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A Portrait of the Chinese Entrepreneur

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1 Introduction

It has been increasingly recognised that entrepreneurship plays a crucial role in successful economies. The Schumpeterian approach to growth (Aghion and Howitt, 1997) advances the view that entrepreneurial dynamism is the key to innovation and growth. A growing body of research also emphasizes the role of entrepreneurs and the development of a vibrant small and medium-sized enterprise sector in the process of economic development (World Bank, 2003). Understanding the factors that enable or hinder entrepreneurial activity is thus at the heart of our research.

Paradoxically, entrepreneurship is an under-researched topic in the social sciences, especially in economics. It was not always so. Schumpeter (1934) discusses the role of the entrepreneur in the process of economic development at length. He imagines the entrepreneur as a creative, driven individual who finds ‘new combinations of [factors] of production’ to develop a new product, corner a new market, or design a new technology. Schumpeter speculates about the psyche of the archetypal entrepreneur: he is motivated by a ‘dream to find a private kingdom, or dynasty . . . [driven by] the impulse to fight, to prove oneself superior to others, to succeed for the sake of . . . success itself’.

In mainstream economics, however, entrepreneurship has never played a central role. For decades, the main focus of economics has been on the allocation of resources and how this is achieved by markets or by governments. It is only recently with the revival of interest in the question of economic growth that Schumpeter’s views have acquired greater salience. Empirical research on entrepreneurship in economics is surprisingly limited.1

In a broad sense, there are three distinct perspectives on entrepreneurship in the social sciences. The first is the institutional perspective emphasized by

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economists and political economists. This focuses on the role of economic, political, and legal institutions in fostering or restricting entrepreneurship in different countries at various times. Particularly relevant institutional constraints are seen in two aspects. One aspect has to do with the credit market in financing entrepreneurial activities. For example, a major body of research in economic development stressed the role of credit constraints making it impossible for the poor to borrow to set up their own businesses (Banerjee and Newman, 1993). Another aspect dealt with security of property rights in providing the right incentives for entrepreneurs. For instance, the literature on transition from socialism to capitalism emphasized the importance of institutions securing property rights (for example, Johnson, McMillan and Woodruff, 2002; Roland, 2000, Che and Qian, 1998) and the nefarious role of predatory behaviour by government bureaucrats (Djankov et al., 2002), and organized crime (Frye and Zhuravskaya, 2000; Roland and Verdier, 2003). Security of property rights is also an increasingly important theme in the development literature (Acemoglu, Robinson and Johnson, 2002; De Soto, 2000; Besley, 1995).

The second perspective focuses on the sociological variables that shape entrepreneurship. Sociologists have long emphasized the role of values (Cochran, 1971) and social networks (Young, 1971) in promoting or discouraging entrepreneurial activities. Social networks work through a variety of channels, such as family, relatives, friends, or social groups in general.

The third perspective on entrepreneurship emphasizes the individual characteristics of entrepreneurs. For example, psychologists have hypothesized about the psychological traits associated with entrepreneurs – such as a personal need for achievement (McClellan, 1961), belief in the effect of personal effort on outcomes (McGhee and Crandall, 1968; Lao, 1970), attitudes towards risk and individual self-confidence (Liles, 1974). Personal characteristics of entrepreneurs are also a major theme of recent work by Lazear (2002), who used the survey data from Stanford University MBA graduates and found that those with more jobs and shorter job tenure before graduate school were most likely to become entrepreneurs afterwards. He concludes that individuals who become entrepreneurs have a special ability to acquire general skills, which they then apply to their own businesses.

The current project studies entrepreneurship from these three perspectives using a new data set to be collected from several developing countries, including some countries in transition from socialism. Our general plan is to conduct surveys in five large developing countries located in all major continents – Brazil, Russia, India, Nigeria, and China, or BRINC for short. There are several reasons why we chose to study entrepreneurship in these countries. First, they are among the largest emerging economies in the world and are located in all major continents. In particular, Brazil, Russia, India and China are currently perceived as the world’s major growth engines. Second, entrepreneurship is only emerging in transition economies (and it