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Local Industrial Conditions and Entrepreneurship: How Much of the Spatial Distribution Can We Explain?

by Edward L. Glaeser and [William R. Kerr](#)

Abstract

Why are some places more entrepreneurial than others? We use Census Bureau data to study local determinants of manufacturing startups across cities and industries. Demographics have limited explanatory power. Overall levels of local customers and suppliers are only modestly important, but new entrants seem particularly drawn to areas with many smaller suppliers, as suggested by Chinitz (1961). Abundant workers in relevant occupations also strongly predict entry. These forces plus city and industry fixed effects explain between sixty and eighty percent of manufacturing entry. We use spatial distributions of natural cost advantages to address partially endogeneity concerns.

Keywords: [Business Startups](#); [Entrepreneurship](#); [Geographic Location](#); [Employment](#); [Market Entry and Exit](#); [Supply Chain](#); [Manufacturing Industry](#);

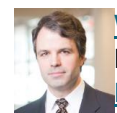
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