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SUMMARY

LEGITIMIZING THE STUDY OF ILLEGAL ENTREPRENEURSHIP

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Principal Topic

Little research has been conducted in the area of illegal entrepreneurship, of this research, the majority has focused on comparing and contrasting the similarities between legal and illegal ventures (e.g. Morselli, 2001; Naylor, 2004; Paoli, 2002) or describing how they function (e.g. Fadahunsi & Rosa, 2002; Liddick, 1999; Van Duyne, 2000). Based on even these few studies, the importance of including research on illegal entrepreneurship has become apparent. For example researchers have shown that young drug dealers in the United States are 11% to 21% more likely to become legitimate entrepreneurs than non-drug dealers, *ceteris paribus* (Fairlie, 2002) and younger entrepreneurs, with illegal entrepreneurship experience in Lithuania, significantly out perform and are more motivated than those without such prior experience (Aidis & Van Praag, 2007).

At present in most of the United States activities such as *drug dealing*, the sale of illegal substances or the unlicensed sale of legal substances; *prostitution*, the act of selling oneself for sexual purposes; and *scalping*, a form of arbitrage in which an individual sells a product or service at a price much higher than the official price; are just a few examples of what could be viewed as illegal entrepreneurship. Setting aside the moral implications and safety issues of such activities, many of these illegal ventures operate in much the same manner as traditional entrepreneurial ventures (Paoli, 2002). They often require employees, managers, and even supply chain management. Thus, it is important to study these types of entrepreneurs (Baumol, 1990; Davidsson, 2004). This is not to say that all illegal activities merit academic study. The individual, who steals money or property, while possibly enterprising, is not acting entrepreneurial. The distinction lie in the future potentiality of the activity, that is, if it is foreseeable that the action could be legalized at some future point, or in some alternative form, then I argue that it is appropriate for current academic study.

Implications

The study of illegal entrepreneurship may offer insights into the measures necessary to reorient illegal entrepreneurs into legal ventures (Aidis & Van Praag, 2007), expand our understanding of the effects governance plays on traditional entrepreneurship through the comparison to non-governed illegal ventures, and the role that society needs to play in the governance of highly questionable ventures.

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