

Chapter 1

General Introduction



During the last two decades, as a research field, entrepreneurship has expanded its frontiers toward new knowledge in academia, managerial learning and public policies design (Audretsch, 2012; Audretsch, Kurato, & Link, 2015; Blackburn & Kovalainen, 2009; Welter, Baker, Audretsch, & Gartner, 2017). Although most literature has provided evidence for developed countries, there has been a growing interest in exploring entrepreneurial activity on emerging economies, which enables an international comparison (Bruton, Ahlstrom, & Li, 2010). The explorations at a theoretical level from different disciplines have allowed pioneer scholars to define a starting point by exploring those factors that affect entrepreneurial activity, as well as those ones caused by entrepreneurship (Thornton, Ribeiro-Soriano, & Urbano, 2011; Carlsson et al., 2013). For instance, it has been argued that there is a relationship between entrepreneurship and psychological (McClelland, 1961), economical (Schumpeter, 1911) and managerial (Shane & Venkataraman, 2000) elements. Bruton et al. (2010) and Alvarez, Young, and Woolley (2015), among others, have suggested that there is still a factor drawing the attention of many scholars in the recent past years. Accordingly, formal and informal institutions have found it to be crucial to understand how individuals behave and make decisions in order to become entrepreneurs, especially if differences across countries are taking place and shaping entrepreneurial activity (Alvarez et al., 2015; Veciana & Urbano, 2008). In this regard, Ács, Autio, and Szerb (2014) and Bruton, Ahlstrom, and Puky (2009) have argued that institutional barriers might explain the existing gap of entrepreneurship between developing and developed countries, in which the former group tends to exhibit an endurable and better quality of entrepreneurship, while the latter is plagued by a high rate of unofficial economy and higher corruption levels.

The type and quality of entrepreneurship that is conditioned by the institutional context has prompted questions at the public policy level, since entrepreneurship is linked to economic growth and development (Desai, 2016). Although in this book there is awareness that economic growth is a necessary condition (but not

sufficient) for economic development, it is believed that measures such as gross domestic product (GDP) (aggregated and per capita), labor productivity and the recent index of social progress are accurate approaches of development (Acemoglu, 2008; Barro & Sala-i-Martin, 2003; Porter, Stern, & Green, 2014). In this sense, Acs, Audretsch, Braunerhjelm, and Carlsson (2012), Audretsch (2007), Audretsch and Keilbach (2004a, 2004b, 2004c, 2005, 2007, 2008), and Audretsch, Bönte, and Keilbach (2008), among others, have provided empirical evidence about the importance of entrepreneurship in enhancing economic change and progress. Accordingly, entrepreneurship contributes to cluster formation (Rocha, 2004) and new jobs creation (van Praag & Versloot, 2007; van Stel & Storey, 2004). In this regard, many scholars have been interested in exploring whether entrepreneurial activity affects the economic development of developing and developed countries alike (Blackburn & Smallbone, 2008; Valliere & Peterson, 2009). Some studies in this line of research have tackled this question by analyzing different samples at a country level. For instance, Carree, van Stel, Thurik, and Wennekers (2002, 2007) and van Stel, Carree, and Thurik (2005) have found that entrepreneurship and GDP per capita have a U-shaped relationship. This means that at a certain point in the distribution of countries, entrepreneurial activity might not exert any influence on economic development. Nonetheless, from a certain point onwards, entrepreneurship relates positively to economic change. Wong, Ho, and Autio (2005), Wennekers, van Stel, Thurik, and Reynolds (2005), and van Stel et al. (2005) suggest that, depending on the type of entrepreneurship, national productivity (as another measure of development) might be further enhanced. Arshed, Carter, and Mason (2014), Reynolds et al. (2005), and Shane (2009) discuss the importance of analyzing why some countries are encouraging the entrepreneurial activity that tends to survive across time, while others are interested in increasing only the global rates. The previous evidence has shown that those countries with a lower income level exhibit larger rates of entrepreneurship driven by necessity, while more developed countries have an entrepreneurial structure based upon opportunity recognition and innovation (Acs, Desai, & Hessels, 2008).

From the extant literature in entrepreneurship and economic development, it is suggested that scholars are effectively facing a complex phenomenon (Terjesen, Hessels, & Li, 2016; Urbano, Aparicio, & Audretsch, 2018). One important conclusion derived from these studies concerns the necessity of an institutional framework to explain how entrepreneurial activity is configured in each location. This idea is also claimed by Bjørnskov and Foss (2013) and Nissan, Martín, and Picazo (2011), who find that institutions affect economic growth, specifically legal institutions, such as procedures or the time needed to create a new business, indicating that regulation can influence the context in which entrepreneurship affects social and economic progress. Audretsch and Keilbach (2008) and Baumol and Strom (2007) discuss the importance of understanding how entrepreneurship is configured by considering culture, beliefs and social values, among other factors, to obtain the best understanding of the role of entrepreneurship in economic development. In that sense, Bruton et al. (2010), Thornton et al. (2011), and Urbano et al. (2018), among others, suggest that institutional economics could be useful for understanding which

socio-cultural factors encourage entrepreneurship behavior in order to increase the economic growth rate.

In terms of the causal chain that goes from institutions to entrepreneurship and economic performance, there are studies that have theoretically and empirically analyzed this complexity (cf. Aparicio, Urbano, & Audretsch, 2016; Bjørnskov & Foss, 2012, 2016; Castaño-Martínez, Méndez-Picazo, & Galindo Martín, 2015; Castaño, Méndez, & Galindo, 2016; Méndez-Picazo, Galindo Martín, & Ribeiro-Soriano, 2012; Terjesen, Hessels, & Li, 2016). Although this literature has been useful for expanding the knowledge frontier in entrepreneurship research, many questions remain in terms of the importance that institutions bring to entrepreneurial activity within each country. Effectively, Bjørnskov and Foss (2016), Terjesen, Hessels, & Li (2016), and Urbano et al. (2018) discuss that entrepreneurship is conditioned by institutions, which in turn affects economic growth. However, what types of institutions do these authors refer to? Are these effects similar between developed and developing countries? So far, the extant literature has addressed the causal chain by empirically exploring the simultaneity between institutions, entrepreneurship and economic growth only in developed economies (e.g. European countries); and only analyzing formal institutions such as economic freedom (Bjørnskov & Foss, 2012) and policies and governance structure (Castaño-Martínez et al., 2015; Castaño et al., 2016; Méndez-Picazo et al., 2012).

Despite the previous findings and theoretical discussions, there are some aspects in the literature of this causal chain that might require further understanding. Although it is not purely entrepreneurship, there are works discussing and providing evidence about the importance of productive factors, which absorb institutional changes in order to contribute to the national productivity and progress. Basically, Acemoglu, Gallego, and Robinson (2014) and Glaeser, La Porta, Lopez-de-Silanes, and Shleifer (2004) argue that institutions do not cause growth. Instead, according to these authors, institutions condition those mechanisms that are directly linked to growth and development (e.g. human capital). Here, any law and cultural setting create a distortion in the relationship between the productive factors and economic growth. Translating this idea into the entrepreneurship field, Baumol and Strom (2007) and Aghion and Festré (2017) argue that laws, regulations, etc. are important for defining a legal framework needed for entrepreneurial activity. Nonetheless, the role of some conditioning factors such culture, beliefs, progress intention and so on, also take place in the environment where entrepreneurs are constantly making decisions. Hence, the few works found in this regard suggest that more empirical studies dealing with the sequence from institutions and entrepreneurship to economic development are needed (Thornton et al., 2011). Studies along this line might serve to integrate the thus-far separated streams within entrepreneurship research (Carlsson et al., 2013). By analyzing this causal chain, policy and theoretical implications could be discussed regarding institutional economics as a framework for understanding the link between entrepreneurship and economic progress (Bruton et al., 2010).

Overall, the main objective of this book is to explore the institutional factors that encourage entrepreneurial activity to achieve higher economic performance

across developing and developed countries. In this regard, this book places particular emphasis on different types of entrepreneurship and economic performance measures, as well as on specific contexts. Specifically, the research is developed according to different chapters, which contain their own particular objectives. First, we explore the content and evolution of entrepreneurship is linked to economic progress as well as the whole causal chain that goes from institutions to entrepreneurship and economic performance. Second, we examine the influence of social intentionality, as a particular informal institution, on different types of entrepreneurship. Third, we analyze the effect of entrepreneurship types, as capital factors, on economic growth. And finally, we seek to comprehend the complex view of economic progress influenced by entrepreneurship, which depends on institutional factors.

1.1 Research Contribution

The objectives established above address some areas explored in entrepreneurship research, which may generate further knowledge for the policy debate and theoretical discussion. In particular, this section presents some existing gaps that create the opportunity to continue investigating the entrepreneurship phenomenon. In this sense, some explanations and motivations of each specific goal are provided.

First, given the growing recognition of entrepreneurship to achieve higher economic growth, as well as the fertile grounds that extend our understanding of institutions and entrepreneurial activity (Bruton et al., 2010; Carlsson et al., 2013), recent literature analysis is needed to look at and comprehend the existing trends in the field. By conducting a systemic literature review it is possible to identify what previous scholars have defined as possible pathways to keep exploring. In this regard, the first specific objective of this research (Chap. 2) explores the content and evolution of both the isolated relationships between institutions and entrepreneurship, and how the latter is linked to economic progress, as well as the whole causal chain that goes from institutions, entrepreneurship and economic development. Along with bibliometric indicators (the number of authors dealing with these topics, the journals publishing related works and the amount of theories, methods, etc. used), the literature analysis enables observation of the most accurate frameworks to support the empirical exercises, which in turn, allow the discussion of future research lines, public policy agenda and managerial implications. Although Bjørnskov and Foss (2016) conduct a similar literature analysis, the discussion on the type of institutions, in which the informal factors are highlighted (cf. Urbano & Alvarez, 2014), might serve to explore further their influence on the link between entrepreneurship and development.

Second, the works of Uhlaner and Thurik (2007) and Stephan and Uhlaner (2010) have served to argue that different characteristics of a society define the level and quality of entrepreneurship, as well as the social support for this activity. Accordingly, Thornton et al. (2011) and Urbano and Alvarez (2014) suggest that

this social thinking and behavior turns out to have a higher relevance to entrepreneurship than governmental strategies to increase (or improve) the rate of new business creation. However, the idea of intentionality toward progress is still implicit in the analysis conducted so far. In this regard, the second specific objective aims to examine the influence of social intentionality, as a particular informal institution, on different types of entrepreneurship (Chap. 3). To this end, institutional economics is used as a theoretical framework, which is suggested to be the most accurate one, according to the previous chapter. Thus, social progress orientation might be the concept that moves forward the idea of intentionality, which could establish the long-term basis to achieve and perform hard and complex activities such as, among others, entrepreneurship.

Third, it is argued that the traditional long-term analysis of growth and development has mostly relied upon neo-classical growth models (Solow, 1956; Swan, 1956). Drawing on this, Audretsch and Keilbach (2004a, 2004b, 2004c, 2005, 2007, 2008) developed the concept of entrepreneurship capital. Accordingly, this new capital factor suggests that depending on how economic agents (households, government, incumbent firms, etc.) are articulated, economic growth might be more affected. Based upon the idea of social capital (which is considered another informal institution –cf. Aidis, Estrin, & Mickiewicz, 2008; De Clercq, Danis, & Dakhli, 2010), entrepreneurship capital is included in the traditional growth models to empirically assess the effect of entrepreneurial activity on economic growth. Although Audretsch and Keilbach (2004a, 2004b, 2004c, 2005, 2007, 2008) have explored this new capital factor in depth, the analysis remained at a regional level (in Germany) and tested only the startup density rate as entrepreneurship capital. Thus, total entrepreneurial activity (TEA), and its driving motivations (opportunity and necessity TEA) might be used and proposed as other capital types that could be assessed in the production function. On these bases, the third specific objective aims to analyze the effect of entrepreneurship types as alternative measures on economic growth. Complementary to the previous specific objective, which posits that society defines the entrepreneurial behavior, through Chap. 4 it is possible to provide evidence on how entrepreneurship capital types may differ between developed and developing countries, and therefore, how it may serve to discuss policy implications depending on the development stage of each country.

Finally, Bjørnskov and Foss (2016), Baumol and Strom (2007), and Terjesen, Hessels, & Li (2016), among others, make an important attempt to discuss and suggest the relevance of embracing the complexity that exists between the antecedents of entrepreneurs and their aggregated effect on economic development. Similar to Rodrik (2003), the complex economic growth and development process may be approached through the inclusion of institutions as conditioning factors of those productive elements (in which entrepreneurship and international trade take place) that are contained within the national production function. Based on these ideas, the fourth specific objective aims to comprehend the complex view of economic development influenced by entrepreneurship, which depends on institutional factors. By empirically testing this, it is possible to combine the two previous specific objectives in one single model. This might allow the understanding of how the endoge-

nized entrepreneurial activity (through institutions) becomes a factor affecting growth and development. Hence, this book delivers a series of chapters that seek to address such analyses on institutions, entrepreneurship and economic development (Chaps. 5 and 6). Although literature exists that conducts analysis on institutions, entrepreneurship and economic growth, these chapters provide further evidence regarding the higher importance of informal institutions on increasing entrepreneurial activity driven by innovation and opportunity recognition, which at the same time influences statistically and positively economic growth as well as alternative measures of development (i.e. inclusive growth and social progress).

1.2 Institutional Economics: The Eyes We See Entrepreneurship Through

As mentioned before, institutional economics as a theoretical framework could provide an accurate perspective for understanding the institutional determinants of entrepreneurial activity and its differences across countries (Carlsson et al., 2013). This section presents an illustrative scheme of the growth/development process guided by entrepreneurship, which is, at the same time, affected by institutions.

In general terms, institutions define the environment in which individual intentionality is created and developed (North, 2005). According to North (North, 1990, 2005), institutions are the “rules of the game in a society, or more formally, [...] the constraints that shape human interaction” (North, p. 3). These institutions can be either formal, such as regulations, contracts, procedures, etc., or informal, such as the culture, values or social norms of a particular society. As North (1990) suggests, formal institutions intend to reduce the transaction costs based on regulations, whereas informal institutions exist to reduce the uncertainty caused by the decision making of all individuals (North). One additional conclusion of this framework is related to the interactions between formal and informal institutions, whereby some regulations could be efficient depending on the cultural values and the intentionality of a society. Thus, informal institutions constrain the nature of formal institutions and vice versa. Meanwhile, formal institutions can change in a short period of time; however, informal institutions change more slowly (Williamson, 2000).

By considering institutional economics, Bruton et al. (2010) have analyzed the relevance of institutions to boost or hamper entrepreneurial behavior, which is related the level of economic development. Thereby, future research lines could provide a broader comprehension of the link between institutions, entrepreneurship and economic development (Bjørnskov & Foss, 2016). In what follows, this research explains very briefly how institutions are conceived to determine entrepreneurial activity, as well as how they create an environment to channelize the aggregated effort of entrepreneurs toward socioeconomic outcomes (for further information see Chap. 2).

1.2.1 The Institutional Determinants of Entrepreneurship

The intentionality of individuals toward entrepreneurial decisions could depend on the context in which they are involved and it can lead to different patterns of growth (Bruton et al., 2010, p. 426). As mentioned before, the entrepreneurial decisions made by human behavior are influenced by institutional factors (Thornton et al., 2011). This idea has been expanded into the field of entrepreneurship research, in the sense that both formal and informal institutions could either constrain or foster the decision to create a new business based on opportunity perceptions (Urbano & Alvarez, 2014). Thus, some scholars propose the application of institutional economics to the analysis of entrepreneurship (Aidis et al., 2008; Salimath & Cullen, 2010; Thornton et al., 2011; Urbano & Alvarez, 2014; Veciana & Urbano, 2008; Welter, 2005; among others).

From a theoretical perspective within the entrepreneurship and organizational fields, authors such as Gnyawali and Fogel (1994) and Scott (2008) suggest that the institutional pillars may frame entrepreneurial activity. For instance, Gnyawali and Fogel (1994) discuss the importance of government policies and procedures, social and economic factors, entrepreneurial and business skills, financial assistance to businesses and non-financial assistance, whereas Scott (2008) suggests dimensions such as cognitive, normative and regulative structures, which provide stability and meaning in social behavior. In a general sense, these pillars are under the frame of institutional economics. Here, formal institutions are subordinated to informal ones. It implies that formal settings are used to structure the interactions of a society in line with the norms and values. The long-term results of these social actions lead again to the evolution of informal institutions. North's definition implies that the strategies and policies designed to change formal institutions regardless of the measures taken to adjust the informal institutions in compatible ways will have only marginal success (Thornton et al., 2011).

The balance between institutional settings, entrepreneurship and economic development is relevant to design effective and particular policies according to the context of each country or region (Ács et al., 2014). Some authors have related institutional capacity to the level of economic development in order to explain the differences of entrepreneurship rates across countries (Amorós, Fernández, & Tapia, 2012; Terjesen & Amorós, 2010), and other authors have found that entrepreneurial activity has a U-shaped relationship with economic growth (Carree et al., 2002, 2007; Wennekers et al., 2005). However, these authors do not differentiate between the impact of institutions on entrepreneurship and the relative importance of this factor on economic growth. Similarly, van Stel, Storey, and Thurik (2007) have studied the effect of business regulation on nascent and established entrepreneurs, whose decision of regulation depend on political legacy and development stage of each country. Some important conclusions could be derived from these works: (i) there is correlation between institutions and economic development, (ii) given the capacity and efficiency to create norms and laws, the entrepreneurial activity would increase or decrease, and therefore (iii) entrepreneurship would have a higher

impact in some countries than others. Thus, institutions may represent an accurate framework to explore how entrepreneurial activity and development interact, as well as how entrepreneurship, as an intermediary, may transfer the effects of institutions into the development process.

1.2.2 Institutions: The Backward Link of Entrepreneurship and Economic Development

As Audretsch and Keilbach (2004a, 2004b, 2004c, 2005, 2008) and Audretsch et al. (2008) claim, the endowment of entrepreneurship capital and its consequences on economic growth could depend upon the institutional settings of each country. However, according to the neo-classical theory, economic growth relies upon physical capital and labor as driving factors to achieve higher rates (Solow, 1956; Swan, 1956). This perspective has changed since Romer's (1986) study, which included new variables in the neo-classical model in order to improve the way for analyzing national productivity through a new family of growth models. Following the evolution of this approach, many scholars have emphasized the importance of the accumulation of knowledge in the process, and hence the creation of knowledge capital (Romer, 1986). Therefore, this new class of growth model recognizes some aspects of social factors that are also important in the generation of economic growth. According to this literature, entrepreneurship could be an important factor that explains the rates of growth at national and regional level (Audretsch & Keilbach, 2004a; Minniti & Lévesque, 2010), and therefore it should be encouraged where investments in social capital are greater (Amin, 2000; Lawton Smith, 2003; Simmie, 2003).

Authors such as Minniti and Lévesque (2010) use this idea to incorporate entrepreneurship behavior into the Solow-Swan growth model. They develop a mathematical framework for demonstrating how different types of entrepreneurship could lead to a long-term equilibrium, and therefore, achieve convergence across countries. Other studies, such as those by Audretsch and Keilbach (2004a, 2004b, 2004c, 2005, 2008), Bjørnskov and Foss (2013), and Iyigun and Owen (1999), provide empirical evidence concerning the effect of entrepreneurship on economic growth, and its differences or similarities in regions or countries. In the case of Audretsch and Keilbach (2008) and Audretsch et al. (2008), they show that entrepreneurship based on knowledge tends to have a higher influence on regional economic growth than entrepreneurship driven by necessity and survival reasons. These authors assess entrepreneurship as a new input into the Solow-Swan model to find its weight in the growth process and convergence. Additionally, Carree et al. (2002, 2007) determine how disequilibrium in the entrepreneurship rate could affect growth in OECD countries.

Looking at the history of economic thought, the relationship between entrepreneurial decisions and economic growth was explored by Schumpeter (1911), who argued that innovative entrepreneurs are capable of generating shocks in the economy, creating new and higher long-term equilibria. This author also suggested

that these innovations implemented within the markets lead to new path dependency and encourage new entrepreneurs, which will sustain the development process. However, some other papers have used institutions as direct determinants to understand the economic growth and development process. In fact, North (1990) suggests that institutions might affect the growth and explain the differences across countries. Following this idea, Acemoglu (2006) and Acemoglu and Robinson (2008) explore the development path of several countries based upon their institutional settings. According to these authors, institutions affect the individuals and firms in the regions and countries. Nevertheless, Rodrik (2003) suggests that institutions are an antecedent of those factors that affect economic development directly. According to Rodrik (2003), economic development has three main components: (i) endogenous factors, which contain the determinants that are directly related to national income, (ii) partly endogenous, which could have some interactions prior to affecting economic development, and (iii) exogenous which concern geography and natural resources. One of the endogenous factors suggested by this author deals with entrepreneurial behavior, especially behavior that is based on knowledge that is capable of generating employment and diversifying the national production. By understanding this process, we can embrace the impact of institutions on entrepreneurship that allows achievement of social progress as well, entering into the broader concept of economic development. Drawing on these ideas, Bjørnskov and Foss (2012, 2013, 2016), Castaño et al. (2016), Castaño-Martinez et al. (2015), Méndez-Picazo et al. (2012), and Nissan et al. (2011) open new directions to study the interplay between institutions, entrepreneurship, and economic growth.

1.3 Structure of the Book

In this section, the contents of the book are briefly presented, in which we offer an analysis on institutions, entrepreneurship, and economic performance, along seven chapters (including introduction and conclusions). Specifically, the objectives, methodologies and main results of each chapter are highlighted.

After the introduction chapter, to identify the main trends and discussions within the entrepreneurship field, this book continues with a literature review, which explores the extant research at the theoretical and empirical level of analysis. Motivated by some of those gaps found, Chap. 3 focuses on the role of institutional factors for different entrepreneurship types, in which the concept of social progress orientation becomes relevant for underlining the importance of informal institutions to increase the entrepreneurial activity. In Chap. 4, an analysis is provided of entrepreneurship types as key factors for achieving economic growth in developed and developing countries, as well as for before and after the economic crisis. The whole causal chain is assessed in Chaps. 5 and 6, which both estimate simultaneously the effects of institutions on different types of entrepreneurship and their consequences on socioeconomic performance. Finally, Chap. 7 concludes and highlights implications, limitations and future research lines.

Particularly, through analyzing isolated research strands over the period 1992–2016, Chap. 2 identifies an emergent stream of research that disentangle the institutional factors that shape entrepreneurial activity and their effect on economic growth. This analysis integrates disparate literature, allowing the identification of two different research lines in the entrepreneurship field. The main results of this chapter enable a broader understanding of these two isolated lines of research, which enable to explore the interaction between institutions, entrepreneurship and economic development.

By identifying that informal institutions have been less explored by current research, Chap. 3 examines the influence of social progress orientation, as an informal institution, on entrepreneurship. Through a multiple linear regression model with cross-sectional information from the Global Entrepreneurship Monitor, the Indices of Social Development, the World Values Survey, the Hofstede Centre, the United Nations Development Programme and World Development Indicators, this chapter finds that social progress orientation dimensions such as voluntary spirit, survival versus self-expression values and masculinity vs. femininity are related to the innovative entrepreneurial activity. More specifically, the main findings demonstrate that high voluntary spirit has a positive and statistically significant impact on entrepreneurship (innovative and opportunity/necessity TEA), self-expression influence positively the prevalence of opportunity/Necessity TEA, while high masculinity affects negatively the entrepreneurship related with opportunity/Necessity TEA. The study advances the literature by introducing and analyzing the concept of social progress orientation, to assist with the understanding of the factors that influence innovative entrepreneurial activity in the light of institutional approach. Also, this research could be useful for designing policies to foster entrepreneurial activity in different environments.

Chapter 4 analyzes the effect of entrepreneurship on economic growth. In this chapter, an augmented Cobb-Douglas production function is used, which allows for the introduction of variables such as entrepreneurship as a capital input into the analysis of growth as an endogenous factor. In particular, this Chapter seeks to be differentiated from the previous studies by using panel data analysis, with 43 countries in the period from 2002 to 2012, and different measures of entrepreneurship capital.

Chapter 5 examines how social progress orientation (SPO) through entrepreneurship driven by opportunity recognition affects economic development. Using a pooled data of 81 observations (56 countries) and the three-stage least-squares method (3SLS), this chapter seeks to provide empirical evidence that SPO measured through civic activism, voluntary spirit, and inclusion of minorities might exert a positive effect on opportunity entrepreneurship, which in turn, affect the development process.

Chapter 6 examines how a country's institutional context influences the way in which entrepreneurial activity affects social progress. Following the theoretical approach of institutional economics, the hypothesis is tested using pooled data from 62 countries (2012 and 2014) and a simultaneous-equation model estimation. In this respect, it may be possible that business regulations decrease entrepreneurial

activity, while established democracies provide a government context conducive to entrepreneurship. Additionally, the chapter hypothesizes that the entrepreneurial activity is positively linked to the Social Progress Index, which is an alternative measure of economic development.

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