



The industrial revolution and beyond

Two hundred years of entrepreneurship and “dis-entrepreneurship” in a small Scottish town

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269

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Abstract

Purpose – To examine empirically a previously overlooked aspect of entrepreneurship: community “dis-entrepreneurship”. Through the lens of political and historical theory, the authors propose learning from unusual circumstances of failure in order to inform social policy regarding factors that facilitate community entrepreneurship.

Design/methodology/approach – The paper draws on political and economic theory, formulating propositions that are tested using interpretive methods.

Findings – Strong patron-client relations were found to negatively impact the formation of diversity and meritocracy necessary for entrepreneurial environments to thrive. They also account for an inward orientation that negatively influenced investments in infrastructure. Path dependent processes were found to hold sway regarding the stability of political/social norms.

Originality/value – This is the first paper of which the authors are aware that considers issues related to community dis-entrepreneurship. The paper highlights the importance of effective community leadership.

Keywords Management technique, History, Entrepreneurs, Economic development

Paper type Research paper

The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. . . If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage (Smith, Book IV, Section ii).

As the great Scotsman, Adam Smith (originally from Fife, the region of this case study), pointed out, countries are by no means equal, yielding differential outputs and comparative advantage. They vary considerably in terms of their resource endowments, including natural and social (human and social capital) as well as their environmental and geographic specifications, their historical framework, and their method of organization. Today, the study of how individuals maximize the utilization of these various resources occurs primarily in schools of business in the subject area of entrepreneurship.



As a field, Entrepreneurship has expanded at a considerable pace within the academic community (Katz, 2003). The academic history of entrepreneurial thought includes foundations in both classical and neoclassical economics, as well as multidisciplinary frameworks (Murphy *et al.*, 2006). For the most part, environmental perspectives have followed population ecology and network frameworks (Hannan and Freeman, 1977; Murphy *et al.*, 2006) examining births, deaths and density, as well as ethnic entrepreneurship (Bonacich, 1972; Light and Gold, 2000). Location is important not only in terms of the comparative advantage of physical resources, but also regarding social factors. Enclave entrepreneurship, for example, bounded by a certain location, results from a high population of co-ethnics who rely almost entirely on local resources (Light and Bonacich, 1988; Light and Gold, 2000; Waldinger *et al.*, 1999). In other environments, linkages between ethnic groups in different parts of the world provide a useful mixture of talent and capital (Drori *et al.*, 2006; Saxenian and Hsu, 2001). Other factors thought to produce regional economic development include the proliferation of regional inter-firm networks, said to account for the continued dynamism of Silicon Valley (Saxenian, 1991).

Thus, considerable attention continues to be focused on environments observed to be economically successful, dynamic, and creative. As a result, legions of scholars traipse off to California's Silicon Valley to study its history, institutions, networks, and idiosyncrasies, in the hope of recreating a new high-technology answer to Adam Smith's call for contemporary comparative advantage. Well studied, a Google scholar search for "Silicon Valley" yields over 53,000 citations on the subject. As a result, there are over 50 "silicon" examples, ranging from Israel's Silicon Wadi to New York's Silicon Alley, from India's Silicon Plateau to Scotland's Silicon Glen.

From an alternative perspective, considerable research examines nation-states, communities, and sub-populations that are found "wanting". Underdevelopment is a term used to identify a range of factors including poverty, poor access to health care, education, political stability, gender equality, safety, and a host of other concerns (McCloskey, 2003). The considerably robust field of development studies includes development economics, the sociology of development, and the vast array of activities conducted by the World Bank, the African Development Bank, the UN and UNESCO, and various bilateral and multilateral organizations and NGOs too numerous to mention.

The subject of this study is not to review the now copious wealth of literature concerning development studies, be they of successful (siliconization) or unsuccessful (poorly performing LDC's). Rather, it is to examine a largely overlooked area of the landscape: communities that temporarily demonstrated successful social and economic success, but subsequently regressed, or appear to have cycled through periods marked by unusual comparative success and unusual comparative failure. Taking the lead from Diamond's (2005) recent work "Collapse" this paper examines and attempts to explain the causes of community "dis-entrepreneurship". The objective is to learn from unusual circumstances of failure, in order to inform social policy regarding factors that facilitate community entrepreneurship.

Institutional and organizational diversity and the impact of patronage

Economic development is an historical process of social evolution reflecting considerable organizational diversity. Diversity is required because technological and organizational innovation are both uncertain, requiring considerable

experimentation (Rosenberg, 1994). The failure to experiment and diversify is certainly one of the primary reasons for the comparable failure of centrally planned economies. The institutional evolution that laid the groundwork for contemporary regional development took place only gradually, beginning with the Roman Collegium, the ancestor of the modern corporation, evolving into craft guilds, and finally into joint-stock companies in the sixteenth century. The most critical institutions related to entrepreneurship that have evolved include limited liability, share ownership, stock markets, insurance, and defined principal-agent responsibility (Rosenberg and Birdzell, 1986).

Essential to the growth and prosperity of new institutions was a high-degree of political autonomy throughout Europe (Rosenberg, 1994; Jay, 2000). Institutions, such as parliament, were a necessary counter-force against the concentration of power and authority conferred by the feudal system, monarchies and the church. It was necessary for authority to decentralize in order to share the risks and rewards of any particular economic investment. Labour had to be free of obligation and mobile in order to develop and maximize new technologies, enhancing the importance of towns and markets where specializations flourished. Property rights in Britain, universally established beginning with the Magna Carta, had to be assured in order to justify the time, cost, and energy of investment.

Thus, political decentralization was, and continues to be, an essential ingredient of economic prosperity. Decentralization, characterized by the growth of parliaments, craft and trade unions, labour migration, and some degree of economic and social mobility, account for the successful organizational diversity necessary for entrepreneurship to thrive. This dynamism was particularly evident during the industrial revolution, when entrepreneurs discovered niche opportunities that allowed them to accumulate wealth and even rival the aristocracy (Murphy *et al.*, 2006). Thus, enabling a meritocracy represents a critical component to establishing and maintaining a dynamic entrepreneurial environment.

A counter-model to decentralized flexible dynamic, and entrepreneurship-friendly systems include those that are centralized, comparatively rigid, and based on patronage, nobility, and caste.

A system of patronage is a well-known model likely to impede the growth of organizational heterogeneity necessary for entrepreneurial growth. It consists of a reciprocity system where someone in a higher socio-economic position (the patron) offers handouts, protection, or benefits in return for reciprocal assistance, including personal services, to the patron (Scott, 1972). It is thus characterized by an imbalance of exchange favoring the patron (Blau, 1964), occurring when the patron is in a position to provide exclusive services or goods rare or unobtainable elsewhere (Blau, 1964). For example, kings may offer peasants protection, the church religious salvation, and landlords property. The degree of compliance is determined by the exclusivity of the exchange. Patrons may build networks of patron-client ties by using unique skills and knowledge, direct control of property, and indirect control of property (Scott, 1972). Once established, it is in the interests of patrons to maintain stability ensuring that patron-client bonds endure. In strong patron-client systems, dynamic environments which alter the class and socio-political status of potential entrepreneurs will thus be discouraged, and sometimes impossible to forge.

Once political systems are established, they change with great difficulty due to path dependence. Path dependence, a well-known feature of economics, is said to account for the success of inferior services or products, such as the VHC camcorder, as well as the QWERTY keyboard (David, 1985). It may also account for the apparent persistence of sub-optimal political systems. Once a region or country has started down a particular course, it may be difficult or impossible to change direction. From a political science point of view, much of politics involves struggles over the authority to establish rules, that, once in place, may provide returns leading to a single equilibrium (Pierson, 2000). Thus, path dependence can account for political stability in regimes that otherwise, would not warrant such stability based on efficiency grounds. Thus, in order to fully understand this process over time, including the impact of path dependence, social scientists need to utilize the techniques of historical research (Pierson, 2000; Sewell, 2005).

The setting: Scotland; the county of Fife

The contribution of Scotland to the global economy in the eighteenth and nineteenth centuries was immense. Despite comparative poverty, the highly literate Scottish population, including the likes of Adam Smith and David Hume, produced many of the foundation stones for classical liberalism (Herman, 2001). It was at the University of Glasgow, that James Watt perfected the steam engine, opening the floodgates to the industrial revolution. In more recent times, devolution has failed to yield a significant economic catalyst. Scottish economic growth during the past decade has lagged behind the UK by 1 per cent, while many manufacturing jobs, including high technology in Silicon Glen, have moved to lower-cost countries (*Economist*, 2006). This cycle, one of considerable influence and novelty, followed by regression and comparative ineptitude, can be seen with repeated regularity in the Scottish economic landscape.

For this study, we examine a fairly representative locale in the Scottish Central Belt. The county of Fife lies about midway along the eastern coast, with light soils and many bogs and unimproved moors. As described by one Scottish king, Fife is “a beggar’s mantle fringed with gold” (Lenman, 1977, p. 25). Fife is also somewhat isolated:

... bounded on the north, south and east by the wide estuaries of the river Tay and the Forth with the steep Ochils the west, [Fife] was largely isolated from the rest of Scotland (Steel, 1975).

With some notable exceptions, Fife has historically suffered from being relatively poor in resources. Owing to the waterlogged nature of the bogs, much of the low ground in the region was not in cultivation until more sophisticated drainage technologies were employed in the nineteenth century. Given the limited range of easily exploitable natural resources, fishing and agriculture were principal industries in many areas. From the medieval period, salmon was an important resource and herring was exported to the continent. As the fishing industry developed over the period, fishertowns and villages sprang up in Fife to supply the growing towns and fishing became more specialized (Scottish Fisheries Museum, 2005). Similarly, the growth of grains and whisky manufacture in Fife were important to particular communities from the late medieval period:

Fife was for centuries the coveted and jealously guarded granary of Scotland, and local whisky distilling traditions were plentiful. Nearby [Ladybank] the earliest written record of

Scotch Whisky production, dating from 1494, stated that Friar Corr ordered ‘eight bolls of malt that to make of aquae vitae’.

Within sight of the distillery lived Colonel Haig of the famous Haig whisky dynasty. The Haigs established a whisky revolution by installing continuous stills at their Seggie distillery and at one time Fife had five operational Distilleries and even more numerous Maltings ... (*Ladybank News*, 2006).

Like fishing, whisky distillation is no longer a robust source of employment in recent times. Specific examples of mono-industries in Fife indicate a sporadic and uneven pattern of economic and entrepreneurial development at the regional level.

The development of the flax and woollen industry was central to Fife’s economic base during the industrial revolution. One reoccurring theme of the Scottish business environment over time is the apparent ambivalence on the part of government regarding encouragement or support policies for business activity. This was certainly the case regarding the growth of the Scottish flax industry during the eighteenth century. At times it was discouraged by government, with export duties making it difficult to compete in colonial markets (Whyte, 1995, p. 302). Eventually more enlightened policies were implemented, as Scottish export (stamped) linen production rose from 3.5 million yards in 1728 to 9 million in the 1750s, and exports to America rose from 92,000 yards in 1744 to over 2 million in 1760 (Whyte, 1995, p. 303). Ultimately, the linen industry played itself out in Scotland, necessitating innovation and further investment in other textiles such as wool, cotton and jute.

A significant component of the Scottish textile industry was jute manufacture, which until after the Second World War was concentrated in Dundee, opposite Fife on the River Tay. The jute fibre was imported from Bengal, and manufactured for the lowest possible price in a number of locations worldwide. For many decades of the nineteenth and twentieth centuries, Dundee was the principal producer of jute. The reasons for Dundee’s pre-eminence in jute are twofold. Firstly, Dundee had an established textile industry, whereby there were numerous mills and factories with equipment which could be easily converted from linen manufacture to jute manufacture (Carmichael, 1890, p. 99). Secondly, Dundee had a prominent whaling industry, which uniquely provided Dundonian jute producers with access to whale oil. The development of the practice of mixing water with whale oil (later substituted by mineral oil) to soften the jute facilitated production. Hence, regional advantages in resources and application of innovation maximized entrepreneurial opportunities in the jute industry. As a product, jute was used for traditional bags of agricultural produce, and later for carpeting and the bottom of linoleum tiles. By the 1830s, carpeting was being manufactured around Dundee, and shortly thereafter bags were exported worldwide. By 1880, Dundee’s Cox Brother’s Camperdown had the largest jute factory in the world, with 5,000 employees. Backed by jute, the synthesis of linseed and cork yielded linoleum, which was developed in Kirkcaldy, Fife in the 1870s. A few large firms were established producing linoleum in the Kirkcaldy region taking advantage of the unique supply of locally manufactured inputs. The industry, although it persisted in Fife, was negatively impacted by foreign tariffs, to the point whereby larger firms established factories in North America and in Continental Europe (Lenman, 1977, p. 184).

The royal burgh of Newburgh

The royal burgh of Newburgh is located in north Fife on the southerly banks of the River Tay, seven miles northwest of Ladybank. For over a millennium it has had a settlement or a village on the present site, initially founded as an Abbey in the twelfth century. Owing to the region's relative proximity to Edinburgh, as well as cheaper land prices, small estates were established in the region as early as the twelfth century. Many included tower houses, a few of which are still standing (Lenman, 1977).

During the eighteenth century, Newburgh, situated on the Tay, was one of the two main ports in the county handling flax. The local growth and production of flax was Newburgh's staple industry for more than two centuries. Flax spinning and hand-loom weaving provided an artisan class with relative wealth and status. However, until the end of the eighteenth century, there were no publicly constructed roads in Newburgh. Roads linking Newburgh to the remainder of Fife were primitive. A contemporary source noted:

The parish, and in particular, the town of Newburgh, labours under several disadvantages. The country near it, on the south, is hilly, thinly inhabited, and badly provided with roads. Trade being already established at Perth and Dundee, militates against its speedy acquisition of commercial consequence . . . the town of Newburgh [has been] long poor . . . (Sinclair, 1793)

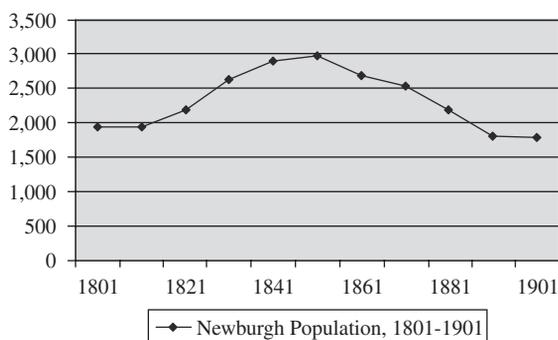
Newburgh's landscape has also affected its potential for population growth. A steep hillside, flood plains, and the Tay surround Newburgh, providing a sense of being an enclave. Isolated as a consequence of geographical location and inadequate transport links, Newburgh has tended to suffer from peripheralisation. This may be one other explanation of a swinging pendulum regarding entrepreneurship, in comparison with other parts of Fife and Scotland.

In the nineteenth century, Newburgh, like other Royal Burghs in Fife, was a centre for linen manufacture and salmon fishing. The pre-eminence of the linen industry shaped the evolution of Newburgh's economic progress and failures. In 1833, 564 looms were making linens for 13 small firms, largely from homespun yarn. A diversified economy (manufacturing, fishing, agriculture) led to periodic periods of prosperity and growth.

Despite its economic diversity, Newburgh's *ad hoc* entrepreneurial development in the nineteenth and twentieth centuries is contrasted by its failure to retain its population. Demographically, Newburgh presents somewhat of an anomaly, both in comparison to Scotland, as well as to the region of Fife. The population of Newburgh in the nineteenth century peaked in 1841, subsequently falling below the level reached one hundred years before, as shown in Figure 1.

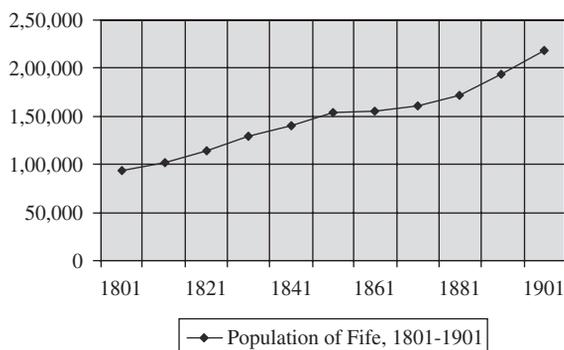
In contrast, during the same period, the population in greater Fife grew monotonically, as shown in the Figure 2.

This trend, a gradual increase in population for the surrounding area, and a flat or falling population in Newburgh, continued throughout the twentieth century until the present time. This is just one indication that Newburgh presents an unusual portrait of community development, even in comparison to its immediate neighbours in Eastern Scotland.



Source: BPP. Census Scotland, 1831, 1841, 1851, 1871, 1891, and 1901

Figure 1.
Newburgh population, 1801-1901



Source: BPP. Census Scotland, 1831, 1841, 1851, 1871, 1891, and 1901

Figure 2.
Population of Fife, 1801-1901

Scotland and the industrial revolution

The first industrial base for Scotland involved textiles, and the woollen trade in particular. Unfortunately, there was limited demand for the type of coarse woollen garments produced in Scotland. Decline was evident by the 1707 union, when trade also suffered from English competition (Campbell, 1980; Hudson, 1989). In part to ward off opposition with Scotland's union with England, the Board of Trustees for Fisheries and Manufactures was established in 1727 to encourage better manufacturing techniques by sending Scotsmen overseas for study[1]. Linen manufacturing, a Scottish tradition and its premier manufacture in the eighteenth century, was one of the beneficiaries of this policy, and exports continued to grow both in England and elsewhere. Initially, quality was quite low (poor raw material, poor manufacturing processes), but some successful mechanization processes were developed and imported from France and Holland, eventually improving the quality and with it, demand. Output increased from 2.2 million yards in 1728 to 24.2 million yards in 1800 (Campbell, 1980, p. 8). With the improvement in Watt's steam engine, steel, textiles, and coal production increased pressure on the Scottish labour markets. Despite mechanisation, Scottish production was very labour intensive, comprising 60 per cent of total costs as late as 1890. Seasonal migration of labour increased over the period, particularly from Ireland. While a majority of Irish

immigrants remained in the west coast of Scotland, a significant number of them settled in the east coast of Scotland, including Fife, and Dundee in particular. By 1871, the Irish-born comprised 6 per cent of the population of Scotland (Campbell, 1980, p. 16). The collective expertise in linen manufacture among migrant Irish labourers directly impacted regions wherein they settled in larger concentrations.

One significant difference between Scotland and England during the industrial revolution was the importance of Scottish burghs (small towns) such as Newburgh. In England, the importance of the guild system along with medieval social structures was rapidly disappearing by the seventeenth century. However, in Scotland the Convention of Royal Burghs continued to hold considerable influence in government, and received monopolies on trading, leading to a somewhat more urban diffusion of manufacturing in Scotland as late as 1790 (Hudson, 1989, p. 234). Surrounding these Royal Burghs were smaller towns that provided some of the labour and raw materials necessary for the industry – either linen or wool. The delegation and concentration of economic interests to burgh leaders, including the financing, organizing, and marketing, may be one explanation for the apparent failure of a consistent competitive climate to become established in Scotland. Thus, rather than an entrepreneurial or business class developing, as happened periodically in England and in North America, political pedigree and economic power moved hand-in-hand, rarely allowing for diversity or competing interests.

One additional Scottish textile industry worth noting is that of the cotton industry. During the nineteenth century, it was subject to severe boom and bust cycles lasting approximately ten years. The industry was most active in the Glasgow region, focusing on cotton spinning, weaving, although thread production was concentrated around Paisley (Knox, 1995). It was not until the latter part of the nineteenth century that competition in the linen and cotton industry began to seriously jeopardize Scottish industry. In particular, the move towards a more generalized cotton production created competition from cheaper labour markets, in particular Lancashire, Europe, and the USA. Between 1861 and 1871, the number of spindles and the labour employed in Scotland was reduced by one quarter (Campbell, 1980, p. 57). Some scholars blame the failure of the textile industry, the first British industry to exhibit wide scale decline, on the combination of increasingly restrictive labour relationships, inefficient investment in capital equipment, and poor management (Knox, 1995).

Industrial and business development in Newburgh

Following the wholesale export of the textile industry to India throughout the late nineteenth and early twentieth century, Fife fell into economic depression, but not without various entrepreneurial attempts. A net and buoy factory was opened in 1859, and the Tayside Linoleum Company was introduced to Newburgh in 1891. Newburgh enjoyed the reputation as a holiday resort at the turn of the century, when pleasure steamers came from Dundee. In more recent times, the economy has resumed its decline. The region continues to be one of the poorest and most economically disadvantaged areas of the UK. Thus, despite various short-term successes in the linen and linoleum trades, Newburgh's industrial history is quite chequered.

The variability of economic prosperity, a virtual historical roller coaster, raises important questions concerning Newburgh's inability to develop long-standing viable enterprises. During certain historical periods, circumstances (e.g. "rare events" as in

the industrial revolution) the citizens of Newburgh organized themselves to bring about considerable economic development and infrastructure, echoing Smith's call for comparative advantage. During subsequent periods (perhaps due to other "rare events") the population of Newburgh failed even to match the anaemic progress of their neighbouring communities.

The first census specifically mentioning the occupations of Newburgh took place in 1801. Out of a total population of 1,936,448 people were listed in trade, manufacturing, or handicraft; 30 were employed in agriculture, and 1,458 were unclassified (Genealogical Society, 1959). Thus, 93 per cent of those classified were in trade, manufacturing or handicraft, 6 per cent in agriculture. In the 1991 census, manufacturing led with 20 per cent, distribution and catering at 22 per cent, construction at 14 per cent, and agriculture at 4 per cent, suggesting an occupational pattern quite similar to the roles nearly two hundred years before (GRO, 2001).

Despite the importance of linen as a contribution to Newburgh's economy, the production method remained somewhat backward. For example, while there were 40 power looms in operation in nearby Kirkcaldy as early as 1821, and power loom usage in Dundee by 1828, it was not until 1872 that the first power loom was employed in Newburgh (Laing, 1872), while the burgh's economic stability hinged upon the production of linen for most of the nineteenth century, trade was a significant mechanism in Newburgh's accumulation of wealth. An instance of this was the exporting of locally fished salmon. Sir John Sinclair explained:

Salmon fishing was a considerable source of wealth to all who have property in the river. [For instance,] a proprietor of one part of the channel drew £200 sterling per annum rent for the use by fishermen. What enables the fishermen to pay such high rents is the great price which salmon bring in the London trade (Sinclair, 1793, p. 665).

Its main source of employment being salmon and sprat fishing, Newburgh's quay was quite busy. At the peak of the fishing industry, 40 boats were in service [2]. In the latter decades of the nineteenth century, there was a boom in municipal building, coupled by an increase in secondary businesses and services. In addition to several bakeries, grocers, and hotels, there were reportedly 35 pubs. The disproportionately large number of drinking establishments can be viewed as an indication of economic troubles in the area. The correlation between unemployment or underemployment, poverty and alcohol consumption was prevalent in this period. The role of secondary businesses and services in Newburgh proved to be the most stable in an experimental period of entrepreneurship. Transportation had continued to figure as a major impediment to the development of Newburgh. As observed in 1872:

The Newburgh (linen) manufacturers purchased almost all the yarn they required from Dundee, which was then brought weekly to the market, by sellers who bought it up in small parcels from spinners in the country. There was then no public conveyance of any kind, to Dundee, excepting a small sailing sloop, which went irregularly as the tide answered. The consequence was that the manufacturers walked to what was then called the Waterside (now Newport), a distance of fifteen miles, summer and winter weekly, and back the same day. The only mode of crossing the river at that time was in small pinnaces; and in stormy weather the passage was often extremely hazardous. The first voyage made by a steam vessel from Dundee to Newburgh was on the 4th April 1814 (Laing, 1872).

Although the railway came to Newburgh in 1848, the surrounding topography meant the station had to be at quite a high level on the slopes, and nowhere near the waterfront. It has been observed that the absence of a rail link to the harbour contributed to the latter's demise over the century that followed (undiscoveredscotland, 2006)[1]. Throughout the post-war period, the quay was increasingly less used, in part due to its shallow depth, as well as the lack of transportation links. The closure of the rail line in the 1950s precipitated an overall decline in Newburgh's economy, from which it has yet to emerge. Of note is that while the train regularly passes through the abandoned station in Newburgh on the way to Perth, it no longer stops, seemingly underscoring the peripheralisation of the town. Figure 3 shows employment in select relevant industries for Fife, between 1841-1961:

Entrepreneurship in Newburgh

Entrepreneurship in Newburgh initially consisted of an amalgamation of the weavers who operated throughout the eighteenth century. By the 1830s, manufacturing had been consolidated such that only 13 individuals employed most of Newburgh's 564 looms (Pearson and Pearson, 1998).

Several entrepreneurial ventures emerged in the last four decades of the nineteenth century, which largely impacted the infrastructure of Newburgh's economy in the twentieth century. After making his wealth in the oilskin, net and buoy factory in Cellardyke, Robert Watson opened a branch in Newburgh in 1859. This industry was shortlived, however.

In 1891, the Tayside Linoleum Company was introduced to Newburgh. Emulating the successful linoleum trade in Kirrkaldy, linoleum manufacture slowly replaced weaving as the main industry. This was a good strategic business for the people of Newburgh.

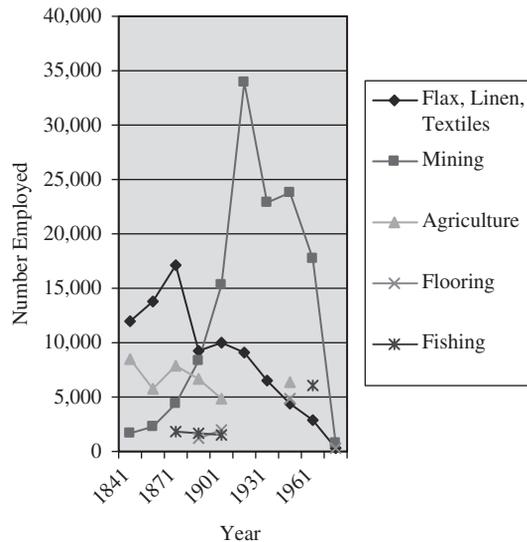


Figure 3.
Select industries, Fife
1841-1971

Source: BPP. Census of Scotland. 1841, 1851, 1871, 1881, 1891, 1901, 1911, 1921, 1931, 1951 and 1971

Proximity to Dundee and transport on the Tay assured a ready supply of the necessary raw materials at fairly competitive prices. The initial design and printing required plenty of skilful but not inordinately demanding human capital. A ready market existed due to the centrality of Kirckaldy in a trade whose production was limited to a few locations worldwide. Besides, linen had played itself out by this time, and was prone to severe fluctuations and outpaced by competition in the rest of Fife and Ireland. The over-dependence on a single industry would prove disastrous, however, as in the 1970s, the linoleum factory was destroyed by fire.

The few instances of entrepreneurial experimentation similarly ended in disaster. Newburgh invested in tourism for more than a quarter of a century, with pleasure steamers arriving from Dundee. However, during the interwar period the pleasure steamer industry began its decline as a consequence of prolonged trade depression and unemployment. With the advent of the touring bus and more sophisticated travel destinations becoming available, pleasure steamers ceased in the post-war period. Although more successful in the long-term, specific industries such as quarrying and transport have tended to be taken over and operated by outsiders. Taken as a whole, the various attempts to inject stability and industry in Newburgh failed to achieve long-lasting effects. We represent the timeline regarding the founding of Newburgh in Table I.

Disentrepreneurship in Newburgh

Economic development is by no means a uni-directional process. Although the incidence of winners and losers in the industrial age was fairly common, dramatic decline after periods of extreme wealth indicates a problem for entrepreneurship. In 1900, Argentina was one of the ten wealthiest countries in the world, although it is currently classified as a developing country. In the case of Argentina, however, it was not so much due to regression as a failure to grow with the world economy, particularly after the Second World War. The effect of being outpaced by competing markets has resulted in a specific set of regionally-driven economic problems in Argentina. Newburgh presents a case of a different sort, and for this, the term “disentrepreneurship” is most relevant. Disentrepreneurship is when a community creates, either systematically or by accident, an environment unsuitable for the establishment or sustainability of existing entrepreneurial activities. It may do this through public policy initiatives that penalize or prohibit entrepreneurial activities, by promoting cultural values and norms that discourage entrepreneurship, or by failing to create the required legal, institutional, and structural environment necessary for entrepreneurship to become established.

Newburgh has, at times, done quite well in comparison with its neighbours, and at times, much worse. One interesting facet of Newburgh’s history is it appears to consistently have suffered from a leadership/identity crisis. For example, in 1631 Newburgh established itself as a Royal Burgh, as did neighbouring towns such as Cupar, Ladybank, and St Andrews. Most royal burghs were sea ports created by the crown with a burgh charter confirming their rights, and represented in the Parliament of Scotland. Newburgh, however, failed to send a representative – and lost its rights with the Union of 1707 to send an MP to Parliament. In a legal document regarding a court debate in 1843, it becomes apparent that it still was not clear whether Newburgh was a Royal Burgh, or a Burgh of Regality. They lacked a representative in Parliament,

Year	Event
1266	Ecclesiastical burgh of Newburgh chartered
Late twelfth century	David, Earl of Huntingdon founded the Tironensian Abbey of Lindores
Thirteenth century	Lindores Castle built (later vanished)
Fourteenth century	Courtyard Castle of Ballinbreich was built on the shore
1473	New church built in Newburgh where most of the parishioners lived
1526	School in Newburgh opens
1631	Newburgh becomes a Royal Burgh
Eighteenth century	Point that at this point in time, there was no dock in Newburgh. Flax from Dundee was landed for local use and for dispatch to Auchtermuchty
1750	Roy's map surveyed that there was a made road
1780	Reference to Newburgh as a "poor country village" its main industry being the handloom weaving of linen
1790s	Newburgh quay used by Perth traders, whose own port had silted up. Lime, potatoes, and pit props were shipped and coal imported from as far as Sunderland
	30 public houses in Newburgh in this period
1793	Post office opens
1799	Contemporary source, Heron, observed: "Newburgh is a village of nearly 1,600 inhabitants with some share of trade and manufactures". (Its has been pointed out that Newburgh remained essentially a one-street town.) (Smith, 2001, p. 629).
1833	564 looms were making linens for 13 small firms, largely from homespun yarn
1848	Ladybank to Perth section of the Edinburgh and Northern Railway opens
1859	Robert Watson of the oilskin, net and buoy factory of Cellardyke opened a branch in Newburgh
1862	Sheetings made; pieces bleached by John Hendry at Clunie bleachfields (Clunie is in Perthshire)
1869	The boatyard, which built small wooden vessels of up to 260 tons failed under Scrimgeour
1870	Most adult residents in Newburgh still handloom weavers, a trade in rapid decline
1891	Tayside Linoleum Company was founded by Thomas Stalker Greig, former employee of Kirckaldy firm Shepherd and Beveridge. The company had one factory located on the south bank of the Tay.
1900	Sewer system installed
1914	Until the First World War, a ferry plied across the Tay to Port Allen
1930s/1940s	Closure of pleasure steamers sailing between Dundee and Perth
1955	Railway passenger service withdrawn
1980	Linoleum works close. Watson's Fabrics continuing to operate
	Point that only the facilities of a large village remained
1988	Quay practically disused
1991	Affluent retired element to village. With the closure of the former Fife bus garage by its new owners, Stagecoach of Perth, 20 jobs lost
1992	Quarry taken over and operated by Tarmac Roadstone
1995	Watson's was closed; a new factory was built by Newburgh Clothing and Textiles Ltd
1998	Tay Salmon Fishing Company closes down

Table I.
Timeline: Royal Burgh of
Newburgh

which was one of the key features of being a Royal Burgh. The document concludes that Newburgh was NOT classified as a Royal Burgh, allowing them to use land as a collateral for a local bond issue (B54/10/13, 1843) (The money is used to build a new marketplace and granary, as well as for general town improvements).

Another critical dimension related to disentrepreneurship is the issue of transportation and access. During the eighteenth and nineteenth centuries the town was one of the two main ports in the county handling flax. Newburgh quay was used by Perth traders, whose own port had silted up (Perth is now a much larger and economically viable town to the west of Newburgh). Lime, grain and potatoes, the latter from Kinross, Strathearn, and surrounding districts, were shipped on to London, and coal was imported from as far as North-East England. Unfortunately, the harbour was rather shallow, and cargo boats had to wait for the tide to change. A result of the construction of the Tay Rail Bridge in 1878, taller vessels had to unload their cargo in Dundee before proceeding up river. Consequently, Newburgh's quay lost potential trade. With the linoleum factor one of the last to utilize it, minimal efforts were made to dredge the harbour; it eventually fell into disuse. Minimally accessible by water in the late twentieth century, Newburgh became further isolated from British trade links due to the closure of its railway in the 1950s.

Newburgh's weak transportation links resulted from a protracted period of economic decline and inadequate investment. An attempt to revitalise smaller railways in eastern Scotland, the mainline railway London and North Eastern Railway (LNER) absorbed the Edinburgh, Perth and Dundee Railway and the Newburgh and North Fife Railway in the interwar period (Nisbet, 2003, pp. 679-686). Unfortunately, the benefits of consolidation were short-lived. A combination of the economic effects of the Second World War, outdated stock, increased competition from the auto industry in the post-war years, and poor management left smaller railways throughout Britain acutely starved of funds. A radical attempt to resolve the railway problem, Parliament passed the 1947 Transport Act, which gave the British Transport Commission (BTC) ultimate control of the railways and other forms of public transport. It can be argued that nationalisation of the railways did not resolve the long-term economic problems for several reasons. Firstly, Whitehall failed to adequately invest in the railways. For instance, in the 1950s, the railways in Britain were making an annual loss of £22 million, whereas the government poured £212 million into schemes to modernise the road network. Secondly, the Conservative Government were primarily interested in restoring profitability in the 1960s. Appointed by the Tories to examine the British Railway system, the under-qualified Dr Beeching proposed the withdrawal of 266 services, the modification of 71 lines, and the closure of 2,363 stations (Beeching, 1963). In 1965 alone, 1,071 miles of railway were closed (Loft, 2001, p. 80). The closure of railways magnified the problem of peripheralisation in certain areas such as Fife because Beeching had not investigated the larger arena of transportation. Consequently, bus services to and from smaller towns such as Newburgh have remained hopelessly inadequate over the past 40 years. Cut off from the rest of Britain's main transportation links, Newburgh's relative inaccessibility has exacerbated its economic decline in the late twentieth century.

Taken from another perspective, the Newburgh line very nearly closed in the 1930s as the direct route from Edinburgh to Perth went via Kinross, and local traffic on the Newburgh route, hardly warranted a service. Stops at small local stations delay long

distance trains and the railways must compete with long distance buses and even airlines. Thus, local stations such as Newburgh remain an inconvenience, the line through Newburgh chiefly being used by long distance trains. Even running a mixed service of local and long distance trains is complex as nearby pinch points are close to capacity. Efficiently serving Newburgh would require new track, or new signaling. Given Newburgh's location, and dependence on rail traffic for competitive advantage, a more politicized local government would have to argue forcefully, and successfully, for the provision of subsidization, the life-blood link to their economy. As with many outlying communities, including remote islands (Fauklands, Orkney, Skye, Islay) and isolated regions (Northern Ireland), successful political mobilization continues to drive centralized political decisions regarding access and transportation. Unfortunately for Newburgh, no such political lobby appeared to successfully intervene.

By 1950, the plight of unemployment in Newburgh was well recognized, even by its neighbours in Fife. A brochure produced by the council states emphatically:

In order to ensure the future industrial prosperity of the Howe of Fife, towns and villages, including the Burgh of Newburgh, both the County Council and Town Councils are in agreement that land should be made available for industrial development. The Development Plan for Nirth East Fife, prepared under the Town and Country Planning (Scotland) Act (1947) selects the Royal Burghs of Newburgh and Auchtermuchty as being two of the leading communities in North East Fife where particular encouragement should be given to the development of industry (Fife County Council, 1954).

At this time, only two industries were referenced as existing in Newburgh – oilskin manufacturing (R. Watson & Co) and linoleum (Tayside Floorcloth). Unfortunately, perhaps due to the topography of Newburgh, only 9 acres were made available for industrial development. Most recently:

A 'For Sale' sign appeared in front of Newburgh Clothing and Textiles Ltd last week while staff were on holiday, but management have tried to assure the 20-30 workers that the future of the factory is secure. Following a fortnight's holiday, staff – many of whom have worked there since the factory opened – returned to work in uncertainty as they walked past the sign, and are reluctant to discuss publicly the situation. However, a spokesman for the company said the fact the building was for sale did not mean the end for the business. 'There is absolutely no cause for concern,' he said. 'We don't own the building but we are the sitting tenants. 'We have a future and a lot of orders, we would actually like to attract more employees.' Newburgh and Tay Coast Councillor Andrew Arbuckle said he was concerned for the future of the factory, which mainly employs local women. He said: 'It's the major employer in the town and I hope it has a successful future.' Although the matter wasn't discussed at this week's Newburgh Community Council meeting, secretary Helen Smith added: "There's just so many women work there, some who have been there since it opened about 20 years ago. "Staff are very cautious to talk about it because they feel like they're on a knife edge. "It would be terrible if it closed because there's nowhere else for these people to work ("Concern in Newburgh Over Major Employer," 2005).

What brings on disentrepreneurship?

Using Newburgh as a case study of disentrepreneurship, a number of recurrent themes appear to come to light. Firstly, there has been a consistent leadership void in the community, whereby despite receiving opportunities for recognition and participation in the political process, community leaders elected to look inward. We see this in

the failure to supply a member of Parliament, despite Newburgh being a Royal Burgh, and the ensuing debate over one hundred years later regarding their confusion over their own constitutional legal status. Economic interests, including regional transportation, representation, financing, organizing, and marketing, were all delegated to burgh leaders, with little involvement from the community, labour interests, or the diversity of business interests. The resulting system was biased in favour of patrons, whereby client-residents neither felt they had a voice, nor that they ought to have a voice, in day-to-day administrative and political activities. Indeed, a strong patron is more apt to promote dyadic relationships that create dependencies (Scott, 1972), less likely to promote independent community action or political discourse. It is a well-known method of controlling a population. As Migdal, writing about Latin American village life indicates:

In short, there was an inversely proportional relationship between the development of a strong, effective village social and political organization, on the one hand, and the power of local lords, on the other. The greater the scope of resources controlled, the primacy of those resources and the degree of monopoly of the lord (e.g. hacienda), the less likely was it for a village to create mechanisms to spread risks, perform collective tasks, and ensure compliance. The weaker the lords's control, on the other hand, the stronger was the social and political organization, which provided services to and made demands upon the villager (Migdal, 1974, pp. 42-43).

Such community participation yields commitment that allows for the promotion and evolution of entrepreneurial communities. For example, the factory manager of Tayside Floorcloth, Mr Greig, recruited a pipe major as an employee in the factory on the condition that he start a village band (Pearson and Pearson, 1998). The pipe major thus becomes a factory employee, and his band became contingent on factory sponsorship. With the demise of the factory, the community runs the risk of losing an important cultural marker.

The tension between maintaining an inward versus and outward orientation toward the "outside" world (e.g. the urban environment, globalization) is a well-documented phenomenon undertaken by people as they negotiate their way locally through the global economy. It is not simply a case of conform or fail. Rural peoples may thus be able to move from a primarily inward orientation towards an outward-oriented approach, with the correct balance of structure, authority, and agency (Migdal, 1974). To sum this as a proposition:

P1a. Communities organized with strong patron-client structures will fail to develop the necessary political leverage required to maintain successful entrepreneurial environments.

P1b. Communities organized with strong patron-client structures will fail to develop sufficient diversity in their social and political organizations to maintain successful entrepreneurial environments.

Secondly, our case study demonstrates the consequences of geographical constraints that lead to periperalisation. Newburgh is geographically situated in a rather isolated location. It is bounded by hills on all sides. On the other hand, it does have a number of advantages. It has a small port on the estuary. It is located near craft centres that produced goods whose production and demand rose as the industrial revolution got underway. Proximately to linen, jute, woolen and cotton mills, as well as linoleum, provided distinctive advantages for the small town. Unfortunately, the town failed to

keep abreast of contemporary transportation developments. An efficient road system connecting Newburgh was never implemented, certainly not during its prime production years. Reliance upon the steamer and barges that plied the Tay not only failed due to their demise, but also due to the failure of local interests to invest in the necessary dredging services that would have maintained some centrality to the port. No attempt was ever made to develop a systematic transportation system linking the port with the railway when the railway finally arrived. Furthermore, once the railway arrived, demand was so low it finally fell into disuse and was eventually closed entirely:

- P2.* Geographically isolated communities that fail to implement effective transportation linkages will be unable to maintain successful entrepreneurial environments.

Thirdly, Newburgh tended to concentrate its capital and labour investment in mono-industries rather than diversifying to any great extent. Diversity is another critical component of entrepreneurial communities. Few environments are able to maintain production advantages in any one industry for more than a few decades. In the case of Newburgh, industrialisation killed the handloom weaving industry, and weavers who did not leave their homes to work in small or large mills were the “losers” in the textile industry. As Steel explains:

In 1820, David Blair, the Board of Trustees’ General Surveyor, reported on the depressed state of the linen trade throughout the country. In 1821 he reported full employment in Forfar but continued depression in Fife and Perth ... 1842 and 1847 were very bad years for Fife, especially for the handloom weavers (Steel, 1975).

At its peak, Newburgh maintained, for a brief period, a diverse economic base, consisting of fishing, boat making, tourism, textiles, mining, and linoleum. No industry is immune from competition, and all experience the rise and fall of demand. What is unique in the case of Newburgh is that while the community once prospered in relative terms with an array of businesses, it failed to transform and redevelop those resources when they faded from economic viability. In short, Newburgh entrepreneurs must either have ceased being entrepreneurial, or else they may have left – but the end result is a dearth of variety in the contemporary business environment:

- P3.* Economically vibrant communities must continuously reinvent their strategic advantage(s). Path-dependent systems that impede this process will lead to disentrepreneurship.

Conclusion

We historically examined a typical small town in rural Scotland, attempting to better understand the tides and turns of economic growth, prosperity, and entrepreneurial activities. Our focal question was to gain understanding why a community might have learned to develop all the necessary ingredients for entrepreneurial success at one point in time, only to forget the lessons of their own history in subsequent times. The importance of institutional and organizational diversity, as well as political autonomy, are highlighted as essential ingredients for the development of dynamic entrepreneurial environments.

This study provides a case of a rural environment that, while occasionally comparatively successful, failed to establish the necessary institutional dynamism

required to sustain an entrepreneurial community. A critical component in understanding the Scottish disentrepreneurship in Newburgh is the impact of patron-client relations, as exemplified by the relationship between the frequently absent landowning aristocracy and the remaining population. While class relations continue to be a considerably strong social force in the UK, mobility and the belief in meritocracy not only fuelled the industrial revolution, but also serve to promote entrepreneurship in comparatively more dynamic environments such as London. The further one moves from the metropole, the greater the ability of path dependent processes to ensure stability for outmoded and otherwise dysfunctional institutions. For example, much land ownership in Scotland continues to be concentrated among a relatively privileged and very small group of individuals. Classically feudal forms of community management, including crafting (hereditary tenants of small farms) continue with such persistence that one of the first acts of the modern Scottish Parliament was to enact land reform policies. The double-edged sword of absentee patron landlords and a comparatively centralized authority in London served to discourage the politicization of small community life in Scotland, ensuring the survival of regimes based on strong patron-client relationships. London is either too distant to merit concern, or too powerful to overcome, particularly without a cohesive lobby group or adequate representation. Small communities such as Newburgh failed to invoke or take advantage of new political systems that ensured proportional representation and democratic debate. In the case of Newburgh, founded along the river Tay as an Abbey, traditional patron-client political structures appear to have persisted. Such structures are ripe for path-dependent processes that impede the ability of political systems to adapt to new markets and environments, to encourage diversity, mobility, and the creation of wealth.

Another aspect of the political isolation that thrived in Scottish circles was the inability to thwart or renegotiate hostile trade tariffs, weak local investment, and poor infrastructure. Thus, when circumstances were adequate to support economic development, it was more likely to be the fortunate confluence of events, such as local innovation, economic booms, and an able and motivated labour force that sustained and promoted community entrepreneurship. When concerted efforts were necessary to enhance the public good, such as the development of infrastructure, the Scottish political environment showed its greatest weaknesses. We believe that path-dependent processes, in particular, the persistence of outdated patron-client relationships, represent a critical explanation for this lack of development.

Another consequence of the political enfeeblement through which local Scottish actors necessarily navigated was the resulting tension between maintaining an inward versus an outward orientation toward the rest of the world. While we might like to consider the contemporary nature of globalization as entirely unique, the eighteenth and nineteenth century Scottish faced many familiar geopolitical forces, including technological competition and the outsourcing to lower wage countries that many entrepreneurs must overcome today. Small Scottish communities such as Newburgh were apparently unable to maintain or project an outward orientation, allowing them to fall into various underdevelopment “pits” including a failure to adequately develop infrastructure, to protect their intellectual property, to maintain or develop human capital stock, and to evolve and improve their technological advantages over the long-term.

The need for the continual enhancement of technology is a particularly important ingredient essential for those communities wishing to maintain a competitive

advantage and economic vitality. This study shows that comparatively rural areas can invent and innovate at world-class rates. It also shows that in order for them to sustain an entrepreneurial environment, incentives and commitment to their geographical location are necessary, as are the political and social changes that support mobility, diversity, and community adaptability. Successful Scottish innovations, including textiles and looms, linoleum, and jute, all found new locations in other parts of the world. Unfortunately, they were not replaced by active innovation in new fields – rather – the resources seemed to flow outside Scotland as emigrant entrepreneurs, as well as the local population, followed the examples of absentee aristocratic landlords and vacated, to the benefit of their recipient communities. In short, this study shows that irrespective of the invisible hand of the marketplace, community leadership matters, leadership by example is inescapable, and community learning is an essential component of sustained economic progress. Path-dependent political processes represent one obstacle preventing communities from adapting their institutions to reflect the necessary dynamic changes that enable organizational evolution.

Given the stability of path-dependent systems, entrepreneurs, finding themselves in communities characterized by strong client-patron relations would do well by appealing to broader, regional institutions that frequently trump local oligopolies. There, they are far more likely to encounter agencies and actors that both understand and support their objectives, and are willing to adapt policies in support of economic development. For example, we found that decisions regarding land development in Newburgh were usurped from the local community, and transferred to the regional authority. The local community seemed to have little authority regarding the number, size, and type of housing built, with decisions made counter to their voiced preferences. While no entrepreneur would prefer to counter local preferences, pragmatism suggests they appeal to decision makers, who may not be present in small rural communities. Institutional change frequently occurs in times of crisis, when it is no longer possible to carry on as before. Entrepreneurs who act as catalysts for change may be critical in establishing the types of institutional dynamism necessary for prolonged economic growth.

While the intention of this study is to provide generalizable insight into community disentrepreneurship, our findings are empirically and methodologically limited to one small rural town in Scotland. Only subsequent study of similar phenomenon in other locations can confirm or deny the soundness of our observations. We hope this limited study spurs future scholarship regarding the cyclic nature of community development, and look forward with anticipation to this work.

Notes

1. The Scottish penchant for education has historically been virtually unparalleled, and provides an interesting human capital backdrop for the study of community development. Only recently, the Scottish parliament mandated free University tuition to all Scottish students.
2. In 1988, the Tay Salmon Fishing Company terminated; salmon fishing is currently a small tourist trade in the region.

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