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Book Part — Manuscript Version (Preprint)

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Suggested Citation: Plehwe, Dieter (2021) : Interplays of economic and knowledge power. Neoliberal think tank networks and the return and universalization of entrepreneurship, In: Landry, Julien (Ed.): Critical Perspectives on Think Tanks: Power, Politics and Knowledge, ISBN 978-1-78990-923-4, Edward Elgar Publishing, Cheltenham, pp. 116-135, <https://doi.org/10.4337/9781789909234.00016>

This Version is available at:
<https://hdl.handle.net/10419/248886>

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Interplays of economic and knowledge power

Neoliberal think tank networks and the return and universalization of entrepreneurship

Dieter Plehwe, WZB

Abstract

This chapter examines the interplays of economic and epistemic power through a historical reconstruction of entrepreneurship ideas in management and economics and a historical social network analysis linking intellectuals and think tanks to foundations and corporations. With a focus on ideas, concepts and storylines, this study helps shed light on the intellectual and ideological origins of modes of thinking—and the ways of life based on them—that have become invisible or taken for granted. Although the continuing relevance and even the existence of neoliberalism are doubted by many, entrepreneurship discourses have become increasingly influential in contemporary society. This chapter illustrates how the original conception, or rather revision, of entrepreneurship ideas and their promotion by neoliberal intellectuals and think tanks preceded the diffusion of entrepreneurship ideas via business schools and consulting companies. This was followed by the subsequent universalization of entrepreneurship discourses and related arrangements in media and society, respectively: from social security regimes (activation, self-responsibility, and so on) to entrepreneurial universities on to charity and philanthropy (social entrepreneurship, eco-entrepreneurship).

Introduction: How pervasive is pervasive?

Discussions on the nature of power have moved from instrumental and strategic considerations to more complex and even diffused or ubiquitous understandings of power relations, that is the capacity to enforce rules, exert will and shape future developments. In contrast to actor centred analyses of power relations, these structural dimensions shape the minds of people across sectors in certain periods of time, apparently without centres of control and command. Raymond Williams may have captured this best with his notion of ‘structures of feelings’ (Williams 1977, p.109). As such, taking this notion of pervasive power seriously requires going beyond the first and second dimensions of the three faces of power envisioned by Steven Lukes (1974). Pervasiveness is not restricted to the capture of decision-making or the control of agenda-setting which roughly correspond to Lukes’s first and second faces of power. Rather it extends to the third face which involves people pursuing agendas in contradiction to their presumed interests. Leaving aside the difficulty of assuming the existence of objective interests (as in linked to someone’s position in society), Lukes effectively moves the debate on the nature of power to its pervasive form—that is to the definition of values, attitudes and preferences in spite of multiple diverging interests.

By linking the growth and dissemination of entrepreneurship ideas to management and economics and to the activities of intellectuals and think tanks with ties to foundations and corporations, this chapter will demonstrate an application of this approach to assessing and explaining the pervasiveness of corporate and neoliberal power in policy making. At first glance, entrepreneurship can be considered at odds with the notion of corporate power. The entrepreneurship tradition is intricately related to Joseph A. Schumpeter’s concepts of innovation and creative destruction. In Schumpeter’s work, entrepreneurship is closely linked to innovations of macroeconomic relevance. The success of a capable entrepreneur eventually enables the building of new family firms, which are able to destroy less efficient competitors and thrive until they are displaced themselves. Due to the focus on dynamics of change, creative destruction is difficult to reconcile with notions of pervasive power. In fact, in Schumpeter’s eyes, the perceived decline of capitalism in the mid-twentieth century was closely related to the rise of bureaucratic corporations and management (Schumpeter 1980), which make it easier to imagine a lasting concentration of power. If we follow the revival and revision of prevailing notions of entrepreneurship since the 1970s, however, we can closely observe the ways in which the entrepreneurship discourse has been turned into a much more general discourse of

entrepreneurial behaviour, which attained the characteristics of an all-powerful management discourse in business and society, pervasive indeed.

However, in order to explain this redirection and universalization of entrepreneurship ideas it is necessary to explore neglected elements of both economic history and the history of economic ideas. Whereas mainstream Anglo-Saxon history of economic ideas focuses on the turn to shareholder value, it is necessary to observe the multiple origins and the evolution of the entrepreneurship discourse driven by neoliberal intellectuals and think tanks. In order to capture the trajectory of the entrepreneurship discourse in particular we need to observe its conceptual history in both the neoliberal circles of the Mont Pèlerin Society (MPS) and the deployment of discourse around shareholder capitalism in business schools. These two worlds intersect and formed the basis for the novel and intricate entrepreneurship tradition that has left a large imprint on contemporary society far beyond managerial circles.

The topic of values and ideas pertaining to entrepreneurship (and related comprehensive worldviews) is relevant, because it could point to the formation of a more or less pervasive influence of corporate power on values, attitudes and preferences. Indeed, from the perspective of a pervasive conception of power, dominant cognitive dispositions become an important dimension of the social structure of economic production and accumulation by shaping a historically contingent spirit of capitalism that combines professional and moral elements into a functioning ideology (Boltanski and Chiapello 2003). This outlook is important, for if the analysis is instead restricted to the more immediate execution of influence, it is hard to sustain a notion of pervasiveness. After all, we can easily find or identify evidence for conflicts between competing corporate interests or between corporate and other interests.

I argue that we can speak about the pervasive power of corporations only if we do not require a monolithic system of hegemony. Hegemony does indeed require a certain amount of social and ideological integration and consent of political opposition in order to avoid extraordinary struggles in society. But Gramsci's understanding should not be equated to social harmony (Deppe 2003). Rather, consent needs to leave room for critique as well as opportunity for contestation, adaptation and change. Critique is also an important intellectual and moral source of the changing spirit of capitalism (Boltanski and Chiapello 2003). It is therefore the direction of change we need to ascertain in order to find out if corporate interests have become more pervasive at certain times and this might depend to no small degree on the social construction of the compatibility of corporate interests with the interests of the rest of society.

The entrepreneurship theme is topical due to its broad affinity with business interests, its individualist connotations and its distance to organized workers or collective working-class interests. There is a strong ascent of the concept of entrepreneurship (and the related notions of innovation and competitiveness), possibly most clearly manifested in soft power governance tools like the Global Entrepreneurship Index of the World Economic Forum and its subsets (female entrepreneurship, regional entrepreneurship, and so on).¹ It is also important to note the expansion of the concept of entrepreneurship beyond the realm of the economy. Social entrepreneurship, for example, rose in the new millennium based inter alia on the work of Leadbeater (1996) and following the 2006 Nobel peace prize of Muhammad Yunus for the micro-credit scheme of his Grameen Bank. The promotion of social entrepreneurship as an additional, if not alternative, venue to the welfare state can be regarded as one of the most striking expansions of the concept of entrepreneurialism.

The rise of the concept of entrepreneurship does seem to indicate an increase in the pervasiveness of corporate power in public policy making. Firstly, the new emphasis on the entrepreneurship function as a critical element of managerialism has led to a comprehensive political agenda geared towards the promotion of supply side concerns. Secondly, the entrepreneurship agenda has managed to redefine traditional understandings of the needs of large and socially weak groups of the population (like job creation for the unemployed, for example) with the added effect of disciplining labour and thereby fortifying corporate power over social policy and labour politics. Thirdly, the result of this has been a sustained decline in the relevance of the interests of stakeholders other than owners in corporate governance, regardless of the World Economic Forum's recent plea for a return to 'stakeholder capitalism.'

There has also been an increase in the salience of the entrepreneurship topic in German and English-language books and articles, particularly after the collapse of Soviet Socialism. The parallel rise of the number of publications on the topic of entrepreneurship during the first half of the 1990s in both German and English-language publications does suggest a convergence across national and cultural institutional spaces that are of considerable interest for assessing the pervasiveness of corporate power.² A possible reason for cross-cultural revival and diffusion (if not convergence) of entrepreneurship lies in the work of transnational corporations,

¹ These are published by the Global Entrepreneurship and Development Institute (n.d.).

² This observation is based on British Library Data and Gemeinsamer Verbundkatalog mit Online Content (GRK plus), search item: 'Unternehmer*' and 'Entrepreneur*'.
4

management education and consulting, on the one hand (Engwall et al. 2016), and in the mobilization of transnational networks of think tanks and academic and corporate neoliberal intellectuals, on the other (Walpen 2004, Plehwe and Walpen 2006, Plickert 2008, Mirowski and Plehwe 2009, Burgin 2012). As we will see, entrepreneurship has a prominent place in both management and economics discourses. However, despite the ubiquitous reference to Schumpeter in these discourses, his neoliberal rival Ludwig von Mises must be considered central in the revival and revision of the concept, especially through his treatment of profit (and loss) as the key economic variable rather than market clearing equilibrium or innovations of macroeconomic relevance.

In order to demonstrate this, we begin by dealing with certain ambiguities and permutations of the concept of entrepreneurship. One lineage links the rise of entrepreneurship to changes in management philosophy and amounts to a story of Americanization (of shareholder value capitalism). Another lineage links the revival and revision of entrepreneurship to both European and American sources and goes beyond the prerogatives of corporate management. The second line is critical to appreciate the dedicated effort to increase the prevalence of corporate perspectives both with regard to managing the private sector and in a wide range of public policy areas.

1) History of entrepreneurship revival in business management: An Anglo-American story?

Standard accounts of the rise of entrepreneurship in the management literature link the process to the arrival of *shareholder* capitalism and the concomitant decline of corporate hierarchy, managerialism and *stakeholder* capitalism. Authors observe yet another ‘American Business Revolution.’ Instead of huge corporations, writes business journalist Carol Tice (2007), ‘seismic shifts [. . .] turned America into a nation of entrepreneurs.’ Put simply, the ‘managerial’ approach in giant corporations so typical of the 1960s has steadily given way to initiatory and ‘entrepreneurial’ forms of action in the 1970s and 1980s. In popular writing, big management is replaced by entrepreneurialism and networking, a philosophy that has extended beyond the private sector. ‘In recent years in particular, there seems to be a general consensus emerging throughout the advanced capitalist world that positive benefits are to be had by cities taking an entrepreneurial stance to economic development. What is remarkable is that this

consensus seems to hold across national boundaries and even across political parties and ideologies' (Harvey 1989, 1).

At first glance, popular entrepreneurship discourse seems to suggest a shrinking power of big corporate management, subject to replacement by networking and network power stretching across private and public sectors. Instead, Boltanski and Chiapello (2003) observe a transformation of managerialism. Entrepreneurial management rose as a new category in the 1960s, challenging the traditional (family) owner of the firm. A new class of leading managers were buttressed by objections against large and bureaucratic hierarchies and gave rise to professional 'management by objectives' (p. 103)—that is the delegation of authority to managers who are required to act more independently on the tasks with which they are charged. This new philosophy pitted the narratives of achievement and efficiency against the still dominant values of family firms, hierarchies and related privileges, including educational degrees. The management literature of the 1990s continued this attack on hierarchy and claimed emancipation not only for leading management circles, but for all employees (p. 108). The process was now driven by intensified competition and customer power. Drawing on transaction cost theory, hierarchy is attacked to advocate for more flexible relations and market exchange. In their analysis of the management literature of the 1990s, Boltanski and Chiapello (p. 109) point to how entrepreneurship emerges as an important type of management behaviour in the context of lean and flexible organizations conceived as networks comprising the firm as well as suppliers and service agents. Power continues to be executed, but in less hierarchical ways. But how does this new entrepreneurial style of management fit into the tradition of entrepreneurship? In what ways has it been advanced and diffused across the corporate world? And how was the concept of entrepreneurship applied within the new spirit of networked management?

Business education plays a central role in this process, of course. The first entrepreneurship courses in the United States were offered at Stanford and New York universities in the second half of the 1960s. The first entrepreneurship MBA program in the United States was offered in the early 1970s at the University of Southern California. A decade later, more than several hundred undergraduate schools and universities featured entrepreneurship courses if not programmes in the United States alone (Solomon and Fernald 1994). A parallel development can be observed in Europe. By 2017 German universities counted 133 entrepreneurship chairs, most of them introduced since the 1980s (Haus 2006). Although the United States had already reached 400 chairs in 2004, the numbers of entrepreneurship chairs per capita are now

approximately even in the U.S. and Germany.³ Managers from the 1970s onward were increasingly taught to think in entrepreneurial terms, and their efforts to influence both corporate and public policy were certainly affected by this orientation.

The broader shift in management perspectives has been closely linked to the theory of the firm, a makeover from managerialism to shareholder value perspectives. Rakesh Khurana (2007) traces the rise of shareholder value ideas back to a paper published in 1976. The article of Michael C. Jensen and William H. Meckling (1976) relied on property rights theory to explain managerial behaviour and to advance a new theory of the firm. Published at the height of the crisis of managerial ‘visible hand’ (Chandler) capitalism, or ‘Fordism’ (Aglietta), it appeared at a time when dissatisfaction with the performance of conglomerate firms rooted in the ‘retain and reinvest earnings’ tradition was growing. Five years after this original attack on hitherto dominant perspectives of the firm from the viewpoint of capital owners (*shareholders*), Robert H. Hayes and William J. Abernathy (1980) allegedly dealt the final blow to American managerialism, by prolonging this attack on the traditional understanding of bureaucratic management. Ironically, their work blamed the observed lack of concern for long-term competitiveness on short term thinking concerned with financial gain, which, of course, became an important feature of the Anglo-Saxon variety of arm’s length shareholder value capitalism in the 1990s (Hall and Soskice 2001).

This revolution can also be traced to specific locales of intellectual power. Khurana’s (2007) history of the Harvard Business School, the rise of managerialism and the subsequent rise of new entrepreneurship perspectives, underlines the relevance of this school in the American narrative on the history of economic ideas: The key authorities of both entrepreneurship perspectives and managerialism, Joseph a. Schumpeter and Alfred D. Chandler Jr., were Harvard professors much like the more recent promoters of shareholder value ideas, Robert H. Hayes and Michael C. Jensen. The latter joined the Harvard Faculty in 1984.

Schumpeter’s work has become a central pillar of contemporary entrepreneurship revival. But his ideas were conspicuously absent in the mainstream discourse during much of the post-war’s ‘golden age’ of capitalism despite dedicated efforts to further develop his research agenda during the 1950s. Schumpeter’s conception of entrepreneurship belonged to the era of the owner-controlled firm. In fact, both Schumpeter’s economic and sociological requirements for innovation resulted in an extremely elitist understanding of entrepreneurs (compare Paqué

³ This observation is based on the tables and statistics supplied by FGF e.V. (n.d.).

1983, Storn 2013). On the economic front, Schumpeter's requirement for innovation to attain macroeconomic relevance meant that patterns of competition between companies, regions and even nations change—sometimes in dramatic ways—as a result of an innovative firm. On the sociological front, Schumpeter views the entrepreneurs responsible for the process of creative destruction as a rare species: geniuses of Herculean character and superior commanders capable of developing family empires with new products or production processes invented by them or under their aegis. His work has since been twisted in various ways to fit changing management and public policy concerns over time. It has been almost forgotten that previous efforts to build on Schumpeter's legacy were short-lived, displaced by a turn to the organizational and managerial dimensions of the firm, the evolving post-war business environment, and neoclassical economic theory and methods (cf. Jones and Wadhvani 2006).

While the profound historical shift from Schumpeter's notion of entrepreneurship and the family capital model of the firm towards managerialism and organization has been subject to a lot of attention, there is no comparable treatment of the subsequent shift from managerialism to entrepreneurship during the 1970s and 1980s. There has been a call for a reasonable merger of contextual and behavioural dimensions in the analysis of entrepreneurship (Jones and Wadhvani 2006), but the academic literature does not offer much to explain the dramatic revival and revision of entrepreneurship during the closing decades of the twentieth century except for one important insight regarding the development of economic theory at large: By the mid-1970s, neoclassical growth theory came under attack due to the static character of the model and due to the lack of consideration for *internal causes* of economic development (Rickett 2008). Traditional growth theories considered new technologies as external factors. Little attention was paid to innovation and innovators as a result. The renewed interest in entrepreneurship was thus intimately related to growing dissatisfaction with standard neoclassical accounts of equilibrium based on notions of full information and full competition. A renewed interest in innovation as a driver for capitalist accumulation, economic disequilibrium, change, temporary monopoly and economic development and growth required a return to the issue of entrepreneurship, but the most important work emerged in critical distance to Schumpeter rather than as a simple perpetuation of his ideas.

2) The Mont Pèlerin Roots of Entrepreneurship Revival

In order to understand the revival and indeed revision of Schumpeter in the 1970s and 1980s we need to turn our attention to another Austrian, Ludwig von Mises, who can be regarded as a strong opponent to his fellow countryman in terms of economic thought. A comparison

between Mises and Schumpeter on the topic of entrepreneurship is instructive. Schumpeter pointed to the decline of a particular class of entrepreneurs. This reflected a change in the structure of global capitalism, and especially American capitalism, in the 1930s and 1940s. Partly as a result of the advancement of socialist planning and the ideological conflict between socialism and capitalism, there was a growing consensus around large scale, macroeconomic management and planning. Expanding bureaucracies in both the public and the private sector undermined the previous role of individual entrepreneurship and family firms. Since the number of innovative capitalists was inevitably in decline, capitalism was crumbling as a result (Schumpeter 1942). Innovation and the dynamics of economic development were to be taken care of by socialist elites.

If Schumpeter came to see entrepreneurs as a doomed class, Ludwig von Mises saw entrepreneurship as a general feature of human behaviour due to the need to make choices under conditions of unavoidable uncertainty. For Mises, the entrepreneur was literally everyone. In *Human Action*, Mises defined the entrepreneur as ‘acting man in regard to the changes occurring in the data of the market’ (von Mises 1940, p. 255). At the centre of his entrepreneurial function is the anticipation of the future demand of the consumer. Unlike Schumpeter’s focus on innovation and change, the entrepreneur needs nothing but market relations to perform his or her role in the economy and society. Conversely, without market relations in a planned economy there can be no entrepreneurialism. Performance earns profit for the entrepreneur, which is nothing but the acknowledgement of the capacity of making the price function work. This is why Mises reacted with hostility when profits were considered expressions of malfunctioning markets to be overcome by equilibrium. He saw the opportunity for profit (and loss) as central to a free economy and society (von Mises 1940, p. 255). In the post-war period, students of Mises, Israel Kirzner in particular, were the leading scholars invested in the revival of the entrepreneurial function. These heirs of Mises were also part of the neoliberal thinkers related to MPS. However, even within MPS circles, entrepreneurship only became an issue of concern in the 1960s.

No direct coverage of entrepreneurship is recorded for MPS meetings until the end of the 1960s. However, at the Vichy general meeting in 1967, in a session on ‘The Teaching of Economics at the Present,’ Israel Kirzner gave a seminal paper on ‘Methodological Individualism, Market Equilibrium and the Market Process’ in which the markings of neoliberal entrepreneurialism were clearly visible. In this paper, Kirzner points to the difference between what he calls Anglo-American price theory interested in conditions of equilibrium and what he calls Austrian price

theory interested in the market process. Unlike the purely calculating and economizing role of the individual in the Anglo-American equilibrium world, Kirzner suggests an additional entrepreneurial element in the Austrian world of market processes since individuals operate under conditions characterized by a lack of knowledge necessary to calculate and economize:

‘In the “Austrian” approach a place is found for the notion of the pure entrepreneur whose decisions arise entirely out of the search for better decision possibilities. It is the entrepreneur who is the prime mover in the market process; his activities cannot be subsumed under the “economizing” heading’ (Kirzner 1967, p. 2).

In this paper, Kirzner drew on several figureheads of the neoliberal through collective, including Friedrich August von Hayek, Ludwig von Mises and James Buchanan. From the latter he perceived ‘the plea [. . .] for economics to be seen as catallactics, free of its present emphasis on the allocation of scarce means.’ He also related his argument to ‘Professor [George Lennox Sharman] Shackle’s insistence that economics be based on a “creative,” non-determined, concept of individual decision-making.’ While von Mises is frequently portrayed as an atavist liberal, he and his students were at the centre of the microeconomic turn of neoliberalism, which started to undermine the pragmatic-neoclassical macroeconomic wings (ordoliberals, for example) and created space for the neo-Austrian perspectives on ‘markets as information processors,’ which began to transform other economic and neoliberal schools of thought like Chicago or Freiburg (Mirowski and Nik-Khah 2017).

The year 1967 was also the first time that ‘teaching economics’ was tackled at MPS conferences. In fact, it is probably not a coincidence that entrepreneurship entered the business school curriculum precisely at the time when some of the key exponents of the new entrepreneurship literature, and Israel Kirzner in particular, started talking about economics curricula. The MPS meeting was a transnational affair: Kirzner was followed at the panel in Vichy by French economists Leduc and Villey, Oxford economist Schuettinger and, an early advocate for the privatization of public schools, Ben Rogge of Wabash College. Moreover, entrepreneurship education was already a key subject in overlapping (far right) conservative and neoliberal circles around the *Centre Européenne de Documentation et d’Information* (CEDI) and the *Institut d’Etudes Politiques Vaduz* in Liechtenstein. CEDI was headed by Otto von Habsburg and the Vaduz Institute was headed by Arvid Fredborg, both MPS members (Großmann 2014, 5). By 1970, German economist Günter Schmolders opened the Munich MPS conference on the ‘image of the entrepreneur.’

With the 1970 Munich conference, that took place from 30 August to 5 September, Schmölders placed entrepreneurship on the neoliberal agenda in close alliance with large corporations—the conference was organized out of a Siemens office and supported by Daimler-Benz AG and several banks—as well as family firms, business associations and think tanks (Arbeitsgemeinschaft Selbständige Unternehmer and Arbeitsgemeinschaft Soziale Marktwirtschaft). Unsurprisingly, the contents of the Munich MPS conference papers were not of a purely academic matter. Rather, the conference extended into a strategic agenda-setting effort by neoliberal intellectual circles in close interaction and collaboration with corporate leaders from industry and banking, while showcasing the value and the use of entrepreneurship research and education internationally. Many if not all contributions to the conference defended entrepreneurs and aimed at advancing entrepreneurship from a normative perspective (Schmölders 1971).

In his opening address to the conference, Schmölders suggested firstly that post-war capitalism had been hugely successful, but its very success had obscured the foundations of the market system, which required a new effort to examine the functioning of the system with entrepreneurs as one of its critical aspects. Secondly, this required to overcome the missing focus on entrepreneurs and entrepreneurship in economics. Thirdly, what different groups in the population thought of entrepreneurs was as important as the role of the entrepreneur in the functioning of the economy (Schmölders 1971, p. 10). In other words, quite awhile before the rise of the shareholder value perspective in the United States, we can observe dedicated efforts to revive entrepreneurship in MPS circles, and in Germany in particular, building on the strong tradition of family firms.

Compared to the deep pessimism with regard to the role of entrepreneurs after WW II, this unfolding revival agenda can best be summarized as an exercise in defensive optimism. Speakers at the 1970 MPS conference in Munich observed a decline of owner entrepreneurs along the lines expected by Schumpeter. However, unlike the fears voiced in this regard in conservative circles during the 1950s and 1960s, the speakers in Munich highlighted surprising sources of optimism. They pointed to considerable entrepreneurship in large corporations and to the changing behaviour of average citizens.⁴ The first point read like a preview of the managerial ‘intrapreneurship’ discourse (see Pinchot, 1984), while the second anticipated the impending expansion of the scope of the entrepreneurship discussion. In other words, the

⁴ For example, Lawrence Fertig observed that 12 per cent of Americans owned shares and reported a strong increase in the volume of investment funds (Fertig 1971).

conference not only highlights concern with regard to entrepreneurship, it also exhibits a clear sense of direction as to how to strategically address challenges in light of the intended promotion of the entrepreneurship perspectives.

First off, neoliberal scholars successfully used survey studies in different countries to direct attention to challenges entrepreneurs were facing and to offer solutions to negative images of entrepreneurs. Secondly, they developed clarity about the need to defend economic freedom and the market system as a whole rather than the interests of individual entrepreneurs, the entrepreneurship function rather than the particular person. Thirdly, they clarified the sources of negative images of entrepreneurs (ranging from educators, trade unions, tax officials to intellectuals) and developed dissemination programs adjusted to particular audiences (for example, teachers, journalists) in addition to the general public. Fourthly, they ascertained the positive roles and functions of entrepreneurs and entrepreneurialism at both micro and macro-economic levels. The 1970 MPS conference, in any case, marked the end of Schumpeter essentialism and pessimism, all the while beginning efforts of revisionism with regard to Schumpeter's innovation entrepreneurship.

3) The Case of Herbert Giersch: From Mont Pèlerin to the New Entrepreneurialism

A few years before the crisis of Fordism (and visible hand managerialism) that began in the mid-1970s, MPS circles were well prepared and well positioned to drive a new entrepreneurship agenda. They did so as part of new discussions on competitiveness as key European business circles considered American corporations and management practices as a growing challenge to the European status quo. The predecessor of the Davos World Economic Forum, the European Management Forum founded by Klaus Schwab in 1971 is a case in point (World Economic Forum 2009).

The European Management Forum took both business education and European strategic discussions beyond the national level. Schwab came from Harvard to Switzerland in 1972. Following the work of Jean-Jacques Servan-Schreiber (and Michel Albert) on the silent economic war between the United States and Europe,⁵ Schwab considered European management at a disadvantage vis-à-vis the U.S. Beyond informing European top managers about U.S. business practices, Schwab developed a new stakeholder management perspective to extend management attention to employees and communities.⁶ In contrast to Anglo-Saxon

⁵ Servan-Schreiber's 'Le Défi Américain' was an international bestseller published first in France in 1967.

⁶ See Peter Seele (2000) on Schwab's dubious claim to have invented the concept of stakeholder capitalism.

shareholder value management, we can see the beginning of the European version of the complementary corporate responsibility discourse (Kinderman 2012). Schwab's stakeholder management perspective was more about increasing firm competitiveness than about social inclusion, though. His European Management Forum was also very open to input from Friedrich August von Hayek and other supporters of neoliberal transformation. Already in 1977 Hayek was invited to speak in a session titled 'Freedom and Prosperity through competitive Free Enterprise' together with a key British representative of political neoliberalism, Sir Keith Joseph. Also present, and representing the opposition view, was K.O. Feldt from Sweden. The momentum towards deregulation, privatization gained speed in Europe in the 1980s. CEOs of the newly founded Roundtable of European Industrialists pushed for cross-border liberalization, aided by Herbert Giersch's (1985) talk about 'Eurosclerosis' and other economists who calculated the cost of not completing the internal market (Cecchini 1988). Defenders of the social democratic welfare state became increasingly rare among the panellists at Davos events.

Schwab's Davos efforts eventually led to the Global Competitiveness Index first published in 2004. The index united macro and micro-economic indexes developed by Jeffrey Sachs and Michael Porter. Porter's longstanding preoccupation for regional competitiveness based on available resources and endowments (Sum and Jessop 2015) overlaps in important ways with the supply side oriented political understanding of economic geography, Schumpeterian innovation and locational competition developed within the circles of organized neoliberals, which will be discussed below.

At the centre of this newfound interest in business, competitiveness, innovation and locational dynamics was another MPS president serving 16 years after Schmölders: Herbert Giersch from the Kiel Institute of World Economics. Although he has been almost forgotten in the discussion of new growth economics and new economic geography (Feld et al. 2013), Giersch and his students and colleagues have been at the forefront of neoliberal economic geography and are at the centre of the history of entrepreneurship revival.

Giersch's work on the revision and revival of Schumpeter can, in fact, be considered the missing link between the preceding European and subsequent American discourse on entrepreneurship. Giersch's work completes the circle: From 1) Schumpeter's original perspective of innovation as disruption and pessimism with regard to the future of capitalism, to 2) Kirzner's refutation of the equilibrating function and pitting of the future of capitalism on the removal of market restrictions for entrepreneurs, and 3) Giersch's invocation of Schumpeterian competition as the inevitable fate of all economic regions due to globalized competition and the realities of

‘cosmopolitan capitalism.’ It was not capitalism in general that was doomed due to the lack of a capable class of entrepreneurs, but those regions and nations unwilling or incapable of enabling innovation-oriented competition and advancing the competitiveness of their local economic entities. Those regions and nations that did not sufficiently support the entrepreneurship function, entrepreneurial behaviour and management.

Giersch published his seminal work on the role of entrepreneurship in the 1980s, marking the end of the age of a merely defensive optimism. Now relying (selectively) on Schumpeter, neoliberals like Herbert Giersch proudly professed a new confidence in a greatly expanded notion of entrepreneurship. The age of Keynes had come to an end proclaimed Giersch while announcing the arrival of a new age of Schumpeter. At the centre of Giersch’s new economic geography was what he called the ‘Schumpeter volcano,’ a centre of innovation in a specific location, which would provide the innovating entrepreneur with a temporary monopoly. Once the innovation lava flowed downward and cooled, competitive advantage was lost. The volcano thus must continue producing innovations (new technologies) or move to the margins in the process of locational competition. In reaction to the slow growth patterns of the late 1970s and early 1980s, Giersch directly opposed Keynesian economics in his nine-point program based on Schumpeter. His third point said: ‘What matters most in present circumstances are the driving forces of economic development. Emphasis, therefore, is on the growth and dissemination of knowledge, on path-breaking entrepreneurs and eager imitators, on credit creation for the supply of venture capital, and on Schumpeterian competition (that is on innovative monopolistic competition rather than sterile perfect competition, on oligopolistic rivalry rather than collusive equilibria and on aggressive trading rather than arbitrage transactions). In the international economy, which Schumpeter mostly neglected, emphasis is on free trade rather than fair trade (trade minus competition) and on export orientation rather than import substitution’ (Giersch 1984).

Contrary to Kirzner, Giersch reinstated Schumpeter’s innovator entrepreneur in his writing without reinstating the small social class of Schumpeter’s elite entrepreneurs. Instead, Giersch adopted the broader figure of the risk-and-responsibility-carrying-entrepreneur (offered by Mises and also by Frank Knight of the early Chicago School), all the while endorsing the idea of the special-ability-entrepreneur offered by Kirzner. All of these inspirations were coming from fellow MPS members.

Herbert Giersch's entrepreneurship amounts to a paradox of individualism, for the complexity of contemporary capitalism requires a collective effort that is ultimately disguised by the language of entrepreneurship. Individual entrepreneurial behaviour aside, the discussion is focused on the firm, on capital, on technological knowledge and on the managerial skills necessary for the entrepreneurial function to provide its benefits. Since it is probably 'easier for a person to acquire managerial skills than to accumulate capital, it appears evident that capitalists will normally hire entrepreneurs. In this case, capital becomes the limiting factor and the barrier to entry,' writes Giersch (1982, p. 6). Note that the person hires managerial skills rather than entrepreneurial talent! The entrepreneurial management of companies and regions are not considered in opposition to economic and political intervention and planning. Entrepreneurship criteria simply replace traditional socio-economic criteria (such as GDP per capita) for assessing regional and national development. Weaker regions are no longer treated equally. Deserving regions are those that support entrepreneurial initiative and forge ever closer alliances of public and private actors towards this end.

Finally, Giersch declined the invitation offered by several authors to integrate entrepreneurship into the realm of neoclassical equilibrium thinking. The important link between Schumpeter, Schmölders and Giersch is the emphasis on dynamism and change—not equilibrium. The vastly expanded vision of individual entrepreneurship found in the writings of von Mises and expressed by some of the participants at the 1970 MPS conference was thereby consolidated and made ready to be projected to an ever-wider class of citizens within corporations (intrapreneurship) and beyond (self-employed, for example). Following this logic, institutional reforms and incentive structures are envisioned to turn the underemployed and the unemployed into self-employed entrepreneurs. Giersch calls this the demand side for entrepreneurship, 'the demand permitted, induced or actively provoked by the socio-economic structure and the political and cultural environment' (Giersch 1982, 15). The demand for entrepreneurship, in other words, depends on the social arrangements in support of economic freedom or the prospect of '[. . .] "pure gain"—broadly defined to include fame, prestige, even the opportunity to serve a cause or to help others' (Kirzner 1980).

Progress in favour of entrepreneurship can thus be measured by reforms dedicated to enable the advancement of economic freedom conceived so broadly that it reaches far into the non-profit sector to advance social entrepreneurship and civic engagement. However, progress in favour of entrepreneurship requires the removal of restrictions on economic freedom like the welfare state and other regulatory measures that compromise price signals.

4) Consolidating and Institutionalizing Entrepreneurship: Why the Economic Freedom Index makes a difference

In the 1980s, MPS circles engaged in a multi-pronged effort to promote what they perceived as a close link between entrepreneurship and economic freedom. At the second conference organized by the Fraser Institute in Vancouver in 1988, William Hammett of the Manhattan Institute suggested that ‘people think that entrepreneurship is bad and we are suffering from an overdose of it in this country’ (Hammett 1991, p. 127). Hammett went on to explain that contrary to the support for political freedom, which is supported as an end in itself, economic freedom is considered a means, which is frequently hard to sell. He then uses the difficulties faced by Donald Trump if he wants to evict a few rent controlled tenants to illustrate his concern and reports on his limited success in strengthening the link between entrepreneurship and economic freedom on previous occasions: ‘[. . .] it is almost an impossible chore to try to translate this to the general public who relate much more to the concept of growth, wealth, things like that, which is the end result of economic freedom’ (Hammett 1991, p. 127).

Sustained efforts to clarify the link between economic freedom and entrepreneurship were aimed at defining and determining measurable conditions of economic freedom. The earliest index proposed to measure economic freedom came from the American think tank Freedom House in the early 1980s and still emphasized a link between democracy and economic freedom. Subsequent measuring and indexing efforts organized by the Fraser Institute in Canada and funded by the Liberty Fund (Indianapolis) began to de-emphasize democracy and eventually led to the construction of the Economic Freedom of the World Index (Gwartney, Lawson and Block 1996) and to the Heritage Foundation’s Indices of Economic Freedom (in conjunction with the Wall Street Journal). Much of the groundwork for these efforts to define and measure economic freedom was carried out by MPS members Alvin Rabushka (Stanford) and Gerald William Scully (University of Texas) in close interaction with MPS members from Europe. In lieu of an accepted definition of economic freedom Rabushka’s combination of four central elements of economic liberty are considered the gold standard in these circles: 1) secure property rights; 2) voluntary exchange of individuals within and across borders; 3) absence of governmental control of the terms of transactions of individuals; 4) ‘Freedom from governmental expropriation of property (e.g., by confiscatory taxation or unanticipated inflation)’ (Hanke and Walters 1992). All but the first element (secure right to property) emphasizes the absence of restrictions by governments, not positive rights like a minimum

social condition or a clean environment, or the freedom of coalition. Quite to the contrary: legal rights to form trade unions and mandated minimum wages, for example, are considered restrictions of economic freedom because they impede the price mechanism entrepreneurs depend on to fulfil their function in the economic system. The terms of transactions of individuals are subject to undesired external influence if trade unions determine the price of labour rather than shifting conditions of supply and demand. The overall message is that economic liberalization will be economically beneficial and support entrepreneurship and growth.

MPS members themselves took stock of the impact of the index at the Chattanooga regional meeting in 2003. Among the highlights reported were increasing media coverage of the Economic Freedom Index by quality journals like the Economist, increasing reliance of professional economists on the index data in academic journals, new software projects to facilitate the use of the data, regional spin off projects in China and North America, increase precision in linking institutional environments to investments, and examples of policy impacts in individual countries (Gwartney and Lawson 2003). Since then, the project has expanded to cover more developing regions like the Arab World.

The Freedom Index also differs importantly from the parallel development of national competitiveness indexes such as those of the International Institute of Management and the World Economic Forum (Davies 2014). As told by MPS member Steve Hanke and his co-author Stephen Walters (1996), the Economic Freedom indexes do not aim at appraising endowments and infrastructure relevant for planning and forecasting. All measures are about institutions that can be changed by political means (like changing labour laws to lower redundancy compensation, reducing regulatory requirements to start a company, reducing the number of inspections, and so on). In other words, The Economic freedom indexes were conceived and developed as a comprehensive and universal tool to strengthen the demand side for entrepreneurship as Herbert Giersch would have it. While the management perspectives expressed in the Global Competitiveness Index developed in Davos focused on existing circumstances for private sector economic activities in countries and regions around the world, organized neoliberals inserted a comprehensive agenda for institutional change.

Conclusion

Both the history of the rise of shareholder value and related changes in managerialism and the more specific history of the revival and revision of entrepreneurship suggest an increase in the

pervasiveness of corporate power in public policy making. Moreover, the intellectual history of the work of neoliberals on the concept of entrepreneurship clarifies why and how entrepreneurship became a critical dimension of the new spirit of *entrepreneurial managerialism*. If the perspective of corporate managers are aligned both in regards to corporate and public policy agendas, an important step has been taken to increase corporate influence and to use corporate leverage to obtain favourable conditions for capital accumulation and private property priorities. Since many erstwhile oppositional forces like Social Democrats have started to embrace the language of entrepreneurial behaviour, the other—working class—side has been considerably weakened in the inevitable conflicts. Social Democrats use to defend working class interests as a whole, but they have come around to address the grievances of the unemployed as individuals. Since entrepreneurship and entrepreneurial behaviour have become key issues in a wide range of public policy areas beyond the economic sphere, it would be impossible not to speak about an increased pervasiveness of corporate power. Likewise, the changes in fiscal equalization and regional policy regimes, in higher education and unemployment regimes have all led to considerable changes in the experiences of a wide range of people.

Raymond Williams's (1977) notion of structures of feelings due to structures of experiences is useful to capture this important dimension of the neoliberal transformation. Rather than emphasizing the intricacies of the entrepreneurial self (Brown 2015) or competitive psychologies (Davies 2014), however, it is crucial to deal with the neoliberal shift of attention to questions of institutional and political context since the 1970s, which contributed decisively to overcoming essentialist versions of entrepreneurship. Tracing the conversations among neoliberals on the topic of entrepreneurship that took place since the 1960s is necessary to shed light on the highly successful neoliberal effort to revive and to revise entrepreneurship. Successful mediation between corporate managerialism and entrepreneurship by way of studying and expanding entrepreneurial functions and behaviours can be considered among the most important reasons for the ongoing, increasingly pervasive neoliberal transformation of welfare state capitalism.

Think tanks that are often funded by corporations and the foundations of entrepreneurs came to play a crucial role in this process as the academic work of neoliberal scholars both in Europe and in North America has been disseminated in channels beyond refereed journals and academic presses. Pervasive power requires corporate resources, but it also requires resources beyond those which are abundant in the corporate world. With due respect for the relevance of

the material wealth and organizational capacities of modern corporations it is important to emphasize both the relative autonomy and importance of the intellectual forces that work at the interface of the academic and think tank sectors, all the while acknowledging that the rise and pervasiveness of the entrepreneurship discourse require due attention to the intersection and consolidation of corporate, academic and think tank efforts.

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