

## Handout: Entrepreneurship as an Experiment in Living

Carlo Ludovico Cordasco<sup>1</sup>

Chay Brooks<sup>2</sup>

### I

What is morally praiseworthy - if anything at all - in entrepreneurial activity? Should we allow people to engage in entrepreneurial activities or even encourage and foster their ability to create and run a business? Existing normative takes on entrepreneurship can be broadly inferred from justificatory approaches to business activities, which can be classified in two main categories: forward and backward-looking. The former frames justificatory arguments as a function of states of affairs brought about by entrepreneurial action in the broader context of market processes; the latter frames the debate in terms of pre-existing rights which give rise to normative arguments that either support or question the legitimacy of entrepreneurial action.

### II

*Examples of forward-looking approaches:*

Schumpeter (1942): entrepreneurs lead the 'process of industrial mutation that continuously revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one', thus generating technical innovations that are conducive to economic growth.

Kirzner (1973): the good of entrepreneurship resides in the fact that entrepreneurial alertness leads individuals to exploit unnoticed opportunities, due to asymmetric information and bounded rationality, thus leading to market clearing.

Baumol (1996): entrepreneurship can be directed at any sort of activity - including unproductive and ultimately destructive ones - depending on how payoffs are structured, and such a structure will ultimately depend on the framework of formal rules within which entrepreneurs operate. In this respect, the value of entrepreneurship is contingent on the ability of the legislator to create incentives for entrepreneurs to engage with productive activities, which would eventually lead to Pareto-improvements in societal welfare.

Friedman (1970), Donaldson and Dunfee (2002); Heath (2014): the good of entrepreneurial activity resides with the outcome that the collective process of competition eventually brings about, rather than in the act of creating and running a business. For instance, Friedman's popular statement, according to which the only responsibility of a firm is to generate profits, implicitly embeds the assumption that entrepreneurial ventures are valuable especially insofar as they collectively bring about improvements in social welfare although each venture has as its main goal that of maximizing profits.

*Examples of backward-looking takes:*

Hasnas (1998), Rothbard (1962): businesses consist ultimately in a 'web of contractual agreements' which brings with it certain obligations. Without adventuring ourselves into the complexity of corporate social responsibility arguments, the underlying thought seems to be that businesses are the emergent result of people freely entering into contractual agreements on the basis of legitimate pre-existing rights. Entrepreneurial ventures, in this respect, are no different: entrepreneurs spot opportunities and, in order to exploit them, they enter in contractual agreements with various parties (e.g., suppliers, employees, customers, etc.). Entrepreneurial ventures resulting from such a web of agreements are said to be legitimate on the condition that no rights are being violated, i.e., individuals freely enter contractual agreements, property rights over what is being exchanged are legitimate.

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Those two radically different approaches share a similar indifference to the moral value of entrepreneurial activity in itself. In fact, nothing is being said about whether there is something \*intrinsically\* praiseworthy in engaging

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<sup>1</sup> Lecturer, Oxford Brookes University

<sup>2</sup> Lecturer, Sheffield University Management School

with the acts of creating and running a business. In one case, the value of entrepreneurship is contingent on the net benefits that the collective process of competition brings to society as a whole; in the other, businesses are a mere legitimate emergent result of people freely entering into a web of contractual agreements. Although both approaches seem to capture important normative insights about entrepreneurship, they seem to not do justice to our intuition that, in certain instances, entrepreneurial activities are more than legitimate emergent results of people's interactions and are so regardless of the consequences they collectively bring for society as a whole.

Our intuition is that entrepreneurial ventures sometimes constitute an instance of what John Stuart Mill referred to as experiments in living.

### III

In *On Liberty*, John Stuart Mill offers two distinctive arguments in defense of freedom of thought and discussion: first, he suggests that human fallibility calls for allowing a wide range of diverse opinions in the private and public sphere insofar as individuals can only improve their understanding of the world, in both descriptive and normative terms, by being exposed to various ways of interpreting it; second, he claims that silencing differing opinions, even assuming their wrongness (or epistemic inadequacy), would drive people's conformity with prevailing (and, by assumption, correct/epistemically valid) conceptions of the good through prejudice, and 'with little comprehension or feelings of its rational grounds', thus, in turn, losing track of why such opinions are ultimately held and undermining 'the growth of any real and heartfelt conviction, from reason or personal experience'.

Both arguments are explicitly underpinned by the idea of moral progress within the larger context of Mill's non-hedonistic utilitarianism. In fact, the argument from human fallibility aims at illustrating that progresses in the discovery of higher and lower pleasures, which shape the moral realm, are ultimately undermined by people's convergence on similar opinions and customs. Such a convergence would, indeed, result in a 'despotism of custom' which 'is everywhere the standing hindrance to human advancement, being in unceasing antagonism to that disposition to aim at something better than customary'.

The argument from heartfelt conviction, on the other hand, suggests that, even when such a unanimous/widespread convergence points to sound conceptions of the good, we are likely to internalize them in a not-fully articulate fashion, thus undermining the possibility of a deep and sincere understanding of the rational grounds underpinning them. Such a process of internalization would have two despicable consequences. First, we would be losing track of why certain opinions and customs have emerged throughout time, and what competing understandings of the world, which could potentially be of use under different circumstances, have been turned down as a result. Second, such an automatic process would make the act of internalizing opinions and customs as a 'mere profession', stripping away much of the good that stems from holding true opinions, which lies precisely in having arrived at them through a fully articulated deliberative process.

In chapter 3, Mill further expands on his defense of freedom of thought and discussion by asking whether the protection of freedom of consciousness and expression that is owed to individuals, also calls for the protection of their freedom to act on the basis of their own conceptions of the good, that is to 'to carry these out in their lives, without hindrance, either physical or moral, from their fellow-men, so long as it is at their own risk and peril'. Such a freedom to act on the basis of one's heartfelt convictions, Mill suggests, will not need to possess the same extension of freedom of thought and discussion. This is due to the fact that the 'no harm' proviso that Mill establishes coincidentally constrains our freedom of action to a larger extent than it does with respect to freedom of thought and discussion. Nonetheless, Mill claims that our ability to carry out plans which are based on our own understanding of the world, which defines the very idea of *experiments in living*, constitutes an essential and complementary aspect of freedom of thought and discussion.

The main argument for why experiments in living deserve special attention lies in the fact that they constitute an empirical test for our conceptions of the good. In fact, experiments in living are supposed to complement freedom of thought and discussion because we are largely unable to arrive at sound conceptions of the good merely by means of abstract reasoning.

The value of the empirical test of experimentation, we suggest, is three-fold: first, individuals hardly exhibit a detailed idea of what their conceptions of the good look like and of how it would transfer to their way of living; as such, experimentation brings with it the benefit of refining their opinions and preferences, thus improving self-knowledge; second, even if individuals possess a detailed idea of what their conceptions of the good look like, it is implausible that they can implement modes of life in an entirely apriori fashion given the complexity of the designing task; as such, we should allow for experiments before assessing their viability; third, widespread

experimentation exposes individuals to a wide variety of inputs including conceptions of the good and customs, such that they can assess the robustness of their understanding of the world and eventually change it in the light of moral and material innovation. Therefore, the benefits of carrying out one's life plan on the basis of one's own conception of the good do not merely restrict to those who engage in experiments in living, but also extend to those who can learn through other people's journeys.

These three arguments for experiments in living bring with them another strong normative connotation in Mill's account. In fact, the possibility of refining our conception of the good, assessing their viability and evaluating their robustness in the light of other people's experiments is what makes us, qua individuals, worthy of contemplation:

It is not by wearing down into uniformity all that is individual in themselves, but by cultivating it and calling it forth, within the limits imposed by the rights and interests of others, that human beings become a noble and beautiful object of contemplation; and as the works partake the character of those who do them, by the same process human life also becomes rich, diversified, and animating, furnishing more abundant aliment to high thoughts and elevating feelings, and strengthening the tie which binds every individual to the race, by making the race infinitely better worth belonging to. In proportion to the development of his individuality, each person becomes more valuable to himself, and is therefore capable of being more valuable to others. There is a greater fullness of life about his own existence, and when there is more life in the units there is more in the mass which is composed of them (Mill, 1859, ch.3).

#### IV

Our intuition is that entrepreneurship *sometimes* constitutes an instance of experiments in living. Particularly, we propose the following argument:

P1: Experiments in living consist in carrying out one's life plans on the basis of one's preferences, goals and conceptions of the good.

P2: Experiments in living constitute an extension of our freedom of thought and, as such, are protected by a pro tanto right to engage with them (though obviously subject to the no-harm proviso).

P3: Experiments in living, by virtue of allowing individuals to cultivate their own individuality, make individuals worthy objects of moral contemplation.

S1: The acts of creating and running a business *sometimes* are the expression of entrepreneurs' preferences and conceptions of the good.

S2: By creating and running a business, entrepreneurs subject their preferences, goals and conceptions of the good to an empirical test which helps them confirm, refine or altogether reject their structure of preferences, their goals and conceptions of the good.

S3: By refining their preferences, goals and conceptions of the good, they learn more about themselves and can cultivate their own individuality.

S4: By fostering an entrepreneurial culture, we create the fertile soil for the emergence of entrepreneurial geniuses who, in turn, by exposing others to their own originality, invite individuals to develop their own individuality, freeing them from the despotism of customs.

C1: Entrepreneurship is no different from other human activities that are normally regarded as experiments in living. To quote Knight (1921), we propose that the entrepreneur 'has the same fundamental psychology as the artist, inventor, or statesman. He has set himself at a certain work and the work absorbs and becomes himself. It is the expression of his personality; he lives in its growth and perfection according to his plans' (p. 163). In this respect, we argue that, to the extent that entrepreneurial ventures are the expression of people's personalities, of their structures of preferences and of their conceptions of the good, engaging with them is nothing but an extension of one's freedom of thought. Entrepreneurial activity serves individuals as a tool through which they can confirm, refine or revise their beliefs, thus further cultivating their own individuality.

C2: From C1, it follows that individuals exhibit a pro-tanto right to engage in entrepreneurial ventures and can become worthy objects of moral contemplation through entrepreneurial activity.

*Accessory Argument:* Experiments in the entrepreneurial realm also positively affect those who do \*not\* want to become entrepreneurs in two main ways: first, experiments affect other people qua customers; second, they affect other people qua prospective employees. For instance, organizational diversity stemming from entrepreneurial experimentation has provided alternative options to prospective employees underpinning diverse working experiences (e.g., different degrees of democratic power within firms, different levels of creativity, different degrees of autonomy, etc.). The existence of diverse options equips non-entrepreneurs with the possibility of trying out different kinds of working arrangements and choosing the one that better fits with their structure of preferences, further allowing them to cultivate their own individuality.

## V

A challenging task of our framework is to distinguish those entrepreneurial ventures which are instances of experiments in living from those that are not. While this may not be important from a public policy perspective, it is important in order to sharpen our argument and clarify our normative stance.

A plausible turning point must consist in what motivates the engagement in entrepreneurial action. In particular, we have seen that, for an entrepreneurial venture to qualify as an experiment in living, individuals ought to engage in entrepreneurial actions that are *direct* expression of people's personalities.

In this respect, we wish to highlight a set of provisional categories of ventures that seem to meet this condition:

Ventures underpinned by 'egoistic' preferences  
Ventures underpinned by 'other regarding' preferences  
Ventures underpinned by conceptions of the good

Vis-à-vis

Reluctant entrepreneurship & rent-seeking.

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One final disclaimer is in order: instances of entrepreneurship which fail to qualify as experiments in living do \*not\*, for this particular reason, cease to be normatively justified. In fact, they can still find normative justification under other complementary frameworks such as backward or forward-looking approaches.

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