



The effect of public policies on entrepreneurial activity and economic growth[☆]



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ARTICLE INFO

Article history:

Received 1 February 2016

Received in revised form 1 March 2016

Accepted 1 April 2016

Available online 17 May 2016

Keywords:

Innovation

R&D

Economic policy

Entrepreneurship

Economic growth

ABSTRACT

Policy makers' main interest is to avoid the problems resulting from the economic crisis. One way to avoid these problems is to stimulate economic growth as well as the necessary economic activity to reduce unemployment and to increase welfare. Specialized recent literature shows entrepreneurship as a key factor to enhance economic growth. Consequently, determining which economic policies could stimulate entrepreneurial activity and, indirectly, economic growth is relevant. This article's main goal is to analyze some of these policies' effects on entrepreneurship and economic growth. To achieve this goal, the study performs an empirical analysis of 13 European Union countries, divided in two complementary methods: Partial Least Squares (PLS) estimation and fsQCA. fsQCA allows completing the results obtained by PLS estimation, by allowing to obtain causal recipes or sufficient conditions that help to determine the relevant relation between economic variables.

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1. Introduction

The economic crisis that countries have experienced in recent years has led to a research of the factors that could guide a successful economic growth, thus reducing economic problems such as unemployment or inequality. Among these factors, entrepreneurship has an increasing importance, especially thanks to the availability of quantitative data. The study carries out this variable's analysis from two perspectives: Firstly, from a microeconomic level that has emphasized entrepreneurs' psychological characteristics and motivations. This perspective considers the analysis of the survival rate of entrepreneurial activities and other related aspects, such as kind of financing and type of business. Secondly, from a broader perspective that has studied the influence of entrepreneurship on the economic growth of countries. This study contemplates the possible effects on entrepreneurship of different quantitative and qualitative factors, such as the formation and social climate (Castaño, Méndez, & Galindo, 2015).

On the other hand, in recent decades research has also considered the effects of public policies on entrepreneurship. Besides, researchers should also determine what policies might affect entrepreneurship and their more or less direct effect on economic growth, as mentioned

previously. Therefore, tax changes and expenditure policies might encourage or discourage entrepreneurship.

Accordingly, the aim of this study is to analyze the effects of these policies on entrepreneurship and indirectly on economic growth, considering the circumstances and problems of each country. The study also aims to encourage the design of various measures to achieve economic growth, like R&D policy, training, and the elimination of administrative barriers to access financial support, and the promotion of entrepreneurial culture. European Union countries will implement some of these measures in the following years.

The next section briefly exposes the different policies that can have some effect on entrepreneurship and on economic growth. Section 3 empirically analyzes 13 European countries through two methods: Partial Least Squares (PLS) estimation and fsQCA. The study employs fsQCA (Ragin, 2008) to observe the combinations of economic variables that lie behind higher economic growth. Finally, Section 4 contains the main conclusions.

2. Public policies, entrepreneurship, and economic growth

As noted earlier, when analyzing entrepreneurship, the policies that can encourage or hinder this phenomenon are one of the main aspects to consider. The literature has investigated this issue through different aspects, such as the different types of policies (Gnyawali & Fogel, 1994; McMullen, Bagby, & Palich, 2008), or the impact of policy and regulation on entrepreneurship (Campbell & Mitchell, 2012). Kreft and Sobel (2005) argue that an environment with low taxes, low regulations, and secure private property rights is necessary to encourage the

[☆] The authors thank Professor Daniel Palacios, Universidad Politécnica de Valencia and Professor Miguel-Ángel Sastre, Universidad Complutense de Madrid, for their careful reading and suggestions.

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