

## AN ANALYSIS OF PRODUCTIVE AND DESTRUCTIVE ENTREPRENEURSHIP: A SURVEY OF LITERATURE

---

Abubakar S. Garba & Ahmad Muhammad Tsauni

Department of Business Administration, Northwest University, Kano

Department of Economics, Bayero University, Kano

Email: [ahmadutsauni@gmail.com](mailto:ahmadutsauni@gmail.com); [atsauni.eco@buk.edu.ng](mailto:atsauni.eco@buk.edu.ng)

***Abstract:** Entrepreneurship is overwhelmingly accepted by policy makers in both developed and developing countries as a veritable tool for job creation and growth. It is on this premise that entrepreneurs are supported and encouraged particularly in countries with poverty incidence, high unemployment and low growth. Although, entrepreneurial practice cuts across all countries, the nature, outputs and impact of the entrepreneurial activities vary. The determination of what type of entrepreneurship to be encouraged is very crucial in policy making as entrepreneurship could be productive or destructive. The paper explores relevant literature on entrepreneurship to analyse the behaviour and effects of its productive and destructive components on the growth of developing economies. Through synthesis of the literature, the paper compares the benefits or otherwise of productive and destructive entrepreneurial activities and examines the role of formal and informal institutions toward those activities. Therefore, the ability of any country to achieve and sustain growth is dependent on whether the benefits brought about by productive entrepreneurial activities outweigh the negative effects of non-productive entrepreneurial activities. However, in most developing economies where corrupt practices are prevalent, cost of doing business is increasing and institutions are weakened, destructive entrepreneurship is accentuated. Thus, destructive entrepreneurship is often attributable to developing economies. Rule of law is overly needed to impose necessary restrictions for destructive entrepreneurship a long side with improving infrastructure and reducing cost of doing business.*

**Keywords:** Entrepreneurship, Productive Entrepreneurship, Destructive Entrepreneurship

**Reference** to this paper should be made as follows: Abubakar S. Garba & Ahmad Muhammad Tsauni (2016), An Analysis of Productive and Destructive Entrepreneurship: A Survey of Literature. *J. of Social Sciences and Public Policy*, Vol. 8, Number 1, Pp. 35 – 49.

---

### INTRODUCTION

Entrepreneurship has become one of the veritable tools for job creation and growth. Policy makers have recognized the importance of entrepreneurship as a driver for economic development. In fact, it is for this reason that entrepreneurship is being supported and encouraged especially in developing countries that are characterized with high incidence of poverty, high unemployment and low economic growth. However, it

has been revealed in the literature that entrepreneurial opportunities are always evolving and entrepreneurs have choice about where and how they channel their entrepreneurial talents. In most cases, entrepreneurs allocated their talents to activities they think will earn them the highest returns, even if there are no societal benefits or returns (Murphy, Shleifer, and Vishny, 1991). Entrepreneurship usually takes different forms depending on the context where entrepreneurial behavior takes place. An entrepreneur is solely responsible for deciding how to accomplish the goals set when establishing a firm. Generally, the ultimate driver for business undertaking is profit making or rather maximization of private return on investment. Guided by the profit motive, some entrepreneurs often show little or no concern about social return of their business and how their activities contribute to net output of the country's economy (Sauka, 2008, Baumol, 1993). Many governments and institutions have been devoting resources and attention through various programmes and policies to foster entrepreneurship particularly in developing countries. The obvious justification for according special concern to promoting entrepreneurship rests on the believe that it is positive or entrepreneurial talent is always allocated toward a desirous activity. Indeed, entrepreneurial activities are expected to generate employment and bolster growth and development. Schumpeter (1934) emphasizes the innovative role of entrepreneurs in the generation of wealth.

However, Baumol (1990) asserts that "if entrepreneurs are defined simply to be persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige, then it is to be expected that not all of them will overly concerned with whether an activity that achieves these goals adds much or little to the social product". Similarly, if the choice for a particular activity is based on perceived profit alone, it may not necessary have the expected positive effect. There are many entrepreneurs that in an attempt to maximize their business gains pursue entrepreneurial activities that are questionable or have undesirable consequences on the economic and the society. Entrepreneurs allocated their talents to wide range of activities with varying effect to both individuals and the economy as a whole. The institutions and structure in place shape the behaviors and actions of the entrepreneurs (Parker. 2004). Where institutions and governments have laxed policies and corrupt practices are prone, entrepreneurial activities are often geared away from the societal benefits. Globally, discourse on entrepreneurship is often considered apt and relevant, but there are discrepancies and inconsistencies in the understanding of the various forms of entrepreneurship in the literature. It is overly imperative to have more researchers to review the concepts of productive, unproductive and destructive entrepreneurship thereby given more room for empirical studies. The paper is structured in four sections. The next section focuses on review of literature on productive and destructive entrepreneurship. Section three reviews the existing relationship institutional framework and entrepreneurial activity. Section four captures conclusion and implications for policy making.

## REVIEW OF LITERATURE

Economic theories have provided the basic explanations on the importance and relevance of entrepreneurship especially in economic development. Many theorists viewed entrepreneur and entrepreneurial function from different realms of economic thought. Cantillon who is widely acknowledged to be the early contributor in understanding entrepreneurship, precisely has given the concept a central role in economic activity. Richard considers entrepreneur as a person who buys at a certain price and sell at uncertain price. This pointed out entrepreneur as someone willing to undertake risk by committing resources for personal benefits. Knight in Jennings, 2004 has also been very influential advocate of the mainstream thinking on entrepreneurship. Knight theorized that an entrepreneur make decision amid uncertainty and provides a clear distinction between the role of capitalist and entrepreneur in producing economic output. The entrepreneur owns the idea, knowledge and creativity, while the capitalist have the financial wherewithal (capital) to actualize entrepreneurial idea into action in order to maximize personal gains. Kirzner refers entrepreneur as someone who is always alert to exploit profit opportunity in the market place. Schumpeter's theory centered on the economic development which considers entrepreneurship and innovation as necessary mechanism for change that influence the direction of development process (Ebner, 2000). In fact, Schumpeter sees innovation as a major role of the entrepreneur that gives leadership and competitive advantage in the market place.

It is apparent that in all the existing theories ranging from classical, neoclassical and Austrian school of thought, entrepreneurs does something to achieve certain outcomes. To what activities entrepreneurs allocate their resources and what determines the allocation have not been given attention. According to Baumol (1990) undertaking variety of tasks by the entrepreneurs suggest the need for a theory to usefully consider what determines the allocation of entrepreneurial input just like the allocation of any other economic inputs. It is seems that there is a general consensus that the outcomes of entrepreneurial actions can be a source of economic progress or economic stagnation (Saula, 2008; Coyne, Sobel & Dove, 2010). Entrepreneurship takes different forms, it could be productive, unproductive or destructive (Baumol, 1990). The allocation of entrepreneurship talent into productive, unproductive or destructive activities has been theorized to be driven by the institutions. The theoretical framework proposed by Baumol remains an important contribution to the entrepreneurship literature. The central hypotheses of Baumols' work assume that entrepreneurship can be productive or even destructive depending on the structure of the payoffs in the economy (the rule of the game). Many studies examine the trade-off between the productive and unproductive entrepreneurship, but destructive entrepreneurship is largely out of place. There were several arguments on whether there is conceptual framework for destructive entrepreneurship or not in entrepreneurship literature (Desai, Acs & Weitzel, 2010). Tracing the rationale or logic for destructive entrepreneurship may certainly advance the frontier of knowledge in field of entrepreneurship. Since every productive entrepreneurial

undertaking is targeted at private returns, why some entrepreneurs decide to engage in activity that is wealth destroying. Could it be part of the strategy for gaining competitive advantage and ensuring success at all cost? It was argued that understanding how entrepreneurs operate is more important than talking about what they actually do (Wickham, 2004). Therefore in determining how entrepreneurs operate, it is importance to examine the entrepreneurs or venture level strategy. The strategy is an important factor that could direct the behavior of entrepreneurs in either positive or nefarious way. The influence of strategy should be taken into consideration in assessing productive, unproductive and destructive entrepreneurship. To further understand how the firm operates and performs, it is equally important to look at how resources and capabilities are being used (Wiklund, 1998). The paper reviews productive, unproductive and destructive entrepreneurship literature. The review will be relevant to further empirical researches in developing countries like Nigeria. The choice of Nigeria, in particular, is relevant in view of its huge population of entrepreneurs, abundant resources and large market size on the one hand and lax as well as existing corrupt practices on the other.

#### **PRODUCTIVE, UNPRODUCTIVE AND DESTRUCTIVE ENTREPRENEURSHIP**

The classification of entrepreneurial activities based on their impact to net economic output is very essential, otherwise the usually wrong assumption that any type of entrepreneurship contributes to economic growth and development may continue. Policy makers may also continue to use wrong information to come up with entrepreneurial policy that treats all entrepreneurs as the same. Entrepreneurship can be channeled to so many activities which can be positive or negative to the economy. Baumol (1990) provides clear distinguishing features of productive, unproductive and destructive entrepreneurship. Productive entrepreneurship is simply refers to "any activity that contributes directly or indirectly to net output of the economy or the capacity to produce additional output" (Sauka, 2008). It is also positive sum acts of arbitrage and innovation that result in country's economic growth (Coyne et al., 2010). Similarly, Foss & Foss (2002) consider productive entrepreneurship as the discovery of new attributes that leads to an increase in surplus.

On the other hand, unproductive and destructive entrepreneurship is any activity that does not contribute to the real output or plays a destructive role to the economy (Baumol, 1990). Baumol (1990) defined productive, unproductive and destructive entrepreneurship differently, but Coyne et al. (2010) consider unproductive and destructive entrepreneurship as nonproductive. Non-productive entrepreneurship takes different forms of activities which include rent seeking through litigation and takeovers, and tax evasion and avoidance. It also includes illegal and shadow activities such as drug pushing, racketeering, blackmailing and corruption (Boumol, 1990, 1993; Dallago, 2000; Foss & Foss 2000). Rent seeking is considered as a sub set of unproductive entrepreneurship and is treated as a worst case condition that threatens the productive

entrepreneurship (Nunn, 2007; Grossman & Kim, 1995). Based on the theoretical framework proposed by Baumol, it is understood that productive entrepreneurship is a wealth creating activity, while unproductive entrepreneurship is a redistributive activity (Desai et al., 2010). Although, Baumol categorically sees entrepreneurship as productive engagement and rent seeking as unproductive form of entrepreneurship, Murphy et al. (1991) treated rent seeking as distinct from entrepreneurship. In spite of this distinction, there are several efforts in the literature explaining the implication of each type. Yet, there is no consensus on what determines productive, unproductive and destructive entrepreneurship (Sauka & Welter, 2007). Efforts have been made to discern some practical example in history about non productive entrepreneurial activity. For instance, the promulgation of American antitrust policy was influenced by some profit seeking groups who wanted to subdue competitive pressure. These groups further consolidate their position to create another opportunity at both the state and federal levels and subsequently, the Sherman Antitrust Act of 1890 was enacted. This Act gave room for firms in US to accuse competitors of anticompetitive behaviour and made several suits in the court to claim damages (Armentano, 1990; Coyne et al., 2010; McAfee & Vakkur, 2005). Rent seeking activity has a long history. It was on record that in the twelfth century that a proprietor of a water-driven mill sought and won a prohibition of use in the vicinity of mills driven by animal or human power". In another example, the operators of two dams, one upstream of the other, sued one another repeatedly at least from the second half of thirteenth century until the beginning of the fifteenth, when the downstream dam finally succeeded in driving the other out of business as the latter ran out of money to pay the court fees" (Gimpel 1976 in Baumol, 1990). The consensus in the literature on productive and non-productive entrepreneurship can be summarized these ways. First, entrepreneurship is generally viewed as something that increased the efficiency and economic growth of a country (Holcombe, 1998; Harper, 2003; Kreft & Sobel, 2005; Andretsch, 2006). Secondly, productive entrepreneurship is positive and promotes economic growth and non-productive entrepreneurship is negative and leads to economic stagnation and decline (Coyne et al., 2010).

Thirdly, productive entrepreneurship creates further productive entrepreneurship, so also non-productive entrepreneurship generates non-productive entrepreneurship (Baumol, 1990; Coyne et al., 2010). In a nutshell, both productive and non-productive opportunities are emanating from the previous action of the entrepreneurs. But the question of where these activities or opportunities are coming from remains unanswered in the literature. The major contribution of this study to the existing literature is tracing the source where these opportunities are opening by linking productive and non-productive entrepreneurship to the activities going on in both formal and informal sector. On the one hand, the formal sector is a regulated and closely monitored by relevant agencies and institutions. The chunks of the firms operating in this sector are big and medium sized enterprises. By their nature and size, it is easy to notice if they are carrying out any illicit and unwholesome entrepreneurial activities. Since they are registered firms,

they have to pay taxes, comply with regulatory requirements and their activities can be easily monitored. Therefore, it is very unlikely that this sector will pave way for any unwelcomed and illicit business activity. It is likely that the sector can be breeding grounds for productive entrepreneurship. On the other hand, informal sector is unregulated and spread in nooks and crannies of a town. The sector consist mostly micro and small businesses that are not registered with government regulatory agency. They can be found even in backyards and remote locations of cities and rural areas. Their activities are not easily monitored and accounted for. Therefore, non-reproductive entrepreneurs are more likely to come from the informal sector. The issue of whether productive entrepreneur are from formal sector and non-productive entrepreneurs in the informal sector depend on the context. There is a wide difference about the activities of these two sectors in developed and developing economies. The difference is very clear that in developed or most advanced economies, the availability of infrastructure and resources enable them to have effective system that will check the excesses of entrepreneurs at all times. While in some developing economies, the situation is sometimes out of control. The problem is escalated by lack of resources and inadequate infrastructure. But, the most contributing factors are lack of political will and incessant corrupt practices of public official that create barrier for effective system. Therefore the explanation that productive and non-productive entrepreneurs are coming from formal and informal sector respectively is contingent on the context. Although, the informal sector is prone to produce more non-productive entrepreneurs, the intensity or impact of the entrepreneurs' action or behavior is depends on a particular country they are operating. It is also important to note that productive entrepreneurs can also be found in the informal sector as well as having non-productive entrepreneurs in the formal sector.

Determining whether entrepreneurial effort is productive or destructive requires looking down at the end result (i.e. whether the entrepreneurship activity contributes at either economic or societal level). According to Sauka & Walter (2007) any positive activity that does not contribute to the venture or society should not be considered as productive entrepreneurship. And any negative activity that contributes or creates positive output should not be treated as unproductive entrepreneurship. But, this later position is subject to criticism because it sounds like an encouragement to negate the importance of the existing institutions. Whatever that is illicit and awful should not be condone no matter how good is the outputs. The far reaching implications and consequences on the society may outweigh such positive output in the long run. The essence of the rules and regulations is to exert some restrain and control on the excesses of individuals and organizations so that their actions will not jeopardize the interest of all.

#### **INSTITUTIONAL FRAMEWORK AND ENTREPRENEURIAL ACTIVITY**

Entrepreneurial practice can be evident on all countries in both developed and developing countries, but the nature, outputs and impact of the entrepreneurial firms varies. There

are several factors responsible for the differences among countries despite the fact that entrepreneurship becomes a necessary condition for socio economic development, it may be impossible for a country to attain certain economic position, if entrepreneurial effort is allocated to non-productive activity. Entrepreneurial talent can be allocated among a range of selected activities with varying effects (Desai et al., 2010). The ability of any country to achieve and sustain development is dependent on whether the benefits brought about by productive entrepreneurial activities outweigh the negative effects as a result of non-productive entrepreneurial activity. It is this trade-off that account for differences among countries and it also help to explain why some countries are overwhelmed by economic underdevelopment (Coyne et al., 2010). People are channeling their entrepreneurial talents according to the rule of the game. If the institutions encourage impliedly or indirectly unproductive or destructive entrepreneurship, it will further give room for subsequent unproductive or destructive entrepreneurship. So also, if the institutions support productive entrepreneurship, entrepreneurs will allocate their talent toward productive activities.

There is a relationship between the institutions and the type of entrepreneurship going on in different societies (Boettke & Coyne 2003; Coyne & Leeson, 2004; Sautet, 2005). The direction of entrepreneurial activity depends heavily on the structure of payoffs (rule of the game) in the economy. Baumols research has highlighted the effects of incentives and the 'rules of the game' on country's entrepreneurship development (Baumol, 1990). The institutions refer to the rule and regulations governing the conduct of individual and organization's behaviour (North, 1990), These institutions composed up both formal and informal rules that guide the behaviour of entrepreneurs in any society and the formal rules are the codified legal and political structures whether written or not. And the informal rules include culture, norms and values of the people that are not backed by the formal rules (Coyne et al., 2000). Upon realization of the importance of entrepreneurship, governments may need to put in place rules and regulations that will support the emergence and sustenance of productive entrepreneurship. Government policy and actions matter for entrepreneurial development of any country. Entrepreneurial development must be accompanied with necessary entrepreneurial policy. There is serious need of matching such entrepreneurial policy with the country's economic position, otherwise the policy become meaningless. Entrepreneurial policy constitutes a great challenge and its effectiveness depends on what appropriate trade-off is between market concentration and productivity performance (Minniti, 2008:780).

The government rules and policies are changing over time and they usually determine the types and size of entrepreneurs in the country. According to Baumol (1990), "it is the set of rules not supply of entrepreneurs or nature of their objectives that undergoes significant changes from one period to another and helps to dictate the ultimate effect on the economy via the allocation of entrepreneurial resources" (Baumol, 1990:894). Putting in place appropriate institutions and government policy will go a long way in

influencing allocation of talent and resources to entrepreneurship (Baumol, 1990; Bowen & De Clercq, 2008). The institutions are extremely important for shaping entrepreneurial behaviour. They determine the rule of the game, place certain constraints and help in reducing uncertainty (Minniti, 2008). Government policies determine and dictate the institutional structures for entrepreneurial action. It does encourage certain entrepreneurial actions and discourage unwarranted entrepreneurial practices. The institutional view is very important for any developmental issues. The outcomes of any entrepreneurial activity can only contribute to economic growth if the institutions provide incentive to productive entrepreneurship. And where the institutions place more incentive to unproductive and destructive entrepreneurship, it will culminate in persistent economic decline and underdevelopment (Coyne et al., 2010). The basic framework that integrates the emergence of institutions with entrepreneurship development could provide more light for understanding this dynamic relation between the role of institutions and development of entrepreneurship in any country (North, 1990). The enforcement of rules and regulations relating to business are quite different between developed and advanced countries. It is very clear that in most developed countries, there are policies and regulations impose strong restriction to unproductive and destructive entrepreneurship in developed country. These efforts provide necessary impetus and encouragement for innovative and productive entrepreneurship. The situation is somehow different in some developing countries because similar policies were not in place and in some cases they are not implementable. The question now is whether the slow pace of development in some countries could be associated with the presence of many destructive entrepreneurial activities. There no attempt to empirically ascertain this reality and to further determines if existence of destructive entrepreneurship reduces the innovative competitive base of a country. In line this argument, it is suffice to suggest that any study dealing with dimension of entrepreneurial activities should be treated bearing in mind the peculiarity of country's economy and its institutional framework.

#### **DESTRUCTIVE ENTREPRENEURSHIP AND ECONOMIC GROWTH**

Before delving into any discourse on the relationship between destructive entrepreneurship and economic growth, it is important to create a clear distinction between destructive and entrepreneurship and destructive innovation or creative destruction to avoid any confusion or misrepresentation of ideas and facts. As earlier argued both unproductive and destructive entrepreneurship are negative because they play a destructive role to the economy (Baumol, 1990). While, on the other side, Schumpeter (1934) argued that entrepreneurship plays an important role in driving the economy through creative destruction or innovations. Therefore, destructive innovation is regarded as a necessary condition for economic prosperity. Entrepreneurship must keep innovating in order to sustain their investment and improve the existing condition of the economy. In fact, capitalism is characterized by gale of creative destruction and emphasizes the importance of technological progress (Sexton and Kasarda, 1992). It is earlier understood



that entrepreneurship is a mechanism for economic progression. It is based on this positive notion that entrepreneurs are receiving rousing support and encouragement. But, in contrast to this, Baumol pointed out that it is not every act of entrepreneurs that is good and contribute to the country's economic wellbeing. Entrepreneurs can make no productive contribution to the economy and sometimes their role may be destructive (Sauka, 2008). They also engage in redistributive and wealth destroying activities. Therefore, these kinds of entrepreneurial efforts need not only to be curtailed but suppressed in its entirety. If entrepreneurship contribute to economic growth, then it is imperative to ask why and where the destructive entrepreneurship comes from. The recent researches on entrepreneurship focus on examining the trade-off between productive and unproductive entrepreneurship, but to large extent ignored destructive entrepreneurship (Desai et al., 2010). According to Coyne et al. (2010) non productive entrepreneurship benefits individual entrepreneurs and it further creates non-productive entrepreneurship. Earlier in the previous section, the connection between institutions and entrepreneurship has been discussed. The institutions could provide incentive for productive entrepreneurship and make destructive entrepreneurship tougher and uninterested. The reverse is the case if the institutions encourage destructive entrepreneurship. Although, it is possible to have both productive and non productive entrepreneurship, what is important is whether the productive entrepreneurs are dominant or not. If destructive entrepreneurs dominate the business area, there is tendency for negative effects which may lead to economic decline and stagnation. Lack of economic growth can be attributed not only to lack of entrepreneurial inputs, but institutional incentive offered to destructive entrepreneurs (Coyne et al., 2010).

Entrepreneurs do create opportunity or environment that makes more entrepreneurial activities possible (Holcombe, 1998). The existence or dominance of destructive entrepreneurs is an indication of how weak is the institution in protecting productive entrepreneurs. When the institutions do not impose necessary constraints for destructive entrepreneurship, there is probability of increasing destructive activities which may subsequently poses serious threat to economic growth (Olson, 1982). In essence, the complete absence of constraint means more incentive for destructive entrepreneurs to perpetuate their personal gains at the detriment of larger society. Depending on the rule of the game, entrepreneurs choose to allocate resources to entrepreneurship. If the institutions are unstable and weak, generally non productive entrepreneurship shall prevail, in some instances, norms, values and culture play a prominent role determining the type of entrepreneurship (Walter & Smallbone, 2004). There are wide range destructive activities that causes economic decline. One of the factors that seriously weaken the institutions and accentuate destructive entrepreneurship is corruption. In fact, corruption tends to weaken productive entrepreneurship in two ways. First, it increases the cost of doing business of the entrepreneurs. Secondly, it creates unnecessary difficulties and frustrations to productive entrepreneurs. In entrepreneurship, aspect of human action is the prime catalyst for economic growth. Like mentioned earlier, entrepreneurial

function and that of institutions play important role in encouraging or discouraging that aspect of human action that affect economic growth. To neoclassical economists, institutions are not so important to economic growth, which is why the neoclassical growth theory has overlooked the role of institutions in boosting economic growth (Kirzner, 1985; North, 1994). The economists began to realize the importance of the entrepreneur as the driver of economic progress after the postwar period. Later on around 1960's to late 1970's, they began to focus attention on institutions in their analysis of economic growth (Kasper & Streit, 1998). From the literature, it was established that entrepreneurs allocate their talents and resources to activities that yield maximum personal gain. Whether such gain is legal or not, its acceptance ultimately depends on conscience and behavior of the entrepreneur. Entrepreneurs like any other economic players are heterogeneous. They may likely exhibit different behaviors that have varying impact to the economy. It is argued that if all entrepreneurs were born exactly the same entrepreneurial talent, there is likelihood that they will differ in some ways in allocating their talents in business (Desai et al., 2010). Their heterogeneity may likely affect the nature and possible returns whenever the talent is applied (Murphy et al., 1991). Although, there has been an attempt in the literature to discern the concept of destructive entrepreneurship, the general belief remains that entrepreneurship brings about economic prosperity of a nation. The ongoing belief that destructive entrepreneurship harm the economy is mere assumption as there is paucity of empirical evidence in the literature to validate such claim. Perhaps it is not surprising that some people argued about the non existence of conceptual framework for destructive entrepreneurship in the literature (Desai et al., 2010).

In most cases, empirical research on this area focuses more attention on measuring the impact of entrepreneurship on economic growth (Stel, Carree & Thurik, 2004; Acs, 2007; Reynolds et al., 2002). Despite the reality that all forms of entrepreneurs takes their products to the same market, compete for market share and enjoy some gains, it is not likely that all their activities could have positive impact to the economy. Therefore, putting all entrepreneurs in the class and give them the treatment is unjust. Similarly, measuring the impact of entrepreneurship on economic growth in general terms is erroneous. In any empirical investigation of this nature, there is need to single out a particular form of entrepreneurship and its impact on the economic performance. Although, doing so may poses other methodological challenges. So far there is apparently no unique measure or proxy for destructive entrepreneurship. Thus, measuring destructive entrepreneurship is very scarcely and remains contentious in the literature. In any case, seeking for answers to the following research questions could help in advancing understanding in this area.

- i. How does destructive entrepreneurship affect country's economic growth?
- ii. Does destructive entrepreneurship positively affects country's innovative capacity?

## SUMMARY, CONCLUSION AND IMPLICATION FOR POLICY

Entrepreneurship development really matters for country's economic development. The development of entrepreneurship depends on the actions and behavior of entrepreneurs. The general consensus in literature is that the outcomes of entrepreneurial actions can be a source of economic progress or economic stagnation (Sauka, 2008; Coyne, Sobel & Dove, 2010). Entrepreneurship takes different forms, it could be productive, unproductive or destructive (Baumol, 1990). And the allocation of entrepreneurship talent into productive, unproductive or destructive activities has been theorized to be driven by the institutions. It is the structure of the pay offs (rule of the game) that determine what type of entrepreneurs will be dominant in a particular place or country. The ultimate driver for most entrepreneurial undertaking is profit making or maximization of private return on their investment. Entrepreneurs are often showing little or no concern about the social return of their business and how their activities contribute to performance and growth of the economy (Sauka, 2008, Baumol, 1993). The determination of what type of entrepreneurship to be encouraged is very important input for policy making. The continuous usage of wrong information by putting all entrepreneurs together may have some negative implications. It could be dangerous if State resources are utilized in promoting non-productive entrepreneurship. The dominance of non-productive entrepreneurship may create further non productive entrepreneurship which will result in economic decline. Institutions and governments need to impose the necessary constraints for destructive entrepreneurship, so that excesses of destructive entrepreneur are curtailed. Corrupt practices of public officials are among the major factors that seriously weaken the institutions and accentuate destructive entrepreneurship. Corruption tends to provide no incentive for productive entrepreneurship. It only increases the cost of doing business and creates unnecessary difficulties and frustrations to productive entrepreneurs. Countries with corruption tendencies and lax policies are suggested to be cautious with destructive entrepreneurship push and pull factors. Rule of law is overly needed to impose necessary restrictions for destructive entrepreneurship a long side with improving infrastructure and reducing cost of doing business.

## REFERENCES

- Acs, Z.J. (2007). How Entrepreneurship is Good for Economic Growth?. A Paper Presented at the 25<sup>th</sup> Economic Conference of Progress Foundation, Co Sponsored with American Institute of Economic Research (AIER) in Great Barrington, Massachusetts.
- Alvarez S.A., & Barney, J.B. (2004). Organizing Rent Generation and Appropriation: toward a Theory of Entrepreneurial Firm. *Journal of Business Venturing* 19, 621-635

- Armentano, D.T. (1990). *Antitrust and Monopoly: Anatomy of Policy Failure*. Oakland: Independent
- Audretsch, D.B. (2006). *Entrepreneurship, Innovation and Economic Growth*. Cheltenham: Elgar.
- Barney, J.B. & Clark, D.N. (2007). *Resource-Based Theory: Creating and Sustaining Competitive Advantage*. Oxford, UK: Oxford University Press.
- Baumol, W.J. (1990), Entrepreneurship: Productive, Unproductive and Destructive, *Journal of Political Economy*, 98(5), 893-921.
- Baumol, W. (1993), *Entrepreneurship, Management and the Structure of Payoffs*. London: The MIT Press.
- Bhagwati, J. (1982), Directly Unproductive, Profit-Seeking (DUP) Activities. *Journal of Political Economy* 90, 988-1002.
- Boettke, P. & Coyne, C. (2007). Entrepreneurial Behavior and Institutions. In M. Minniti (Ed.). *Entrepreneursh4: The Engine of Growth, Vol. 1 Perspective Series* (pp. 119-134). Westport, CT: Praeger Press—Greenwood Publishing Group.
- Boettke, P.J. and Coyne, C.J. (2003), Entrepreneurship and Development: Cause or Consequence? *Advances in Austrian Economics*. 6.6747.
- Bowen, H. & De Clercq, D. (2008), Institutional Context and the Allocation of Entrepreneurial Effort. *Journal of International Business Studies*. 39(4), 747-767.
- Coyne, C.J., Sobel, It S. and Dove, J.A. (2010). The Non-Productive Entrepreneurial Process. *Rev. Austrian Economics*, DOI 10.1007/S11138-010-0124-2
- Coyne, C.J., Leeson, P.T., 2004. The Plight of Underdeveloped Countries. *Cato Journal* 24(3). 235-49.
- Dallago, B. (1997). The Economic System, Transition and Opportunities for Entrepreneurship.' Chapter 7. pp. 103-124 in *Entrepreneurship and SME in Transition Economies. The VLS'e Grad Conference*. Paris: OECD.
- De Clercq, D. & Bosma, N. (2008). An Exploratory Study of International Commitment by Nascent and Existing Firms. *Journal of Small Business and Entrepreneurship*. 21(3), 223-237.

- Desai, S., Acs, Z. & Weitzel, U. (2010). A Model of Destructive Entrepreneurship. United Nations University. World Institute for Development Economics Research, Working Paper No. 2010/34
- Douhan, R. and Henrekson. M. (2008). Productive and Destructive Entrepreneurship in a Political Economy Framework. Research Institute of Industrial Economics, 1FN Working Paper No. 761.
- Ebner, A. (2000), Schumpeterian Theory and the Source of Economic Development: Endogenous, Evolutionary or Entrepreneurial? A Paper Presented at the International Schumpeter Society Conference on Change, Development and Transformation, June to July 2000.
- Foss, K. & Foss. K. (2002): Economic Organization and the Trade-Offs between Productive and Destructive Entrepreneurship, in Foss. N.; Klein. P. (Eds.). Entrepreneurship and the Firm: Austrian Perspectives on Economic Organization. Cheltenham, UK and Northampton. MA. USA: Edward Elgar. pp. 102-127.
- Foss, N.J., Klein, P.G., Kor, Y.Y. & Mahoney, J.T. (2008). Entrepreneurship, Subjectivism, and the Resource-Based View: Toward a New Synthesis. *Strategic Entrepreneurship Journal*, 2, 73-94.
- Gimpel. J. (1976). *The Medieval Machine: The Industrial Revolution of the Middle Ages*. New York: Holt, Reinhart and Winston.
- Grossman, H.I., & Minseong Kim. (1995). Swords or Ploughshares? A Theory of the Security of Claims to Property. *Journal of Political Economy* 103, 1275-1289.
- Harper, D. (2003). *Foundation of Entrepreneurship and Economic Development*. New York: Routledge.
- Hitt, M.A., Ireland, R.A., Camp, S. M. & Sexton, D.L. (2001). Strategic Entrepreneurship: Entrepreneurship Strategies for Wealth Creation. *Strategic Management Journal* 22(6), 479-492.
- Holcombe, R.G. (1998). Entrepreneurship and Economic Growth. *The Quarterly Journal of Austrian Economics*, 1(2), 45-62.
- Holt. D.H. (1992). *Entrepreneurship New Venture Creation*. Eagle Wood Cliffs. New Jersey: Prentice-Hall.
- Jennings, D.F. (1994). *Multiple Perspectives of Entrepreneurship: Test, Reading and Cases*, USA: South Western Publication Co.

***Journal of Social Sciences and Public Policy, Volume 8, Number 1, 2016.***

- Kasper, W. & Streit, M. (1998). *Institutional Economics: Social Order and Public Policy*. Cheltenham, UK and Lyme, USA: Edward Elgar Publishing.
- Kirzner, I.M. (1985). The Perils of Regulation, in Idem. 1985. *Discovery and the Capitalist Process*. Chicago: University of Chicago Press.
- Kreft, S.F. & Sobel, R.S. (2005). Public Policy, Entrepreneurship and Economic Freedom. *Cato Journal*, 24 (3), 595-616
- Kuratko, D.F & Hodgetts. R.M. (2007). *Entrepreneurship, Theory, Process and Practice* (7th Edition). South Western, Canada: Thomson Corporation.
- McAfee, R.P. & Vakkur N.V. (2005). The Strategic Abuse of Antitrust Laws. *Journal of Strategic Management Education* 2
- Minniti. M., (2008), The Role of Government Policy and Entrepreneurial Activity: Productive, Unproductive, or Destructive? *Entrepreneurship Theory and Practice* 32(5), 779-90.
- Murphy. K.M., Shleifer, A. & Vishny. R.W. (1991). The Allocation of Talent: Implications for Growth. *Quarterly Journal of Economics* 106, 503-530.
- North, D.C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- Nunn, N. (2007). Historical Legacies: A Model Linking Africa's Past to Its Current Underdevelopment. *Journal of Development Economics* 83, 157-175.
- O' Driscoll G.P., Rizzo, M. (1985). *The Economics of Time and Ignorance*. Basil Blackwell: Oxford, U.K
- Olson, M., (1982). *The Rise and Decline of Nations: Economic Growth Stagnation and Social Rigidities*. Yale University Press. New Haven. CT.
- Parker, S.C. (2004). *The Economics of Self-Employment and Entrepreneurship*. Cambridge: Cambridge University Press.
- Reynolds, P., Bygrave, W.D., Autio, E., Cox, L.W., & Hay, M. (2002). *Global Entrepreneurship Monitor Executive Report*. Bobson College, London Business School and Kauffman Foundation
- Sauka. A. (2008). Productive, Unproductive and Destructive Entrepreneurship: A Theoretical and Empirical Exploration. The William Davidson Institute, Working Paper No. 917.

- Sauka, A. & Welter, F. (2007). Production, Unproductive and Destructive Entrepreneurship in an Advance Transition Setting: The Example of Latvian Small Enterprises, in Dowling, M., & Schmude, J. (Eds). *Empirical Entrepreneurship in Europe*, Cheltenham: Edward Elgar Publishing, pp. 87-111
- Sautet, F. (2005). *The Role of Institution in Entrepreneurship: Implication for Development Policy*. Policy Primer No 1. Arlington: Mercatus Center.
- Schumpeter, J.A. (1934). *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.
- Sexton, D.L and Kasarda, J.D. (1992). *The State of the Art of Entrepreneurship*. Boston, USA: Pws-Kent Publishing Company,
- Stel, A., Carree, M. & Thurik (2004). The Effect of Entrepreneurship on National Economic Growth: An Analysis using the GEM Database. SCALES Paper No. 200320
- Van Praag. C.M. (1991). Some Classical Views on Entrepreneurship. *De-Economist*, 147(3), 311-335.
- Wickham, P. (2004). *Strategic Entrepreneurship* (3 Ed) Harlow: Financial Time Prentice Hall.
- Wiklund, J. (1998). *Small Firm Growth and Performance: Entrepreneurship and Transition Economies and Beyond*. Doctoral Dissertation, Jonkoping International Business School, Jonkoping.
- Welter, F. & Smallbone. D. (2004): Comments on Entrepreneurship and Value Creation from an Individual and Environmental Perspective, Paper Presented at the Rencontre-De-St, Gall. Appenzell, Switzerland.