DO PUBLIC POLICIES FOR ENTREPRENEURSHIP MAKE A DIFFERENCE? PROSPECTIVE SCENARIOS FOR CANADA, IRELAND, AND ITALY

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ABSTRACT

Micro, small, and medium-sized enterprises (MSMEs) constitute the majority of businesses and a significant part of developed and developing countries’ Gross Domestic Product (GDP). This article presents a series of prospective scenarios that investigate the effects of public policies on entrepreneurship in Canada, Ireland, and Italy. Public policies for this sector can be classified as regulatory policies (e.g., laws for the entrance and exit of businesses, labor and social laws, property laws, tax laws, intellectual property laws, bankruptcy laws, and laws that affect the liquidity and availability of capital) and stimulus policies (e.g., promotion of cultural and educational programs to foster entrepreneurship and internationalization). Regulatory policies influence the business environment for MSMEs, and are generally designed to provide entrepreneurs with high growth potential (known as “gazelles”). Four scenarios involving the critical uncertainties surrounding political and economic integration and technological development are developed for each country. Each scenario is constructed based on public policies specific to each country. This article concludes that public policies are not a panacea capable of generating economic development, given that their effectiveness depends on other economic decisions and exogenous economic conditions. However, the absence of state intervention does not produce positive effects, even in the case of positive scenarios under exogenous conditions.
**Keywords:** Entrepreneurship. Public Policies. Prospectives Scenarios

**RESUMO**

Micro, pequenas e médias empresas representam a maior parte da população das empresas e parte significativa do Produto Interno Bruto de países desenvolvidos e em desenvolvimento. Este trabalho apresenta uma série de cenários prospectivos para o efeito das políticas públicas de empreendedorismo no Canadá, no Chile e na Itália. As políticas públicas para o setor podem ser classificadas em políticas regulatórias (regras de entrada e saída de negócios, regras trabalhistas e sociais, regras de propriedade, regras tributárias, regras de propriedade intelectual, regras de falência e regras que afetem a liquidez e disponibilidade de capital) e políticas de estímulo (promoção de cultura e educação empreendedora e programas de fomento à internacionalização). As políticas regulatórias atuam sobre o ambiente das MPMEs enquanto que as de fomento geralmente são desenhadas para impulsionar empreendedores com alto potencial de crescimento (gazelas). Para cada país são desenvolvidos quatro cenários em torno das incertezas críticas integração política e econômica e desenvolvimento tecnológico. Cada um dos cenários é construído com base nas políticas públicas perseguidas em cada um destes países. O artigo conclui que, de um lado as políticas públicas não são uma panaceia capaz de gerar o desenvolvimento econômico pois sua eficácia depende de outras decisões econômicas e condicionantes econômicos exógenos. Por outro lado, a ausência de intervenção estatal também não produz efeitos positivos mesmo considerando cenários positivos nas condições exógenas.

**Palavras Chaves:** Empreendedorismo. Políticas Públicas. Cenários Prospectivos
1. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) account for more than 98% of all businesses in developed economies, are responsible for 60% of the employment in these economies, and account for approximately 50% of their gross domestic product (GDP). In less developed economies, MSMEs employ just over 30% of the workforce and account for just over 10% of the GDP (IFC, 2007).

The extreme differences between these economies demonstrate the importance that entrepreneurial activity may have on economic development. Thus, one of the main challenges that all countries face is how to foster entrepreneurial activity.

This work explores the effects of public policies for entrepreneurship on MSMEs in Canada, Italy, and Ireland from a comparative perspective. Can public policies influence economic development in these countries?

This article first discusses the theoretical relationship between entrepreneurship and economic development, and then discusses how entrepreneurship has been addressed in future studies. Four prospective scenarios are presented for each of the selected countries. Finally, the article concludes that public policies make a difference in economic development but are not a panacea. The positive impact of these policies is dependent on other economic choices (e.g., exposure to international trade) and other economic conditions (e.g., global recession) that can, in extreme instances, lead to the failure of these public policies.

This article contributes to the literature of future and entrepreneurship studies by exploring the effects and limitations of public policies for entrepreneurship and MSMEs.

2. PUBLIC POLICIES FOR ENTREPRENEURSHIP AND MSMEs

Is there a need to create public policies to foster entrepreneurship? Within this debate, there are two key factors to consider:
• the role of entrepreneurship in economic development, and
• the purpose and scope of public policies.

The first debate concentrates on the role of MSMEs in generating employment, economic growth, and innovation and in decreasing social inequalities. This Schumpeterian hypothesis has been studied by various authors (Holtz-Eakin & Kao, 2003; Newberry, 2006; Luetkenhorst, 2004; Raynard & Forstater, 2002) who find a positive correlation between the incidence of entrepreneurial activity and economic growth, increases in employment, decreases in social inequality, the development of productive multinational companies (MNCs), and the development of sustainability initiatives.

In a study of 36 countries, Van Stel, Carree and Thurik (2005) note that entrepreneurial activity has a positive effect on developed economies and a negative effect on poor economies. Other studies (Beck, Demirgüç-Kunt, & Levine, 2005; Audrestsch & Keilbach, 2004; Wennekers & Thurik, 1999) demonstrate that there is no conclusive evidence of a relationship between entrepreneurial activity and economic growth.

However, new evidence (Henrekson & Johansson, 2008) indicates that some enterprises with accelerated growth (called gazelles) have a significant impact on the generation of employment and economic growth. As Henrekson and Stenkula (2009) indicate, the differences in these research findings may result from the differences between entrepreneurship and self-employment, the latter of which can also be considered an entrepreneurial lifestyle.

The self-employed worker or traditional small business (known as “lifestyle” businesses) should not be confused with the high-impact entrepreneur or gazelle. The former constitutes a business that minimally satisfies its needs or that logically generates employment through business activity, such as hairdressers, bakeries, and clothing companies. The latter has a high growth activity that rapidly generates employment and economic value.
This difference leads to a second issue: the purpose and scope of public policies. It is important to distinguish between public policies for entrepreneurship and public policies for MSMEs. Policies directed at MSMEs involve programs that support the entrepreneurial lifestyle and can be justified by positive macroeconomic effects, the creation of jobs, or compensation via the collateral macroeconomic effects of economies of scale. In contrast, entrepreneurial policies aim to foster highly innovative entrepreneurs (i.e., individuals) who are likely to make a strong contribution to economic growth, thus pushing the economy toward the production of products and services with greater added value (Henrekson & Stekula, 2009).

The skeptical view of public policy intervention is that large companies are more capable than entrepreneurs of attaining economies of scale and raising funds for research and development (R&D) in addition to providing more stable employment. The efficiency of promotional activities is also questioned, as large businesses may leverage more positive effects for economic growth than small businesses (Beck, Demirgüç-Kunt & Levine, 2005).

The differences in public policy frameworks can be associated with Porter’s (2002) three stages of economic development. The first stage is motivated by production factors, the second by efficiency, and the third by innovation. The production factor-driven stage is marked by lifestyle entrepreneurs and an agricultural economy. During this stage, a country is characterized by the production of commodities and products with low added value. The majority of the companies in this stage are manufacturers; a small number of the companies provide services. During the efficiency-driven stage, a country must explore economies of scale, thereby favoring an industrial concentration. Finally, in the stage motivated by innovation, the economy becomes strongly characterized by knowledge-intensive activities that drive entrepreneurial activity.

The graph below shows the relationship between entrepreneurial activity and Porter’s stages of economic development.
Entrepreneurism

Graph 1: The relationship between entrepreneurialism and economic development according to Porter's stages of development (1998)
Source: (Acs & Szerb, 2009: p.351)

The Global Entrepreneurship Monitor (GEM) 2009 makes it clear that, during the factor-driven stage, a country’s primary concern is to provide basic infrastructure services, such as education and healthcare. As the country becomes more economically stable and improves its infrastructure, a positive relationship begins to form between economic growth and entrepreneurial activity (Lundstrom and Stevenson, 2005).

Acs and Szerb (2009) recently developed a Global Entrepreneurship Index (GEIDEX) based on raw data from the GEM, and it consists of sub-indicators related to entrepreneurial activity, attitudes, and aspirations. The index considers these components to be a function of the institutional conditions of each country.

Analyzing the results from the 64 countries in their data set, Acs and Szerb indicate that a set of institutional features is fundamental for an economy to transition from the factor-driven stage to the efficiency-driven stage. Improvements in the Easy Doing Business Index (EDBI), increased economic freedom and use of the internet, reductions in corruption, and improved human development are generally more common in efficiency-driven economies than in economies that are in the factor-driven stage. An economy transitions to the innovation-driven stage due to a number of factors, including the development of higher education, the availability of...
the latest technologies, an innovative environment, R&D, venture capital, and a decrease in the perception of the risk of failure.

Based on the recent literature (OECD, 2010; Henrekson & Stekula, 2009; Hall & Sobel, 2006; Murdock, 2009; Stevenson & Lundstrom, 2001; Storey, 2008), the main conditioning factors that affect entrepreneurial activity can be classified as follows:

- demographic changes, such as migratory movements and age;
- social changes in environmental consciousness, the level of education, and related areas;
- economic changes, including macroeconomic stability and improved trade relationships with other countries;
- regulatory changes, such as opportunities resulting from changes in regulations in specific sectors, including regulations defined in multilateral contexts; and
- technological changes, i.e., the emergence of new technologies.

These conditioning factors affect the development of public policies for entrepreneurism and MSMEs. These policies can be classified as regulatory policies and stimulus policies, as shown in Figure 1 below.

![Figure 1: Conditions that affect entrepreneurial activity and public policy options](source: author)
The following are regulatory policies that affect MSMEs and entrepreneurship:

- laws for the entrance and exit of businesses,
- labor and social laws,
- property laws,
- tax laws,
- intellectual property laws,
- bankruptcy laws, and
- laws that affect the liquidity and availability of capital (including interest rates and access to financing).

Stimulus policies are related to the actions that directly promote entrepreneurial activity. These activities may be classified as follows:

- the promotion of entrepreneurial culture and education,
- the development of incubator industries and venture capital,
- programs to promote innovation (R&D), and
- programs to foster internationalization.

All of these policies may be further analyzed in various vertical dimensions, such as the following:

- national or regional policies,
- specific sectors (such as biotechnology), or
- groups of individuals (such as African Americans, women, and youth).

Regulatory policies tend to indiscriminately affect MSMEs and entrepreneurship, whereas stimulus policies tend to foster the production of gazelles. However, even the production of gazelles is affected by a more favorable regulatory environment.

Lundstrom and Stevenson (2001) suggest that in the development of public policies, there is (or at least should be) an intersection between policies directed at the creation of entrepreneurship and policies directed at the MSMEs that would have passed the critical 42-month period (the post-start-up period).
3. STUDIES OF THE FUTURE AND SMALL BUSINESSES

Schwartz (1996) defines scenarios as a tool for ordering an individual’s perceptions of the alternative future environments in which the consequences of their present decisions will occur. The scenarios are a set of organized forms by which we may effectively consider the future and develop alternative maps of causal relationships and future trends. In other words, scenarios are plausible narratives about the future, but they are not predictions, because it is not possible to determine future conditions with a reasonable degree of certainty.

For Schwartz (1996), scenarios are stories about the way the world could be tomorrow; they are stories that will help us to recognize and adapt to changes in our environment. Thus, scenarios provide us with long-term vision in a world of uncertainty.
Van der Heijden (1997) indicates that scenarios are tools for strategic planning. They are based on alternative visions of the future, making it possible to prepare an organization for the challenges and opportunities depicted in the scenarios. Thus, scenarios that address an international scope of entrepreneurship contain no certainty regarding how the world will develop. Given this framework, the scenarios in this paper explore specific challenges faced by public policy and entrepreneurial activity in select countries. It is important to remember that scenarios are not predictions, but rather hypotheses that facilitate reflection and the adoption of strategies by which to achieve possible changes in the world.

Why should one consider scenarios for public policies, especially for those affecting MSMEs and entrepreneurship? As Habegger (2010) notes, policy makers should systematically identify and assess the relevance of future issues that may impact their decisions in the present. They must think strategically to reduce surprises, increase the scope of potential action, and improve the flexibility of governance. Therefore, prospective scenarios can support policy decisions in the present that will impact the future.

Atherton (2005) assesses the future of small business among several OECD (Organization for Economic Co-operation and Development) countries by using scenarios structured around the future distribution axes of economic activity between small and large enterprises and the extent of connectivity and integration of economic activity between the economies. Although the author offers creative alternatives for the future of small business, the effect of the countries’ public policies on the scenarios is not studied. Therefore, one must question whether public policies for entrepreneurship and MSME would be able to modify a country’s socio-economic reality.

Using China as an example, Gibb and Li (2003) argue that the freedom to embrace entrepreneurship allows entrepreneurial activity to flourish independent of central government action stimulating specific policies. On the other hand, Astrakhan and Chepurenko (2003) assess the
future of small business in Russia and recognize that in the absence of policies to reduce the cost of undertaking business activities, the economic importance and employment generation of small businesses decrease.

4. PROSPECTIVE SCENARIOS AND CHOICES OF PUBLIC POLICY FOR ENTREPRENEURSHIP AND MSMEs

How can public policies on entrepreneurship and MSMEs lead countries to face their future economic and social challenges? To address this question, we must analyze the macro trends (or critical uncertainties) that a country will face in the future, as well as the map of choices for public policies on entrepreneurship and MSMEs available to that country.

For the three countries studied in this paper, we identified two critical uncertainties that have a direct impact on entrepreneurship and MSMEs: political and economic integration and technological development.

Strong political and economic integration would indicate a stage of economic development and growth resulting from the positive effects of globalization. Global economic growth would be reflected by a large increase in the volume of international trade and increasing participation by China and India. This increased economic integration is accompanied by political integration between intra-blocks and blocks, as well as the success of multilateral negotiations in recent meetings of the World Trade Organization (WTO) and international efforts to combat climate change.

Weak political and economic integration are the products of a global economic crisis, especially for developed economies. “The Great Recession” would be accompanied by increased protectionism and competitive devaluations, which would elevate political and economic tension worldwide. In this situation, developed economies would adopt protectionist behaviors, maintaining ties within their own blocks, even though these countries must still contend with an increase in separatist movements and the emergence of regional conflicts. Peripheral countries that are dependent on international trade would face deeper crises, thus strengthening populist
movements and political regimes inspired by the Chinese model (the “shock of capitalism” without the introduction of democracy).

The pace of technological development is highly unpredictable and is accompanied by a high level of randomness. This situation occurs because it is impossible both to predict future discoveries and to know how these new technologies will be absorbed by the market. Twenty years ago, no one could have predicted phenomena such as Facebook and Google, or the high interconnectivity via mobile communication devices that we currently enjoy.

R&D investment by large companies and the expansion of highly innovative entrepreneurship could introduce an era of disruptive discovery in all fields. Technologies derived from the development of new medical equipment and medicines could increase life expectancy, and there could be extreme increases in interconnectivity (i.e., increased social contact through the omnipresence of information technologies) with technology being implemented in a far more organic manner than it is today. The disruptive development of technology could originate from anywhere and would not simply be concentrated in the United States. These technological advances would produce thousands of new millionaires in gazelle companies that would quickly attain a global scale and capitalize on a highly integrated financial market.

On the other hand, technology could continue to evolve incrementally and in this case, the pace of discovery and its absorption by the market would be slower. Large companies would face exponentially increasing R&D costs, they would lack the discoveries to justify these costs, and there would be trends toward greater economic concentration in various sectors. Similarly, a few innovative entrepreneurs would be able to scale their innovations successfully. In this case, these new innovators would be heavily concentrated in the United States and, to a greater extent, in China, which would have reached a critical mass in developing their higher education institutions.
The figure below displays the critical uncertainties that affect the environment of MSMEs and entrepreneurship activity in Canada, Italy, and Ireland.

![Critical uncertainties affecting the environment of MSMEs and entrepreneurship activity](source)

**Figure 3 – Critical uncertainties affecting the environment of MSMEs and entrepreneurship activity**
Source: author

The mapping of public policies for MSMEs and entrepreneurship in Canada, Italy, and Ireland revealed clear choices that influence the future of firms in these countries and the countries’ economies themselves. These choices can be divided into two axes. The first is composed of policies specifically directed at the gazelle entrepreneur and generic policies supporting MSMEs (which could ultimately be the absence of public policy), and the second addresses policies with a regional or national focus.

The figure below displays the mapped classification of the countries' choices.

![ Choices of public policy for entrepreneurship and MSMEs](source)

**Figure 4 – Choices of public policy for entrepreneurship and MSMEs**
Source: author
Canada

Canada has a strong framework for fostering entrepreneurship through Industry Canada (IC) (i.e., its Ministry of Industry). The National Research Council (NRC) is subordinate to this ministry and coordinates approximately 20 regional cluster initiatives that bring universities, researchers, incubators, and entrepreneurs together under one roof. These initiatives foster regional development and innovative entrepreneurship and are focused on the international market, with the ultimate goal of bringing increased economic growth to the country.

In addition to the central role of the IC and NRC, Canada has several programs promoted by its provincial governments that are not exclusively directed towards gazelle-type entrepreneurship but are instead targeted at ethnic groups, women, or specific sectors (i.e., development of the film industry).

Italy

The Italian economy is characterized by industrial districts established between the 1950s and 1970s. However, globalization has led to the destructuralization of this model. Although Italy has companies of excellence (mainly in the agro-food, clothing, and machinery sectors), most of its companies are no longer globally competitive. Both the federal and regional governments have failed to develop a public policy response to this structural crisis.

In Italy, federal government initiatives are limited to the Industria 2015 program. However, this program is slow and does not focus on MSMEs or on promoting Italy's image through the idea of "Made in Italy". From a regulatory standpoint, there are no instruments that promote MSMEs, the tax system is complex, the bureaucracy is extensive, and the labor laws are extremely strict. Regional policies are also vague and unfocused. Thus, it is not possible to say that there are policies to foster entrepreneurship in Italy.

Ireland
All of the public policy for entrepreneurship in Ireland is focused on the goal of a smart economy. A smart economy values innovation and fosters a gazelle-type entrepreneurial climate geared towards the foreign market.

This smart economy is supported by four government agencies linked to the Ministries of Enterprise, Trade, and Innovation: IDA (Industrial Development Agency), SFI (Science Foundation Ireland), EI (Enterprise Ireland), and Forfás.

The IDA brings investment to the country, especially in the form of multinational companies. The SFI has the explicit goal of adding value to business chains via research and innovation. The EI is the cornerstone of the program to foster entrepreneurship. With its focus on companies with high growth potential, the EI supports entrepreneurship through numerous initiatives. These initiatives include training, counseling, and mentoring of entrepreneurs; funding, usually for an entrepreneur seeking to acquire venture capital funding; fostering of R&D; creating work interfaces with the SFI; and promoting regional development in partnership with CEBs (County and City Enterprise Boards). Forfás complements the Ministry agencies by providing independent research that assists the government in formulating policies for entrepreneurship and innovation. In addition to the high educational level of Ireland’s population, this country also has a series of programs focused on entrepreneurship, many of which are supported by the government. These programs engage students in primary school and persist throughout a student’s education.

4.1 PROSPECTIVE SCENARIOS FOR ENTREPRENEURSHIP AND MSMES IN CANADA

The following figure summarizes four scenarios for entrepreneurship and MSMEs in Canada.
Figure 5 – Prospective Scenarios for Entrepreneurship and MSMEs in Canada

Source: author

*Golden Leaf*

In this scenario, Canada benefits from global economic growth and the reduction of trade barriers. The clusters promoted by the NRC bring major regional development. Several companies emerge from this context to become large multinationals with a physical presence in several countries through growth (greenfield) or acquisition. Many innovative companies from Canadian provinces are acquired by large multinationals that keep their centers of technological development in those regions. Many of the MSMEs, especially those of medium size, increase their skills and export to the world. The regional development policy and new clusters allow the Canadian economy to overcome Spain and Italy in terms of GDP-PPP (Gross Domestic Product - Purchasing Power Parity).
North American Beaver

Without disruptive innovations, the Canadian economy continues to grow from its trade liberalization strategy. With skill and persistence, the MSMEs increase their relative share in the country’s total exports due to national and regional support. Women begin to compose the majority of entrepreneurs in Canada, and the improved environment continues to attract immigrants who study or start new businesses there.

Everything for the North

Despite the success of the NRC’s regional clusters and its partnership with universities and companies, few entrepreneurs are willing to take on risk in an uncertain environment, and companies cannot grow to a global scale or conduct revenue-generating IPO deals. Canadian firms defined by their technological excellence are eligible for a program aimed at strengthening local businesses, and some companies are given access to credit, which allows them to expand internationally via acquisition. However, most MSMEs focus their international efforts on a weakened North American economy and in some developing economies with fast growth. This focus results in the growth of other countries’ internal markets, such as those of Brazil and India.

Sovereignty

This scenario refers to the separatist movement in Quebec. Weak global economic growth, accompanied by protectionism and the failure of regional economic development, elevates separatist pressures. In this scenario, the incentive to participate is reduced, but the number of MSMEs increases due to growth in the rate of entrepreneurship by necessity. That is, exporting companies decrease in size, which leads many to create micro enterprises and thereby ensure their survival during the economic crisis.
The Canadian State would decrease its resources for the NRC, but they would reinforce the subsidies policy for export-oriented companies.

4.2. PROSPECTIVE SCENARIOS FOR ENTREPRENEURSHIP AND MSMES IN ITALY

The figure below summarizes four scenarios for entrepreneurship and MSMEs in Italy.

![Figure 6 – Prospective Scenarios for Entrepreneurship and MSMEs in Italy](image)

Source: author

**Carso**

This scenario refers to the heavily eroded limestone karst formations in Northeastern Italy. Under the hypothesis of incremental technological development and global economic growth, Italy would continue to experience a slow corrosion of its economy as a result of the “displacement”
phenomenon, i.e., the outsourcing of lower value-added processes to other countries with more competitive costs. The size of the Italian economy and the excellence of some companies guarantee a degree of inertia, but, like limestone, the economy would become porous and brittle. Large companies would take a greater position of prominence, but small and medium-sized innovative companies would benefit from global economic growth.

_Tutto Nello Stato_

This scenario refers to the fascist slogan, _Tutto nello Stato, niente al di fuori dello Stato, nulla contro lo Stato_ (all for the State, nothing outside the State, nothing against the State). The worldwide economic depression causes Italy to slowly turn inward through strengthening the State in a neocorporatist model of close cooperation between workers and employers. Although the country remains a key part of the European Union (EU), its bureaucracy produces promotional programs and regulations that attempt to delay the inevitable effect of a transfer of economic power to more efficient countries in Eastern Europe, such as Hungary. Xenophobia would increase and immigrants would be seen as a major cause of the country’s problems. Low technological development would allow this country to further delay the resolution of structural problems, and the MSMEs of the Northern industrial districts would help support the neocorporatist arrangement. The government would establish an "anti-relocation value-added tax", where all taxed products and services would finance a wage subsidy scheme to prevent the transfer of activities to Eastern Europe.

_Argentinization_

Argentina was likely the richest country in South America at the turn of the 20\textsuperscript{th} century. However, inefficient governments created an increasingly inefficient State. Contrary to international trade policy, Argentina was over-regulated and institutionally and economically unstable, which has led to the deterioration of the country’s relative standing in the world. Similarly, the traditional Italian economy's ability to survive and prosper in the face of political instability is no longer sustainable. Faced with
a State that does not respond to structural problems, the model of the industrial districts appears antiquated, leading to a gradual slide toward impoverishment and, in particular, the loss of hope for younger generations who do not believe in the possibility of a better life. In this situation, the institutional climate is not conducive to the development of gazelle entrepreneurs.

*Lega Lombarda*

Lega Lombarda alludes to the political movement of 30 cities in the north of the country that opposed the regional influence of the Holy Roman Emperor during the 12th century. Today, the Lega Lombarda inspires separatist movements in Northern Italy. In this scenario, the global economic depression and disruptive technological development outside of Italy quickly deteriorates the country's economy. This rapid deterioration strengthens separatist movements that are supported by businessmen from the Northern districts. Finally, Lombardia is born as an independent state and seeks approval from other European states. Central and Southern Italy remain united, but they lack the economic strength of the North. In this scenario, MSMEs based in the industrial districts precariously survive the economic crisis and therefore support separatism. Without a base for institutional support, there are few gazelle entrepreneurs and many businessmen flee the country to escape the political and economic deterioration.

4.3 PROSPECTIVE SCENARIOS FOR ENTREPRENEURSHIP AND MSMES IN IRELAND

The following figure summarizes four scenarios for entrepreneurship and MSMEs in Ireland.
Global economic growth and disruptive technological development lead to the success of the Irish model, based on the role of agencies linked to the Ministries of Enterprise, Trade, and Innovation. Several companies in the IT sector stand out globally through their aggressive international expansion and receive resources from the EI to help finance acquisitions in other countries. Many companies make initial public offerings (IPO) in the United States and England, which strengthen the venture capital industry. In this entrepreneurial culture, educated youth watch the success of many entrepreneurs and are enthusiastic about building their own businesses. The success of the gazelle entrepreneur concept not only leads Ireland to a new level of wealth, but such success allows it to become a reference country for various sectors.
Green Star

Without revolutionary technological developments, part of the EI model of the SFI is questioned inside and outside of the government. Forfás conducts a study investigating why policies to encourage gazelle entrepreneurs do not produce the expected result. The government strives to show that there are success stories to promote the same policies. Global economic growth enables MSMEs to increase their sales in the international market, especially for countries, such as the United States and England. Although the country does not repeat the success of the ‘Celtic miracle’ period, the economy performs well according to a number of indicators within the European bloc.

Blood Brothers

The focus on gazelle entrepreneurs produces several companies of overall good quality; however, following the global depression and the rise of protectionism, these companies find it difficult to expand and most of them cannot cope with declines in the major worldwide stock exchanges. The Irish government is concerned about its companies’ lack of scale and consequently appeals to the United States and England. However, this strategy does not succeed because both the United States and England are facing serious economic problems. This difficulty brings an elevated feeling of frustration to the entrepreneurs, many of whom abandon the entrepreneur lifestyle in search of the safety and stability of a job with a multinational company.

Ellis Island

In the Ellis Island scenario, the focus on the gazelle entrepreneur fails, leading to collapse of the EI and increased pressure to change strategies. The focus is redirected towards gazelle entrepreneurs and leads to assistance with training and capacity building for the entire MSME population. That is, the role of EI is revised to support the survival of these companies before the global recession and protectionism. MSMEs would again become a sign of entrepreneurship by necessity. The failure of the system to foster Irish talent
due to the economic recession coupled with this new movement would lead to a mass migration of talent to the United States.

5. CONCLUSION AND FINAL CONSIDERATIONS

The selection of a public policy is not a neutral choice, nor do the policies operate in a neutral environment. This lack of neutrality is true for policies directed towards gazelle entrepreneurs and those that are regional or national in scope. Given this lack of neutrality, it is essential to take critical macro uncertainties into account.

In Canada, for example, policies work best when they pursue economic openness and global economic growth. Canada could benefit from free trade agreements, which would foster the regional model of high-impact entrepreneurship. On the other hand, global recession and protectionism can bring extremely adverse effects not only to the Canadian economy, but also to the expected effects of public policy options.

A possible global recession would strongly affect the openness of the Canadian economy and hamper exit strategies for the venture capital industry. Thus, if funding is negatively impacted, the entire support system for entrepreneurship could collapse.

For Italy, we explored the effects of choices with virtually no public policy for MSMEs (and fewer options for entrepreneurship). Without exception, all of the scenarios exhibited adverse effects on the country’s economy. The most positive scenarios were located along the axis of incremental technological development. Given the crisis of the industrial districts and the lack of public responses in the Carso scenario, for example, we observed a slow deterioration of the Italian economy and the entrepreneurial environment.

The Ireland scenarios explore the effects of a public policy choice that are very clearly directed towards high-impact entrepreneurs. The governmental side of the policies is well designed and can work well in a scenario with strong economic and political integration. In the worst of the
hypotheses, the Irish economy would be among the least productive in Europe, and in the best scenario, a new Celtic tiger that is sustained by entrepreneurship would emerge.

When assessing the negative axis of political and economic integration, public policies exclusively focused on entrepreneurship would not be able to respond to macro challenges. As a small country, Ireland has made a strong commitment to trade liberalization and technological development.

In conclusion we note that, in assessing the effects of public policies for entrepreneurship and MSMEs, the scenario exercise shows that these policies are not a panacea that will bring a country to an advanced stage of economic development. Countries are subject to structural limitations and other economic choices, such as their level of economic integration. Under adverse conditions, these policies can fail to produce positive effects, not by flaws in policy design, but rather due to structural limitations.

On the other hand, the absence of public policies that foster entrepreneurship rarely produces positive effects, even considering adverse scenarios. In other words, without government intervention, entrepreneurship will not positively impact economic development.

6. REFERENCES


