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Abstract. Amidst considerable debate on the relationship between entrepreneurship and economic inequality, scholarship only indirectly addresses how entrepreneurship informs individuals' relative well-being. We theorize on the nuanced relationship between entrepreneurship and equality of eudaimonic well-being through the lens of New Institutional Economics. Drawing on theories of human flourishing, we suggest that entrepreneurial action is an underappreciated mechanism by which individuals pursue well-being. Equality of well-being is thus influenced by a society's *entrepreneurial accessibility*: the freedom of individuals to choose to engage in entrepreneurial action. We present a multilevel framework in which institutional factors enable entrepreneurial action by promoting entrepreneurial accessibility—a factor, that, in turn, affects well-being for individual entrepreneurs as well as societal eudaimonic equality. The *ex ante* conditions for equality of well-being entail institutions that yield broad entrepreneurial accessibility. Our work highlights the institutional prerequisites for human flourishing in the entrepreneurial society beyond (unequal) economic distributions.

Keywords: inequality; entrepreneurship; well-being; institutions; eudaimonia

JEL Codes: D31; D63; I30; L26; O43

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1. Introduction

Real wealth has exploded in the last two centuries. Economic statistics suggest that average per capita income in 2020 was 16 times as high as in 1820, and 40 times as high in a rich country like Sweden (Maddison 2010)—a shift economic historian Deirdre McCloskey (2016) labels “The Great Fact.”¹ In the words of Robert Lucas (1988, p. 5), “The consequences for human welfare involved in questions like these are simply staggering: Once one starts to think about them, it is hard to think about anything else.” Many scholars who “think about” these issues credit entrepreneurship as a central driving force in the history of economic growth, as entrepreneurs create immense value, e.g., by introducing novel products and championing new markets (Acs et al., 2009; Schumpeter, 1934). Yet, entrepreneurship also plays a prominent role in debates around one of the most concerning byproducts of “The Great Fact”: economic inequality (Stiglitz, 2012). The cross-country correlation between entrepreneurial activity and economic inequality is high (Lippman et al., 2005), and while many scholars characterize inequality as an unintended consequence of entrepreneurship (Halvarsson et al., 2018), others interpret inequality as an enabler or hindrance to entrepreneurship (Frid et al., 2016; Sarkar et al., 2018).

However, economic inequality is not the whole story of inequality. Specifically, much of the concern with economic inequality appears rooted in concerns about relative *well-being* (Packard & Bylund, 2018; Tsui et al., 2018). The unequal distribution of resources is implicitly perceived as problematic because people are “better” or “worse off” in ways that fall short of an ethical standard (Rawls, 1971; Roemer & Trannoy, 2015). Indeed, Packard and Bylund (2018) argue that the true focus of the inequality debate should be with inequality of well-being, stressing that “what is relevant for the individual’s well-being is his/her ability to consume—an individual’s real rather than relative prosperity, his/her ability to satisfy subjectively valued needs” (cf. Smith, 2007 [1776], p. 426). In light of this, it is notable that scholars increasingly view measures of economic prosperity as flawed proxies of well-being—especially in the richest countries (Coyle, 2015). In fact, meta-analysis finds the association between income inequality and subjective well-being to be “weak, complex and moderated by the country economic development” (Ngamaba et al. 2018, p. 577). Thus, debates on entrepreneurship and economic inequality may only indirectly address the relationship between entrepreneurship and peoples’ relative well-being.

¹ From 1820 to 2020 world population increased seven-fold, from one billion to 7.9 billion people. Hence, global GDP was more than 100 times larger in 2020 than in 1820. See also <https://data.worldbank.org/>

The purpose of this paper is to consider the multilevel relationship between entrepreneurship and societal well-being through the philosophical lens of eudaimonia. We sketch out a multilevel relationship between institutions, entrepreneurship, and *eudaimonic* well-being rooted in the political philosophy literature on human flourishing (Nussbaum & Sen, 1993; Phelps, 2013; Henrekson, 2014). Eudaimonic well-being consists of six dimensions: self-discovery, perceived development of one's best potentials, a sense of purpose and meaning in life, investment of significant effort in pursuit of excellence, intense involvement in activities, and enjoyment of activities as personally expressive (Ryff, 2018). It springs from personal development, self-actualization, and other factors that reflect a fulfilling life.

In contrast to a hedonic conception of well-being (e.g., Packard & Bylund, 2018), eudaimonic well-being places less emphasis on pleasure attainment and pain avoidance and more on individual actions as integral to the “realization” of well-being. Hence, the eudaimonic lens helps us consider the “act of entrepreneurship” as a focal source of human flourishing—without solely focusing on the implications of profitability *per se*. As Block and Koellinger (2009, p. 193–194) state, “an important reason for individuals to start their own business seems to be the possibility to achieve self-realization and self-determination … these entrepreneurs extract utility out of their work, over and above the utility they achieve out of the monetary rewards of their venture.”

We suggest that entrepreneurship may be a source of well-being because it elicits human flourishing (Benz & Frey, 2008; Carter, 2011). Inspired by Bapuji et al.’s (2020) call for research highlighting the bidirectional relationship between societal inequality and organizations, we draw on the connection between entrepreneurship and individual well-being to develop a notion of *eudaimonic equality*, a society’s equality of eudaimonic well-being. We suggest that eudaimonic equality depends on *entrepreneurial accessibility*—the freedom of individuals to choose entrepreneurial action. By emphasizing individual agency in the decision to pursue well-being through entrepreneurship, our argument reframes debates about well-being and entrepreneurship as an issue of *potential* rather than observed outcomes—in a manner analogous to Baumol et al.’s (1982) view of market competition. Thus, the broadly-held potential of entrepreneurship may matter as much to societal well-being as the observed prevalence of entrepreneurship.

We argue that entrepreneurial accessibility is a key criterion for well-being, because it facilitates equity in the entrepreneurial choice sets of individuals—and, in turn, the widespread potential for society’s members to strive after “the good life” by way of entrepreneurship. Thus, the framework highlights the relative *potential* for individuals to engage in entrepreneurial

action as an underappreciated determinant of a society's relative eudaimonic well-being. In addition, we suggest that different entrepreneurial actions have different effects on both personal eudaimonia and eudaimonic equality. *Ceteris paribus*, productive outcomes are more likely associated with a greater level of well-being, but these effects depend, crucially, on the institutional environment (North, 1990). To that end, we suggest that institutional factors alter entrepreneurial accessibility in two primary ways: (i) by making the freedom to act entrepreneurially as decoupled as possible from people's socio-economic background; and (ii) by creating conditions that tend to make the resulting entrepreneurship as socially productive as possible.²

Our study departs from extant work on income inequality and subjective well-being (e.g., Ngamaba et al., 2018) and income inequality and entrepreneurship (Bruton et al., 2021). Scholars attribute the inconclusive relationships among these constructs to underexplored mechanisms and inconsistent conceptualizations (Ngamaba et al., 2018; Packard & Bylund, 2018). We provide theoretical clarity by focusing on the underlying mechanisms by which institutional conditions enable individuals to pursue well-being through entrepreneurship, regardless of background and circumstance. Thus, we formulate three fruitful propositions to guide future empirical and conceptual work: First, that institutions are crucial determinants of entrepreneurial accessibility. Second, that there is a positive relationship between entrepreneurial accessibility and personal eudaimonia—even if entrepreneurship (as typically measured) is not exercised. And third, that there is a positive relationship between personal eudaimonia and eudaimonic equality at the societal level.

In sum, the institutional framework shapes the relationship between entrepreneurial and eudaimonic equality through the underappreciated mechanism of entrepreneurial accessibility. By considering the institutional antecedents of the relationship between entrepreneurship and well-being, we offer a framework to evaluate observed economic outcomes based on the conditions that produce them: whether the individuals that make up the economic distribution are free to act, choose, and pursue well-being through entrepreneurship.

2. Eudaimonic well-being and entrepreneurship

2.1 Eudaimonic well-being and the lenses of equality

A life of flourishing, or *eudaimonia* as Aristotle called it, is one where people fulfill their potential as human beings. The eudaimonic view derives well-being from factors reflecting a

² Although we focus on entrepreneurship in the economic sphere, our logic also applies to other spheres, notably social and political entrepreneurship.

fully functioning and consummate life, involving actions in pursuit of vitality, meaning, and self-realization (Ryff, 2019; Wiklund et al., 2019). Eudaimonia thus offers an alternative to the *hedonic* view of well-being, which is associated with affect and subjective emotional assessment. While the two views of well-being have empirical overlap, they spring from different ontological and ethical assumptions (Deci & Ryan, 2000; Ryan & Deci, 2001; Ryff, 1989).

Our motivation to consider eudaimonia emerges in part from concern that hedonic well-being may be too narrow a construct for considerations of equality in a society. For instance, studies repeatedly fail to find a clear link between material goods, consumption, and well-being (Aaker et al., 2011; Chancellor & Lyubomirsky, 2011; Dunn et al., 2011). This literature highlights that eudaimonic well-being can be derived from behavioral choices and social interaction—e.g., regarding time use, thrift, how money is spent, and relationships—and less overall emphasis on the acquisition of consumer goods. Steger (2016) distinguishes eudaimonic well-being as the “enduring” notion of well-being focused on life’s meaning and societal contribution, whereas hedonic well-being emphasizes the “immediate gratification” of temporally fleeting consumption. In turn, the “fleeting” nature of positive affect suggests that societal comparisons of hedonic well-being may be dubiously useful to engage enduring issues of equality.

The eudaimonic lens affirms the need to move beyond a strict focus on economic inequality (cf. Packard & Bylund, 2018) and acknowledges the importance of nonpecuniary considerations when discussing inequality. Because it emphasizes subjective, heterogeneous assessments and goals, this lens suggests that inequality is not only about the observed economic outcomes that individuals realize. Rather, inequality’s deeper issue is the *potential* afforded to individuals to pursue their desired ends, regardless of economic implications.

This consideration invites engagement with the notion of *equality of opportunity* rather than equality of observed outcomes. The equality of opportunity position strives to equalize society’s “initial conditions” while allowing for fundamental inequities that are difficult to influence, such as inherited traits and family background (Buchanan & Tullock, 1962). A classic example is Rawls’ “veil of ignorance,” behind which individuals jointly select their society’s institutional arrangements without any prior knowledge of their social position or endowments (Rawls 1971). Rawls claimed that the resulting political landscape would yield an equitable (though likely unequal) distribution. This position rests on the ethical assertion that outcomes based on just circumstances will be justified, allowing human interactions to

engender an “acceptable” degree of inequality. The opportunity lens explicitly acknowledges that a robust link between individual choice and outcomes is privately *and* socially beneficial because it incentivizes welfare-enhancing cooperation and experimentation in the market (Ahlstrom, 2010).³

One prominent perspective that leverages the equality of opportunity lens is that of human flourishing and capabilities (e.g., Sen, 1980; Nussbaum, 2011; Phelps, 2013). Developed by Nobel Laureate economist Amartya Sen and philosopher Martha Nussbaum (Nussbaum & Sen, 1993), the capabilities approach to human and social development suggests that any development theory concerned with economic resources alone is inadequate. Instead, humans need a variety of *capabilities* in order to flourish, e.g., bodily health and integrity, emotions, practical reason, and the freedom to affiliate with others (Nussbaum, 2011). Whereas people will choose to exercise these freedoms differently, what matters is that they can do so. The capabilities approach suggests that equity in well-being involves the relative breadth of choice sets among individuals in society. In turn, Sen (1999) proposes the societal benchmark for equity of maximizing people’s capability to choose, act, and accomplish.

While (observable) economic inequality outcomes typically rules policy debates, popular opinion appears favorable to a notion of equality rooted in opportunity. 90 percent of Americans consistently agree with the statement, “our society should do what is necessary to make sure that everyone has an equal opportunity to succeed” (Pew Research Center, 2011). Importantly, this strong societal support for *equality of opportunity* dovetails with entrepreneurship scholars’ emphasis on individual agency and choice (Kirzner, 1973; van Praag & Cramer, 2001; Minniti & Bygrave, 1999; Douglas & Shepherd, 2000).

2.2 Societal equality and eudaimonic well-being

The measurement of economic inequality is perhaps one of the most well-trodden operationalization issues in the social sciences. The measures employed and their underlying conceptualizations vary considerably (Cowell, 2000). For instance, the World Inequality Database catalogs “income shares” held by the top, middle, and bottom portions of the distribution relative to the nation’s total income. Researchers have also utilized more technically complex measures to analyze economic distributions within societies and over time (Coulter, 2019),⁴ and at least 11 different economic inequality measurements appear to be in

³ Empirically, indices attempting to measure inequality of opportunity at the cross-country level yield highly different results and country rankings (Brunori et al., 2013).

⁴ These studies leverage mathematical properties like deviation (e.g., the Gini coefficient), combinatorics (e.g., Herfindahl-Hirschman concentration indices), or entropy (e.g., Theil’s index).

use (Cowell, 2011). Scholars have thus shown clear interest in two related but distinct aspects of economic development: the average income in and across societies, and how these incomes are dispersed.

Curiously, though, an analogous duality is largely absent in cross-country research on well-being. While cross-country studies abound of both subjective well-being (a primarily hedonic conception; see Ngamaba et al., 2018) and eudaimonic well-being (Joshanloo, 2018), the literature generally focuses on average levels of well-being across countries—or average relationships of institutional variables to the level of well-being experienced by individuals in different countries (e.g., Stephan et al., 2020). Far less attention has been paid to the *distribution* of well-being in and across societies.

Furthermore, the eudaimonic well-being literature typically focuses on outcomes that are observed. Just as critics have noted of economic inequality, a strict focus on outcome differences does not account for the inherent variance in agent's individual choices, ability, and effort—ethically defensible sources of heterogeneous outcomes, according to the equality of opportunity view. Taking this view seriously means treating the choices available to individuals as central rather than the results of action *per se*.

Hence, we seek to draw attention to *eudaimonic equality*, understood as a society's equality of eudaimonic well-being. This does not mean that eudaimonic equality is society's only relevant benchmark, or that calls to “equalize” well-being by restricting the flourishing potential for all are warranted. We certainly acknowledge the importance of studying overall and average levels of well-being. Yet, given a baseline that higher average levels of eudaimonic well-being are preferable to lower levels, understanding the *distribution* of eudaimonia among individuals is a fruitful (and, we argue, necessary) complement. Our introduction of eudaimonic equality invites a deeper understanding of the role of well-being in a society and its distribution of human potentials held by individuals—for instance, the extent to which potentials for well-being are broadly experienced, and how these experiences relate to institutional factors and entrepreneurial action.

2.3 The causes and consequences of eudaimonic well-being

A capabilities approach emphasizes the maximization of people's capability to choose, act, and accomplish their life's goals and pursue eudaimonic well-being (Sen, 1999). This emphasis suggests that it is inadequate to merely evaluate entrepreneurship through its effect on economic outcomes and economic (income or wealth) inequality. Entrepreneurship, commonly perceived as the key to economic growth (Baumol, 1990; Wennekers & Thurik, 1999), may

also be the key to life satisfaction (Phelps, 2013; Nikolaev et al., 2020). While entrepreneurship can undoubtedly affect the eudaimonia of others (Ryff, 2018; cf. Baumol, 1990; Davidsson & Wiklund, 2001), there is also a more straightforward link between entrepreneurship and individual flourishing. Entrepreneurs often experience flourishing through the everyday tasks that entail autonomy, engagement, meaning, and a sense of achievement—all of which are fundamental for greater well-being (Nikolaev et al., 2020). Ryff's (2019) overview of the six dimensions of eudaimonic well-being—autonomy, environmental mastery, personal growth, positive relations with others, purpose in life, and self-acceptance—also shows how each of them is relevant to entrepreneurship (cf. Blackburn & McGhee, 2007; Seligman, 2011).

Entrepreneurship can facilitate the development of one's best potentials and a sense of purpose and meaning in life, but it also has the potential to benefit society when directed to productive ends. Nordhaus (2005) estimates that entrepreneurs receive less than five percent of the increased value generated by their activities on average; the rest primarily accrues to consumers in the form of lower prices and higher quality. This suggests that a critical link exists between the potential to act entrepreneurially—entrepreneurial accessibility—on the one hand, and societal well-being on the other. Whereas only a small fraction of people in most countries become entrepreneurs (Global Entrepreneurship Monitor, 2020), the inherent uncertainty of entrepreneurship means one cannot know *ex ante* for whom it is an attractive path to flourishing. Thus, the potential to pursue entrepreneurship is critical—even for people who do not exercise it.

The institutional framework has a crucial role to play in the relationship between entrepreneurial accessibility and well-being (North, 1990). Institutions alter the value creation and appropriation dynamics of entrepreneurship, yielding productive, unproductive, or even destructive entrepreneurial processes (Baumol, 1990). Arguably, these processes relate to the well-being of the individual pursuing entrepreneurship, with a greater level of well-being more likely to be associated with productive outcomes, *ceteris paribus*. As such, there is a need for an institutionally grounded account of the bidirectional and multilevel relationship between entrepreneurship and eudaimonic well-being.

3. A model of institutions, entrepreneurial accessibility, and eudaimonic well-being

The model we will present to better understand these relationships comprises two macro-phenomena and two micro-phenomena. The first macro-phenomenon is *institutions*, which we define in the Northian sense of the rules, regulations and norms that comprise society's rules

of the game (North, 1990). The second is *eudaimonic equality*, which reflects the extent to which people in society overall are able to lead a fulfilling life in terms of eudaimonic well-being. The first micro-phenomenon is *entrepreneurial accessibility*, which we have defined as an individual's freedom to choose entrepreneurial action. As the preceding discussion suggests, this entrepreneurial accessibility is intimately linked to the second micro-economic phenomenon, *personal eudaimonia*, which reflects the individual's pursuit of personal development, self-actualization, and human flourishing (Ryff, 2018).

Drawing on Coleman's (1994) boat model, Fig. 1 schematically links these phenomena. Like all stylized models, this is a simplification of reality, but it is essential to our line of inquiry in the sense that it permits us to state propositions (one for each relationship A–C) that future researchers could either confirm or refute. First, although macro level objects do not "act" on one another, there is an important, bidirectional link between institutions and societal well-being, labeled (D). Turning to the indirect path, a society's institutions influence each individual's entrepreneurial accessibility (A), which in turn affects their personal eudaimonia (B). This micro-to-micro link between entrepreneurial accessibility and well-being has macro-level implications, affecting societal eudaimonic equality (C). We will discuss each of the links in Fig. 1, to properly understand their relevance.

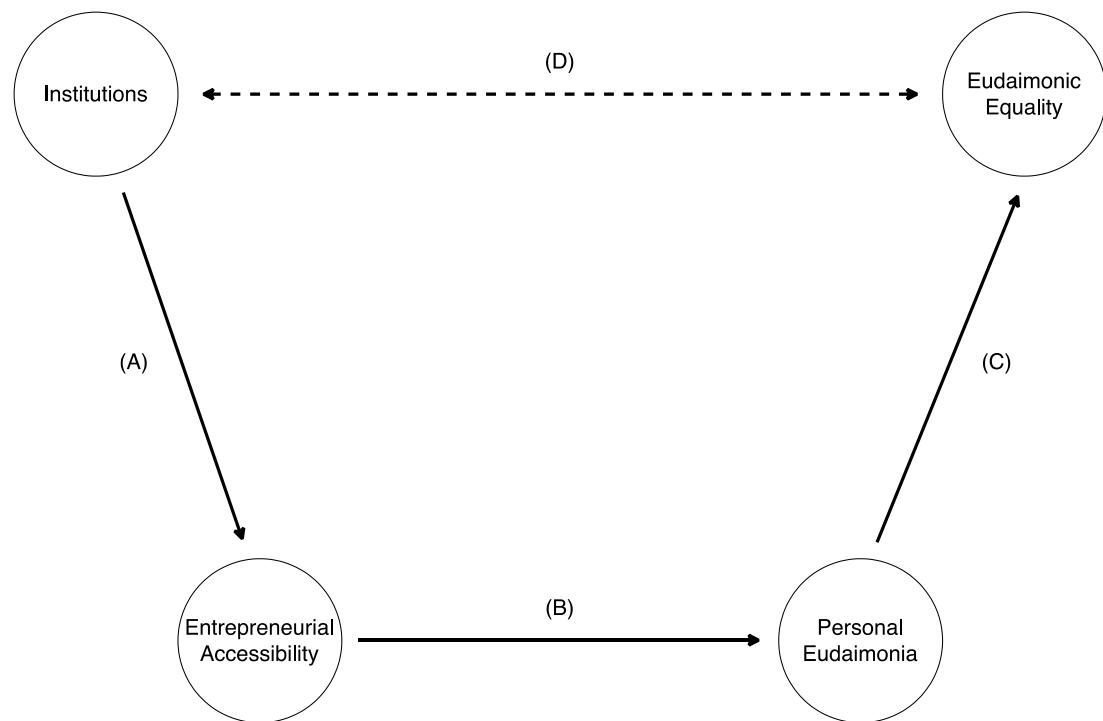


Fig. 1. Linking institutions, entrepreneurial accessibility, and well-being.

Whereas paths (A), (B), and (C) in Fig. 1 collectively explain how institutions affect societal eudaimonic equality by way of entrepreneurship, we will first briefly discuss the *direct path* (D), i.e., the existence of a macro-to-macro, bidirectional link (i.e., Institutions \leftrightarrow Eudaimonic Equality). Because these are not actor-driven relationships *per se* (institutions do not act on eudaimonic equality), we exemplify them with a dotted arrow. Thus, this path acknowledges that some features of the type of institutions that enable entrepreneurial accessibility and flourishing also affect eudaimonic equality directly, and, moreover, that eudaimonic equality can influence institutions.

The first direction is straightforward from an eudaimonic lens that affirms the need to focus on nonpecuniary considerations when discussing the relationship between institutions and societal equality. Put simply, societies characterized by greater entrepreneurial accessibility also are much more structurally diverse (and likely to be wealthier on average), facts which create more opportunities for people to find a niche that suits their personality, thereby aspiring to greater eudaimonic well-being.

As to the second direction, high eudaimonic equality can affect institutions by facilitating institutional persistence—e.g., through the facilitation of informal norms, values, and shared mental models (Denzau & North, 2000). When broad swaths of society enjoy the potential to pursue eudaimonic well-being, people from all background are more likely to view interactions as positive sum. Thus, the institutions that promote eudaimonic equality tend to be reinforced by it. As such, institutions are important because they shape not only the antecedents of entrepreneurship via entrepreneurial accessibility of payoffs in a forward-looking sense, but also the feedback mechanisms of profit and loss. We now turn to discussing the indirect relationship between institutions and societal eudaimonic equality by way of entrepreneurial accessibility, as described by Paths (A)–(C) in Fig. 1.

3.1 Path A: Institutions and entrepreneurial accessibility

The first relationship in Fig. 1 concerns how institutions affect entrepreneurial accessibility, illustrated as Path A (Institutions \rightarrow Entrepreneurial Accessibility). It is well-known that institutional bottlenecks and regulatory constraints affect the freedom to engage in entrepreneurial action (Elert et al., 2019; Sanders et al., 2020). Our argument is that the right kind of institutions matter in two primary ways for entrepreneurial accessibility: (i) by making the freedom to act entrepreneurially as decoupled as possible from people's socio-economic background; and (ii) by ascertaining that the resulting entrepreneurship is as socially productive as possible.

Institutions are the “humanly devised constraints that shape human interaction” (North, 1990, p. 3). These constraints can be formal political structures, laws, and regulations, or informal customs, norms, and beliefs. In Baumol’s (1990) parlance, institutional constraints or barriers direct entrepreneurial activities to socially productive, unproductive, or destructive endeavors. While it is difficult to offer an extensive list, formal economic institutions that appear crucial for productive entrepreneurship to come about include the protection of private property, tax codes, social insurance systems, employment protection legislation, competition policy, trade policies, capital market regulation, contract enforcement, and law and order (Hall & Jones, 1999, Henrekson & Johansson, 2009, Bjørnskov & Foss, 2013). When institutions are conducive to productive venturing, they positively influence entrepreneurial accessibility.

We treat entrepreneurship as a function of constrained choice, where entrepreneurial accessibility informs the choice set available to the relevant actor. We envision an individual actor with an endowment of human and physical capital facing constraints in the external environment. Since biological endowments like intelligence and innate talent are relatively inflexible, we consider entrepreneurial accessibility as distinct from—and hence conditional on—these endowments. In turn, entrepreneurial accessibility can be understood as an individual’s choice set toward entrepreneurial action, given his or her human capital. This reflects the notion that personal factors (e.g., human capital and prior knowledge) and institutional constraints (e.g., social connections, political rules, and cultural norms) shape the set of potential entrepreneurial activities that the individual could pursue; entrepreneurial accessibility refers to the latter.⁵

This framework suggests each individual has an entrepreneurial choice set: a subset of feasible entrepreneurial actions. Thus, entrepreneurial accessibility involves the choice set stemming from social connections and the formal and informal institutions an individual faces. While uncertainty or risk characterizes any specific entrepreneurial action, the individual will ascribe to it a potential benefit and a potential cost. These benefits and costs may be monetary or non-pecuniary, e.g., reflecting greater autonomy and self-actualization. Entrepreneurial action will be carried out when the benefits are perceived to exceed the costs. Thus,

⁵ Importantly, preferences (e.g., risk preferences and aspirations) and personality do not directly restrict the individual’s choice set; rather, they influence the choices that this person makes from that set. This is not to say that individual beliefs like self-efficacy or locus of control are unimportant; after all, entrepreneurial accessibility is perceptual and based on the individuals’ subjective assessment of the conditions they face. Furthermore, research finds an important interaction between individual-level traits and country-level institutions, e.g., Boudreux et al. (2019). They find that entrepreneurial self-efficacy and opportunity recognition are positively associated with entrepreneurial activity, and this effect is even stronger in countries with good institutions. Whereas fear of failure discourages entrepreneurship, and those who fear failure less benefit more from good institutions. Hence, both the social and individual environment are important considerations.

entrepreneurial accessibility is largely shaped by asymmetries in the costs and benefits of pursuing entrepreneurial activity stemming from the external environment.

Institutional constraints on accessibility can take many forms. For example, cash-constrained entrepreneurial firms can use employee stock options as a promise of a future ownership stake to encourage intrapreneurship, but the effectiveness of options as an incentive mechanism greatly depends on the option tax code (i.e., on whether employees can defer the tax liability until they sell the stocks and whether they are then taxed at a low capital gains tax rate) (Gilson & Schizer, 2003; Henrekson & Sanandaji, 2018). Another example is the stringency of bankruptcy legislation, shown to be negatively related to the rate of venture formation (Fan & White, 2003; Peng et al., 2010). Eberhart et al. (2017, p. 93) even find that “lowering barriers to failure via lenient bankruptcy laws encourages *more capable*—and not just *more*—entrepreneurs to start firms.” Moreover, preferential rules (e.g., industry regulations) often come into effect because of concerted lobbying or rent-seeking efforts from incumbent firms or interest groups (Stigler, 1971). Such a “captured economy” disadvantages firms with otherwise similar innovation competency that did not lobby (Murphy et al., 1991). In fact, there is limited entrepreneurial accessibility in many countries with “institutional voids” (Mair & Marti, 2009; Puffer et al., 2010), where the government owns or hampers firm autonomy and opportunity (e.g., de Soto, 2000). Hence, regulation creates significant asymmetries in entrepreneurial accessibility, transferring resources within and across industries (Buchanan & Tullock, 1975).

These are but a few examples of the type of institutional barriers that may asymmetrically hinder or extend entrepreneurial accessibility. To the extent that these barriers are absent, it is, in our view, reasonable to talk about the institution in question as conducive to productive activities and venturing in the vein of Baumol (1990). As such, we propose:

Proposition 1: There is a positive relationship between institutions conducive to productive venturing and entrepreneurial accessibility.

3.2 Path B: Entrepreneurial accessibility and personal eudaimonia

We now turn our attention to how entrepreneurial accessibility affects entrepreneurial well-being, illustrated as Path B in Fig. 1 (i.e., Entrepreneurial Accessibility → Personal Eudaimonia). The entrepreneurial accessibility construct builds on the observation that entrepreneurship types and rates differ across societies. However, rather than stopping at observed (measured) manifestations of entrepreneurship, this construct considers the freedom to choose entrepreneurial action. We thus explore the relationship between the constraints that

individuals face and the eudaimonia they experience, regardless of the eventual choice to pursue an entrepreneurial path or not.

First, there is an evident connection between this accessibility and the eudaimonic well-being of those pursuing entrepreneurship. Notably, entrepreneurial actions are themselves forms of expression and autonomy—key components of eudaimonic well-being (Deci & Ryan, 2000; Ryff 2019; Ryan & Deci, 2001), which may explain why people choose to become entrepreneurs (Carter et al., 2003; Benz & Frey, 2008; Shane et al., 2003; van Gelderen & Jansen, 2006; Shir, 2015). Thus, entrepreneurship embodies the very process of self-actualizing one's human potential through purposeful activities that can lead to a fulfilling life (Shir et al., 2019). The fact that the self-employed, despite working longer hours, typically report more job satisfaction and happiness than employees further corroborates the connection between entrepreneurial accessibility and well-being (e.g., Blanchflower & Oswald, 1998; Benz & Frey, 2004). Hence, entrepreneurial action appears to enhance eudaimonic well-being.

However, this is not the only way entrepreneurial accessibility contributes to greater well-being. We suggest the option to become an entrepreneur will facilitate greater well-being *even for those who decide not to become entrepreneurs*. The logic can be understood through the occupational choice lens (Lucas, 1978; Evans & Jovanovic, 1989; Parker, 2018), which suggests individuals consider their ability and preferences when choosing between wage-employment and self-employment. *Ceteris paribus*, if the option of pursuing entrepreneurship is available, individuals will be better off due to more opportunities for eudaimonic well-being. Moreover, individuals choosing wage-employment require employment conditions mimicking the well-being benefits they could derive from entrepreneurship, unless they receive compensation in other ways. Thus, entrepreneurial accessibility facilitates “exit” from otherwise unfulfilling circumstances. For instance, the option to become an entrepreneur enhances individual well-being by encouraging the pursuit of a job or leadership role with more autonomy.

The relationship between entrepreneurial accessibility and well-being may differ depending on the type of entrepreneurship one considers.⁶ For example, opportunity

⁶ A wide-tent conception defines entrepreneurs as “social change agents who, despite the radical uncertainty we all necessarily confront in the world, notice, cultivate, and exploit opportunities to bring about economic, social, political, institutional, ideological, and cultural transformations” (Storr, Haeffele-Balch & Grube, 2015, p. 123). Even though social entrepreneurship may have important linkages to well-being, we elect to focus on profit-driven entrepreneurship in the economic sphere to make the analysis more tractable. The profit-driven category can be further defined and measured. While public discourse often equates the terms entrepreneurship and self-employment or new firm formation, evidence suggests a country that fosters a small share of (Schumpeterian)

entrepreneurs seem to experience greater well-being than necessity entrepreneurs because of the alignment between internal motivation and outward activities (Block & Koellinger, 2009; Kautonen & Palmroos, 2010). Entrepreneurs with higher well-being also appear more likely to persist in their endeavors (Gorgievski et al., 2010; Patel & Thatcher, 2014; Stephan, 2018). The well-being situation seems less positive for necessity entrepreneurs (Bensik et al., 2017; Binder, 2017). Yet, Wiklund et al. (2019) point out that entrepreneurial work may offer much in terms of self-determination and personal fulfillment even for those struggling to make ends meet, “as it provides individuals with a level of freedom and control that allows them to work around their disabilities or turn a bad situation around” (cf. Nikolova, 2019). Entrepreneurs have even been shown to discount financial opportunities that undermine their independence (Wood et al., 2016).⁷ As Baumol and Throsby (2012) note, that an artist, probably “receives two very different types of reward—one pecuniary, one psychological—and that any shortfall in the one must, at least partially, be made up for by the artist’s very high valuation of the other.” The activity is deeply rewarding in itself. The authors stress that the same is likely the case for professionals more generally, including the self-employed (cf. Benz and Frey, 2008).

Baumol and Throsby (2012) suggests that this non-pecuniary reward helps explain why entrepreneurs earn far less than similarly educated and experienced employees of large firms (e.g., Benz & Frey, 2004). Phelps (2020, p. 11) is even more adamant in stressing that people’s innate drive to create can be used as a productive force: “...people from all walks of life, not just scientists and lab technicians, possess inborn *powers to conceive* ‘new things’, ... and a modern society allows and even encourages people to *act* on newly conceived things.”

These activities offer distinct psychic rewards, including the prospects of wealth and fame, which are valuable even if they never materialize. Biographies of the great inventors and entrepreneurs illustrate the excitement and dedication of their work. So, while the representative entrepreneur may indeed be underpaid in terms of financial reward alone, his or

high-growth firms or high-impact firms will see more economic growth (Shane, 2008; Henrekson & Sanandaji, 2014, 2020). Entrepreneurship by employees of the firm, known as intrapreneurship (Parker, 2011, p. 19), has received a growing recognition of its importance in developed economies (Bosma et al., 2012). Furthermore, while entrepreneurial success cannot be known in advance, a crucial predictor seems to be whether entrepreneurship is motivated by opportunity or necessity—whether one becomes an entrepreneur because of a potent business idea or for other reasons, such as a lack of a better means to earn a living—with the former being more conducive to economic growth (Vivarelli, 2013).

⁷ Of course, personal fulfillment is subjective; while some would like to explore outer space, others merely wish to savor the ebb and flow of the seasons in a quiet life. Unlike the hedonic well-being tendency to focus on material goods, the eudaimonic perspective highlights that consumption is only valuable as a means to more fundamental human goals (Sen, 1980). This view of well-being suggests deeper limitations of a “pure” focus on economic gains—in particular, neglecting how the institutional “rules of the game” constrain individual choice.

her total payoff may be closer to what economic analysis prompts us to expect. This leads us to formulate the following proposition:

Proposition 2: There is a positive relationship between entrepreneurial accessibility and personal eudaimonia.

3.3 Path C: Personal eudaimonia and societal eudaimonic equality

We now turn our attention to the third link in our chain, i.e., how an individual's eudaimonic well-being affects society's eudaimonic equality. This is Path C in Fig. 1 (Personal Eudaimonia → Eudaimonic Equality).

While the entrepreneurship literature seldom theorizes on potentially relevant inter-level links and mechanisms (Bjørnskov & Foss 2016), Path C illustrates the “transformational mechanisms” (Kim et al., 2016) by which micro-level actions collectively yield macro-level outcomes. Although the existence of direct micro-to-macro mechanisms remains subject of debate (Ramström, 2018), we follow literature proposing that macro conditions emerge from micro actions that are themselves interdependent, due to interactions that take place within the rules of the game (Kim et al., 2016). Hence, rather than aggregating micro constructs, we consider the processes by which societal well-being (and eudaimonic equality) emerge.

We argue that greater personal eudaimonia brings about greater eudaimonic equality in a society. While it seems fairly straightforward to suggest that increases in personal well-being tend to increase societal well-being (Sirgy, 2020), a more nuanced contention is that greater personal eudaimonia for individuals will result in greater eudaimonic equality. To see this, recall that our notion of eudaimonia builds on the “equality of opportunity” lens, and the “freedoms” individuals share to express their potentials through action (Nussbaum & Sen, 1993). This perspective offers at least two mechanisms by which eudaimonic equality can emerge from individuals' personal eudaimonia as enabled by entrepreneurial accessibility.

The first is what we might call a sociality pathway (Bruni, 2006, 2010), meaning an individual's flourishing is an important input into the flourishing expression of others in their social sphere. Indeed, despite the “autonomy” intrinsic to eudaimonia, the full, “autonomic” expression of the self is also realized through relationships with others. As Bruni (2010, p. 384) stresses, eudaimonic well-being entails a link between happiness and relational goods like “friendship, love, and political commitment,” which can only be enjoyed in reciprocity (Bruni, 2010, p. 394). In addition to increasing societal eudaimonia (Bruno, 2006), personal eudaimonic expression also facilitates a *convergence* wherein personal fulfillment is broadly shared. Hence, the sociality pathway links entrepreneurial accessibility to a widespread potential for society's members to strive for “the good life,” through personal eudaimonia.

As such, the sociality pathway unveils an important difference between the micro-macro processes characterizing hedonic and eudaimonic well-being. Hedonic well-being tends to adopt a relativistic benchmark where one's happiness becomes another's envy—prompting the rise and fall of the “hedonic treadmill” (Kahneman et al., 1999). In the hedonic view, therefore, increases in individual well-being may even yield a *greater* dispersion in well-being—a zero-sum view that may help explain the ambiguous relationship between income inequality and hedonic measures like subjective well-being. By contrast, the eudaimonic lens treats these peer effects not as negative externalities but as integral features of flourishing. In this view, which we may label positive-sum, personal eudaimonia is enacted through the reciprocation of positive engagement with those in one's social sphere. Thus, peoples' flourishing is interdependent (and positively so) with those with whom they share social relations.

The second pathway is what we might call the specialization pathway; here, entrepreneurship itself is the vehicle by which entrepreneurial accessibility facilitates personal eudaimonia in ways beneficial to eudaimonic equality. To see this, note that the pursuit of flourishing through entrepreneurial action tends to yield an increasing range of market opportunities by which others might engage in the pursuit of personal eudaimonia. The increasing specialization offered by the division of labor in a more decentralized labor market enables increasingly complex production processes—including those that extend beyond any one individual's knowledge (Smith, 1776).

While it is true that the extent of the market limits the division of labor, the process of dividing labor functions does not happen automatically; rather, specialization is a byproduct of entrepreneurial action. Entrepreneurs' experiments with increasingly complex production processes do not only create more jobs, but a greater variety of jobs. In turn, people in general benefit from a greater range of options to pursue eudaimonia.

In sum, the expression of the individual's eudaimonia afforded by greater entrepreneurial accessibility will tend to yield not only greater societal eudaimonia, but also greater eudaimonic equality—whether through the social pathway (fulfilling personal relationships) or the specialization pathway (a richer variety of market opportunities). Thus, we formulate the following proposition:

Proposition 3: There is a positive relationship between personal eudaimonia and societal eudaimonic equality.

4. Discussion

4.1 Putting it together

A core premise of our paper is that *how* a society arrives at its economic outcomes matters. Scholars have provided little direction for evaluating the institutional conditions that yield a particular economic pattern—or the implications of such conditions for well-being at a societal level. The well-being that follows from entrepreneurial accessibility can be seen as a crucial benchmark to judge the “quality” of the economic relationships and processes observed in a society. To illustrate how such evaluations might be made, Table 1 distinguishes four societies in terms of their degree of entrepreneurial accessibility and equality of outcomes.

Table 1. Entrepreneurial accessibility and outcome inequality.

	Highly unequal outcomes	Highly equal outcomes
Low entrepreneurial accessibility	A. Differential opportunity through cronyism or discrimination. Innovative entrepreneurship only available to a select few.	C. Differential opportunity from favoritism or violence; zero-sum arrangement. Minimal role for innovative entrepreneurship; weak incentives for market competition.
High entrepreneurial accessibility	B. Schumpeterian process continually rewards innovators and displaces prior winners, conditional on individual endowments. Key role for innovative entrepreneurship.	D. Widely shared long-term benefits of innovation; extensive role for innovative and replicative entrepreneurship.

Consider, for example, two societies (A and B) with similar per capita income and high levels of income inequality, as captured, e.g., by the Gini coefficient, but different levels of entrepreneurial accessibility. When we compare these societies, this accessibility difference matters. Society A has low entrepreneurial accessibility and very unequal outcomes. In other words, inequality is rampant both in outcomes and in the freedom to pursue entrepreneurship. Formal institutions that facilitate cronyism and corruption in practice can generate such a scenario. So, too, can subversive informal norms, such as discrimination. Because opportunities are so unequal, asymmetric treatment of those with economic resources hampers competition (i.e., “the rich get richer and the poor get poorer”). While this scenario does not necessarily imply economic decline—there will still be a potential for real incomes to grow as the benefits of entrepreneurship diffuse—it does suggest a *persistence* of economic inequality. As asymmetries in the institutional framework ensure that the value created remains mostly concentrated in a select group, only those successful in prior periods will continue to have

opportunities to pursue entrepreneurship. This severely limits the pursuit of flourishing and eudaimonic well-being.

By contrast, society B has high entrepreneurial accessibility and very unequal outcomes. This situation is likely due to institutional arrangements that preserve and promote market exchange that is inclusive and widely accessible—at least, in the short-term. A combination of merit, effort, and initial endowments will cause considerable outcome variation. In this realm of Schumpeterian competition, innovative entrepreneurs engender technological change to bring about creative destruction (Jones & Kim, 2018). Yet, although inequality of outcomes is high, entrepreneurial accessibility means the persistence of those outcomes will be low at the individual level. Thus, individuals are not “doomed” to a predetermined fate in their pursuit of flourishing. From an institutional standpoint, the preservation of market competition will mitigate the impact of unequal resource endowments to allow for new economic and non-pecuniary “winners” over time.

A stronger claim is that a society with greater inequality of outcomes may have greater eudaimonic equality than a more “equalized” society, e.g., if that greater equality of outcomes was arrived at because greater reliance on cronyism, violence, or nepotism caused low entrepreneurial accessibility. Political actors may also impose and enforce rules that create asymmetries in the rules in pursuit of their own goals.⁸ Hence, an eudaimonic equality benchmark promotes the availability of opportunity *ex ante* as well as equality of treatment *ex post*—unlike a standard that would seek to equalize “after” economic outcomes are generated. This is consistent with Packard and Bylund (2018) and Hayek (1978), who argue that a focus on relative well-being is likely to be counterproductive since, to arrive at equal outcomes, individuals must be treated unequally—likely to the detriment of the level of eudaimonic well-being in society. For example, a 100 percent marginal tax rate might equalize opportunity by altering interpersonal constraints, but it also renders individual investments in human capital (economically) worthless. Hence, it would deter innovative entrepreneurship and increase the likelihood that highly equal (and poor) economic outcomes persisted.

Scenario C corresponds to a society with low entrepreneurial accessibility *ex ante* yet highly equal outcomes *ex post*. While this scenario may seem unlikely at first, such a situation characterizes societies that feature significant amounts of cronyism or corruption and weak political protections to market entrepreneurs. In this scenario, the rewards to entrepreneurial

⁸ We thank an anonymous reviewer for pointing out that institutional rules are not solely beholden to private interests—political actors certainly influence the formation of these rules and institutions. Politicians too can have great influence on the outcomes of business (e.g., Ge et al., 2017).

effort do not stem from innovation but rather from corruption and violence. When effort is directed to these coercive types of resource transfers, the result is not merely redistribution; resources are destroyed in the competitive process to get ahead (Baumol, 1990). This stymies overall economic development while generating more equal outcomes. Such a situation is likely to persist in the absence of market-supporting institutions.

Finally, Scenario D corresponds to a society with high entrepreneurial accessibility and high equality of outcomes. We suggest that this is the long-run state of the entrepreneurial society. In such a world, the Schumpeterian process becomes sufficiently dynamic that the benefits created by “big winners” improve opportunity and quality of life for most people. Rewards are distributed widely, simply because competitive processes yield a rich combination of innovative and replicative entrepreneurship benefiting consumers (Aghion et al., 2018).

Overall, our discussion highlights how entrepreneurial accessibility can be used to evaluate societies through an eudaimonic lens (Senik, 2011). As mentioned, a critical link exists between societal and individual well-being and the possibility to act entrepreneurially, with roughly 80 percent of an innovation’s value going to parties who are not directly involved in its creation and exploitation (Baumol, 2002). To be sure, differences in financial resources do constrain the choice sets of individuals but many of the options in the entrepreneurial choice set discussed in the previous section are relatively low-cost. Thus, it is possible to structure the institutions conducive to entrepreneurial accessibility in a way that recognizes several paths to flourishing. Under these conditions, some individuals may pursue the maximization of economic wealth, while others seek personal eudaimonia through less resource-intensive means. Because entrepreneurial behavior is such a vibrant, promising path to human flourishing (Nikolaev et al., 2020), equality of well-being is perhaps even more closely linked to the freedom to choose entrepreneurship than to the inequality of economic outcomes. Economic development is about more than economic resources. Greater entrepreneurial accessibility is likely desirable for any given economic prosperity level and distribution, because it means that more people possess the freedom to flourish (Phelps, 2013). By contrast, low entrepreneurial accessibility will entrench established interests and foster the kind of social stratification decried by many scholars of inequality (e.g., Holcombe & Boudreaux, 2016; Stiglitz, 2012), while also impeding eudaimonia.

To be sure, a society in which everyone is “entrepreneurial,” in the sense of being a small business owner, will likely not maximize either eudaimonia or economic growth. Instead, evidence suggests that a small number of high-impact firms are crucial for net job creation and economic growth (Henrekson & Johansson, 2010; Acs, 2008; Coad et al., 2014). In an

institutional environment favorable to high-impact entrepreneurship, entrepreneurs will create many jobs that provide value without requiring most people to bear the uncertainty of entrepreneurial venturing.⁹ Still, the opportunity for entrepreneurship matters even if not exercised. Broad entrepreneurial accessibility will generally benefit high-impact entrepreneurship: when people in large numbers have the *option* to behave entrepreneurially, they will choose to pursue those ends that they believe will maximize their well-being. Though not always, this often dovetails with economic processes yielding investment opportunities, high productivity jobs, and a high return on human capital (Ahlstrom, 2010), spurring people to acquire valuable knowledge and skills through schooling and work.

4.2 Implications for entrepreneurship research

This paper demonstrates how researchers interested in distributive justice can focus on the factors that influence individuals' potential to participate in and benefit from entrepreneurship—particularly among the economically disenfranchised. Embracing entrepreneurial accessibility may make entrepreneurship scholars better placed to specify the nature of economic outcomes for individuals, firms, regions, and societies. In our view, the link between entrepreneurial accessibility and eudaimonia makes the former a measure of well-being that is at least on par with real income or consumption. An important empirical question that arises is exactly how significant entrepreneurial accessibility is for personal eudaimonia relative to, for instance, individuals' human capital, and/or whether the link is conditional on individual aspirations or abilities.

Our work also suggests the need to examine the assumption that income inequality is inherently detrimental to well-being, as this relationship appears highly nuanced. For instance, Ngamaba et al. (2018, p. 593) suggest that the confluence of income inequality, growth, and mobility can result in greater life satisfaction. While controlling more economic resources clearly expands the consumption options of the individual, *the manner in which those resources are acquired* is vitally important. As a societal benchmark, the equalization of economic outcomes may unintendedly usurp the development and pursuit of those individual aspirations that are so foundational to human flourishing—the same pursuits that generate the immense social returns of entrepreneurship for economic development (Nordhaus, 2005). Although the value creation potential of entrepreneurship is known to vary with the institutional framework (Baumol, 1990), the extant literature largely ignores the institutional antecedents that shape the relationship between entrepreneurship and equality of well-being (Bapuji et al., 2020).

⁹ In addition, this is probably more in line with most people's preferences (e.g., Hakim, 2000; Gardner, 2011)

Nevertheless. Thus, our argument that institutions conducive to productivity also affect entrepreneurial accessibility is an important step forward.

Our propositions and model relate to bidirectional relationships and were thus not intended to promote a specific “DV-IV” regression *per se*. At the same time, we readily invite future research on the operationalization eudaimonic equality and the empirical testing of various mechanisms in our model. Data sources such as the Legatum Prosperity Index¹⁰ has 10 pillars associated with prosperity, two of which—empowered people and economic equality—are pertinent to our discussion. Sources such as humanprogress.org, the Frasier Institute, the World Bank, Gallup, etc. compile data from various sources related to institutions, prosperity, and entrepreneurship. A rich variety of tools are available to researchers seeking to operationalize the eudaimonic equality construct. As the measurement of well-being itself is also subject to ongoing debate (Lee et al., 2021), scholars should be clear about the nature and limits of their operationalization choices when building out societal eudaimonia and eudaimonic equality.

4.3 Implications for policy

Our argument is that institutions matter to entrepreneurial accessibility and eudaimonia in two primary ways: (i) by making the freedom to act entrepreneurially as decoupled as possible from people’s socio-economic background; and (ii) by ascertaining that the resulting entrepreneurship is as socially productive as possible. Institutions like stable property rights and the rule of law do much to facilitate entrepreneurial accessibility. For instance, property rights protection and the rule of law facilitate the functioning of capital markets—whereby individuals can overcome challenging socioeconomic backgrounds to pursue entrepreneurship. Yet, this does not mean that striving toward greater accessibility ends with these factors. It may also be enhanced by improving the institutional framework in such varied areas as education (especially entrepreneurship training), employee stock option tax policy, and bankruptcy legislation. Moreover, these institutional conditions do not operate in isolation—rather, they interact with norms, values, and ideas (McCloskey, 2016). Ultimately, the ability of policymakers to proactively promote entrepreneurial success remains subject to debate—and relies on potentially untenable assumptions (Lucas et al., 2018). A more modest, yet realistic, policy prescription may be to identify and remove institutional conditions that are broadly inconsistent with entrepreneurial accessibility. This would position the policymaker as a kind of referee, charged with suppressing violations of the promotion of eudaimonic equality.

¹⁰ The Legatum Institute (2020), <https://www.prosperity.com/about/resources> (accessed: 01/06/21).

When entrepreneurial accessibility increases, economic outcomes will likely become more fluid and merit-based, yielding significant value creation that is widely dispersed among consumers and innovators. While this process is crucial, an equally worthy challenge would be to strive to create a society within which individuals can exercise agency to create a good life for themselves and their fellow humans – and not just in terms of economic value. As recently noted, “democracy and entrepreneurship are manifestations of the same underlying force—freedom of thought, decision-making and action” (Audretsch & Moog, 2020, p. 18). Stimulating eudaimonia in one of these spheres (entrepreneurship) may increase participation and involvement in the other.

5. Conclusion

We explored the relationship between institutions, entrepreneurial accessibility, and eudaimonic well-being. Entrepreneurial accessibility—the freedom for individuals to engage in entrepreneurial venturing in the economic sphere—was at the center of this discussion. Our core premise is that when society’s institutions yield high entrepreneurial accessibility, this freedom enables greater personal eudaimonia as well as greater eudaimonic equality at the societal level.

High entrepreneurial accessibility mitigates asymmetries in external endowments while allowing internal endowments, preferences, and choices to vary. In turn, high entrepreneurial accessibility strengthens the link between entrepreneurship and well-being, both at the individual and societal levels. Our framework highlights the institutional prerequisites for human flourishing, suggesting nuanced implications of (unequal) economic distributions. A true normative assessment of an aggregate income and wealth distribution, whether equal or unequal, must not overlook the process that has produced the distribution in question and how that has affected eudaimonic well-being.

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