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Entrepreneurship Policy and Globalization*

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Abstract

What explains the world-wide trend of pro-entrepreneurial policies? We study entrepreneurial policy in the form of entry costs in a lobbying model taking into account the conflict of interest between entrepreneurs and incumbents. It is shown that international market integration leads to more pro-entrepreneurial policies, since it is then (i) more difficult to protect domestic incumbents and (ii) pro-entrepreneurial policies make foreign entrepreneurs less aggressive. Using the World Bank Doing Business database, we find evidence that international openness is negatively correlated with the barriers to entry for new entrepreneurs, as predicted by the theory.

JEL codes: L26; L51; O31; F15; D73

Keywords: Entrepreneurship; Regulation; Innovation; Market Integration; Lobbying

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[†]Robin sadly passed away in August 2009. His friendship, kindness and talent will be deeply missed.

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