

# RATIO

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## Entrepreneurial Policymakers

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# **ENTREPRENEURIAL POLICYMAKERS**

## **ABSTRACT**

This paper explores the entrepreneurial experience (and spirit) of Swedish policymakers. To what extent have they been involved in entrepreneurial activities? Are they planning to start any entrepreneurial activities? Are politicians more or less entrepreneurial than their voters? How important are entrepreneurship policies to Swedish politicians? Are entrepreneurship policies more or less important to policymakers compared to the voters they represent? The Members of Parliament were asked the same questions regarding their entrepreneurial activities as found in the Global Entrepreneurship Monitor (GEM). The empirical results indicate that when, we analyse the statistical significance of the differences and control for individual characteristics, policymakers have similar experiences and ambitions to the rest of the population when it comes to entrepreneurial activities. Policymakers have a high potential for becoming entrepreneurs in the future, but seem to be less optimistic about how entrepreneurs are perceived in the Swedish cultural context. In addition, there is a substantial discrepancy between how policymakers and voters perceive the ease of starting and running a business. Unlike policymakers, voters do not agree that it is easy to start and run a business in Sweden.

## **KEYWORDS**

Entrepreneurship policy, attitudes, experience, culture

JEL codes: L26, L53

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## 1. INTRODUCTION

Stimulating entrepreneurship has become an increasingly important policy measure in recent decades, the underlying belief being that entrepreneurship is vital for economic growth. Most empirical studies can establish a positive relationship, at least in the long run, between entrepreneurship and productivity and growth, but the effects in terms of job creation can be questioned (See e.g. van Praag and Versloot, 2007 and Nyström 2008 for literature reviews).

In terms of entrepreneurial activities, Sweden ranks quite low in international rankings. According to the 2010 Global Entrepreneurship Monitor, Sweden ranks 14 out of the 22 countries defined as innovation-driven economies (Kelly, Bosma and Amorós, 2010). Policymakers have initiated several projects in order to stimulate entrepreneurial activities at both national and regional levels. The Swedish government has an explicit goal of increasing the number of new and growing firms (Ministry of Enterprise, 2011); e.g., in 2009 the government spent about 3 billion Euros, corresponding to 0.89 per cent of GDP, on state aid to Swedish industry (excluding additional measures due to the economic crisis). However, this figure includes tax exemption for environmental purposes (two thirds), start-up grants of approximately 32 million Euros to the unemployed and approximately 17 million Euros in support to small businesses (Tillväxtanalys, 2011). In 2006, 15 per cent of Swedish enterprises claimed that they received government support to start their companies (ITPS, 2008). In many cases, though, these policy initiatives have been undertaken without thorough analysis of what the societal value of these new firms really is (see e.g. the criticism of these policies by Shane 2009 and Learner, 2009).

Based on the assumption that the quantity of entrepreneurship matters for economic growth, various policies has been aimed at stimulating individuals to take the very risky decision to become an entrepreneur. To what extent are those who ultimately formulate entrepreneurship policies ready to give up their careers to become entrepreneurs? What do we know about entrepreneurial experiences of our policymakers? What can be expected in terms of entrepreneurial experience and ambition from policymakers? Are policymakers as equally entrepreneurial as the rest of the population? Firstly, since policymakers already have a job for the next four years, we can expect their entrepreneurial activities to be devoted to opportunity-based entrepreneurship.

Since we know very little about the entrepreneurial experience (and spirit) among Swedish policymakers, I aim to explore these aspects in this paper. In order to measure the entrepreneurial experience and attitudes of the 349 Swedish Members of Parliament (MPs), the questions asked by the Global Entrepreneurship Monitor (GEM) are used. The advantage of this research approach is that it facilitates comparison with the population (voters). Our empirical findings show that despite a high potential for entrepreneurship, policymakers have similar entrepreneurial experiences and ambitions to voters. Furthermore, policymakers have a less optimistic opinion of how entrepreneurs are perceived in the Swedish cultural context. Still, there is a substantial discrepancy between how the policymakers and population perceive the ease of starting and running a business. Policymakers perceive that it is easier for them than it is for voters to start and run a business. Nevertheless, according to policymakers, improving the conditions for starting and running a business is an important issue on their agenda.

The paper is organized as follows. Section 1 provides some earlier empirical findings on the propensity to become an entrepreneur. Section 2 contains the research hypotheses and the theoretical framework of the paper. Section 3 describes the empirical research set-up for this project. Section 4 presents and discusses the empirical findings. Section 5 concludes the paper.

## **2. THEORETICAL FRAMEWORK AND RESEARCH QUESTIONS**

### **2.1 The institutional framework for entrepreneurship**

When policymakers aim to encourage entrepreneurial activities, they have to consider the institutional setting faced by individuals and firms. Institutions are commonly described as “the rules of the game” and can be characterized either as informal or formal (North, 1991 and 1994). Williamson (2000) categorizes institutions according to four levels; *Social embeddedness; institutional environment; institutions of governance*<sup>1</sup>; and *resource allocation and employment*<sup>2</sup>. For this paper, *Social embeddedness* and *Institutional environment* dimensions are the most relevant dimensions to discuss.

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<sup>1</sup> Institutions of governance refer to transactions and contracts between firms.

<sup>2</sup> Resource allocation and employment refer to the role of institutions for shaping incentive structures which affects decisions on resource allocation in production.

*Institutional environment* refers to the formal laws and regulations. At this level of institutions policymakers are of course instrumental in forming the conditions for entrepreneurial activities, since they are ultimately responsible for forming the regulations and laws that are pertinent to entrepreneurial activities. Policy measures which influence entrepreneurial activities are, for example, tax policy, labor market regulations, or policies aimed at decreasing the administrative burden for enterprises and cutting red tape.

Previous empirical studies show, for instance, that the minimum capital required to start a business and labor market regulations lower entrepreneurship rates (van Stel et.al. (2007). Entry regulations in terms of time, cost and number of procedures associated with starting a new firm may be associated with a decrease of small start-ups in particular (Klapper, et.al., 2006). For a literature review of the empirical findings on the role of institutions in entrepreneurship see, for example, Coyne and Boettke (2009).

*Social embeddedness* refers to, for example, the culture, norms, values traditions and religion in a society. These institutions form how different behaviors are rewarded (or punished). Hofstede, (1980) defines culture as a set of shared values and beliefs. Social relations include relations to family, friends, colleges or business relations.

The structure of social network relations influences the kinds of activities and transactions that are conducted (Granovetter, 1985). Hence, the social conditions are also important for determining to which extent innovative and entrepreneurial activities are taking place. Schumpeter (1934 p. 91) acknowledges that social and cultural conventions restrict individual choices:

“... the field of individual choice is always, though in very different ways and to very different degrees, fenced in by social habits or conventions and the like.”

Mark Casson (1993) (as cited in Fogel et al. (2006)) also supports the effect of culture on entrepreneurship:

*“The culture of a community may be an important influence on the level of entrepreneurship. A community that accords the highest status to those at the top of hierarchical organizations encourages "pyramid climbing," while awarding high status to professional expertise may*

*encourage premature educational specialization. Both of these are inimical to entrepreneurship. The first directs ambition away from innovation (rocking the boat), while the second leads to the neglect of relevant information generated outside the limited boundaries of the profession. According high status to the "self-made" man or woman is more likely to encourage entrepreneurship."*

Previous empirical literature supports the importance of attitude and social norms and culture for entrepreneurial activities and includes studies by, for example, Beugelsdijk and Noorderhaven (2004) and Gianetti and Simonov (2004), who find that social norms influence entrepreneurship, and Gompers, Lerner and Scharfstein (2005) on the role of social networks in facilitating entrepreneurial activities. See also Hayton et al. 2002 and Licht and Siegel (2006) for surveys of this literature. The notion of the importance of social and cultural factors as determinants of entrepreneurship makes measures of these aspects a decisive and unique aspect for the GEM-project. However, it should be recognized that changing informal institutions, according to Williamson (2000), is a very slow process.

In what respect do policymakers influence the informal institutions that foster entrepreneurship? By emphasizing the role of entrepreneurship for job creation, they also try to foster a more entrepreneurial culture. With such strategy, they may be important "role models". The influence that policymakers have on these, the social embeddedness and institutional environment dimensions of institutions, undoubtedly makes it interesting to ascertain the experience and attitudes policymakers have regarding entrepreneurial activities.

## **2.2 Research Questions**

As previously, mentioned policymakers have shown a great interest in trying to stimulate the quantity of entrepreneurship. To put it bluntly, policymakers hope that more Swedes, for example, individuals with a high potential for becoming entrepreneurs (for example, researchers) or individuals who are underrepresented among entrepreneurs (for example women) should feel urged to give up their careers and start a very risky business as entrepreneurs. According to the most recent GEM-study, 4.9 per cent of the Swedish population are either nascent entrepreneurs or owner-managers of a newly started business, together corresponding to the total early stage entrepreneurship activity (Kelly, Bosma and Amorós, 2010). At this point we know little about the entrepreneurial ambitions, attitudes and potential of policymakers. In this paper I intend to answer the following research questions:

- Do entrepreneurial experience and ambition differ between policymakers and voters?
- Do policymakers have higher potential for getting involved in entrepreneurship compared to voters?
- Do entrepreneurial attitudes differ between policymakers and voters?
- Are there any differences between policymakers and voters with respect to how they perceive the role of entrepreneurship for creating jobs?

In political science, the questions of whether policymakers are representative of the voters with respect to, for example, gender, age, and educational background, and whether there is issue congruence i.e. the degree to which voters and members of parliament share the same opinions regarding different issues, have been extensively investigated (see e.g. Widfeldt, 1999; and Holmberg, 2004). Empirical literature shows that issue congruence is the strongest for politicized issues at the center of the political discussion. Examples include discussions on private or public health care or taxation levels (see e.g. Holmberg, 2004). Congruence is found to decrease for less discussed political issues (Holmberg, 2010). Nevertheless, to my knowledge, this literature does not measure opinions related to entrepreneurial activities. Empirical research also indicates that policymakers with prior experience of entrepreneurship show an increased probability of leaving their assignments before the end of the term (Ahlbäck Öberg et. al., 2007).

### **2.3 Policymakers' representative capacity with regard to entrepreneurial activities**

Why are the entrepreneurial experience, ambition and attitudes among policymakers of special interest? Can or should we expect policymakers to have representative capacity for their voters with respect to entrepreneurial activities? To discuss this question, political-science theories which discuss models of party organization and democracy need to be consulted. In this research field the prevailing tradition has been to consider political parties as agents of society. As such they formulate, aggregate and represent voter's interests. However, during the last decade this view has started to be questioned. Along with the emergence of the prevalent "cartel party" model, political parties are seen as having developed

into professional organizations where the goal is to maintain their position in the political system rather than retain ideological beliefs (see e.g. Bolleyer, 2008, Katz and Mair (1995)).<sup>3</sup>

The emergence of a cartel party model has important implications for such things as how political parties are organized, how parliamentary candidates are selected, and what previous experience and skill they have. The evolution of the cartel party model is characterized by a professionalization of party politics, an indication of which, according to Katz and Mair, (1995), is that a full-time career as a politician is not only accepted but even encouraged. Party leadership in a professionalized cartel party requires a variety of specialized skills. Some of these skills are normally associated with other professions; examples of such skills are jobs in the “chattering classes” or brokerage occupations, Norris and Lovenduski (1995). However, the profession of politician also requires skills which can be achieved only through experience in politics. Katz (2001) suggests that these skills include, for example, personal relationships and knowledge of both politics and government. On the one hand, some of the above mentioned skills can be argued to be valuable in a career as a future entrepreneur. On the other hand, with the above mentioned professionalization of policymakers, we can expect their representative capacity in relation to voters to decrease in some respects, such as their previous work and ambitions for the future outside the political sphere.

Nevertheless, one of the most important functions in a democracy is the selection of candidates for parliament, which signals, for example, the demographic, geographic and ideological dimensions of the party and affects those people candidates believe they represent, e.g. their psychological constituency (Katz, 2001). The candidates provide an important link between the professional leadership at centre of the party and the lower levels of the party organization, but still maintain accountability to their voters (Carty, 2004). Finally, the nomination of candidates with different individual characteristics provides an important signal about which issues the party thinks are important now and in the future (Katz, 2001). Hence, the question of nomination of, for instance, more women, and individuals representing minority groups, farmers or entrepreneurs, is not trivial.

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<sup>3</sup> For a thorough description of the emergence and characteristics of the cartel party model, see Katz and Mair (1995).



### 3. METODOLOGY

I compare the entrepreneurial experience, ambitions and attitudes of Swedish policymakers vis-à-vis their voters. The 349 Swedish Members of Parliament were asked the same questions regarding their entrepreneurial activities as found in the Global Entrepreneurship Monitor (GEM).<sup>4</sup> The GEM-survey questions concern the individuals' present state of entrepreneurial activity and the conditions/attitudes towards entrepreneurship policy in different countries.<sup>5</sup> Hence, the GEM-definition of entrepreneurship is used.<sup>6</sup> As opposed to alternative measures of entrepreneurship, such as self-employment rates and new firm formation rates, the GEM-measure includes nascent entrepreneurship i.e. people who are currently setting up a new business, and very young businesses which may not yet be reported in official statistics.

In addition to the questions posed in the GEM survey, the policymakers were asked the same national-specific questions as contained in the Swedish version of GEM 2010 regarding the role of entrepreneurship policy. This part of the survey included questions about the respondent's views on the importance of entrepreneurship policy and the role of different types of firms in the economy with respect to generating jobs. Finally, questions about how they perceived the conditions for starting and running a business were included.

The internet-based survey of the Swedish Members of Parliament was carried out from November 2010 to January 2011. Policymakers were sent two reminders during this period, after which the response rate was 27 percent; i.e., 94 Members of Parliament took part in the survey.<sup>7</sup> The election in September 2010 resulted in a Swedish parliament of representatives from eight parties. The four right wing parties, the conservative party, the liberal party, the centre party and the Christian Democrats, form the current government. Appendix A displays the share of representatives from each party in relation to the distribution of respondents in the survey. It should be noted that members of the right-wing parties had a slightly higher

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<sup>4</sup> For more information about the data collection in GEM see [www.gemconsortium.org](http://www.gemconsortium.org)

<sup>5</sup> Note that the GEM methodology also includes an assessment of the institutional framework for entrepreneurship by national experts (The national expert survey). These experts include a few policy makers. However, the scope and content of the expert survey do not enable comparison with voters.

<sup>6</sup> See e.g. Glancey and McQuaid, (2000) or Wennekers and Thurik (1998) for a summary and discussion on the role and definition of entrepreneurship.

<sup>7</sup> The response rate was lower than expected. Some Members of Parliament responded that, on principle, they never answered any surveys of this kind. However, according to Sheehan and McMillan (1999) web surveys generally have a lower response rate than mail surveys. A response rate of 20 percent is normal for a web survey. It should also be noted that elected representatives are often reluctant to participate in surveys (Holmberg, 2010).

response rate than policymakers from the other parties. Parliamentary representatives from the social democrat party had the lowest response rate in relation to their representation in parliament.<sup>8</sup> Does this skewness in response rate influence the results? As a robustness check I have weighted the results using the actual distribution of parliamentary seats. The weighted averages are shown in Appendix B. For the vast majority of questions the weighting procedure does not change irrespective of whether there are statistically significant differences between policymakers and voters. When differences occur they are discussed in relation to the presentation of the empirical results in section 4. However, the skewness in response rate across parties does not influence the interpretation of the overall conclusions to any significant extent.

In the following empirical section the GEM-data regarding the experience and views of entrepreneurship among the Swedish policymakers, collected during June 2010 at the individual level, is used for the comparison with the Swedish population/ voters. . The number of respondents for the dataset representing the Swedish voters is 2492. Note that the average figures regarding the Swedish population differ slightly compared to those reported in Kelly, Bosma, and Amoros (2011), who only include individuals aged 16-64 in their report, while I use data from the whole survey population.

The empirical analysis is done in two steps. Firstly, we compare responses of policymakers and voters to see whether there are any statistically significant differences between these groups. Secondly, we investigate whether these differences persist if we control for individual characteristics which may influence entrepreneurial activities. In this part, a standard logit-model<sup>9</sup> is used to estimate, for example, the probability of being involved in entrepreneurial activities.

Research on individual characteristics that influence entrepreneurial activities has literally exploded in recent decades. Hence, some stylized facts regarding the individual characteristics of the entrepreneur need to be considered in this part of our analysis. According to Parker (2009), the probability of becoming an entrepreneur increases with age, since the potential entrepreneur, for example, acquires more experience and expands his/ her social network.

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<sup>8</sup>It might be the case that the propensity to answer the survey questions is dependent on which policy areas the members of the parliament are specialized in. We find no apparent selection bias with respect to which committees the Members of Parliament belong to. However, recent Members of Parliament have a higher propensity to answer the survey questions.

<sup>9</sup>See for example Greene, (2003) for details about logit-models.

Furthermore, women are less likely than men to become entrepreneurs (see e.g. Parker, 2009). Brush (2006) argues that these differences may have two major explanations. Firstly, social structures influence occupational choices and result in differences between men and women with regard to experiences related to business activities. These differences in experiences will influence the probability of women getting involved in entrepreneurial activities. Secondly, the socialization of women may imply that they have different goals and perspectives, which influence the type and extent to which they get involved in entrepreneurial activities. Furthermore, individuals with previous experience of self-employment have a higher probability of entering self-employment again (e.g. Evans and Leighton, 1989). The individual's current employment status is also likely to influence the choice of becoming an entrepreneur. On the one hand, general work experience may encourage entrepreneurship if the entrepreneur starts a business based on specific knowledge and experiences (Parker 2009). On the other hand, leaving a position as employee for an entrepreneurial venture incurs a higher risk and hence requires a higher expected payoff from the entrepreneurial venture. Table 1 provides definitions of the control variables used in the empirical analysis.

**Table 1. Definition of independent variables**

<b>Variable</b>	<b>Description</b>
<b>DEPENDENT VARIABLES</b>	1 if Yes; 0 if No
<b>GENDER</b>	1 if male; 0 if female
<b>AGE</b>	Current age in years
<b>CURRENT WORK</b>	1 if working full time or part time; 0 if retired, disabled, homemaker, student or not working for other reasons
<b>INCOME</b>	1 if the household income belongs to the upper 33 percentile. ( i.e. above SEK 500 000) <sup>10</sup> ; 0 otherwise
<b>PREVIOUS EXPERIENCE</b>	1 if the individual has previous experience of entrepreneurship ( if the individual answered yes to question about selling or shutting down a business (Discontinued entrepreneurship); 0 otherwise
<b>POLICYMAKER</b>	1 if Member of the Swedish Parliament; 0 otherwise

#### **4. EMPIRICAL RESULTS AND DISCUSSION**

The empirical results are presented in four parts. Differences in entrepreneurial ambition and experience, perception and potential for future entrepreneurship, entrepreneurship attitudes, and the importance of having entrepreneurship on the policy agenda are separately discussed.

##### **4.1. Entrepreneurial activity**

Table 2 compares the policymakers' and voters' propensities to have entrepreneurial experience and ambition. The first three questions reflect whether the individual is in the start-up phase or currently involved in entrepreneurship or expects to start a business in the future. If we compare average figures reported in Table 2, policymakers have a higher propensity to be in the process of starting, owning or planning to start a business. Still, if we compare the two averages, the differences are not statistically different from zero for being in the process of starting a business. Furthermore, policymakers have a higher propensity to recently have closed down a business. A reasonable explanation is that their involvement in business activities might create conflicts of interest. Hence, they decide to end these involvements

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<sup>10</sup> The current emolument for members of the Swedish parliament is 672 000 SEK per year, which implies that all policymakers belong to the upper 33 percentile.

before they are elected. Note that the Swedish law permits involvement in businesses by members of the Swedish parliament. However, all business ownership activities should be reported to the Chamber Offices of the Swedish Parliament. Policymakers do not have a higher propensity to act as business angels. As previously mentioned, Appendix B contains the result weighted with respect to the actual number of seats in parliament. If we compare the weighted means with voters, only the statistically significant difference with respect to discontinued entrepreneurship remains.

**Table 2. Differences in entrepreneurial activity**

	Mean	Std.Dev.
<b>BUSINESS START</b>		
<b>(Are you, alone or with others, currently trying to start a new business, including any self-employment or selling any goods or services to others? )</b>		
Voters	0.025	0.155
Policymakers	0.044	0.206
<b>BUSINESS OWNERSHIP</b>		
<b>(Are you, alone or with others, currently the owner of a business you help manage, self-employed or selling any goods or services to others? )</b>		
Voters	0.141 <sup>*</sup>	0.348
Policymakers	0.207 <sup>*</sup>	0.407
<b>FUTURE BUSINESS START</b>		
<b>(Are you, alone or with others, expecting to start a new business, including any type of self-employment within the next three years?)</b>		
Voters	0.078 <sup>**</sup>	0.268
Policymakers	0.138 <sup>**</sup>	0.346
<b>BUSINESS ANGEL</b>		
<b>(Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds?)</b>		
Voters	0.060	0.239
Policymakers	0.076	0.267
<b>DISCONTINUED ENTREPRENEURSHIP</b>		
<b>(Have you, in the past 12 months. Sold, shut down, discontinued or quit a business you owned and managed, any form of self-employment or selling goods or services to anyone?)</b>		
Voters	0.027 <sup>***</sup>	0.162
Policymakers	0.097 <sup>***</sup>	0.297

\* P < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.

Table 3 present the results of the logit-model estimating the probability of being involved in entrepreneurial activity. The variable of main interest is “policymaker”, which turns out to be statistically insignificant for all aspects of entrepreneurial activity. Hence, we can conclude that if we control for individual characteristics, policymakers are no more entrepreneurial than voters are. For the controls, we observe that income and previous involvement in entrepreneurial activity increase the probability of being involved in entrepreneurial activity.

**Table 3. Estimation Results: Entrepreneurial ambition and experience**

	<b>BUSINESS START</b>	<b>BUSINESS OWN.</b>	<b>FUTURE BUSINESS START</b>	<b>BUSINESS ANGEL</b>	<b>DISCONTINUED: ENTREPRENEURSHIP</b>
<b>GENDER</b>	0.005 (0.006)	0.073*** (0.015)	0.017 (0.011)	0.013 (0.010)	0.019** (0.008)
<b>AGE</b>	-0.0003 (0.0002)	0.003*** (0.001)	-0.002*** (0.0004)	0.0002 (0.0004)	-7.65*10 <sup>-6</sup> 0.0003
<b>CURRENT WORK</b>	-0.002 (0.009)	0.154*** (0.027)	-0.007 (0.016)	0.006 (0.014)	-0.0156 (0.009)
<b>INCOME</b>	0.023* (0.008)	0.050*** (0.015)	0.042*** (0.013)	0.040*** (0.011)	0.009 (0.008)
<b>PREVIOUS EXPERIENCE</b>	0.020 (0.013)	0.098*** 0.036	0.046* (0.025)	0.070*** (0.019)	-
<b>POLICY MAKER</b>	0.003 (0.012)	-0.015 (0.032)	0.017 (0.024)	-0.013 (0.023)	0.037 (0.012)
<b>Pseudo R<sup>2</sup></b>	0.041	0.067	0.047	0.033	0.034
<b>N</b>	2203	2189	2119	2185	2192

Marginal effects are reported in the table. Standard errors in parentheses.

\* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.

\*Indicates statistically significant at 1 per cent level \*\* Indicates statistically significant at 5 per cent level \*\*\*Indicates statistically significant at 10 per cent level

#### **4.2. Potential entrepreneurship**

The responses to the questions, compared in Table 4, indicate the potential for becoming an entrepreneur and statistically significant differences between voters and policymaker in all aspects. Policymakers more frequently know other entrepreneurs, perceive that they have sufficient skills to become entrepreneurs and are more positive about the conditions for becoming entrepreneurs in the future. The final question concerns whether they have thought about starting a business but decided not to do so. Again, it is more common for policymakers to have considered starting a business compared to voters. Fear of failure is obviously not something that would prevent policymakers from becoming entrepreneurs. The differences in responses remain statistically significant if the weighted averages are compared (see Appendix B). In summary, policymakers have a high potential for becoming entrepreneurs in the future.



**Table 4. Differences in potential for entrepreneurship activity**

	Yes	No
<b>KNOW ENTREPRENEUR</b>		
<b>(Do you know someone personally who started a business in the past 2 years?)</b>		
Voters	0.505 <sup>***</sup>	0.500
Policymakers	0.864 <sup>***</sup>	0.345
<b>BUSINESS OPPORTUNITIES</b>		
<b>(In the next six months, will there be good opportunities for starting a business in the area where you live?)</b>		
Voters	0.628 <sup>***</sup>	0.483
Policymakers	0.975 <sup>***</sup>	0.156
<b>SUFFICIENT ENTREPRENEURIAL SKILLS</b>		
<b>(Do you have the knowledge, skill and experience required to start a new business?)</b>		
Voters	0.403 <sup>***</sup>	0.491
Policymakers	0.797 <sup>***</sup>	0.404
<b>FEAR OF FAILURE</b>		
<b>(Would fear of failure prevent you from starting a business?)</b>		
Voters	0.360 <sup>***</sup>	0.480
Policymakers	0.152 <sup>***</sup>	0.361
<b>CONSIDERED ENTREPRENEURSHIP (extra question)</b>		
<b>(Have you, in the past five years, considered to start a new business but decided not to do so?)</b>		
Voters	0.217 <sup>***</sup>	0.412
Policymakers	0.323 <sup>***</sup>	0.469

\* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.

The results of the estimated logit-model in Table 5 confirm the previous finding that policymakers have a high potential to become entrepreneurs. They have a statistically significant higher probability of knowing entrepreneurs, perceiving good business opportunities and believing that they have sufficient entrepreneurial skills. In addition, they have considered becoming entrepreneurs and are not

afraid of failure. For the control variables, we observe that income and gender are individual characteristics, which influence the perceived possibilities of becoming an entrepreneur.

**Table 5. Estimation Results: Potential entrepreneurship**

	<b>KNOW ENTREP- RENEUR</b>	<b>BUSINESS OPPORT.</b>	<b>SUFFICIEN T ENTREPRE- NEURIAL SKILLS</b>	<b>FEAR OF FAILURE</b>	<b>CONSIDER ED ENTREPRE- NEURSHIP</b>
<b>GENDER</b>	0.0064*** (0.021)	0.130*** (0.023)	0.168*** (0.019)	-0.056*** (0.021)	0.062*** (0.018)
<b>AGE</b>	-0.003*** (0.0008)	-0.00001 (0.001)	0.002** (0.0008)	-0.002*** (0.0008)	-0.004*** (0.0007)
<b>CURRENT WORK</b>	0.020 (0.026)	0.070** (0.027)	0.045* (0.027)	0.017 (0.026)	-0.003 (0.023)
<b>INCOME</b>	0.0126*** (0.022)	0.130*** (0.025)	0.139*** (0.021)	-0.073*** (0.022)	0.035* (0.019)
<b>PREVIOUS EXPERIENCE</b>	0.018 (0.066)	0.016 (0.070)	0.373*** (0.075)	-0.108 (0.067)	-0.187*** (0.071)
<b>POLICY MAKER</b>	0.336*** (0.077)	0.659*** (0.208)	0.285*** (0.068)	-0.221*** (0.075)	0.074 (0.041)
<b>Pseudo R<sup>2</sup></b>	0.040	0.071	0.077	0.017	0.029
<b>N</b>	2165	1508	2072	2075	2182

Marginal effects are reported in the table. Standard errors in parentheses.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

### 4.3. Entrepreneurial attitudes

Do attitudes towards entrepreneurship differ between policymakers and their voters? The responses contained in Table 6 definitely show a discrepancy between the views of the voters and the Members of Parliament. On the one hand, a majority of voters think that most people consider it preferable if

everyone has a similar standard of living. On the other hand, voters perceive entrepreneurship as a desirable career choice and that successful entrepreneurs receive a high level of status and respect. Furthermore, a majority report that they frequently see stories about successful entrepreneurs in the media. Policymakers apparently have a less optimistic perception of how entrepreneurs are seen in the Swedish cultural context. All differences, except equal income, remain statistically significant when weighting policymakers responses with respect to representation in parliament (see a Appendix B).

**Table 6. Differences in entrepreneurial attitude.**

	Yes	No
<b>EQUAL INCOME</b>		
<b>(In my country, most people would prefer that everyone had a similar standard of living.)</b>		
Voters	0.596 <sup>***</sup>	0.491
Policymakers	0.481 <sup>***</sup>	0.502
<b>GOOD CAREER CHOICE</b>		
<b>(In my country, most people consider starting a new business a desirable career choice.)</b>		
Voters	0.553 <sup>***</sup>	0.497
Policymakers	0.390 <sup>***</sup>	0.490
<b>STATUS AND RESPECT</b>		
<b>(In my country, those successful at starting a new business have a high level of status and respect.)</b>		
Voters	0.679 <sup>***</sup>	0.467
Policymakers	0.438 <sup>***</sup>	0.499
<b>NEW BUSINESSES IN MEDIA</b>		
<b>(In my country, you will often see stories in the public media about successful new businesses.)</b>		
Voters	0.623 <sup>***</sup>	0.485
Policymakers	0.424 <sup>***</sup>	0.497

\* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.

Again, we check whether the differences between voters and policymakers persist if we control for individual characteristics. In table 7 we observe negative statistically significant differences with respect to entrepreneurship as a good career choice, that entrepreneurs receive status and respect and stories about successful entrepreneurs in the media.

**Table 7: Estimation Results: Entrepreneurial attitudes**

	<b>EQUAL INCOME</b>	<b>GOOD CAREER CHOICE</b>	<b>STATUS AND RESPECT</b>	<b>NEW BUSINESSS IN MEDIA</b>
<b>GENDER</b>	-0.047** (0.021)	0.065*** (0.023)	-0.039* (0.021)	-0.015 (0.022)
<b>AGE</b>	-0.004*** (0.0008)	-0.0009 (0.001)	-0.004*** (0.0008)	0.003*** (0.0008)
<b>CURRENT WORK</b>	-0.0008 (0.028)	-0.066** (0.029)	-0.061** (0.028)	-0.027 (0.028)
<b>INCOME</b>	-0.119*** (0.023)	-0.031 (0.025)	-0.057** (0.022)	-0.022 (0.023)
<b>PREVIOUS EXPERIENCE</b>	-0.052 (0.062)	0.025 (0.065)	0.003 (0.058)	-0.037 (0.062)
<b>POLICY MAKER</b>	-0.030 (0.059)	-0.127** (0.060)	-0.166*** (0.052)	-0.171*** (0.055)
<b>Pseudo R<sup>2</sup></b>	0.020	0.008	0.020	0.011
<b>N</b>	2087	1873	1963	1996

Marginal effects are reported in the table. Standard errors in parentheses.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

#### 4.4. Entrepreneurship policies

After the global financial crisis, the unemployment rate in Sweden was still<sup>11</sup> 9.5 per cent in June 2010 (Statistics Sweden, 2010), and decreased unemployment was identified as one of the most important issues for the election in September 2010. However, it may be argued that political debate tends to focus on implementing policies that aim to stimulate the supply-side of employment by, for example, changes in unemployment benefits and tax deductions for

<sup>11</sup> Unemployment rates peaked in June 2009 at 9.8 per cent. (Statistics Sweden 2010)

employment. To what extent do voters and policymakers emphasize the demand side of employment by, for example, acknowledging the role of small and entrepreneurial firms in job creation? In this section, we first consider what policymakers and voters know/ think about the role of different types of firms in creating jobs. Secondly, we look at how individuals perceive the difficulty of starting and running a business. As previously mentioned, the questions explored in this section are the same as the national specific questions in the GEM-survey. In this part of the survey, the respondents are asked whether they agree with, for example, the claim that small and entrepreneurial firms have roles as job creators. Respondents have five options (Agree, partly agree, neither agree nor disagree, partly disagree, disagree).<sup>12</sup> The results in Table 8 show statistically significant differences<sup>13</sup> between voters and policymakers. Policymakers largely acknowledge the role of new, small and growing firms as job creators. Voters, on the other hand, rely to a greater extent on large firms as job creators. Finally, the conditions for starting and running a business are important for policymakers.

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<sup>12</sup> In order to facilitate the analysis of the results, these options are assigned the following continuous values: agree (5), partly agree (4), neither agree nor disagree (3), partly disagree (2), disagree (1).

<sup>13</sup> The statistically significant differences persist when we control for skewness in the distribution of response rates (Appendix B).

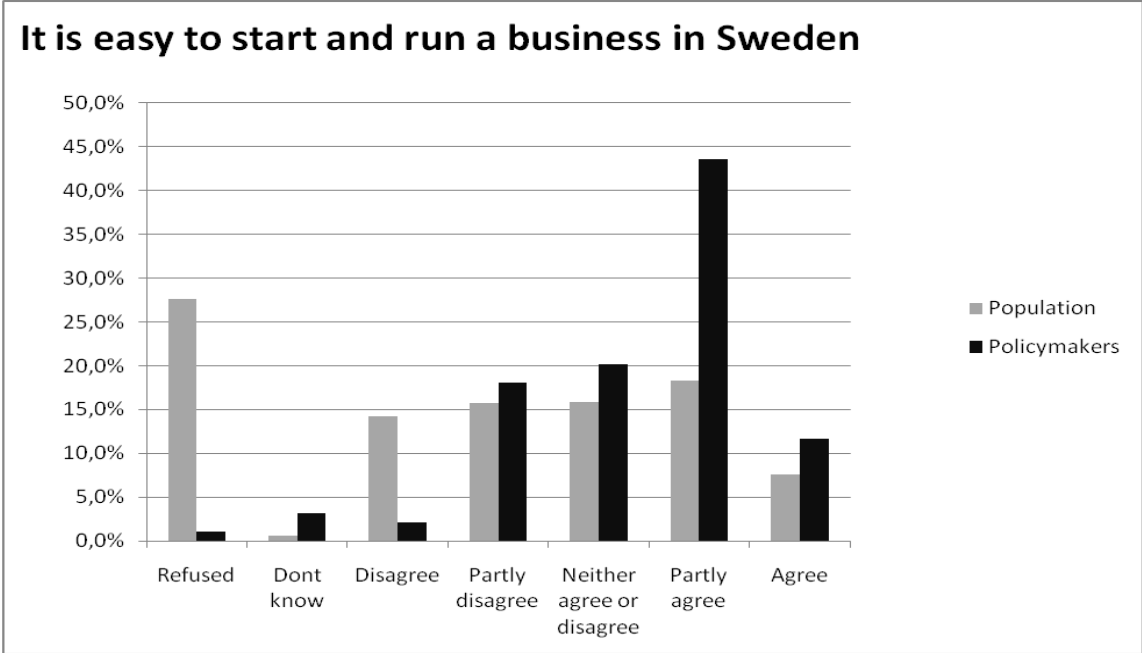
**Table 8. Differences related to entrepreneurship policy**

	Mean	Std. Dev.
<b>Decreased unemployment is an important issue for me</b>		
Voters	4.500 <sup>***</sup>	0.934
Policy-makers	4.871 <sup>***</sup>	0.368
<b>New firms are important for creating new jobs in Sweden</b>		
Voters	4.662 <sup>***</sup>	0.670
Policy-makers	4.849 <sup>***</sup>	0.389
<b>Small firms are important for creating new jobs in Sweden</b>		
Voters	4.603 <sup>***</sup>	0.724
Policy-makers	4.871 <sup>***</sup>	0.423
<b>Growing firms are important for creating new jobs in Sweden</b>		
Voters	4.686 <sup>***</sup>	0.621
Policy-makers	4.872 <sup>***</sup>	0.368
<b>Large firms are important for creating new jobs in Sweden</b>		
Voters	4.463 <sup>***</sup>	0.834
Policy-makers	4.078 <sup>***</sup>	0.796
<b>It is easy to start and run a business in Sweden</b>		
Voters	2.851 <sup>***</sup>	1.293
Policy-makers	3.466 <sup>***</sup>	1.008
<b>The conditions for starting and running a business are an important issue for me.</b>		
Voters	3.241 <sup>***</sup>	1.485
Policy-makers	4.511 <sup>***</sup>	0.768

\* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.

The question on how voters and policymakers perceive the ease of starting and running a business render some interesting results. In Table 7 we observe a statistically significant difference in means where policymakers on average perceive it to be easier than voters to start and run a business. In order to look further into this particular issue, Figure 1 shows the distribution of responses for policymakers and voters. About 55 per cent of policymakers either partly agree or agree to the proposition that it is easy to start and run a business. The corresponding figure for voters is only about 25 per cent. Hence, there is a clear discrepancy in the perception of the ease of starting and running a business between those responsible for shaping the formal institutional conditions for entrepreneurial activities and voters.

**Figure 1: The ease of starting and running a business**



## 5. CONCLUSIONS

This paper provides a unique contribution to the institutional aspects of entrepreneurship policy, and includes important insights into policymakers' grounds for formulating entrepreneurship policy. Are policymakers' experience of and attitudes to entrepreneurship congruent with those of voters? Our empirical evidence shows that, if we control for individual characteristics, policymakers are as entrepreneurial as their voters. However, policymakers have a higher potential than voters for entrepreneurship. Furthermore, policymakers have a less optimistic view of how entrepreneurs are perceived in the Swedish cultural context. There are also some differences with respect to how policymakers and voters perceive the importance of small, new and growing firms for employment growth. Policymakers largely acknowledge the important role of small, new and growing firms for creating jobs, while voters for the most part rely on large firms as job creators. Finally, there is a substantial discrepancy between how the ease of starting and running a business is perceived. Voters do not agree with policymakers that it is easy to start and run a business in Sweden. Finally, it can be concluded that respondents from all political parties claim that the conditions for entrepreneurship are an important issue on their policy agenda.

The findings show the differences between the highest level of elected policymakers and voters, and it may be argued that professionalization of politicians is highest among Members of Parliament. Hence, it would be interesting to conduct a similar study reflecting the entrepreneurial experience and attitudes of policymakers at local government level, i.e. city councillors. Is there better congruence of entrepreneurship experience and attitude between voters and policymakers at local level?



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## APPENDIX A

	Share of answers in survey	Share in parliament
Centre party	12%	7%
Liberal party	7%	7%
Christian Democrats	8%	5%
Conservatives	38%	31%
Green party	13%	7%
Social democrats	14%	32%
Sweden Democrats	2%	6%
Left party	5%	5%

**APPENDIX B: Descriptive statistics: Results weighted according to seats in parliament**

	Unweighted	Weighted
<b>BUSINESS START</b>		
Voters	0.025	0.025
Policy-makers	0.044	0.034
<b>BUSINESS OWNERSHIP</b>		
Voters	0.141 <sup>*</sup>	0.141
Policy-makers	0.207 <sup>*</sup>	0.185
<b>FUTURE BUSINESS START</b>		
Voters	0.078 <sup>**</sup>	0.078 <sup>#</sup>
Policy-makers	0.138 <sup>**</sup>	0.109 <sup>#</sup>
<b>BUSINESS ANGEL</b>		
Voters	0.061	0.061
Policy-makers	0.076	0.099
<b>DISCONTINUED ENTREPRENEURSHIP</b>		
Voters	0.027 <sup>***</sup>	0.027 <sup>***</sup>
Policy-makers	0.097 <sup>***</sup>	0.089 <sup>***</sup>
<b>KNOW ENTREPRENEUR</b>		
Voters	0.505 <sup>***</sup>	0.505 <sup>***</sup>
Policy-makers	0.864 <sup>***</sup>	0.868 <sup>***</sup>
<b>BUSINESS OPPORTUNITIES</b>		
Voters	0.628 <sup>***</sup>	0.628 <sup>#</sup>
Policy-makers	0.975 <sup>***</sup>	0.990 <sup>#</sup>
<b>SUFFICIENT ENTREPRENEURIAL SKILLS</b>		
Voters	0.403 <sup>***</sup>	0.403 <sup>***</sup>
Policy-makers	0.797 <sup>***</sup>	0.789 <sup>***</sup>
<b>FEAR OF FAILURE</b>		

Voters	0.360 <sup>***</sup>	0.360 <sup>***</sup>
Policy makers	0.152 <sup>***</sup>	0.214 <sup>***</sup>
<b>CONSIDERED ENTREPRENEURSHIP (extra question)</b>		
Voters	0.217 <sup>***</sup>	0.217 <sup>***</sup>
Policy makers	0.323 <sup>***</sup>	0.407 <sup>***</sup>
<b>EQUAL INCOME</b>		
Voters	0.596 <sup>**</sup>	0.596
Policy makers	0.481 <sup>**</sup>	0.516
<b>GOOD CAREER CHOICE</b>		
Voters	0.553 <sup>***</sup>	0.553 <sup>**</sup>
Policy makers	0.390 <sup>***</sup>	0.435 <sup>**</sup>
<b>STATUS AND RESPECT</b>		
Voters	0.679 <sup>***</sup>	0.679 <sup>***</sup>
Policy makers	0.438 <sup>***</sup>	0.472 <sup>***</sup>
<b>NEW BUSINESSES IN MEDIA</b>		
Voters	0.623 <sup>***</sup>	0.623 <sup>***</sup>
Policy makers	0.424 <sup>***</sup>	0.419 <sup>***</sup>
<b>Decreased unemployment is an important issue for me</b>		
Voters	4.500 <sup>***</sup>	4.500 <sup>***</sup>
Policy makers	4.871 <sup>***</sup>	4.911 <sup>***</sup>
<b>New firms are important for creating new jobs in Sweden</b>		
Voters	4.662 <sup>***</sup>	4.662 <sup>***</sup>
Policy makers	4.849 <sup>***</sup>	4.783 <sup>*</sup>
<b>Small firms are important for creating new jobs in Sweden</b>		
Voters	4.603 <sup>*</sup>	4.603 <sup>***</sup>
Policy makers	4.871 <sup>*</sup>	4.836 <sup>***</sup>
<b>Growing firms are important for creating new jobs in Sweden</b>		
Voters	4.686 <sup>***</sup>	4.686 <sup>***</sup>

Polycymakers	4.871*	4.909***
<b>Large firms are important for creating new jobs in Sweden</b>		
Voters	4.463*	4.463***
Polycymakers	4.078*	4.260***
<b>It is easy to start and run a business in Sweden</b>		
Voters	2.851*	2.851***
Polycymakers	3.467*	3.434***
<b>The conditions for starting and running a business is an important issue for me</b>		
Voters	3.241*	3.241***
Polycymakers	4.511*	4.428***

\* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01.

# Missing standard error because stratum with single sampling unit implies that the test for differences in means is not computable