

# ENTREPRENEURSHIP, ETHICS, AND THE GOOD SOCIETY

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**ABSTRACT:** This paper considers some of the crucial conceptual and ethical aspects of entrepreneurship. First, I discuss some of the well-known difficulties of identifying what is “entrepreneurship.” I then propose a notion of entrepreneurship that may usefully serve as the focus of studies of the ethics of entrepreneurship.

Second, though ethical questions regarding entrepreneurship occur at the micro, meso and macro levels, this paper focuses on the macro-ethical aspects of entrepreneurship. Three main clusters of ethical problems regarding entrepreneurship arise at this level. They have to do with the decentralization, extension and intensification of the economy with which entrepreneurship has been linked. Each of these characteristics is connected with important ethical and value implications for the good society.

The aim of this paper is to consider entrepreneurship from a broad perspective, while focusing on (potential) difficulties entrepreneurship raises, rather than the beneficial sides of entrepreneurship. As such, the paper does not seek to provide a complete ethical theory of entrepreneurship, so much as to provide a framework within which further examinations of various ethical and value issues of entrepreneurship might be carried out.

## 1. Introduction

Entrepreneurship is the focus of great interest these days, in business, academic, political, and social circles around the world. In 1998, the British government published a white paper, “Our Competitive Future: Building the Knowledge Driven Economy,” which focused on a series of initiatives to enhance entrepreneurship and an entrepreneurial society in Britain. The Organization for Economic Cooperation and Development (OECD) published a book, *Fostering Entrepreneurship* (1998), which discusses various new policies for entrepreneurs and surveys the state of entrepreneurship in five countries and Eastern Europe. “The World Economic Forum, sponsor of the annual Davos Conference for the world’s leading multinational businesses, has recently adopted ‘Entrepreneurship in the global public interest’ as its motto” (Reynolds et al.,

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6). The *Global Entrepreneurship Monitor* (GEM),<sup>1</sup> reports that “entrepreneurship is now center stage in the public policy arena of most countries” (Reynolds et al., 5).<sup>2</sup> And in colleges and universities in the U.S., classes, centers, and professorships in entrepreneurship have sprouted like mushrooms in the fall.

It has not always been this way. Being an entrepreneur was not always fashionable. On the one hand, the entrepreneur has been viewed with suspicion and disdain by both the left and the right.<sup>3</sup> Some authors have pointed to common motivational roots shared by entrepreneurs, criminals, and juvenile delinquents.<sup>4</sup> Deception, manipulation, and authoritarianism are often said to be behaviors exhibited by entrepreneurs.<sup>5</sup>

On the other hand, during the middle part of this century, the entrepreneur was viewed as irrelevant or passé. Berle and Means,<sup>6</sup> William Whyte<sup>7</sup> and Joseph Schumpeter have all held that the days of the entrepreneur were numbered. As such, entrepreneurship has seemed to some very prominent theorists to be something headed for extinction (cf. Useem, 1999: 166f).

Obviously, things have changed. Drucker claims that “the emergence of a truly entrepreneurial economy in the United States during the last ten to fifteen years [is] the most significant and hopeful event to have occurred in recent economic and social history” (1985: vii). Acs and Audretsch add that “nothing less than a fundamental change in the social and political institutions that have supported mass production in this century is transpiring” (Acs and Audretsch, 1992: 62).

In this paper I wish to consider some of the crucial conceptual and ethical aspects of this recent explosion of interest in entrepreneurship. The topic involves not only economics, but also social, political, and moral realms. It is a topic deserving of ethical reflection. Nevertheless, it is striking that there has been relatively little discussion of the ethics of entrepreneurship.<sup>8</sup> Certainly, in the literature focused on entrepreneurship, there is little to be found.<sup>9</sup> And yet, if this phenomenon is as profound and as extensive as we are led to believe, then there should also be important ethical implications.

Accordingly, I will first discuss some of the well-known difficulties of identifying what “entrepreneurship” is and what is special about the current efflorescence of entrepreneurship. In so doing, I wish to identify and defend a notion of entrepreneurship that might usefully serve as the focus of studies of the ethics of entrepreneurship.

Second, I will briefly suggest that ethical questions regarding entrepreneurship occur at the micro, meso, and macro levels. However, I will focus in this paper on the macro-ethical aspects of entrepreneurship and contend that, at this level, there are three main clusters of ethical problems regarding entrepreneurship. They have to do with the decentralization, extension, and intensification of the economy with which entrepreneurship has been linked. Each of these characteristics is connected with important ethical and value implications for the good society. In short, entrepreneurship raises not simply moral questions (at least in a narrow sense) of duties and obligations that

entrepreneurs have to others (and vice versa), but also questions regarding the nature and extent to which that society is a good society. In a broad sense this is also an ethical issue. At least it is in this broad sense I am examining some of the macro-ethical dimensions of entrepreneurship.

I hope my contribution will serve to help promote this discussion and our sense of the extent and manner in which we wish to pursue a society with an entrepreneurial dimension to it. My aim in this paper is to paint with broad brush strokes, rather than to take a small aspect of entrepreneurship and to concentrate on it. Further, I will focus on problems or difficulties entrepreneurship raises. There are many accounts that focus on the beneficial sides of entrepreneurship. A complete theory will have to incorporate both sides. As such, I do not seek to provide a complete ethical theory of entrepreneurship, so much as to provide a framework within which we might further examine various ethical and value issues of entrepreneurship.

## ***2. Nature and Importance of Entrepreneurship***

If we are to speak of the ethics of entrepreneurship, we need to know what entrepreneurship is, or at least how we should understand this notion for present purposes. Unfortunately, this exercise is fraught with great difficulties. There are any number of accounts of the nature of entrepreneurship. Quite appropriately, David Gumpert comments that “entrepreneurship is not an easy subject to write about. It’s a slippery and amorphous term. It’s been used to such excess that it has almost lost any specific meaning” (Gumpert, 1986: 36).

Still, this discussion is important, and not only because of the aim of this paper. It is also important given the wide usage and approval these days attached to the term “entrepreneurship.” Simply to sort through some of these different views and to bring some order to them may be significant in itself if it would help others better to state their own views and to respond to the claims of others. And it is important because, as Kaplan has said, “[t]he controversy over what entrepreneurs are is . . . a discussion, as discussions about business always are, about what America is and what Americans are.” (Kaplan: 1987: 84). Somewhat less ethnocentrically, I would say it is a discussion about what any society is and what its citizens are (or should be).

Unfortunately, there is an extremely broad range of accounts of entrepreneurship that, depending upon which one we adopted, might affect our consideration of the ethics of entrepreneurship. I can list here only a few representative examples (see Table 1).

**Table 1**

<b>Definitions/Accounts of Entrepreneurs or Entrepreneurship</b>
1. Entrepreneurship is simply the “alertness to previously unnoticed changes in circumstances that may make it possible to get far more in exchange for whatever they have to offer than was hitherto possible” (Kirzner, 1973: 16).
2. “The function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on” (Schumpeter, 1950: 132).
3. Entrepreneurs are “people who make historical change by producing both a product that solicits people to change the style of their everyday activities and a company that instantiates the new way of life the product establishes” (Spinosa et al., 1997: 34).
4. Entrepreneurs are persons who “provide <i>adaptive</i> reality-testing for society; that is, [who] . . . <i>change</i> existing obsolescent societal patterns (of relations, organizations, modes of production) to render them more compatible with the changed environment” (Etzioni, 1987: 176).
5. “The entrepreneur always searches for change, responds to it, and exploits it as an opportunity” (Drucker, 1985: 28).
6. “An ‘entrepreneur’ is an individual who bets on novel (i.e. non-customary) ideas and tries to implement them” (Brenner, 1987: 6).
7. An “entrepreneur” is defined as “someone who exercises some control over the means of production and produces more than he can consume in order to sell (or exchange) it for individual (or household) income” (McClelland, 1976: 65).
8. “One who starts his own, new and small business” (Carland et al., 1984).
9. “An entrepreneur is a person who founds, organizes, and manages a business” (Solomon, 1999: 172).
10. Entrepreneurship is “[a]ny attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Global Entrepreneurship Monitor, 1999: 3).
11. “The agent who buys means of production at certain prices in order to combine them into a product that he is going to sell at prices that are uncertain at the moment he commits himself to his costs” (Cantillon, according to Schumpeter, 1949: 64).
12. “At its most general, it [entrepreneurship] is the ability to marshal resources to seize new business opportunities” (OECD, 1998: 41).

These accounts identify entrepreneurship in a wide variety of ways. Among these are claims that entrepreneurship is an alertness to profit opportunities (Kirzner); the exploitation of a new technological possibility (Schumpeter); a bet, gamble, or chance on some new idea (Brenner); the exercise of control over means of production (McLellan); a management discipline (Drucker: vii); the creation and ownership of a small business or new business (Drucker; Reynolds et al.); a purposeful task or practice (Drucker, viif.); and the acceptance of risk and/or uncertainty in the pursuit of profit opportunities (Cantillon). Clearly some of these are compatible, but some are not.

How may we bring some order out of this jumble? It would be a valiant but misdirected effort to claim that one of the proffered definitions of entrepreneurship is the genuine meaning of entrepreneurship. I think that others are correct that it makes little sense to try to sort through these accounts to find some essence of entrepreneurship.<sup>10</sup> It is not obvious that there is any one thing or some essential quality or nature, which holds all of these accounts together that we might identify as the nature of entrepreneurship.

This does not mean, of course, that we should conclude that the term has become meaningless. Clearly entrepreneurship can be used to pick out some things rather than others. A person who sits on her hands all day is not, other things being equal, an entrepreneur. A monk or saddhu who spends his days and nights meditating in a cave in India, Spain, or China is not an entrepreneur. Similarly, a bureaucrat, middle manager or employee who simply follows the rules in a business is not an entrepreneur.

On the other hand, granted its meaningfulness, I don't think that we should allow the term to apply to everyone. Schumpeter thought that only a small portion of the population had the aptitudes for entrepreneurship (Schumpeter, 1950, 132). Gilder estimates that there are "perhaps" 50 million entrepreneurs in the U.S. (Gilder, 149f.). If the term is not to become, like Thales's water, the primary stuff of everything, we must look for some restricted meaning of "entrepreneurship" that we may justify adopting in exploring the ethics of entrepreneurship. Consequently, accounts such as Mises's and Kirzner's, which identify entrepreneurship with an ability characteristic of human action, should be rejected. On their view, as well as that of Spinoza, Flores, and Dreyfus, everyone is, by the fact that they are human agents, an entrepreneur (cf. note 7 in Kirzner, 1981: 407). Thus, entrepreneurship covers consumers, employees, and managers, as they display the characteristic of human action these authors differently identify.

Accordingly, I suggest that the sense of "entrepreneurship" we use needs to be justified by an appeal to the contexts in which it has been used that raise interesting ethical questions. I believe that this means we must look in three directions: retrospectively, prospectively, and contextually.

Our use of "entrepreneurship" can be *retrospectively* defended by looking at why people in recent decades have found entrepreneurship to be important. It can be justified *prospectively* by the likelihood that it will allow us to ask

interesting and important ethical questions regarding economic, social, and political life. For example, if we took the notion of an “entrepreneur” to be someone “who doesn’t care much about information or facts . . . [who] operates on instinct, on his [sic] gut feeling . . . [who is] liable to pull out both guns at any moment and start blazing away” (Bostic, 1989: 48), then I don’t think we end up asking many interesting questions. In proceeding prospectively, I suggest that the proper approach will be one in which we go back and forth between various theoretical analyses and our account of who is an entrepreneur or what is entrepreneurship.<sup>11</sup>

Finally, entrepreneurship must be understood *contextually*. It must be viewed within both individual and social circumstances, since entrepreneurship is not simply an individual, but also a social, phenomenon. By this I mean that entrepreneurship requires a certain social setting to flourish, if not to exist. To think of it purely individually is, at the outset, to accept an implausibly abstract view.

From the retrospective perspective, I contend that what we take to be included under entrepreneurship should be influenced by the claims that have been made on behalf of entrepreneurship and its role in today’s economy. There are four primary reasons why entrepreneurship has been discussed so much in recent years.

First, entrepreneurship has been linked with the creation of millions of new jobs and a plethora of new products. The *Global Entrepreneurship Monitor*, for examples, notes that “[w]here data is available, new and small firms [that it links with entrepreneurship] are consistently found to be the major source of new jobs” (Reynolds et al., 1999: 8).<sup>12</sup> Numerous articles and books contend that the entrepreneurship, manifested in small and medium firms, is the major source of new growth in employment and products. This is the central reason that the OECD book, *Fostering Entrepreneurship*, gives for the importance of entrepreneurship (OECD, 33).

Second, entrepreneurship has been linked with significant alterations in how people live. This has occurred through the creation of new products and services, which have led people to meet previous aims in important new ways, or to adopt new aims and ways of living in place of old ones. The products and services of Gates, Jobs, Kroc, Levitt, and Rouse are among those that have altered our lives in significant fashions (cf. Brown, 1999).

Third, self-determination or self-control also plays a significant role in discussions of entrepreneurship. There is, of course, a long history in the U.S. of people seeking self-determination through individual ownership of business. Entrepreneurship is an important form this frequently takes today.

Finally, entrepreneurship is said to have led to greater efficiency in meeting people’s needs and wants. In this manner, it is said to be the source of economic progress and thereby a source of wealth. The *Global Entrepreneurship Monitor* claims that entrepreneurship accounts for roughly one-third of

the difference in growth rates among the ten countries analyzed (Reynolds et al., 18; cf. OECD, 1998: 39).

These are the reasons that entrepreneurship is on the table these days, and why it must be fostered and sustained in the future.<sup>13</sup> It is these reasons that lie behind Britain's White Paper, the monograph by the OECD, the study by Babson College and the London Business School, and comments that Anthony Giddens makes in his book, *The Third Way*.<sup>14</sup>

In light of these retrospective reasons and the above jumble of accounts of entrepreneurship, I suggest that the concept of entrepreneurship is best seen as a complex, rather than a simple, concept. It speaks neither merely to the ownership of a business, nor simply to the innovative way someone responds to a business opportunity. Further, like other concepts it consists of characteristics, which range over different continua, rather than being simply present or absent. Accordingly, I suggest that the most prominent accounts of entrepreneurship may be viewed as ranged along two overlapping continua, one of which is "Resource Mobilization" and the other of which is "Innovative Engagement."<sup>15</sup> They are individually necessary and mutually sufficient to define entrepreneurship.

Innovative Engagement ranges from simply reacting to a perceived business opportunity by engaging in some new business activity, to activities that involve designing a new, creative product or service and organizational means whereby that product or service can be marketed to others.<sup>16</sup> In short, entrepreneurs may respond to perceived existing opportunities in innovative ways, but they may also create new opportunities through innovations of their own. These activities may encounter various levels of resistance or opposition. Such resistance may be as simple as the difficulty of getting people's attention to one's product or service, or as complex and forceful as the opposition that established businesses or government bureaus might bring to quash an entrepreneur's efforts.<sup>17</sup>

Resource Mobilization ranges from procuring minimal productive resources one may direct to organizing and coordinating complex arrangements of productive resources. This may involve starting one's own business, but it need not. It may involve mobilizing resources within existing organizational structures, as well as transforming those structures in order to mobilize resources. This sense permits anyone who starts a (small) business to be called an entrepreneur. Thus, an immigrant who starts his own cab company may be called an entrepreneur. An African-American woman who opens a business to braid the hair of women and men in her community may be called an entrepreneur. Similarly, individuals in developing countries who seek to sell various consumer goods have also been considered to be entrepreneurs. These humble examples of entrepreneurs, on the lower end of the Resource Mobilization scale (and also the Innovative Engagement scale), are in accord, I believe, with the origins of this term with Cantillon who began the modern use of "entrepreneur" and who was willing to speak of the farmer as an entrepreneur (Hébert and Link, 1988, p. 22).

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Discussants of entrepreneurship frequently talk about only one of these continua and identify their view by placing it at one point or another on one or another of these continua. Less frequently, they identify a point on the intersection of these two. Adopting this approach gives us the opportunity to identify four general quadrants capturing different forms of entrepreneurship: the entrepreneurial hero; the entrepreneurial commander; the entrepreneurial adapter; and the entrepreneurial contributor (see Table 2).<sup>18</sup> However, these are merely rough categorizations of different “types” of entrepreneurship that might be identified. Clearly, given my account of entrepreneurship, there is a range of entrepreneurs along both axes.

**Table 2**

<b>A Matrix of Entrepreneurs</b>		
	Low Innovative Engagement with Opportunities	High Innovative Engagement with Opportunities
High Resource Mobilization	<p>The Entrepreneurial Commander</p> <p>Authors: <i>GEM</i>, McClelland, Brockhaus</p> <p>Exemplars: Victor Kiam, Ray Kroc, Laurence Siegel<sup>19</sup></p>	<p>The Entrepreneurial Hero</p> <p>Authors: Gilder, William Davis, Spinoza, et al.</p> <p>Exemplars: Bill Gates, Steven Jobs, J. D. Rockefeller</p>
Low Resource Mobilization	<p>The Entrepreneurial Adapter</p> <p>Authors: DeSoto, Cantillon, Carland, Moore</p> <p>Exemplars: African Americans starting their own hair-braiding businesses, many immigrant entrepreneurs, Ken Curtis<sup>20</sup></p>	<p>The Entrepreneurial Originator</p> <p>Authors: Spinoza et al., Brenner, Hughes</p> <p>Exemplars: Intrapreneurs, Bill Gross,<sup>21</sup> some educational entrepreneurs, public sector entrepreneurs, and serial entrepreneurs</p>

Accordingly, the general sense of “entrepreneurship” I will work with is that of the mobilization of various productive resources by a person (or group), that seeks out and exploits in some innovative manner market opportunities. “Market opportunities” need not imply, though they are compatible with, developing some new, creative idea that is to be produced and marketed to customers. The identification of entrepreneurship with high tech industries is



repeatedly said to be a mistake.<sup>22</sup> Simply attempting to produce a product or service in some new market setting may itself be innovative, e.g., Chinese entrepreneurs under the current government of the People's Republic of China. The mobilization of resources usually occurs within some organizational or institutional form in which what is new can be (i) the organizational form itself; (ii) the good (product or service) produced; (iii) the ways by which the good is produced or marketed; (iv) the situation in which the preceding are done (inner-city; in a hostile setting). They might also include, as Baumol has suggested, innovative acts of technology transfer, as well as innovations in rent-seeking procedures (Baumol, 897). Such innovations clearly extend the Schumpeterian view of entrepreneurial innovation.<sup>23</sup> As such, entrepreneurship is linked with a broad range of activities, by individuals and groups, in the marketplace.<sup>24</sup>

This sense of entrepreneurship, I suggest, captures the kinds of activities that have made capitalism dynamic and also can be used to ask interesting and important ethical questions about it. I turn now from this development of a concept of entrepreneurship to a discussion of the ethics of entrepreneurship.

### ***3. The Ethics of Entrepreneurship***

There are two points to note at the outset of a discussion of the ethics of entrepreneurship.

First, people can engage in entrepreneurship for good or bad purposes. A recent newspaper article spoke of those making moonshine in Virginia as entrepreneurs. It spoke of their business-like activities: "They share information with other criminal organizations, divert money to conceal assets, and develop their trusts and friendships in the criminal world."<sup>25</sup> In short, entrepreneurs can act criminally. Michael Milken also comes to mind. And criminals can act entrepreneurially. Members of the mafia or Colombian drug lords are possible examples.

Second, it is possible to promote entrepreneurship and an entrepreneurial society.<sup>26</sup> Though some have held that entrepreneurial traits are not teachable,<sup>27</sup> I will assume that either they can be taught, or conditions in a society can be modified to encourage greater numbers or degrees of entrepreneurship in a society. In short, the supply of those who are entrepreneurs or who act entrepreneurially can be affected by various laws, rules, incentive schedules, changed social conditions, etc. (cf. Baumol, 1991: 893). Drucker comments that "the events that explain why entrepreneurship becomes effective are probably not in themselves economic events. The causes are likely to lie in changes in values, perception, and attitude, changes perhaps in demographics, in institutions . . . , perhaps changes in education as well." (Drucker, 13). Further, it seems clear from the *Global Entrepreneur Monitor* that the level of entrepreneurship varies considerably from country to country. In the U.S., Canada, and Israel, it is fairly high, while in France, Japan, and Finland it is relatively low (cf. Reynolds et al., 24).

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What ethical issues, then, does entrepreneurship, and attempts to foster it, raise? Who, it might be asked, can be against innovative efforts to mobilize productive resources through various organizational structures to take advantage of new market opportunities that create jobs, products, and services for people?

The answer is, of course, that a good number of people (and societies) at one point or other have resisted this form of activity. Many others have approved it. Part of the difficulty here is that questions regarding the ethics of entrepreneurs are often asked abstractly, focusing simply on the function or role of the entrepreneur. However, we need to ask these questions also in the social, economic, and political contexts within which they arise. In short, we need to *contextualize* any account of entrepreneurship.

To do this I think we must do two things. First, we must distinguish various levels at which questions regarding the ethics of entrepreneurship may be asked. The ethical questions become clearer when we do this. Second, we must look to the theoretical and practical contexts in which other accounts have placed entrepreneurship. These contexts help us to understand ethical questions regarding entrepreneurship and to evaluate answers to them.

The ethical questions that entrepreneurship raises arise on three levels: the micro, the meso, and the macro levels.<sup>28</sup> I will very briefly note these three levels and mention a few questions simply for illustrative purposes.

On the micro level, ethical questions arise about the actions of individual entrepreneurs. Such questions include the following:

- a) In their attempts to change the status quo, entrepreneurs are often faced with the question of whether they should break various common social rules and practices. What ethical considerations are pertinent to their determining the justification of such actions?
- b) What are the moral limits of bluff and bravado in convincing others to join in an entrepreneurial enterprise?
- c) What moral responsibilities does an entrepreneur have to others who have joined his or her entrepreneurial enterprise?

On the meso level, we must consider the ethics of entrepreneurs in organizations and of entrepreneurial organizations.<sup>29</sup> These questions include:

- a) What moral actions can corporations take to promote entrepreneurs within their ranks? What are they morally permitted to do to promote entrepreneurial thinking and acting within their ranks?
- b) What use may employees of a corporation make of corporate resources to explore their own entrepreneurial ideas? What responsibilities to the corporation do they acquire as a result?
- c) Do corporations have a social responsibility to learn to manage themselves for entrepreneurship?<sup>30</sup>

Finally, on the macro level it is important to see entrepreneurship within a broader social and political context (both nationally and globally). On this level, these questions arise:

- a) What justifies the profit of the entrepreneur and the greater disparity of income said to characterize an entrepreneurial society?
- b) What justification can be given for various measures—e.g., regarding bankruptcy laws, tax programs, and employment policies—that are said to foster entrepreneurship?
- c) What is the role of entrepreneurship in the good society?

The preceding questions are illustrative, rather than exhaustive, of three different levels on which we must consider the ethics of entrepreneurship. I suggest that these questions constitute examples of a distinctive and important area of ethical inquiry regarding entrepreneurship.<sup>31</sup> In the remainder of this paper, I wish to concentrate on some of the macro-level ethical questions that entrepreneurship raises. In particular, I wish to respond to recent calls for an entrepreneurial society. I do not take these calls to demand simply a market society, but a special kind of market society, one that gives particular emphasis to the conditions for entrepreneurship. In some (but not all) of the forms it takes, we might think of it as a market society on steroids. These appeals and demands raise fundamental ethical questions, that will affect questions raised at the other levels. Indeed, if discussions of entrepreneurship are bound up with attempts to promote an entrepreneurial way of life<sup>32</sup> or an entrepreneurial society (Drucker, Gilder), then surely there are important ethical and value questions we must address on this social or macro level.

#### **4. Macro-Ethical Questions**

Macro-level calls for an entrepreneurial society are important to consider not simply because they provide the context within which micro- and meso-level questions are formulated, but also because we need to explore the connections between the entrepreneurial society and the good society.<sup>33</sup> The two are not necessarily the same. Entrepreneurs form only a small fraction of any society.<sup>34</sup> Further, entrepreneurs may act in good and bad, as well as moral and immoral, ways. If an entrepreneurial society refers to a society in which entrepreneurship is promoted, we need to know what is the relation between promoting the entrepreneurial society and promoting the good society.

In addressing these macro-level questions, we are asking about the rules of the game such as they apply to entrepreneurship in some society or other (cf. Baumol, 1990). In effect, these rules will be part of a theory of the good society. The formulation of these rules and principles will result in various policy and prescriptive claims that we ought to follow (cf. Dees and Starr, 104, 108).

This topic is—quite obviously—immense, and I can address only a small part of it in this paper. The topic is also difficult, since many of the claims that are made on behalf of entrepreneurs and the entrepreneurial society involve empirical determinations for which little evidence is given by those making the claims, e.g., about the effects of reductions in capital gains taxes or regulations.

In other such cases, the relevant data may not be readily available or even widely agreed upon.

Further, the range of entrepreneurs, given the sense of entrepreneurship I am using, is very broad. It includes everything from the immigrant taxicab owner or the African-American hair-braider shop, to the upstart Internet company and to companies that have survived their upstart period but have not become established, mainline, non-entrepreneurial companies.<sup>35</sup> How this range of entrepreneurs will be affected by any particular legislative reform, the creation or reduction of any specific regulation, will be significantly different. Indeed, there may be different forms of an entrepreneurial society depending on whether the principles and changes in a society encourage one kind of entrepreneur rather than another (e.g., the entrepreneurial hero, as opposed to the entrepreneurial adapter). This also makes this topic difficult to address on the macro level.

It might be objected, then, that these difficulties really reflect an emptiness to such phrases as an “entrepreneurial” society. However, I don’t think so. The phrase is given meaning by the various attempts to describe and to bring about a society in which there is much greater entrepreneurship. Admittedly, these efforts vary in many ways. However, we can also discern some common outlines that hold them together. Just as we may speak about defenses of democracy, capitalism, and the like, it is also possible and desirable to consider defenses of entrepreneurship and entrepreneurial societies. It is this that is undertaken in the various reports and studies that I have mentioned on more than one occasion. What we must do, I suggest, is to consider the general principles and characteristics of entrepreneurship that underlie attempts to foster entrepreneurship and to move entrepreneurs in the direction of productive, rather than unproductive and destructive, activities (cf. Baumol, 1990: 909). These considerations will help guide us in knowing when we have gone too far—or not far enough—in fostering an entrepreneurial society, which is, at the same time, a candidate for the good society.

Accordingly, I take the phrase “entrepreneurial society” to convey the notion of a society more Heraclitean than Platonic,<sup>36</sup> one in which some people (entrepreneurs) create new businesses, or engage in present forms of business in new contexts, and in which they encounter new situations or even produce new situations through new products and services. In such a society, people change jobs, jobs are created and lost, and businesses are created and dissolved with increased frequency. Entrepreneurs energetically seek out new opportunities to do business, to make money, and to accomplish various goals, in a wide variety of contexts. An entrepreneurial society is one in which there is less security, high levels of competition, increased disparities in income and wealth, and new ways of fulfilling the needs and desires of its members.

Defenders of the entrepreneurial society, I assume, do not really believe that everyone can or will become an entrepreneur. There is plausible evidence that not everyone has the characteristics, the stamina, and resourcefulness to

become an entrepreneur. Indeed, there is a certain strangeness in conceiving the issue of fostering an entrepreneurial society as one of producing or encouraging people to become entrepreneurs. On the one hand, promoters of a religious or theocratic society do not encourage people simply to become monks, but to live a religious life. Out of this some will become monks, priests, sadhus, or whatever. An educated society does not seek simply to produce professors; an industrial society doesn't seek simply to produce industrialists. On the other hand, since only a few people can become entrepreneurs, it also seems problematic for a society to concentrate on producing these few people. This would be a rather elitist view. So if we are to give substance to this notion, it must be that an entrepreneurial society will involve various conditions such that people live in certain ways. Given that this is the case, some will become entrepreneurs, but others won't. Somebody has to work for someone else. The argument for entrepreneurship and for an entrepreneurial society is for a society in which some sub-set will provide leadership. They will make important decisions as to what is done regarding products, services, investments, labor practices, etc., or they will make more of those decisions—possibly in conjunction with others (financiers, public officials, etc.). But the entrepreneurs will be the spark plugs, as it were, of this economy and society. Instead, then, of a Platonic society, which looked to its philosopher kings, our entrepreneurial society will look to its entrepreneur bosses.

Now this approach to questions about the entrepreneurial society might be short-circuited if one took the underlying question here simply to regard the justification of a general activity, that underlies all entrepreneurship.

It is this line, as I understand it, that Etzioni has taken. He maintains that “entrepreneurs, by promoting new patterns, help bring society and its component units in touch with reality.” (Etzioni, 1987: 175). Entrepreneurship is, in short, a kind of wake-up call, that brings us back into touch with reality. This is the basis, he suggests, of the legitimacy of entrepreneurial activities.

But this view is implausible. Entrepreneurs might, on occasion, “help bring society and its component units in touch with reality” (Etzioni, 175), but they also help create that reality. When Cyrus McCormick invented installment buying as a means to extend credit for farmers (Drucker, 30), was he bringing society and farmers into touch with reality, or rather creating a new reality? There is little merit in linguistic disputes, but I lean in the direction of saying that he was creating a “new reality.” Gillette did not bring males into touch with reality. Rather, he created a “new reality” for them, viz., a shaving blade that did not need to be sharpened and that they could simply throw away. Bill Gates did not bring computer users into touch with some computer or software reality. He created a “reality” to which they had to conform.

Clearly entrepreneurs may respond to situations in which change has taken place and take advantage of various changes in society that others have not recognized. They may thereby profit from not only their recognition but their actions to exploit that change. However, not all cases of entrepreneurship seem

to fit under this rubric. Further, it would not necessarily follow that what an entrepreneur did in such a case would be something morally desirable or permissible. For example, an entrepreneur might recognize that, because of certain changes in the Internet or in society's response to the Internet, he or she might engage in certain morally questionable, if not reprehensible, business activities because there was a niche for them, e.g., child pornography.

Accordingly, if entrepreneurs create new situations or "realities," then we must consider the nature of what they create and what voice society should have regarding their creations. Obviously, the answer here will depend upon what they are. In short, this approach to the legitimation or justification of entrepreneurship, and a society that promotes entrepreneurship, tells us little about what an entrepreneurial society would look like, or what we are committing ourselves to if we were to accept that justification.

Instead, I suggest that we must discuss the ethics of an entrepreneurial society under three main headings: a) Decentralization, b) Extension, and c) Intensification. There are ethical and value considerations under each one of these categories. Though these categories are somewhat ad hoc, they are useful in helping us sort out different aspects in our discussion of the ethics of an entrepreneurial society.

### **5. Decentralization**

Entrepreneurs are those individuals (or groups of individuals<sup>37</sup>) who, through various organizational forms, mobilize productive resources that seek out and exploit, in an innovative manner, market opportunities. Theorists of entrepreneurship (E-theorists) suppose that by changing various conditions in society, more people and groups will be persuaded, led, or induced to act in a more entrepreneurial manner, or to accept the entrepreneurial activity of others. In short, by altering certain social, political, and legal conditions, they believe we can create an entrepreneurial society.

What would constitute an entrepreneurial society is, of course, open to considerable interpretation. However, there are a number of recurrent general themes and more specific proposals upon which we can draw. Obviously I can only consider their most broad outlines here.

One general theme is that of decentralization. By this I refer to the view that, since it is entrepreneurs who are the agents of economic progress, their activities should not be hindered by various state or governmental controls. If we want new jobs, new products, self-determination, and new wealth, we should look to the reduction, if not the elimination, of various state and national controls, public policies, and measures that are imposed on entrepreneurial activities. Drucker's comment is relevant here. "Planning' as the term is commonly understood is actually incompatible with an entrepreneurial society and economy. Innovation does need to be purposeful and entrepreneurship has to be managed.

But innovation, almost by definition, has to be decentralized, ad hoc, autonomous, specific, and micro-economic” (Drucker, 255).

Thus we hear about the importance of reducing the control of various governmental agencies, reducing taxes, lowering capital gains taxes, shrinking the costs of regulations, permitting greater disparities in individual wealth, etc. What specifically is involved is a matter of some dispute. Indeed, many of the connections between these claims and entrepreneurship, as identified above, are empirical, contingent connections. However, it is widely thought that “in broad terms, local initiatives have such advantages as being able to better tailor activities to needs, concentrate resources where most required and mobilize a wide range of actors relevant to entrepreneurship” (OECD, 36).

This decentralization embodies two related moral characteristics. On the one hand, an entrepreneurial society is said to emphasize self-determination and freedom. It seeks to expand the realms within which entrepreneurs are not controlled, regulated, or directed by others. On the other hand, the free pursuit of entrepreneurship is generally thought to result in greater disparities in income and wealth than many present societies countenance (Reynolds et al., 29–31; 42).<sup>38</sup> This is clearly the situation reported by Tsang in the development of entrepreneurs in China. And recent reports in the U.S. continue to speak of high levels of income disparity. Only societies that can and do accept such disparities will be societies that encourage entrepreneurship and derive its full benefits. In short, decentralization involves two major ethical dimensions of an entrepreneurial society, viz., freedom and justice.

Entrepreneurial accounts of freedom generally link self-determination or self-control with situations in which a person seeks to direct his or her own behavior. Accordingly, entrepreneurship is portrayed as a form of creative, dynamic self-control and/or self-determination in the economic sphere.<sup>39</sup>

There are several matters of concern here that need to be sorted out. Though entrepreneurs are said to value autonomy, liberty, or independence, they may seek to obtain it (them) in ways that are self-defeating both for themselves and for others. Decentralization may also undercut liberty.

First, though E-theorists operate with the widely accepted view of liberty as simply the lack of restraint, I suggest that, if our concern is freedom for all persons, this view is too narrow. Liberty may be promoted by various rules and laws that not only restrict different kinds of actions but also create the possibility of other actions. Bankruptcy laws allow entrepreneurs to define the cost of failure and others to know what they may receive in the case of failure (OECD, 58). By protecting failed businesses, they may increase the likelihood that businesses will be started. Further, entrepreneurial societies are helped by other rules and laws, e.g., patents, copyrights, property rights, as well as various restrictions on behalf of openness and transparency in the securities industry, etc. Various structural features such as “the quality of public bureaucracies; the ability of business and government to work collaboratively rather than as adversaries; the extent and nature of government expenditures on R&D; the

governing structure of business firms; the effect of financial markets on the time horizons of firms; the technical and scientific culture of universities and their linkage to industry; tax incentives to savings and investment versus consumption; and the culture of labor-management relations” may all contribute to the level of liberty in a society (Kuttner, 206). In short, liberty as we know it is the fruit of a society with an effective government (cf. Kuttner, 330). E-theorists owe us a more complex account of the role of restrictions, liberty, and entrepreneurship.

Second, the efforts to promote entrepreneurship may not in fact promote increased self-determination. Because of the demands of the marketplace, those who become entrepreneurs may have to spend much greater time at work, much less time with families and friends, than otherwise. They may have exchanged the personal control of others for the impersonal control of the marketplace. Further, they may also be considerably dependent on others, e.g, their employees, customers, suppliers, and investors. Contrariwise, if, because entrepreneurs are subject to less control through reduced state and national laws and regulations, the remainder of the population may be subject to greater control by entrepreneurs, the freedom of others may not be promoted. The employees of entrepreneurs may enjoy not greater, but lesser, freedom. We know that some entrepreneurial types are very authoritarian. It is not obvious that we could not increase the level of freedom in a society by restricting some of the activities of entrepreneurs in order to increase the freedom of the many people who are not entrepreneurs. In short, a free society is not one in which entrepreneurs are the major benefactors of freedom.

Third, planning and regulation occur both on the level of government, as well as at the corporate or business level. The implication of demands for decentralization would seem to be that the removal of restrictions should extend down to the lowest levels in all forms of organizations. And often individualistic views of entrepreneurship point in this direction. However, entrepreneurship may also occur in groups, teams, and corporations, which require various forms of restrictions and regulations. In short, too frequently the decentralization issue is viewed as one of eliminating restrictions and regulations to allow individual entrepreneurs greater independent action, rather than developing rational, just rules, regulations, and laws to guide the stream of entrepreneurship. This may be due, in part, to focusing on entrepreneurship in the form of the “entrepreneurial hero” rather than its other forms. Indeed, the upshot for promoting entrepreneurship may not mean a reduction in government activities, but a transformation of government and corporate activities. Government will not engage in various productive activities in which entrepreneurs and “private” firms may engage and do better, but will engage in setting standards, monitoring ongoing activities, or overseeing fulfillment of standards.<sup>40</sup> It is on this we should be concentrating, not decentralization as such.

The just rules of an entrepreneurial society would reward those who are entrepreneurs with the fruits of their labor. However, it is frequently contended



that this will introduce greater levels of disparity of income into contemporary societies. The primary defense of the justice of increased disparity of wealth in an entrepreneurial society takes the form of an argument of desert or merit, though examples of this argument differ considerably in their nature. For example, Gilder rejects views that contend that entrepreneurs ought to have the levels of wealth they have on the basis of their virtues, needs, credentials, education (Gilder, 1992: 4), or even their rights (Gilder: 1992, 7).<sup>41</sup> Instead, he contends that the reason for greater levels of disparity in the distribution of wealth is that, by giving entrepreneurs the right and burden of reinvesting their wealth, capitalism works. Those who are wealthy are those whose experiments have worked. As such it has yielded a financial increase and an enlargement of knowledge and learning. An economy can continue to grow only if its profits are joined with entrepreneurial knowledge. “Entrepreneurs must be allowed to retain the wealth they create because only they, collectively, can possibly know who to give it to—how to invest it productively among the millions of existing businesses and the innumerable visions of new enterprise in the world economy” (Gilder, 305–306; cf. 7, 12).<sup>42</sup>

Israel Kirzner takes a somewhat different path, but his argument falls into this family of arguments. Because he adopts the Austrian view of the market, which focuses on dis-equilibrium and genuinely dispersed information, Kirzner sees the market process as an entrepreneurial one in which entrepreneurs discover various maladjustments in the market caused by imperfect information. “Pure profit,” he claims, “emerges . . . because genuinely dispersed information is a fact of life” (Kirzner, 1989: 178). On this view “each unity of income received . . . was, at least in some degree, discovered income. In particular, the important species of capitalist income, pure profit, was won only as a result of pure entrepreneurial discovery” (Kirzner, 1989: 181). Kirzner contends, then, that this profit or income is justified on the basis of a “finders-keepers principle” (180). For example, a person hiking in the mountains who discovers a flower on land owned by no one, and picks that flower for his own, acquires a property right in that flower (Kirzner, 1989: 180). “This finders-keepers ethic confers ownership of the flower upon its discoverer not because his claim antedates any other possible subsequent claims, but because finding and taking the flower is seen as giving him a unique moral claim over it that possesses greater weight, on the scales of justice, than any other possible claim can possess” (Kirzner, 1989: 181). “The discoverer of the flower, appreciating its beauty and worth, is in effect *creating* this flower, as it were *ex nihilo*; it is his perception of the flower that brings it within the scope of human interest. . . . He originated the flower; he created it; the finders-keepers principle declares that the flower is therefore his own” (Kirzner, 1989: 181; cf. Kirzner, 1973: pp. 47, 48).

These defenses of the justice of the increased disparity of income, supposedly necessary for an entrepreneurial society, are far from satisfactory. They share in similar defects, though their ultimate bases differ.

First, their arguments all contend that whatever income entrepreneurs may accrue is theirs. The flower that Kirzner's entrepreneur finds is his or hers alone. If anyone else took a petal or two, let alone the entire blossom, the botanical entrepreneur would be treated unjustly. Gilder's entrepreneurs deserve their wealth because they, through their experience and knowledge, are the ones who know how productively to use it. Kirzner's entrepreneurs deserve their profit because they are the ones who know how (or where) to find it.

Though Kirzner's argument appears to be non-consequential and Gilder's argument consequential, each argument seems to hold that any deduction of entrepreneurial wealth is unjustified. These conclusions don't follow. On a consequential approach we may certainly consider whether there might be other uses of such wealth by others, which would promote even greater economic progress or more desirable consequences. This cannot be excluded a priori. Surely it is conceivable that there are people who are not entrepreneurs who might have some fairly good ideas about how to invest certain resources a present entrepreneur has developed.

Second, both accounts portray entrepreneurial wealth in an abstract manner, as if the entrepreneur alone was the agent responsible for the discovery or development of such wealth. E-theorists omit the context in which entrepreneurs develop, or discover, their wealth. They forget the social institutions, the attitudes, values, and norms of the society and the people surrounding the entrepreneur, that make the development of economic progress possible. This is ironic in the case of Gilder since early in his book he is at pains to maintain that wealth consists in ideas, attitudes, moral codes, and mental disciplines, rather than in definable and static things (Gilder, 12). And though these ideas and attitudes may be those of the entrepreneur, the moral codes and mental disciplines cannot simply be those of the entrepreneur. Indeed, if the wealth that entrepreneurs claim is really based on attitudes, moral codes, etc., this would seem to be an argument for the sharing of such wealth with those others who make such wealth possible. This point would seem to be supported by the disparity of levels of entrepreneurship amongst countries around the world, which is at least partially an implication of the different attitudes and moral codes that distinguish those countries.

Third, Gilder suggests that things have actually become more equal in past years. Thus, he claims that "the 1980s saw a dramatic turn toward greater equality of incomes and wealth in the U.S. economy" (Gilder, 176–178). Not only entrepreneurs but "the entire population benefited, particularly the poor, as jobs rose 19.5 percent, including a 30.3 percent rise in black employment and a 50 percent surge in Hispanic employment" (Gilder, 176). There is, however, some disagreement over these figures. But suppose that Gilder is correct. If this were the case, then the argument for inequality would seem to lose its force. We can accomplish the end of promoting entrepreneurship without the heightened levels of inequality.

Finally, if we may believe various studies of entrepreneurs that show that they have a wide range of character types and motivations, then the motivation to amass wealth may be less significant than some think it is.<sup>43</sup> On the other hand, supposing that there may be justified differences in levels of wealth in a society, it is not clear what is the extent to which the defense of greater levels of inequality required to foster entrepreneurship is something that must be incompatible with a Rawlsian view or views more concerned with equality than many E-theorists are.

In short, the arguments of E-theorists I have surveyed regarding levels of income and wealth disparity, that they say are typical of, and necessary for, an entrepreneurial society are unconvincing and troubling. A just society may well allow for different levels of wealth and income. However, the arguments of E-theorists that these levels must be much greater than in many developed nations remain incomplete and unpersuasive.

There is a more general point regarding distributive justice that is also relevant here. The various measures that have been proposed to foster entrepreneurship will, quite plausibly, have different effects on the different kinds of entrepreneurs I have identified. Accordingly, there are also issues of distributive justice, which may arise within the promotion of entrepreneurship. Which kind(s) of entrepreneurs does a society wish to foster and why? Because E-theorists have generally simply focused on some sort of generic “entrepreneur,” they have not, as far as I know, asked this question. Nevertheless, this is an important question concerning justice that needs to be raised. A society that focuses on Entrepreneurial Heroes will look quite different than those that seek to promote Entrepreneurial Adapters or Contributors.

It is clear that decentralization can help invigorate a society. However, it can also leave important parts of a society less protected and supported. A society that promotes entrepreneurial possibilities should be very careful with the nature and degree to which it accepts decentralization. Clearly, removing restrictions on forming business organizations that may produce new products and services is desirable, but this should not be its sole aim. Too many E-theorists have confused a society in which entrepreneurship is encouraged, with a society in which being an entrepreneur is the overriding goal.

## **6. *The Extension of the Economy***

Efforts to develop an entrepreneurial society raise the issue of the boundaries and extent of entrepreneurial activity (cf. Reynolds et al., 29–31). This may occur in one (or both) of two ways, practically and conceptually. The practical extension is represented by statements such as those of Hawkins who, in his introduction to Gilder’s book, notes that “entrepreneurial principles suggest how men and women, as individuals and within their communities, can devise answers to the critical challenges they face: the decaying social fabric, environmental hazards, health and safety concerns, as well as threats to prosperity”

(Gilder, 1992: v). Similarly, the OECD notes explicitly how entrepreneurs act to “expand the boundaries of economic activity” (OECD, 1998: 11). And Drucker maintains that “wherever public-service activities can be converted into profit-making enterprises, they should be so converted” (Drucker, 185).

Thus, the creation of an entrepreneurial society is also interpreted to involve encouraging or permitting entrepreneurs to move into areas in which market opportunities may be found or developed. These new areas have included realms previously denied to entrepreneurs, e.g., public housing, transportation, trash collection, education, prisons, etc. The entrepreneurial society encourages people to seek out commercial opportunities as a way to promote economic growth, jobs, and the general welfare. Individuals will do this; it will not be state planned.

The connection of these efforts to entrepreneurship is through the notion of markets. The relations in which people stand in a society are increasingly seen as being market relations. This aspect of the entrepreneurial society raises questions about the nature and limits of markets, the relation of the private and public domains, and inter-connections between self-interest and the general welfare.

The conceptual extension takes place on a daily basis in a variety of ways. It occurs when people speak or write, for example, about public entrepreneurs, social entrepreneurs, and, indeed, the government or academic institutions becoming more entrepreneurial. On this approach, the issue of extending the realm of entrepreneurship is very different from the practical one noted above.

Though it is impossible not to recognize that people speak in these different ways, two observations are relevant. First, the conceptual extension of “entrepreneurship” seems to lack any boundaries. The preceding examples are a few of the many uses of “entrepreneurship” that greatly broaden its range and change its meaning from the one I have suggested above. For example, in addressing the Joint Economic Committee on “Reinventing Government,” David Osborne suggested that to be entrepreneurial is to be “lean, . . . to be flexible, . . . to be capable of adapting to rapid change, and . . . to be responsive to your customers” (Osborne, 1992).

Now if we understand the notion of “customer” here simply to refer to whomever one is dealing with, then this sense of entrepreneurship is so diluted that it has nothing particularly, as far as I can see, to do with capitalism or markets. It adopts business terminology and hence captures some of the positive emotive association of those who speak of running government like a business, but with a diluted substance.<sup>44</sup> Entrepreneurship loses its “home,” so to speak, in the economic sphere and is extended inappropriately to other spheres.<sup>45</sup> Just because entrepreneurs are (let us suppose) flexible and capable of adapting to rapid change, it does not follow that everyone who shares those characteristics is also an entrepreneur. Such a move would be similar to one in which, in another more religious society, people decided that, since mystics were those who excelled in communication with the Godhead, anyone who excelled in any form of communication was also a mystic.<sup>46</sup>

My second observation is that such different uses of “entrepreneurship” may also be a way of extending the assumptions and values of one sphere, e.g., the economy, into other realms. Osborne did speak of “customers,” rather than “clients,” “patients,” or “citizens.” But these latter notions carry different assumptions and imply different relations than does the concept of “customer.” So used, “entrepreneurship” may become a Trojan Horse whereby various entrepreneurial protagonists gain practical entry for their market values and assumptions into other areas of life. And concerning this move I believe that we should be particularly wary.

Consider then the views of those who would practically extend entrepreneurship into other realms. On this view, to encourage entrepreneurship is to encourage a private entrepreneurial solution to a wide range of problems, some of which have frequently been considered public problems. There is a wide range of proposals that have been made here. For example, we are told that entrepreneurs ought to be allowed to provide services such as education, mass transportation, garbage collection, electricity generation, gas provision, street maintenance, park maintenance, welfare, prisons, drug programs, rehabilitation programs, etc. A recent book has proposed that entrepreneurship in urban transit be allowed by permitting property rights not only in vehicles, but also in curb zones and transit stops.<sup>47</sup>

The promise and the importance of entrepreneurship is that, through it, many of society’s woes can be more effectively, efficiently, and productively resolved. Let individuals solve their own problems and the problems of society. They can do a better job than can government. The common denominator is that those who seek to solve problems in these areas must be able to do so at a profit, that they must be allowed flexibility to derive that profit, and that they produce products and services that will attract and (supposedly) benefit their customers.

The defense of this view in the entrepreneurial literature is not founded, as far as I can tell, on the basis of the rights of individuals to independence, self-control, or property. This reflects the origin of entrepreneur discussions, i.e., in the economic literature as an account of the development of the economies of societies, as an account of profit, etc. In short, discussion of the entrepreneur arises out of a very different literature than does the libertarian who looks back to John Locke. The entrepreneur was first, it is widely claimed, identified by Cantillon who portrayed the entrepreneur as “the agent who buys means of production at certain prices in order to combine them into a product that he is going to sell at prices that are uncertain at the moment at which he commits himself to his costs” (Schumpeter, 1949: 64).<sup>48</sup> It is this literature that has spawned the discussion of the entrepreneur.

Instead, if there is any internal connection between entrepreneurship and the notion of extending entrepreneurship to the rest of the society, it lies in the view of the relations in which people live as market relations. It is not obvious that anything regarding entrepreneurship requires this expanded view of the

market. However, the development of an entrepreneurial society has been said to involve it. But this is a distinct step.

We need some principled way to sort through these issues. The response of some has been that “there is no permanent formula for what should be public and what should be private” (Kuttner, 1992: A,13). Similarly, Giddens maintains that a new mixed economy is needed, one with “a synergy between public and private sectors, utilizing the dynamism of markets but with the public interest in mind. It involves a balance between regulation and deregulation, on a transnational as well as national and local levels; and a balance between the economic and the non-economic in the life of the society. The second of these is at least as important as the first, but attained in some part through it” (Giddens, 1998: 100).

These points are correct, but they leave us with few guidelines or principles by which to operate. The difficulty is that, given the utilitarian basis out of which the discussion has arisen, there seem few bases upon which to make important distinctions between what entrepreneurs should do and what they should not do. The assumption seems to be that individual (private) entrepreneurs should be allowed to do as much as possible and that the burden of proof is on the other side (the public, the government) to say what the limits are of such activities. The burden of proof is not on the entrepreneur to show that engaging in market activities in that area is (or should be) acceptable.

What relevant considerations and/or principles then are available when we seek to address the issue of the extension of entrepreneurship into some new area? To begin with, Drucker offers a principle that relates to capital formation. His demand that “wherever public-service activities can be converted into profit-making enterprises, they should be so converted” (Drucker, 185) rests on his contention that “[w]e can . . . ill afford to have activities conducted as ‘non-profit,’ that is, as activities that devour capital rather than form it, if they can be organized as activities that form capital, as activities that make a profit” (Drucker, 185).

Now it is conceivable that a wide range of activities might be brought under profit-making enterprises: public highways could be made toll roads, public parks could require park entrance fees comparable to Disneyland, so too with schools, etc. However, whether such activities could be so transformed must be balanced with whether they should be so transformed. Drucker spends little time considering which segments of society might be thereby excluded from participation in certain activities, what the desirability is of open access for all people, or what values or conditions organizations that are profit-constrained might impose on the activities and the individuals they undertake to service. There are different issues here that require separate evaluation and cannot be resolved simply by a call for the extension of entrepreneurship.

Second, we must determine whether non-entrepreneurial relationships contain features that are desirable and important, and may be undesirably transformed by bringing them under the entrepreneurial relationship of business

person/customer. That is, there are important distinctions between the entrepreneur/customer relation and other relations involving citizens, patients, clients, and students. Each of these relations is threatened by the extension of entrepreneurship to the realms of government, medicine, and education. For example, physicians must do various things to their patients (telling them to do certain things, cutting them open, gathering information on them, etc.) that no entrepreneur should do to a customer. Similarly, entrepreneurs do things with and to their customers (selling information regarding customers, seeking to persuade them to buy products they produce, etc.) that no physician should do to a patient.

The good society, I suggest, is a society in which there are multiple distinctions and different relations. Our concern to promote equality need not connote sameness with respect to economic matters, but also should not foster sameness with regard to the different and diverse relations that would constitute a good society. In short, we must take care that we preserve these different relations even while recognizing that these relations will change over time.<sup>49</sup>

Third, when it comes to the entrepreneurial fulfillment of public and social tasks, we must consider not only the standard limits of markets, but also the criteria that we believe must be fulfilled in the entrepreneurial undertaking of these tasks, the nature of the tasks themselves, and the payment for those tasks. For example, some might contend that they don't care if the garbage collectors are private or public, so long as they do their job regularly, are careful and clean in what they do, don't make too much noise, and the city can afford them. However, the criteria hardly end here. Is the city to hire, or each household itself to hire, the garbage collectors? How do the garbage entrepreneurs treat their employees? Will they serve "all members of the community (no matter how inconveniently located) at equal cost, disposing of waste in environmentally sound ways, and conducting honest bidding with city officials" (Goodman and Loveman, 1991: 36)? Similarly, if one of the ways that private firms have increased efficiency in the past is to drive down the cost of labor, change work rules, offer less due process and/or worker rights, then these are costs of private firms that must be part of our consideration of using these resources to address social needs. E-theorists emphasize that the test of entrepreneurship is its ability to bring its innovations and efforts successfully to market. For example, Drucker says that "the test of an innovation, after all, lies not [in] its novelty, its scientific content, or its cleverness. It lies in its success in the marketplace" (Drucker, 1985: viii). But this is too narrow a view. There are other ends and conditions that we must also consider. In short, the means and ends of entrepreneurial tasks cannot simply be left to entrepreneurs.

I do not think, however, that we shall rise to the challenge of the extension of entrepreneurship throughout new realms of society if we simply try to separate as clearly as possible the public and private realms. Part of what is at issue is the very boundary between these areas. This is the major challenge of integrating entrepreneurship into the good society.

The relation between the public and the private has been quite often portrayed as dichotomous. The public realm is the open, the revealed, and the available to all. It is officially subject to the scrutiny of others (official others). It is also the realm of the government, of those elected, appointed, and who have (coercive) authority over others. In contrast, the private realm is closed off from others, involving individual choice to block others and to act as one saw fit. It is not subject to public scrutiny, but is, instead, the realm of self-determination.

This dichotomy has elements of both truth and fiction. However, instead of a dichotomy of public and private, it is clear that we need to think in terms of a continuum structured by various rights and responsibilities. The center of this continuum has greatly expanded with new kinds of organizational response to needs and problems in society that have created, in turn, new overlapping forms of the public and the private. Indeed, oftentimes it is not obvious whether we should refer to them as “private” or “public.” For example, various arguments have been offered as to how corporations have become public entities through the powers and potential influence they have accumulated. Even non-governmental organizations have been seen as having public dimensions not previously identified. The Boy Scouts of America was recently considered, by a New Jersey court, to constitute a “public accommodation,”<sup>50</sup> whereas the California Supreme Court ruled that it was a private association.

The current discussion of entrepreneurship brings this interconnection, and indeed redefinition, of the public and the private strongly to the fore. When local and sub-national governments engage in providing “business incubators, advisory and information services, business networks, loan-guarantee consortia, information brokerages for informal venture capitalists, training schemes and entrepreneurship awareness programs,” science parks (OECD, 1998: 26), there is a significant interconnection of the public and the private. When Presidents, governors, and mayors seek business opportunities for businesses and entrepreneurs within their domains, and the federal government support for business amounts to an annual figure of \$65 billion (OECD, 24), the relation of the two realms is considerably intertwined.

What is new in all this is the increasing effort of business, government, and non-governmental organizations to work together to create projects that benefit each of the participants and their constituents. Hence, the self-interests of all are represented. Similarly, departments and divisions of government compete with private and non-government organizations to provide various services. Such competition may bring the public and the private realms closer, while maintaining important differences that have characterized each sphere. What is involved is the development of a new model of the relationship of the private and public sectors.<sup>51</sup> With this will come different answers to the entrepreneurial extension of the economy.

The preceding, it should be clear, does not mean that the notion of the extension of entrepreneurship is simply a bad idea. It does mean that it must be



undertaken with care. There are important and positive sides to it. For example, the extension of the economy also involves providing more opportunities for women (and minorities) as entrepreneurs.<sup>52</sup>

What needs to be attacked is the underlying entrepreneurial assumption that nearly everything can be understood as a market and that markets optimize outcomes. If we assume this, as too many E-theorists do, then the conclusion is clear: we should extend markets as far as possible. But I have urged that this assumption is faulty.<sup>53</sup>

### ***7. The Intensification of the Economy***

What are the implications more generally for society and its members of the attempts to foster an entrepreneurial society? In thinking about the implications of entrepreneurship for society, Schumpeter's comment of fifty years ago comes to mind: "the entrepreneurial activity and mind impresses the stamp of its mentality upon the social organism" (Schumpeter, 1949: 82). The *GEM* report urged that "emphasis should be given [by countries and governments] to developing individual capacity to recognize new [market] opportunities" (Reynolds et al., 41).<sup>54</sup> I think that we should take these comments seriously in thinking about attempts to foster an entrepreneurial society.

Of course, since the attempt to identify some narrow set of essential entrepreneurial mental characteristics has not borne fruit, we must be careful here. Instead of talking about certain motives or mental characteristics of entrepreneurs, we might speak about various ways of behaving, forms of life, or the like that would characterize an entrepreneurial society.

My point is that an entrepreneurial society does not simply foster entrepreneurship amongst a minority of its citizens without this having other implications for the rest of society. Rather, in fostering conditions that promote an entrepreneurial society, other members of society are affected, both directly and indirectly, as well.

There will be much that is desirable in this. It is quite plausible that a good society would be one in which people readily undertake new ventures, are not unduly punished for their failures, and seek new ways to resolve old problems. However, there are also aspects of the entrepreneurial society that are less obviously contributions to the good society.

First, consider the dynamism generally said to characterize an entrepreneurial society.<sup>55</sup> This is widely seen as resulting from the following kinds of measures recommended to foster entrepreneurship: changing bankruptcy laws to shift some of the burdens to investors from failed entrepreneurial adventures; reducing social and legal stigmas for failure; allowing "for flexible employment contracts to be negotiated, with remuneration arrangements and working conditions that are well adapted to the needs of dynamic enterprises"; "relax[ing] employment protection measures that inhibit restructuring or discourage entrepreneurs from taking on new workers" (OECD, 29); making wage and labor

costs “more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers” (OECD, 34); and, finally, “reform[ing] employment security provisions that inhibit the expansion of employment in the private sector” (OECD, 34).

The upshot, we are told, will be a society in which there will be greater numbers of firms being created and failing, with new jobs being created and eliminated. “As more new firms and jobs are created, there subsequently may be greater firm deaths and job destruction. Firm and job turbulence or ‘churning’ is what . . . usually accompanies economic growth” (Reynolds et al., 10). More jobs will supposedly be available to people, but they will also shift jobs, businesses, and areas of employment much more frequently.

The implications for the good society will be significant. Due to increased job churning, employees must be prepared to be flexible, to move from job to job, and to engage in continuous learning and training. Such employees must not seek their identity in any particular job or project or business. Job- or company-based identities are increasingly a thing of the past. Such loyalty as they may have must be a “quick loyalty” that may stop and start with each project or business. But such “quick” loyalty will not be a deep loyalty. Detachment and conditionality typifies such loyalty.

Similarly, the attachment of any entrepreneur to any business or project can only last as long as it is productive. And since many of these businesses will fail, be reorganized, or downsized, entrepreneurial people must be able to detach themselves from their businesses; they must seek to be objective about their work, in spite of the testimonies of many that their businesses are who they are or are a reflection of themselves.

However, under these conditions, detachment does not, and cannot, attach to work itself. Here a significant commitment is required. With increased pressures for efficiency and job creation and destruction, the hours that people, as entrepreneurs and employees, have had to devote to their jobs has grown significantly. The International Labor Organization has recently reported that “Americans spend more of their time on the job than workers anywhere else in the industrialized world . . . up 4 percent from 1980” (Grimsley, 1999: E1; cf. OECD, 49). In addition, they have less security, they have many more things they have to worry about, they spend less time with spouses and family, or they may forgo families altogether during their entrepreneurial years. Schumpeter spoke of the disintegration of the bourgeois family under the effects of entrepreneurial capitalism (Schumpeter, 1950:157). This may not be occurring for the reasons that Schumpeter envisioned and may not have the results he anticipated, but surely the implications of fostering an entrepreneurial society must also be weighed against effects upon the family.

In general, I take it that an entrepreneurial society will be a society in which the dynamic force of the market will be felt much more directly and intensely than in non-entrepreneurial societies. What is clear is that too few of the accounts of an entrepreneurial society have focused on the protection people

need when things go wrong (Giddens, 100), or when employees become superfluous. But surely if society wishes to make the economy more dynamic, then it should also consider the other costs that will be involved and take measures to handle these. To his credit, Drucker at least briefly mentions this in his book. The OECD, George Gilder, and other promoters of the entrepreneurial society do not.

Second, an entrepreneurial society is one of great change. This may have to do with products and services, as well as with the ways people work. The examples are many: the use of the safety razor, the computer, the cargo container, credit for farmers, the cell phone, etc. A society that promotes entrepreneurship, we are told, will be a society in which change and newness is elevated and highly valued. Drucker says that a Latin poet called the human being “*rerum novarum cupidus*” (greedy for new things) (Drucker, 151). An entrepreneurial society will encourage in its members the desire for new things and a willingness to replace old things. Everything is open to change, to modification, to replacement through various entrepreneurial experiments. The members of an entrepreneurial society must develop habits of flexibility and of acceptance of change as normal and as opportunity—for institutions as well as for individuals (Drucker, 260). These entrepreneurial attitudes are to be instilled through education at a young age (OECD, 51). Changes are approved on the basis of their success in the market. These features have implications that ethicists need to think through.

If an entrepreneurial society has a Heraclitean nature, then its members must value the products of change, the new products, services, and relationships they develop as a result. As such current relationships, for example, are devalued except inasmuch as they can result in new experiences, services, etc. What becomes important is the change, the innovativeness, and the newness. Previous habits, customs, and traditions are devalued in the process.

In such a situation, what is the glue that holds people and a society together? The social habits, customs, and traditions that bind society may need changing, but they are also kinds of public goods that may need protection, a kind of protection that may be subject to various forms of the tragedy of the commons. If we build into society (in some way analogous to which we build into a business) policies and practices (Drucker, 169) that lead to change and innovation, we should wonder (in a Schumpeterian moment, perhaps) to what extent we might be undercutting things that are valuable and important for a good society.<sup>56</sup>

For example, if changeableness is the order of the day, then we must also explore the effects of trust upon people who act as partners in a business that seeks to be entrepreneurial (Drucker, 174–175), as well as in a society that seeks to be entrepreneurial. It would seem that people must learn to develop some form of “quick trust” in order to survive in such a society. However, once again, how deep such trust may be, how conditional it is, becomes an important issue in weighing the implications of this form of trust on personal relations.

Finally, with Schumpeter, but again for different reasons, we might also be concerned about the effect on people's time lines or "time horizons" (Schumpeter, 1950: 161). In a changeable, dynamic society, it would seem that they become shorter and shorter. If this is combined with the emphasis on marketplace success, might we see a move away from basic research? Of course, it may be replied that good entrepreneurs will engage in basic research. But will they? Certainly, entrepreneurship may well occur simply through copying someone else. Perhaps it "best" happens under those conditions. In addition, there are other effects on present and future society when students are eager to become entrepreneurs rather than physicists, chemists, and astronomers. In short, the entrepreneurial society embodies potentially significant changes for the moral and social identities of both society and its members.

In this intensification of the economy, I think we may see another fundamental change taking place in contemporary society. The increasingly dynamic, changeable, and opportunity-oriented entrepreneurial society is one in which there is a realignment and redefinition of self-interest and the general welfare. The realignment is that some of the things that we have thought need to be done in a society, by its own agencies through a concern for the public welfare or even some form of altruism, can be accomplished (perhaps even better accomplished) by private or non-governmental entrepreneurial groups. This is not simply a transference of functions, but an attempt to create projects that speak to the interests of all involved. "Only a welfare system that benefits most of the population," Giddens contends, "will generate a common morality of citizenship." (Giddens, 108).

This involves creating projects that work within publicly set guidelines or expectations as well as projects that are economically productive, i.e., that (largely) pay for themselves. Here we find those entrepreneurs who seek out creative new ways to solve public needs but do so in a way that can survive in the marketplace. These people may be called social entrepreneurs, since their roots remain in the market. This involves designing systems so that people's self-interests will be served, while detailing what the costs and the limitations of these activities are.

However, there is also a redefinition of self-interest. Increasing numbers of entrepreneurial firms adopt a broad definition of the bottom line and thereby incorporate concerns for stakeholders into their operations (Larson, 252). For these firms the topic of entrepreneurship and ethics "is about the practical integration of what is good for society and future generations throughout company operations and within the network of investors, suppliers, and customers with which the company is engaged" (Larson, 252). "Leadership from the entrepreneurial sector of the economy around these ethically laden concerns suggests an alternative model of conducting business." (Larson, 252).

Finally, let me be clear that the preceding is not a criticism of entrepreneurship as such. It is, however, a concern about the implications of fostering and

encouraging an entrepreneurial society. The entrepreneurial society is not simply the entrepreneurial business writ large. There are various practices, structures, and incentives that are appropriate to the entrepreneurial business (cf. Drucker, part 2) but that are not directly (or even at times indirectly) applicable to society at large. An ethics for entrepreneurs would identify and respect the limits of markets. Not everything can or should be a market or a market opportunity. Not everything that can be sold by someone with an entrepreneurial flair is something that should be sold. Nor is the entrepreneurial society a version of Lake Wobegon in which everyone is above average in the innovativeness, get-things-done, not-afraid-of-risk, and willing-to-suffer-defeat mentality. The good society will be one in which those people who are (or may be) entrepreneurs will be encouraged. But it will also be a society in which others are also valued, respected, and treated justly and fairly by laws and entrepreneurs.

Drucker cites Jefferson that “every generation needs a new revolution.” But the changes and revolutions that an entrepreneurial society brings are very different. They are not (simply) political and do not occur just once a generation. Instead, they pervade all of life and occur on an ongoing basis. We should be wary that, in trying to encourage entrepreneurs by developing an entrepreneurial society, we may weaken the nest in which the golden eggs are laid.

### **8. Summary and Conclusion**

At the outset I noted that entrepreneurship is an issue of considerable concern to a wide range of individuals, organizations, and nations. However, the discussion of the ethical dimensions of this movement has been hampered by the multiple meanings attributed to “entrepreneurship” and Gilderian paeans to the nobility and ingenuity of entrepreneurs. If we wish to develop not simply a society in which entrepreneurs play an important role, but a good society in which they do this, then we must devise a useful concept of entrepreneurship, and look to the ethical and value questions surrounding the realization of this form of activity. I have identified three levels on which this might be done, and have tried, somewhat briefly, to engage in some explorations on the macro level.

In his book, *Innovation and Entrepreneurship*, Drucker notes the significant change in level of entrepreneurship in the last thirty years and considers various possible causes of this. He then comments that “yet whatever the causes, the effects are above all economic ones” (Drucker, 14). I have maintained that entrepreneurship also carries terribly significant moral and value effects for a good society. These too we must consider. They are not less significant than the economic effects. Just as we cannot leave the means and the ends of entrepreneurship to entrepreneurs, we cannot leave the ethics of entrepreneurship to E-theorists. Entrepreneurship is not simply about how one creates a business, or the workings of the economy. It is far more about how we organize today’s society. It is worthy of close ethical scrutiny.

### Notes

I am indebted to comments from Ed Soule and John McCall on an earlier version of this paper. I am well aware that they will think that I have not sufficiently listened to their many suggestions and remarks.

1. The *Global Entrepreneurship Monitor* is a publication of Babson College, the London Business School and the Kaufman Center for Entrepreneurial Leadership. It studied entrepreneurship in G7 countries (i.e. Canada, France, Germany, Italy, Japan, United Kingdom and the United States), as well as Denmark, Finland and Israel. It found major entrepreneurial initiatives in France, Finland, Israel and Germany.

2. Cf. Taylor, 1995: 120; Gilder, 150–151; Dees and Starr, 91; Casson, 1982: 1.

The following anecdote concerning Thoreau captures one disdainful view of entrepreneurship. “Thoreau, whose father had been a manufacturer of lead pencils, was confident that he could improve on the type of pencil in use at that time. His early experiments were a great success and presented him with the opportunity to make his fortune. Thoreau, however, surprised his friends by announcing that he had no intention of making any further pencils. ‘Why should I?’ he said. ‘I would not do again what I have done once.’” (Fadiman, 1985: 543).

3. In his work on rivalry, Brenner highlights this tension by arguing that crime and entrepreneurship have common motivational roots stemming from the perceived loss of relative standing in society (Dees and Starr, 91). Solomon and Hanson quote Abraham Zaleznick’s remark that “if we want to understand the entrepreneur, we should look at the juvenile delinquent” (Solomon and Hanson, 68).

4. For example, Phillippe Kahn’s deception of *Byte* magazine to help get his company, Borland, up and going has been retold many times (Lyons and Mamis, 1989).

5. Berle and Means comment that “as private enterprise disappears with increasing size, so also does individual initiative. The idea that an army operates on the basis of ‘rugged individualism’ would be ludicrous. Equally so is the same idea with respect to the modern corporation” (Berle and Means, 108).

6. Whyte’s *Organization Man* argued that American business life had abandoned the old virtues of self-reliance and entrepreneurship in favor of a bureaucratic “social ethic” of loyalty, security and belongingness (cf. V. Postrel, 1999).

7. The terms “entrepreneur” or “entrepreneurship” have occurred one (1) time (in 1999) in article titles appearing in *Business Ethics Quarterly*. In a survey of entries in the *Philosopher’s Index*, from 1940 to 1999, there were zero entries for the period between 1940 and 1969. From 1970 to 1979 there were 4 entries; from 1980 to 1989 there were 16 entries; and from 1990 through the last reported period in 1999 there were 39 entries.

In large measure business ethicists have treated the ethics of entrepreneurship with benign neglect. In addition, there are no references to “entrepreneurs” in standard business ethics textbooks by Boatright, De George, or Velasquez. Solomon is one of a few to discuss entrepreneurs. Dees and Starr comment that “in the field of entrepreneurship . . . rarely are . . . [ethical] themes openly or critically discussed. There are but a handful of papers that explicitly address ethical questions in the context of entrepreneurial management” (Dees and Starr, 1992: 89–90).

8. Actually, either a great deal has been said on the ethics of entrepreneurship or very little. A great deal has been said if we view entrepreneurship as a form

of libertarianism (cf. Ayn Rand, Robert Nozick, etc.) and, consequently, interpret discussions of libertarianism as discussions of entrepreneurship. Though there are connections between these two bodies of literature, I do not think that they should be viewed as simply different forms of the same phenomenon.

9. Cf. Gartner, 1989:47; Low and Macmillan, citation, 144f.; Wortman, 1987, 260-261; Baumol, 1993: 15.

10. Cf. Schumpeter's similar point regarding entrepreneurs and entrepreneurship. "It might be argued that the historical investigation holds logical priority and that our definitions of entrepreneur, entrepreneurial function, enterprise, and so on can only grow out of it *a posteriori*. Personally, I believe that there is an incessant give and take between historical and theoretical analysis and that, though for the investigation of individual questions it may be necessary to sail for a time on one tack only, yet on principle the two should never lose sight of each other" (Schumpeter, 1949: 75).

11. "In 1996 small business created 1.6 million new jobs. Fifteen percent of the fastest-growing new firms (i.e., gazelles) accounted for 94 percent of the net new job creation, and less than one-third of these gazelles are in high technology" (Reynolds et al., 7). In short, the *GEM* study concludes that "entrepreneurship does play a pivotal role in economic growth. In almost all advanced economies, new and small firms account for 99 percent of all firms" (Reynolds et al., 8).

12. I will assume that there is some merit to each of these preceding four points. Surely, however, they are not without question. As the OECD has pointed out, the link between entrepreneurship and employment is very difficult to draw (OECD, 40).

13. See also the views of Charles Taylor and those who call themselves the "New Democrats."

14. Others have noted before that discussions of entrepreneurship seem to cluster about two different views or uses of entrepreneurship (Berger, 1991: 7; OECD, 1998: 41). The term has had "two principal uses in recent years, firstly as a description of the creation and growth of new and small businesses, and secondly as a description of a more general business characteristic, denoting a willingness to take risks, to be innovative and to take initiatives to exploit business opportunities" (OECD, 41). The former is the most obvious and widely used of the two concepts (OECD, 41). However, these accounts generally consider these uses or views to constitute two irreducible meanings with regard to entrepreneurship. I see them as interlinked parts of the complex concept of entrepreneurship.

15. On this view, entrepreneurs are often taken to refer to those who come up with innovative new approaches to old ways (etc.). Schumpeter mentions one analysis of the entrepreneurial function along these lines. "There is, therefore, no sharp dividing line between entrepreneurial activity in this restricted sense and ordinary administration or management, any more than there is a sharp dividing line between the homo neanderthalis and the types which we recognize as full-fledged human beings. This does not, however, prevent the distinction from being possible and useful" (Schumpeter, 1949: 68). Hébert and Link contend that "entrepreneurial action may mean creation of an opportunity as well as response to existing circumstances" (Hébert and Link, 1988: 48).

16. Cf. Schumpeter, 1950:132.

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17. It might be asked whether everyone is entrepreneur on this view. The answer is “No.” Those who simply do their jobs are not entrepreneurs on this view, nor are those who inherit businesses and simply manage them. I agree that entrepreneurship refers to a set of abilities most, if not all, people potentially have (Spinoza). However, it does not follow, in any significant way, that all people are engaged in it in some form (McLelland).

18. Cf. Drucker. Similarly, the British White Paper argues that focusing simply on “the new creative industries and the further reaches of high-tech business . . . is a fundamental misunderstanding of the coming reality. Businesses of all types, from construction to engineering, from retailing to banking, need to marshal their knowledge, skills and creativity to improve their products and services and raise their productivity” (White Paper, section 1.6).

19. Schumpeter’s view included new goods, new methods of production, opening new markets, developing new sources of raw materials or half-manufactured goods, or creating new organizations (cf. Baumol, 1990: 896–897).

20. My linkage of entrepreneurship and market activity is quite in line with the OECD account which links entrepreneurship with business opportunities (OECD: 41). On the other hand, my account also allows that there could be (and were) entrepreneurs before capitalism (cf. Berger, 1991: 17–18).

21. *Washington Post*, July 6, 1999, B1 and B5, “Moonshine Rampant in Va. Hills.”

22. The idea of fostering an entrepreneurial society goes against Schumpeter’s view of the collapse of capitalism and the obsolescence of the entrepreneur (Schumpeter, 1950: 131ff.). Schumpeter based his view on the claim that the social function of individual confidence, getting things done, etc. “is already losing importance and is bound to lose it at an accelerating rate in the future even if the economic process itself of which entrepreneurship was the prime mover went on unabated” (Schumpeter, 1950: 132). He gave two reasons for this view: a) innovation is being routinized; b) personality and will power account for less and less in a society accustomed to economic change (Schumpeter, 1950: 132). The same process of mechanization, impersonalization, etc. that has transformed warfare “undermines the role and, along with the role, the social position of the capitalist entrepreneur. His role . . . also is or was just another form of individual leadership acting by virtue of personal force and personal responsibility for success” (Schumpeter, 1950: 133).

Hindsight indicates that Schumpeter was simply wrong concerning the need for these characteristics and the future of entrepreneurship. Further, it is also wrong to look to these personal characteristics rather than the activities and abilities that entrepreneurship involves.

23. Ripsas contends that Schumpeter held that they are not teachable (Ripsas, 1998: 107).

24. Few people make this distinction. Dees and Starr do so in their article though they do not make it in quite the same way as I do (cf. Dees and Starr, 1992: 92).

25. Some refer to “intrapreneurs” here instead. I don’t think that this new term is needed. We may also refer to “entrepreneurs” within organizations.

26. Drucker says that big businesses have a social responsibility to learn to manage themselves for entrepreneurship. He also says that it is in their self-interest to do so (Drucker, 144). His rationale seems to be that “rapid destruction of the existing



businesses—especially the big ones—by innovation, the ‘creative destruction’ by the innovator . . . poses a genuine social threat today to employment, to financial stability, to social order, and to governmental responsibility” (Drucker, 144).

27. These questions constitute, I suggest, a normative skeleton of a legitimate domain for the study of the ethics of entrepreneurship. They would fall within the broader, “distinctive and legitimate domain for the field of entrepreneurship” that Venkataraman identifies with research into the “connection between private wealth-seeking and social wealth creation” (Venkataraman, 1994: 4).

28. Cf. Hawkins’ “Forward” in Gilder, 1992: pp. v-vi.

29. This call is increasingly heard these days. What is unique in our present situation is that this call is no longer simply rejected by those (at least some of those) on the left. They are entertained seriously in an effort to promote entrepreneurship. In his book, *The Third Way*, Anthony Giddens speaks to this attempt to find a third way between capitalism and socialism, which would accommodate some of these elements of entrepreneurship. Similarly, Britain’s White Paper and the OECD’s *Fostering Entrepreneurship* both attempt to capture the beneficial aspects of entrepreneurship while avoiding its dark and less desirable sides.

30. Schumpeter held that “only a small fraction of the population” has the aptitudes required by entrepreneurship (Schumpeter, 1950: 132). Gilder thinks that at most twenty-five percent of the population may be entrepreneurs. The *Global Entrepreneurship Monitor* claims that “[t]hose engaged in starting a business represent a small minority of the population—8.4 percent in the U.S., 1.4 percent in Finland” (Reynolds et al, 23). Further, it should be noted those most likely to be entrepreneurs are male and between the ages of 25 and 44 (Reynolds et al., 24).

31. This is not meant to exclude mainline, entrepreneurial companies, such as (according to some) General Electric.

32. Heraclitus, in contrast to Plato, saw the nature of things to be change. He is known by many for his saying that “All things are in a state of flux.”

33. By “groups of individuals” I refer to a range of phenomena—from two or three entrepreneurs who work together on a common project up to large corporations which may, in some appropriate sense, be said to be entrepreneurial. An entrepreneurial society would be composed of entrepreneurial individuals and entrepreneurial groups, as well as other people and groups which are not entrepreneurs or entrepreneurial.

34. “Entrepreneurial activity and income disparity are two sides of the same coin” (Reynolds et al., 42).

35. Research by Sexton and Bowman Upton claim that entrepreneurship students “are more autonomous than others, possess a high degree of self-determination and self-reliance” (cf. Pech, 1994: 4).

36. This is along the lines of what Drucker has called the “Fourth Sector” of public-private partnerships (Drucker, 10–11).

37. He also seems to deny that social contribution is the justification for entrepreneurial wealth (Gilder, 4), though at other times he appears to allow that it does justify such wealth: “They are chosen for performance alone, for service to the people as consumers” (Gilder, 5).

38. Scott Arnold has appealed to a similar argument for why entrepreneurs deserve the profits they reap. Allowing them to keep their profits, he says, keeps

“valuable financial resources in the hands of those whose success indicates a talent for effective investment” (Christman, 1988: 7).

39. Cf. Newton, 1997. On entrepreneurial talent as randomly distributed around the world see Brenner: 1998.

40. Britain’s White Paper cites the instance of “Micro Society,” a twelve-week program designed for primary school students as an example of a program that “develops an awareness of entrepreneurial skills.” It does this “by involving the children in creating their own society within the classroom. They set up the institutions required by that society: government, an economy, businesses, a civil society and a legal system” (White Paper, #2.12). I think that such activities may well give a good sense of citizenship, but I see no reason, as so described, to call this “entrepreneurship.”

41. Schumpeter approvingly notes Cantillon’s initial definition of “entrepreneur.” Besides capturing what he, Schumpeter, thought were basic elements that enter into entrepreneurial activity, he notes that Cantillon’s account was felicitous in “recognizing business activity as a function sui generis” (Schumpeter, 1949: 64).

42. Because distinctions between various concepts are important some have distinguished between entrepreneurship and “intrapreneurship”—a concern that I applaud, but which is not necessary given my account of entrepreneurship (cf. OECD, 35).

43. Cf. Rothbard, *For A New Liberty*.

44. Carland et al give a slightly different interpretation of Cantillon’s views of the entrepreneur. They portray him as a risk taking manager of a firm (Carland et al., 1984: 355).

45. Obviously I think that Walzer is correct that there are different spheres of social life even if I may disagree with him over the nature and derivation of the features that characterize those different spheres (Walzer, 1983).

46. Cf. “James Dale vs. Boy Scouts of America,” 308 *N.J. Super* at 552 (1999).

47. Along these lines Britain’s White Paper speaks of the effort of the British Government to develop “a new model for how public policy can help business meet the challenge” of competition facing the United Kingdom (cf. “Our Competitive Future,” Section 1.1).

48. The *GEM* suggests that “the greatest and most rapid gain in firm startups will be achieved by increasing the participation of women in the entrepreneurial process” (Reynolds et al.). This is a different direction than many defenders of entrepreneurship often consider. But it is an important one.

49. The preceding suggests that a transformation is going on in both governmental and private areas. We are not looking, necessarily, at less government, so much as different government. Government need not operate certain activities it has traditionally run, but its standards must direct these activities. It also means that private businesses must be more open to public inspection. There is, in any case, a danger we need to be concerned about if these entrepreneurial activities are not subject to outside reflection, control, and direction. This may grow even stronger in the years ahead with entrepreneurial activities in the areas of genetics, information technologies, and chemical developments.

50. The *GEM* reports that “one percent of adults in Japan perceives there to be good [market] opportunities as compared with 57 percent in the U.S. It seems unlikely that Japan has an extreme shortage of opportunities. It seems more likely

that the Japanese have not learned how to recognize or value entrepreneurial opportunities” (Reynolds et al., 41).

51. Schumpeter and Hébert and Link are a few among the many E-theorists who emphasize this characteristic.

52. Schumpeter attributed the attack on customs and traditions to the rationalization and utilitarianism that capitalism brings with it (Schumpeter, 1950:157).

53. Larson gives the examples of Levi Strauss, Stride Rite, Ben and Jerry’s, and the Body Shop. And though some may object to this or that example, there is still merit to Larson’s point.

54. Cf. Stephanie Stoughton, “Meet Mr. Big.” *Washington Post* [Washington Business Section] (July 19, 1999), 12–14.

55. Ken Curtis has recently been extolled as an entrepreneur. Peter Carlson writes, in an article in the *Washington Post*, that “Kenneth Curtis is the kind of creative, can-do American entrepreneur that made this country what it is today” (Carlson, 1999: C-1). Kenneth Curtis sells his own urine, plus 30 inches of plastic tubing and a tiny heat pack designed to keep his fluid at body temperature. Customers are those who are being asked—or forced—to take urine-based drug tests. Ken Curtis saw a market opportunity others did not see. He developed the above kit and founded a company, Privacy Protection Services, to sell it. “He set up a Web site that advertises his . . . product, with a patriotic appeal, complete with waving American flags and an essay on the Fourth Amendment” (Carlson, 1999, C1, C7).

56. Cf. Jerry Useem, “Entrepreneur of the Century,” *INC*. (20<sup>th</sup> Anniversary Issue, 1999), pp. 159–174.

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