

The Effect of Regional Entrepreneurship Culture on Economic Development—Evidence for Germany

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April 2014

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Abstract

We use the historical self-employment rate as an indicator of a regional culture of entrepreneurship and link this measure to economic growth in recent periods. The results indicate that German regions with a high level of entrepreneurship in the mid-1920s have higher start-up rates about 80 years later. Furthermore, we find that the effect of current start-up activity on regional employment is significantly higher in regions with a pronounced entrepreneurial culture. We conclude that a regional culture of entrepreneurship is an important resource for regional growth.

Keywords: Entrepreneurship, economic development, self-employment, new business formation, entrepreneurship culture, institutions

JEL classification: L26, R11, O11

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1. Introduction¹

There are pronounced regional differences in the rates and types of new business formation and self-employment. To a large extent, these regional differences are related to characteristics that are fairly easily measured, such as industry structure, qualification of the workforce, and population density, as well as the regional knowledge stock and regional innovation activity (Sutaria and Hicks 2004; Fritsch and Falck 2007; Sternberg 2011). However, little is known about those region-specific factors that are more intangible or “in the air,” such as a regional “spirit” or a “culture of entrepreneurship.”

This paper investigates the relationship between a regional culture of entrepreneurship and regional development. We assume that a regional entrepreneurship culture does just not appear out of thin air, but that there are historical reasons for a region’s entrepreneurial tradition, or lack thereof. Hence, we identify a regional entrepreneurship culture by means of historical self-employment rates in the year 1925. Our results show that a regional tradition of entrepreneurship is persistent and can outlast drastic changes in the socioeconomic environment, even significant changes in governing formal institutions. We also find that regions with a pronounced entrepreneurial culture tend to have relatively high employment growth. We discover via instrumental variables regressions that this growth is affected by variation in start-up activity that can be attributed to a historic entrepreneurial culture. The results of our empirical analysis show that a regional entrepreneurship culture and start-up activity can make an important positive contribution to the region’s economic performance.

The remainder of the paper is organized as follows. Section 2 elaborates on the nature of a regional entrepreneurship culture. We then derive hypotheses and provide an overview of relevant empirical evidence from earlier studies (Section 3). Section 4 introduces the data and

¹ We are indebted to Oliver Falck, Mark Sanders, and Michael Stuetzer for helpful comments on earlier versions of this paper.

summarizes the historical development of German regions over the period under consideration here. Results of the empirical analysis of the relationship between entrepreneurial culture and regional development are presented in Section 5. The final section concludes.

2. Regional Cultures of Entrepreneurship?

An entrepreneurial culture is typically defined as a “positive collective programming of the mind” (Beugelsdijk 2007, 190) or an “aggregate psychological trait” (Freytag and Thurik 2007, 123) of the population oriented toward entrepreneurial values such as individualism, independence, and achievement (e.g., McClelland 1961; Hofstede and McCrae 2008). Accordingly, a culture of entrepreneurship can be understood as an informal institution that comprises norms, values, and codes of conduct (Baumol 1990; North 1994). It is marked by a high level of social acceptance and approval of entrepreneurship (Kibler, Kautonen and Fink 2014) that results in high self-employment rates. Empirical research shows that informal institutions, such as a culture of entrepreneurship, may evolve over several decades if not several centuries and tend to change very slowly (North 1994; Williamson 2000). In contrast, formal institutions (e.g., property rights), governance structures, and resource allocation change much more frequently and can be viewed as embedded in the informal institutional framework.

A number of studies provide compelling evidence that entrepreneurship culture can vary substantially across regions of a country, even though there are country-wide uniform formal rules.² Since informal institutions are deeply embedded in a population, an entrepreneurship culture should manifest as a relatively high share of persons with an entrepreneurial personality, which is characterized by traits such as extraversion, openness to experience, conscientiousness,

² For example, Andersson (2012), Aoyama (2009), Beugelsdijk (2007), Davidsson (1995), Davidsson and Wiklund (1997), Etzioni (1987), Kibler, Kautonen and Fink (2014), Rentfrow, Gosling and Potter (2008), Westlund and Bolton (2003), Westlund and Adam (2010), and Westlund, Larsson and Olsson (2014).

and the ability to bear risk (Rauch and Frese 2007; Zhao and Seibert 2006; Obschonka et al. 2013).

Several studies of established market economies, such as West Germany (Fritsch and Mueller 2007), the Netherlands (van Stel and Suddle 2008), Sweden (Andersson and Koster 2011), the United Kingdom (Mueller, van Stel and Storey 2008), and the United States (Acs and Mueller 2008), show that regional levels of new business formation and self-employment tend to be persistent over relatively long periods of time. Our recent analysis of Germany provides strong evidence for the persistence of relatively high and low levels of regional entrepreneurship over an 80-year period that was characterized by severe shocks to the economic environment such as devastating wars and radical changes of the economic regime and the respective property-rights structure (Fritsch and Wyrwich 2014). We view such long persistence of a high level of entrepreneurship as an indication of an entrepreneurship culture.

Why entrepreneurship culture is so persistent is as yet unclear. It is likely that role model effects are key to the transmission of a positive entrepreneurial attitude in the regional population and particularly across generations (Laspita et al. 2012). In economic terms, role models provide a non-pecuniary externality that reduces ambiguity and influences the decision to pursue an entrepreneurial career (Minniti 2005). Being able to observe entrepreneurs in action, especially successful ones, may increase social acceptance of and self-confidence in regard to attempting entrepreneurship (Bosma et al. 2012; Kibler, Kautonen and Fink 2014; Stuart and Sorenson 2003) and in this way reinforce a regional culture of entrepreneurship.

The interplay between a high level of social acceptance of entrepreneurship, widespread self-employment, and the resulting role model effects can make a regional entrepreneurship culture—once established—self-perpetuating. Hence, a regional culture of entrepreneurship can be expected to foster persistent regional differences in self-employment and new business formation over time.

3. The Effect of a Regional Culture of Entrepreneurship on Regional Development—Hypotheses and Empirical Evidence

There is, to date, only sparse and problematic empirical evidence as to how an entrepreneurship culture affects regional development. A study by Beugelsdijk and Noorderhaven (2004) relates a measure for entrepreneurial culture, based on survey data, to regional GDP growth and finds a significantly positive relationship. This result, however, may suffer from endogeneity problems because the measured values and attitudes could have emerged as a response to long-term growth. Tabellini (2010) establishes a causal link between a population's values and growth but he does not focus on entrepreneurship culture.

Glaeser, Kerr and Kerr (2014) attempt to dispel endogeneity concerns by using an indicator of regional entrepreneurial culture in a much earlier time period that they assume to be independent from current economic growth. The measure they use is a region's distance from coal mines that were operating in 1900. The idea behind using this indicator is based on the observation that coal mining areas were characterized by large-scale plants and relatively low levels of self-employment. Glaeser, Kerr and Kerr (2014) argue that geographic proximity to historical mines at the beginning of the 20th century is negatively related to the emergence of an entrepreneurial culture over time, leading to relatively low current levels of entrepreneurship. They justify their identification strategy by reference to Chinitz (1961). In this study, Chinitz compares the economic structures of Pittsburgh and New York City and explains the low levels of self-employment in Pittsburgh with the presence of large-scale industries such as coal mining and steel, which, in turn, contributed to the emergence of an entrepreneurship-inhibiting climate that has to some degree persisted until today. Glaeser, Kerr, and Kerr (2014) find that there is indeed a negative relationship between proximity to historical mines and the level of entrepreneurship today that affects current growth.

In contrast to Glaeser, Kerr and Kerr (2014), we measure entrepreneurial tradition and culture by historical self-employment rates in the year 1925. We focus on Germany as it is a particularly well suited

Table 3 the coefficient estimate for start-up activity in the second stage, which reflects only that part of the variation that can be attributed to entrepreneurial tradition, is positive and statistically significant. As in the first stage, the level of employment at the beginning of the period of analysis is not statistically significant. The coefficient for population density is significantly negative in Model I and weakly significant negative in Model III, reflecting a general employment trend of agglomeration in West Germany during the period under investigation (see, e.g., Suedekum 2006). The effect of the measure of market potential is significantly positive, indicating the economic benefits of a more central location. Excluding both control variables in Model II leads to an increase of the coefficient estimate for start-up activity. Prior employment growth between 1925 and 1975 (Models III and IV), as well as the share of self-employed expellees in 1950 (Models IV and V), have no statistically significant effect and do not affect the impact of historically determined start-up activity.

Comparing the coefficients for the effect of the start-up rate in 1976 estimated with the instrumental variables approach to those from simple OLS estimates (Table 4) shows considerably higher values for the instrumental variables estimation. This suggests that the part of new business formation that can be explained by a regional tradition of entrepreneurship has a stronger effect on employment growth than the overall start-up activity. Altogether, our findings are in line with Hypotheses II and III.

5.4 Robustness Checks

We conducted several tests of the robustness of our results. First, it could be argued that our outcome variable in the first stage (start-up rate) simply reflects regional differences in industry structure. To account for this concern, we employed sector-adjusted start-up rates (for details, see Ashcroft, Love and Malloy 1991; Audretsch and Fritsch 2002) instead of the actual start-up rates. Replicating the first-stage and the instrumental variables regressions with sector-adjusted start-up rates leads to no particular difference with respect to the significance of the coefficient

estimates for the historical self-employment rate (see Tables A4 and A5 in the Appendix).

We also investigated whether the link between employment growth and instrumented start-up rates works for other years in order to dispel concerns that we measured a year-specific effect in our main analysis. In Tables A6 and A7 we provide results showing that the instrumented average start-up rate for different time periods is positively and significantly related to subsequent employment growth.¹³ Moreover, it could be argued that employment in the 1970s is much different than in the 2000s (e.g., the practice of working part time has become more prevalent). To account for this possibility, we reran the analysis using full-time employment equivalents instead of the actual number of employees in the respective years. The results (not reported here) vary very little from those of our original approach.

In other robustness checks, we included the regional share of GDR refugees (based on the census in 1961) as well as a dummy variable indicating whether a region shared a common border with the GDR so as to capture more precisely potential regional differences in the impact of German division and subsequent reunification. Neither approach significantly changed our results (not reported here).

Finally, it could be argued that a tradition of self-employment is mainly created by the historical presence of certain industries. For example, areas with a tradition in mining or heavy industry are commonly characterized as relatively less entrepreneurial due to the industry-specific large scale of operations (Chinitz 1961). In a study designed to test this idea, Glaeser, Kerr and Kerr (2014) use distance to historical mines as an indicator of a regional culture of entrepreneurship. Using the employment share in mining in 1925 instead of the self-employment rate as an instrument for current start-up activity, we find that the share of mining employment explains neither the level of start-up activity in the 1970s and

¹³ Note that the coefficient of the prior employment growth since 1925 is positive and strongly significant in these models, in contrast to the main analysis.

1980s in the first stage nor employment growth in the second stage.¹⁴ We conclude for the case of Germany that although industry-specific conditions may have a considerable effect on the regional level of entrepreneurship, they are only one of several possible sources of a regional entrepreneurship culture. Thus, historical levels of self-employment are a much stronger indicator of a regional culture of entrepreneurship than is the historical presence of specific industries.

6. Indications for East Germany

Discovering whether and, if so, how entrepreneurial tradition is related to economic growth in East Germany is a topic of great interest given that this is a region that experienced four decades under a socialist regime devoted to an anti-entrepreneurial policy and then suffered the radical shock of transitioning to a market economic system at a very rapid pace. Given this background, it is remarkable that there is a significantly positive relationship between the self-employment rate in 1925 and the current levels of new business formation in East Germany (see Fritsch and Wyrwich 2014).¹⁵ In that study, we also found that the regional distribution of the small part of remaining self-employment in East Germany in September 1989, just before the collapse of the socialist regime, is positively correlated with the self-employment rate in 1925. This remnant of entrepreneurship after 40 years of communism is a particularly strong example of the persistence of an entrepreneurial orientation in a local population (for more details, see Wyrwich 2012; Fritsch et al. 2014).

Research at the level of districts, which are smaller than planning regions, finds that areas with a high entrepreneurial residual in 1989 had higher GDP growth after transition (Kawka 2007). Thus, regions with an entrepreneurial culture seem to have mastered the challenges of

¹⁴ There is a weak relationship in the first stage if we control for the overall level of self-employment in 1925. The respective first-stage F-statistics are very low compared to models in which we use the general self-employment rate in 1925 as the instrument. All results of robustness checks can be obtained from the authors upon request.

¹⁵ For a detailed assessment of the reemergence of entrepreneurship in East Germany during the transition period, see Fritsch et al. (2014).

transitioning to a market economy comparatively well. Hence, we would expect a similar result for employment growth at the level of functional economic (planning) regions used in this analysis. However, the small number of planning regions in East Germany (21) does not permit the application of a sophisticated IV estimation approach.

7. Summary and Conclusions

We investigated the effect of a high level of regional self-employment in 1925, which we use as a proxy for an entrepreneurship culture, on subsequent regional performance, particularly employment growth, in West Germany between 1976 and 2008. A detailed analysis of the relationship between the historical level of self-employment and current employment change reveals that the informal institution of a culture of entrepreneurship is persistent and can endure severe shocks to the political-economic framework, including devastating wars and abrupt changes of the political-institutional regime. Accordingly, regions with high levels of self-employment in 1925 tend to continue to experience high levels of new business formation more than 80 years later (Hypothesis I). Our results clearly confirm the positive effect of new business formation and of a culture of entrepreneurship on regional growth (Hypotheses II and III), thus demonstrating that regional entrepreneurship culture is a resource for regional development.

The persistence of regional entrepreneurship implies not only long-term benefits once an entrepreneurial culture has developed; it also strongly suggests that establishing an entrepreneurial culture may require long periods of time. Hence, attempting to create a regional entrepreneurial culture can be viewed as an investment in a kind of capital stock that can have long-lasting positive effects. These results give rise to the question of how policy can be designed to stimulate the development of an entrepreneurial culture, a question that is not easily answered due to our current lack of knowledge. Sources of an entrepreneurship culture may be deeply rooted in economic history so that attempts to explain the emergence of a regional entrepreneurship culture will need to reach far

back into the past. However, economic history is considerably influenced by political-institutional factors, which may provide lessons for policy today.

Our finding that the effect of new business formation that can be attributed to exogenous variation in entrepreneurial tradition is stronger than the general OLS coefficient estimate of start-up activity is of particular interest. In Section 3 we suggested that the environment in regions having an entrepreneurial tradition is supportive of high-quality start-ups as well as of a “productive” reaction by regional incumbents to challenges posed by newcomers, both of which should stimulate growth. The smaller OLS coefficient reflects that other sources of regional start-up activity might contravene the positive influence of entrepreneurial tradition, for example, policies that encourage an influx of possibly ill-prepared start-ups. We argue that important channels and mechanisms through which culture affects start-up activity and growth relate primarily to opportunity-based entrepreneurship. However, many start-ups are not created to explicitly exploit an entrepreneurial opportunity. The growth effects of such start-ups are presumably much lower than those of opportunity-based new businesses that may be particularly stimulated by an entrepreneurship culture. Too many of the former type of start-ups could reduce the effect of overall start-up activity on growth. This suggests that encouraging new business formation in regions that lack an adequate entrepreneurial culture might not be the most appropriate course of action. It might be more effective to foster a positive entrepreneurial climate first (Kibler, Kautonen and Fink 2014; Westlund, Larsson and Olsson 2014). Furthermore, the formal institutional framework should be designed in an entrepreneurship-friendly way (e.g., bankruptcy laws tuned to the needs of start-ups, low entry barriers, supportive infrastructure). Altogether, an entrepreneurship culture appears to be an important regional factor that drives not only the level of new business formation but also its effect on growth. Therefore, further research should investigate the moderating role of an entrepreneurship culture on the type of emerging new businesses and their effects on development.

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Appendix

Table A1: Definition of explanatory variables

<i>Variable</i>	<i>Definition</i>
Self-employment rate 1925	Number of self-employed persons in nonagricultural private sectors divided by all employees ^a
Start-up rate	Number of start-ups in a region over private-sector employment ^b
Employment	Number of private-sector employment ^b
Population density	Number of inhabitants in a region per square kilometer ^c
Market potential	Distance weighted (1/distance) sum of population in all other regions ^c
Employment growth	Change in nonagricultural private-sector employment between 1925 and 1975. ^{ac}
Share of self-employed expellees 1950	Number of self-employed expellees in a region over regional workforce ^d

Source: a) Statistik des Deutschen Reichs (1927); b) Social Insurance Statistics; c) Federal Statistical Office; d) Census 1950 (various volumes). All variables enter the models in log-form.

Table A2: Summary statistics for self-employment rates, start-up rates, and other regional conditions in West Germany

	Mean	Median	Minimum	Maximum	Standard deviation
Employment growth 1976–2008	1.14	1.11	0.8	1.65	0.2
Self-employment rate 1925	0.1	0.098	0.06	0.12	0.01
Start-up rate 1976	5.09	4.92	3.38	9.7	1.14
Employment 1976 (log)	11.96	11.8	10.7	13.71	0.7
Population density 1976 (log)	5.35	5.17	4.24	7.13	0.69
Market potential 1976 (log)	12.4	12.41	11.82	12.96	0.25
Employment growth 1925–1975	1.16	1.12	0.67	3.19	0.34
Share of self-employed expellees 1950	0.01	0.008	0.002	0.017	0.004

Table A3: Correlation of self-employment rates, start-up rates, and other regional conditions in West Germany

	I	II	III	IV	V	VI	VII	VIII
I Employment growth 1976–2008	1							
II Self-employment rate 1925	0.124	1						
III Start-up rate 1976	0.249**	0.212	1					
IV Employment 1976	-0.252**	0.051	-0.221*	1				
V Population density 1976	-0.403***	-0.112	-0.186	0.798***	1			
VI Market potential 1976	-0.225*	-0.23*	-0.365***	0.335***	0.619***	1		
VII Employment growth 1925–1975	0.269**	0.036	-0.087	-0.139	-0.325***	-0.178*	1	
VIII Share of self-employed expellees 1950	0.264**	0.087	0.091	-0.414***	-0.608***	-0.607***	0.206	1

Notes: ***: statistically significant at the 1 percent level; ** statistically significant at the 5 percent level; *: statistically significant at the 10 percent level. All variables are in log-form.

Table A4: Persistence of start-up rates in West Germany

	I	II	III	IV	V	VI	VII
I Start-up rate ($t-30$)	1						
II Start-up rate ($t-25$)	0.907	1					
III Start-up rate ($t-20$)	0.838	0.921	1				
IV Start-up rate ($t-15$)	0.871	0.934	0.938	1			
V Start-up rate ($t-10$)	0.813	0.868	0.894	0.904	1		
VI Start-up rate ($t-5$)	0.759	0.823	0.863	0.867	0.923	1	
VII Start-up rate (t)	0.788	0.816	0.868	0.885	0.907	0.95	1

Notes: All correlation coefficients are statistically significant at the 1 percent level. The year t represents 2008. Therefore, the year $t-32$ represents 1976.

Table A4: First-stage regressions with sector-adjusted start-up rate

<i>Dependent variable: Start-up rate 1976 (sector adjusted)</i>	I	II	III	IV	V
Self-employment rate 1925	0.458*** (0.152)	0.549*** (0.151)	0.488*** (0.144)	0.491*** (0.145)	0.464*** (0.153)
Employment 1976	-0.0832 (0.0582)	-0.127*** (0.0346)	-0.0556 (0.0602)	-0.0503 (0.0628)	-0.0740 (0.0651)
Population density 1974	-0.0788 (0.0654)	-	-0.123* (0.0707)	-0.136* (0.0781)	-0.102 (0.0766)
Market potential 1974	-0.153 (0.108)	-	-0.148 (0.0979)	-0.136 (0.102)	-0.133 (0.113)
Employment growth 1925–1975	-	-	-0.334*** (0.0602)	-0.331*** (0.0626)	-
Share of self-employed expellees 1950	-	-	-	-0.0269 (0.0391)	-0.0440 (0.0528)
Federal State dummies	Yes***	Yes	Yes***	Yes***	Yes***
Industry structure 1925	Yes***	Yes***	Yes***	Yes***	Yes***
First-stage F-statistics	9.09***	13.27***	11.48***	11.44***	9.17***
F-value	81.55***	58.69***	94.31***	88.14***	81.84***
R-squared	0.746	0.711	0.824	0.825	0.749

Notes: Robust standard errors in parentheses. Number of observations is 70 planning regions. ***: Statistically significant at the 1 percent level; **: statistically significant at the 5 percent level; *: statistically significant at the 10 percent level. Constant suppressed for brevity. Data on population are not consistently available for the years 1975 and 1976.

Table A5: Results for instrumental variables regressions

<i>Dependent variable: Private-sector employment growth 1976–2008</i>	I	II	III	IV	V
Start-up rate 1976 (sector adjusted)	0.936*** (0.327)	0.897*** (0.261)	0.863*** (0.235)	0.846*** (0.230)	0.910*** (0.317)
Employment 1976	0.108** (0.0533)	0.103** (0.0519)	0.0714 (0.0440)	0.0584 (0.0418)	0.0891* (0.0505)
Population density 1974	-0.000520 (0.0690)	-	0.0428 (0.0594)	0.0712 (0.0683)	0.0400 (0.0779)
Market potential 1974	0.185 (0.125)	-	0.169* (0.0972)	0.139 (0.0907)	0.144 (0.126)
Employment growth 1925–1975	-	-	0.375*** (0.114)	0.362*** (0.111)	-
Share of self-employed expellees 1950	-	-	-	0.0601 (0.0518)	0.0817 (0.0505)
Federal State dummies	Yes***	Yes***	Yes***	Yes***	Yes***
Industry structure 1925	Yes***	Yes***	Yes***	Yes***	Yes***
Wald chi ²	312.81	263.23***	463.36***	447.95***	344.38***
R-squared	0.519	0.516	0.684	0.694	0.544

Notes: Robust standard errors in parentheses. Number of observations is 70 planning regions. ***: Statistically significant at the 1 percent level; **: statistically significant at the 5 percent level; *: statistically significant at the 10 percent level. Constant suppressed for brevity. Data on population are not consistently available for the years 1975 and 1976.

Table A.6: First-stage regressions for average start-up rates and different time periods

	I	II	III	IV	V
<i>Panel A: Dependent variable: Average start-up rate 1976–1980</i>					
Self-employment rate 1925	0.710*** (0.167)	0.627*** (0.175)	0.718*** (0.167)	0.730*** (0.173)	0.725*** (0.172)
First-stage F-statistics	18.18***	12.89***	18.53***	17.86***	17.69***
F-value	23.59***	19.66***	21.18***	23.72***	27.14***
R-squared	0.636	0.573	0.639	0.655	0.654
<i>Panel B: Dependent variable: Average start-up rate 1981–1985</i>					
Self-employment rate 1925	0.552*** (0.161)	0.437** (0.165)	0.557*** (0.166)	0.563*** (0.171)	0.567*** (0.166)
First-stage F-statistics	11.80***	7.04***	11.22***	10.86***	11.69***
F-value	8.21***	7.43***	7.63***	8.88***	9.58***
R-squared	0.610	0.538	0.611	0.632	0.632
<i>Panel C: Dependent variable: Average start-up rate 1976–1985</i>					
Self-employment rate 1925	0.631*** (0.163)	0.530*** (0.168)	0.635*** (0.165)	0.646*** (0.171)	0.645*** (0.169)
First-stage F-statistics	13.09***	9.98***	14.80***	14.35***	14.61***
F-value	14.99***	11.33***	12.07***	14.37***	15.42***
R-squared	0.626	0.559	0.627	0.646	0.646
<i>Panel D: Dependent variable: Average start-up rate 1981–1990</i>					
Self-employment rate 1925	0.504*** (0.162)	0.385** (0.160)	0.515*** (0.166)	0.519*** (0.169)	0.519*** (0.166)
First-stage F-statistics	9.64***	5.84**	9.66***	9.41***	9.73***
F-value	8.49***	8.63***	7.91***	9.65***	10.38***
R-squared	0.613	0.551	0.614	0.639	0.639

Notes: Robust standard errors in parentheses. Number of observations is 70 planning regions. ***: Statistically significant at the 1 percent level; **: statistically significant at the 5 percent level; *: statistically significant at the 10 percent level. The models use the same set of variables as in the main analysis. Constant and control variables suppressed for brevity. Average population density and market potential in the respective periods. Prior employment growth in Models III and IV refer to the year before the years of which the average is taken.

Table A.7: Results for instrumental variables regressions for average start-up rates and different time periods

	I	II	III	IV	V
<i>Panel A: Dependent variable: Private-sector employment growth 1980–2008</i>					
Average start-up rate 1976–1980	0.475*** (0.159)	0.600*** (0.210)	0.410*** (0.121)	0.409*** (0.119)	0.468*** (0.155)
Wald chi ²	209.74***	143.55***	365.15***	377.65***	230.32***
R-squared	0.542	0.412	0.715	0.715	0.548
<i>Panel B: Dependent variable: Private-sector employment growth 1985–2008</i>					
Average start-up rate 1981–1985	0.442** (0.175)	0.623** (0.281)	0.297** (0.131)	0.299** (0.129)	0.433** (0.170)
Wald chi ²	160.31***	110.12***	453.93***	487.96***	172.15***
R-squared	0.550	0.340	0.736	0.736	0.560
<i>Panel C: Dependent variable: Private-sector employment growth 1985–2008</i>					
Average start-up rate 1976–1985	0.380** (0.156)	0.513** (0.219)	0.325*** (0.122)	0.324*** (0.120)	0.374** (0.153)
Wald chi ²	149.44***	111.37***	283.88***	287.71***	159.12***
R-squared	0.552	0.415	0.695	0.695	0.557
<i>Panel D: Dependent variable: Private-sector employment growth 1990–2008</i>					
Average start-up rate 1981–1990	0.441*** (0.169)	0.606** (0.280)	0.308** (0.129)	0.310** (0.127)	0.436*** (0.163)
Wald chi ²	210.45***	131.31***	455.92***	526.55***	246.04***
R-squared	0.485	0.218	0.707	0.709	0.493
<p><i>Notes:</i> Robust standard errors in parentheses. Number of observations is 70 planning regions. ***: Statistically significant at the 1 percent level; **: statistically significant at the 5 percent level; *: statistically significant at the 10 percent level. The models use the same set of variables as in the main analysis. Constant and control variables suppressed for brevity. Average population density and market potential in the respective periods. Prior employment growth in Models III and IV refer to the year before the years of which the average is taken</p>					