

Guest editorial: Introduction to the 10th-anniversary special issue

While the systematic study of entrepreneurship as an economic function goes back almost three centuries (e.g. [Cantillon, 1931](#) [1755]; [Say, 1836](#) [1803]), it has in recent decades seen a resurgence in interest and scholarly output. This increasingly vast modern body of literature, and the new academic discipline that arose from it, first deviated from the classical functional approach of economists. Research instead focused on what characterizes the person that becomes and succeeds as entrepreneur (e.g. [Gartner, 1989](#)) and what [Klein \(2008\)](#) calls occupational or structural approaches, i.e. primarily empirical studies of self-employment and market structure, respectively.

Entrepreneurship as a market function was then largely – and perhaps *appropriately* ([Bylund and Packard, 2022](#)) – rediscovered by scholars as the new academic discipline formed around studying the nature and causes of the entrepreneurial opportunity ([Venkataraman, 1997](#); [Shane and Venkataraman, 2000](#)). The opportunity both motivates and inspires entrepreneurship, which can be understood as “intentionally pursuing new value and propagating that value to others” ([Packard, 2017, p. 546](#)). Recent theoretical contributions within this body of research include the judgment-based approach (JBA; e.g. [Foss and Klein, 2012](#); [Foss et al., 2019](#)) and entrepreneurial action theory (EAT; e.g. [McMullen and Shepherd, 2006](#); [Wood et al., 2021](#)).

This brief history of the study of entrepreneurship is relevant because the recent rediscovery of its “roots” in economic functionalism resituates entrepreneurship – specifically, entrepreneurial *action* – within specific institutional settings. That institutions influence and may change the nature of entrepreneurship should be an unprovocative observation. [Baumol \(1990\)](#) famously argued that the specific institutional setting can affect how entrepreneurship relates to economic growth ([Wennekers and Thurik, 1999](#)), specifically whether it is productive (contributing to growth), unproductive (redistributing value rather than creating it), or even destructive (enriching the individual entrepreneur while reducing total output value). While there is evidence supporting Baumol’s hypothesis (e.g. [Sobel, 2008](#)), there is also a burgeoning literature problematizing the relationship between entrepreneurship and institutions. Not only do institutions appear on different conceptual levels, as it were, with an internal hierarchical dynamic ([Williamson, 2000](#)), but the relationship between institutions on different levels can give rise to institutional uncertainty and prompt entrepreneurs to act in different ways and even to choose to take action on different institutional levels (e.g. [Elt and Henrekson, 2016](#); [Bylund and McCaffrey, 2017](#)). It turns out the relationship between institutions and entrepreneurship is not quite as straightforward as [Baumol \(1990\)](#) hypothesized: it is bidirectional and complex ([Elt and Henrekson, 2017](#)).

The institutional setting includes but is not limited to public policy. Rather, policy consists of formal institutions – laws, regulations and their enforcement – that take place within the constraints of informal institutions that includes society’s norms, values, etc. The “rules of the game” that policy formalizes in turn constrain the organizing and carrying out of economic actions, thereby shaping the outcome of entrepreneurship and the economy overall. While the primary function of institutions is to reduce uncertainty by standardizing and making predictable economic processes ([North, 1990](#)), malfunctioning or misaligned institutions can have the opposite effect ([Bylund and McCaffrey, 2017](#)). This, in part, explains the lack of economic growth and, therefore, lower levels of prosperity observed in developing countries



(e.g. Nabisaalu and Bylund, 2021). Simply put, entrepreneurship in developing countries tends to suffer from lacking formal institutions (see, e.g. De Soto, 2000) and therefore remains local and with limited impact (Sautet, 2013). This appears to offer support for Baumol's hypothesis.

At the same time, however, there is both theory and empirical evidence of this relationship working in the opposite direction: that entrepreneurship influences and changes institutions. This can take place by entrepreneurs choosing institutionally "evasive" action that prompts institutions to change (Elert and Henrekson, 2016) or action that is directed to change public policy – so-called political entrepreneurship (DiLorenzo, 1988; McCaffrey and Salerno, 2011). We have merely begun to tease out the nature of the bidirectional relationship between entrepreneurship and public policy. Scholars have gained much ground in this area lately, but much more remains to be done.

This special issue of the *Journal of Entrepreneurship and Public Policy* is dedicated to taking stock of the current state of this research in the intersection between or overlap of entrepreneurship and public policy. The six articles address different aspects of and utilize different approaches to this type of research. Addressing theory, descriptive empirics and history, the articles show the great variety of research that can and does take place in this research space. They also illustrate the significance of generating more knowledge in this space by indicating the vast set of problems and questions that can and should be solved and answered. This space offers great opportunity for scholars, and I hope that this is made clear by the varied contributions that make up this special issue.

The first article, "Entrepreneurship and Institutional Uncertainty" by Fernando D'Andrea, generates new theory that helps specify the relationship between entrepreneurship and institutions. Developing a theoretical model based on the upper levels of Williamson's (2000) conceptual sketch, D'Andrea explains how uncertainty in higher-level institutions influences the propensity to take entrepreneurial action. The model helps explain the difficulties of generating economic growth by clarifying what institutional characteristics create uncertainty.

In "From Static to Processual Analysis: How Insights from Austrian Economics Can Advance," Mark D. Packard, Per L. Bylund and David J. Rapp argue and illustrate how a processual approach would be more suitable for and therefore facilitate more productive research on the intersection of public policy and entrepreneurship. Specifically, the authors argue that research that adopts a processual approach, such as the reasoning used in the Austrian school of economics, unveils the effects that public policy exerts upon entrepreneurship and the market process. Their findings have implications for how policymakers make policy.

Abdur Rouf's "Theories Applied in Corporate Voluntary Disclosure: A Literature Review" reviews the recent and growing literature on corporate voluntary disclosure. The article distinguishes between theoretical origins in economics and socio-political theory and their sub theories such as agency theory and stakeholder theory. The reader is provided a list of recently published contributions on corporate voluntary disclosure categorized by their theoretical origins, which allows scholars to identify existing gaps and facilitates scholarship based on a more clearly structured theoretical basis.

The fourth article, "The Origin and Evolution of Entrepreneurship Policy: the Case of China" by Da Huo and Yifan Wei, seeks to explain where entrepreneurship policies come from and how they evolve and shape entrepreneurship. Using comparative political economy and the case of China, the authors identify three stages of entrepreneurship policy evolution: legitimization, growth and expansion of private entrepreneurship. Their model and demonstration provide important insight into the growth of the Chinese economy.

In "Factors affecting corporate income tax compliance costs of SMEs in Bosnia and Herzegovina," Vernesa Lavic analyzes the attitudes of small and medium sized enterprises with respect to corporate income tax compliance costs in Bosnia and Herzegovina

(BiH). Taxation and compliance costs have previously been shown to significantly affect business performance and the authors produce empirical evidence for how this applies in BiH. Among their findings is that very small businesses are most heavily burdened by tax compliance costs.

The final article, “Richard Cantillon and Public Policy” by Christopher Brown and Mark Thornton, analyzes the extent of policy analysis existent in the first ever published treatise on economics, Cantillon’s *Essay on the Nature of Commerce in General* (1755). The authors find evidence that Cantillon not only considered but addressed the impact of policy by way of the examples discussed in his treatise. In their analysis, Cantillon emerges as an anti-mercantilist and proponent of entrepreneurship and, thus, a strong critic of the standard trade and economic policies of the day. The authors further, based on Cantillon’s writings, elaborate on the important role that institutions play in facilitating productive entrepreneurship.

While these six articles have in common that they address issues in the intersection or overlap between entrepreneurship and public policy, their great diversity in approach, subject matter and method indicates the great opportunities that remain for scholarship in this research space. Much research remains to be done in order to uncover the intricacies of the relationship between entrepreneurship and institutions, specifically public policy, theoretically, empirically and historically. In fact, while the main phenomena addressed – entrepreneurship and public policy – have been thoroughly researched both within their separate disciplines and beyond, the intersection between them is severely lagging. As recent research has made clear, prior assumptions about the relationship between entrepreneurship and public policy, whether regarding its significance, type of impact, or direction, are largely unsupported or only apply in specific cases. To get a better grasp of it, and therefore also improve policymaking with respect to entrepreneurship and consequently economic growth in general, we need more, better and new types of research. This applies to theory as well as to empirical research and revisiting historical facts.

Per L. Bylund

*School of Entrepreneurship, Oklahoma State University, Stillwater,
Oklahoma, USA*

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About the author

Per L. Bylund is Associate Professor of Entrepreneurship in the Spears School of Business at Oklahoma State University, where he holds the Johnny D. Pope Chair. He is Associate Editor of the *Journal of Entrepreneurship and Public Policy* and field editor of the *Journal of Business Venturing*. Dr. Bylund is a Fellow of the Mises Institute (Auburn, AL) and an Associate Fellow of the Ratio Institute (Stockholm, Sweden). He has published research in top journals in both entrepreneurship and management, as well as three books: *How to Think about the Economy: A Primer*, *The Seen, the Unseen, and the Unrealized: How Regulations Affect our Everyday Lives*, and *The Problem of Production: A New Theory of the Firm*. He has founded four business startups and writes columns for *Entrepreneur* magazine. Per L. Bylund can be contacted at: per.bylund@okstate.edu