

The *Ursprung* of entrepreneurship in *The Founder*¹

“Mere variation on previous notions . . . will get us nowhere. . . . The bridges are lacking; the leaps have not been carried out.”²

“add as many mail coaches as you please, you will never get a railroad that way.”³

It's 1954 and Ray Kroc, age 52, is on the road selling restaurant equipment. This trip he's in Missouri pitching the “Prince Castle brand five-spindle Multimixer with patented direct-drive electric motor;” with which device the owner of a drive-in “could greatly increase your ability to produce delicious, frosty milkshakes fast.” Ray identifies the problem the Multimixer can remedy: “You see, your customers, they know that if they order a shake from your establishment, it's going to be a terrific wait. They've ordered one before, and by golly they're not going to make that mistake again. But if you had” etc., then the owner would be selling more than he could shake a stick at.

No sale. The Multimixer is not moving despite its being a good idea and “You're a bright, forward-thinking fella who knows a good idea when he hears it.” Ray is offering drive-in owners a machine to ‘grow their business’ but they're rejecting it. Why? One answer emerges later in the movie: a fivefold increase in milkshakes requires a fivefold increase in milk and ice cream, with a commensurate increase in refrigerated storage space – already an out-sized cost-point. A fivefold increase in sales of milkshake makes sense if there is a concomitant increase in sales of everything else; but the Multimixer alone will not deliver that. Ray is selling growth but the owners see that only ‘correlated growth’ will work, and they lack either the will or the capital to undertake it.

As Ray drives to his next appointment he passes a billboard with the legend ‘Time for a change?’ Change of fortune is long overdue for Ray as he doggedly pursues the triumph

¹ 2016, dir. John Lee Hancock; original screenplay by Robert Siegel.

² Martin Heidegger, *Contributions to Philosophy (Of the Event)* (tr. Richard Rojcewicz and Daniela Vallega-Neu 2012).

³ *Aber man vermehre die Postkutschen soviel man will, nie erwächst eine Eisenbahn daraus.* Joseph A. Schumpeter, “Entwicklung [1932?],” tr. Markus C. Becker and Thorbjørn Knudsen as “Development,” 43 *Journal of Economic Literature* 108, 115 (2005). See also Joseph A. Schumpeter, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle* (2nd ed. 1926; tr. Redvers Opie 1934; Transaction repr. 1983) 64, fn. 1: “Add successively as many mail coaches as you please, you will never get a railway thereby.” Schumpeter added this sentence in English to Opie's translation; it does not appear in either German edition.

(his word) that still eludes him. After years of hard work and persistence he can add only more of the same in those dimensions and they have not been enough. He needs not more of the same but a breakthrough. The breakthrough starts when his secretary tells him a California drive-in has ordered *six* Multimixers. This must have been a mistake – no drive-in sells thirty milkshakes at a time. Ray calls them up to straighten it out. Dick MacDonald tells him on the phone Yes, it was probably a mistake, “Better make it eight.”

Schumpeter made a fundamental distinction between economic growth (*Wachstum*) and economic development (*Entwicklung*). Mere growth (*das bloße Wachstum*), he writes, “calls forth no new phenomena [*ruft keine qualitativ neuen Erscheinungen hervor*], but only processes of adaptation” to conditions as they change. Development, by contrast, “consists primarily in employing existing resources in a different way, in doing new things with them.”⁴

“To produce [*produzieren*] means to combine materials and forces within our reach. To produce other things, or the same things by a different method, means to combine these materials and forces differently. In so far as the ‘new combination’ [*die neue Kombination*] may in time grow out of the old by continuous adjustment in small steps, there is certainly change [*Veränderung*], possibly growth [*Wachstum*], but neither a new phenomenon nor development in our sense. In so far as this is not the case, and the new combinations appear discontinuously, then the phenomenon characterising development emerges. . . . Development in our sense is then determined by the carrying out of new combinations [*Durchsetzung neuer Kombinationen*].”⁵

Ray drives across the country to San Bernardino to get a look at McDonald’s operation. He’s astounded at the speed of the service, the quality of the food, and the crowd of happy customers. The MacDonald brothers give him a tour of the kitchen: more astonishment. Ray takes Mac and Dick out to dinner to hear their story.

They describe for Ray their “overnight sensation thirty years in the making.” A key step was to orient the business away from the grungy drive-in model to create “a family-friendly environment.” Also to eliminate low-sale menu items and shed cost-points like carhops, dishware, and “a less than desirable clientele” – “hot rodders and hooligans, juvenile delinquents in blue jeans.” Most important of all to cut “the wait”: “Orders

⁴ *The Theory of Economic Development* 63, 68.

⁵ *Id.* 65-66.

ready in 30 seconds, not 30 minutes.” It becomes clear in the course of the telling – mostly done by Mac – that Dick is the idea man. Dick’s brightest in a series of bright ideas was to apply Taylor’s principles⁶ – though he may never have heard of Taylorism – to ergonomic layout of the kitchen and task-management of the employees: “choreographing like it’s some sort of crazy burger-ballet. . . . A symphony of efficiency. Not a wasted motion. . . . *Ta-da*. The Speedee System is born. The world’s first-ever system designed to deliver food fast. It’s totally revolutionary.” Back home in Illinois Ray will describe to his wife what he has seen as “like something sprung from the mind of Henry Ford.”

Schumpeter writes that “the entrepreneur and his function are not difficult to conceptualize: the defining characteristic is simply the doing of new things or the doing of things that are already being done in a new way (innovation).”⁷ One sort of ‘new combination’ in Schumpeter’s sense is “The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.”⁸ Before the MacDonalds successfully implemented it – call it Taylorism or Fordism or ‘the American system of manufacturing’ – the Speedee System had never been “tested by experience in the branch of manufacture concerned,” the drive-in restaurant business. Schumpeter specifies a second kind of ‘new combination’ as “The introduction of a new good – that is one with which customers are not yet familiar – or of a new quality of good.”⁹ The MacDonalds introduced to drive-in fare the new qualities of consistent product and speed of delivery; the phenomenon of ‘fast food.’

Ray tries to interest the brothers in franchising the business. They turn him down, saying that they’ve tried it and it’s almost impossible to maintain quality control from afar. They’re not interested in expanding beyond the five locations they’ve already established: “And that’s all there’ll ever be.” A picture on the wall of their office catches Ray’s eye. “What’s that?” Mac: “It’s a way to make the place stand out when you’re driving past.” Dick: “ ‘The Golden Arches’ I call ‘em.” The brothers have installed the arches at only one location, Phoenix.

⁶ Frederick Winslow Taylor, *The Principles of Scientific Management* (1911).

⁷ Joseph Schumpeter, “The Creative Response in Economic History,” *7 The Journal of Economic History* 149, 151 (1947); repr. in Joseph A. Schumpeter, *Essays on Entrepreneurs, Innovations, Business Cycles, and the Evolution of Capitalism* (ed. Richard V. Clemence 1951; repr. ed. 1989) 223.

⁸ *The Theory of Economic Development* 66.

⁹ *Ibid.*

Driving back east on Route 66 Ray turns south to Phoenix and pulls up to the MacDonald's location at night, after closing. He gets out of the car and gazes at the illuminated arches glowing against the black sky. He stands rapt *in der Anwesenheit ihres Scheinens*.¹⁰

Later Ray is on the road again failing to sell Multimixers and resolves to give it one last shot with the brothers. Showing up at the San Bernardino location Ray says to them "Do it for your country. If you boys don't want to franchise for yourselves, that's fine. Do it for your country. Do it for America." Cut to the office where Ray is standing and the brothers are seated, looking sceptical. Ray makes the pitch of his life:

"You know I drove through a lot of towns, lot of small towns. And they all had two things in common. They had a courthouse and they had a church. On top of the church, got a cross, and on top of the courthouse they'd have a flag. Flags, crosses. Crosses, flags. Driving around I just cannot stop thinking about this tremendous restaurant. Now at the risk of sounding blasphemous, forgive me, but those arches have a lot in common with those buildings. The building with a cross on top, what is that? It's a gathering place where decent, wholesome people come together and they share values protected by that American flag. It could be said that the beautiful building flanked by those arches signifies more or less the same thing. It doesn't just say 'Delicious hamburgers inside.' They signify family, signifies community, it's a place where *Americans* come together to break bread. I am telling you that MacDonald's can be the new American church. Feeding bodies and feeding souls and it ain't just open on Sundays, boys. It's open seven days a week. Crosses, flags, [gesturing connection between the two] arches."¹¹

Mac excuses Ray from the office so that he can speak to Dick in private. The door closes and Mac turns to his brother to say "This is your dream. It's bigger than your dream. It's your arches, coast to coast." Ray's cast has hooked the brothers. He has

¹⁰ Martin Heidegger, *Was Heisst Denken?* (1954) 8.

¹¹ 'Crosses, flags, gestured-connection-arches' is a cinematic priamel: "a focusing or selecting device in which one or more terms serve as foil for the point of particular interest." Elroy L. Bundy, *Studia Pindarica* (1962) (5)/7. <https://escholarship.org/uc/item/2g79p68q>. Ray's priamel takes the simple form of what West calls Augmented Triad; e.g. βίος . . . τερπνόν . . . χρυσῆς Ἀφροδίτης. See M. L. West, *Indo-European Poetry and Myth* (2007) 117-119. I see (or hallucinate) an isomorphism between Ray's concluding priamel and that concluding *Pythian* 1:

τὸ δὲ παθεῖν εὖ πρῶτον ἄθλων: εὖ δ' ἀκούειν δευτέρα μοῖρ': ἀμφοτέροισι δ' ἀνὴρ
ὃς ἂν ἐγκύρση, καὶ ἔλη, στέφανον ὕψιστον δέδεκται. "The first of prizes is good fortune; the second is to be well spoken of; but a man who encounters and wins both has received the highest garland."
Tr. Diane Arnson Svarlien (1990).

successfully articulated a ‘new combination,’ The New American Church of the Golden Arches. His *Tempel-werk* begins.¹²

‘Temple-work’ because

“ὁ τέκτων is the one who brings forth, the one who places-forth and sets-forth something in the unconcealed and sets it into the open. This setting-forth in the manner of bringing-forth is carried out in the human—for example, in building, hewing, and molding. ὁ τέκτων lies in the word ‘architect.’ Something issues and projects-forth from the architect, who is the ἀρχή of a τεκεῖν and who guides it—as in, for example, the bringing-forth of a temple.”¹³

The final ‘new combination’ of the story comes with Ray’s trip to the bank to get an extension of his mortgage loan because even with the franchise-management deal he’s still not making money. Harry Sonneborn, VP of finance for Tastee-Freez Corp., overhears the conversation in the bank, tells Ray he’s seen the crowds of customers at the McDonald’s Waukegan location, and that “If you’re not making money hand over fist, something’s terribly wrong.” Ray takes Harry to his office to look over the books. After reviewing the basic franchise arrangement Sonneborn asks, “Tell me about the land.” Sonneborn listens to Ray and then recaps: “So the operator selects the site. He picks the property. You provide the training, the system, the operational know-how and he is responsible for the rest.” Ray: “Is there a problem?” Harry: “A big one. You don’t seem to realize what business you’re in. You’re not in the burger business. [proleptically] You’re in the real estate business.” Harry then pitches a ‘new combination’:

“You don’t build an empire [*sic*] off a 1.4% cut of a 15 cent hamburger. You build it by owning the land on which that burger is cooked. What you ought to be doing is buying up plots of land then turning around and leasing said plots to franchisees. Who as a condition of their deal should be permitted to lease from you, and you alone. This will provide you with two things: one, a steady up-front revenue stream, money flows in

¹² That this Prophet’s first instinct is not the loving fellowship of the table is later evident in his break-up call with the brothers when Ray tells Mac: “I want to win. I want to *take* the future. . . . Business is war. It’s dog eat dog, rat eat rat. If my competitor were drowning I’d walk over and I’d put a hose right in his mouth. Can you say the same?” Sketching the entrepreneurial type Schumpeter comments, “Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself.” *The Theory of Economic Development* 93.

¹³ Martin Heidegger, *Heraclitus: The Inception of Occidental Thinking and Logic: Heraclitus’s Doctrine of the Logos* (tr. Julia Goesser Assaiante and S. Montgomery Ewegen 2018) 154.

before the first stake is in the ground; two, greater capital for expansion, which in turn fuels further land acquisition, which in turn fuels further expansion, and so on, and so on. Land. That's where the money is. And more than that, control. Control over the franchisee. Fail to uphold quality standards, you cancel their lease. Control over Dick and Mac. End result: you'll have the banks and the franchisees in the palm of your hand."

Empire is Ray's dream. Thus the birth of Ray and Harry's Franchise Realty Corporation, the rapid spread of MacDonald's across seventeen states, and ultimately Ray's 2.7 million dollar buy-out of the brothers who deserved a break that day – they didn't get it.

Of notions like Harry Sonneborn's Schumpeter says, "Here the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done."¹⁴ Sonneborn saw another kind of 'new combination' as described by Schumpeter: "The carrying out of the new organization of any industry;"¹⁵ "enterprise that consists in reorganizing an industry;"¹⁶ i.e., reorienting the franchise industry's distribution of power back to the 'seigneurial order' of feudalism.¹⁷ An end-title tells us that "Today, McDonald's is one of the largest real estate holders in the world."¹⁸

In his publications on entrepreneurship Schumpeter emphasized that "it is particularly important to distinguish the entrepreneur from the 'inventor.' . . . there is no necessary

¹⁴ *The Theory of Economic Development* 85. Cf. "But each decision grounds itself upon something unmastered, concealed, bringing-to-err, otherwise it would not be a decision." Martin Heidegger, *The Origin of the Work of Art* (tr. Roger Berkowitz and Philippe Nonet 2006) 38.

¹⁵ *The Theory of Economic Development* 66.

¹⁶ "The Creative Response in Economic History" 153; *Essays* 225.

¹⁷ " 'Seisin' as a noun is a late derivative of the verb. A tenant was seised by a lord, not as a modern delivery of property but as one side of the feudal arrangement. The other side was the tenant's obligations; and if he failed in these the lord might disesse him. . . . what matters is that the disciplinary jurisdiction is exercisable on the lord's own authority and without writ. . . . In these cases Glanvill repeatedly says that the lord may act *sine breui* or *sine precepto* of the king or the chief justiciar or the justices . . . By the end of the thirteenth century, tenure has been drained of all the life implied in [a lord's] *justiciare*, an organic life in which tenement and dues are interdependent and kept in balance by the lord's court. . . . What had really been lost was an altogether different distribution of power and an altogether different framework of ideas." S. F. C. Milsom, *The Legal Framework of English Feudalism* (1976) 24-26, 34-35.

¹⁸ "First of all, there is the dream and the will [of the entrepreneur] to found a private kingdom, usually, though not necessarily, also a dynasty. The modern world really does not know any such positions, but what may be attained by industrial or commercial success is still the nearest approach to medieval lordship possible to modern man." *The Theory of Economic Development* 93.

connection between the two functions. The inventor produces ideas, the entrepreneur ‘gets things done,’ which may but need not embody anything that is scientifically new.”¹⁹ But mustn’t a ‘new combination’ embody *something* new, *some* innovation? In his published work Schumpeter passes over the question of just how ‘the new’ arises, sometimes writing as if *καὶνὰ* are present as Gibsonian affordances: “New possibilities are continuously being offered by the surrounding world, in particular new discoveries are continuously being added to the existing store of knowledge.”²⁰

Yet entrepreneurial performance, as he says again and again, depends on “the ability to perceive new opportunities that cannot be proved at the moment at which action has to be taken . . . action upon flashes or hunches.”²¹ Heidegger, we recall, taught that “τέχνη is what pertains intimately to all bringing-forth in the sense of human setting-forth. If bringing-forth (τεκεῖν) is a setting into the unconcealed (i.e., the world), then τέχνη means the knowledge of the unconcealed and the ways of attaining, obtaining, and implementing it.”²²

Schumpeter never published “*Entwicklung*,”²³ his only essay to focus on the pure-and-simple occurrence of the new – *das Auftreten des neuen schlechtweg* – on the new construct as such – *der Neugestaltung als solche* – no matter what *Gestalt das Neue* might take, whether new interpretation (*neuen Auffassungsweise*) or new technique (*neuen Technik*). In the unpublished “*Entwicklung*” he emphasizes “the fundamental importance of novel phenomena” and claims that “such phenomena are essentially similar in all of the social sciences;” again that “there is no difference between novelty in the economy and elsewhere.”²⁴

So then from the perspective of “*Entwicklung*” any difference between entrepreneur and inventor is negligible. There is a necessary connection between the two: each is a *καινοποιός*, able to take what is present as present-otherwise, to see the main chance, to sense *καιρός* in plain circumstances. “*Technē* is a mode of *alētheuein*,” Heidegger writes; “It reveals whatever does not bring itself forth and does not yet lie here before

¹⁹ “The Creative Response in Economic History” 152; *Essays* 224.

²⁰ *The Theory of Economic Development* 79.

²¹ “The Creative Response in Economic History” 157; *Essays* 229.

²² *Heraclitus* 154. The word τέχνη names “a way of knowing,” *eine Weise des Wissens*. And “To know is: to have seen, in the wide sense of seeing that says: to perceive what is present as present [*vernehmen des Anwesenden als eines solchen*].” *The Origin of the Work of Art* 42.

²³ For the story of its discovery in 1993 see the editors’ introduction to “Development.”

²⁴ “Development” 114.

us, whatever can look and turn out now one way and now another.”²⁵ Furthermore, “The still-veiled essential feature of the essence of ἐπιστήμη and τέχνη consists in their relation to the unconcealment of what is and what can be.”²⁶ By ‘entrepreneur’ Schumpeter does not mean so much a physical person as a function,²⁷ “the bearer of the mechanism of change,”²⁸ vehicle of the mode of *alētheuein* as unconcealment of what can be. Just as Heidegger says of the artist, “almost like a self-destructing thoroughway [*selbst vernichtender Durchgang*] for the coming forth [*Hervorgang*] of the work.”²⁹

In “*Entwicklung*” Schumpeter specifies *das Neue* as discontinuity, a break with ‘before’: “The change transmuted one imprinted form [*eine geprägte Form*] into another one must represent a crack [*Riß*], a jerk [*Ruck*], or a leap [*Sprung*].”³⁰ So also Heidegger claims that “The institution of truth in the work is the bringing-forth of such a being as before then was not yet, and afterwards will be never more. . . . Such a bringing-forth is creation [*Solches Hervorbringen ist das Schaffen*].”³¹

Schumpeter admits his early choice of the word *Entwicklung* was misleading – implying as it does incremental change by ongoing adjustment; whereas the phenomenon he has in mind cannot be explained in that way: “When starting from the old form, the new one must *not* be reachable by adaptation in small steps.” Novelty, ‘development’ in Schumpeter’s sense, is “*transition from one norm of the economic system to another norm in such a way that this transition cannot be decomposed into infinitesimal steps.*” Norm-transitions are “steps between which there is no strictly continuous path.” Only where “a leap-like [*Sprungweise*] change of the norm occurs” do we find the phenomenon of economic development.³²

²⁵ Martin Heidegger, “The Question Concerning Technology” in *The Question Concerning Technology and Other Essays* (tr. William Lovitt 1977) 13.

²⁶ *Heraclitus* 155.

²⁷ “Economic Theory and Entrepreneurial History” in *Essays* 268.

²⁸ “one of the most annoying misunderstandings that arose out of the first edition of this book was that this theory of development neglects all historical factors of change except one, namely the individuality of entrepreneurs. If my representation were intended to be as the objection assumes, it would obviously be nonsense. But it is not at all concerned with the concrete factors of change, but with the method by which these work, with the *mechanism of change*. The ‘entrepreneur’ is merely the bearer of the mechanism of change. And I have taken account not of one factor of historical change, but of none.” *The Theory of Economic Development* 61 fn. 1; Schumpeter’s italics.

²⁹ *The Origin of the Work of Art* 24; translation slightly modified.

³⁰ “Development” 113.

³¹ *The Origin of the Work of Art* 45.

³² “Development” 114-115, his italics. Schumpeter conceives of “all the concrete relationships of the concrete data that correspond to the Walrasian system as similar to a matrix whose elements will have to be interpreted as the components of a vector.” He refers to this as the ‘norm’ of the economy. *Id.* 114.

Now Heidegger claims that “To the essence of the work [of art] belongs the happening of truth” and that truth “happens in a few essential ways.” “*Beauty (Schönheit) is one way in which truth as unconcealedness **west**.*” If “Another way in which truth *west* is the deed that grounds a state,”³³ then yet another way is the deed – or series of deeds – that founds an enterprise. “The truth opening itself up in the work is never to be proven or deduced out of the hitherto [*aus dem Bisherigen*]. The hitherto in its exclusive [*ausschließlichen*] actuality is refuted [*widerlegt*] by the work.”³⁴

In his different idiom Schumpeter says the same: the ‘new combination’ breaks with the tried-and-true, and thereby risks failure; most entrepreneurs fail.³⁵ The successes refute the hitherto’s exclusive actuality by bringing a viable new thing into the world.³⁶ “To spring something, to bring it in a founding spring, out of the provenance of its essence into being, that is what the word *Ursprung*, primordial spring, means.”³⁷ And that is what Schumpeter meant by *Unternehmertum* as the carrying out of new combinations, as calling forth qualitatively new phenomena. “Carrying out a new plan and acting according to an established one are things as different as making a road and walking along it.”³⁸

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³³ *The Origin of the Work of Art* 45, 38, 39, 45.

³⁴ *Id.* 58.

³⁵ “The gains of the successful entrepreneur and of the capitalists who finance him . . . should be related not to his effort and their loan but to the effort and the loans of all the entrepreneurs and capitalists who made attempts and loss. The presence of gains to enterprise so great as to impress us as spectacular and, from the standpoint of society, irrational is then seen to be compatible with a negative return to entrepreneurs and financing capitalists as a group.” “The Creative Response in Economic History” 156; *Essays* 228.

³⁶ “the ‘new thing’ need not be spectacular or of historic importance. It need not be Bessemer steel or the explosion motor. It can be the Deerfoot sausage.” *Id.* 151; *Essays* 223. Or the Swing-N-Whack: “part weed-whacker, part sand wedge: Now you can trim your lawn and take shots off your short game with the same device.” *Father of Invention* (dir. Trent Cooper 2010).

³⁷ *The Origin of the Work of Art* 60.

³⁸ *The Theory of Economic Development* 85.