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Non-local Startups and Entrepreneurial Economies

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Abstract

Research on entrepreneurship and economic development has emphasized the local bias of entrepreneurship. We question this local bias and show the relevance of startups founded by non-locals and interregional flows of non-local founders in Italy. In general, the quality of entrepreneurial economies is positively related to the creation of local startups, providing evidence for creation mechanisms. However, the majority of startups in Italy has at least one non-local founder. Using the Poisson Pseudo Maximum Likelihood gravity model and a novel machine learning application of the Poisson Pseudo Maximum Likelihood postestimation techniques based on LASSO, we show evidence that also interregional attraction and supply mechanisms are at work. Increasing the quality of the entrepreneurial economy leads to higher levels of entrepreneurship locally via attraction of entrepreneurial talent from other regions, but also increases the supply non-local founders to other higher quality entrepreneurial economies.