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Volume 79, numéro 1, 2024

URI : <https://id.erudit.org/iderudit/1112952ar>

DOI : <https://doi.org/10.7202/1112952ar>

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Éditeur(s)

Département des relations industrielles de l'Université Laval

ISSN

0034-379X (imprimé)

1703-8138 (numérique)

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Citer ce compte rendu

Muldoon, J. & Yonai, D. K. (2024). Compte rendu de [*Questioning the entrepreneurial state: Status-quo, pitfalls, and the need for credible innovation policy* by WENNBERG, K., & SANDSTRÖM, C. (2022), Springer Nature.367p.] *Relations industrielles / Industrial Relations*, 79(1).
<https://doi.org/10.7202/1112952ar>

Recensions
Book Reviews

Questioning the entrepreneurial state: Status-quo, pitfalls, and the need for credible innovation policy by Wennberg, K., & Sandström, C. (2022), Springer Nature. 367p.

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The 2000s witnessed stagnant growth and economic malaise. Scholars offered numerous theories to explain income inequality, peaking technological innovation, and a lack luster education system. Mariana Mazzucato offered a compelling (and counter intuitive) thesis; she argued that there is not enough government involvement in the economy. The government does not devote enough time to entrepreneurship because, in her view, the government can drive entrepreneurship. Mazzucato offers compelling evidence for her position, namely the construction of the internet, email, and other technological wonders that are features in modern commerce came from government action.

Given the profound and important nature of her thesis, a critical movement developed in response. In *Questioning the Entrepreneurial State* (hereinafter QES), Karl Wennberg and Christian Sandström offer a compelling and challenging set of essays that take aim at Mazzucato's entrepreneurial state thesis. The chapters vary in terms of criticism but also the severity of their judgement. Some authors are critical while others are more dubious. However, each chapter contains a high-quality discussion and is conducted in a scholarly manner. These well selected essays present several different themes ranging from: the government struggles to manage uncertainty, the differing incentives bureaucrats face, the negative relationship between innovation and regulation, and the proponents of the entrepreneurial state assuming too much governmental knowledge and competence.

Several chapter stand out because of their critical importance. First, Siri Tejenson offers a highly compelling and remarkably interesting chapter on the university and the entrepreneurial state. She empirically demonstrates that the cost of education has exploded well beyond the cost of technology. Her chapter should be read by every academic because Tejenson demonstrates that the increasing cost of education has not been warranted by the outcomes. Higher education's added expenses stem from higher education administrators creating a concierge type of education that would have been the envy of the elite of the late 19th century. The modern university features several types of specialized administrators to respond to student issues ranging from remedial education, student life and housing, and other middle managers as a response to the regulatory and legal environment. However, whether students benefit from the bloat of bureaucracy created by this specialization is debatable. This raised the cost of education forcing many students to go into debt to pay for higher education for find other lower cost alternatives. Rather than being a vibrant source of innovation, the university is an administrative bubble waiting to burst.

Another intriguing chapter was written by Samuele Murtinu, Nicolai J. Foss, and Peter G. Klein's regarding the role of ownership. Their chapter focuses on the notion that pro-government scholarship fails to focus on incentive and information problems faced by the government. They note the market process deals with ownership issues because market pressures and incentives place property in the hands of those best able to use it. This mechanism does not exist for government agencies because they face a separate set of incentives. A recurring theme of theirs is that the "bottom-less purse" of the taxpayer may create moral hazard and adverse selection problems. The "bottom-less purse" perspective creates a belief that the viability of the electric car fails from a lack of sufficient government funding rather than a lack of market viability.

A recurring theme in *QES* is that bureaucrats and politicians cannot accurately predict the future. For example, Sinclair Davidson and Jason Potts argue that platform economies, rather than failing to meet the needs of consumers, expand beyond what someone could envision. Thirty years ago, who would have ever thought that the largest companies in the world would eventually be based on platforms rather than tangible materials such as access to oil or other resources? This transformation has occurred due to lower transaction costs but also due to the insight and foresight of entrepreneurs who recognized the power of platforms to drive commerce. Entrepreneurs anticipate and foresee future consumer needs and wants; politicians lack that ability given their differing incentives.

No book is perfect or without limitations and *QES* is not an exception to this rule. I would have preferred if the authors spent more time taking Mazzucato's argument seriously rather than accepting her premises. Mazzucato while marshals a tremendous amount of evidence on behalf of her thesis but she appears to cherry-picking her evidence. Her work, rather than being a dispassionate scholarly piece, is a well-argued and provocative work. As such, I wished the chapter contributors critiqued her argument with the same fervor and seriously addressed the reasonableness of her implicit assumptions. The chapter contributors do not adequately deal with Mazzucato from a rhetorical standpoint. They should have dealt with her arguments rather than assuming the entrepreneurial state can exist; they needed to challenge Mazzucato on first principles. For example, scholars of government note that in practice the government is really a combination of competing agencies that make decisions not on the common good, but what is politically expedient.

These two points underscore the issue that management and entrepreneurship scholars lack both the language and theory to address social issues. As others (e.g. Steven Conn) have noted, business research is theoretical. While both are important, we often lack the rhetorical style to convince others. *QES*'s thesis would have been stronger if the contributors addressed what is the proper role of the state (e.g. protect of property rights). Addressing these fundamental issues would have strengthened their arguments. Another issue with *QES* derives from the relative lack of discussion regarding "rent-seeking". This major oversight is partially forgivable because the fundamentals of public choice economics are not part of the management and entrepreneurship curriculum. However, it should be as most of the crises of capitalism (insiders, cronyism etc.) stem from rent-seeking.

QES's theme could be summarized through the famous quote by Friedrich Hayek (1988 pg. 76 in *Fatal Conceit*): "The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design." The literature on the entrepreneurial state must address, in a more thorough manner, the perverse incentives faced by government officials. At best, their mindset is not entrepreneurial; at worst, they are opportunistic. *QES* does an excellent job in starting the conversation regarding the role of the state in entrepreneurship. This discussion, more than ever, is needed given the increasing role of government in economics. This is highly recommended.