

Entrepreneurship and Institutional Quality: Measuring value added in the economy

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Purpose

In the last years, a big trend towards investigation of the entrepreneurial spirit has risen and it has explained what happens with businessmen before and after they reach a successful career. On the contrary, investigations of the family firm have been particularly focused on what happens to entrepreneurs at the end of their labor life, problems related to succession, leadership and protocol for the next generations

Results

The statistical results should be interpreted with caution due to our restrictions concerning the number of data. However, they are the most representative: the economic and intuitive analysis and the signs of the correlations between the institutional quality and the kind of entrepreneurship analyzed.

Hypotheses

We expect that if there is a higher institutional quality, the entrepreneurs will focus their effort on productive activities. On the contrary, if there is a lower institutional quality, we expect that the entrepreneurs will tend to develop unproductive activities. The reason is quite obvious. In order to let the productive activities flourish, it is important that the property rights are properly safeguarded and that the Justice Court is independent from the executive or the economic power.

Approach

A sample of 75 countries will be presented that represents 40 percent of the countries which belong to the United Nations. The data used corresponds to the average between 2001 and 2008 and in some cases fixed indicators of the most recent years, specifically, 2007 or 2008.

Practical Implications

In this paper the importance of the institutional quality in the productive entrepreneurship has been developed. In spite of the fact that the relationship between institutions and the economic growth has been already studied, a microeconomic explanation of productive entrepreneur has been introduced in this paper. Although the results have a restriction of data, they produced certain signs of the relationship between the institutional quality and the entrepreneurship with value added.

Independent Variable	Dependent Variable		
	I + D % of GDP (average 2001-2008)	Patents per m (average 2001-2008)	Capital Access Index (2007)
Constant	-1,73 (1,198)	484,10 (506,6)	2,22** (0,9738)
Institutional Quality	0,05029* (0,017)	16,452** (7,265)	0,0987*** (0,014)
Trade Liberalization	0,152 (0,191)	-168,200 (83,08)	0,355** (0,1642)
Urban unemployment	-0,03287 (0,02609)	-10,94000 (10,7)	-0,02856 (0,02077)
Public expenditure % of GDP	0,00181 (0,01609)	-4,80200 (7,019)	-0,01200 (0,01367)
Observations	74	68	70
R-squared	0,233	0,184	0,712

Independent Variable	Dependent Variable		
	Corruption Perceptions Index (average 2001-2008)	Legal Structure and Security of Property Rights (average 2001-2008)	Enke Patens Index (2008)
Constant	8,329*** (2,694)	10,663*** (3,085)	5,334*** (2,255)
Institutional Quality	-0,4679*** (0,0254)	-0,4072*** (0,0250)	-0,0477** (0,0196)
Trade Liberalization	0,399 (0,2781)	0,023 (0,3194)	-0,008 (0,2292)
Urban unemployment	-0,00081 (0,03667)	-0,00050 (0,04114)	0,02857 (0,0317)
Public expenditure % of GDP	-0,01370 (0,02433)	0,02131 (0,02678)	-0,07319 (0,02738)
Observations	74	74	21
R-squared	0,644	0,501	0,439