



## FACULTY &amp; RESEARCH

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# Clusters of Entrepreneurship

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## Abstract

Employment growth is strongly predicted by smaller average establishment size, both across cities and across industries within cities, but there is little consensus on why this relationship exists. Traditional economic explanations emphasize factors that reduce entry costs or raise entrepreneurial returns, thereby increasing net returns and attracting entrepreneurs. A second class of theories hypothesizes that some places are endowed with a greater supply of entrepreneurship. Evidence on sales per worker does not support the higher returns for entrepreneurship rationale. Our evidence suggests that entrepreneurship is higher when fixed costs are lower and when there are more entrepreneurial people.

**Keywords:** [Economic Growth](#); [Entrepreneurship](#); [Cost](#); [Employment](#); [Market Entry and Exit](#);

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