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## REGULATIONS AND ENTREPRENEURSHIP: EVIDENCE FROM DEVELOPED AND DEVELOPING COUNTRIES (SUMMARY)

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≈ SUMMARY ≈

**REGULATIONS AND ENTREPRENEURSHIP: EVIDENCE  
FROM DEVELOPED AND DEVELOPING COUNTRIES**

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**Principal Topic**

This paper attempts, by contrasting the developed versus the developing countries, to examine whether the regulation affects entrepreneurial dynamics in a different way across different levels of economic development. In general terms, regulations to business activities have been applied under the criteria that “less could be more” (such as less regulation means more entrepreneurial activity) without the consideration of the development level of countries. Institutional economics is used as a theoretical framework of the research.

**Methodology**

The empirical analysis is based on an unbalanced panel data set for 50 countries over 2002-2009. We considered as dependent variable the total entrepreneurship activity (TEA) rates from the Global Entrepreneurship Monitor (GEM) database. The data on independent variables, specifically on fiscal and business freedom were obtained from the Heritage Foundation’s Economic Freedom Index. Legislation support to new firm creation and labor regulations (hiring/firing practices, minimum wages and barriers to business activities) were obtained from IMD World Competitiveness database. Other control variables come from the United Nations Development Programme (UNDP).

**Results and Implications**

The main findings indicate a positive relationship between fiscal freedom and entrepreneurial activity. Fiscal freedom refers to the absence of excessive taxation and government expenditures. High taxes might discourage entrepreneurial activity and instead, promote the employment. Regulations may have a different impact on entrepreneurial activity according to country’s development. In developed countries, variable related to legislation support to business is positively related with entrepreneurship. In contrast, in developing countries, this relationship is negative. This result could be related to the high rate of necessity entrepreneurship on developing countries. Finally, business freedom and labor regulations have not significant influence on entrepreneurial activity for both developed and developing countries. This paper could offer new insights: from the theoretical point of view, although the works about regulations as key elements of entrepreneurship are increasing, little research is based on institutional economics. From the practical perspective, the results could be very useful for the design of governmental policies and strategies to foster entrepreneurial spirit among the society, distinguishing between the different levels of development of the countries. Further research, could consider opportunity and necessity entrepreneurial activity.

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