

Economic institutions and entrepreneurship by opportunity and necessity

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Abstract

Numerous studies highlight that business activity is the main source of economic growth and that productive entrepreneurship is crucial in terms of economic welfare. Entrepreneurship displays remarkable differences across countries because of diverse factors, among others, the economic institutional environment.

This paper deals with the extent to which economic institutions matter for opportunity entrepreneurship and necessity entrepreneurship. We examine the relationship between the Fraser Institute's economic freedom index and its five areas, and both indicators from the Global Entrepreneurship Monitor on opportunity entrepreneurship and necessity entrepreneurship. We carry out a panel data analysis in the OECD countries and find that economic liberalization tends to encourage opportunity entrepreneurship and to discourage necessity entrepreneurship.

Key Words: Economic institutions, opportunity/necessity entrepreneurship, Global Entrepreneurship Monitor (GEM)