EXAMINING THE ROLE OF ECONOMIC LIBERALIZATION IN ENTREPRENEURSHIP: A CROSS-COUNTRY STUDY

Abstract

Objetivo y justificación: In the last few decades some authors have underlined the role of institutions and policies for entrepreneurship. North (1990) underlines that entrepreneurs are the main agents of change and that organizations, such as firms set up by entrepreneurs, adapt their activities and strategies to fit the opportunities and limitations provided through formal and informal institutional frameworks. Baumol (1990) hypothesizes that entrepreneurial individuals channel their efforts in different directions depending on the quality of prevailing economic, political, and legal institutions. Sobel (2008) asserts that better institutions have both more productive entrepreneurship and also less unproductive entrepreneurship. He stresses that the best path to foster entrepreneurship is through institutional reforms that constrain or minimize the role of government. In this context, economic freedom may be seen as a significant aspect for entrepreneurial activity and 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.

Keywords: Entrepreneurial activity; Opportunity/necessity entrepreneurship; Economic freedom