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Entrepreneurial dynamics over space and time*

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Abstract: Entrepreneurship is a regional and persistent phenomenon. We jointly investigate spatial dependence and serial dynamics of new business formation. Using panel data from all 402 German counties for 1996-2011, we estimate dynamic spatial panel data models of start-up activity in the high-tech and manufacturing industries. We consider regions of different sizes and systematically search for the most suitable spatial weights matrices. We find substantial spatial dependence as well as time persistence of start-up activity, especially in the high-tech industry. This suggests that local start-up activity has positive external effects and that entrepreneurship policy could play an efficiency-enhancing role.

JEL classification: L26, C23, R12, O30.

Keywords: Entrepreneurship, new business formation, spatial dependence, path dependency, persistence, spatial panel.

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