

Frederick Lavington on Entrepreneurship: Theory, Reality, and Normative Behaviour

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Frederick Lavington (1881–1927) played a significant role as a node between Marshall's and Keynes's eras. While Marshall trusted the concept of an individual chivalrous entrepreneur, Keynes no longer depended on such an individual and placed his hopes on the semi-autonomous bodies guided by public authorities. Although Lavington was a devotedly orthodox Marshallian, he was also the developer of a revolutionary theory which he presented in the transition period of two important economic figures. He recognised an inherent instability in the modern economies of his time but still held an optimistic view of capitalism. Lavington relied on able entrepreneurs as a group, who he believed could eliminate the contradictions between individual rational calculations and collective disturbing consequences.

Lavington's insights on capitalism can be un-

derstood as a threefold-layer structure, at the core of which is an entrepreneur. This structure comprises the following: (1) theory construction, related to revolutionary devices to be led to liquidity preference and portfolio selection; (2) contemporary recognition, related to the trade cycle; and (3) normative behaviour, related to leaders in industry. The first is concerned with rational behaviour under uncertainty; the second, with unexpected disturbances; the third, with a coordination problem: if the captains of industry work well in business organizations, the gap between the micro- and macro-layers tends to reduce.

Although he was very close to Keynes in points (1) and (2), Lavington shared almost the same view as Marshall on point (3). This duality made evaluations on him extremely difficult.

JEL Classification: B 10, B 31, L 16.