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REVIEW: I. LIGHT AND L. P. DANA, L. P., ENTREPRENEURS AND CAPITALISM SINCE LUTHER: REDISCOVERING THE MORAL ECONOMY, LEXINGTON BOOKS, 2020.

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Abstract

The book provides an overview of the history of business, capitalism, and entrepreneurship from Martin Luther to Donald Trump in order to highlight the role of social and cultural capital in encouraging business activities. The Authors, Ivan Light and Léo-Paul Dana, examine the availability of social and cultural capital through the analysis of six case studies that illustrate how these forms of capital have evolved from capitalism's early stages to today. From the analysis emerges that, in capitalism's early stages, entrepreneurship was mainly driven by social capital, connections were essential to encourage and legitimize business activities; conversely, when capitalism was well established, cultural capital became crucial for entrepreneurship than social capital. Finally, Light and Dana concluded that, to date, the most persistent entrepreneurs are those who retain strong social capital in terms of community ties; in contrast, if lacking social capital, elite entrepreneurs rely on money.

Review

Gary Backer was one of the first classical economists to recognise the importance of human capital as a profitable source of social and economic growth. The author of the publication 'Human capital' underlined the key role of workers' and employees' knowledge and skills regarding the effectiveness of a production process and the quality of its output. Therefore, investments in people's knowledge and skills are not seen as a cost but as a resource leading to profits.

Backer's research forms the basis of Pierre Bourdieu studies and the developing point for the formulation of additional forms of capital. According to Bourdieu the 'forms of capital ', that should be added to key resources such as human, physical and financial capital, can be divided into social, cultural, and symbolic capital. Specifically, social capital is made up of relationships that link one to other people and in turn, create a contact network. By cultural capital, the Author intends social acceptability; while, the term symbolic capital, expresses issues related to who knows you and for what. These factors can be related to fame, celebrity, and reputation. These resources are dynamically interrelated, require investments of money and time to be acquired, improved, and maintained in order to generate profits.

A business owner who lacks these forms of capital has a deficiency, not an advantage. In fact, cultural capital sets up the foundation for the desire and the ability to become an entrepreneur in terms of values, attitudes, and, beliefs that encourage business ownership. Instead, social capital shapes an effective network which is able to gain and develop new resources and additional abilities. All these capitals are culturally-acquired and class-linked.

At this point, Ivan Light and Léo-Paul Dana, the Authors of this volume, began to investigate how these forms of capital evolved in different historical contexts, assuming that in the early period of capitalism, cultural capital was a rare resource and its lack represents a limitation to access on business ownership and that social capital, in contemporary capitalism, is scarce but, whether abundant, would encourage to become self-employed.

In Europe, capitalism came about during the Sixteenth Century simultaneously with the Protestant Reformation guided by Martin Luther. The Reformation has profoundly affected the relationship between religion and the economy, especially regarding the interpretation of work and business success related to religious merits. In other words, the successful business enjoyed God's approval and lead to salvation; poverty is God's disfavour and would inherit damnation.

The advent of a business-friendly culture led to an increase in the sense of entrepreneurship and generated a high-quality labour force of co-religious.

In the Catholic view, capitalism was immoral and Jew's activities of lend money without performing any work were considered outrageous.

In fact, for Catholics, entrepreneurial profits were the result of investments in the entrepreneur's skills and labour. Nevertheless, Jew's cultural capital and social capital were fundamental for the development of capitalism, especially for Italy. Jews owned strong social capital developed through the diaspora and could count on solid cultural capital in terms of skills and competencies developed in synagogues. However, strong social and cultural capital, without, religious legitimation, transformed the Jewish business activities the objective on which pour society's fury.

Five centuries later, on Kodiak Island, Aleuts (an indigenous group) benefited from strong social capital; despite this, it was not enough to encourage entrepreneurship. In fact, the Authors sustained that even if social capital promotes entrepreneurship, the business activities are encouraged only when supported by vocational culture directed to commercial entrepreneurship.

The advent of capitalism in Islamic countries has brought numerous changes in the economic and social context given that looking for profit was considered immoral and a threat to social order and ethical behavior. Therefore, to respond to capitalism challenges, numerous remedies had been undertaken to protect communities from the market economy. For example, the Memos of Karachi, the most entrepreneurial community in Pakistan, has sought to harmonize capitalism with religious requirements by interpreting the figure of the business owner as an honest person that follows Islamic values and beliefs rather than its vanities or material ambition. Hence, Memo's entrepreneurship was community-derived and it depended more on social capital than cultural capital.

During the time-frame 1970-1980, numerous Koreans moved to Los Angeles and built an empire made of independent businesses covering a wide range of activities, from retail to service and manufacturing industries. Korean immigrants to run these small businesses strongly relied on financial resources provided by ROSCA (rotating savings and credit associations). This system of microfinance was based on mutual trust and social bonds and represented the main support for the development of Korean entrepreneurship.

As foreigners in Los Angeles, the business success of Koreans was related to well defined cultural capital (since childhood, Korean families taught their child the services provided by ROSCA) and social capital (Korean immigrants social structure was characterized by a high level of solidarity).

The ROSCA system allowed Korean immigrants to access the American financial system but this led to the loss of feelings of solidarity in exchange for accumulation, assimilation, and individualism. After all, past experiences, showed that business success was driven by social and cultural capital.

A question arises spontaneously: It is possible to fail in business just because the entrepreneurs lack social and cultural capital, even if equipped with abundant human and financial resources? This is a complex theme because it is not easy to understand what factors related to dimensions such as education or knowledge can influence the vocational process of starting and managing a business. To respond to this question, the Authors have decided to illustrate the evolution of the business-career of Donald J. Trump, conscious that a single case does not prove a generalization.

The reason for the choice is clear, Donald J. Trump even if had a good education, experience in the real estate industry, financial and human resources provided by his father to run business activities, has not been a successful business owner. Specifically, Donald Trumps' career can be divided into four phases. The first phase (1974-1984) was characterized by numerous successes in the property industry thanks to the active support of his father. After that, between 1985-1990, he undertook huge investments from gambling to airline, by ignoring the advice from his father and financial press that suggested to avoid these expenses. By 1991, Trump failed in almost all the activities in which had bet. Finally, from 1996 to 2005, he decided to abandon the real estate property industry preferring a career in the entertainment and political world.

This happens because Trump, unlike his father (a successful businessman who emigrated from Germany), had different cultural and social sources on which built his business-idea. In fact, Donald Trump was encouraged since his childhood to grow up with a narcissistic personality, with the need to be admired and by ignoring people's opinions. Instead, his father was a self-made business-man and did not grow up in a well-off environment. Moreover, Trump, unlike his father, was not involved in the German immigrant community as well as did not join philanthropic, civic, religious or political organizations.

Therefore, comparing with his father, Donald Trump was social and cultural undercapitalized and, these lack led to his bankruptcy. However, the Authors, to deeply understand the role of social and cultural capital undercapitalization in the entrepreneur bankruptcy, suggest analysing other cases of failed entrepreneurs amply endowed with human and financial capital.

Over history, capitalism was always subjected to numerous criticisms. From the Reformation promoted by Martin Luther to social Darwinism (in the Gilded Age), the free-market was seen as immoral. However, as in the past, also Darwinism found a way to avoid capitalism's bad reputation by recognizing the entrepreneur's figure as pivotal for the development of society and wellbeing. Hence, the entrepreneur is an agent of Mother Nature, that despite his (probable) misconduct, result to be essential for social and economic progress. Based on this concept, Joseph Schumpeter elaborated the notions of "leader" and "superman" as ideal of his heroic entrepreneur. Spinning off from that approach, especially in the United States, entrepreneurs become cultural icons. From the twentieth century, thanks to the birth of training business courses, public opinion started to recognize the figure of the entrepreneur as a real job. This public acknowledgment was spread all over the world, especially in the United States, which started to support and appreciate the activity of small business owners to the detriment of big companies. The reason why small businesses were more legitimated than big companies, is related to the process of social capital formation. In fact, local businesses were able to established quality and trustful relationships with their customers by avoiding opportunistic behaviours and the creation of this social network encourage the development of small businesses.

To date, in advanced capitalism, the most persistent entrepreneurs are those who retain strong community ties. In contrast, if lacking social capital, elite entrepreneurs rely on money. Generally, small and medium businesses strongly rely on social capital in terms of communities' ties that offer business owners essential information, guidance, additional resources, competitiveness, and legitimation. Instead, big companies are able to acquire the same advantages coming from strong social capital thanks to abundant economic and financial resources.

With this volume, the Authors highlight two models of entrepreneurship: the short model and the long model. The short model relies on the idea that money, for business owners, are the pivotal source to acquire commodities accessible in the market. Therefore, all resources are fully monetized and available for purchase on the price-making market. Conversely, the long model of business ownership, consider resources such as the entrepreneur's team social, cultural, and symbolic capital the most important for business success.