

From Startups to Standoffs: Exploring the Relationship Between High-Growth Entrepreneurship and Populist Movements in Europe

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1. Aims and scope

Over the past two decades, far-right populism has surged globally (Kyle & Gultchin, 2018; Silver, 2022) culminating in the presidency of Donald Trump in the US and the Brexit vote in Great Britain. Populist parties are currently a consistent feature of the political landscape in almost all European countries, with several gaining significant vote shares in recent elections (Rodriguez-Pose et al. 2023, Dijkstra et al. 2020). Despite a growing “discontent” literature focusing on the local context of populism, the link between regional entrepreneurship and populism has received scarce attention. This is surprising because entrepreneurship is a key driver of economic development (Wennekers & Thurik, 1999, Urbano et al. 2019) and shows strong and persistent regional differences (Fotopoulos, 2014; Fritsch & Wyrwich, 2023). Given that populist voting also shows clear regional divides and poses challenges to democratic foundations of economic development, we investigate whether there is a link between populism and entrepreneurship.

Our study contributes to the existing literature in several ways. First, it is the first to investigate the relationship between entrepreneurship and populism within the broader “discontent” literature (Rodriguez-Pose, 2018; 2020). Second, unlike prior research focusing on the impact of institutions and populism on entrepreneurship (Bennett et al. 2023, Farè et al. 2023), our study examines the influence of entrepreneurship on populism. And finally, with this study we link the political economy literature (Gurieiev & Papaioannou, 2022) with entrepreneurship research. While regional differences in populist voting are typically attributed to *compositional*, or individual characteristics, and *contextual* effects, or place-based characteristics, (Essletzbichler & Forcher, 2022) we argue that entrepreneurship connects to both, offering a comprehensive perspective on populist voting.

2. Background and theory

The potential relation between entrepreneurship and populism is complicated and likely goes through various channels. To focus our research, we narrow in on high-growth entrepreneurship, a specific type of productive entrepreneurship as proposed by Baumol (1990).

There are two dominant approaches to explaining the recent rise of populism: the cultural and the economic perspectives (Noury & Roland, 2020). In line with the latter, entrepreneurship can be linked to populism via economic prosperity, suggesting that regions that show higher levels of economic welfare, are less likely to vote for populist parties (Rodríguez-Posé, 2018; 2020; Greve et al. 2022;). Moreover, previous research suggests that high-growth entrepreneurship may concentrate wealth, exacerbating inequality (e.g., Breznitz, 2021). Growing inequality can fuel support for populist parties (Rodriguez-Pose et al., 2023).

Some compositional effects related to entrepreneurship may also be at play. At a micro-level, entrepreneurs may support right-wing populists due to the liberal economic policies frequently promoted by such politicians (Kitschelt, 1995), potentially influencing their employees' voting behavior (Rocha & Van Praag, 2016).

3. Data and empirical strategy

To address our research question, we conduct quantitative analysis using EU regional data. For our outcome variable, support for right-wing populist parties (or, alternatively, change in support), we use the European NUTS-Level Election Dataset (EU-NED), which covers regional voting behavior in recent national and European parliament elections (Schraff et al. 2022). We identify populist parties using the PopuList database developed by Rooduijn et al. (2023).

Our main independent variable, high-growth entrepreneurship, is measured using data from the Crunchbase database, known for documenting firms focused on growth and frequently used by investors (Dalle et al., 2017). We web-scraped and geocoded Crunchbase data for NUTS2 regions for the period 2000-2019. Additionally, we employ alternative outcome measures, including unicorns founded from 2009-2019, firms from the Dealroom database, and high-growth firm

data from Eurostat. Figures A1 and A2 in the Appendix give an overview of the regional variation of the two main variables in our analysis.

Our analysis includes regional control variables such as GDP per capita, population density, and country fixed effects.

4. Results and conclusions

Our initial results show a significant negative relation between high-growth entrepreneurship and right-wing populist support (see coefficient plot in Figure 1). This is robust to using various measures of entrepreneurship and vote shares for different types of elections. While theoretically the effects could have gone in two directions, it therefore seems that the mechanisms supporting a negative relation (such as the economic welfare argument) are the strongest. Currently, we are delving deeper into the underlying mechanisms, utilizing data on inequality, sector composition, and social values.

Understanding how entrepreneurship and populism are related could help to analyze the impact of high-growth entrepreneurship from a novel viewpoint. While the literature has previously mostly focused on economic impact, it is important to understand if high-growth firms might have other impacts on society. This could help policymakers to better analyze their decisions regarding support measures for high-growth firms. If regions with more entrepreneurship are not only wealthier but also voting on more moderate parties, which could generally be considered a sign of support for the institutional system, this might provide more incentive to invest in building a stronger entrepreneurial economy.

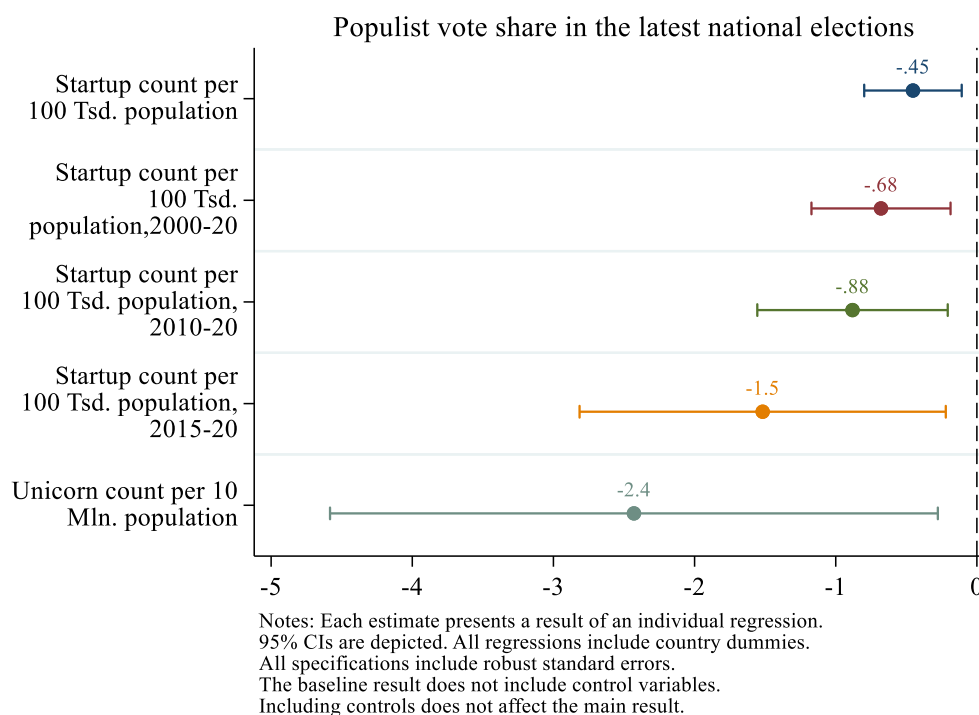


Figure 1. Coefficient plot for the baseline specification.

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Appendix

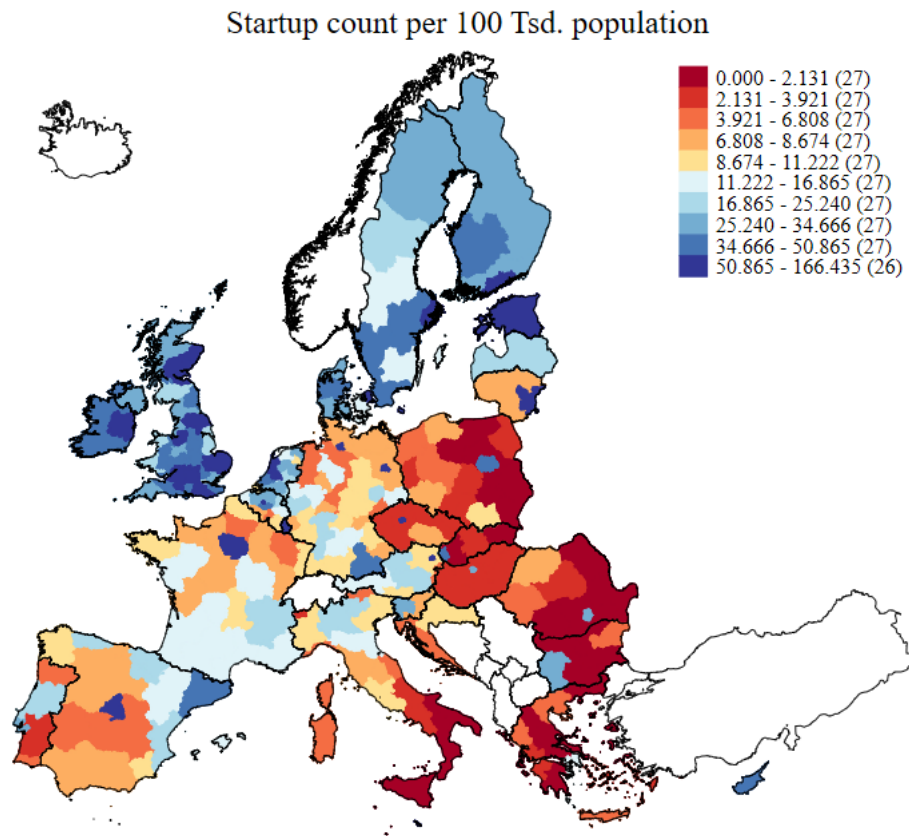


Figure A1. Regional distribution of the start-up density, 2000-2019

Populist vote share in the latest national elections

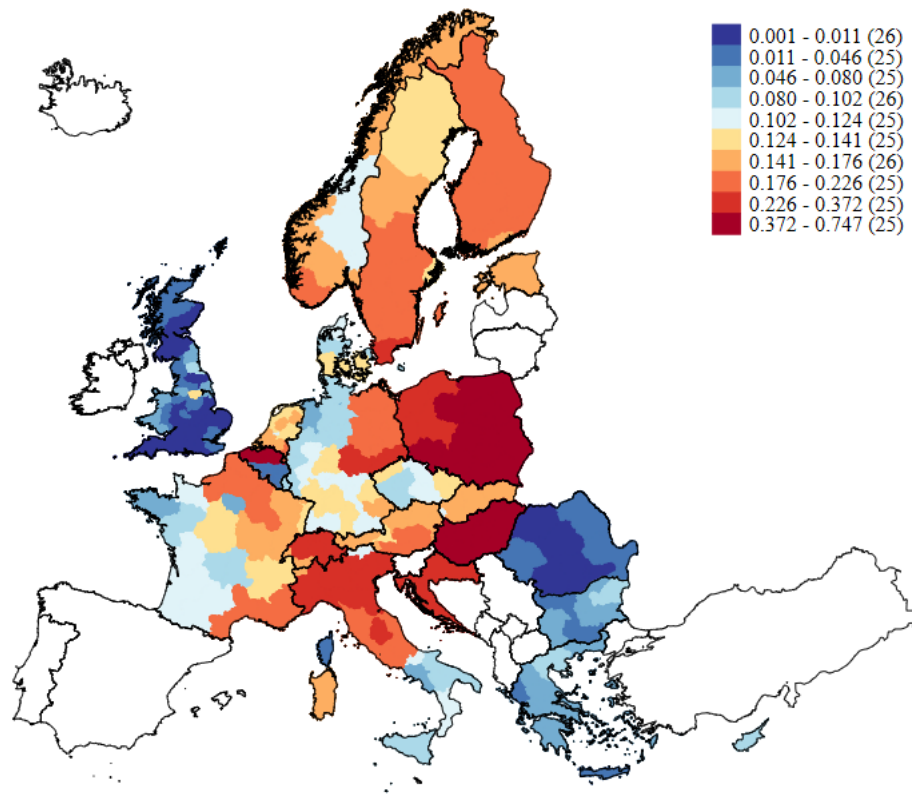


Figure A2. Regional distribution of right-wing populist votes.