

## **Invention, Entrepreneurship and Prosperity: The Dutch Golden Age**

Topic: Productivity and efficiency II

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The Dutch 16-17th centuries were a period of unprecedented economic prosperity. Since the Dutch economy was and is very small, an important source of growth was bound to be international trade. In this paper we argue that the contributions of entrepreneurship to innovation transcend the standard categories of the creation of new products and processes. Entrepreneurship also creates new modes of trade. The Dutch were the globalization pioneers *avant la lettre*. The same considerations apply to the later decline of the Dutch economy. The rise and decline of the Dutch Republic are well explained by a combination of the traditional Total Factor Productivity (TFP) driver, innovations, and two facets of trade, namely openness and entrepreneurship.