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ENTREPRENEURSHIP AS A DRIVER OF ECONOMIC DEVELOPMENT AND CONVERGENCE. EVIDENCE FROM THE OECD COUNTRIES**Abstract:**

Entrepreneurship has been increasingly recognized as an engine for economic development by introducing innovation, creating new products and services, promoting new jobs and employment opportunities, and improving competition and competitiveness. This paper empirically investigates the role of entrepreneurship as a driver of economic development and convergence, using a dynamic econometric model for a sample of 37 OECD countries over the period 2000–2018. We estimate the relationship between the country's development level measured by the human development index (HDI), and entrepreneurship given by total early-stage entrepreneurial activity (TEA). The economic development equation also includes the standard factor inputs represented by the gross fixed capital formation per head and human capital, to be consistent with the endogenous growth theory. Findings from empirical analysis sustain a positive and statistically significant relationship between entrepreneurship and the economic development level, showing that entrepreneurship can be considered as an additional productive factor in the countries' economic development pathway. Entrepreneurship also seems to be a factor of convergence, augmenting the rate of development and the speed of convergence. Recognizing the importance of entrepreneurship as a contributing factor to economic development it is crucial that policymakers prioritize entrepreneur-friendly ecosystems to drive innovative new businesses, trade, and productive investment.

Keywords:

Entrepreneurship; Economic development; Panel data; Dynamic regressions; Convergence.

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