
Editorial:

Three intellectual debts and the three horses of entrepreneurship. *The Journal of Entrepreneurship and Public Policy* celebrates ten years

To capture the idea of gains from trade and gains from innovation in the face of those impertinent obstructions, I asked readers to envision a horse race between three horses — one named Smith (for gains from trade), a second one named Schumpeter (for gains from innovation) and a third one named Stupidity (for those government-imposed obstructions) . . . My basic idea was, following Smith, that as long as the Smith and the Schumpeter horses were running ahead of the Stupid horse, tomorrow will be better than today. The counter-factual is this: what if the Smith and Schumpeter horses were able to run freely, without that Stupid horse biting at their heels and bumping into them rather than staying in their lane.

[Boettke \(2020\) \[1\]](#)

Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.

[Smith \(1755\)](#)

Associate Editor Per Bylund has compiled a strong 10th-anniversary Special Issue. Through his able guidance, each specific article and case study gives us more general insight into the state of the scholarship on entrepreneurship and public policy.

Clearly, the Journal is merely an instrumental good, and the scholarship is the final good (or is better policy?). However, I take this opportunity to comment on the Journal's past ten years and next ten years, as a *vehicle* for the scholarship.

I start by outlining three intellectual debts: to William Baumol, to the founders of the *Journal of Entrepreneurship and Public Policy*, and to its various contributors and supporters. I then turn to the epigraph from my teacher Peter [Boettke \(2020\)](#) I review the three horses using his analogy as a springboard for a discussion on market failure, government failure, and entrepreneurship policy. These questions, the past ten years of the Journal, and the Journal's future, all revolve around the Journals' fundamental mission: to examine the policy space within which entrepreneurs operate, and the entrepreneurs who seek to influence that space.

Three intellectual debts

This Journal's biggest intellectual debt goes to William [Baumol \(1990\)](#), with his study of "Entrepreneurship: Productive, Unproductive and Destructive." In many ways, the Journal's very intellectual project is a continuation of that essay. What have we learned, indeed, in the past 30 years since Baumol's questions? Baumol argued that the institutional environment –



public policy, writ large – affects the incentives of entrepreneurs, and will affect the kinds and outcomes of entrepreneurship. With the right institutions, entrepreneurship will be productive (a positive-sum game, conducive to economic growth and innovation, and contributing to efficient allocation of scarce resources among competing wants). With the wrong institutions, entrepreneurship will be either unproductive (a redistributive zero-sum game, in the great game of rent-seeking) or, worse yet, destructive (a negative-sum game, as entrepreneurs face incentives to fleece others and create a net drain to the economy, as deadweight losses add insult to the injury of redistribution). In the intellectual field, Baumol's legacy has been positive: [Scully \(1992, 1988\)](#), [Holcombe \(1998\)](#), [De Soto \(2000\)](#), [Boettke and Coyne \(2003\)](#), [Coyne and Leeson \(2004\)](#), [Sobel \(2008\)](#) – and, more generally [Gwartney et al. \(2022\)](#) – have all continued to probe the research agenda set forth by Baumol. Alas, governments of all stripes have not heeded the lessons: most countries in the world suffer from either too little government, or too much (see [Buchanan, 1975](#); [Gwartney et al., 2022](#)). Ineffective governments are incapable of providing the basic governance, rule of law and defense of contracts and property rights required for productive entrepreneurship; overbearing governments are actively involved in picking favorites and redistributing resources to them, thus fostering unproductive or destructive entrepreneurship.

Readers are invited to return to the Journal's introductory editorial ([Campbell, 2012](#)). The editorial outlines the same fundamental questions, about the importance of institutional environments (rules of the game, public policy) for the incentives, and thus the outcomes, for entrepreneurship. What is more, the editorial outlines the two-way relationship: the institutional environment within which entrepreneurs operate, but also the entrepreneurs who attempt to affect that environment. Finally, the editorial points to a fundamental question of policy: is there only a “negative” role for government to play (establishing rule of law, then staying out of the way), or is there also a “positive role” (picking winners). If it's the latter, does the state have (1) sufficient knowledge to do so (in the Austrian tradition; see [Hayek, 1945](#)); and (2) the right incentives to act in the public interest, rather than favoring pals and cronies (in the public choice tradition; see [Olson, 1965](#))? We owe and acknowledge an intellectual debt to the Journal's founders.

Finally, I take this opportunity to thank a good number of people: the publisher (Emerald) and the publishing team; the editorial board, and especially my three Associate Editors, Per Bylund, Anthony J. Evans, and Edward J. Lopez; contributors (past and future!) to the Journal; reviewers, those unsung heroes; and, of course, the Journal's readership. Perhaps I should also thank the entrepreneurs who work tirelessly to drive the economy, at the risk of their own time and treasure – and the entrepreneurs who strive tirelessly for institutional and regulatory environments more conducive to entrepreneurship and economic growth.

The three horses of entrepreneurship

In many ways, the question of institutional effects on entrepreneurship is straightforward. It was richly theorized by [Baumol \(1990\)](#) and empirically demonstrated by [Sobel \(2008\)](#) – as well as the rich literature surrounding the relationship between institutional environments and broader economic growth ([Gwartney et al., 2022](#)). If the question is straightforward, however, it is not exhausted as a research agenda, and the Journal welcomes further empirical and qualitative explorations.

The two other key questions are thornier, and have hitherto been explored in far less depth.

Government's “negative” role (rule of law, governance, defense of contracts and property rights, and avoidance of plundering and favoritism) is clear. But what about the “positive” role of the state? In the epigraph, [Boettke \(2020\)](#) worries more about government failure than market failure (what [Campbell, 2012](#) refers to us as Type I and Type II errors in picking winners – even

absent rent-seeking). Does this mean there is no role for the state to play in supporting entrepreneurship – short of getting the institutions right, then getting out of the way? What about education? Is it really a public good? More minimally, does education suffer from under-provision, as the social benefit exceeds the private benefit? What are the implications for entrepreneurship education (and university-based incubators)? These questions will continue into the foreseeable future, as government spending and deficits soar, regulations increase, and central banks hold unprecedentedly enormous balance sheets – especially over the past two years. What are the implications of a runaway state for entrepreneurship support and picking winners – and the costs for the state’s “negative” role? While the knowledge and rent-seeking problems must lead us to be skeptical of government’s ability to pick winners and engage in “positive” support of entrepreneurship, the Journal welcomes scholarly examination of possible market failures. Such examinations will, of course, be vitally aware of the parallel problem of government failure, and not simply assume away knowledge and rent-seeking problems.

As the Journal’s opening editorial (Campbell, 2012) explained, “we can distinguish ‘market entrepreneurship’ from ‘political entrepreneurship,’ the deliberate introduction of novelty, innovation, or arbitrage, into the political process.” Much like market entrepreneurship, political entrepreneurship can be productive, unproductive, or destructive. Political entrepreneurship might seek to promote rule of law, good governance and the defense of property rights – all of which will be favorable to entrepreneurship and the economy. We think here of the 20-year effort, started by F.A. Hayek, through the Institute for Economic Affairs, the Centre for Policy Studies, and the Adam Smith Institute, which culminated in the 1990s policy reforms that resuscitated the UK from its status as the “sick man of Europe” (see Cockett, 1995). See also Derthick and Quirk (1985) on the perfect storm of interests and ideas, from “left-wing” concerns about inflation and consumer protection to “right-wing” intuitive respect for unfettered markets, that lead to the US deregulation of telecommunications, trucking and civil aviation – and the ensuing economic and technological boom of the 1980s and 1990s. More generally, see Leighton and Lopez (2014). On the flip side, we have stories of rent-seeking and political capture (see Tullock, 1967 or Olson, 1965). Examples abound: taxi monopolies obtaining bans on rideshare applications; agricultural subsidies that go primarily to big agribusiness; selective bailouts of financial firms after the 2007 crash; and so on, in a seemingly endless list. When isolated examples of rent-seeking, subsidies and other favoritism become rampant, we can even wonder how long the moniker “capitalism” will be appropriate for the advanced industrial economies; some already refer to crony capitalism, while Holcombe (2018) simply has labeled the situation “political capitalism” (see also Aslund, 2019 or Bennett, 2015). The process of political entrepreneurship is still misunderstood, and the Journal welcomes deeper explorations – whether rent-seeking that affects entrepreneurship, or efforts to bolster rule of law and thwart favoritism.

Conclusion: looking back, looking forward

The Journal’s founding editorial (Campbell, 2012) explained that “JEPP was created to encourage and disseminate quality research about [the . . .] multilateral relationships among institutions, public policy, entrepreneurship and economic development.” Over the past decade, the Journal has successfully started this conversation, across approximately 250 articles. They have shed light on many of these questions, but the fundamentals remain. The inaugural team envisioned that JEPP would accept “a variety of empirical evidence . . . [but also] consider conceptual or theoretical papers that indicate a direction for future research, or otherwise advance the field of study.” Finally, the inaugural team worried that the Journal might join so many others, in a saturated market, that “are unread or uncited.” On all these margins, we can claim success.

But there is also room for improvement – through more and better scholarship, always, but also through broader exposure. Might JEPP itself become an instrument of healthy political entrepreneurship?

I thank, once again, the Journal’s founders, the publisher, the associate editors and the editorial board, the reviewers, the authors, and the readers. In the words, once again, of the inaugural editorial, “We will that you will join us in future issues, as readers, reviewers and authors. It is our genuine hope that this essay has stimulated not only interest, but a strong reaction. No matter whether you agree with everything (or anything) written here, or disagree, test your idea, write it up and submit your manuscript. Let us go!”

There remains much, still, to be explored and learned about the policy space within which entrepreneurs operate, the limits of state action in fostering entrepreneurship, and the entrepreneurs who seek to influence the policy environment. Thank you.

Nikolai Wenzel

Note

1. <https://www.aier.org/article/imagine-a-horse-race-between-smith-schumpeter-and-stupidity/>

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Further reading

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