

# Employees and Entrepreneurship

Co-ordination and Spontaneity in  
Non-hierarchical Business Organizations

---

Ivan Pongracic, Jr.

*Associate Professor of Economics and William E. Hibbs/  
Ludwig von Mises Chair in Economics, Hillsdale College, USA*

NEW THINKING IN POLITICAL ECONOMY

**Edward Elgar**

Cheltenham, UK • Northampton, MA, USA

# Contents

---

<i>Series editor's foreword by Peter Boettke</i>	vii
<i>Foreword by Frederic Sautet</i>	ix
<i>Acknowledgments</i>	xi
1. Introduction	1
Understanding decentralization developments	4
The pros and cons of decentralization	8
Modern economic theory of the firm and decentralization	15
Outline of the book	16
2. The hierarchical theory of the firm	20
Coase's theory of the firm	21
Williamson's continued development of the Coasian research program	24
3. The knowledge problem in firms	42
The institutional taxonomy	45
The knowledge problem in firms	51
Decentralized decision-making through hierarchical flattening	59
The organizational tradeoff between co-ordination and innovation	68
Foss's critique of intra-firm decentralization	72
Seeking creativity within firms	85
Conclusion	87
4. Spontaneous order in decentralized firms	92
What motivates employees?	93
Spontaneous order within decentralized firms	103
Conclusion	109
5. Employees as creative agents	114
Entrepreneurship and creativity	114
The process of entrepreneurial decision-making and judgment derivation	116
Creativity and imagination	119
Creativity, judgment and delegation	121
Conclusion	123

6. Conclusion	127
<i>Bibliography</i>	132
<i>Index</i>	139