

The Microtheory of Innovative Entrepreneurship

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Abstract

Entrepreneurs are widely recognised for the vital contributions they make to economic growth and general welfare, yet until fairly recently entrepreneurship was not considered worthy of serious economic study. Today, progress has been made to integrate entrepreneurship into macroeconomics but, until now the entrepreneur has almost completely been excluded from microeconomics and standard theoretical models of the firm. «The Microtheory of Innovative Entrepreneurship» provides a framework for introducing entrepreneurship into mainstream microtheory and incorporating the activities of entrepreneurs, inventors, and managers into standard models of the firm. William Baumol distinguishes between the innovative entrepreneur, who comes up with new ideas and puts them into practice and the replicative entrepreneur, who can be anyone who launches a new business venture, regardless of whether similar ventures already exist. Baumol puts forward a quasiformal theoretical analysis of the innovative entrepreneur's influential role in economic life. In doing so, he opens the way to bringing innovative entrepreneurship into the accepted body of mainstream microeconomics and offers valuable insights that can

be used to design more effective policies. «The Microtheory of Innovative Entrepreneurship» lays the foundation for a new kind of microtheory that reflects the innovative entrepreneur's importance to economic growth and prosperity. The journal publishes chapter 1, «Entrepreneurship in Economic Theory: Reasons for Its Absence and Goals for Its Restoration», in which the author summarises the main reasons why formal economic theory ignores the role of innovative entrepreneurs in economic growth. In addition, Baumol identifies the key issues to which the proposed theory of entrepreneurship, as he argues, is intended to find solutions.

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