

Academics as Entrepreneurs

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Abstract

I explore the notion that entrepreneurship is something we academics practice *inside* our offices. We are all, or at least *can* be and increasingly *will* be, academic entrepreneurs. Many of us are going to have to become entrepreneurs out of necessity and not just opportunity. Among academics who have been APEE leaders, we see many examples of both Schumpeterian and Kirznerian entrepreneurs. Additionally, I reflect on my own journey as an academic entrepreneur.

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When I first served as president of the Association of Private Enterprise Education (APEE) some twenty years ago, the president was not expected to deliver an address like this. Had I remembered this new requirement when I was asked to serve in this role again, I might very well have turned it down.

I was blessed to receive APEE's highest award in 2019, the Adam Smith Award, and at that time I gave a talk about my work on the *Economic Freedom of the World* index (Gwartney, Lawson, and Murphy 2025). These remarks were subsequently published in the *Journal of Private Enterprise* (Lawson 2019), and I have told the index's origin story (Gwartney and Lawson 2024) in other contexts as well—so I will not bore you all again with that story.

This week, we have been celebrating APEE's fiftieth meeting, and in doing so, some of us old-timers have been walking down memory lane, and I have greatly enjoyed exchanging stories over the past two days with many of you. One theme that has come up repeatedly amid all this nostalgia is how APEE is an *entrepreneurial*

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organization, so I would like to reflect some on *academics as entrepreneurs*.

To preface my remarks, I would like to recommend Bob Tollison's (1986, p. 911) presidential address to the Southern Economic Association titled "Economists as the Subject of Economic Inquiry," in which Bob applies the principles of economics like scarcity, choice, cost, and economizing behavior to the creation of economic ideas in our own profession. In that paper Bob tells this parable:

An economics journal offers a prize for a documented refutation of the law of demand. A young economist has an ambitious idea—why not produce a refutation in the local market for toothpicks? That is, enter this market, behave in contradiction to the law of demand, observe and write up the results, and submit them for publication. While this is all quite plausible, at least in a short period of time before toothpick producers get wind of the economist's behavior and raise their prices until his demand curve is negatively sloped, the journal editor would not accept the paper. The paper could show a "verified" upward sloping demand curve for toothpicks in Floyd, Virginia, *ceteris paribus*, but the editor would reject it and with good reason. The rejection letter would read like this.

Dear Professor X: We have considered your paper carefully, and though it appears correct in its essentials, we cannot accept it for publication. Our reason is that you have produced an upward sloping demand curve while yourself obeying the law of demand. That is, your demand curve for experimentation has a negative slope. Otherwise, why did you choose toothpicks rather than diamonds? So we conclude that the demand curve for refutations is negatively sloped and that your proof is invalidated by your own behavior.

Sincerely, Managing Editor

Bob Tollison then concludes: "Economics is economics." Just as public choice tells us the principles of economics apply in politics as much as markets, Bob's lecture reminds us that those same principles of economics apply to us as academics. To use another of Tollison's favorite phrases: We are all part of the equilibrium.

In a similar fashion, I would like to explore the notion that entrepreneurship is not just something that we study that others do *outside* of our offices; rather, it is something we practice *inside* our

offices. We are all, or at least *can* be and increasingly *will* be, academic entrepreneurs.

I should mention at the outset that no one really knows what an entrepreneur is. I have seen definitions that are so comprehensive that basically all human action could be called entrepreneurial. I have also seen definitions that are so restrictive that Elon Musk himself might not be called an entrepreneur. The reality is that, like many other concepts in economics such as economic freedom, competition, and monopoly, it is a continuum. Some human action is *very* entrepreneurial, and admittedly some is less so.

Indeed, the idea of *academics* as entrepreneurs is close to an oxymoron. After all, our industry is heavily subsidized directly through state universities and indirectly through government tuition assistance. Until recently at least, our employers have been heavily insulated from market pressures thanks to barriers to entry caused by state regulations and accreditation agencies. Our labor market is dominated by lifetime tenure contracts that nominally protect academic freedom but too often in practice protect laziness and academic frauds.

On the continuum of entrepreneurship, surely, we academics are on the low end of that distribution!

But if you look closely, there are many entrepreneurs in our midst, and APEE I venture to say oversamples for academic entrepreneurs.

I see the entrepreneurs among us in the familiar dimensions that we discuss in classrooms. We can see in our own ranks Schumpeterian entrepreneurs who create new ideas and research projects. And yes, because we live in a world of scarce resources, all new creation necessarily involves the sacrifice (that is, the destruction) of other opportunities. APEE itself began as a new venture to create a safe space, to use the modern woke word, for chairs of private enterprise to meet to discuss their work and the challenges of operating in often ideologically hostile colleges and universities. We still celebrate names like Craig Aronoff and Cal Kent in our service award to honor these early APEE entrepreneurs.

Among our past APEE leaders we see many examples of entrepreneurs who blazed new trails and took career risks to pursue their goals. Here I think of past presidents like Gordon Tullock, who, with the academic-entrepreneurial genius James Buchanan, created an entirely new field of economics and pissed off the entire discipline of political science in the process. Or how about my mentor, Jim

Gwartney, who was the first to integrate public choice concepts into a textbook? Jim was exceedingly proud to claim also that his book was the first major text to drop the Keynesian 45° cross. Pete Boettke returned to his alma mater and has singlehandedly kept the flame of Austrian economics alive for a generation. The great Vernon Smith virtually invented experimental economics and caused the diversion of massive amounts of human capital from other areas of economics into that field.

We also have what I might describe as Kirznerian entrepreneurs among our past leaders. These leaders were alert to the profit opportunities available around them. J. R. Clark deserves special recognition for broadening the scope of APEE to *all* economic educators, not just endowed professors. He had the wisdom to play moneyball by recruiting inexperienced younger scholars like me, Ed Lopez, Ben Powell, Josh Hall, and Ed Stringham, among so many others, to APEE's leadership. He also expanded APEE to graduate students via the Young Scholars Program and to undergraduates via the Poster Competition.

Over the years, APEE struggled with finding the right locations to meet—that is, until Dwight Lee observed the pattern and urged us to return to Las Vegas every other year. Following Dwight's insight, Ed Stringham recognized the membership's enthusiasm for fun beach locations. The late, great Joe Kekeissen's annual plea to "come to Guatemala" is another type of alertness that few saw or appreciated at the time but proved to be worthy, as APEE has gone successfully to Guatemala now twice.

Still others have taken their entrepreneurial skills to other areas. Here I think of Josh Hall, who has moved into academic administration. Although this is a bizarre choice if you ask me, we all know the importance of deans, provosts, and presidents who value private enterprise education. Likewise, Ben Powell, following in J. R. Clark's footsteps, provides the backing for not one, not two, but three important professional societies. Both have sacrificed their CVs and so much of their time to make this profession better for all of us.

Scholars also point to another dimension of entrepreneurship. In our economy, we see both entrepreneurs of opportunity and entrepreneurs of necessity. We see the same thing in academia.

We are lucky in the United States to live in a (mostly) market-oriented economy that has generated businessmen and -women willing and able to support our work. The number of centers and institutes and endowed faculty chairs in this room are a testament to

the entrepreneurs who have taken advantage of this. APEE celebrates these men and women with its Hermann Lay Award. Thank you, J. R. Clark, Tucker Bridwell, Matt Matthews, Randy and Ken Kendrick, Charles Koch, and John Allison, among so many others.

But next comes a warning. Increasingly, I fear many of us are going to have to become entrepreneurs out of necessity. As economics has turned ever more narrow in its scope and, for lack of a better word, more woke in its political orientation, the ideas associated with private enterprise are finding even more inhospitable environments in colleges and universities. Turning toward privately funded centers and institutes or think tanks has become a necessary safety valve to allow many of us to continue our work.

Further, as demographics turn increasingly against us, as parents and students increasingly question the financial return to (at least some) degrees, and as budgetary realities and political hostilities finally come home to roost, our industry is in for some tough times. The pace of failures among colleges and universities is accelerating. Many of you have been directly affected by college closures (like at Birmingham Southern) or retrenchments (too many to name, but North Dakota State comes to mind).

Who among us is going to survive this contraction? I think the answer is that those among us who are the most creative and the most alert will survive.

As I work toward a conclusion, I hope you will permit me a little self-reflection. I have had to become an entrepreneur myself, albeit reluctantly, and APEE has played a huge role in my entrepreneurial journey. Being an entrepreneur was never my goal. All I wanted was to get a PhD, get a tenure-track job, get tenure, teach, research, and retire. But best-laid plans . . .

I began working on the *Economic Freedom of the World* index in 1990 as a graduate student and obtained my PhD in 1992 with a crappy dissertation that resulted in precisely 0.5 journal publications. My first job was at Shawnee State University in Portsmouth, Ohio, which had only recently been upgraded from a community college and today is best known for its high-quality methamphetamine. The job was unionized, and I was paid \$36,500 (\$85,000 in today's dollars) and had a 4-5 teaching load.

My career was dead in the water, and I was frankly not happy. I began to think about getting a real job. I even took and then reneged on an offer to move to the private sector. In 1996, I took a pay *cut* to

move to Capital University with a teaching load of 4-4. At least Capital was in a city, and the people mostly had teeth.

The index came out that same year with a think tank publisher, the Fraser Institute. Here is a little career advice: Spending your first four years out of grad school to produce a think tank report (to the exclusion of almost all other work) is *not* a recipe for professional success.

The bottom line is that almost a decade after entering grad school, I had a think tank report that was getting some attention in the media like the *Economist* magazine. Oh, and I had met and played tennis with Milton Friedman. But honestly, I had little else to show for it.

My decision in the mid-1990s to become involved in APEE (and the faith that people like J. R. Clark had in me by inviting me later to become a leader of APEE) was among the most pivotal moments in my own entrepreneurial journey. By 2000, the *Economic Freedom of the World* index was getting some attention, I had found willing coauthors and received invitations to speak, citations grew, and eventually job offers came in from schools you have actually heard of like Auburn and now Southern Methodist University.

But even now I am in an untenured position at Southern Methodist and must raise most of the funds to pay not only my own salary but that of the people who work with me in the Bridwell Institute. Whether Schumpeterian or Kirznerian, of opportunity or of necessity I cannot say exactly, but I am a permanent academic entrepreneur, and so too will be most of you.

My advice: Get out of your offices. Go to conferences even if you have to pay your own way or miss your kid's birthday (sorry, Keri) or prom night (again, sorry, Keri). Write op-eds and letters to the editor. Start your own nonprofit and raise your own funds. Write in other fields like entrepreneurship, political science, or sport analytics. God forbid, become a dean. Go where the opportunities take you, even if you have to move to Texas! In the dark and stormy waters to come, as soon as you stop swimming, you will drown.

At the end of the day, I am so grateful that the secure and lazy path (get a PhD, get a job, research, teach, get tenure, retire) never happened for me. Instead, I got on this more exciting and more rewarding, if less secure, path with all of you.

Thank you.

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