

XXVI CONGRESO DE ACEDE
JUNIO 2016, VIGO

ENTREPRENEURSHIP AND ECONOMIC LIBERALIZATION IN THE OECD COUNTRIES

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Abstract

Entrepreneurship displays remarkable differences across countries because of diverse factors. In this sense, it is frequently argued that economic liberalization encourages entrepreneurship. In this paper we address the extent to which economic freedom, understood as market economy oriented institutions and policies, matters for entrepreneurial activity through a panel data analysis for 78 countries during the period 2001-2012. We examine the relationship between the Fraser Institute's economic freedom index and its five areas, and three entrepreneurial activity indicators from the Global Entrepreneurship Monitor, namely total entrepreneurial activity, necessity entrepreneurship and opportunity entrepreneurship. Economic freedom seems to increase opportunity entrepreneurship and decrease necessity entrepreneurship. Focusing on the OECD countries, we highlight that economic freedom is positively associated with entrepreneurship. In terms of entrepreneurship motivation, we find that a more flexible regulation of credit, labor and business, as well as entrepreneurial attitudes, may contribute to enhance opportunity entrepreneurship.

Keywords:

Entrepreneurial activity; Opportunity/necessity entrepreneurship; Economic freedom