

Why do disequilibria exist?
An ontological study of Kirznerian economics

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Abstract

In his influential critique of mainstream economics, Israel Kirzner rejected the notion of equilibrated economies in an attempt to develop a realistic account of the workings of entrepreneurial markets. Key to Kirznerian analysis are the arguments that 1) economies do not equilibrate because there always exist unexploited opportunities, and 2) opportunities remain unexploited until “entrepreneurially alert” individuals discover them. This paper draws from Tony Lawson’s philosophy of economics to explain that Kirznerian economics is no more realistic than mainstream. According to Lawson, it is the ontological commitment to closed systems thinking – not superficial theoretical features such as equilibrium – that makes mainstream economics unrealistic. I argue that Kirzner’s theoretical system similarly presupposes a closed system ontology. Whereas the mainstream worldview presumes the instant exploitation of opportunities, the Kirznerian worldview presumes their delayed yet unavoidable exploitation. The ontological critique of Kirznerian economics simultaneously facilitates the reorientation of entrepreneurship theory towards genuinely realistic modes of thought. This is feasible once we acknowledge the non-empirical ontology of “entrepreneurial opportunity” and concomitant fallibility of the “entrepreneurial imagination”: opportunities remain unexploited because (*inter alia*) their existence is known only after their actualisation. The existence of economic disequilibria does not require non-actors who are blind to opportunities, and there is no mysterious force of “entrepreneurial alertness” guaranteeing their eventual exploitation and inevitable movement towards economic equilibria.

Key words: Ontology, Israel Kirzner, Tony Lawson, Entrepreneurial alertness, Equilibrium theory, Deductivism, Austrian economics, Uncertainty, Entrepreneurial opportunities, Discovery perspective, Actualisation perspective, Contrast explanation, Absence explanation

JEL Classifications: B21, B31, B41, B50, M21

1. Introduction

It is commonplace that mainstream economic theory has no place for entrepreneurship (Baumol, 1968; Casson [1982]2003). Israel Kirzner developed his influential theory of entrepreneurship through a critique of mainstream economics (Kirzner, 1973; 1979; 1985; 1992). According to Kirzner, the mainstream worldview is patently unrealistic. The notion of equilibrated economies assumes an opportunity-free world, although in the real world there always exist unexploited opportunities. Accordingly, Kirzner discerned the possibility of a realistic theory of entrepreneurship in explaining economic disequilibria. Since disequilibria exist when opportunities remain unexploited, Kirzner developed his theory of “entrepreneurial alertness” in order to tackle the puzzle of real-yet-unexploited opportunities: Disequilibria exist because the scarcity of alertness ensures that the majority of market participants will fail to see opportunities staring them in the face. It is the presumed scarcity of this entrepreneurial quality that guarantees that opportunities will remain unexploited only to be discovered later by the alert market participants. This (supposedly) realistic theory forms a foundational pillar of contemporary entrepreneurship research (Shane, 2000; Shane and Venkataraman, 2000) (see also Ramoglou, 2021; Wood and McKinley, 2020).

I argue that the Kirznerian conceptualisation of disequilibrium is no more realistic than the mainstream equilibrium. Both worldviews rely on closed systems thinking. The mainstream worldview assumes that there are no opportunities: Had they existed, they would have been exploited (Arrow, 1974). The Kirznerian worldview assumes that there are no unperceived opportunities: Had they been perceived they would have been exploited. Kirzner effectively rejects the mainstream worldview for the wrong reasons. He rejects the fallacious mode of reasoning that “if an opportunity exists” then “an opportunity is exploited” because he assumes that “if one perceives an opportunity” “then one exploits an opportunity”. Central to our analysis is Lawson’s core (1997; 2003) philosophical insight that the distinctive

problem with the lack of realisticness of mainstream economics lies in the unexamined reliance on deductivism, i.e. the doctrine that the structure of scientific explanation requires regularities of the form “whenever x then event y” (Lawson, 2003: 5). It is the doctrinal commitment to deductivism that makes mainstream theory patently unrealistic, since it unavoidably presupposes an ontology of closed systems of isolated atoms in a social reality that is quintessentially open. Yet, heterodox critics frequently misattribute the problem of unrealisticness to superficial theoretical features, such as “equilibrium” and “rationality”; thus, they fail to take criticism deep enough at the level of ontology. They correct surface theoretical features of the mainstream edifice yet leave its deductivist scaffold untouched (Lawson, 2013).

Kirzner’s heterodox contribution is a fine illustration of Lawson’s argument. The appreciation that mainstream economics is unrealistic due to the core commitment to the methodological doctrine of deductivism might have enabled Kirzner to appreciate that “equilibrium” is essentially a substantive expression of the closed systems ontology presupposed by deductivism. This realisation could, in turn, facilitate the development of a more realistic theory of disequilibrium in accounting for the real-world conditions capable of explaining the puzzling phenomenon of “unexploited opportunities”. I turn to line out how an ontologically reflective perspective might look. Key to this end is the realisation that, once we take cognisance of the ontology of opportunities prior to their actualisation (Ramoglou and Tsang, 2016; Ramoglou, 2021), the expectation of their earlier (let alone unavoidable) exploitation dissipates. In effect, whereas Kirzner explained that opportunities must exist unexploited due to the widespread lack of the quality of “alertness” to presumably obvious opportunities, I counter that there is a multitude of causal factors capable of explaining why imagined and possible states of the world may remain unactualised.

Moreover, we will entertain the possibility that Kirzner failed to afford an ontologically sustainable explanation of disequilibrium due to his preoccupation with the puzzle of efficient coordination in non-centrally planned economies (Kirzner, 1973; 1988), animating economists in the interwar period (von Mises, [1920]2009). The theory of alertness can be understood as a (failed) attempt to offer a superior “system solution” (Lawson, 1997) in place of equilibrium theory, which Kirzner rejected as incapable of shedding light on the central “knowledge problem” of economic order (see also Hayek, 1945). Besides the intended contribution to the intellectual history and foundations of entrepreneurship theory, this paper also contributes to the methodology of open systems research (Pratten, 2007; Lawson, 2008). It calls attention to the distinction between actualist and deep explanations of absences; and suggests that Kirznerian scholarship is instructive of the ways in which explanatory efforts fail to shed light on social reality when ontologically unjustified expectations about what *must be the case* encourage actualist explanations of absences.

The paper is structured as follows. The next section reviews Kirzner’s critique and heterodox development in a manner that explicates the ontological structure of the Kirznerian worldview. The third section uncovers the epistemological foundations of Kirznerian economics in light of Lawson’s philosophy of economics. The following section juxtaposes an ontologically reflective explanation of the conditions of possibility of unexploited opportunities. The fifth section is a discussion.

2. The Kirznerian critique and worldview

2.1 The Kirznerian critique of economic equilibrium

Entrepreneurship cannot fit the mainstream framework (Baumol, 1993; Gimenez-Roche, 2016). Economies are “unrealistically quiet and static” (Nelson and Winter, 1982: 98) and economic change is treated “as either unimportant or illusory” (Winter, 1986: 429). In the

world of economic orthodoxy, “there is no room left for entrepreneurial activity” (von Mises, 1949: 253), and “the possibility of pure profit itself is something of an embarrassing paradox” (Kirzner, 2000: 67).

When Kirzner began studying the metaphysics of entrepreneurship, the Schumpeterian entrepreneur (Schumpeter, [1934]1983) led the way in accounting for the possibility of economic change. Kirzner (1973) rejected the Schumpeterian treatment, because it did not depart from the equilibrium premise: “the entrepreneur is, in the Schumpeterian view, pushing (what might otherwise have been) an equilibrium market, away from equilibrium” (2009: 146). Drawing from Misesian (von Mises, 1949) analysis, Kirzner more fundamentally rejects the very idea that an economy may ever equilibrate. For Kirzner, “the somnolence of equilibrium” (1973: 127) is deceptive, since opportunities do always exist beneath superficially stable (“equilibrated”) states of economic affairs: “the status quo is nothing but a seething mass of unexploited maladjustments crying out for correction” (1979: 119).

Kirzner effectively extends the Misesian critique of equilibrium. He nevertheless privileges the concept of “unexploited opportunity” in order to communicate the perennial existence of possibilities for the more efficient allocation of resources. Thus, he contests the Schumpeterian perspective as follows:

Instead of entrepreneurs grasping the opportunities available ... the [Schumpeterian] entrepreneur is pictured as generating disturbances in a fully adjusted circularly flowing world in which *all opportunities were already fully and familiarly exploited* (Kirzner, 1979: 118).

According to Kirzner, Schumpeter inadvertently reproduced a core metaphysical doctrine of mainstream economics by misreading the absence of empirical change as the attainment of equilibrium:

every pair of individuals must be taken advantage of at the very instant when such an opportunity emerges into existence. This assumption simply rules out, even for the briefest span of time, the possibility of an available, as-yet exploited opportunity (2000: 261).

To claim that, at any given instant, all conceivably relevant available opportunities have been instantaneously grasped, is to fly in the face of what we know about real world economic systems (1997a: 65).

For Kirzner, the instant exploitation of opportunities is a particularly unrealistic assumption hindering the development of understanding of the equilibrating *process* of real-world markets.¹

We may grant Kirzner that – in his insistence that there do always exist unexploited opportunities – he grasped an important transcendental realist insight about ontological depth (see Ramoglou and Tsang, 2016). Although this ontological insight was lost in careless theoretical practices (see later discussion), the category of “unexploited opportunities” powerfully communicates the fact that we live in a world in which the possible is out of sync with the actual (Bhaskar, 1978; Lawson, 1997). In this paper, we will take issue with the fundamental, for the Kirznerian worldview, mechanism of “entrepreneurial alertness”. But first, we ought to develop sufficient levels of clarity about the logical role of alertness in the Kirznerian worldview. Let us examine the precise manner in which the scarcity element of the “alertness” theory makes the notion of Kirznerian disequilibria ontologically possible.

2.2 An unbearably perfect world

The notion that entrepreneurship requires the possession of some rare quality of “entrepreneurial alertness” emerges from a transcendental critique of the mainstream worldview. A transcendental argument is “the form of reasoning that takes us from widespread features of experience ... to their grounds or conditions of possibility” (Lawson, 2003: 34) (see also Stroud [1968] and Viskovatoff [2002] on this form of argumentation). Kirzner ponders what the case must be in order for our economic worldview to come closer to the world as we know it. He achieves this by negating the mainstream assumptions that

¹ Kirzner also deems that to posit creative entrepreneurs (or external shocks) to account for the conditions of change is an unsatisfactory metaphysical manoeuvre, because it unreflectively presupposes that change is not possible given the current structure of a system (cf. Kirzner, 1997a: 35). He thus makes disequilibrium (understood as a world in which there do always exist unexploited profit opportunities) the fundamental premise on which he erects his theoretical system.

logically disallow the existence of unexploited opportunities. Specifically, Kirzner juxtaposes the presumption that “no opportunities for pure profit can possibly exist” (Kirzner, 1997a: 70) against the widespread feature of economic experience – or as he put it “what we know about real world economic systems” (Kirzner, 1997a: 65) – that opportunities *do* exist. His solution to the puzzle of real-yet-unexploited opportunities lies in his rejection of the reason hindering mainstream thinkers from grasping the existence of this puzzle in the first place – viz., the *perfection of knowledge*.

More specifically, Kirzner draws from Hayek’s insight into the ontological conditions of equilibrium:

the concept of equilibrium merely means that the foresight of the different members of the society is in a special sense correct ... Correct foresight is then not, as it has sometimes been understood, a precondition which must exist in order that equilibrium may be arrived at. It is rather the defining characteristic of a state of equilibrium (Hayek, 1937: 41-42).

It is in Hayek’s transcendental critique that Kirzner discerns the solution to the problem of unexploited opportunities (see also Hayek, 1945). Having identified omniscience as “the essential condition” (1979: 110) for the possibility of market equilibrium, he accounts for the possibility of unexploited opportunities through the introduction of “ignorance”:

If all market participants were omniscient, prices for products and prices for factors must at all times be in complete mutual adjustment, leaving no profit differential; no opportunity for the worthwhile deployment of resources, through any technology knowable or for the satisfaction of any consumer desire conceivable, can be imagined to have been left unexploited. *Only the introduction of ignorance opens up the possibility of such unexploited opportunities* (and their associated opportunities for pure profits), and the possibility that the first one to discover the true state of affairs can capture the associated profits by innovating, changing, and creating (Kirzner, 1979: 67; emphasis added).

In all, Kirzner revitalised von Mises’s critique of equilibrium through the category of “real-yet-unexploited opportunities” that he (ontologically) accommodated by refuting the restrictive for the possibility of opportunity-existence (epistemological) presumption of omniscience. This philosophical exercise facilitates the reorientation “from a world in

complete equilibrium, in which knowledge is perfect, toward the disequilibrium world, in which knowledge is far from perfect” (Kirzner, 1979: 38).

But precisely how is Kirzner’s worldview less than perfect?

2.3 A closer look into Kirzner’s world of “imperfection”

Kirzner’s introduction of ignorance does *not* relax the assumption of omniscience. Kirzner’s attention to ignorance relaxes the *universalism* of the assumption of “universal perfect knowledge” (Kirzner, 1997a: 22). Ignorance does not concern “alert” actors who remain omniscient (e.g., Kirzner, 1979: 174). Ignorance applies to non-alert actors who lack the quality of alertness that would have enabled them to notice opportunities earlier.

Kirzner’s scarcity theory of alertness effectively addresses Hayek’s vague thesis regarding the existence of a tendency towards equilibrium (Lawson, 2005: 440). As Hayek had acknowledged, “we are still pretty much in the dark about (a) the *conditions* under which this tendency is supposed to exist and (b) the nature of the *process* by which individual knowledge is changed” (1937: 44). For Kirzner, the condition under which this tendency exists is widespread ignorance, whereas this tendency is energised through the individuals capable of noticing what others fail to perceive. In the Kirznerian framework “the real economic problems in any society arise from the phenomenon of unperceived opportunities” (Kirzner, 1979: 12) and the rare quality of “entrepreneurial alertness” is the antidote to this problem (ibid: 8).

It should be noted that the concept of alertness is notoriously elusive and loose in Kirznerian analysis (Foss and Klein, 2012; 2020; McMullen and Shepherd, 2006). However, it is treated as some sort of “gift” enabling entrepreneurs to peer “into the future through the inescapable fog of ignorance” (2016: 21):

The truth is that the ability to learn without deliberate search is a gift individuals enjoy in quite different degrees. It is this gift surely, that we have in mind when we talk of entrepreneurial alertness. Entrepreneurial alertness consists, after all, in the ability to notice without search opportunities that have been hitherto overlooked (1979: 148).

Its elusive quality aside, entrepreneurial alertness is an essential feature of the Kirznerian system: It is its presumed scarcity that makes economic disequilibria possible. It is the failure of so many market participants to see opportunities that enables Kirzner to reject the notion of equilibrated economies as an “obviously false assumption” (Kirzner, 2000: 262) and ontologically secure the existence of opportunities (to be subsequently exploited by alert entrepreneurs). It follows that although “entrepreneurial alertness” and “entrepreneurial opportunities” figure as the core features of the Kirznerian framework,² the ontological foundations of the Kirznerian worldview lie elsewhere: it is the *non*-alert agents that define the essence of the Kirznerian worldview – *not* the alert agents or opportunities.

If Kirzner’s confidence in the existence of disequilibria is grounded on the existence of non-alert agents, what is his source of confidence regarding the existence of such agents in the first place? What makes Kirzner infer that the continued existence of opportunities “*must mean* that they have been overlooked” (Kirzner, 1979: 110-111; emphasis added)?

3. The epistemological foundations of the Kirznerian worldview: A Lawsonian critique

This section draws from Lawson’s (2003; 2013) philosophy of economics to critically evaluate Kirzner’s scarcity theory of alertness. Lawsonian insights facilitate the realisation that, akin to the mainstream worldview, the Kirznerian worldview is a closed system of isolated atoms. Kirzner posits the scarcity theory of alertness, because he more fundamentally supposes that events of “opportunity perception” must be constantly conjoined with events of

² This is not to say that Kirzner’s contribution is exhausted in the role of entrepreneurial alertness as the driving force of the market process. Kirzner also highlights the salience of institutional arrangements necessary for entrepreneurial markets to work efficiently. As stressed by Boettke: “The entrepreneurial element in human action is omnipresent, but the efficiency of the entrepreneurial market process is institutionally contingent. ... Within an institutional framework of moral and legal principles that protect private property and the freedom of contract, Kirzner has throughout his career explained how the entrepreneurial market process continually adjusts to ensure that peace, prosperity and progress are achieved” (2014: 245) (see also Boettke and Leeson, 2003; Boettke, 2011). Our critical analysis of the Kirznerian worldview does not question the necessity of the “right” institutional conditions posited by Kirzner. What we will critically scrutinise is whether the appropriate institutional framework is sufficient for economies to reach the kind of optimisation envisioned by Kirzner’s reliance on the mysterious force of “alertness”.

“opportunity exploitation”. We clarify that this inference is not problematic because it is deductive: It is problematic because it is ontologically unreflective. The present section will further help us 1) appreciate that Kirzner’s attention to the surface theoretical features of “equilibrium” prevented him from affording a genuinely realistic theory of disequilibrium, and 2) facilitate the concomitant reorientation of entrepreneurship theory towards more ontologically reflective accounts of the possibility of entrepreneurship.

3.1 The fundamental problem with mainstream economics

The essence of mainstream economics is habitually attributed to substantive assumptions; particularly, the assumptions of “rationality” and “equilibrium” (e.g., Colander et al., 2004; Davis, 2006; Hoover, 2016). Departing from this standard treatment, Lawson identified the essence of mainstream economics in its metaphysical preoccupations (see, particularly, Lawson, 2013; see also Lawson, 1997: 16-19). According to Lawson, mainstream economics’ essential feature resides in its enduring commitment to deductivism; that is, the doctrine that all explanation can (in principle) be couched in event regularities of the form “if event(s) X, then event(s) Y invariably follows”.

From this analytical vantage point, substantive theories of perfect knowledge, rationality or equilibrium are *not* essential to the mainstream project. They are only the ontological flipside of what is truly essential; namely, the epistemological commitment to deductivism – best manifest in the contemporary dominance of mathematical modelling (Lawson, 2013: 950, 981) (see also Bigo and Negru, 2014). The worldview characterised by rational-optimising actors inhabiting equilibrated systems is simply the theoretical expression of the ontology of closed systems that *must* be presupposed in order for deductive modes of inference (and by extension prediction) to emerge as a reasonable epistemological expectation (Lawson, 1997; 2019).

Notably, this worldview is atomistic. An “atom” does not refer to matters of size. It “refers to anything that (if triggered) has the same independent effect whatever the context” (Lawson, 2013: 954). It is only an ontologically oversimplified world comprised of atoms that can guarantee the production of “if X, then Y” modes of inference of the type produced in tightly controlled experimental settings (Bhaskar, 1978: 30-35). In order to lend plausibility to the epistemological credence of mainstream economic analyses, the atoms should be intrinsically stable and “must be assumed to act in isolation from any countervailing factors that could interfere with the outcomes” (Lawson, 2013: 954).

Last, the methodological adherence to deductivism commits mainstream economics to an ontologically destratified – or flat – worldview; namely, a conception of the world according to which “what could be, is” (Martin, 2009: 519) since “potential is reduced to its exercise and its exercise successfully actualised” (Lawson, 1997: 106). This worldview is necessary for the task of grounding the necessity between the events that form “if X, then Y” conjunctions. In complex systems events just *happen*, in the sense that they need not occur in the absence of intervening factors (Ayers, 1968; Bhaskar, 1978). And, on a conception of the world characterised by *contingently* emergent events, the ideal of prediction at the heart of the mainstream project is fundamentally threatened. Sequences between events cannot be reliably generalised, and we cannot confidently expect X-type events to be invariably followed by Y-type events.

3.2 The logical structure of the Kirznerian inference

The Kirznerian inference that non-actors do not see opportunities is grounded on deductive reasoning. It is the presumption that events of “opportunity perception” are invariably dovetailed with events of “opportunity exploitation” that leads Kirzner to conclude that non-

entrepreneurs must be non-alert. Kirzner relies on a *modus tollens* syllogism that can be formally represented as follows:³

(P₁): $p \supset q$

(P₂): $\sim q$

$\therefore \sim p$.

The absence of events of “opportunity perception” ($\sim p$) is inferred in the absence of events of “opportunity exploitation” ($\sim q$) because it is assumed that these events must be constantly conjoined ($p \supset q$).

Deductivism is not a universally valid position in social theorising given the nature of social phenomena. However, this does not mean that instances of deductive reasoning cannot be employed – it depends on the context. Importantly, Lawson does not take issue with deductive reasoning itself. Law-like statements describing event regularities can indeed capture what happens in the real world. But there is a strong caveat: They can be plausibly applied only when such regularities occur in closed systems. For example, it is perfectly sound to say that “if water is boiled at 100°C (q) it will evaporate” after having observed that water invariably evaporates at 100 °C (p) and established inductively the veracity of this conditional sentence. It is then perfectly sound to infer the absence of the appropriate temperature when water does not evaporate. Lawson does not rule out that empirical regularities can occur in social contexts either (for certain regions and/or periods of time) (Lawson, 2003; 2009a). But such regularities should be established empirically – they cannot be postulated *a priori*. Alas, Kirzner’s logically central premise about the constant conjunction between “opportunity perception” and “opportunity exploitation” does not

³ P₁ stands for the conditional sentence: “if opportunity perception, then opportunity exploitation”. P₂ stands for the empirical premise: “opportunities existed unexploited”. These two premises lead to the conclusion (\therefore) “opportunities existed unperceived”.

emerge from empirical research. P_1 is not inductively inferred from cases in which the perception of opportunity is constantly conjoined with the initiation of entrepreneurial action.

But still, the reliance on deductive modes of reasoning should not be dogmatically dismissed as a reliable source of knowledge, even in the absence of empirical investigations. Oftentimes, empirical scrutiny can be rationally circumvented. This can be the case on the (rather special) occasions in which the absence of the antecedent from the absence of the consequent may be confidently inferred. More precisely, these are cases in which it is *redundant* to empirically test our presumptions. Sometimes, it is simply unintelligible that things could have been otherwise. For example, we need not reassure ourselves that World War III has not broken out every single day by searching in the details of the news. Had WWII broken out, we would be aware of it. It would be headline news and not buried on the inside pages (to say the least).

The problem with Kirznerian reasoning is that it treats the presence of the antecedent (opportunity perception) in the absence of the consequent (opportunity exploitation) as similarly unintelligible. Yet, contrary to situations in which ontological reflection suggests that this mode of reasoning can be trusted in the context of open systems (such as the example of WWII), the epistemological underpinnings of Kirzner's confidence are *not* ontological. They are only metaphorical.

3.3 The metaphorical underpinnings of the core premise

I submit that the sources of confidence of the “opportunity perception”—“opportunity exploitation” conjunction are essentially metaphorical. Such epistemological illusions are common when our abstract reasoning processes about the world are led astray by analogies crudely drawn from our interactions with empirical reality (Wittgenstein, 1958; Fischer, 2006). Once opportunities are treated as realities that have some sort of causal interaction with entrepreneurs (like “dollar-bills”), it is difficult to think how events of “opportunity

perception” may *not* be constantly conjoined with events of “opportunity exploitation”. Effectively, it is difficult *not* to infer that the *presence* of unexploited opportunities must mean the *absence* of instances of opportunity perception.

It is worth noting in this regard that the rigidity of the “if-then” logic implicit in Kirznerian reasoning is structurally identical to the mode of reasoning that we trust when conducting experiments in the closed system of the laboratory (Bhaskar, 1978). Consider, as a mundane example, the study of whether some sort of metal is ferrous by moving it towards a magnet: *If* it is ferrous, *then* it must react. This pattern of reasoning is most reliably projected in the context of human action when considering our visual interaction with objects of the world: If a dollar enters our visual space, then we *will* see it and further *know* that the event of “grabbing the dollar” will *necessarily* follow the event of “extending our arm”.

Notably, this mode of reasoning facilitates Kirzner’s atomistic treatment of market participants. Opportunity is treated as a “trigger” and economic actors are not different from atoms having “the same independent effect whatever the context” (Lawson, 2013: 954). The vast majority of market participants is blind to opportunities and this ensures that an opportunity goes undetected until an alert actor passes by. Nowhere does Kirzner allow for the possibility of a perceived yet unexploited opportunity: either alertness or opportunity must be absent.

We may now turn to conduct an ontologically-informed analysis of the central phenomenon of unexploited opportunities. This will help us more thoroughly appreciate how distorting the core analogy is; and, in a more constructive spirit, reorient entrepreneurship theory towards more realistic explanations of economic disequilibria.

4. Why do disequilibria exist? Towards ontologically reflective explanations

In §2.3, we saw how Kirzner endeavours to account for the existence of unexploited opportunities through the scarcity view of entrepreneurial alertness. In this section, we will see why Kirzner is erroneous in his supposition that the continued existence of opportunities “must mean that they have been overlooked” (Kirzner, 1979: 110-111). This conclusion emerges as necessary only if we turn a blind eye to the realities of entrepreneurship experienced by real-world entrepreneurs. Conducting the analysis through the lens of contrast explanation (Lawson, 2003; 2009b) will facilitate a more profound understanding of the metaphysics of the entrepreneurial worldview. It should also help document two distinct explanatory practices in the face of the same absence – the actualist versus the deep explanations of puzzling absences.

4.1. Non-alertness as an actualist explanation of a puzzling absence

According to Lawson, when we explain we typically want to understand why something did not turn out as expected (see particularly Lawson, 2003: 77–109; Lawson, 2009b; see also Morgan and Patomäki, 2017). When our expectations are contradicted, we have the opportunity to learn something by correcting the understandings responsible for sustaining fallacious expectations. The method employed to explain critical contrasts is an error-correcting process, which Lawson analytically dissects in three stages:

- (1) An achieved level of understanding or knowledge of the relevant domain, giving rise to expectations ...
- (2) Reason(s) to challenge the achieved level of understanding involving:
 - (i) Psychological factor(s), such as surprise ... [and/or] (ii) Epistemological factor(s) [and]
- (3) A process of revising the original understanding to meet the challenge posed at stage (2). (2009b: 411)

Although Lawson’s analysis is geared towards the explanation of puzzling presences, the very same methodological insights apply to the study of puzzling absences. Let us study how Kirzner’s scarcity theory of alertness emerges as an explanation of a puzzling absence and, following that, examine how the absence can be explained differently.

At stage (1), the existence of unexploited opportunities raises the strong expectation of events of entrepreneurial exploitation by market participants coming across novel opportunities for profit. More precisely, Kirzner's expectation of action in the face of opportunities is nested in the supposition that they are obvious. The realisation of a time-gap between their existence and their exploitation is a source of epistemological tension (stage [2]). Not only does Kirzner treat opportunities as too obvious to assert that they are "inexcusably overlooked" (1997a: 32). He actually finds their non-exploitation so surprising that he conjectures that their subsequent discovery by alert individuals must be accompanied with a sense of surprise that others have not seen the opportunities "staring one in the face" (ibid: 51). Finally, at stage (3), Kirzner revisits the initial set of understandings (stage [1]) in order to render the observation of stage (2) intelligible. The error he corrects is the notion that *anyone* can see them. Opportunities themselves remain obvious, but not anyone is equally capable of seeing them. It is the non-homogenous possession of the quality of alertness that explains the puzzling absence of agents (supposedly) failing to see opportunities staring them in the face.⁴

We may name Kirzner's explanatory practice as an actualist explanation of a puzzling absence. It collapses the potential to the actual, to infer that the absence of action must mean that non-actors lack the requisite capacities (Ayers, 1968: 105). The logical compulsion commanding this explanatory practice is analogous to the situations

in which a phenomenon presents itself which, without some special explanation, there would be reason to expect would not present itself; and the logical demand for an explanation is the greater, the stronger the reason for expecting it not to occur was (Peirce in Pratten, 2007: 494).

⁴ In this spirit, Kirzner approvingly quotes von Mises's remark that "economists must never disregard in their reasoning the fact that the innate and acquired inequality of men differentiates their adjustment to the conditions of their environment" (1949: 328) to add: "It is indeed empirical accidents, such as the differences in the entrepreneurial alertness of different men, that will govern the specific course of market events" (Kirzner, 1979: 31). Incidentally, contrast explanation can explain why the concept of alertness is theoretically vague (if not outright mystical). It is not developed in order to explain why entrepreneurs do what they do. Its logic is contrastive, and it is meant to explain why others fail to do what only a few actually do. Logically unpacked, it means: "alertness is the 'stuff' that non-actors should have possessed in order to have been capable of seeing opportunities".

To paraphrase Peirce, given that the puzzling phenomenon is the absence of an expected event, the logical demand for an explanation is the greater, the stronger the reason for expecting this absence to not occur. The presence of obvious opportunities gives so strong a reason for the expectation of action that its absence cannot be explained without falsifying the notion that opportunities are perceivable by equally capable market agents.

Previously, we saw that Kirzner's theory of alertness is a transcendental explanation of the conditions of possibility of unexploited opportunities. Seen through the lenses of contrast explanation, we can interpret Kirzner's critique of mainstream economics as a rejection of the (presumably) erroneous assumption that anyone can see opportunities. I counter that the error lies in the strong expectation that perceived opportunities will inevitably be pursued.

4.2 Rethinking the error: From "non-alertness" to uncertainty

According to Ramoglou and Tsang (2016), entrepreneurship research is trapped in the illusion of opportunities existing as somehow empirically tractable entities. They juxtapose that mainstream economics has failed to accommodate the ontological category of potentiality. This assessment echoes Graça Moura's diagnosis that entrepreneurship cannot fit in the mainstream worldview due to the latter's reliance on particularly flat ontology: "In an orthodox equilibrium model, 'action' is fully determined once 'data' are given. Capacities or potentials are expressed as or conflated into actual outcomes. This is why it is difficult to sustain a meaningful notion of entrepreneurship in this context" (2015: 1139). Ramoglou and Tsang (2016) concede that Kirzner had intuitively grasped the reality of ontological depth (cf. Rizzo's [1990] discussion on analytical tendencies). They nonetheless add that this otherwise astute ontological insight was hijacked by lay theoretical practices (more on this below). They juxtapose the opportunity-actualisation approach in order to rectify the empiricist treatment of opportunities. In this view, there is nothing to be observed about opportunities.

Entrepreneurial opportunities are, ontologically speaking, profit propensities (Popper, 1990; Runde, 1999), whose existence can be inferred *ex post* when profits actualise. Accordingly, they suggest that, if opportunities exist as propensities, it would be more appropriate for them to be thought of as unactualised seeds – not as actualised but undiscovered entities to be perceived by having one’s “eyes and ears open” (Kirzner, 1979: 7).

The ontological rectification of opportunities commands an epistemological reconsideration of the ways that market participants may *meaningfully* perceive them. The potency of the seed to actualise into a flower is unobservable and can only be evinced in its effects (the flourishing of the flower). If profit opportunities exist analogously to seeds, we only know that they are real once they actualise into profits. Since market participants never make immediate cognitive contact with opportunities, we should interpret expressions alluding to opportunity perception against the background of their appropriate ontological context (see Searle, 1983: 145–149). Prior to their actualisation they are surrounded by uncertainty and can only be *imagined*.⁵ Similarly, when a farmer encounters a novel kind of seed, she only imagines the states of the world that may actualise by planting it (e.g., high-yield crops). She may be certain that she is seeing a new seed, but uncertain about what the seed can (or will) produce.⁶

⁵ In his later developments, Kirzner also talks about imagination when referring to early episodes of opportunity perception. However, he never capitalises on the logical implications of this ontological insight to revisit the conceptual foundations of his worldview. Thus, he does not (*inter alia*) question his persevering thesis that the absence of instances of opportunity exploitation cannot but mean their non-perception.

⁶ More recent developments of the actualisation perspective underscore the limitations of the seed analogy (Ramoglou, Gartner and Tsang, 2020; Ramoglou, McMullen and Tsoukas, 2021). It is helpful in communicating the insight that to exist is not to be empirically observable and driving home the idea that the perception of opportunities cannot be tantamount to the perception of observable entities. However, unlike seeds, opportunities are not singular entities. Although entrepreneurs habitually speak about “an opportunity”, they allude to a multitude of conditions whose existence is necessary for the possibility of success. Opportunities are, quite simply, the totality of conditions presupposed by meaningful opportunity-talk. This means that an opportunity is not only the unactualised demand necessary for sustaining profitability. Demand is necessary but alone insufficient (Ramoglou and Tsang, 2018). Depending on the nature of the venture and the context of venturing, it is also the existence of the right institutional conditions (e.g., enforceable patent laws [cf. Boettke, 2014]), the presence of supportive stakeholders (e.g., employees and community), as well as the absence of the profit-eliminating conditions, such as competitors or disastrous events such as wars or pandemics that may also

Having sidestepped empiricist conceptions of opportunities and opportunity perception, we may now clearly grasp the naivety of the constant conjunction between “seeing an opportunity” and “acting entrepreneurially”. If the *ex-ante* perception of opportunities is imaginative, there is no reason to expect the presence of action when they emerge. If they emerge as conditions of possibility – not empirical presences – they cannot intelligibly cause action. Only the belief in their existence can cause action. To put this point in the style of transcendental critique, the expectation of action would be ontologically justifiable only if market participants *invariably* believed their imaginative projections into the future. Of course, market participants are not so naïve to think of opportunities as things discoverable prior to the actualisation of profits (Ramoglou and Tsang, 2017). Humans possess the ontological sophistication to know that imagination is not as trustworthy an epistemological medium as their eyes are; thus, the absence of instances of action cannot falsify the presence of instances of (imaginative)⁷ perception. To assume otherwise is to expect a constant conjunction of the events of “imagining lucrative profits by doing venture X” and “(actually) starting venture X”.

4.3. An ontological deepening of disequilibrium

Uncertainty alone is sufficient for relaxing the expectation that equilibria will unavoidably be attained. We may further deepen our understanding of the conditions of disequilibrium drawing from Schumpeterian insights about the phenomenon of unexploited opportunities. The engagement with Schumpeterian insights will further facilitate this paper’s contribution to Schumpeterian versus Kirznerian debates (Kirzner, 1999; McMullen and Shepherd, 2006).

Contrary to Kirzner who posits the “superior vision of the entrepreneur” (1995: 44), Schumpeter refrains from attributing superior intellectual qualities to entrepreneurs. For

be necessary for the actualisation of profits (or whatever goal is motivating entrepreneurial deeds) (Ramoglou, 2021). In all, opportunities are types of potentialities that are irreducible to singular entities.

⁷ This is a key clarification because Kirzner’s use of “alertness” (or other concepts alluding to perception) is particularly ambiguous and fails to distinguish the epistemological sense (of foreknowledge) from the imaginative and phenomenological senses: to imagine is to believe and to believe is to know.

Schumpeter, it is wrong to hold that entrepreneurship is logically conditioned by the existence of some “super-normal qualities of intellect” (Schumpeter, 1983: 82). To “style every entrepreneur a genius” (Schumpeter, 1983: 90) is to misunderstand the phenomenon of entrepreneurship (1983: 80; see also Schumpeter, 1949). As he seminally put it, new possibilities “are always present, abundantly accumulated by all sorts of people. Often they are also generally known and being discussed by scientific or literary writers. In other words, there is nothing to discover about them because they are quite obvious” (1983: 88). No doubt, we cannot talk about “quite obvious” opportunities in the conditions of uncertainty characterising innovative entrepreneurial ventures (Knight, 1921; Faulkner, Feduzi and Runde, 2017; see also Feduzi, Faulkner, Runde, Cabantous and Loch, 2021; McMullen and Shepherd, 2006). Yet, what matters for our purposes is that *even when* Schumpeter treats opportunities as obvious – unlike Kirzner – he does not expect the emergence of action. Let us flesh out Schumpeterian insights about the causal factors capable of explaining the absence of action in the event that an entrepreneur entertains no doubt that an imagined and somewhat desirable state of affairs is naturally possible.

To this end, consider an example in which Schumpeter explains how the connection between events of “imagining” and “acting” breaks down:

To take an example from political life, it was not at all difficult to see how the social and political conditions of France at the time of Louis XVI could have been improved so as to avoid a breakdown of the ancient regime. Plenty of people as a matter of fact did see it. But *nobody was in a position to do it* (1983: 88; emphasis added).

Kirzner assumes that the social position does not truly matter. Kirznerian entrepreneurs need not possess capital, as if no risky investments are involved in real-world entrepreneurship or angel investors inevitably emerge to financially back the “alert entrepreneur” (Rothbard, 1992; Burczak, 2002). In sharp contrast, Schumpeter demonstrates a superior ontological understanding that shields his reasoning from the problematic Kirznerian conclusion that non-entrepreneurs must be somehow inferior. Instead of resorting to explanations of scarce

cognitive abilities, Schumpeter possesses the sophistication to appreciate that in complexly structured socioeconomic reality (Lawson, 2016; 2019; Pratten, 2017; 2018) opportunities are, simply, not “equally open to everyone” (Schumpeter, 1983: 88).⁸

To be sure, statements of the type that “nobody is in a position to do [it]” or that entrepreneurship is not “equally open to everyone” are open to a multitude of interpretations, since they touch upon the slippery issue of agency. Most notably, they may be understood as saying that the agent’s position does not even allow him/her the choice of doing it (Runde, 2001). However, they may also be understood as saying that the agent has the choice to act accordingly yet doubts that he ought to do so. Schumpeter touches upon both readings. Regarding the former, it is evident when he mentions that an incumbent entrepreneur is likely to suffer from financial constraints because he/she “cannot like an established business be financed by returns from previous production,” and should minimally have the “power to influence” – if no one else – “the banker who is to finance him [sic]” (Schumpeter, 1983: 69, 75, 89). With respect to the latter, Schumpeter acknowledges that the existence of abilities is different from their exercise: “every healthy man [sic] *can* sing if he will” does not entail that one *will* sing. One may choose to not exercise profit-oriented entrepreneurial agency simply because he or she doubts that profit will contribute to the satisfaction of one’s higher-order

⁸ How can this thesis be reconciled with Kirzner’s critique, according to which Schumpeter relies on the picture of equilibrated economies (see §2.1)? Is Kirzner attacking a strawman? Tempting as this conclusion may be, I suggest that it should be resisted. Schumpeter is a particularly complex, and often contradictory, thinker. As powerfully demonstrated in Graça Moura’s work, Schumpeter affords a social psychological conception of order that is nevertheless confused with the mainstream (Walrasian) notion equilibrium: “Schumpeter identifies order with equilibrium—and argues over 40 years that general equilibrium is the Magna Carta of economics as an autonomous subject—but he also refers to the circular flow as a set of rules and traditions, reproduced in time, which facilitate, yet are not the same as, action” (Graça Moura, 2015: 1139). The ontology of the Schumpeterian “equilibrium” is therefore closer to the Veblenian conception of order (see Martins, 2020). Graça Moura (2015) goes on to explain the tensions and inconsistencies at the heart of Schumpeter’s work drawing from Lawson’s philosophy of economics. He argues that Schumpeter’s otherwise profound ontological insights have been limited (and partly distorted) by his commitment to deductivist methodological preconceptions about the structure of scientific explanation (see also Graça Moura, 2002; 2003). Relatedly, the laudatory impression of entrepreneurs according to which they create opportunities as if “out of nothing” may indeed emerge from Schumpeterian theory constrained by methodological preoccupations. But we should not turn a blind eye to Schumpeter’s ontological reflections about the real-world conditions of entrepreneurial activity and achievement (e.g., Schumpeter, 1947: 150-151; 1991: 409); that is, incidentally, quite consistent with the transcendental realist perspective articulated by the actualisation model of opportunity.

needs or values (even if one entertains no doubt about the profitability of a venture). Indeed, Kirznerian reasoning betrays commitment to the problematic presupposition that all agents inhabit the same “worlds of worth” and see the world through the same value-impregnating ideological lenses (see Al-Amoudi and Latsis, 2017: 1311-1313).

Let us take stock. This section explained why the Kirznerian (1979: 67) thesis that “only the introduction of ignorance opens up the possibility of such unexploited opportunities” (1979: 67) is flawed. It is not necessary to assume that non-actors must have overlooked obvious opportunities. The very same state of affairs can be rendered intelligible by issuing ontological reminders about the causes capable of explaining why imagined states of the world do not materialise into entrepreneurial action. It is intelligible that non-actors are aware of the possible existence of an unexploited opportunity, which they do not pursue because they are aware that it is just a possibility and not a certainty (or because of their social position, different value-system, and so on).

Let us conclude the main part of the analysis through an explication of the logical differences underpinning the actualist versus deep explanations of the same absence. Kirzner essentially suggests how different the world must have been in order for opportunities to have been exploitable earlier: the world should be inhabited by more “alert” market participants. In sharp contrast, the ontologically augmented explanation helped us protect the presupposed “can” (in the “anyone can see them” supposition), and counter that what is possible is *already* readily within the structures of our world. The possibility of others exploiting opportunities does not mean they have to become fundamentally different. There does not seem to be anything wrong with the way non-actors are structured just because they do not react to the (presumably) triggering presence of opportunities. What is wrong is the expectation that entrepreneurial capacities will invariably materialise in entrepreneurial deeds “whenever opportunities emerge”.

Insert table 1 about here

Table 1 summarises three ways of thinking about the existence of unexploited opportunities: the mainstream, the Kirznerian, and the ontologically informed. It is only the latter that avoids the reliance on closed systems modes of reasoning that either pseudo-falsify the existence of unexploited opportunities (mainstream reasoning) or pseudo-falsify the existence of unexercised entrepreneurial capacities (Kirznerian reasoning).

5. Discussion

5.1 Was Kirzner bewitched by misleading analogies?

Up to now, it has been argued that the closed system at the core of the Kirznerian worldview hinges upon problematic representational practices. “Entrepreneurial alertness” is a fairly vague concept drawn principally from analogies involving visual interaction with the empirical layers of the world. And, as explained in §3.3, visual discourse rests on rigid “if-then”, epistemologically distorting, logical connections. As observed by Vaughn, a peculiar feature of Kirzner’s early work is that he fails to “consider the possibility that entrepreneurs could be incorrect in their hunches” (1994: 143). But can we fully explain Kirzner’s theoretical shortcomings by appeal to linguistic problems? No doubt, misleading forms of language can bewitch our theoretical imagination (Wittgenstein, 1958). However, it would be an oversimplification to assume that the presumed connection between entrepreneurs and opportunities lies wholly within Kirzner’s unwitting commitment to epistemologically misleading analogies. The reason is that Kirzner retains commitment to the presumed causal connection, even when he departs from crude analogies according to which opportunities exist as undiscovered dollar bills, seashells, or otherwise. Let me unpack this, and in doing so,

pave the way towards a deeper explanation of the ontological closure at the core of the Kirznerian worldview.

The only context in which the *ex ante* knowledge of opportunities is epistemologically justifiable is that of (simultaneous) arbitrage opportunities. With little doubt, when one detects a discrepancy in the price of a product in two markets, there is not much uncertainty about whether one can profit by buying low and selling high. Yet problems emerge when Kirzner keeps talking about the discovery of opportunities in situations that concern the introduction of innovative products (or services) into a market and/or the realisation of profits along the temporal dimension. Thus, Kirzner systematically extends the presumption of entrepreneurial foreknowledge in renewed ontological contexts, without questioning the continued epistemological relevance of the presumed connection in situations involving uncertainty (e.g., Kirzner, 1985: 84-85; 1992: 3-37). He axiomatically postulates that the force of “entrepreneurial alertness” will spot and instantaneously exploit opportunities by peering “into the future through the inescapable fog of ignorance” (Kirzner, 2016: 21).⁹

Entrepreneurial alertness also acts as the “metaphysical glue”, ensuring the discovery and exploitation of opportunities, when Kirzner discusses how his theoretical system connects with price theory. On the one hand, he concedes that “[a]s communicators, as signals, disequilibrium prices are relatively poor performers” (Kirzner, 1992: 150), yet contradictorily asserts that “profit opportunities embedded in existing prices are ... extraordinarily effective communicators of knowledge (in a sense quite different from that in which prices summarize knowledge)” (1992: 148). Disequilibrium prices are nebulously described “as spontaneously generated flashing red lights alerting hitherto unwitting market participants to the possibility

⁹ Note that the problem is not that Kirzner does not talk about uncertainty or imagination – far from it. The problem is that he chiefly pays lip service to such concepts. Their verbal acknowledgment does not have material implications for his core theoretical commitments. Thus, Kirznerian references to uncertainty and imagination do not threaten the presumed law between events of “opportunity perception” and “opportunity exploitation”, or the concomitant conclusion that non-actors must be non-alert to opportunities. Vaughn (1994) has also observed theory-practice inconsistencies in the Kirznerian framework.

of pure entrepreneurial profit or the danger of loss” (Kirzner, 1992: 150). Once again, it is the mystical function of “alertness” that guarantees that disequilibrium prices will (somehow) be noticed and exploited.

Another way in which Kirzner maintains the closure between events of “opportunity perception” and “opportunity exploitation” concerns his idea that prices guide entrepreneurial decision-making in the form of “disequilibrium-price-generated incentives”: “incentives offered by market prices during this competitive process are the key elements in motivating competitive-entrepreneurial entry and discovery. In this sense prices play a role in ‘spreading information’ quite different from their role as signals communicating *already discovered* information under equilibrium conditions” (1992: 150). According to Lawson, mainstream analysis presupposes that

the events or states of affairs deemed relevant to economic behaviour are interpreted as (price) “signals” to which agents are usually assumed to respond in optimising fashion. Although some variations on these themes can be found, there appear to be none that undermine the basic conception of agents as automata with knowledge analysed in a purely individualistic way (1997: 39).

Kirzner effectively departs from the unrealistic formulation of mainstream price theory, to nonetheless replace economic behaviour with an equally unrealistic variation. In the Kirznerian variation, prices still work as signals and entrepreneurial behaviour presumably responds in optimising fashion when “entrepreneurial alertness” is “‘switched on’ by the configuration of market prices” (Kirzner, 1992: 148). It is not the empirical properties of opportunities that do the trick now. But the market somehow mysteriously impresses upon entrepreneurs “those essential items of knowledge that are sufficient to guide them to make decisions” (2011: 240) – in spite of the fact that Kirzner also admits that entrepreneurs do not possess “the complete knowledge of the underlying facts” (idem).

The Kirznerian insistence that prices can supposedly help entrepreneurs discover opportunities prior to the actualisation of profits becomes even more perplexing, once we consider that the very existence of consumer demand sufficient to sustain profit-generating

prices is (typically) not known prior to offering the new product to the market (Knight, 1921).

In this vein, Cowen observes that

The Kirznerian view of entrepreneurship makes the consumer a central part of the market, but does not involve the consumer in the notion of entrepreneurship. In principle an individual can engage in costless discovery when looking for socks in his or her draw, without the presence of any consumers ... consumers underpin the market but ultimately they play a passive role (2003: 12).

McCloskey backs Cowen's assessment to add that "[w]hat the Kirznerian argument needs is a role for the rhetor's (i.e. entrepreneur's) audience" (2013: 58). In all, Kirzner's conceptions of entrepreneurs and consumers do not resonate well with the human agents that we name entrepreneurs and consumers in the real world. In fact, ontological analysis reveals that the agents inhabiting the Kirznerian worldview are more reminiscent of the agents of the mainstream worldview: automata responding passively to the impinging force of atomistic events (Lawson, 1997: 39, 88) – despite Kirzner's frequent declarations to the contrary (e.g., Kirzner, 1973: 35).

To sum up, Kirzner does not only rely on strong analogies in order to ground the connection between the perception of opportunities and their exploitation. Even when he departs from inappropriate analogical reasoning, he retains an unreflective commitment to the uncertainty-defying epistemological faculty of alertness, to talk paradoxically about the foreknowledge of opportunities in uncertain contexts. He further posits a mystical causal link between prices and alertness, talks perplexingly about the knowledge of prices that do not yet exist, and downplays the agency of consumers. Why would an unquestionably astute and insightful thinker commit all these theoretical shortcomings that, incidentally, protect the presumed conjunction of events of opportunity perception and opportunity exploitation?

5.2 Towards a deeper explanation of Kirznerian theory

A more holistic understanding of the Kirznerian worldview requires consideration of the broader intellectual context in which Kirzner developed his influential contributions. Kirznerian advances connect to the Misesian-Hayekian scholarship that was deeply

preoccupied with the central “knowledge problem” of economic calculation in centrally coordinated economies (see Lavoie, 1985; Lourenço and Graça Moura, 2018). I do not wish to go so far as to say that Kirzner was ideologically blinded. However, it is worth examining how the engineering of worldviews presenting competitive market economies as the most perfectly coordinated system possible contributed to academic discourses participating in the ideological wars of the era.

More specifically, problematic as the concept of “entrepreneurial alertness” may be, it nevertheless represents the perfect epistemological piece in the jigsaw of efficient coordination in the absence of central planning. Alertness is what makes entrepreneurial markets work in the most optimal fashion imaginable (and government intervention ill-advised). As remarked by Boettke, in Kirzner’s theory,

[a]s long as individuals are “free to choose”, provided that framework is in place, an efficient social order will emerge ... the entrepreneurial market process works to bring about a peaceful and prosperous order ... Such a state of the dovetailing of plans among individuals within the market will result in a pattern that exhibits exchange efficiency, production efficiency, and product-mix efficiency. In other words, no mutually gains from trade go unrealized, no lower cost technology can be utilized, and no effective consumer demands go unmet (2014: 241, 245).

If we abandon the presumed necessity between events of “opportunity perception” and “opportunity exploitation”, the Kirznerian version of “perfection” is fundamentally threatened. If there is no guarantee that the discovery of opportunities will be dovetailed with processes of opportunity exploitation, the logical repercussion is that opportunities that were – as a matter of fact – exploited need not have been. There is no force guaranteeing the realisation of all these optimised states of the world. Relatedly, there is no guarantee that entrepreneurial ventures will not lead to the loss of entrepreneurial capital, or to unproductive and wasteful economic activities (Baumol, 1990; Rothbard, 1992; Vaughn, 1994). Furthermore, if the presumed event regularity between “opportunity perception” and “opportunity exploitation” breaks down, the finders-keepers ethics at the heart of Kirzner’s moral philosophy is under threat. As Kirzner (1995: 44) himself admits, we cannot apply this

ethic in a world-picture in which the entrepreneurial function is *not* to profit from discoveries overlooked by others. If non-actors also had the perceptual acumen to see the same opportunities, “alertness” would not be such a scarce quality, and the finders-keepers ethic could not make a suitable moral framework (see also Kirzner, 1992; [1989]2016; 2019).

I submit that these insights are critical towards a deeper understanding of the centrality of the otherwise mysterious concept of “alertness” in sustaining the impression of a closed system. Alertness gives the Kirznerian worldview the closure necessary to sustain an entrepreneurially-driven kind of optimisation and frictionless efficiency. Kirzner has been “accused of turning Austrian economics into a footnote of neoclassical economics” (Kirzner in Douhan et al., 2007: 221). This might be an exaggerated accusation indeed. Yet, Lawsonian analysis suggests that Kirznerian economics is no more realistic than mainstream. The problem is not that Kirzner reproduces orthodox concepts such as “equilibrium” – this is a rather surface critique of the Kirznerian framework (e.g., Vaughn, 1994). The problem lies elsewhere: Akin to the mainstream, the Kirznerian worldview is similarly grounded on closed systems thinking; thus, the Kirznerian contribution participates in the tradition of ontologically neglectful economic studies (Lawson, 2013).

It is also worth noting Lawson’s remark that, although mainstream economists often depart from general equilibrium theory, they hardly ever depart from closed systems thinking. Deductivist closures remain intact and the concept of “equilibrium” is replaced with other “system solution concepts” (1997: 102). I submit that “entrepreneurial alertness” is such a solution concept. Of course, unlike mainstream researchers, Kirzner might have not bothered to postulate closed systems for reasons of mathematical tractability. However, the presumed closure seems to help Kirzner produce a theory capable of portraying entrepreneurial markets as the most frictionless and efficient system possible. In all, the ontological shortcomings of Kirznerian theory could be interpreted as a theoretical over-reaction driven by Kirzner’s

desire to produce a neat solution to long-standing epistemological problems at the heart of obsolete ideological debates.

To be clear, in no way do I wish to dispute that entrepreneurial markets are more efficient than centrally coordinated economies. Accordingly, the rejection of the Kirznerian solution of the knowledge problem does not mean the acceptance of central planning. One can consistently reject *both* “entrepreneurial alertness” and “the possibility of economic calculation under central planning” (Kirzner, 1992: 66). The point of import is that the question of central planning is no more relevant, and we need not sacrifice the realisticness of our theories in order to engineer laudatory portraits of entrepreneurs and entrepreneurial markets. We may free ourselves from the shackles of distorted theoretical schemas meant to address concerns of a different era. Instead, we can devote attention to understanding how entrepreneurial markets *really* work, free from the outdated worry that the portrayal of free markets as less than “perfect” entails their rejection, or that it downplays that entrepreneurship is a main driver of economic progress.

5.3 Future research

In reorienting entrepreneurship theory toward more ontologically reflective conceptualisations of the cardinal phenomenon of unexploited opportunities, I stressed the principal role of uncertainty as well as the critical role of social positioning. The proposed explanations are, arguably, the least disputable (i.e. most consistent with everyday knowledge) ontological positions (cf. Al-Amoudi and Latsis, 2017; Lawson, 2019). My chief motivation has been to demonstrate the implausibility of the Kirznerian ontology in a fairly uncontroversial manner; thus, I avoided drawing from particular lines of thought prominent in social ontology. The reason is that I would not wish the acceptance of the critique of Kirzner to be contingent upon the acceptance of a particular social theory that may not enjoy universal acceptance (cf. Lawson in Morgan, 2015: 863).

That said, I do not rule out that more substantively-oriented entrepreneurship theory on the phenomenon of real-yet-unexploited opportunities can benefit from a variety of social-ontological features, prominent in Lawsonian, Searlean or Archerian philosophy. More specifically, researchers could explore how the TMSA model (Lawson, 2012; 2019) may be applied in this context, theorising far more systematically the role of social positioning and the largely unexplored role of community in contextualising non-entrepreneurs (see Baggio, 2020; Lourenço and Graça Moura, 2018; Pratten, 2017). Furthermore, conceptual tools borrowed from the morphogenetic approach (Archer, 1995) could deepen understanding of the manner in which particular socioeconomic configurations shape domains of non-opportunities for particular social agents (see Ramoglou and Tsang, 2016 on “non-opportunities”). If we trust Archer (2014), we may need fairly new conceptual resources in order to account for the evolution of contemporary conditions of socioeconomic emergence (see also Al-Amoudi and Morgan, 2019). In any case, researchers are advised to refrain from conflating transformative entrepreneurial processes with “opportunity”. To do so is to misuse the word “opportunity” as “something” created or transformed by entrepreneurial agency (e.g. Alvarez and Barney, 2007; see also Ramoglou, 2021: 13); and in so doing, to nurture the fallacy of possibilism, according to which there are no limits to what entrepreneurial agents can achieve (Searle, 1995; Ramoglou and Zyglidopoulos, 2015). A realistic understanding of opportunities should respect the agent-independence of the totality of conditions that may be meaningfully named “opportunity” (Gorski, 2013; Ramoglou and Tsang, 2017).

Researchers may also wish to further develop the propensity view of opportunities. Ramoglou and Tsang (2016) start their analysis drawing from Popperian propensities (Popper, 1990; Runde, 1999). However, there is scope for further ontological analysis, since it is not particularly clear how propensities relate to potentialities or possibilities. Do these different concepts capture different ontological categories? If so, what are their exact

differences in the context of entrepreneurial opportunities? It would also be interesting to 1) investigate how Popperian propensities relate to Lawsonian propensities (see Lawson, 2008), 2) translate recent advances in analytic metaphysics on the concept of absence into the context of unactualised profit potentialities (Vetter 2015; Hommen, 2018), and 3) juxtapose recent developments in opportunity theory with Aristotelian analyses of economic tendencies towards equilibrium (see particularly Rizzo, 1990). Last, researchers working the details of the contrast explanation method (Lawson, 2009b; Morgan and Patomäki, 2017) could investigate the methodological differences (if any) between the explanation of puzzling absences versus presences in the light of considerations prominent in open systems inquiry.

6. Conclusion

This paper conducted an ontological study of Israel Kirzner's influential economic theory. Whereas mainstream economics assumptions are too unrealistic to make room for the possibility of pure entrepreneurial profit, Kirznerian economics is customarily received as a realistic explanation of the equilibrating process of entrepreneurial markets. Drawing from Tony Lawson's philosophy of economics, I demonstrated that (and tried to explain why) Kirzner actually failed to develop a realistic theory of entrepreneurship. Similar to orthodox economics, Kirzner's heterodox contributions are erected on closed systems thinking. The Kirznerian worldview is fundamentally reliant on the existence of a constant conjunction between events of "opportunity perception" and "opportunity exploitation". Effectively, whereas mainstream economics cannot accommodate the possibility of real-yet-unexploited opportunities because it presupposes their instant exploitation by anyone, Kirznerian economics cannot accommodate the possibility of perceived-yet-unexploited opportunities because it presupposes their instant exploitation once "discovered".

Having drawn a distinction between actualist and deep explanations of the absence of change, this ontological analysis further helped us appreciate that Kirzner affords a similarly flat explanation. The mainstream worldview lacks opportunity. The Kirznerian worldview lacks the mysterious quality of “entrepreneurial alertness” (that would have enabled non-actors to discover opportunities earlier). Against the backdrop of this analysis, I explained how genuinely realistic explanations of the non-exploitation of real opportunities may look. I argued that the fatal flaw in Kirznerian economics lies in downplaying the uncertainty typically associated with the imagination of future states of the world. However, I also stressed that future entrepreneurship theory can more systematically account for the existence of disequilibria by considering the way social structure prevents no-less-able individuals from exercising entrepreneurial agency.

Deep explanations of absences can shield us against the temptation to think that, in order for alternative states of affairs to have been ontologically possible, the world should have been *substantially* different. Given the uncertainty associated with the non-empirical ontology of opportunities, as well as the varying access to opportunities for less favourably positioned social agents, there will always be unactualised opportunities because there will always be unexercised capacities. The problem does not lie in the fact that entrepreneurial agency is not invariably exercised. The problem lies in lay theoretical practices nurturing expectations to the contrary.

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Table 1: Three worldviews

	<i>Mainstream</i>	<i>Kirznerian</i>	<i>Ontologically informed</i>
Constant conjunction	If opportunity exists, then it gets exploited	If opportunity is perceived, then it gets exploited	No constant conjunction
Critiques of constant conjunctions	No critique of constant conjunctions	There is no necessary connection between opportunity <i>existence</i> and its exploitation (i.e. rejection of mainstream conjunction)	There is no necessary connection between opportunity <i>perception</i> and opportunity exploitation (rejection of Kirznerian conjunction)
Conditions of existence of disequilibria	Disequilibria do not exist because opportunities cannot remain unexploited	Disequilibria exist because non-alert individuals fail to exploit opportunities	Disequilibria exist because a multitude of causal factors (involving uncertainty and/or social position etc.) can prevent the actualisation of real opportunities