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ENTREPRENEURIAL ACTIVITY AND REGIONAL GROWTH IN BRAZIL: AN EMPIRICAL EVALUATION OF REGIONAL GROWTH REGIMES OVER TIME AND SPACE (SUMMARY)

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SUMMARY

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Principal Topic

“Which is the engine of regional growth – large, established enterprises or new firm startups?” This question was posed by Audretsch and Fritsch’s (2002) when they introduced the concept of regional growth regimes, and defined four different regimes: entrepreneurial, routinized, revolving door and downsizing. The existence of different regional growth in a country is not a trivial issue. Public policies designed to foster entrepreneurship, under the assumption that different regions may have the same entrepreneurial drive, can end up being ineffective and wasting resources (Van Stel and Storey, 2004). Thus, the aim of our study is to identify the presence of different regional growth regimes in Brazil, as well as the dynamics of these regimes over time. We posed three questions: a) Are there different growth regimes in Brazilian regions? b) What are the control variables that help to explain the emergence, persistence or change of different growth regimes; c) How does the regimes evolve over time?

Method

We collected data from 5.500 Brazilian counties aggregated along 546 “homogeneous micro-regions”, for the period of 1989/2004. We computed descriptive statistics, conducted correlation analysis and estimated an econometric model in order to identify the growth regimes, the variables that explain the existence of a particular regime and their dynamics over time.

Results and Implications

Our research shows that the regional growth in Brazil can, indeed, be described by the four growth regimes defined by Audretsch and Fritsch (2002) and that, in the long run, the regions may profit from fostering their entrepreneurial drive, since it can make them less vulnerable to down shifts and loss of dynamism. Our research also shows that the regions with a high percentage of small companies, a high participation of young in the total population and with low demographic densities are more correlated to the Entrepreneurial regime. We believe that these findings can help to “fine tuning” the public policies aimed at fostering entrepreneurship as an instrument to increase economic growth at the regional level, increasing the effectiveness of such policies.

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