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Editorial: Economic development and entrepreneurship research

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When it comes to understanding the underlying causes of economic growth and human development, particularly among the less developed, impoverished regions of the world, there has always been a natural tension between neoclassical economic approaches and other scholarly disciplines such as entrepreneurship, cultural anthropology and sociology. Traditional economic approaches, by their very nature, must assume that the primary explanatory components of growth and development lie within the realm of factor prices, productivity measures, intercountry trade barriers, sectorial structural variations and economic shocks, all wrapped in a cozy, albeit highly elegant general equilibrium blanket. In spite of its basic 'black-box' limitations, neoclassical economics has, however, provided incredible insights into the workings of economic growth and poverty reduction. In the long run, for example, we know that, *on the average,* trade liberalisation leads to both economic growth (*e.g.*, Datt and Ravallion, 2002; Ravallion, 2004) and increased productivity (*e.g.*, Coe *et al*., 1997; Hay, 2001). And we know that, *on the average*, economic growth and increased productivity lead to poverty reduction (Dollar and Kraay, 2002; Winters *et al*., 2004) and increased life expectancy (World Bank, 2005). Yet, in spite of these facts, the empirical error terms in cross-country economic growth and poverty reduction studies remain consistently large and unexplained. Not surprisingly, as a number of well-documented, global economic initiatives during the latter part of the 20th century have shown us, not all regions experience economic growth that corresponds to trade liberalisation and not all regions decrease poverty as their economy expands.

Economic development is indeed multifaceted, complex and highly nuanced. Even within the same country there are often radical differences in economic prosperity between local communities, ethnic groups, gender categories and enterprise types. Cross-country studies, the empirical backbone of neoclassical economic development research, are now being increasingly challenged as unreliable. Is it reasonable to assume, for example, that the structural assumptions or panel survey responses are sufficiently valid across an impoverished sub-Saharan African nation, a well-established industrialised North American country, a small Caribbean island-nation, and a newly integrated member of the European Union?

Gradually, scholars are expanding the way economic development is understood, and the sources for this 'new' information are remarkably broad. Once almost disregarded by mainstream economics, more and more firm-specific, business strategy, technology adoption and entrepreneurship studies are being cited and carefully examined by developmental professionals. Economists, such as Barro and others, are now modelling the economic impact of noneconomic data, such as religious beliefs and cultural attitudes, 'discovering' that indeed beliefs and culture do matter (*e.g.*, McCleary and Barro, 2006; Galbraith and Galbraith, 2007). Detailed ethnographic case studies of rural microenterprises, indigenous communities and ethnic enclaves are appearing more often in the development literature. Economic historians are now able to better define modern development issues by examining prior periods of rapid societal and economic expansion, such as that experienced in 12th century Western Europe (*e.g.*, Blum and Dudley, 2003). And, of course, the institutional and property right perspectives of Peruvian economist Hernando de Soto and Nobel Laureate Douglass North are gaining global influence and respect.

This modern evolution of the development literature underlines the fact that development is now more properly understood as a complex calculus, and one that includes factors such as the amount and type of entrepreneurial activity, the way in which a community acquires and pools its intellectual and educational assets, differences in a region's cultural foundations and belief structures, the way local human capital and social networks develop, and the quality of a region's institutional arrangements and property rights; in other words, classic development theory is beginning to deconstruct and rebind with human and social development perspectives.

While the trend has begun, we have only scratched the surface of solving the development problem. There are, in fact, surprisingly large gaps in our knowledge about both the underlying factors behind economic and human development, and what we can do to advance global development. And sometimes even development practitioners are remarkably slow at accepting new approaches – the World Bank's Poverty and Growth Program (PGP), for example, still has almost nothing on the role and encouragement of value-added entrepreneurial activity in world development and poverty reduction, and many international disaster aid workers still associate 'entrepreneurship' with 'price gouging' (Galbraith and Stiles, 2006). And while there is at least a tacit recognition of the importance of some forms of entrepreneurial activity by the increasing governmental and NGO support of various microloan programmes, these programmes are still seen by some economists as simply factor inputs that circumvent credit imperfections rather than as support for that fundamental value-added, human expanding and social development activity called entrepreneurship.

Obviously, much more work needs to be accomplished. But by examining issues outside the neoclassical macroeconomic box, the entrepreneurship discipline will certainly take a future shared leadership role in solving the problems of global economic and human development. Within this context, I am honoured to be the guest editor of this issue of the *International Journal of Entrepreneurship and Small Business*.

This issue contains seven stimulating papers. Empirically they range from ethnographic case studies, such as Jayasinghe and Thomas' examination of rural microenterprises in Sri Lanka and Dana and Dana's study of indigenous Paraguayans, to broader surveys such as Gassmann and Keupp's analysis of R&D activity in the People's Republic of China. Klyver provides an important microlevel analysis of the GEM data while Justo *et al*. also use the GEM data to examine entrepreneurial social environments from a new perspective. And finally, Hadjimanolis dissects entrepreneurial policy in Cyprus, focusing on the inherent structural issues associated with a small, 'peripheral' country. Yet in spite of their diverse research approaches, all the papers share one common characteristic – they all attempt to help us better understand entrepreneurial activity not only as an important factor of economic growth and poverty reduction, but also as an integral component of human culture and global advancement.

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