

Schumpeter's man of action: precursor of person of action

*El hombre de acción de Schumpeter:
precursor de la persona de acción*

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Abstract: Schumpeter used “man of action” (Mann der Tat) in the 1911 German-language edition of his *Theory of Economic Development* but there is no mention of “man of action” in the 1934 English-language edition. For those of us who do not read German the removal of that expression was unknown until recently.

We have taken note of this change because we have identified Schumpeter as one of three precursors of personalist economics, notably for his insights regarding the economic agent.

Until our discovery of this removal in 2020, we relied on Waters' insight in 1952 that it was Schumpeter who restored the human person as the central actor in economic affairs. Schumpeter's own use of *man of action* in 1911 is additional evidence that he indeed is a precursor of personalist economics.

This article demonstrates the linkage between Schumpeter's meaning with regard to *man of action* and the meaning that *person of action* has in personalist economics. Swedberg's research was helpful in unpacking Schumpeter on *man of action*. Chapter 2 of the 1934 edition of his *Theory of Economic Development* provided confirmation that Swedberg's research was accurate.

Based on the author's own research on the person and the entrepreneur, along with his experience with real-world entrepreneurs in Louisiana, it is clear that Schumpeter indeed is a precursor of personalist economics.

Keywords: Schumpeter, economic personalism; mann der tat; person of action; entrepreneur; capitalism; socialism

Resumen: Schumpeter usó “hombre de acción” (Mann der Tat) en la edición en alemán de 1911 de su Teoría del desarrollo económico, pero no se menciona “hombre de acción” en la edición en inglés de 1934. Para aquellos

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de nosotros que no sabemos alemán, la eliminación de esa expresión era desconocida hasta hace poco. Hemos tomado nota de este cambio porque hemos identificado a Schumpeter como uno de los tres precursores de la economía personalista, en particular, por sus ideas sobre el agente económico.

Hasta nuestro descubrimiento de esta eliminación en 2020, confiamos en la idea de Waters en 1952 de que fue Schumpeter quien restauró a la persona humana como el actor central en los asuntos económicos. El uso que hizo Schumpeter del hombre de acción en 1911 es una prueba adicional de que, de hecho, es un precursor de la economía personalista.

Este artículo demuestra el vínculo entre la idea de Schumpeter con respecto al hombre de acción y el significado que tiene la persona de acción en la economía personalista. La investigación de Swedberg fue útil para develar la idea de Schumpeter sobre el hombre de acción. El capítulo 2 de la edición de 1934 de su *Teoría del desarrollo económico* confirmó que la investigación de Swedberg era precisa. Basado en la propia investigación del autor sobre la persona y el emprendedor, junto con su experiencia con emprendedores del mundo real en Louisiana, está claro que Schumpeter es de hecho un precursor de la economía personalista.

Palabras clave: Schumpeter, personalismo económico, Mann der Tat, persona de acción, emprendedor, capitalismo, socialismo

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Schumpeter used “man of action” (*Mann der Tat*) in the 1911 German-language edition of his *Theory of Economic Development* but there is no mention of “man of action” in the 1934 English-language edition. For those of us who do not read German the removal of that expression was unknown until recently¹.

We have taken note of this change in Schumpeter's language because we have identified Schumpeter as one of three prominent precursors² of personalist economics, notably for his special insights regarding the economic agent.

...Schumpeter saw the economic agent as the “efficient cause of endogenous economic change” who today is referred to as the [*person of action*]. The [*person of action*] matures as a human being through acts of goodness in economic affairs and slips backward through acts of wickedness.

.....
Schumpeter has supplied a working if not a full description of the entrepreneur in which “active, spontaneous, and eager to initiate change” replace “passive, deliberate, and comfortable with the way things are.” Also he has offered ample reason to reject *homo economicus* entirely but not a full description of its replacement³.

Schumpeter's use of *man of action* in 1911 is additional evidence that he indeed is a precursor of personalist economics where for years we have used *person of action* before our discovery in 2020 of his use of *man of action*.

1. Who is Schumpeter's man of action?

Schumpeter's own words about the *man of action* provide even more substantial evidence.

The Man of Action acts in the same decisive manner inside as well as outside the usual tracks in the economy. He does not feel the restrictions that block the actions of the other actors⁴.

¹ See M. ADZNIR. “Entrepreneur – The Man of Action,” June 17 (2008), posted by Adrian Mather in “Entrepreneur and Entrepreneurship Success”, available at <http://a-successful-entrepreneur.blogspot.com/2008/06/entrepreneur-man-of-action.html>, which we discovered in November 2020.

² The other two are Adam Smith (*Theory of Moral Sentiments*, not *Wealth of Nations*) and Amartya Sen.

³ EDWARD O'BOYLE, “Schumpeter and Economic Man,” *International Journal of Social Economics*, Volume 44 (1), p. 146.

⁴ Quoted in R. SWEDBERG. “Rebuilding Schumpeter's Theory of Entrepreneurship,”

The entrepreneur is our Man of Action in the area of the economy. He is an economic leader, a real and not only an apparent leader as the static leader⁵.

In 1911 Schumpeter's *man of action*, always a male, never a female⁶, is the agent who triggers economic development⁷. According to Swedberg, Schumpeter characterizes *man of action* in the following terms: Dynamic; Breaks out of an equilibrium; Does what is new; Activ, energetic; Leader; Puts together new combinations; Feels no inner resistance to change; Battles resistance to his actions; Makes an intuitive choice among a multitude of other alternatives; Motivated by power and joy in creation; Commands no resources but borrows from a bank⁸.

Equilibrium is circular thinking where events are repeated by the passive *homo economicus* as in "a return to equilibrium." Disequilibrium is linear thinking where new combinations are initiated by the dynamic *man of action* who triggers economic development.

2. Schumpeter's entrepreneur is the *man of action*

The second edition of the 1911 German-language edition of his *Theory of Economic Development* served as the basis for the 1934 English-language edition⁹. Citing Stolper as their source, Becker and Knudsen claim that the 1934 edition ran 245 pages in length. Making an adjustment for words per page, it was shortened from the 1911 edition by 40 percent¹⁰.

Becker and Knudsen assert that "... the notion of the entrepreneur was much richer and occupied an even more central role in the first Ger-

March 6, Conference on Marshall, Schumpeter and Social Science, Hitotsubashi University, Japan, March 17-18, 2007, p. 8.

⁵ Quoted in *Ibid.*, p. 9.

⁶ Ten years after Swedberg's claim that Schumpeter's *man of action* excludes women, E. DEKKER ("Schumpeter: Theorist of the Avant Garde," *Review of Austrian Economics*, 31, p. 184) confirms this finding without attributing it to Swedberg even though Dekker's references section indicates that he is familiar with Swedberg's work.

⁷ R. SWEDBERG, "Rebuilding Schumpeter's Theory of Entrepreneurship," *cit.*, p. 26.

⁸ In 1995 H. Dahms refers to Schumpeter's use of man/men of action in the 1911(1912) German edition ("From Creative Action to the Social Rationalization of the Economy: Joseph A. Schumpeter Social Theory," *Sociological Theory*, 13 (1), (1995), p. 5). We do not use it here because he does not give the detailed description that Swedberg provides.

⁹ J. SCHUMPETER (1934), *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, translation by Redvers Opie, Cambridge: Harvard University Press, 1949, p. 9.

¹⁰ BECKER, MARKUS, C. and Thorbjørn Knudsen, "Schumpeter 1911: Farsighted Visions on Economic Development," *The American Journal of Economics and Sociology*, 61 (2), 2002, endnote 6.

man edition than transpires in subsequent editions”¹¹. We find that all of the central characteristics of Schumpeter's *man of action* listed by Swedberg in the 1911 edition appear in Chapter 2 of the 1934 English-language edition. Schumpeter himself asserts the following in the preface to the English edition.

[Opie and I] have decided to omit the two appendices of Chapters I and III of the original, and also passages or paragraphs here and there. In some places, the exposition has been modified and a number of pages have been rewritten. As the argument itself has nowhere been altered, I think it superfluous to give a list of changes (Schumpeter 1934, p. xii).

We also find in the 1934 edition mention of the entrepreneur as a type of *person*¹². Waters attributes the restoration of “the human *person* as the dynamic factor in the explanation of economic activity” to Schumpeter¹³.

3. Requiem for the entrepreneur

Schumpeter began to foresee the collapse of capitalism and the emergence of socialism as early as 1920-1921, 1928, and 1931¹⁴. In 1936 he warned of the decline of capitalism (and the entrepreneur) in four passages of a speech presented to the U.S. Department of Agriculture Graduate School¹⁵. A cautionary note is necessary. Swedberg, the editor of this collection of Schumpeter's articles and speeches states that there are many problems with the transcript of this speech¹⁶. For that reason we cannot be completely confident that the four passages we refer to are word for word Schumpeter's own.

In March 1941 Schumpeter gave a series of lectures at the Lowell Institute in Boston. They became known as the Lowell Lectures in which he

¹¹ *Ibid.*, p. 393.

¹² J. SCHUMPETER (1934), *The Theory of Economic Development*, cit., p. 81; emphasis in the original.

¹³ W. WATERS, *Entrepreneurship, Dualism, and Causality: An Appreciation of the Work of Joseph A. Schumpeter*, dissertation, Georgetown University, 1952, available at <https://mayoresearch.org/wp-content/uploads/2018/01/WATERS-JUNE-15-2012-BOLD.pdf>

¹⁴ Cfr. H. DAHMS, “Sozialistische Möglichkeiten von heute,” *Archiv für Sozialwissenschaft und Sozialpolitik*, 1920/21, 1995), p. 6; “The Instability of Capitalism,” *Economic Journal*, 1928; “Les possibilités actuelles du socialisme,” *L'Année Politique Française et Étrangère*, 1931.

¹⁵ Cfr. J. SCHUMPETER (1936), “Can Capitalism Survive?” in Richard Swedberg (editor), *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, Princeton University Press, Princeton, 1991, pp. 306, 307, 308, 312-313.

¹⁶ Cfr., *Ibid.*, pp. 314-315.

addresses the capitalist system extensively. He talks about the “decay of capitalist state,” describes the Great Depression as “spelling the complete breakdown of the capitalist system which ... stood discredited forever,” and enumerates four reasons that “account for the political, economic, and sociological instability of capitalism.” However, at the very end of his last lecture he expresses the judgment that “fighting for capitalist civilization is not a hopeless task”¹⁷.

In November 1945 Schumpeter addressed the L'Association Professionnelle des Industriels in which he stated that “our society is in the process of falling apart.” He calls attention to two reasons which account for this state of affairs: “the lack of *faith among the governing class* and the lack of what one calls ‘leadership’.” He points to a remedy advanced by the 1931 papal encyclical *Quadragesimo Anno* which incorporates private control of decision by free men into a new organizational structure¹⁸. That structure is the intermediary group – referred to as the vocational group by some and the industrial council by others -- which is located between the individual of the market economy and the public group of the command economy¹⁹.

One year later, Schumpeter foresees a different social structure in which the business class no longer provides the leadership and where the entrepreneur “progressively loses his most essential function”. He cautions that this is “only an impression” on his part, and it is left to the historian to prove him right or wrong²⁰.

In the preface to the first edition of his *Capitalism, Socialism, and Democracy*, written in March 1942, Schumpeter asserts that “... I have tried to show that a socialist form of society will inevitably emerge from an equally inevitable decomposition of capitalist society” (Schumpeter

¹⁷ Cfr. J. SCHUMPETER (1941), “An Economic Interpretation of Our Future: The Lowell Lectures,” in Richard Swedberg (editor), *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, Princeton University Press, Princeton, 1991, pp. 344, 348, 361, 399.

¹⁸ Cfr. J. SCHUMPETER (1945), “The Future of Private Enterprise in the Face of Modern Socialistic Tendencies,” in Richard Swedberg (editor), *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, Princeton University Press, Princeton, 1991 pp. 403-405; emphasis in the original.

¹⁹ E. O'BOYLE, “Intermediary Groups: Reconciling the Market Economy and the Command Economy,” *PIENIĄ DZE i WIEŻ (Money and Social Bond)*, 77, (2017) Winter (in English), pp. 1-20, available at https://www.researchgate.net/publication/336141523_Intermediary_Groups_Reconciling_the_Market_Economy_and_the_Command_Economy.

²⁰ Cfr. J. SCHUMPETER (1946), “Comments on a Plan for the Study of Entrepreneurship,” in R. Swedberg (editor), *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, Princeton University Press, Princeton, 1991, p. 418.

1950, p. xiii). In the preface to the third edition, written eight years later, he asserts that nothing has been changed²¹.

He describes the loss of the entrepreneurial function under a steady-state form of socialism.

Capitalism, being essentially an evolutionary process, would become atrophic. There would be nothing left for entrepreneurs to do ... The bourgeois strata that live on profits and interest would tend to disappear. The management of industry and trade would become a matter of current administration and the personnel would unavoidably acquire the characteristics of a bureaucracy. Socialism of a very sober type would almost automatically come into being. Human energy would turn away from business. Other than economic pursuits would attract the brains and provide the adventure²².

Faced by the increasing hostility of the environment and by the legislative, administrative and judicial practice born of that hostility, entrepreneurs and capitalists – in fact the whole stratum that accepts the bourgeois of life – will eventually cease to function²³.

In the last address before his death on January 8, 1950, Schumpeter asserted that socialism is...

that organization of society in which the means of production are controlled, and the decisions on how and what to produce and on who is to get what, are made by public authority instead of by privately owned and managed firms. All that we mean by March into Socialism is, therefore, the migration of people's economic affairs from private into the public sphere²⁴.

This migration from private to public control of economic decision-making of necessity means the loss of the entrepreneurial function.

In "The March into Socialism" Schumpeter agreed to the widely held proposition that in the aftermath of war "one of the most powerful factors that make for acceleration of social change is inflation"²⁵. Toward

²¹ J. SCHUMPETER, *Capitalism, Socialism, and Democracy*, third edition, New York: Harper & Brothers Publishers, 1950. p. 409.

²² Cfr. *Ibid.*, p. 131.

²³ Cfr. *Ibid.*, p. 156.

²⁴ Cfr. *Ibid.*, p. 415.

²⁵ J. Schumpeter elaborated on inflation's impact on the market economy earlier in J. Schumpeter, "There is Still Time to Stop Inflation," *Nation's Business*, June, pp. 33-35, 88-91.

the very end of the address, with the words supplied by his wife, Schumpeter is reported to have held the view that given inflation “most people will consider planning as the smallest of possible evils”²⁶.

In the fourth Lowell Lecture, Schumpeter raises a significant question regarding the role of the entrepreneur; the question is “What is planning?” His answer is “It is the replacement of the entrepreneurial decisions of how, what, and how much to produce by the decision of some other social organism”²⁷.

4. The entrepreneur in America

The entrepreneur has played a vital role in U.S. economic development for a very long time. Thomas Edison, Henry Ford, Richard and Maurice McDonald (McDonald's), James McDonnell (McDonnell Aircraft), “Leo” Fender (Fender Guitars), Ted Turner, Bill Gates, and Sam Walton come to mind. As agents of change Schumpeter's entrepreneurs square off against rivals for dominance in the marketplace or workplace as evidenced publicly over the years in the rivalries between Edison and Westinghouse, Ford and Chrysler, Gates and Jobs, McDonald's and Burger King, McDonnell-Douglas Aircraft and Boeing, Fender Guitars and Gibson Guitars, Turner and CBS, Walton and Sears. They are not the passive machine-like creatures suggested in mainstream economics by *homo economicus*. They are living, breathing, existential actualities. More recently, we have witnessed the following men emerging as very successful entrepreneurs: Mark Zuckerberg (Facebook), Jeff Bezos (Amazon), Larry Page and Sergey Brin (Google), Jack Dorsey, Noah Glass, Biz Stone (Twitter), Peter Thiel (PayPal), Elon Musk (Tesla and Space X.).

Schumpeter's “creative destruction” indicates that the very nature of the confrontation between rivals is that one party wins and the other loses, though the two might turn to a merger or acquisition to resolve their differences. The rules of combat depend very much on the personalities of the parties directly involved and the circumstances they face at the moment. One party might engage in industrial spying and sabotage, the other might hire the competitor's chief development engineer to replicate the product and destroy that competitor. A financial crisis might change the otherwise natural aggressiveness of one of the rivals to the advantage of the other. “Creative destruction” implies nothing about the character

²⁶ J. SCHUMPETER, *Capitalism, Socialism, and Democracy*, cit., pp. 421, 424.

²⁷ J. SCHUMPETER (1941), “An Economic Interpretation of Our Future: The Lowell Lectures”, in R. Swedberg (editor), *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, Princeton University Press, Princeton, 1991, p. 362.

of the combatants at any given moment. It could be malevolent or benevolent or somewhere in between because every economic agent is an imperfect human being who in combat is called on to make decisions and choose between what is best for her personal net advantage and what is ethically right.

However, not all entrepreneurial efforts are successful. Even well-established companies launch failures: the Ford's Edsel, IBM's PCjr, the Apple Newton, the New Coke, Window's Vista, Amazon's Fire Phone, and RJ Reynold's smokeless cigarette. Nevertheless, for the few the change when it wins favor with consumers or producers yields enormous rewards for entrepreneurs including among others the ones who brought the cell phone to the marketplace and the CNC machine to the workplace.

The author has described *person of action* as follows: Dynamic, spontaneous, eager to change; Opposed to passive, deliberate, and comfortable with the way things are; *Person of action* conveys same meaning as Schumpeter's efficient cause of endogenous change; Schumpeter sees two types of individuals in economic affairs: merchants and entrepreneurs; *Person of action* is one type with many functions: buyer/seller, worker/employer, lender/borrower, supplier/producer ...; Perceives economic affairs in terms of dynamic disequilibrium; What the entrepreneur does is who s/he becomes; Driven by financial ruin and seemingly impossible challenges; Acts according to Newton's third law of motion: for every action there is an equal and negative reaction; Action has two effects: one is creative, the other is destructive²⁸.

5.- Lessons from real-world entrepreneurs²⁹

In 1983 the United States Senate authorized an award to recognize private firms which had taken steps to promote productivity and improve quality in whatever product or service they produce, thereby contributing to better customer service, greater profitability, and more and better job opportunities. The two U. S. Senators from Louisiana at that time, Russell Long and J. Bennett Johnston, appointed a small board of Louisianians to establish a process in the State to select and to recommend a suitable recipient company. Beginning in 1984 the U. S. Senate Produc-

²⁸ E. O'BOYLE (1994), "On the Person and the Work of the Entrepreneur," *Review of Social Economy*, LII (4), pp. 315-337; E. O'Boyle, "Schumpeter and Economic Man", cit.

²⁹ This entire section is taken from a much longer report prepared by the author, see E. O'BOYLE, *Louisiana Works! Workplace and Marketplace Innovations from Louisiana's Award-Winning Entrepreneurs*, January 12, revised February 2020, pp. 1-61, available at <https://mayoresearch.org/wp-content/uploads/2020/02/LAWORKS-feb-2020-AAA.pdf>

tivity Award was presented every year to the Louisiana company with the best recent record of quality and productivity improvement. The last year in which the Award was presented was 1995.

The selection process involved inviting, receiving, and evaluating written applications from Louisiana companies and selecting usually three or four firms every year as finalists to be visited by a small team of members from the Selection Board. A written report was prepared from information obtained from each site visit and those reports were used as the basis for the Board's recommendation of the one firm selected to receive the Award.

In 1988, the Board discovered in visiting one of the finalists that certain noteworthy innovations had been implemented successfully which did not fall within the scope of the Productivity Award. For that reason, the Board recommended the establishment of a second award which was called the U.S. Senate Innovation Award. The Board members were interested in financially successful achievements in the marketplace or the workplace which had the effect of putting the company on the leading-edge in its industry. The same selection process was used for both Awards.

A total of 51 companies were site-visited by the Selection Board between 1984 and 1995. Over the years, 12 Productivity Awards and six Innovation Awards were presented. Six industry groups were represented among the Award-winning companies: health care, light manufacturing, heavy manufacturing, construction and lumber, crude oil, and shipbuilding. Seven of the Award recipients have been selected for presentation here.

The author served on the Selection Board from beginning to end, visiting and preparing final reports on every one of the 51 companies selected for a site visit. This 10-year experience played an invaluable role in developing his ideas about *person of action* from the practical to the theoretical.

a) From Custom Built to Production Run: Bollinger Machine Shop and Shipyard.

Bollinger Machine Shop and Shipyard is a small family-owned and managed shipyard in Lockport, Louisiana which began operations in 1940 mainly to build boats for the sugar transport trade. In 1952 it entered the off-shore oil-supply business producing customized 100'-150'

boat-trucks. It continued in that market until 1981 when a sharp drop in the price of crude oil brought growth in the oil fields to a halt.

Coinciding with the downturn in oil exploration and production was the Reagan Administration's commitment to interdict drug traffic. A part of that commitment called for the development, production, and deployment of a patrol boat which could chase a suspicious freighter fast enough so that it could not slip away after dark. Even though Bollinger's reputation and experience have been in the stall-build production of custom vessels with very heavy hulls, the company's successful bid to produce a run of 16 identical patrol boats for the Coast Guard was based on a much lighter hull and an aluminum super-structure. Production-line manufacture began in early fall 1984. BMS built a total of 49 cutters for the Coast Guard.

Innovation at BMS has four distinct aspects: a new product, different materials, a new market, a different process of production. The company is both outward-looking toward the marketplace and inward-looking toward the workplace.

b) A Charter Service, Not a Shipyard: Edison Chouest Offshore.

Edison Chouest Offshore is a high-tech, family owned and operated business specializing in the

construction and charter of one-of-a-kind offshore marine service vessels. EC charters vessels of its own design, constructed in its wholly owned subsidiary for a variety of customers, such as the U.S. Navy, Johns Hopkins University's Applied Physics Laboratory, and Louisiana Offshore Oil Port. The company is the only shipyard in the United States which charters literally 100 percent of the vessels built in its shipyard. The EC fleet contains 37 vessels all of which are crewed by EC personnel.

The company began operations in the early 1960s with a father -- Edison -- and two sons -- Gary and Laney -- shrimping from a single boat. EC built its first boat in 1964 and opened its shipyard in 1974. Gary is responsible for the company's financial affairs; Laney is the principal entrepreneur. More than anyone else this author has met on such site visits, Laney Chouest comes closest to Schumpeter's characterization of the entrepreneur. He does not have a degree in naval architecture. He is a licensed physician.

Together Gary and Laney are the efficient cause driving a company which, with every ship built, innovates a new set of custom-designed ser-

vices for a customer. The company operates in this fashion not because of the demands of the market but because the two sons and the father relish the challenges of unusual projects which are especially demanding even for a Cajun shipyard. Laney is a risk taker, restless and dissatisfied, eager for the rough and tumble contests of the shipbuilding industry. Gary is the company's direct link to outside sources of credit without which innovations become much more difficult to implement.

c) Shipyard That Operates Like an Aerospace Firm: Textron Marine and Land Systems.

Textron Marine and Land Systems produces two types of advanced marine vehicles: air cushion vehicles and surface effect ships. Innovation at TMLS can be characterized as both inward-looking toward the process of production and outward-looking toward the needs of the marine-craft market. The company's senior management asserted that at TMLS there has been no dramatic, one-time innovation. Instead, innovation has taken place gradually, in small steps, over a 25-year period.

Innovation at TMLS is driven importantly from the way in which the production process is organized. TMLS builds marine craft but operates like an aerospace company. TMLS's major marine-craft program is its landing craft, air cushion (LCAC) which was designed to carry a 75-ton main battle tank at speeds greater than 40 knots. TMLS did not innovate the basic air cushion technology. Rather, it borrowed the technology from a British firm which developed it for commercial craft operating in the English Channel. From the very beginning, according to TMLS officials, this technology has been linked to aircraft technology. Production of the LCAC began in 1982; the manufacturing cycle for the craft is one year.

The LCAC is produced in an L-shaped building in which the craft moves along one side of the building where the hull is fabricated upside down and, upon completion, is turned over at the corner of the L. On the other side of the building, aluminum sheets are cut for the hull and the various modules by a robotically-operated machine and the modules are lifted into place and welded to the hull after it has been turned right side up.

TMLS also manufactures an innovative monohull for the U.S. Coast Guard which rescues on average 20 persons per day and requires a craft which can operate in heavy seas. The heavy weather craft incorporates TMLS's own passive, self-righting capability which allows the craft to rollover over completely, to pitch-poll or lunge bow first, flipping end

over end into swells, and self-right in less than 30 seconds. Significantly, the TMLS motor lifeboat is able to survive in such heavy seas and still *continue operating on its mission* [emphasis of the TMLS president]. The motor lifeboat is designed to operate in seas as high as 25 feet and against headwinds up to 80 miles per hour.

To manufacture the motor lifeboat TMLS had to innovate solutions to a number of design and manufacture problems. Since the craft's self-righting capability is based on its buoyancy, the designers worked at weight tolerances of ounces. Certain compartments had to be air tight. Because the craft likely would become airborne in heavy seas, the welds in the hull have to withstand unusual stress loads. The craft's engines have to continue operating in the upside-down position for the craft to continue operating after a complete rollover or pitch-poll.

TMLS's success to date as an innovator lies in adapting the aircushion vehicle from a civilian market to a military market and in building the new vehicle not by the usual shipyard methods but by aerospace techniques instead. The company's future depends on successfully innovating its military vehicle back into a marketable civilian product.

d) STARFIX Positioning Technology: John E. Chance and Associates.

John E. Chance and Associates began in 1957 as a family-owned and operated, oil-related, land-survey business and later branched into survey work offshore, helping to position drilling rigs at a precise location pre-determined by geoscientists to increase the probability of striking oil. By 1984, after the price of crude oil had dropped sharply, it became clear at JECA that there was a need to develop a more accurate positioning technology which would reduce the cost to put a rig in a pre-determined location in the Gulf of Mexico.

The founder decided to gamble on STARFIX, a satellite-based positioning and navigation technology of its own design. All of the funds required to develop STARFIX were internally generated. With STARFIX, JECA is able to position a customer within five meters of a given off-shore position with 95 percent confidence. At the time it was first marketed in 1986, STARFIX was the only commercially available satellite-based system of its kind in the world capable of deep-seismic navigation (depths greater than 8,000 feet).

STARFIX made JECA a world-leader in the market by giving it a great technological advantage over its competitors. Its coverage, however, is limited to 500 miles off the coast of the United States because

it utilizes four satellites in stationary geosynchronous orbit around the equator.

Thus, JECA's main market is technologically constrained to the Gulf of Mexico.

STARFIX is a black box. The hand-lugged instrument is manufactured and serviced by JECA and leased to its customers. With STARFIX the company has been able to reduce the cost of its services by 15-60 percent. Company officials claim that productivity on ships of the U.S. Geological Survey and National Oceanic and Atmospheric Administration has improved by 100 percent with STARFIX.

JECA also operates a sophisticated computing center which gathers and stores detailed information about the floor of the Gulf and above- and below-water structures and obstacles. The system allows the company to display the complete data set for any area in the Gulf in graphics form on a computer terminal. JECA has been collecting and compiling this information since its establishment as a necessary part of its services in safely positioning its customers and in assuring them which they can drill without fear of an unseen and unexpected obstacle such as a sunken ship or pipeline.

JECA teaches that entrepreneurship is not for the faint of heart. At times, the market presents this dilemma: innovate and risk losing everything through failure or stand pat and risk losing everything through inaction.

e) Alliance for Offloading, Storing, and Delivering Crude Oil: LOOP.

Louisiana Offshore Oil Port was conceived in the early 1970s as the first deepwater oil port in the United States. Construction began in 1978 and operations got underway in 1981. Its facilities include a marine terminal 18 miles off the Louisiana coast, a small boat harbor, a storage terminal and operations center, and a separate office headquarters. LOOP is a technological innovation to the process of production and an organizational innovation in the management of the enterprise.

LOOP has a maximum offloading capability of 100,000 barrels per hour. The facilities were built at a cost of \$850 million and the funds were raised through tax-exempt revenue bonds. The sheer physical size of LOOP's operations strongly suggests that none of the five investor companies (Marathon, Texaco, Shell, Ashland, and Murphy), especially

the smaller ones, could afford to build, maintain, and efficiently operate the physical assets without the others.

The control room crew at the marine terminal operate like air traffic controllers. There is a two-mile wide corridor extending further out into the Gulf where all marine vessels are tracked by radar and tankers calling on the marine terminal are directed by the control room. Only one tanker at a time can be offloaded at one of the three Single Point Moorings in water depth of 115 feet. Other tankers which cannot be accommodated at one of the SPMs when they arrive on station are required to wait in a designated area. The oil is pumped from the tanker tied at the SPM to the marine terminal, and from the pumping platform to the storage terminal on shore.

At the storage terminal and operations center, crude oil is pumped into the top of a salt cavern where it is stored until it is ready to be shipped to a refinery. The cavern is completely filled with brine until the oil is pumped into the cavern. This pumping action forces the brine out the brine line at the bottom of the cavern to the brine storage reservoir. The process is reversed when the crude oil is pumped out of the cavern into a connecting pipeline. Each of the five investor companies has its own designated pipeline to its refinery. No mixing of brine and crude oil occurs because brine has a heavier specific gravity than oil.

LOOP enhances productivity and quality for its five investor companies through the safe offloading, storing, and pipeline delivery of crude oil to their refineries thereby avoiding the costs and liability associated with tanker collisions, spills, explosions, and fires which are a greater danger in a crowded port near a major population center such as New Orleans or Baton Rouge.

LOOP is innovative in another way, relating specifically to how the company is managed and controlled. Of the five investor companies, the largest holds a stake that is about ten times greater than the smallest. Even so, each investor company has only one representative on the board of directors and each representative holds only one vote.

LOOP is an authentic engineering marvel. However, LOOP would have been impossible without another marvel: a formal cooperative ownership and control agreement between companies which continue to compete in the product market.

f) The Wal-Mart of the Business: Stuller Settings.

Stuller Settings is a manufacturer and distributor of gold jewelry components -- findings, settings, and mountings -- which is located in Lafayette, Louisiana when normally gold jewelry companies operate only in New York City. Matthew Stuller started in 1969 as a jeweler's assistant. He opened his own business operating first from his car and then from space in his father's office building. Stuller's goal was to operate as a wholesaler, shipping on the same day the order is received.

SS began casting jewelry in 1972-73 with an operating philosophy of providing service to small customers, and buying its gold through New York banks. Security at SS is very tight: employees are not allowed to leave the facility during their shift and are permitted to take personal phone calls only outside their work area. Wearing personal jewelry on the job is not allowed except for wedding bands/rings.

SS is functionally organized as follows: sales, modeling, tool and die, research and development, wax impressions, metal fabrication, casting, assembly, finishing, quality assurance, inventory, and shipping. The facility is designed in such a way that there is a one-tenth mile track or hallway which connects the various departments and that some employees use on their break for exercise purposes.

Manufacturing at SS is based on the lost wax casting technique rather than the die method. At SS a method of casting using plastic molds has been perfected and produces many of the items which the company sells. An order placed by 2:30 PM will be sent to the customer by overnight express. A monthly newsletter is sent to SS customers which contains a new product listing. A complete catalog is published every year. New designs are sketched in pencil and paper fashion by jewelry designers who work under contract to SS and travel to Lafayette for that purpose.

Innovation at SS is both marketplace- and workplace-oriented. Its first concern is supplying its customers with quality jewelry components on short notice, often overnight. More recently, SS has become more aware of and more successful in putting together a more efficient workplace organization. Persistence -- the personality trait necessary to overcome early failure and rejection -- is clearly evident at SS. Long ago, Schumpeter identified this trait as most characteristic of the authentic entrepreneur.

Matthew Stuller innovated a company in Louisiana to manufacture gold jewelry for distribution directly to retail jewelry stores. Prior to SS, success in this business meant operating out of New York City. Stuller

demonstrated that success in this business is not determined by location. No doubt, he would have been a success in Kokomo or Keokuk.

g) Production/Sales Partnership: Cameco Industries.

Cameco Industries, which was incorporated in 1965, is a manufacturer of specialized equipment for harvesting sugar-cane, pineapples, and trees. Faced with deteriorating market conditions for its standard harvesting equipment, the firm innovated the development of a tree-harvesting machine and the construction of a new plant to house an assembly-line production process to complement its original plant with its stall-build process.

Retrenchment in oil prices began in 1982 and one year later the price of sugar began to fall. In response to serious deterioration in both of its markets, the company decided to venture into the forestry market in 1985 and into the pineapple market two years later. Central to CI's success in entering the forestry market is an exclusive contract with John Deere under the terms of which CI is responsible for the design, engineering, manufacturing, and warranty of the tree harvester. John Deere is responsible for sales and service. This is the first time that CI has surrendered control of its product at and after the point of sale.

The tree harvester is called the "feller-buncher" because it has two main operating modes: felling trees and bunching them so that they can be stacked. Prior to this contract, CI earned its reputation in the equipment business as a manufacturer of one-of-a-kind products. The contract with John Deere eventually forced CI to modify the production process from an exclusively stall-build system where the product remains at one station from start to finish to an assembly-line where the product moves from station to station.

At CI, quality improvement has been a joint venture with John Deere since 1988 in which a team made up of two engineers, one service technician, and two production supervisors from CI and two engineers, two service technicians, and one purchasing specialist from John Deere meets every Friday by conference call. The quality improvement team addresses all quality problems, whether they occur in the field or during manufacturing, by means of action plans.

As heavy equipment manufacturers, CI and John Deere normally would see one another as competitors. However, by focusing on defects, their partnership benefits not only the two partners but the customer as well. Further, their partnership opens a much wider market for CI, al-

lowing the company to switch to the more efficient line-build production process and to pass some of the savings on to its customers in the form of lower prices.

CI has engaged successfully in both workplace and marketplace innovation. The development of the “feller-buncher” is outward-looking innovation driven by the activating principle of competition. The use of assembly-line production methods to manufacture the “feller-buncher” is inward-looking innovation driven by the activating principle of cooperation.

h) Person of action and private entrepreneur

Every *person of action* is entrepreneurial in the sense that every economic agent has some inclination toward change, born of self-interest for the purpose of advancing personal net advantage. In addition to the Schumpeter's public entrepreneur, who is known for “radical changes, not everyday small adjustments”³⁰, there is a private entrepreneur who initiates change that passes public notice. To illustrate, consider the baker or bartender who rearranges her workspace to reduce wasted motion, the consumer who switches to a gluten-free diet to lose weight, or the single parent who replaces home cooked meals with more expensive takeout in order to spend more time with the children's homework. For the private entrepreneur the reward is small but real and self-reinforcing. Moreover, in contrast to the creative destruction of the public entrepreneurship there is only a creative dimension to private entrepreneurship.

Characterizing entrepreneurship as action along a spectrum from the least to the most dynamic



Public entrepreneur (man of action) change, the private entrepreneur is located toward the end which represents the least dynamic change and the public entrepreneur toward the opposite end. Put differently, *person of action* is not a synonym for *man of action*. Rather, *person of action* refers to the entire spectrum, *man of action* points to the most dynamic end.

³⁰ E. DEKKER, “Schumpeter: Theorist of the Avant Garde”, cit., p. 187.

Person of action is ever-changing in that the economic agent of personalist economics who is a living, breathing existential actuality, *person of action*, an *individual being* and a *social being* whose nature is illuminated by the philosophy of *personalism*, a divided self who often must resolve conflicts that arise between his/her individuality and sociality.

Person of action can be either ...

caring or heartless	trustworthy or inconstant	benevolent or mean
loyal or treacherous	just or unjust	faithful or deceitful
generous or greedy	forgiving or merciless	sympathetic or insensitive
grateful or resentful	altruistic or egoistic	kind or mean-spirited
diligent or lazy	loving or hate filled	moderate or self-indulgent

Contrary to the always-certain, always-rational *homo economicus*, *person of action* sometimes is conflicted or confused, hesitant or uncertain³¹.

Person of action develops as a human being through acts of goodness in economic affairs and slips backward through acts of wickedness³². The accumulation of goodness versus wickedness is captured in economics through what we call personalist capital. A good person is one for whom the accumulated goodness exceeds the accumulated wickedness. A wicked person is one for whom the net accumulation runs in the opposite direction.

6. Concluding remarks

Schumpeter was not a personalist in the sense that he explicitly affirmed the sacred dignity of all economic agents, nothing indicating that he understood the impact of work on the person who works. Nothing about the difference between economic development and integral human development. No indication that he embraced human perfection as the final purpose of the economic system.

³¹ E. O'BOYLE, *Louisiana Works!*, cit.; E. O'BOYLE (2014b), *Personalist economics: Putting the Acting Person at the Center of Economic Affairs*, 2014, pp. 76-111, available at <https://www.mayoresearch.org/files/PERSONALIST%20ECON%20III.pdf>

³² A. WIERBICKI, "The Person, Human Action and Morality as Seen in the Personalist Philosophy of Karol Wojtyła", *Quién, Revista de Filosofía Personalista*, 11 (2020), pp. 51-66.

Schumpeter was a personalist in the sense he explicitly rejected utilitarianism, economic liberalism, authoritarianism, and democratic socialism. No room in the passive *homo economicus* for the dynamic entrepreneur who is the true efficient cause of economic change. Substituted active, spontaneous and eager-to-initiate change entrepreneur for passive, deliberate, comfortable with the way things are.

Schumpeter never regarded women as candidates for the role of the entrepreneur. Perhaps his position is a product of a time and place where women were regarded mainly as wives and mothers but without the necessary skill, talent, and dynamic energy to become an entrepreneur. We, however, rejected that view on grounds that two activating principles organize economic affairs. The first is the principle of competition which is the human disposition to perform certain tasks alone for the individual reward. The second is the principle of cooperation which is the human disposition to undertake certain tasks together with others because such tasks cannot be handled by a person who undertakes them alone or managed as well as by persons working together. Competition requires an aggressiveness in the marketplace to confront rivals in (a) the introduction of a new good or service, (b) penetration of a new market, (c) opening up a new source of resources, all three tasks for which men are better suited. Cooperation relies on an ability in the workplace to hire, trained, and bring a workforce together for the purpose of (d) introducing a new process of production, and (e) developing a new organization of an industry, both of which today's women have the necessary capability for³³.

Finally, and most importantly, mainstream economics asserts that in the end the economic agent, *homo economicus*, maximizes utility and profit and the economy functions best when it reaches Pareto optimality. Maximizing utility and profit is based on the proposition that the good invariably consists in *having* more. Personalist economics, in contrast, claims that most fundamentally the economy functions best when the economic agent, *person of action*, maximizes personalist capital thereby enhancing him/herself as a human person and rendering him/herself more effective and more highly valued as an economic agent. Maximizing personalist capital rests on the assertion that the good always inheres in *being* more.

³³ Cfr. E. O'BOYLE, *Personalist economics*, cit. The five distinct types of entrepreneurial function. See J. SCHUMPETER (1934), *The Theory of Economic Development*, cit., p. 66.