his admonitory tone.

In his way of doing economic history, Redlich defended the “personal element” – the power that “important” people had in moving resources. He considered himself influenced by the Impressionist movement from the 1912 generation, which emphasized the personal element as a *primus movens* of the historical process. In his words: “From Impressionism comes my bias for aristocracy” (Poettinger, 2018, p. 6). He defended the psychoanalysis of great businessmen as important to the construction of an entrepreneurial profile (Redlich, 1973, 1975).

This is clear in his chapter on Eric Bollman (1769-1821), in Redlich (1944a). Bollman was a German immigrant, pioneer of the American banking system. Redlich sought to show both Bollman’s historical relevance as much as the importance of his personal traits, such as charisma, education and relationship networks. Bollman got involved in many projects as physician, chemist, banker and diplomat. These undertakings led him to build a strong relationship with the European elite, even if many times his failures took him to the poverty line. Thanks to his network, Bollman could return with new projects. Redlich observed that Bollman made

⁵ For example, he criticized Robert Fogel for having produced “quasi-history” (Redlich, 1965, p. 488). Redlich concluded that Fogel did not understand what he was talking about when he said he wanted to “reunify” economics and history (*ibid.*, p. 496).

⁶ Traces of his German research were published in articles like Redlich (1944b). The personal element is present in both his German as well as in his American works.

popular the term “flight of capital” to refer to the transference of French investments to the United States during the French Revolution. Bollman also acted as a financial consultant to European investors in American territory, exploring entrepreneurial opportunities.

His ideas on the personal element led him to study the “business leaders”. In a series of volumes published between 1940 and 1951, *History of American Business Leaders*, Redlich emphasized the personal contributions of great American capitalists. His focus on the personal element made possible for him to extend the entrepreneurial role to periods before modern capitalism (Redlich, 1953c, 1954, 1955) and even in anticapitalistic movements (Redlich, 1969).⁷

Redlich also studied the pre-capitalist entrepreneur. This has been a topic of recent discussion (e. g., Hudson, 2010; Murray, 2010). Redlich criticized the stereotype of idle nobles prevalent in the American literature of the time as fruit of the bourgeois *ressentiment* from American businessmen against European nobles. He argued that European nobles were both investors and managers (Redlich, 1953c, p. 81). He calls the attention to many historical examples of nobles who sponsored projects in agriculture, artisanship, even industry, being the first ones to separate the entrepreneurial function from the managerial one – this distinction was important because it separates the functions of strategic decisions and entrepreneurial organization from the daily, mundane decisions (Redlich, 1958, p. 182). “Often the estates of noblemen became the location of industrial enterprises founded, owned, and administered by the noblemen themselves” (Redlich, 1953c, p. 85). They were entrepreneurs in a broader sense, that discover new forms of creative organization (Redlich, 1953c, p. 82). Such accumulation of resources and techniques allowed the nobles to institute the first modern charity services (Redlich, 1971b).

In spite of his preference for the aristocracy, Redlich also wrote on entrepreneurs from the lower classes. The possibility of social ascension has always been a reason why people became entrepreneurs (Schumpeter, [1934] 1997, p. 98). Redlich mentioned many early examples, such as the *projector* from 17th century England and the *Kammerdiener* (“chamberlain”) from the German states, in the 17th-19th centuries. The *Kammerdiener* was a court servant, usually from peasant origin, whose function was to organize and manage a noble’s businesses, including the *Schatulle*, private resources that can be seen as an ancestor to the modern savings. He could use these resources to improve his boss’ industries through better and more efficient production combinations (Redlich, 1955, p. 76-77). Business partnerships between aristocrats and peasants were important, allowing them to share property of ships (Redlich, 1955, p. 69) and innovations (*ibid.*, p. 81).

Another important peasant entrepreneur was the sutler, a merchant that fol-

⁷ Due to his interest in aesthetics and art history, Redlich studied Impressionism’s rival movement, the German Expressionism (Redlich, 1969). He argued that, even with its anticapitalistic antiauthoritarian foundations, entrepreneurship was important in sustaining Expressionism, both in the gathering of resources as much as in their management.

lowed armies to sell and exchange goods, being one of the main agents that moved the armies' economies in the time before the formation of professional armies, showing that pre-modern armies were not just consumer communities (Redlich, 1954, 1964). Redlich saw partnerships like these as fundamental to long run development.

THEORETICAL TREATMENT OF THE ENTREPRENEUR

In the late 1940s, Redlich was considered a prolific economic historian. Arthur Cole made him a fellow at the Research Center (Fredona, Reinert, 2017). Allowing himself to dedicate exclusively to research, Redlich wrote that he had the “best years of my life” (Redlich, 1973). It was during this period that he contributed to the theory of the entrepreneur.

Political economists were the first ones to study the figure of the entrepreneur. Economics, however, evolved to put aside the entrepreneur in exchange for the static, but serviceable analysis of marginalism (Ländstrom, 2020). For this reason, Redlich did not see himself and neither was seen as a conventional economist. Besides his opposition to cliometrics, Redlich criticized Adam Smith for not giving the due attention to the entrepreneur, for not having distinguished the roles of the entrepreneur and the manager in the productive process. Upon focusing on the “invisible hand” of productive organization, Smith neglected the “visible hand” of the entrepreneur, the manager and the business organization. Redlich, thus, blamed Smith and his heirs for ignoring the theories of the entrepreneur, that would only be reconsidered with Schumpeter (Redlich, 1949c, 1966). He worked in this question during the 1950s.

Contexts of entrepreneurship

Redlich saw three possibilities to the study of the entrepreneur: 1) the entrepreneur as the decision-maker in the firm, 2) as the risk-bearer and 3) as the recipient of the residual income of the firm. To him, only definition 1) is relevant to historical research, because risk diversification turned definition 2) obsolete, and definition 3) is purely theoretical, having no historical usefulness (Redlich, 1949c, p. 76).

Thus, the power of taking decisions is considered the key variable to define who is and who is not an entrepreneur. Such definition is also considered in Schumpeter ([1934] 1997), but Redlich argued that decision-taking can be done either by the entrepreneur – the one who takes the strategic decision, such as investing or not in a risky technology – and by the manager – the one who takes the more “mundane” decision, such as determining the level of production given the current technology. Both are fundamental to economic development. Thus, the terms “capitalist”, “entrepreneur” and “manager” are variations of the same theme, depending on the context. All of them can be labelled “creative” when their actions “influence economic development and which thus elevate them to subjects off dynamic theory” (Redlich, 1949a, p. 227). For example, a manager who finds a new

way to organize a firm's production, without any technological change, is a creative manager for this reason.

After electing decision-making power as fundamental in defining the entrepreneur, he also borrowed the Weberian distinction between *Idealtypus* (ideal type) and *Realtypus* (real type) (*ibid.*, p. 223). The *Idealtypus* is the one from theory, from the static models, and represents a figure purified from reality in order to understand and delineate social phenomena. The *Idealtypus* is confronted by the *Realtypus*, who is "to be met at every turn" (*ibid.*, p. 226). The *Idealtypus* of the manager is in business theory and is confronted by the *Realtypus* of the real-life manager, such as factory managers, shop managers and all who take managerial decisions – the historical and empirical figure (Redlich, 1958, p. 47).

However, Redlich argued that the *de facto* entrepreneur is only an *Idealtypus*. His *Realtypus* is the real-life business manager (Redlich, 1949a, p. 228). While the ideal entrepreneur exists only in theory, it can be confronted by the real-life entrepreneur, the businessman; it is him who take managerial decisions, but he also accumulates other functions besides this one (*ibid.*, p. 229). By making this distinction, Redlich preserves the personal element that was fading away from the capitalist economy, due to the routinization process predicted by Schumpeter (*ibid.*, p. 232; Redlich, Chandler, 1961).

Another important factor of distinction are the levels of influence of an entrepreneur. He has influence at the level of 1) firm, 2) national economy, 3) general community (Redlich, 1958, p. 21). The decisions of a creative entrepreneur are capable of going beyond the firm level and can even reach international influence. These entrepreneurs are the *primus movens*.

By distinguishing levels of influence, Redlich argued that many times innovation is relative. The "genuine innovation" emerges with new combinations of production. The "derivative innovation" might not be seen as new in the region it was developed, but, when transported to another, it becomes a *de facto* innovation (Redlich, 1951a, p. 288). Thus, the focus changes from "extraordinary" innovations to the processes of innovation transmission.

Schumpeter and Redlich

Schumpeter was an important person in Redlich's life. He had a debt of honor to Schumpeter because he helped him when he arrived in the United States. They remained department colleagues in Harvard until Schumpeter's death in 1950. A deeper treatment of their relationship deserves an entire new study, but, for the current article, an introduction is enough.

Reviewing Eric Schneider's booklet on Schumpeter, he agreed with him that Schumpeter was one of the greatest and most singular representatives of the social and economic sciences of the 20th century (Redlich, 1972). Not only this, but he also considered Schumpeter one of the few economists who understood how little use economic theorems had for historical analysis (Redlich, 1951a, p. 291). He also considered that Keynes's rise robbed Schumpeter from the glory of being the

greatest economist of his time (Redlich, 1973, p. 6). In the end, he considered himself “strongly influenced” by Schumpeter (Redlich, 1952b, p. 439).

In spite of it, Redlich had disagreements with Schumpeter, especially on the role of the entrepreneur. In Redlich (1955, p. 59-65), he summarized his critiques to Schumpeter: “reification” of the entrepreneur (that he admitted it was more because of Schumpeter’s students instead of himself), by trusting too much in an *Idealtypus*; confusing management and entrepreneurship; excessive simplification of the dichotomy between “innovation” and “routine”, as if they were contradictions, when in reality they complement each other; ignoring the role of the manager; ignoring the relative innovation; not giving the due attention to entrepreneurial failure; his framework did not really incorporate creative destruction or, in Redlich’s terms, demonic destruction (see next section).

In Redlich’s opinion, Schumpeter created a simple and “monochromatic” treatment of the entrepreneur, which makes his framework “unforgettable”, but that might hide important traits and give an incomplete view of the economic development process. By focusing on “heroic” narratives, where failure is not important, Schumpeter understood entrepreneurship as a history of “great men”⁸ (although Redlich can also be considered guilty of that) and ignored the fundamental function of the non-innovative businessman, the derivative innovator and the managers (Redlich, 1959, p. 157).

The demonic entrepreneur

By emphasizing the personal element in entrepreneurship, many can see an elitist and aristocratic element in Redlich. He even identified worker unions as one of the “exploiters” of the entrepreneur, because the entrepreneurial profit would be appropriated by the workers through greater wages (Redlich, 1949a, p. 233). When Redlich made a distinction between mass democracy and the stratified medieval society (Redlich, 1951c, p. 267), his words can be interpreted as a critique to democracy. Given his claims about the influence of Impressionism on his thought, it is not hard to consider him a conservative, even reactionary thinker (just as Schumpeter). In some writings, he lamented the decadence of Western civilization *à la* Oswald Spengler, due to the lack of a “creative spirit”, fruit of imposing arbitrary limits to the work of the entrepreneur (Redlich, 1951c, 1969, 1973), a common trope in reactionary literature (Robin, 2011, p. 44, 172).

And yet, Redlich did not have an acritical view of entrepreneurship. He alerted against treating entrepreneurs as “heroes”, because this harms the analysis of the personal element, by replacing a real person for a caricature, even if it is a positive one (Redlich, 1955, p. 90). In fact, the entrepreneur can even become a “villain” instead.

⁸ The “great men theory” is a form of historical analysis that privileges the acts of successful people and was mainstream in history until the 1950s. Such approach was left aside because it is an elitist history and, ultimately, incomplete (Burke, 2001, p. 4).

The concept of “demonic/daimonic entrepreneur”⁹ was one of the first treatments of what is currently called “critical studies of entrepreneurship” (Verduyn et al., 2017) – the identification of a “dark side of entrepreneurship”. The latter expression was introduced by the psychoanalyst and consultant Kets de Vries (1986) to call the attention to psychological problems in entrepreneurs. The leadership position demands the control of many variables and dealing with many unplanned events. This can deplete the entrepreneur, turning him toxic to the others and himself. Being a sympathizer of Carl Gustav Jung’s analytical psychology (Redlich, 1973), Redlich called the attention to these aspects in the leaders he studied, such as Bollman (Redlich, 1944a).

The “dark side of entrepreneurship” evolved to analyze not only psychological problems, but also structural ones. Many times, entrepreneurship is not a game where everyone gains, but some might be explicitly harmed by the success of others (Montiel Méndez et al., 2020). By proposing the demonic entrepreneur, Redlich shows how these structural problems might emerge from the entrepreneurial *success*, and how entrepreneurs might become “enemies” of society.

The term “demonic” was borrowed from German philosopher and theologian Paul Tillich (1936), but it has a tradition in German philosophy. It was introduced by Goethe to designate a part of human knowledge that is impossible to rationally systemize, being the source of unexplainable falls; this concept was also studied by Spengler, Walter Benjamin and Gyorgy Lukács (Wetters, 2015). Tillich argued that the demonic has always been present in the history of mankind and reached its apex in capitalism, because capitalism requires consumption of previous arrangements – the so-called creative destruction – and there is no divine grace capable of “purifying” the demonic in “divine”. There will be a point in which the system will consume itself and expire.

Influenced by Tillich, Redlich applied the demonic to the entrepreneurial process. If the demonic is ubiquitous in capitalism, could capitalist success be the source of its fall? Such dialectics were proposed by Schumpeter ([1943] 2002), in which the success of the entrepreneur starts a process of bureaucratization of the innovative process and, in the end, the entrepreneur is replaced by the department of research and development. However, Schumpeter’s argument frames the entrepreneur as victim of a process of optimization of profits that he has little control over.

Differently from Schumpeter, Redlich places the entrepreneur as a creative

⁹ Redlich (1953a) argued that the word “*dämonische*” was incorrectly translated as “demonic” instead of “daimonic”. The literature that is directly influenced by Redlich uses “daimonic” (Fredona, Reinert, 2017), but the literature that is unaware of Redlich simply uses “demonic” (Wetters, 2015), including Tillich, who revised the original article (Tillich, 1936). The literature that uses “demonic” is larger and, therefore, it seems to me Redlich’s insistence is pedantic. For Kirk Wetters, “I suppose in some sense this question about the correct translation reflects substantive disagreements between those who want to preserve or create a specific conceptual difference [(like Redlich)], vs. those (like me) who have argued that this difference is blurred in many sources, probably in many cases intentionally used in an ambiguous way” (e-mail, September 2022).

agent of his own destruction, both personal and social. The initial success of the entrepreneur gives him a heroic aura. He might be cover of magazines, a success story in the television. He becomes a source of inspiration and may judge himself favored by the market. Almost twenty years before Milton Friedman (1970) popularized the idea that the only social responsibility of the firm is to maximize long run returns to its shareholders – the Friedman doctrine¹⁰ –, Redlich wrote on how this is an idea with a long tradition, supported by entrepreneurial success.

For Redlich, this idea has origin in the Reformed Christian theology, brought to the United States by the puritans, that emphasizes hard work and how the divine Providence would reward them for it. In other words, the divine harmony of the Universe would manifest in his commercial success. In the words of a sermon of 1732: “A rich man is a great friend to the public while he aims at nothing but serving himself. God will have us live by helping one another, and since Love will not do it, Covetousness shall” (Redlich, 1953a, p. 171). What Redlich omitted in this citation is that its author was the reverend Joseph Morgan, ancestor of the famous banker J. P. Morgan (Corey, 1930, p. 20). Many American industrialists came from deeply religious families and were influenced by this theology of making peace between God and Mammon.¹¹ After making peace, Mammon dethrones God, as argued by Nelson (2002), in which the niche, that once belonged to theologians, goes to economists in the later 19th century.

While the firm grows, the entrepreneur is treated as a univocally beneficial agent – a hero, a symbol of hope, blessed by God if he and his peers are religious. However, the demonic ends this “honeymoon”. In Greek philosophy, the term *daímonon* and its derivatives had many meanings, among them the idea that a person must fulfill his fate, even if it is a tragic one (Spinelli, 2006). Therefore, Greek heroes were considered fundamentally different from common people. They were destined not only to great feats, but also to great falls – Hercules did the twelve works and destroyed his family, Jason explored the seas with the Argonauts and died alone (Eliade, 2010, v. 1, p. 270ff). If the demonic is important in the human history, capitalism did not and *cannot* eliminate this factor. The scale of its effects becomes even greater.

The successful entrepreneur, braving a journey to conquer his place under the sun, gains not only financial and productive success, but also *power*. The accumulated power becomes, then, something that needs to be defended at all costs. This can be illustrated in the modern tragedy of *Citizen Kane*. Just like the Greek heroes, Kane started destitute, promising and ambitious. He established his newspaper

¹⁰ The Friedman doctrine is still considered topic of economic, business and juridical debates, and it is considered relevant in the corporate environment. See Zingales et al. (2020) for a collection of debates on its relevance.

¹¹ Reference to Luke 16:13, “Ye cannot serve God and Mammon” (King James Bible). Many translations use the term “riches” instead of Mammon, but the anthropomorphizing helps making the text clearer to its original audience, the riches as opposed to God (Xavier, 2020). Redlich adopted religious metaphors, being influenced by the German evangelical thought (Poettinger, 2018) and theosophy and other forms of Western occultism (Arcand, 1981).

based on ethical principles and enjoyed success. But his newspaper became an arrogant media empire. His entrepreneurial success became a monument to his sins and the destruction of all his relationships, symbolized in his last words: “Rosebud” (Welles et al., 1941).

Citizen Kane can be seen as a step-by-step application of the transformation of the demonic entrepreneur. In historical examples, Redlich thought of the robber barons who, many times, represented his model-entrepreneurs (and also Schumpeter’s): men focused in their businesses and using their profits to advance the arts and education. However, they were also monopolists and tried to destroy any threats to their business empires.

Recently, Google started as an academic project (Brin, Page, 1998) and grew because it provided an internet search service much better than its competitors. The lemma “don’t be evil” was part of its conduct code. As Google grew and expanded its services, its market share grew impressively. We do not say “I will search it in the internet”, but “I will google it”. Studies argue that its monopoly is harmful, because it promotes arbitrary censorship in its services, exploits the large volume of information in its services to leverage political influence, sabotages competitors to preserve its domination and this domination is seen as the end of privacy as a right (Mays, 2015; Ginsberg, 2020; Smyrniaios, 2020). The United States Department of Justice started in 2020 to sue Google for monopoly and, even if takes years, the chances of Google ending up dismembered just like the robber barons’ companies are not nil (“Google é processado...”, 2020). The lemma “don’t be evil” was withdrawn from its conduct code in 2018 (Conger, 2018). If this is a subtle recognition of Google’s demonic growth, then it is something that can be left to the reader’s imagination.

Thus, society rises against the demonic entrepreneur, demanding his power to be broken up and his riches accumulated through exploitation to be distributed. The new heroes are antitrust jurists, union leaders and activists. Because he belongs to a different social class, the entrepreneur cannot understand the needs of his workers, focusing only on economic progress. This is a source of rebellion and fall. Even if the firm does not die, its innovative power and goodwill are dead. The entrepreneur can fight against it, with advertising (Redlich, 1953b, p. 178). He can also simply close himself in esoteric investments, that do not increase production or technological levels, in a process of financialization. In a report from the Kauffman Foundation, an entity that studies American entrepreneurship, Kedrosky and Stangler (2011) see with concern the fall in investment in innovative products in order to increase the degree of financialization of firms, citing an increase in inequality as one of the main negative consequences. Thus, the demonic firm can only resign itself to accumulate power and money until it withers enough to be surpassed by new firms, with new technologies, about to restart the cycle.

The entrepreneur, then, becomes a tragic figure. The innovative spirit that led to the growth of the firm becomes more and more irrelevant as the entrepreneur is forced to hold bureaucratic roles and deal with the “menaces” against the power of the corporation. He is relegated to become an “ambassador”, doing repetitive tasks (Redlich, 1953b). Marx ([1867], v. 1, p. 307), in his critique of political econ-

omy, considers the capitalist entrepreneur mere “capital personified”, a corporate avatar. In the moment the entrepreneur acts outside the capitalist logic of growth, he will be simply replaced by another person that will take “rational” decisions. Using an example within the legal limits, if an executive of a large cinema studio chooses to produce an “artistic” movie, of low return, over a blockbuster without artistic merit, but that will guarantee high return, he might jeopardize his career – and there is evidence that producers are taking less risks, the artistic quality of movies are in downfall, in exchange for guaranteed returns (McMahon, 2019). In this point, Redlich would agree with Marx, even if he had a low opinion of him, because, for Redlich, the greatest tragedy is the extinction of the personal element.

To avoid the demonic growth, the firm must invest in new technologies and improve relationships with its employees and stakeholders, which means the rejection of the Friedman doctrine. Redlich emphasizes that the firm must not cede to the temptation of preserving power at all costs and must continue to innovate and practice charity, even if it implies relatively lower future profits.

CONCLUSION

The conclusion by Paula et al. (2004, p. 591) that “the role [of the entrepreneur] continues being decisive and can even be gaining new contours” continues being relevant, especially when we add Redlich to the history of entrepreneurial thought. Redlich can help delineating these contours, both in the “divine” quality of the entrepreneur – creation and development – as the “demonic” one – accumulation of power. In this article, I sought to show that certain topics of his writings are still relevant. His emphasis on entrepreneurial typologies show that it is useful to distinguish different types of entrepreneurs in the productive and business processes. His warning on the demonic entrepreneur shows that there are many problems in the entrepreneurial activity, that can emerge without external pressures. The demonic growth is a problem relevant enough for Redlich to the point of him somewhat betraying his preference for the aristocracy. The fact that the success of an entrepreneur can be the cause of his destruction show the frailty and imperfection of the human experience, something economics must have in mind.

REFERENCES

- Arcand, Charles Gaston, Jr. (1981) “Fritz Redlich, 1892-1978: the man and the scholar.” *American Journal of Economics and Sociology*, 40(2): 217-221.
- Baumol, William J. (1968) “Entrepreneurship in economic theory.” *American Economic Review*, 58(2): 64-71.
- Brin, Sergey; Page, Lawrence. (1998) “The anatomy of a large-scale hypertextual Web search engine.” *Computer Networks and ISDN Systems*, 30: 107-117.
- Bodenhron, Howard. (2000) *A history of banking in antebellum America*. Cambridge: Cambridge University Press.

- Burke, Peter. (2001) "Overture. The New History: its past and its future." In: Burke, Peter (ed.). *New perspectives in historical writing*. 2nd ed. University Park: University of Pennsylvania Press, 1-24.
- Carpenter, Kenneth E., Chandler, Alfred D., Jr. (1979) "Fritz Redlich: scholar and friend." *Journal of Economic History*, 39(4): 1003-1007.
- Chandler, Alfred D., Jr.; Redlich, Fritz. (1961) "Recent developments in American business administration and their conceptualization." *Weltwirtschaftliches Archiv*, 68: 103-130.
- Conger, Kate. (2018) "Google removes 'don't be evil' clause from its code of conduct." *Gizmodo*, 18 de maio de 2018. <https://gizmodo.com/google-removes-nearly-all-mentions-of-dont-be-evil-from-1826153393>
- Corey, Lewis. (1930) *The house of Morgan: a social biography of the masters of money*. New York: G. H. Watt. <https://archive.org/details/houseofmorgansoc00core>.
- Duarte, Maria Paula Ferraz Calfat; Medeiros, Cintia Rodrigues de Oliveira. (2019) "Pop-Management: 15 anos depois – a incorporação do pop-management no trabalho de executivos de grandes empresas." *Cadernos EBAPE*, 17:1. DOI: 10.1590/1679-395169212.
- Eliade, Mircea. (2010) *História das crenças e das ideias religiosas*. Rio de Janeiro: Zahar.
- Fredona, Robert; Reinert, Sophus A. (2017) "The Harvard Research Center in Entrepreneurial History and the daimonic entrepreneur." *History of Political Economy*, 49(2): 267-314.
- Friedman, Milton. (1970) "The social responsibility of business is to increase its profits." *The New York Times*, Sept. 13, 1970. <https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html>
- Ginsberg, Alicia. (2020) "Google – do not pass, do not collect \$200: why the tech giant is a "bad" monopoly." *Hastings Law Journal*, 71(783): 783-812.
- "Google é processado pelo Departamento de Justiça dos EUA por monopólio em sistema de buscas." (2020) *G1*, 20 de outubro de 2020. <https://g1.globo.com/economia/tecnologia/noticia/2020/10/20/eua-planejam-abrir-processo-antimonopolio-contra-o-google-dizem-jornais.ghtml>
- Herrmann, Walther. (1979) "Fritz Redlich." *Zeitschrift für Unternehmensgeschichte*, 24(1): 1-9.
- Hudson, Michael. (2010) "Entrepreneurs: from the Near Eastern takeoff to the Roman collapse." In: Landes, David; Mokyr, Joel; Baumol, William J. (eds.). *The invention of enterprise: entrepreneurship from ancient Mesopotamia to modern times*. Princeton: Princeton University Press, 8-39.
- Jaeger, Hans. (1979) "Fritz Leonhard Redlich, 1892-1978." *Business History Review*, 53(2): 155-160.
- Kedrosky, Paul; Stangler, Dane. (2011) *Financiarization and its entrepreneurial consequences*. Kansas City: Ewing Marion Kauffman Foundation.
- Kets de Vries, Manfred F. R. (1985) "The dark side of entrepreneurship." *Harvard Business Review*. <https://hbr.org/1985/11/the-dark-side-of-entrepreneurship>.
- Kocka, Jürgen. (1979) "Zum Tod von Fritz Redlich." *Geschichte und Gesellschaft: Zeitschrift für historische Sozialwissenschaft*, 5(1): 167-171.
- Landström, Hans. (2020) "The evolution of entrepreneurship as a scholarly field." *Foundations and Trends in Entrepreneurship*, 16:(2): 65-243.
- Marx, Karl ([1867] 2011) *O capital*. Rio de Janeiro: Boitempo.
- Mays, Lisa. (2015) "The consequences of search bias: how application of the essential facilities doctrines remedies Google's unrestricted monopoly on search in the United States and Europe." *George Washington Law University*, 83(2): 721-760.
- McMahon, James. (2019) "Is Hollywood a risky business? A political economic analysis of risk and creativity." *New Political Economy*, 24(4): 487-509.
- Montiel Méndez, Oscar Javier; Clark, Mark; Calderón Martínez, María Guadalupe. (2020) "The dark side of entrepreneurship: an exploratory conceptual approach." *Economía Teoría y Práctica*, 28(53): 71-96.
- Murray, James M. (2010) "Entrepreneurs and entrepreneurship in Medieval Europe." In: Landes, David; Mokyr, Joel; Baumol, William J. (eds.). *The invention of enterprise: entrepreneurship from ancient Mesopotamia to modern times*. Princeton: Princeton University Press, 88-106.
- Nelson, Robert H. (2002) *Economics as religion: from Samuelson to Chicago and beyond*. University Park: University of Pennsylvania Press.

- Paula, João Antônio de; Cerqueira, Hugo da Gama; Albuquerque, Eduardo. (2004) "O empresário na teoria econômica." *Revista de Economia Política*, 24(4): 571-593.
- Poettinger, Monika. (2018) *An actor of change: the entrepreneur of Fritz Redlich*. 22nd Annual ESHET Conference 7-9 June 2018. Madrid: Universidad Complutense de Madrid.
- Redlich, Fritz Carl. (1999) *Hitler: diagnosis of a destructive prophet*. New York: Oxford University Press.
- Redlich, Fritz. (1914) *Die volkswirtschaftlich Bedeutung der deutschen Teerfaberindustrie*. Dissertation (Philosophischen Fakultät). Berlin: Friedrich-Wilhelms-Universität zu Berlin, 1914. <https://archive.org/details/dievolkswirtschaft00redl/page/n3/mode/2up>.
- Redlich, Fritz. (1932) "Der Handel in der Absatzorganisation." *Zeitschrift für die gesamte Staatswissenschaft*, 93(3): 412-426.
- Redlich, Fritz. (1935) *Reklame: Begriff, Geschichte, Theorie*. Stuttgart: Enke.
- Redlich, Fritz. (1942) Some remarks on the business of a New York ship chandler in the 1810's. *Bulletin of the Business Historical Society*, 16(5): 92-98.
- Redlich, Fritz. (1944) "The leaders of German steam-engine industry during the first hundred years." *Journal of Economic History*, 4(2): 121-148.
- Redlich, Fritz. (1946) "'Translating' economic policy into business policy: an illustration from the resumption of specie payments in 1879." *Bulletin of the Business Historical Society*, 20(6): 190-195.
- Redlich, Fritz. (1947) "William Jones and his unsuccessful steamboat venture of 1819." *Bulletin of the Business Historical Society*, 21(5): 125-136.
- Redlich, Fritz. (1947-1951) *History of American business leaders: a series of studies*. Ann Arbor: Edwards.
- Redlich, Fritz. (1948) "Jacques Laffitte and the beginnings of investment banking in France." *Bulletin of the Business Historical Society*, 22:(4/6): 137-161.
- Redlich, Fritz. (1949a) "The business leader in theory and reality." *American Journal of Economics and Sociology*, 8(3): 223-237.
- Redlich, Fritz. (1949b) "Banking in mediaeval Bruges: a review." *Bulletin of the Business Historical Society*, 23(2): 109-112.
- Redlich, Fritz. (1949c) "The origin of the concepts of "Entrepreneur" and "Creative entrepreneur" ". *Explorations in Economic History*, 1(2): 1-7.
- Redlich, Fritz. (1951) "Innovation in business: a systematic presentation." *American Journal of Economics and Sociology*, 10(3): 285-291.
- Redlich, Fritz. (1951b) *The molding of American banking: men and ideas*. New York: Hafner.
- Redlich, Fritz. (1951c) Sanctions and freedom of enterprise. *Journal of Economic History*, 11(3): 266-272.
- Redlich, Fritz. (1952a) "American financial institutions: bank administration, 1780-1914." *Journal of Economic History*, 12(4): 438-453.
- Redlich, Fritz. (1952b) "A new concept of entrepreneurship." *Explorations in Economic History*, 5(1): 75-77.
- Redlich, Fritz. (1953a) "The business leader as a 'daimonic' figure." *American Journal of Economics and Sociology*, 12(2): 163-178.
- Redlich, Fritz. (1953b) "The business leader as a 'daimonic' figure, II." *American Journal of Economics and Sociology*, 12(3): 289-299.
- Redlich, Fritz. (1953c) "European aristocracy and economic development." *Explorations in Economic History*, 6(2): 78-91.
- Redlich, Fritz. (1954) "Der Marketender." *Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte*, 41(3): 227-252.
- Redlich, Fritz. (1955) "Entrepreneurship in the initial stages of industrialization (with special reference to Germany)." *Weltwirtschaftliches Archiv*, 75: 59-106.
- Redlich, Fritz. (1957) "A program for entrepreneurial research." *Weltwirtschaftliches Archiv*, 78: 47-66.
- Redlich, Fritz. (1958) "Business leadership: diverse origins and variant forms." *Economic Development and Cultural Change*, 6(3): 177-190.
- Redlich, Fritz. (1959) "Entrepreneurial typology." *Weltwirtschaftliches Archiv*, 82: 150-168.
- Redlich, Fritz. (1964) *The German military enterpriser and his workforce: a study in European economic and social history*. Wiesbaden: Steiner.

- Redlich, Fritz. (1965) “New” and traditional approaches to economic history and their interdependence.” *Journal of Economic History*, 25(4): 480-495.
- Redlich, Fritz. (1966) “Toward the understanding of an unfortunate legacy.” *Kyklos*, 19(4): 709-718.
- Redlich, Fritz. (1969) “German literary expressionism and its publishers.” *Harvard Library Bulletin*, 17(2): 143-168.
- Redlich, Fritz. (1971a) “Introduction.” In: Redlich, Fritz (ed.). *Steeped in two cultures: a selection of essays written by Fritz Redlich*. New York: Harper, viii-xviii.
- Redlich, Fritz. (1971b) “Science and charity: count Rumford and his followers.” *International Review of Social History*, 16(2): 184-216.
- Redlich, Fritz. (1972) “Erich Schneider, Joseph A. Schumpeter: Leben und Werk eines grossen Sozialökonomens.” *VSWG: Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 59(3): 404-406.
- Redlich, Fritz. (1973) “Work left undone.” *Harvard Library Bulletin*, 21(1): 5-19.
- Redlich, Fritz. (1975) “Autobiographies as sources for social history: a research program.” *VSWG: Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 62(3): 380-390.
- Robin, Corey. (2011) *The reactionary mind: conservatism from Edmund Burke to Sarah Palin*. Oxford: Oxford University Press.
- Schumpeter, Joseph A. (1934 [1997]) *Teoria do desenvolvimento econômico*. Tradução de Maria Sílvia Possas. Nova Cultural.
- Schumpeter, Joseph A (1942 [2003]). *Capitalism, socialism, and democracy*. Routledge.
- Smyrniotis, Nikos. (2020) “Google as an information monopoly.” *Contemporary French and Francophone Studies*, 23(4): 442-446.
- Spinelli, Miguel. (2006) “O daimónion de Sócrates.” *Hypnos*, 11(16): 32-61.
- Störriing, Matthias. (2023) “Gustav Schmoeller and the institutional context of entrepreneurship”. *History of Political Economy*, forthcoming.
- Tillich, Paul. (1936) *The interpretation of history*. New York: Charles Scribner and Sons.
- Verduyn, Karen; Dey, Pascal; Tedmason, Deirdre. (2017) “A critical understanding of entrepreneurship.” *Revue de l'Entrepreneuriat*, 16(1): 37-45.
- Xavier, Luiz Felipe. (2020) “Servir a Deus ou a Mamom: uma análise exegética de Lucas 16:9-13.” *Perspectivas Teológicas*, 52(3): 791-810.
- Welles, Orson et al. (1941). *Citizen Kane*. RKO Radio Pictures.
- Wetters, Kirk. (2015) *Demonic history: from Goethe to the present*. Evanston: Northwestern University Press.
- Zingales, Luigi; Kasperkevic, Jana; Schechter, Asher. (eds.) (2020) *Milton Friedman 50 years later*. Chicago: Stigler Center for the Study of the Economy and State. <https://www.promarket.org/wp-content/uploads/2020/11/Milton-Friedman-50-years-later-ebook.pdf>

