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REVISITING THEORIES OF NONPROFIT ENTREPRENEURSHIP: IDEOLOGICAL ENTREPRENEURSHIP.

IMPLCATIONS FOR PUBLIC POLICY

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The economics literature on the voluntary sector has framed its approach from the point of view of both the demand and the supply for nonprofit organization. This paper looks at one important set of approaches to the analysis of the supply side of nonprofit organization: theories of nonprofit entrepreneurship, which attempt to explain via various interpretations of the notion of entrepreneurship why social actors would commit scarce resources, efforts and take risks in the absence of a clear profit motive. Within that class of approaches, the paper focuses on ideological entrepreneurship. The paper revisits the way the problem has been conceptualized so far, further elaborates it using political economy theoretical lenses, while in the light of the insights thus gained, looks at the public policy dimensions and implications.

With these ends in view, the paper is structured as follows. The first section introduces the notion of ideological entrepreneurship in the context of the relevant literature. Then the paper introduces a general framework for understanding the possible channels of public policy intervention to determine the level of entrepreneurship and briefly evaluates its capacity to help us assess the strengths and limits of public policy when it comes to fostering nonprofit entrepreneurship via ideological factors interventions. The next section attempts to go beyond the framework and take a step further in unpacking and theoretically exploring the notion of ideological entrepreneurship. It thus elaborates one key element of the framework, by applying to the phenomenon of interest the main economic theories of entrepreneurship. In doing that it deals in a natural way with the underlying theme of the discussion: what these analytical frameworks and theories suggest regarding the viability of potential public policies targeting the level of nonprofit entrepreneurship supply in a society, community or social group. Section four concludes the discussion.

1. Ideological Entrepreneurship: Introducing the Notion

The notion of ideological entrepreneurship has emerged as part of the effort to explain the creation and functioning of nonprofit organizations (NPOs). Those that create and engage in non-profit enterprises have to overcome non-trivial and specific environmental constraints, in addition to incentive and knowledge problems unique to nonprofit forms of organizing. Why would people engage in enterprises in which the profit motive, at least as it is usually understood in standard financial and monetary cost-benefit analysis, is at best ambiguous? Why would people engage in enterprises that are vulnerable to so many incentive alignment and information problems? As one may expect, the conjecture that a significant part of the explanation may relate to the ideological commitment that non-profit entrepreneurs have to their strong belief systems and values, emerges to the forefront. Ideologically motivated entrepreneurs may prefer the non-profit form of organization, while customers prefer, for economic or ideological reasons, the service provided by them. Hence the ideological entrepreneurship thesis is also complementary to other, demand-side approaches to NPOs' existence.

As Rose Ackerman (1997, 125-26), the scholar who has initiated the economic approach to this theme, has put it, the ideological entrepreneur "is a person with strong beliefs about the proper way to provide a particular service". This is a type of entrepreneur who "espouses an educational philosophy, holds religious beliefs that imply certain forms of service delivery, or subscribes to a particular aesthetic or psychological theory". Non-profit entrepreneurship "is motivated by ideas rather than [monetary] profit". The calculus of decision making takes thus particular forms. That means for instance that "relatively modest tax or regulatory benefits would push the founder in the non-profit direction". The structural and legal features of the non-profit firm may offer an advantage when the goal is promoting an idea, belief or value and not selling a product. Hence, an additional conjecture: Within any given service sector, one "would expect that non-profit providers would include more ideologues than the competing for-profit firms" (Rose Ackerman 1997, 125-26)

Such conjectures have inspired an entire line of empirical work trying to assess the degree in which non-profit entrepreneurship is ideological (Young, 1983; James, 1989, 1993). For instance studies of service sectors in which identity and beliefs matter, such as education, have shown that religious and linguistic identities are robustly correlated to the number of non-profit schools. There is a demand for schools that have a religious and ethnic dimension and there are entrepreneurs ready to supply them. The literature has gone even further, exploring in more depth the question why customers patronize firms run by people that offer "services that satisfy their own idiosyncratic beliefs or express their religious faith" instead of patronizing "a for-profit firm motivated to satisfy consumer tastes" (Rose Ackerman 1997, 124).

Scholars have narrowed down their analyses around two organizational features of special relevance: the “quality control” advantage of NPOs and the “product differentiation” advantage. An entrepreneur motivated primarily by ideology will strongly prefer to work with managers and employees who hold similar views, values, and vision. The link between producers’ values and the product is stronger in such enterprises. Such entrepreneurs rely much more than the normal practice on employees who share their values.

This convergence around values reduces monitoring costs, a saving which can make up for the loss of the profit motive. The quality of service is ensured in more cost-effective ways. The lack of equity holders signals both to employees and consumers that they are not working for someone’s enriching. Lower levels of pay, higher motivation fuelled by the satisfaction and certainty that one is working to achieve altruistic goals, comes from this dedication, reinforced by the organizational structure. A non-profit may thus have not only a quality advantage but also a quantitative-economic advantage over a for-profit in certain fields.

In addition, NPOs may have a product differentiation advantage. There are domains and service sectors (education, arts, culture, social beliefs, or lifestyle) in which customers do not have well-formed tastes. The preference formation function is obviously crucial in this respect. Entrepreneurship has to play a major role in this. Yet, one notes immediately that this is a typical “experience good” situation. The quality cannot be evaluated confidently in the absence of the direct experience of the good. Hence consumers rely on ideological signaling. “When customer information is poor, firms may be unable to convince customers that their intentions are not mercenary unless they actually renounce private profits by organising as a non-profit.” (Rose Ackerman 1997, 128) The elimination of residual profit from the organizational mission strengthens the credibility of an entrepreneur by eliminating a (real or perceived) incentive-compatibility problem.

> Poorly informed customers or their relatives may want to rely on experts or specialists. However, they may fear exploitation. They seek providers with a clear service philosophy, but patrons differ on what set of principles they want embodied in schools and psychological care. The commitment of the provider to Dewey, Montessori, Freud or the Roman Catholic Church acts as a signaling device. Customers are buying reified ideology. (Rose Ackerman, 1987, 127-28).

To sum up, the literature shows that ideological entrepreneurs not only are viable but also are not necessarily at a disadvantage in their mission and relationship to their consumers. The notion of ideological entrepreneurship is thus established as a consistent and productive component of our theoretical apparatus in studying NPOs. It is relatively clearly conceptually articulated and also well-grounded in empirical insights and common sense observations. Ideology, beliefs, values are a crucial factor in the creating and operating of NPOs. Although not the sole factor, the “ideological” variable is nonetheless a significant one. Explaining and understanding NPOs require a serious engagement with it.

At the same time, the ideological dimension raises very important practical, policy challenges. If the ideological factor is so significant, how is public policy going to deal with it? More specifically, if it is such an effective driver of NPO entrepreneurship, how is it going to be incorporated into the general entrepreneurship policy of a specific society?

2. Ideological Entrepreneurship and Public Policy: A Framework

How could one change the level of NPO entrepreneurship in a society using ideological variables? In what measure can the entrepreneurship policy of a society use the ideological entrepreneurship aspect/factor as an instrument? What are the strengths and limits of such policy strategies? To answer these and related questions we need to introduce a framework built up to methodically chart and assess the public policy channels a society has in shaping and manipulating its entrepreneurial environment and the level of entrepreneurship. We'll use as a vehicle the entrepreneurship policy analysis framework advanced by Audretsch, Grilo and Thurik (2007) – hereafter the AGT framework (Figure 1). Its simple yet methodical nature makes obvious its relevance for the type of entrepreneurship of interest to our paper. Its application to the case in point is just a matter of intuitive calibration to the specific form of entrepreneurship of interest.

We assume –following both the standard practice and the AGT approach- a supply and demand model of public policy. As a supply and demand model, the approach postulates the existence – or at least the tendency toward – a market-clearing level of entrepreneurship. As a public policy model, it assumes policymakers are able to target this level with some precision. In other words, public authorities assess a situation and decide if the existing level of entrepreneurship (E) is at the level of the optimal level of entrepreneurship (E*). The assumption that a public authority can assess optimality is indeed strong, but it seems to be an unavoidable corollary if one wants to discuss public policy aiming to deliberately target levels of entrepreneurship in a society. In fact, even the most anti-interventionist approach uses implicitly such models and passes such judgments. Some sort of idea of optimality and/or deviations from it is always present.

This approach will, of course, entail a certain degree of aggregation and homogenization of the targeted variable (entrepreneurship), a far from trivial limitation and problem and that needs to be informally relaxed if one wants to make the approach more realistic or to explore the ramifications of the AGT framework. However, for heuristic purposes we'll proceed accepting all these limiting and abstracting assumptions. As a first pass, we may encounter three possible situations at the level of the targeted variable:

(1) $E = E^*$ Current level of entrepreneurship is at the optimal level
(2) $E < E^*$ Current level of entrepreneurship is below the optimal level
(3) $E > E^*$ Current level of entrepreneurship is above the optimal level

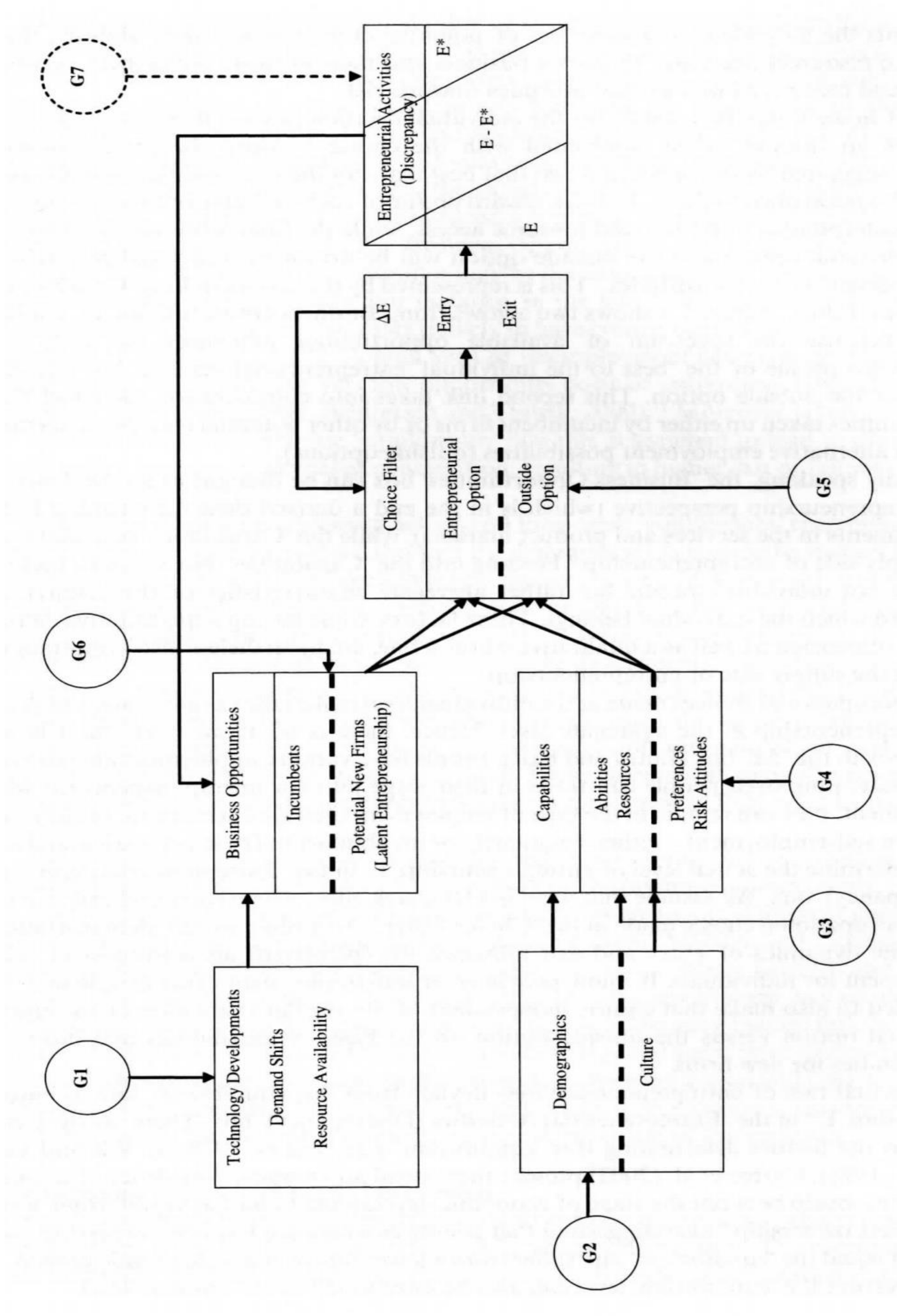

Fig. 1: Entrepreneurship Policy Analysis Framework (Audretsch, Grilo and Thurik 2007)

The goal of policy in this model is to identify which situation obtains, and to arrive at E = E* via policy intervention and fine tuning. In order to focus attention on the results of policy, we follow the AGT framework in assuming for the sake of argument that the identification problem has somehow been solved and the optimum is found. The remaining question, then, is: what policy instruments are available to move the economy closer to (1)? The AGT framework answers this question by identifying several distinct supply and demand factors, drawn as boxes, which feed into a Choice Filter box, determining whether a particular entrepreneur enters or exits the market. This box, in turn, feeds into the box with the final outcome: the relation of E to E*. Each box is associated with its own channel for public policy/intervention (G1 to G6), indicating a taxonomy of entrepreneurship policies based on which factor they affect, which will in turn be reflected in the Choice Filter and the final outcome level of entrepreneurship.

Channel 1 government intervention (G1) involves the demand side of entrepreneurship. AGT (2007, 9-11) note technological advancements, (subsidizing) expenditures on R&D, income policy that all "can create opportunities for entrepreneurship through higher wealth or income disparity, inducing demand for tailor-made products and services and thereby stimulating demand for entrepreneurship". Channel 2 intervention (G2) is intervention influencing "the number of potential and future entrepreneurs at the aggregate (population) level, or the 'supply' side". Policies mentioned by AGT in this respect are immigration policy "influencing the composition and the dispersion of the population" and the cultural factors all important for the future attitudes of the population. Channel 3 (G3) impacts on the abilities and resources of potential entrepreneurs. As AGT put it, "government policy can overcome finance and knowledge gaps through increasing the availability of financial and informational resources". Subsidies, grants and loan guarantees, could be used to bolster the resources of (potential) entrepreneurs and their knowledge base "consisting of both skills and knowledge". However, acknowledge AGT, "immutable characteristics, such as learning capacity and personality traits, are difficult to develop through education and training." Channel 4 (G4) is targeting the factors determining the preferences of individuals to become or not an entrepreneur. Preferences, values and attitudes, the evaluation of risks "are, to a large extent, determined by cultural background and they are difficult to influence or modify". The government can nonetheless try to influence individual preferences by fostering an entrepreneurial culture. More precisely, note AGT, "entrepreneurial values and attitudes can be shaped by introducing entrepreneurial elements in the education system and by paying attention to entrepreneurship in the media". Channel 5 (G5) is directed at the decision-making process of individuals who are potential entrepreneurs. The goal is to influence the judgment and decision to entry or non-entry in an entrepreneurial action. Taxation, social security arrangements, labor market legislation regarding hiring and firing, bankruptcy policy and polices influencing the risk vs. reward profile, are all listed by AGT in this context. Channel 6 (G6) involves intervention on the demand side of entrepreneurship influencing the accessibility of markets (competition policy, barriers to entry, bankruptcy legislation). Last but not least, AGT note the economic or political economy arrangements that determine the level of E*: "the sources of the possible discrepancy between the actual and the 'optimal' or 'equilibrium' level of entrepreneurship" (G7) (Audretsch, Grilo and Thurik 2007, 9-11).

The mere survey of the framework, as outlined above, reveals that the measure in which ideological entrepreneurship may be influenced or managed through these channels is far from clear. What is rather ambiguous and uncertain when it comes to entrepreneurship in general, becomes even more unclear when it comes to ideological entrepreneurship. One need not meticulously take one by one the channels, to determine the limits or problems they have when it comes to the type of entrepreneurship we are dealing with. Indeed, the cultural factor seems to be of some relevance as a variable determining ideologically inspired initiatives. It emerges several times both implicitly and explicitly, in discussing different channels. Culture, attitudes, values matter. The question is how could one shape them in a certain entrepreneurial *and* ideological direction using public administration instruments, without distorting both? Taxation, subsidies, regulation and social security indeed matter, as they do in any entrepreneurship or labor market situation. Yet (for reasons to be detailed at the microeconomic level in the next section) it is very difficult to see how a policy approach may be successfully implemented in this specific ideological respect without creating public unintended consequences. So the insights regarding a public policy aiming at increasing ideological entrepreneurship lead to rather ambiguous conclusions in the light of this framework. Ideological entrepreneurship seems to be one of those “policy target variables” difficult to capture and manage in such a policy framework, even one methodical and rather nuanced as the one employed here. To advance our understanding of the problem beyond that level we need a more nuanced approach to the phenomenon.

Let us make now a step further and be even more precise and focused in our inquiry. The main conceptual reorientation required to deal with ideological entrepreneurship regards the question of motivation. In the context of entrepreneurship theory this leads immediately to the theme of profit and profit opportunity. Though profit is hardly mentioned explicitly in the AGT framework, it is the essential driver of the model, which hinges on the Choice Filter box. The determination of entry or exit for the entrepreneur is a choice essentially driven by profit. Profit, in turn, results from a situation where demand exceeds supply at a given price. This relationship of profit opportunity to the final individual choice is indicated in the framework by the fact that the supply and demand boxes all flow into the choice filter box before reaching the outcome box.

How, then, do we fit into our framework entrepreneurs who, by choosing the non-profit organizational form, indicate their indifference to monetary profit? An illuminating link to economic theory can, in fact, be made by expanding the notion of profit to include *non-monetary* profit opportunities, as the literature on ideological entrepreneurship suggests. By characterizing the non-profit entrepreneur as someone who considers ones “profit” to be the spread of ones ideology, we can use several different conceptions of entrepreneurship to illuminate certain aspects of the problem, and to draw out implications for public policy. In what follows, we focus on the Choice Filter, the motivation of the individual entrepreneur to enter or exit, and extend two different concepts of entrepreneurship to include an ideological maximand. While doing that, several important policy-relevant implications are further illuminated and elaborated.

3. Entrepreneurship and Ideology: Economic Approaches and Policy Implications

In extending the concept of profit beyond the narrow, monetary, financial balance-sheet approach, to include non-material, psychological, identity, and belief factors, one simply follows the standard approach in foundational rational choice and decision theory: utility functions are best understood as *subjective* preferences, the relationship to which of money is not necessarily so simple as in the former approach. Both have their limits, and indeed it is difficult to draw the line: What should be included or not? What is material profit and what is not? Where does economic motivation stops and noneconomic motivation start? As Kirzner (1960) demonstrated, this problem of what we consider to be "economic" and what "non-economic" in our economics (be it defined as a science of action or science of wealth) is one of the most profound and puzzling problems at the philosophical foundations of economic science. Yet the distinction, complex and puzzling as it is, remains important for heuristic reasons. It helps us to understand how, by simply extending one key concept, economic theory dealing with market and for profit organizations can be easily applied to NPOs.

Economic theory offers two major approaches to entrepreneurship: Schumpeterian and Neoclassical. The former is the older; Schumpeter was one of the first economists to incorporate the idea of entrepreneurship into his theories in a deep and systematic way. For Schumpeter, the entrepreneur is a heroic figure driving economic change – not only growth, but all the ups and downs along the way, without which, in his view, growth would be impossible. It is a theory of economic dynamics through and through. Yet, in the economic mainstream, it has been almost entirely eclipsed by neoclassical theories in which the entrepreneur mainly helps the economy from one steady state to another. The transition from one steady-state to another following an exogenous shock has always defied formalization in general equilibrium models (Lachmann 1966). Hence, the entrepreneur (who performs much the same function as the Walrasian auctioneer anyway) has suffered a good deal of neglect in neoclassical theory.[1]

If profit opportunities are thought of as some objectively existing non-clearing market, the neoclassical entrepreneur is all that is needed. Profit opportunities in this sense are more accurately *arbitrage* opportunities, waiting to be discovered and exploited. Accordingly, the neoclassical apparatus is best suited for analyzing a market in which entrepreneurs compete only on price, offering a largely homogenous good. Contrast this rather narrow scope for entrepreneurial action with the wide scope afforded by a Schumpeterian theory: The neoclassical entrepreneur discovers; the Schumpeterian entrepreneur *creates*. He is the driver of the process of Creative Destruction famously associated with Schumpeter's account. Entrepreneurial capitalism, in Schumpeter's view, is nothing less than "a process of ongoing industrial mutation...that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one." For him, "the process of Creative Destruction is the essential fact about capitalism" (p. 83). As Schumpeter describes him (p. 82):

> The truly relevant competition is not price competition but the competition from the new commodity, the new technology, the new source of supply, the new type of organization...competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives. This kind of competition is as much more effective than the other as a bombardment is in comparison with forcing a door, and so much more important that it becomes a matter of comparative indifference whether competition in the ordinary sense functions more or less promptly; the powerful lever that in the long run

[1] Without any theoretical space for initiative beyond responding to costs, such neoclassical luminaries as Eugene Fama and Steven N.S. Cheung have even called for the expulsion of entrepreneurship from the economic lexicon (Foss 1994, p. 37).

> expands output and brings down prices is in any use made of other stuff (Schumpeter, 1942[1976], 82).

For the purposes of our discussion, the difference between the two approaches hinges on the question of equilibration, the motion of an economy toward a stationary state in which all profit opportunities have been exploited. In this situation, entrepreneurs emerge from the Choice Filter entering and exiting in equal numbers. At this point, the neoclassical entrepreneur has, strictly speaking, no function, there being no discrepancy between supply and demand, and therefore, no profits to be made. His function, rather, is to identify profit opportunities arising from a disequilibrium caused by an exogenous shock to the system. These profit opportunities are eliminated as the entrepreneurs exploit them, and before long, equilibrium is restored, and everybody returns to making the normal rate of profit until the next exogenous shock.

Schumpeter's entrepreneur, by contrast, is actually *disequilibrating*. Even in what may look like a steady state, there is always some opportunity to create something the consumer didn't even know he wanted. This is the modus operandi of the most successful entrepreneurs, both in life and in theory: they do not passively respond to consumer demand, but in a very real sense create profit opportunities *ex nihilo*. Steve Jobs ran Apple under the maxim that he knew what the consumer wanted better than the consumer himself – an attitude that would surely have gone down in the management literature as hubristic folly if not for its astounding vindication on the market. In addition, Schumpeterian entrepreneurship is likely to spawn further profit opportunities along the same lines, and constitutes an exogenous shock to the system (which the neoclassical framework might capture as a "shift in preferences") of the sort that creates scope for the more mechanical sort of entrepreneurship.

Note how easily both paradigms extend outside of the traditional domain of the for-profit firm. While monetary profit opportunities have been the primary focus (from both perspectives) due to ease of quantification, profit opportunities can be understood much more broadly than involving only money. All entrepreneurial endeavors are motivated by profit, but in the case of NPOs, that profit opportunity is something other than money – for example, the spread or implementation of an ideology. However, the difference between the way the notion is constructed is important for theoretical and analytical reasons. The presence or absence of "ideology" in the motivation of social actors, and its intensity, matter. As we have already noted, a stronger ideological component has important operational implications. It will be useful to sketch out what the ideologically impelled entrepreneur would look like in non-market, non-profit sector, through the lenses of both perspectives and what prima facie insights one can glean from that.

3.1: The Neoclassical Ideological Entrepreneur

The relevant question to a neoclassical theory of non-profit entrepreneurship is: following a disequilibrating shock, how is equilibrium restored? In order to extend the concept of entrepreneurship, then, we will have to generalize each of these concepts – equilibrium, disequilibrating shocks, and in addition, capital structure – to apply to nonmonetary inputs. The framework developed by Stigler and Becker (1977) will allow us to use the entire neoclassical apparatus in describing what we will call (by analogy) the psychic capital structure of the entrepreneur in order to elucidate the ideologically-extended Choice Filter.

In a single individual, the concept of equilibrium is easily extended – in fact, it is more naturally expressed in nonmonetary terms:[2] equilibrium is that point where (barring corner solutions) the ratio of marginal benefit to marginal cost of any potential action is equal to that of any other. There is no additional scope for improvement of one's lot on any margin. General equilibrium, by extension, is that point at which each individual – considering the entire set of things that matter to him – concludes that, given current prices and costs (including psychic costs), there are no further exchanges that can improve his lot.

The Stigler-Becker framework allows us to probe further into the choice filter and the supply factors that flow into it, than would be possible were we forced to take the inputs into the utility function ("preferences") as given. We can ask: what makes a non-profit entrepreneur particularly sensitive to ideological concerns? Here, the framework's concept of psychic capital[3] is illuminating. The question: "why do people have different preferences?" is recast as, "why do some people reap greater psychic returns from the same activities than others?" In light of our use of the AGT framework if we want to explicitly include ideological profit opportunities in it, this is tantamount to asking: what determines the supply of ideological entrepreneurs? – a question pregnant with policy implications.

The primary insight of the Stigler-Becker framework is that the enjoyment of certain activities requires investment. If we look at certain patterns of consumption as investment in psychic capital, we can make sense of phenomena like acquiring a taste for coffee, or coming to appreciate classical music, that seem to defy the pattern of diminishing marginal utility. By the same token, an ideology held so intensely as to motivate non-profit entrepreneurship represents a major investment in psychic capital specific to that ideology. This investment takes the form of reading books, participating in a like-minded community, watching the news, or even thinking on one's own. This process of mentally "settling in" to an ideology is on the one hand coextensive with confirmation bias, but on the other, it is indispensable for intellectual progress in any field.

More importantly for our purposes, however, the investment in ideological psychic capital is what creates the nonmonetary profit opportunities that allow the nonprofit form to find a niche in the provision of public goods (Anheier 2005, p. 120ff) that would otherwise be insufficiently provided for by purely pecuniary incentives. A large body of research (e.g. Iannaccone 1998) has profitably modeled religious devotion (i.e. investment in religious psychic capital) as a signal by which religious organizations are able to more effectively overcome collective action problems.[4] The Stigler-Becker framework allows us to expand the purview of economic theory to analyze entrepreneurship that does not necessarily involve monetary incentives. Viewing the ideological input into the entrepreneur's utility function as an investment in psychic capital illuminates several aspects of the supply factors that flow into the Choice Filter.

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[2] There are critics of the neoclassical approach who view this as the only coherent concept of equilibrium. See for example Hayek (1948, p. 35).

[3] Stigler and Becker refer to "consumption capital", but "psychic capital" seems a less ambiguous and more broadly applicable term. It should also be distinguished from human capital: where human capital makes the investee more physically productive in a particular production process, investment in psychic capital changes the *internal* returns to certain activities.

[4] This is, of course, a hypostasis. Religious organizations are said to be "for" solving collective action problems in the same way that some organ is said to have evolved "in order to" accomplish some beneficial purpose.

First: The entrepreneur reaps greater psychic returns from spreading or implementing his ideology than do others who have made no such investment. In addition, the cross-elasticity of ideological psychic capital with pecuniary psychic capital will be positive – meaning the two are substitutes. Given limited time and human capacity for attention, investment in one type of psychic capital diminishes the attention available for investment in other types, so the more ideology comes to matter as an input, the less money will matter (this, indeed, is very close to a general theory of altruism).[5] As expected, lower monetary compensation for comparable private-sector work prevails among non-profit enterprises, a fact which has long been attributed in the non-profit literature to nonmonetary compensating differentials (Anheier et al 2003, p. 31). In light of our framework, we expect ideological entrepreneurship to be the fruit of a long investment in ideological psychic capital at the expense of pecuniary psychic capital.

Second: Ideological psychic capital is specific. An investment in one sort of psychic capital is not convertible into psychic capital useful for other things. Enjoyment of music cannot be converted into a taste for fine wines, and likewise, an ideological entrepreneur with a great deal of investment in a religious ideology will not reap such great psychic returns working at a state hospital as at a hospital run by his own denomination – in other words, he suffers a capital loss. He then faces a choice: invest in a costly capital restructuring, or accept permanently lower returns.

This also implies that exogenous changes in the returns to ideology – led, for example, by a change in policy or the intellectual climate – will produce changes in the composition of ideological entrepreneurs only after a long and variable lag. Our religious entrepreneur may work in an unprofitable (broadly understood) enterprise – "in the desert", as it were – for many years before being compelled to reorganize under a non-sectarian label. Religious ideological capital, indeed, is some of the most specific, and can normally be liquidated only over the course of generations.

Third: The supply of ideological entrepreneurs is relatively inelastic. From our starting point of general equilibrium (E=E*), it follows that the total expected psychic returns to ideological entrepreneurship are, at least ex ante, equal to the total expected psychic returns to for-profit entrepreneurship. If a policymaker should decide on a higher target E*, most of the policy tools at his disposal work by affecting the pecuniary returns to entrepreneurship. But given the time and attention which the investment of psychic capital requires, any increase in pecuniary returns to the non-profit enterprise will in the short-run induce the entry, not of further ideological entrepreneurs, but of "for-profits in disguise" (Steinberg & Gray 1993). Neither is such a change likely to be met with an increased supply of ideological entrepreneurs in the long-run: to the extent that ideological psychic capital is a substitute (rather than a complement) for pecuniary psychic capital, we can expect the number of "true" ideological entrepreneurs to be more or less unresponsive to changes in the pecuniary returns to non-profit enterprise.

An entrepreneurship theory of non-profit organizations on its own, as a theory of the supply of non-profit organizations, cannot say whether the entry of for-profits in disguise is a beneficial or a harmful development. But paired (as is usually the case – see Badelt 1997, p. 165) with a theory for the existence of demand for the non-profit form, it becomes clear that the entry of for-profits in disguise undermines this rationale. The comparative advantages the ideological entrepreneur

[5] At the other limit, the classical *homo oeconomicus* construct can be viewed as having invested entirely in pecuniary psychic capital.

enjoys in organizing under the non-profit form are rendered null if the motivation at the margin is indeed pecuniary. In the worst cases we might call it stakeholder deception. Because ideological entrepreneurs typically find their niche in the provision of public goods, their activity is impelled primarily by the hope of ideological profit. Because much of the profit accruing to the ideological entrepreneur is nonmonetary, their services are often provided near or even below cost. The for-profit in disguise, by contrast, is lured to the industry by supernormal pecuniary profits as a result of a policy change. Thus, a government wishing to increase the provision of some public good beyond what the non-profit sector is already providing will face marginal costs rising much more steeply than a survey of the existing industry would suggest once for-profits in disguise begin entry – and the more so as such firms begin to "crowd out" the true ideological entrepreneurs.

3.2 The Schumpeterian Ideological Entrepreneur

The Stigler-Becker framework allowed us to retain the representative individual construct (i.e. that each individual's underlying cost function is identical) for the purposes of a general equilibrium framework while still differentiating among people based on their stock of what we have called "psychic capital". This was a powerful tool for analyzing the ideological entrepreneur, but it leaves important questions unanswered, in particular: what are the determinants of investment in psychic capital? What makes one man study theology and another finance? General equilibrium with the representative individual is unable to answer this question. And so we must step outside the neoclassical framework and meet the Schumpeterian entrepreneur.

The neoclassical ideological entrepreneur exploits mismatches between cost and return to generate profit, all these terms being understood in the broadest sense. There is little scope for investment in the psychic capital stock of *others* – at least without significantly straining the framework – despite the fact that this is a significant activity of many non-profit organizations and a driving motive for many ideological entrepreneurs. Indeed, investment in one's own psychic capital is highly complementary with investment in that of others. The one nearly always entails the other, especially in the context of a like-minded group. This complementarity allows the Schumpeterian entrepreneur to initiate *disequilibrating* investments in the psychic capital of others, thereby bringing into view the potential for ideological creative destruction – the continual, discursive, and nonviolent push-and-pull of ideas that the classical political economists regarded as fundamental for a healthy civil society.

Thus, in addition to the feedback loop drawn in the original AGT framework from the outcome box back to the business opportunities box on the demand side, representing the opportunities left (un)available by the (entry) exit of previous entrepreneurs, we can draw another feedback loop from the outcome box to the Preferences box on the supply side, indicating self-perpetuation (reinvestment) as the goal of a successful ideology.

The richness of the Schumpeterian perspective allows us to speak not only of the quantity of ideological entrepreneurship – the relation of E to E* – but also of the *makeup* of ideological entrepreneurship. Thus, in addition to the implications drawn from the neoclassical entrepreneur, the introduction of this additional feedback loop illuminates an important property of the various policy channels in the AGT framework: *Ideological "nudges" will have unpredictable results.* The Schumpeterian framework, unlike the neoclassical, is not determinate. If ideological profit opportunities are being generated at least as quickly as they are being exploited, the "economy" (which now encompasses the entirety of what we might otherwise refer to as a "social system") never settles into a determinate steady state equilibrium. Thus, in addition to the general ineffectiveness of policies aiming at an increase in the quantity of ideological entrepreneurship, and the long delay before the realization of any change, policies aiming to alter the composition of ideological entrepreneurship are likely to be problematic, and even to backfire.

This problem is amplified in a society where a substantial portion of ideological entrepreneurship is focused on governments at various levels. In such an environment, *any policy at all* – and particularly *changes* in policy – will create new opportunities for ideological entrepreneurship. The state by its presence, by the memory of its presence, or by the expectation of its presence in any area of the economy or civil society, becomes a strong focal point for the investment of psychic capital. Such is the formation of interest groups, the organization of which is extremely profitable (potentially both psychically and monetarily) for the entrepreneur who can successfully exert political influence on their behalf.

The history of thought is replete with examples. The most obvious cases are when authorities set themselves against some ideology as adversaries – even when the conflict is merely apparent. If this adversarial relationship turns public opinion against the authority, even among a relatively small group, this has the effect of greatly increasing potential ideological profit opportunities. Depending on one's sympathies, the ideological entrepreneur is called in these cases a either a reformer or a demagogue. This is not limited to active persecution. Jihadists, for example, have had enormous success in recruiting by casting U.S. foreign policy as a war on Islam. Closer to home, the Left has had enormous political success by casting budget cuts, whatever their justification, as a war on whatever ends up bearing the brunt of the cut (e.g. "war on education", "war on women", etc.). It is a remarkably effective strategy, to marshal latent "identity capital" (a sub-type of psychic capital) for the production of ideological ends. And it suggests that any deliberate political attempt to alter the ideological landscape will be met with opposition, which itself constitutes investment in psychic capital specific to the disfavored ideology.

By the same token deliberate support for a particular ideology – even apart from the adversarial profit opportunities it creates for other ideologies – has important parallels to the support or protection of an industry. Supernormal profit opportunities in the protected ideology draw in inframarginal ideological entrepreneurs (acolytes or sycophants, depending again on one's sympathies), lowering the quality of the median entrepreneur.[6] No longer subjected to the force of competition, ideological capital within the protected ideology atrophies, leaving it even less capable in the long run of sustaining ideological entrepreneurship.

Still, tracing these effects through the obvious historical case studies belies the fundamentally unpredictable character of such interventions. If it is folly to strengthen an ideology by supporting it and to weaken one by opposing it, neither can one make a predictable rule out of the reverse – strengthening an ideology by opposing it or weakening one by supporting it. If the high-profile

[6] These profit opportunities created by protection are not necessarily pecuniary. A law prohibiting the criticism of party doctrine, for example, lowers the psychic cost of entrepreneurship specific to that ideology. Thus we expect a diminution in quality of the median ideological entrepreneur, quite apart from the problem of the entry of non-profits in disguise.

failures of persecution make us wonder at the shortsightedness of the persecutor, it is because we neglect the persecutions that succeeded with little fanfare. As John Stuart Mill (1859, p. 29) notes, "the Reformation broke out at least twenty times before Luther, and was put down." When persecution leads to demoralization and when to strengthened resolve, and when on the other hand support leads to success and when to atrophy, can hardly be predicted in advance of a change in policy – nor are we even certain to be able to identify the effects as such once they occur.

The fact that policy is itself almost always the object of ideological entrepreneurship creates unintended scope for the investment of ideological capital following any policy change, or indeed, any change merely in political discourse. On the assumption that ideological entrepreneurship is a net boon (due to its comparative advantage in overcoming collective action problems with minimal apparatus) regardless of its makeup, the most advantageous policy on the supply side would seem to be the most neutral, and the most hands-off. To the extent this is not done, policymakers risk a destabilizing politicization of the ideological environment. For the ideological entrepreneur, then, there would appear to be no substitute for actual engagement in the free exchange of ideas, bundled as they are with services of various sorts in non-profit enterprises. Politics, certainly, is not a clear and straightforward shortcut to this dynamic and voluntary process, despite the large shadow it casts over the non-profit sector.

4. Conclusion

To sum up, the paper has explored and elaborated the problem of ideological entrepreneurship and the problem of collective action policy interventions on it. With this end in view, it elaborated and further conceptualized the Choice Filter pivotal to Audretsch, Grilo, and Thurik's entrepreneurship policy framework. It has thus adjusted the notion of entrepreneurship to include ideological profit motivation, in the light of the two main visions of entrepreneurship in economics: the neoclassical and the Schumpeterian – the equilibrating and the disequilibrating, respectively. We were thus able to bring both the nonprofit and the ideological entrepreneurship with a sharper focus into the picture, using at the same time the standard economics theoretical frameworks and tools. In the former vision, a framework based on the work of George Stigler and Gary Becker is sketched out in order to draw out implications of the concept of ideological entrepreneurship. The latter vision is then built on the foundation of the first, allowing us to draw out further implications of disequilibrating change brought about by non-profit entrepreneurs. By generalizing the idea of "profit" to include nonmonetary ends, debates in the economic literature surrounding entrepreneurship can be readily extended to the nonprofit sector. This extension, in turn, highlights the difficulties collective action institutionalized through public policy faces in shaping and directing the sector. In addition to the problems of unintended consequences that attend to interventions in both the non-profit and for-profit sectors, the non-profit sector poses additional difficulties due to the unique and contextual factors determining the supply of ideological entrepreneurs.

Besides all these aspects regarding the nature of institutional entrepreneurship and the causal chains and channels at work relevant to policy interventions, the discussion has also revealed a couple of implications, challenges and puzzles that deserve to be noted as themes to be further explored:

The first is the very idea of "optimal" or equilibrium level of aggregated entrepreneurship. What is E* and how can one make sense of and assess it? In our approach we have taken this notion for granted, for conceptual and analytical reasons. But the question is: Is there any operational way to make empirical and policy sense of the notion? We are in a dilemma. If not operational: why bother to involve in our approaches the notion of optimal (aggregated) level of entrepreneurship in a system? If operational: What is, more precisely, the method and the approach that give empirical substance to the notion?

The second is the problem of the composition of entrepreneurship, its disaggregation and the significance of its heterogeneity. The problem of de-homogenization looms large: there are many forms and types of entrepreneurship. Some of them are financially motivated, some of them ideologically motivated, some of them are economic, some of them are political, some of them are good and some of them are bad. There is good and bad ideological entrepreneurship and so on. This reality poses a huge challenge. What is a right balance/equilibrium between different forms of entrepreneurship in a society? What are the theoretical and analytical instruments one should use to approach and deal with this question? What are the normative criteria to be used in judging the level and the deficit of a certain form of ideological entrepreneurship in a society? How should one deal with this problem both form a theoretical and practical standpoint? Thus, in the end, the paper manages to touch on the very sensitive issue of the limits of our standard approaches to the problem of entrepreneurship in general and non-profit entrepreneurship in particular. Ideological entrepreneurship seems to be one of those crucial case studies (so often evoked in the methodology literature) that test and potentially reconfigure the frontiers of a field or method of research in a particular domain.

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