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**178.899 Master Thesis**

**The Economic Determinants of Entrepreneurial Activity:  
Evidence from a Bayesian Approach**

A thesis presented in partial fulfilment of the requirements for the degree of Master of  
Business Studies in Financial Economics at Massey University

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## ACKNOWLEDGEMENTS

First and foremost, I would like to express my sincerest thanks to both of my supervisors Dr. Peren Arin and Dr. Otto Reich for their valuable advice, comments, guidance, patience and continuous support.

I am greatly indebted to Arzu Uluc of European University Institute and Nick Ngunyen of Massey University for their time and assistance in compiling the datasets. I would like to express my gratitude to Sasha Molchanov for his help with the BMA algorithm. Thanks also go to Associate Professor Xiao Ming Li, Professor Anne de Bruin and Professor David Smallbone for their useful comments and suggestions. I must also recognize the librarians at Massey University Albany for their help in finding articles and papers; I am grateful for their assistance.

And finally, with great affection and appreciation, I thank my family, friends, classmates, and colleagues for their unconditional support, encouragement, and constant patience for listening to all my complaints and frustrations and for having confidence in me. Without them, this thesis would not have been completed.

## ABSTRACT

In this paper we investigate the economic, political, institutional, and societal factors that encourage entrepreneurial activity. We do so by applying Bayesian Model Averaging, which controls for model uncertainty, to a panel data set for 33 countries. Our results indicate that the general state of macroeconomic activity, the availability of financing, the level of human capital, fiscal policies implemented and the type of economic system are the main determinants of the level of entrepreneurship. We also document a non-linear, U-shaped relation between distortionary taxation and entrepreneurial activity.

**Keywords:** *Entrepreneurship, Entrepreneurial Activity, Total Early-Stage Activity (TEA), Global Entrepreneurial Monitor (GEM), Bayesian Model Averaging (BMA), Panel Estimation.*

**JEL Classification:** B30, B53, C11, C23, J20, M13, O10, O40

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