

ENTREPRENEURIAL LEGAL ENVIRONMENT FOR BUSINESS: REVISING THE BUSINESS LAW 101 COURSE

Elizabeth Ricci
Dennis Ridley

ABSTRACT

The typical course in business law begins with the assumption that businesses already exist. It also assumes that facilities that produce final goods and services already exist, do not have to be created, and that business law is concerned with administration and operations in and between these facilities and customers. In reality, all such capital must have been previously created. Its only source must be human capital ideas of imagination and creativity, otherwise known as entrepreneurship. Entrepreneurship, where it succeeds, creates its own demand in the minds of people who do not know what they want until it is shown to them. Therefore, the rule of law must extend property rights so as to minimize risk to the inventor and entrepreneurship. The contribution of this paper is to introduce entrepreneurship via a new capitalism, democracy, rule of law (CDR) model to enhance the beginning university course in business law.

Keywords: Business law; Entrepreneurship; Capitalism; Democracy; Rule of Law.

INTRODUCTION

The standard introductory business law course in the American education system is predominantly described as an overview of the domestic legal system with a desire to develop an understanding of the fundamentals of business law. Those fundamentals focus on the knowledge of the laws surrounding the operation of commercial enterprises in the United States. The aim is generally not to inform students of the method of constructing and operating a commercial enterprise within that framework of laws. The traditional approach has the potential to create a gap in application of those fundamentals. A close analogy is the axiom that American high schools instruct on math and its various fields but fail to instruct on elements on finance and budgeting. The general idea for the pre-existing pedagogy, both in introductory business law and high school math, is that if one knows the rules, they will be able to apply those rules effectively towards future needs whatever they may be. Hence the rules are paramount, and not the actual application. Again, to use another analogy, one can look to the board game *Monopoly*. The traditional business law pedagogy focuses solely on reading the rules to the newly initiated game player without the actual game play. There is no concern for the application of the rules towards any goal, but solely on the understanding of the functionality and nature of the rules. Accordingly, under the traditional business law pedagogy rules trump game play. One is meant to learn to play *Monopoly* not through game play but a memorization of the rules. There is no initial concern for success in the game, solely success in following the rules. Modern pedagogy now suggests that this is not the most favorable path, it is possible to do both: learn the rules while at the same time playing the game. It is argued here that the modern pedagogy builds a stronger business law understanding through an actual comprehension of the application of the rules. Hence, this article explores the adoption of the entrepreneurial legal environment in the business law pedagogy.

To do so, to bring entrepreneurship into the fold of traditional business law pedagogy, the educational system must acknowledge the practicalities of global entrepreneurship and the factors that embrace and impinge upon it. The engine of entrepreneurship rests in ingenuity and creativity, elements of human capital. As such, entrepreneurship has a close relationship with property rights over the fixing of ideas towards new and pre-existing mediums. The actual fostering and protecting of those ideas differ on various levels across the globe, and accounting for the various legal frameworks that the global market presents to entrepreneurs is equally important to the pedagogy.

Entrepreneurship is the process of starting a business, typically a startup company offering an innovative product, process or service (see also Schumpeter, 1928). It is borne out of human ideas of imagination and creativity. Products of the mind. And, a mind once stretched by an original idea never regains its original shape. Entrepreneurship education is largely focused on ushering students toward innovative business opportunities, through the creation or modification of existing businesses. Historically, entrepreneurship courses have been siloed in schools focused on business and management, but there has been a more recent push towards introducing entrepreneurial education in other types of curricula, including engineering, economics, and mathematics (Llaugel and Ridley, 2018; Luryi et al., 2007; Ngnepieba et al., 2018; Ridley, 2016, 2018; Ridley, Davis, and Korovyakovskaya, 2017; Korovyakovskaya and Ridley, 2017). The benefits of incorporating entrepreneurial education into various types of curricula, including the psychology curriculum (de Silva and Ridley, 2020) may therefore further support such societal benefits. The advantage of including entrepreneurship learning into other types of curricula has been very appealing on a societal level, but the process has been slow due to resource and knowledge limitations (Llaugel and Ridley, 2018). Due to the benefits, however, some governments, such as in the Dominican Republic, have supported the introduction of entrepreneurial learning in engineering. Through such governmental support many of the limitations have been overcome.

Recent research demonstrated that the only source of wealth is entrepreneurship systems of Capitalism in the presence of Democracy and Rule of Law (CDR). In practice, capital begins as human capital ideas of imagination and creativity. Successful entrepreneurship requires the uninhibited development of children if they are to become the future entrepreneurs. The result is a capital stock of products and services that raise standards of living. Corrupt dictators tend to suppress the development of entrepreneurs, leading to widespread poverty. Oppressed children, if that is their only exposure, will themselves become oppressors and corrupt dictators, and the cycle continues. The future of entrepreneurship relies on breaking this cycle through the development

of an understanding of CDR and communication of same through instructional curricula. See also Beinhocker (2006) on the origin of wealth.

The remainder of the paper is organized as follows. Section 2 discusses the traditional business law pedagogy. Section 3 focuses on a modern approach that is a modification to that traditional pedagogy. Section 3 contains two subsections. Section 3.1 unpacks the sources of wealth, both intangible and tangible and their application towards the modern pedagogy. Section 3.2 applies a mathematical information theory of business law to introduce entrepreneurship to the pedagogy. Important among this though is the global aim of business law. As such the modern pedagogy is infused with an understanding of how legal systems and property rights differ in around the globe, thus allowing for a global entrepreneurial mindset in conjunction with the application of the information theory. Section 4 provides some concluding remarks and suggestions for future research. A nomenclature is given at the end of the paper to help beginning students understand various terminologies used in entrepreneurial economics and law, particularly the elements of the CDR index.

TRADITIONAL BUSINESS LAW PEDAGOGY

First-time undergraduate business law students enter the classroom with preconceived notions and mixed emotions (Kariyawasam and Low, 2014). Those notions are often reinforced when encountering the business law textbook for the first time. The most common topics covered in a standard business law textbook include: legal theory, foundational statutes, court systems, criminal law, civil litigation, property law, torts, contract law, agency, business formation, governance, ethics, employment law, cyber law, international law, consumer protection, intellectual property, alternative dispute resolution, administrative law, and the Uniform Commercial Code (Alton 2021). Faced with the nature of the material and the preconceived notions, students usually feel nervous, perceive the topic of law as extremely difficult, and potentially doubt their abilities to grasp the subject material (Kariyawasam and Low, 2014). As such, before even the first word is uttered by an instructor the equilibrium has been disrupted.

The equilibrium is further disturbed as the vast majority of business law instructors hold a Juris Doctorate degree (Custin, et al., 2013). Whether consciously or not, business law instructors have a tendency to revert to their law school experience with teaching. As such, the traditional business law class is often taught as if it is a “mini law school”, with the use of the Socratic Method (Custin, et al., 2013). The result of this reversion by instructors is that many first-time undergraduate business law students fail to see the relevancy or application of the course to their business discipline, be it business administration, hospitality, business management, etc. (Custin, et al., 2013). In this traditional pedagogy, students are given abstract laws, rules, regulations, and case law without the ability to cohesively connect with the disciplines in their major or degree field (Custin, et al., 2013).

Combining the disruptions caused by both the material and the presentation, there exists the potential failure to advance important elements of the course. There is presented, the real possibility of students finding the course, unenjoyable, unstimulating, and most important, irrelevant to their personal business futures (Kariyawasam and Low, 2014). The traditional pedagogy, though entrenched, is not sustainable in a consumer driven educational system. The traditional pedagogy is propped up by both the material and the educators. In order to more align business law with its associated disciplines, changes should be made.

A MODERN BUSINESS LAW PEDAGOGY

Infusing the global entrepreneurial spirit into business law pedagogy is key to returning equilibrium to the classroom. Realizing the need for a new approach is not a novel idea. There exist other proposed new paradigms of teaching business law (Wilson and Sipe, 2014). For example, it has been suggested that the correct pedagogy is the preparation of students as future managers as opposed to law students (Lampe, 2006). Yet, it is towards entrepreneurialism that the benefits may be truly reaped from changing course. Entrepreneurism naturally casts a wider net than a limited management aimed approach. A wider net allows for greater impact and more relevancy.

One challenge facing the traditional business law pedagogy is its failure to address the plurality and diversity of the student body (Kariyawasam and Low, 2014). For example, looking at an institution such as Florida State University, “[t]he average age for undergraduate students is 20.7. Students hailed from all 50 states and the District of Columbia. 81.9% of all students were Floridians, and 93.7% were from the United States. Foreign students from more than 130 countries are represented, comprising 4.6% of student enrollment, and 23 foreign countries each contributed 30 or more students.” (<https://www.fsu.edu/about/students.html> 2021). Each of these students come with their own understanding not only of business law, but the underlying elements of entrepreneurship, such as the nature and protections afforded to human capital and the perceived origins and sources of wealth. Understanding these elements of entrepreneurship is key to unlocking its potential to updating the business law pedagogy.

1. The Source of Wealth: Intangible Versus Tangible

In order to explore the source of wealth we examine the factors that determine annual per capita real gross domestic product adjusted for purchasing power parity (G) for all the countries of the world for which there are data (see Ridley, 2017a, 2017b; Ridley and Khan, 2019; Ridley and Llaugel, 2020). The $G=f(C,D,R)$ model for year 2014 data and 79 countries that represent practically all the people in the world is reproduced in the appendix from Ridley (2020a,b). The CDR epistemology comprises a regression model and corresponding vexillographical chart. A capitalist is a person who deploys his personal capital so as to maximize his own benefit. Therefore, every rational person is a capitalist. C is the degree of capitalism practiced in a country. It includes exogenous human capital of imagination and creativity and that which was converted to endogenous capital stock (machines, devices, recordings, knowledge, etc.) from prior years, less depreciation and obsolescence. Exogenous capital represents 85% of total capital. See Ridley and Khan (2019) for the first ever calculation of the value of ideas. Total capital is measured by total market capitalization. It is the amount of capital available for investment. An example of the organization of capital is Wall Street, United States of America (USA). It is not entirely clear that we can measure imagination and creativity in individuals. Still, we think we know expressions of human imagination and creativity when we see them. And, we expect that on

the whole, psychology has a bearing on imagination and creativity (Naylor and Simonds, 2015) and therefore C. R is the degree of rule of law. Rule of law is the opposite of corruption and reflects the degree to which contracts are enforced and property rights are protected. Low property rights, especially corruption repels capital. R creates the stability that attracts capital. This is entirely psychological in that it appeals to trust and confidence in the enforcement of justice. D is the degree to which democracy is practiced and additional pathways are created so as to deploy C optimally. This is entirely psychological in that it appeals to trust and confidence in the partial ownership of ideas.

$$\begin{aligned} &\text{The fitted CDR function is} \\ \text{CDRindex} &= 1.53C + 0.14D + 0.23R - 1.21C \cdot D \cdot R + 0.38N, \\ &\text{where } G = \text{CDRindex}(\text{highest } G - \text{lowest } G) + \text{lowest } G, \\ &\text{highest } G = \$83,066 \text{ and lowest } G = \$1,112. \end{aligned}$$

This function serves as an index for computing G in any year for any country where C, D and R are known, and the highest and lowest G in the world are known. We refer to this model as the CDR model because C, D and R are policy variables and natural resources (N) is not. As shown in Figure 3 in the appendix, all the countries of the world fall approximately on a straight line. When natural resources and latitude (the absolute distance from the equator reflects the effect of geography) are included in the model, 90% of the variation in G is explained. Natural resources contribute 6% and latitude contributes 4%. These are negligible, unlike what is commonly believed to be true. See also, Ebrahim-zadeh, 2003; Auty, 1993; Sachs and Warner, 2001; Ross, 2001; Sala-i-Martin and Subramanian, 2003; Humphreys, 2005; Wadho, 2014 and Ridley, 2017b for discussions on how the natural resource curse can destroy an economy. The CDR contribution to explaining variation in G is $(0.83-0.06)/0.06=13$ times the contribution from N. The residuals (not shown) are random and normally distributed, implying that there is no omitted variables bias.

The implication of the CDR model is that after adjusting for country factors of production, the conversion of C to G is global time invariant. That is, the same for all countries in all years. The conversion process is governed by the laws of natural science. G is not determined by high or low country productivity, but by the amount of capital a country attracts. What is often described as a country's high productivity is actually its ability to attract capital. That brings us to the observation that the only source of wealth is entrepreneurial human capital of imagination and creativity.

Ten percent of the people in the world are rich and ninety percent live on 2 to 3 US dollars per day. Almost invariably, the rich countries are high CDR rule of law democracies and the poor countries are low CDR corrupt dictatorships. See also Acemoglu, Johnson and Robinson (2005); Acemoglu and Robinson (2012); Acemoglu, Naidu, Restrepo and Robinson (2014). High CDR countries are where ideas go to fly. Low CDR countries are where ideas go to die. Even within the high CDR USA, there are students who lack an entrepreneurial family background. They think that the source of wealth is already established in existing factories that are places for the exploitation of workers. They see no relationship to their life. They are discouraged from entrepreneurship (see also Celuch, Bourdeau and Winkel (2017); Tognazzo, Gubitta and Martina 2016)). Adam Smith (1776, 2020) recognized that the real tragedy of the poor is the poverty of their aspirations. The CDR model establishes the source of wealth as human ideas of imagination and creativity (see also <https://cdrindex.blogspot.com/>). When exposed to entrepreneurship and related psychology, through the modified course, even the poorest students might see themselves as potential entrepreneurs (see also Ridley, 2017c; Ridley, 2010). Many brilliant ideas have humble beginnings. Sometimes it is the people who no one imagines anything of, who do the things that no one can imagine!

2. Entrepreneurship: Information Theory of Business Law

Generally speaking, information theory concerns the mathematical treatment of the conceptualized framework governing the transmission of messages via communication systems. Information theory in part encourages efficiency, but also robust communication (Fromer, 2014). There is a desire for the maximization of the best outcomes. Examples of applying information theory exist in many fields. For example, Fromer in discussing its application to copyright law notes that given the aim of inspiring "the production, dissemination, and preservation of knowledge", information theory promotes the idea that copyright law should be focused on increasing "useful forms of redundancy" to achieve these goals.

In business law courses, it is traditionally taught that proper adherence to the rules, regulations, and laws is the prime objective. Topics such as criminal law, ethics, and tort liability reinforce those ideals in the psyche of the business law student. This mentality of adherence to the status quo is at odds with the entrepreneurial spirit, which encourages invention, disruption, and intrigue. It turns out that the best ideas are entrepreneurial, surprising and unexpected. Ideas that are meant to maintain the status quo cannot be innovative and therefore cannot add to economic growth. Commercially, this is counterintuitive. The information theory would suggest that achieving the maximal outcome for business students is to focus on the inventiveness, disruptiveness, and unexpectedness of entrepreneurial endeavors throughout the business law context. The rules, regulations, and case law are not the information, but are the communication systems. The messages should be ingenuity and the focus should be on maximizing that within the business law framework.

The key becomes maximizing that goal within the relationship of the entrepreneurial model. That requires an acknowledgement of the economic growth model. In the CDR economic growth model C is converted to g in the presence of catalysts (Berzelius, 1835) D and R. Signals of ideas containing C must first be heard before they can be evaluated. This is very difficult when the channel of communication is noisy (Gilder, 2013; Romer, 1990). A noisy channel exists when D and R are low and the status quo of corruption and infighting prevails. Ideas go unnoticed. As D and R rise, noise drops, information signals of ideas containing C are communicated and received, R attracts C and D deploys C optimally.

Recent developments in thought pattern recognition by functional magnetic resonance imaging (fMRI) were reported on by Stahl (2019). The patterns are detected, analyzed and color diagramed on a computer display screen. One might think of this as a type of mind reading. The results are independent of native language or cultural background of the subject. There is a possibility that this type of communication when applied to international team members might be used to enhance entrepreneurship. It might

also play a role in political elections. Politicians running for political office can be asked to include an fMRI in their medical checkup. Made available to the electorate, voters can make better informed choices, including the avoidance of corrupt dictators as defined by Ridley and de Silva (2019).

One of the obstacles to communications along potential pathways is legitimate logical and binary thinking, and group thinking. Music can connect that which people have in common. Music and sports can facilitate political and other problem solving by cutting through polarization and binary logic. People who might otherwise not think to associate might come together through music and sports. Consider also, the discovery by Hibbing, Smith and Alford (2014) that there are genes that make people predisposed to liberalism and other genes that make people predisposed to conservatism. In the advanced democracy of the USA, it is quite astonishing to find that these characteristics appear nearly equally bifurcated in the population. Due to the remarkably peaceful political party and presidential transitions, it is reasonable to assume that democracy is responsible for the meaningful deployment of liberal and conservative traits. And that both traits are required for the economic growth that we observe. In contrast, the absence of democracy could permit one of these two traits to dominate the economy. The outcome may be a reduction in diversity and the lack of economic growth that persists in poor countries.

a. How Legal Systems Differ Amongst Countries.

There are generally five global legal systems (see University of South Carolina School of Law, 2018). Two main predominant forms and three secondary systems that can be integral to understanding the global legal framework. The two main forms are Common Law and Civil Law. Added to this are countries that afford opportunities to custom, religious legal systems, or generally have a mix of the various types. The University of Ottawa maintains a running classification scheme of which countries fall into which legal system (<http://www.juriglobe.ca/eng/sys-juri/intro.php>).

Common Law countries focus more on the importance of judicial decisions that have already been made (i.e. precedent or *stare decisis*). While they have codified laws and a written constitution, it is the interpretation of the judiciary that remains supreme. Normally however, those decisions can be overturned via an act of the legislature of those countries. Common Law systems are adversarial, rather than investigatory, with the judge moderating between two opposing parties (<https://guides.law.sc.edu/c.php?g=315476&p=2108388>). For entrepreneurial purposes, studies indicate that Common Law countries are potentially more innovative and open to new business ideas (Dudovskiy, 2011). The United States inherited the Common Law system from England, as did many other former British colonies. There is an interesting exception in the United States, which is the state of Louisiana which has a mix between Common Law and Civil Law (owing to the French roots of the state).

Civil Law countries rely heavily on comprehensive legal codes. Care should be given however as Civil Law countries are not as uniform in their procedures and substantive laws as their Common Law counterparts (<https://guides.law.sc.edu/c.php?g=315476&p=2108388>). Precedent, also understood as the adherence to past judicial decisions, is not deemed to be a controlling factor in Civil Law countries as it is in Common Law countries. There is the potential for less freedom of contract than in Common Law countries, and the abundance of rules, regulations, and laws can at times stymie entrepreneurial efforts (Dudovskiy, 2011). Civil Law systems have their origin in the Roman legal tradition. Many continental European countries are Civil Law countries. However, it is not limited to Europe, Japan exhibits Civil Law attributes in their commercial law (Dudovskiy, 2011).

Customary law systems are often intermingled with either Common Law or Civil Law systems. Customary law and its related term, usage, are based on repeated actions that have risen to a form of acknowledged practice and acceptance as a legal truth. Customary Law however is also based on modern day understanding of a historical narrative, as such it is in part fluidic as opposed to Civil Law codes or clearly laid out Common Law case decisions. Custom is usually unwritten and thus highly dependent on secondary sources, i.e. legal jurists. As the University of Ottawa notes, customary law, can include Aboriginal laws.

As for religious law systems, the most predominant form comes from Islamic countries, having their legal systems based in whole or in part on the Quran. However, according to the University of Ottawa, there do exist the particularities of Israel's mixed legal system that afford a nod toward Judaic legal origins. In general, religious legal systems are those where the rules, regulations, and law emanate from the traditions within a given religion.

A mixed legal system is one that involves more than one of the legal systems above, and can also include lesser applied legal systems. A fantastic example of mixed legal system is that of India. India maintains a mixed legal system of Civil Law and Common law, and also includes elements of customary and religious laws (Bhan and Rohtagi, 2021).

As we have seen some legal systems can have an impact on entrepreneurial outlook. The Common Law countries, many of which are strongly democratic and capitalistic, have a legal framework that encourages and enables ingenuity and innovation. The freedom of contract is an additional element in Common Law countries that opens the pathway for joint ventures, furthering the ability for new business ideas to take root (Gwartney, Holcombe and Lawson, 1999; Gwartney, Holcombe, and Lawson, 2004; Gwartney, Holcombe and Lawson, 2006; Mailer and Miller, (2017).

b. How Property Rights Differ Amongst Countries

Economist Daniel Mitchell (2018) posits, “Even low taxes and light regulation won’t produce much growth if investors and entrepreneurs have no faith in the rule of law or the quality of governance.” Property rights play an integral role in entrepreneurship. The expansive nature of property rights is illustrated below in Figure 1, the International Property Rights Index (IPRI) Structure, which features all the elements that factor into the index.

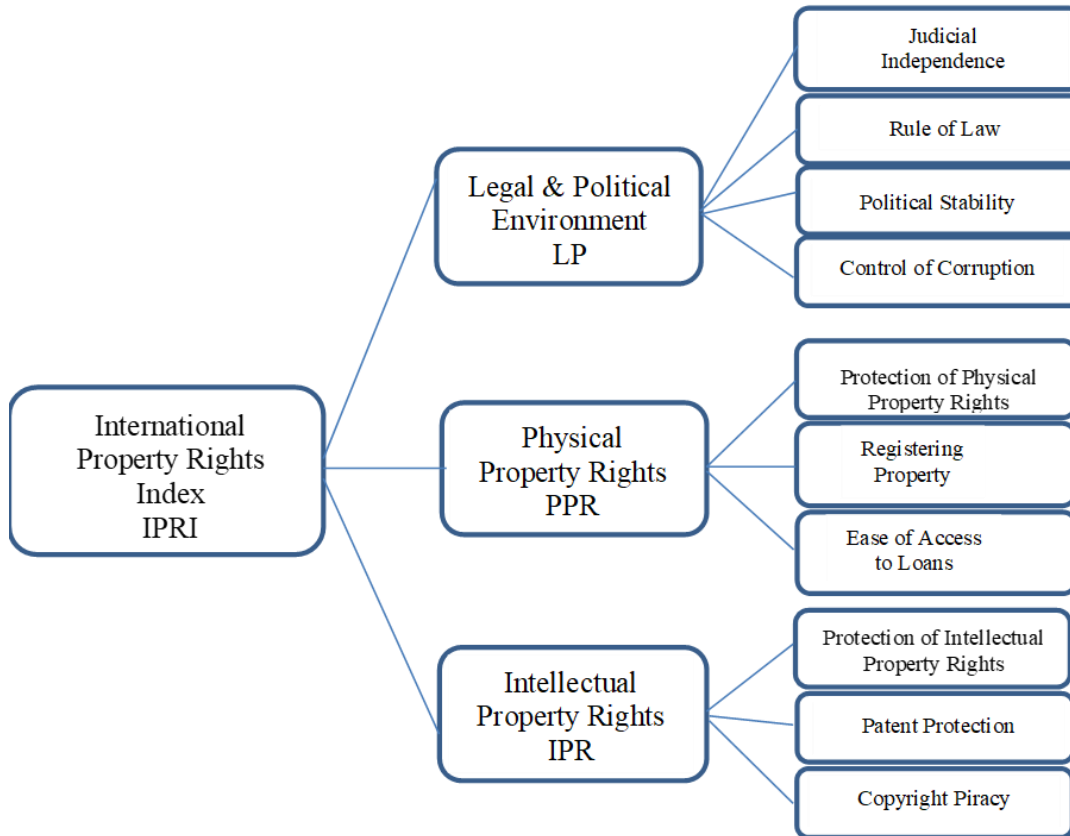


Figure 1. International property rights structure.

It is acknowledged that the new way of increasing wealth, for the general progress and prosperity of nations and their citizens, continues to rely less and less on the exploitation of natural resources and more on technological inventiveness and broad innovation (Levy-Carciente 2018). This tends to nullify the resources limitation theory of Malthus (1798, 1970). Property rights act as a catalyst for economic and societal growth, and as a means to support and protect democracy (Levy-Carciente 2018). The creation of a legal private property system goes hand in hand with a society’s desire to protect liberties (Levy-Carciente 2018). It is clear that individual liberty is also an important tool in individual entrepreneurial endeavours.

The map in Figure 2 shows country rankings by years 2008-2020 international property rights index (IPRI) (Knoema, 2021). Red indicates lower property rights protections, whilst dark green represents the highest level of property rights protections. Countries in the dark green it is argued promote individual productivity, nurture growth, and enable social development. As IPRI notes, property rights help form the basis of the freedom to contract, which is effectively liberty in action.

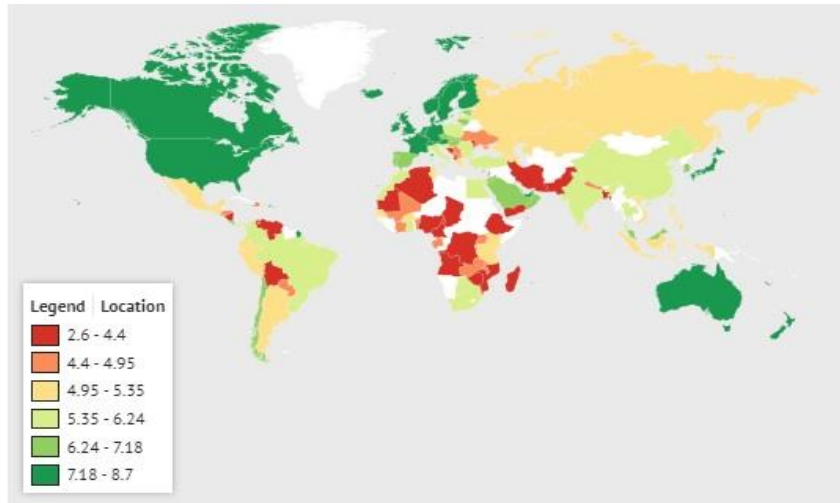


Figure 2. Country rankings by the year 2020 international property rights index.

An interesting corollary to this map and our earlier sections of this work, is that many of the dark countries are also Common Law countries. The United Kingdom, Canada, Australia, New Zealand, the United States, and Ireland all appear in dark green. Many predominant Civil Law countries do as well, Germany and France, but not all Civil Law Countries are dark green, Spain and Italy for example. We have seen Common Law countries have a judicial system that encourages innovation and enables ingenuity, coupled with these countries also having extremely high legislated property right protections. Hence they present an above average platform for entrepreneurial endeavours.

c. Revising the business law 101 course

In order to incorporate the new discovery of the CDR model, it is necessary to revise the extant business law curricula in a small number of ways. Although only few, the implication of the revisions is profound. In order to fit the limited number of pages in this paper, only a single syllabus for an introductory course will be considered. Other courses can be revised similarly. The first item to include is the CDR model itself as the genesis of wealth. It is a prerequisite to the business and growth. It provides the initial human capital that can be converted to tangible wealth. Without CDR, the creation of wealth will be negligible. Furthermore, there will be no growth. A few other topics are revised where appropriate to account for the CDR effects. The selected course is that deployed at the School of Business and Industry, (anonymous) University. The original topics in the syllabus are listed in the left column in Table 1. The center and right columns list descriptions and reasons for the revisions, respectively.

Table 1. Introductory Legal Environment for Business Course

Traditional Topics	Proposed Topics	Rationale for change/addition/removal
Law as the Foundation of Business	Law as the Foundation of Business -Entrepreneurship -Property -Intellectual property rights -Property rights -Administration and operation	Entrepreneurship is the process of starting a business, typically a startup company offering an innovative product, process or service (see also CDRindex.blogspot.com). Innovators possess capital (C) that is required for the production of tangible wealth. They require an environment of democracy (D) and rule of law (R). R attracts C and D creates additional pathway for the optimal deployment of C.
The Ethical Basis of Law and Business	The Ethical Basis of Law and Business -Entrepreneurship	Entrepreneurship capital eschews corruption.
The Court System	No change	
Litigation	Litigation -Entrepreneurship	Arbitration is the better choice for entrepreneurs.
Alternative Dispute Resolution	No change	
The Constitution and Regulation of Business	No change	

The Property-Based Legal System	The Property-Based Legal System <i>-Property as collateral</i>	The fee simple absolute way that property is own in the USA is different from other countries. In most of the world, private ownership is subordinated. For example, European monarchs and government are the overarching owners. Former communist countries do not have property rights. African governments are the owners.
Contract Formation and Breaches	No change	
Torts in the Business Environment	No change	
Intellectual Property in the Property System	Intellectual Property in the Property System <i>-Entrepreneurship</i> <i>-Entrepreneurship capital</i>	Many entrepreneurial ventures are based on inventions, designs, and authorship. Utility patents, design patents, and copyright protection are barriers to entry that favor inventors and investors. Universities have the potential to create inventions in their science and engineering laboratories. These ideas can be mined by students with an entrepreneurial mindset.
Business Organizations	Business Organizations <i>-Capitalism for the formation of capital</i> <i>-Capitalist; capitalism; business organization</i>	Capital comprises human capital ideas of imagination and creativity, plus capital stock of knowledge, machines, recordings, etc. This capital gains its value from being organized by institutions of business.
Regulating Corporations	No change	
Criminal Law and Business	Criminal Law and Business <i>-Corruption and capital flight</i>	Rule of law attracts capital. Corruption repels capital.
International Law	No change	
Employment Law	No change	
Financial and Securities Regulation	Financial and Securities Regulation <i>-Total capitalization, capital formation</i>	Total market capitalization is the value of all forms of capital available. It is reflected in the stock prices on the capital markets. It is also the discounted future value of all products and service produced from the capital.
Regulations Protecting Consumer Purchases, Privacy, and Financial Activities	No change	
Environmental Regulation	No change	
Discrimination in Employment	No change	
Employment Law	No change	
Labor—Management Relationship	No change	

CONCLUDING REMARKS

Revising the business law course to incorporate entrepreneurship can stimulate greater interest from business students. Especially those with an entrepreneurial mindset. Incorporating entrepreneurship also makes the course more relevant to the profession of business management. Economic growth and development require capitalism democracy and rule of law. These are catalysts. Rule of law attracts capital, and democracy creates additional pathways for the deployment of capital in the production of goods and services. Therefore, rule of law is the beginning point and must promote property rights, low corruption, and the enforcement of contracts. A high CDR index raises gross domestic product and the potential for high standard of living. Common law countries are more likely to support rule of law as it relates to property rights. Therefore, they are more likely to enjoy high standards of living. As a policy, countries should adopt a common law method of rule of law. Improving understanding of law, combined with comprehension of the application of rules, would further change the pedagogical environment in which Business Law is taught and may be the subject of future research.

Nomenclature

<i>Active learning</i>	Engages students in the process of learning through activities and/or discussion in class, as opposed to passively listening to an expert. It emphasizes higher order thinking and often involves group activity.
<i>Capital (source)</i>	See human capital.
<i>Capitalist</i>	One who deploys one's personal capital so as to maximize one's benefit.
<i>Capital stock</i>	Fixed installed capital less depreciation and obsolescence plus skills and knowledge acquired from entrepreneurs and taught to others.
<i>Capitalism</i>	Mechanism for the collection and assembly of capital.
<i>Catalysis</i>	The creation of alternative pathways to enable a process.
<i>CDR index</i>	The vector inner product (dot product) of the global constant [1.53 0.14 0.23 -1.21] and the country $[C\ D\ R\ C\cdot D\cdot R]$.
<i>Collaboration</i>	The plan and execution thereof by participants for their intentional mutual benefit of shared goals, objectives, and rewards.
<i>Company</i>	The instrument of capitalism for the profitable investment of capital.
<i>Cooperation</i>	A plan and execution thereof by participants, each with their own personal self-interest and economic gain in mind yet yielding unintended mutual benefits.
<i>Democracy</i>	Private work force idea participation and periodic election of public representatives (catalyst for the process of generating G from capital).
<i>Economic development</i>	The improvement in infrastructure and social wellbeing.
<i>Economic growth</i>	The improvement in per capita real gross domestic product adjusted for purchasing power parity.
<i>Endogenous</i>	Generated from within a system.
<i>Entrepreneurship</i>	The process of starting a business, typically a startup company offering an innovative product, process or service.
<i>Exogenous</i>	Generated from outside a system.
<i>Gross domestic product</i>	The monetary value of all the finished goods and services produced within a country's borders in a specific time period (economic growth = change in GDP).
<i>Growth in Wealth</i>	Gross domestic product less consumption, depreciation and obsolescence.
<i>Human capital</i>	Capital human ideas of imagination and creativity and skill (not including physical corporeal labor).
<i>Human labor</i>	Physical corporeal labor (not including capital human ideas of imagination and creativity or skill).
<i>Intelligence</i>	The ability to acquire and apply knowledge and skills.
<i>Lecture</i>	The continuous exposition by an instructor while student activity is limited to taking notes and/or asking occasional and unprompted questions of the instructor.
<i>Limited liability</i>	Limitation of loss to capital invested.
<i>Natural resources rents</i>	Surplus value of natural resources after all costs and normal returns are accounted for.
<i>Normal distribution</i>	A distribution containing a most frequently occurring typical score at its peak (center) and atypical scores with lower and lower frequency as they occur further and further away from the mean.
<i>Property rights</i>	Property is a legal expression of an economically meaningful consensus by people about assets, how they should be held, used and exchanged.
<i>Rule of Law</i>	Reverse of corruption (protection of shareholder and other property rights) (catalyst for the attraction of capital).
<i>Shareholder</i>	An owner of shares in a company.
<i>Virtue</i>	Self-governing human property that promotes fairness and justice without the need for central government.

APPENDIX: The Source and Mechanism of Wealth

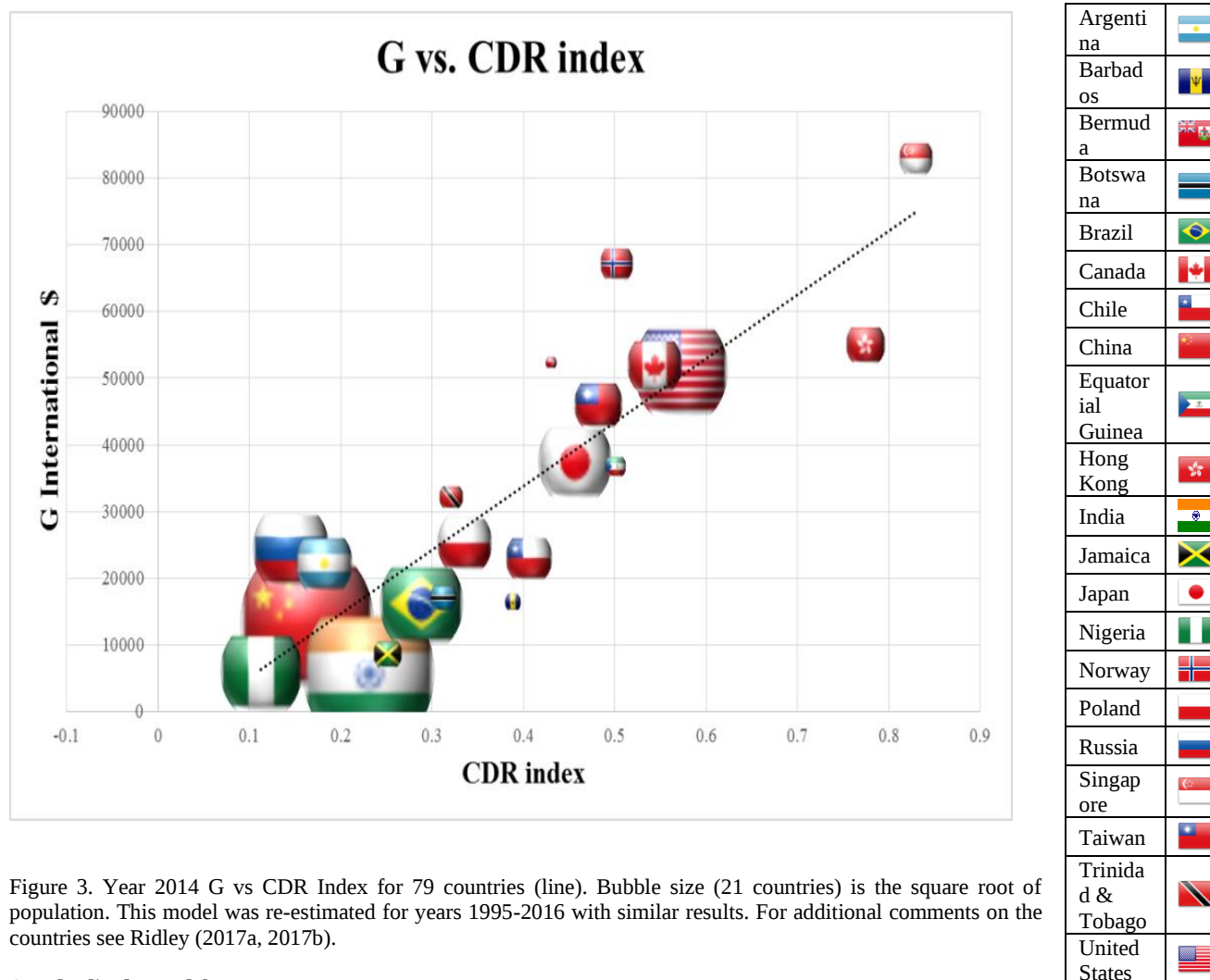


Figure 3. Year 2014 G vs CDR Index for 79 countries (line). Bubble size (21 countries) is the square root of population. This model was re-estimated for years 1995-2016 with similar results. For additional comments on the countries see Ridley (2017a, 2017b).

Standardized *g* model

The ordinary least squares *g* model is specified as follows:

$$g = \beta_0 + \beta_C C + \beta_D D + \beta_R R + \beta_{CDR} C \cdot D \cdot R + \beta_N N + \varepsilon$$

where, the intercept β_0 and the coefficients $\beta_C, \beta_D, \beta_R, \beta_{CDR}, \beta_N$ are all dimensionless, ε is a random, normally distributed error with a mean of zero and constant standard deviation, and where all model variables are standardized as follows:

$$\begin{aligned}
 g &= \frac{G - \text{lowest } G}{\text{highest } G - \text{lowest } G} \\
 G &= \text{per capita real gross domestic product per capita (PPP)} \\
 C(\text{Capitalism}) &= \frac{\text{per capita capitalization} - \text{lowest per capita capitalization}}{\text{highest per capita capitalization} - \text{lowest per capita capitalization}} \\
 D(\text{Democracy}) &= \frac{\text{lowest democracy rank} - \text{democracy rank}}{\text{lowest democracy rank} - \text{highest democracy rank}} \\
 R(\text{Rule of law}) &= \frac{\text{lowest corruption rank} - \text{corruption rank}}{\text{lowest corruption rank} - \text{highest corruption rank}} \\
 N(\text{Natural resources}) &= \frac{\text{per capita total natural resource rents} - \text{lowest per capita total natural resource rents}}{\text{highest per capita total natural resource rents} - \text{lowest per capita total natural resource rents}}
 \end{aligned}$$

These transformations standardize the variables and ensures upper and lower bounds on $0 \leq g, C, D, R, CDR, N \leq 1$.

Democracy and corruption are rank ordered, where the highest = 1 and the lowest = the number of countries. *G* is measured in \$/capita/year.

$$\hat{g} = 1.53C + 0.14D + 0.23R - 1.21C \cdot D \cdot R + 0.38N$$

$$t = (6.60) \quad (1.69) \quad (2.60) \quad (4.40) \quad (5.59) \quad F \text{ ratio} = 81.$$

Partial correlations (contributions to R_{adj}^2):

$$59\% \quad 5\% \quad 10\% \quad 3\% \quad 6\% \quad R_{adj}^2 = 83\%.$$

where $\hat{G}$ denotes estimated or fitted value and G can be estimated from
 $\hat{G} = \hat{g}$ (highest G -lowest G) + lowest G .
Highest $G=83,066$. Lowest $G=1,112$.

The $CDR_{index} = 1.53C + 0.14D + 0.23R - 1.21C \cdot D \cdot R$ comprises positive C , D and R effects and a negative component due to friction from democracy that reduces G from what it might otherwise be if there were perfect agreement amongst decision contributors. The contribution from N is negligible and can be dropped from the model.

Compliance with Ethical Standards:

Disclosure of potential conflict of interest statement: This article does not involve conflicts of interest.

Research involving human participants and/or animals: This article does not contain any studies with human participants performed by any of the authors. This article does not contain any studies with animals performed by any of the authors.

Funding details: This article does not involve any funding.

Data availability statement: All data are included in this paper

Acknowledgements

The authors would like to thank John Washington for helpful comments and good discussion.

REFERENCES

- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*, 1A, 385-472.
- Acemoglu, D., & Robinson, J. A. (2012). *Why Nations Fail*. Crown Publishers, Random House, NY.
- Acemoglu, D., Naidu, S., Restrepo, P., & Robinson, J. (2014). Democracy Does Cause Growth. *NBER working paper #20004*, National Bureau of Economic Research, 1-64.
- Alton, R. A. C. (2021). *Retroventurism: Business Law, EPCOT, and Building a Brighter Tomorrow*.
- Auty, R. (1993). *Sustaining Development in Mineral Economies: The Resource Curse Thesis*. London: Routledge.
- Bhan, A., & Rohatgi, M. (2021). *Legal systems in India: overview*. Thomson Reuters
[https://uk.practicallaw.thomsonreuters.com/w-017-5278?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/w-017-5278?transitionType=Default&contextData=(sc.Default)&firstPage=true)
- Beinhocker, E. D. (2006). *The Origin of Wealth: Complexity, and the Radical Remaking of Economics*. Boston: Harvard Business School Press, 2006.
- Berzelius, J. J. (1779–1848). https://en.wikipedia.org/wiki/J%C3%B6ns_Jacob_Berzelius.
- Celuch, K., Bourdeau, B. & Winkel, D. (2017). Entrepreneurial Identity: the missing link for entrepreneurial education, *Journal of Entrepreneurship Education*, 20(2):1-20.
- Custin, R. E., Demans, J. C., Lampe, M., & Custin, C. (2013). Discipline Based Instruction in Business Law, *Journal of Instructional Pedagogies*, 1-15.
- de Silva, A., Ridley, A. D., & Green, S. (2020). Entrepreneurial Psychology: revising the Psych 101 course, *The Journal of Management and Engineering Integration*, 13(1): 40-53.
- Dudovskiy, J. (2011). Legal system as a reason for international differences in Financial Reporting
<https://research-methodology.net/legal-system-as-a-reason-for-international-differences-in-financial-reporting/>
- Ebrahim-zadeh, C. (2003). Back to Basics: Dutch Disease. Too Much Wealth Managed Unwisely. *Finance and Development*. 40(1): 50–51.
- Fromer, J. C., (2014). An Information Theory of Copyright Law, *Emory Law Journal*, 64(1), 71-128. Available at: <https://scholarlycommons.law.emory.edu/elj/vol64/iss1/2>
- Gilder, G. (2013). *Knowledge and Power: The Information Theory of Capitalism and How it is Revolutionizing our World*, Regnery Publishing, Inc., Washington, DC.
- Gwartney, J., Holcombe, R., & Lawson, R. (1999). Economic Freedom and the Environment for Economic Growth, *Journal of Institutional and Theoretical Economics*, 155(4): 643-663.
- Gwartney, J., Holcombe, R., & Lawson, R. (2004). Economic Freedom, Institutional Quality, and Cross-Country Differences in Income and Growth, *Cato Journal*, 24(3):205-233.
- Gwartney, J., Holcombe, R., & Lawson, R. (2006). Institutions and the Impact of Investments and Growth, *Kyklos*, 59(2):255-273.
- Hibbing, J. R., Smith, K. B. & Alford, J. R. (2014) *Predisposed: Liberals, Conservatives, and the Biology of Political Differences*, Routledge, N. Y.
- Humphreys, M. (2005). Natural Resources, Conflict and Conflict Resolution. *Journal of Conflict Resolution*. 49: 508–537.
- Kariyawasam, K., & Low, H. Y. (2014). Teaching Business Law to Non-Law Students, Culturally and Linguistically Diverse ('CaLD') Students, and Large Classes, *Journal of University Teaching & Learning Practice*, 11(2), 0-20.
Available at: <http://ro.uow.edu.au/jutlp/vol11/iss2/9>
- Knoema.com. (2021). <https://knoema.com/atlas/topics/World-Rankings/World-Rankings/International-property-rights-index?type=maps>
- Korovyakovskaya, I. & Ridley, A. D. (2017). Стратегия улучшения программы предпринимательского образования для российских университетов, *ЭКОНОМИКА И ПРЕДПРИНИМАТЕЛЬСТВО* (An Entrepreneurship Strategy for a Russian Curriculum, *Journal of economy and entrepreneurship*), 11(4.2), 438-443.
- Lampe, M. (2006). A New Paradigm for the Teaching of Business Law and Legal Environment Classes, *The Journal of Legal Studies Education* 23(1), 1-51.
- Levy-Carciente, S. (2018). International Property Rights Index Report, *International Property Rights Alliance*.
https://s3.amazonaws.com/ipri2018/IPRI2018_FullReport2.pdf

- Llaugel, L., & Ridley, A. D. (2018). Entrepreneurial Engineering: revising the engineering 101 course, *International Journal of Economics, Business and Management Research*, 2(5), 258-271. http://ijebmr.com/uploads2018/IJEBMR_02_286.pdf
- Luryi, S., W., Tang, N., Lifshitz, G., Wolf, S., Doboli, A., Betz, Maritato, P., & Shamash, Y. (2007). Entrepreneurship in Engineering Education. *37th Annual Frontiers in Education Conference-Proceeding*. 10-13 Oct.
- Mailer, M., & Miller, J. A. (2017). Index of Economic Freedom: unrealized pedagogical opportunities, *The Journal of Economic Education*, 48(3):186-192.
- Malthus, T. R. (1798, 1970). *An Essay on the Principle of Population*, Pelican Books, London.
- Mitchell, D. J. (2018). Which Countries Have the Best Record in Protecting Property Rights? *Foundation for Economic Education*. <https://fee.org/articles/which-countries-have-the-best-record-in-protecting-property-rights>
- Naylor, E., R. & Simonds, J. (2015), Adult Imagination: Development and Psychometric Examination of the Imaginative Involvement Questionnaire. *Imagination, Cognition and Personality: Consciousness in Theory, Research, and Clinical Practice*, 35(2), 112-136. DOI: 10.1177/0276236615608751.
- Ngnepieba, P., Ridley, A. D., Stephens, D., Johnson, L. & Edington, M. (2018). Entrepreneurial Mathematics: revising the math 101 course, *International Journal of Economics, Business and Management Research*, 2(5), 272-285. http://ijebmr.com/uploads2018/IJEBMR_02_287.pdf
- Ridley, A. D. (2016), The Entrepreneurial Community, *Journal of Management and Engineering Integration*, 9(1), 41-51.
- Ridley, A. D., Davis, B., & Korovyakovskaya, I. (2017). Entrepreneurial Mindset and the University Curriculum, *Journal of Higher Education Theory and Practice*, 17(2), 79-100.
- Ridley, A. D. (2017a). Wealth is all in the mind, *International Journal of Social Science & Economic Research*, 2(5), 3369-3379. http://ijsser.org/uploads/ijsser_02_208.pdf
- Ridley, A. D. (2017b). Division of Human Capital creates Surplus Wealth, *Bulletin of Political Economy*, 11(1): 1-20.
- Ridley, A. D. (2017c). Micro Intrapreneurship, *International Journal of Social Science & Economic Research*, 2(9), 4729-4743. http://ijsser.org/uploads/ijsser_02_299.pdf.
- Ridley, A. D. (2018). Entrepreneurial Economics: revising the econ 101 course. *International Journal of Economics, Business and Management Research*, 2(5), 183-203. http://ijebmr.com/uploads2018/IJEBMR_02_280.pdf
- Ridley, A. D. & Khan, A. (2019). Decoupling Entrepreneurship Capital from Capital Stock, *Bulletin of Political Economy*, 13(1), 77-86.
- Ridley, A. D. & de Silva, A. (2019). Game Theoretic Choices between Corrupt Dictatorship Exit Emoluments and CDR benefits: is there a Nash Equilibrium? *The American Economist*, 65(1), 1-27. <https://doi.org/10.1177/0569434519878858>.
- Ridley, A. D. & Llaugel, F. (2020). Advances in the CDR economic theory of entrepreneurship and GDP, *International Journal of Economics Business and Management Research*, 4(1), 96-125. <http://ijebmr.com/view4.php?issue=1>.
- Ridley, A. D. (2020a). *The Mystery of Wealth: Capitalism.Democracy.Rule of law*, Sciendo (De Gruyter). 2020. <https://content.sciendo.com/view/title/588845?rkey=gQ4SMk&result=1>
- https://www.amazon.com/s?k=the+mystery+of+wealth+by+ridley&ref=nb_sb_noss
- Ridley, A. D. (2020b). Capitalism/Democracy/Rule of law Interactions and Implications for Entrepreneurship and per capita real Gross Domestic Product adjusted for purchasing power parity, *Journal of the Knowledge Economy*, DOI: 10.1007/s13132-020-00632-6.
- Ridley, M. (2010). *The Rational Optimist: How Prosperity Evolves*. New York: Harper.
- Romer, D. (1990). Endogenous Technological Change, *Journal of Political Economy*, 98 (5, Part 2), S71-S102
- Ross, M. (2001). Does Oil Hinder Democracy? *World Politics*. 53(3): 326-361.
- Sachs, J., & Warner, A. M. (2001). Natural Resources and Economic Development: The Curse of Natural Resources. *European Economic Review*. 45(4-6), 827-838.
- Sala-i-Martin, X., & Subramanian, A. (2003). Addressing the Natural Resource Curse: An Illustration from Nigeria. *NBER Working Paper No. 9804*.
- Simon, J. (1981). *The Ultimate Resource*. Princeton: Princeton University Press, 1981.
- Smith, A. (1776, 2010). *An Inquiry into Nature and Causes of the Wealth of Nations*. Tantor.
- Stahl, L. (2019). <https://www.cmu.edu/news/stories/archives/2019/november/just-to-appear-on-60-minutes.html>
- Tognazzo, A., Gubitta, P. & Martina, G. (2016). 'My Old And My New Family' The Impact of Family Relationships on Students' Entrepreneurial Intentions: An Italian Study, *International Review of Entrepreneurship*, 14(4), 447-468
- University of South Carolina School of Law (2018). Guide to International and Foreign Law Research. <https://guides.law.sc.edu/c.php?g=315476&p=2108388>
- Wadho, W. A. (2014). Education, Rent seeking and the Curse of Natural Resources, *Economics & Politics*, 26(1):128-156. DOI: 10.1111/ecpo.12029.
- Wilson, L. E., & Sipe, S. (2014). A Comparison of Active Learning and Traditional Pedagogical Styles in a Business Law Classroom. *Journal of Legal Studies Education*. 31. 10.1111/jlse.12010.

Elizabeth Ricci
Rambana & Ricci, PLLC
Tallahassee, FL, USA
Email: elizabeth.ricci@rambana.com

Dennis Ridley
School of Business & Industry
Florida A&M University and Dept. of Scientific Computing,
Florida State University, Tallahassee, FL, USA
Email: dr Ridley@fsu.edu