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Book Review

Non-Market Entrepreneurship: Interdisciplinary Approaches

By Gordon E. Shockley, Peter M. Frank,
and Roger Stough (eds.)
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Over the past few decades, research on the entrepreneur and on entrepreneurship has flourished in many disciplines, in no small part due to the efforts of the Austrian school of economics. This volume seeks to bring together two rapidly growing fields in the social sciences: entrepreneurial studies and the study of non-market institutions, or what the authors describe as "Non-market entrepreneurship." This term refers to "activity that still partakes of entrepreneurial activity (for example opportunity recognition, proactive action, and so on) but not undertaken solely for the purpose of profit maximization or commercialization" (p. 3). The essays in this collection concern the growth and development of the entrepreneurial function within the context of such non-market institutions, be they governmental, philanthropic, etc, and there is much focus on defining such emerging research fields as "social entrepreneurship," "social enterprise," "the creation of social value," and so on. More than an in-depth examination of the theoretical problems of these fields, this volume focuses instead on finding novel ways to model and discuss non-market entrepreneurial endeavors, and to this end the book contains several illustrative case studies of both individual non-market entrepreneurs as well as the organizations these individuals establish.

Acs, Phillips, Audretsch, and Desai discuss early examples of non-market entrepreneurship from American history, such as Andrew Carnegie and George Peabody, who devoted significant time and resources to philanthropic endeavors designed to "give back" to their respective communities. In service of some broadly (not-for-profit) social goal, non-market entrepreneurs tend to direct their efforts toward long-term social investments such as universities, libraries, and churches (pp. 55–58); that is, endeavors that have implications beyond simple short-term altruism. More contemporary examples of non-market entrepreneurship are seen in philanthropic projects such as those pursued by George Soros, Ted Turner, Bill Gates, and Warren Buffet (p. 61).

However, much of what is contained within this book has more to do with developing a typology of various non-market institutions than explicitly developing theories of their more complex workings. In this sense, this volume serves as a useful bibliographic source for information on this emerging field of research, and the multi-disciplinary scope of the essays ensures that anyone with even a passing interest in these matters will find something of note among the twelve chapters.

One problem evident in these essays is that, in the attempt to classify the various branches of non-market entrepreneurship, some of the authors develop typologies which appear somewhat arbitrary. Now, it is quite possible that from the perspective of economics there is no rigorous theoretical method of forming typologies of non-market institutions, and that any research must rely on, say, some sort of practical empirical distinctions for classifying non-market institutions. If this is the case however (if there are no distinguishing theoretical characteristics between non-market organizations), then this must first be established through argument; it cannot be merely assumed, as it is implicitly in several of the chapters. Through such simple assumptions it is easy to lose sight of meaningful, logically coherent categorical distinctions that may be made between certain actions or institutions. One example of this error is found in Peter Frank's discussion of the scope of the term "social enterprise." While this may be a useful term to describe a certain sort of non-market entrepreneurial activity, the commonly accepted view endorsed by Frank allows this term to apply to "public, nonprofit, and private sectors" (p. 196) or to the "contributions any individual or organization can make toward social improvement, regardless of its legal form (nonprofit, private, or public sector)" (p. 197).

While any author is of course free to define terms as he pleases, this broad categorization encapsulates two forms of action that are separate and distinct from the economic point of view. In addition to the broadness of the classification—it is difficult to see whom or what it *excludes*; practically any action whatever, including purely for-profit business endeavors, could potentially be included—Frank has, for example, overlooked a fundamental insight; the voluntary nature of market transactions and the coercive nature of government action. Once we perceive that all government action is of its very nature coercive, we see that there is at least one vital distinction to be made in the classification of social enterprise. At the very least, it is reasonable to suggest there be a strict separation of individuals and institutions that rely on the use of force from those that do not. The importance of this distinction in particular is emphasized by Rothbard (2004, esp. chapters 1 and 12). Boettke and Coyne, incidentally, do take account of the above dichotomy, although their essay does not deal principally with typology.

Any volume that relies so heavily on entrepreneurial theory must also be built on a rigorous theoretical foundation, and here too the book falters. The central theory of entrepreneurship explicitly embraced in almost every chapter of the text does not provide adequate support for developing entirely new branches of entrepreneurial theory. I would like to focus on this particular issue, perhaps at the risk of giving short shrift to the original research contained in the volume. Yet because so much of the research presented in this collection depends on for-profit entrepreneurial theory, its importance can hardly be overstated.

The theoretical aspects of the entrepreneur are developed most fully in the opening chapter by Koppl and Minniti, although the theory is repeated almost verbatim throughout the volume. Koppl and Minniti seek to ground their theory of entrepreneurship firmly in the principles of human action, and in this, as in the rest of their exposition, draw much from the work of Israel Kirzner (who, according to the index, receives more citations than any other author).

According to this theory, entrepreneurship consists of first perceiving the possibility of change and second, acting to bring that change about when others do not (pp. 13–14). Thus, it is argued quite correctly that all action is in a sense entrepreneurial, in that for humans to act, they must perceive some unsatisfactory state of affairs and attempt to somehow alter it to bring about a more satisfactory state. All this is by and large uncontroversial. However, the above points constitute the extent of the theoretical analysis, and this leads to significant shortcomings in the theoretical apparatus deployed throughout the text.

Let us take an example given by Koppl and Minniti, which is supposed to highlight the essence of entrepreneurship:

> A professor walks the same route to class every day. His path is optimal given his knowledge; it gets him there in the least time. One day he discovers that a slightly roundabout route allows him to avoid his dean, who usually pesters him along his accustomed path. He takes the new route and avoids the dean. Our professor has found a new ends-means framework. He had been minimizing travel time; he now minimizes the bother of getting to class, considering both travel-time and obnoxious deans. Thus, his ends have changed. The means have changed too…. Our professor could have made this change only by being "alert" to the opportunity to improve his situation by changing his route. The new, roundabout route was an opportunity; he could benefit from by switching to the new route [sic]. When he discovered it, his actions changed. His action had to change if the new route was truly an opportunity.… If he had considered the new route but found it to be too long, then it would not have been a true opportunity and he would not have taken it. (p. 14)

According to Koppl and Minniti, the actor is an entrepreneur, because he chose to exploit the opportunity presented by the perception of the alternate path. In the limited sense mentioned above this is correct, but entrepreneurial theory can only be significant if it can separate entrepreneurs from non-entrepreneurs. If the only criterion upon which we judge the presence of entrepreneurship is acting upon opportunities, then the above example demonstrates nothing, because the entrepreneurial activity is not distinct from any other action the individual could have performed. In the above, it is the act of doing things differently to improve one's situation that defines entrepreneurship. Yet it is not clear why doing things differently is any less entrepreneurial than doing things the same way over and over; after all, both possibilities necessarily involve the perception of opportunities to act so as to alter the course of events to bring about a more desirable state of affairs than would otherwise have taken place. What is most surprising is that Koppl and Minniti cite Henri Bergson to support the idea that it is impossible to make the same choice twice because every event is in some sense unique. But if this is so, then in the above example actions that are "the same" cannot be distinguished from actions that are "different," because all possible choices are non-repeatable.

The usefulness of this conception of entrepreneurial activity appears extremely limited. The main difficulty, however, is that this explanation of entrepreneurship, which employs "the highest level of abstraction" (p. 15), (i.e., does not regard entrepreneurial activity to be anything beyond a universal feature of human action as defined above) is too loose to make any rigorous distinction between specifically entrepreneurial action and action in general. But the objective of any theory of entrepreneurship is to establish a subcategory of action that is fundamentally *different* from other categories of action; such theories do not seek to establish how entrepreneurs are the *same* as other actors. If it were the case that merely perceiving things differently and acting on one's perceptions was enough to explain the entrepreneurial function, then all humans would be entrepreneurs indistinguishable in both degree and kind. Let us clarify this statement. In the *kind* of action entrepreneurs would be identical simply because this definition cannot distinguish between *types* of innovation. If, as Koppl and Minniti claim, "All action is innovation" (p. 15)—i.e., involves changes in an ends-means framework—then all actors are constantly innovating and are thus entrepreneurs indistinguishable from one another. Universal features of human action cannot be used to distinguish between particular classes of action, and there would thus be no point in distinguishing between entrepreneurs and non-entrepreneurs in the first place, let alone between market and non-market entrepreneurs.

Next, actors would be entrepreneurial to the same *degree* because, once again, if all one has to do to be an entrepreneur is act in the above manner, then it would be impossible to separate those who innovate more from those who innovate less, because there is no method of measuring the degree of entrepreneurship present in any action. If such a tool of measurement does exist, then we must inquire what it is.

To combat objections such as this, the authors claim that any additional distinctions regarding the entrepreneur that we might make to distinguish the entrepreneur and the non-entrepreneur would be "more or less arbitrary and open to objection" (p. 15) and "scientifically unsatisfactory" (p. 24). But this is not strictly true. As Salerno (2008) has shown, a theory of the entrepreneur is incomplete without considering the actor who controls scarce resources and devotes them to time-consuming production processes, and who thus bears uncertainty in exchange for the *possibility* of earning profits.

In a footnote the authors make the curious comment that "whether or not the individual is successful in his entrepreneurial endeavor is not an issue at this point" (p. 24, n. 10). But this is precisely the critical point that is overlooked by this approach to entrepreneurship; how it is that entrepreneurs earn profits or losses in the real world. For example, without first committing resources, there can be no question of the entrepreneur ever failing, but clearly no theory of the entrepreneur can be complete without explaining this fundamental possibility. (Once again, Boettke and Coyne fare better in their chapter, and do point out the importance of the institution of private property, although the relationship between ownership, uncertainty, and profit is not extensively discussed.) It is worth suggesting that even in the context of non-market entrepreneurship, this more developed theory of the entrepreneur may be a theoretical necessity. After all, even the non-market entrepreneurs mentioned above had to devote considerable resources to long-term endeavors that had no certainty of success, and thus did not guarantee either the successful provision of a service or a return (in whatever form, monetary, psychic, etc.) to the entrepreneurs. In any case, we can see, following Rothbard (2004, esp. 601–605), that there is a return to this entrepreneurial function which is distinct from the income earned by the manager, and depends upon ownership of resources and speculation as to their future value by the entrepreneur. However, with any theory that does not account for ownership and uncertainty bearing, it becomes impossible to explain this particular portion of income. These oft-overlooked aspects of entrepreneurship are pregnant with implication for anyone seeking to expand the realm of entrepreneurial studies into the field of non-market activities, and should not be disregarded lightly.

It should also be noted that there are a significant number of errors in both grammar and punctuation throughout this book, which appears to have been insufficiently proofread. A few minor errors here and there are oftentimes unavoidable, especially when dealing with many authors and writing styles. However, the number of mistakes in this volume exceeds any reasonable margin of error, and I doubt there is a single chapter that does not contain a typo, grammatical error, or word confusion of some sort.

On the whole, there is much within this volume that will interest researchers in the field of non-market institutions. However, consequent to the problems mentioned above, this volume may best serve as a simple introduction to studies of non-market entrepreneurship, as opposed to a canonical compendium.

REFERENCES

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