

Open for Business?

Entrepreneurship, Regulations, and Immigration in New England and Beyond

By Joshua Bedi

with contributions from Aidan Enright and Pioneer staff



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Table of Contents

Executive Summary	4
Methodology for Quantifying Entrepreneurial Impact	4
Quantifying Entrepreneurial Impact	4
Regulations	6
Immigration	7
Policy Implications and Recommendations	13



Executive Summary

Entrepreneurship, defined as self-employment or business creation, benefits society by driving technological development, innovation, employment, productivity and better standards of living.¹ Entrepreneurship also provides a promising path towards post-COVID recovery in areas that are still lagging. Abundant evidence demonstrates that countries and cities with vibrant entrepreneurial ecosystems prosper, while those without them decay.²

This study quantifies trends in entrepreneurship, which is an important engine of innovation and economic growth, across New England and the rest of the United States. The paper further identifies the defining characteristics of states and localities with strong entrepreneurial climates: low regulatory burdens and high concentrations of immigrants.

The paper demonstrates that jurisdictions where entrepreneurship, self-employment, business creation, and innovation flourish share common characteristics. The first is a non-burdensome and predictable regulatory environment that ensures:

- low taxes and business startup costs,
- ease of purchasing, developing, and using land for commercial purposes,
- employee and employer mobility, and
- occupational licensing requirements that are not so burdensome as to disincentivize individuals from practicing their trades.

Finally, the paper considers the role of immigrants. Immigrants are consistently linked with high rates of self-employment and business creation. In most countries, international immigrants across the educational attainment spectrum are more likely to be self-employed and open businesses than are natives.³ And because immigrant labor makes non-immigrant labor more productive,⁴ immigrants who do not become entrepreneurs can contribute to business creation indirectly as employees and customers.⁵

This paper summarizes the impact of regulations on entrepreneurship and the positive correlation between immigration and entrepreneurship.

Methodology for Quantifying Entrepreneurial Impact

To most accurately capture entrepreneurial activity, this report measures entrepreneurship in two ways. The first metric broadly defines entrepreneurship as “new for-profit business registrants per capita,” which captures most types of self-employment⁶. The second metric is narrower and captures only the most impactful and innovative types of entrepreneurship—high-value acquisitions of large companies and initial public offerings (IPOs) per capita.

The report uses data between 1988–2016, provided by the Startup Cartography Project (SCP).⁷ While this timeframe is dated, the SCP is the most comprehensive and granular publicly available dataset on entrepreneurship, tracking business formation down to the ZIP code level. Crucially, the SCP data mimic other respected sources for entrepreneurship statistics, like the Census Bureau’s Business Dynamics Statistics dataset. Importantly, more recent less detailed or not yet publicly available data confirm trends found in the data utilized in this report.

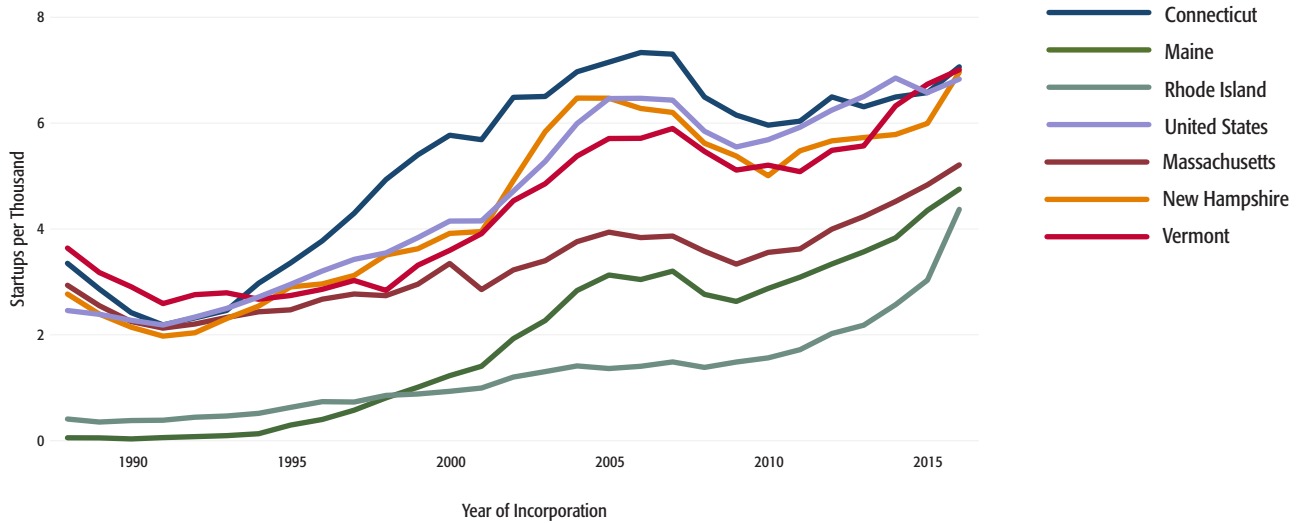
Quantifying Entrepreneurial Impact

Figure 1 shows that new for-profit business registrants per capita increased nearly three-fold in the U.S. between 1988 and 2016, notwithstanding a dip during the Great Recession. By 2016, entrepreneurship rates had reached or passed historic highs in the mid-2000s. New England states also experienced increases in new for-profit business registration per capita over the 28-year period, as well as a dip in business registration during the Great Recession.

This study quantifies trends in entrepreneurship across New England and identifies the defining characteristics of states and localities with strong entrepreneurial climates

The SCP is the most comprehensive and granular publicly available dataset, tracking business formation down to the ZIP code level.

Fig. 1: Yearly Business Registration Rates in the U.S. and New England, 1988–2016⁸

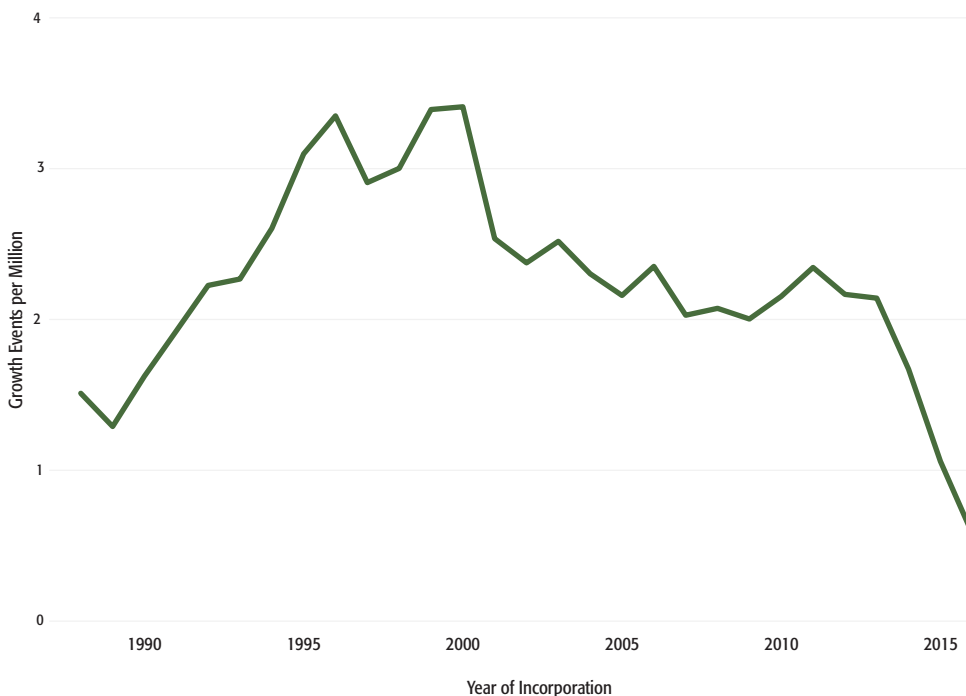


Source: Startup Cartography Project

Figure 2 underscores a troubling national trend: Firms have become much less productive and impactful, defining productivity and impact as likelihood to be acquired for a high value or go public.⁹ Despite documenting a recent increase in business registrations, the data reveals that New England follows this national trend, also experiencing decreases in rates of high-impact entrepreneurship. Massachusetts has historically been home to some of the highest rates of high-value acquisitions and IPOs per capita; however, even its rates of high-value acquisitions and IPOs fell by more than half between 2000 and 2015. Some of the decline in high growth events can be attributed to the deregulation of private equity markets, which makes it easier for firms to remain private.¹⁰ Still, this evidence, as well as evidence provided by others,¹¹ suggests high-impact entrepreneurship is on the decline irrespective of changes in private equity market deregulation.

**A troubling trend:
Firms have become
much less productive
and impactful.**

Fig. 2: Yearly Rates of High Value Acquisitions and IPOs in the U.S., 1988–2016



Source: Startup Cartography Project

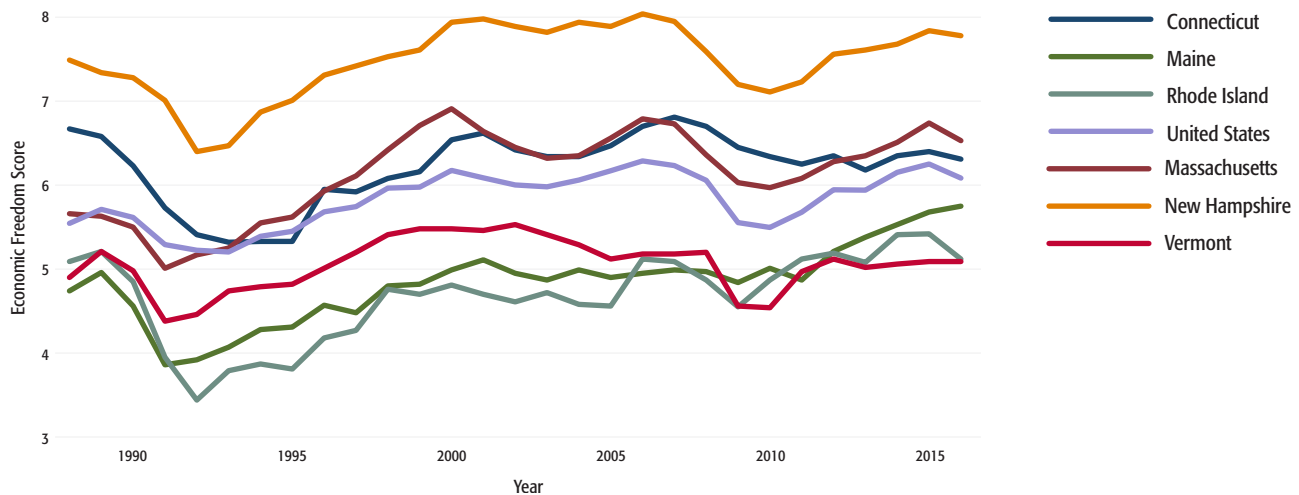
The most recent data available suggest entrepreneurship has been heavily impacted by COVID. Predictably, business registration rates took a nosedive at the start of the shutdown because pandemic-related restrictions were not conducive to starting a new business, and many existing businesses shut down. Business registration rates began to rebound in April 2020, with business application filings 24 percent higher in 2020 than in 2019. This trend continued in 2021 and 2022, in part due to the fact that some people were pushed into entrepreneurship after losing their jobs.¹²

Regulations

A comparison of state business regulations may be informative given the wide variation in regulatory burdens among the states. The data in Figure 3 show that (1) some states have a regulatory environment that is more conducive to entrepreneurship than others do, and (2) all U.S. states have room to improve their regulatory environments. To illustrate the second point, consider New Hampshire, which ranks as the state with the least burdensome regulations in the country. The Granite State barely breaks a score of 8 on a 10-point scale,¹³ where 10 represents very light regulations and 1 represents very burdensome regulations. Places that score closer to a 10 impose low taxes and startup costs, maintain light land-use regulations and occupational licensing requirements, and ensure employee and employer mobility by refusing to enact high minimum wages. In other words, places are rated as more economically free if there are few restrictions on the free market and voluntary exchange. Even states like New Hampshire have quite a few regulations on business activity that restrict business formation.

New Hampshire ranks as the least regulatory burdensome state in the U.S.

Fig. 3: Regulatory Freedom Across the U.S. and New England, 1988–2016



Source: Startup Cartography Project and Fraser Institute's Economic Freedom of North America Index

Connecticut and Massachusetts also have regulatory environments that are slightly less burdensome than the U.S. average. Together with New Hampshire, they are the New England states that have been more entrepreneurial than the U.S. average for more than half a century. The relatively high ranking of Massachusetts and Connecticut may surprise some readers given that these states are notorious for high tax rates and startup costs, a lengthy permitting process for commercial land use, restrictive hiring and firing practices, and expensive licenses for many occupations. The fact is, most states have *even more* burdensome restrictions.

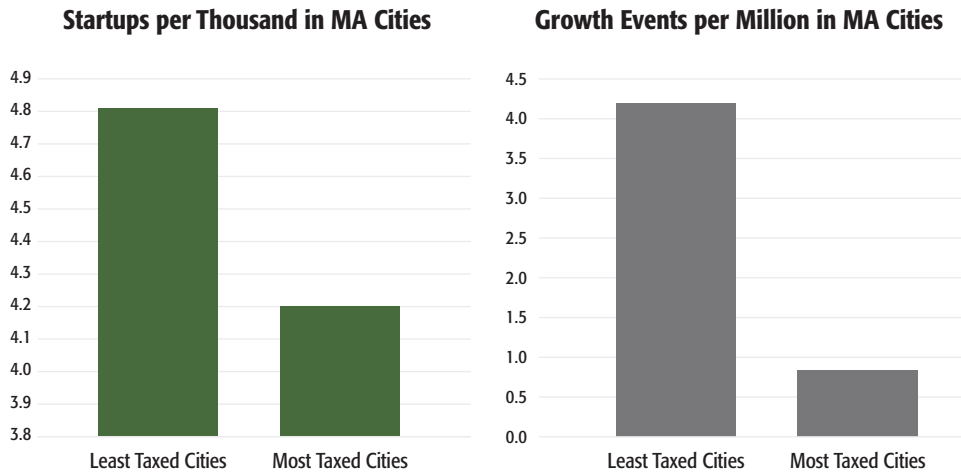
There are also positive correlations between entrepreneurship and a light municipal regulatory environment. When city-level entrepreneurship rates are correlated with 2016 data on municipal taxes,¹⁴ results show that 6 of the 10 major U.S. cities with the lowest tax burden rank in the top half of cities in business registration rates, high-value acquisitions, and IPOs per capita. Notably, Manchester, New Hampshire, is the only New England city that ranks among the 10 least taxed major U.S. cities.

Regulatory environments in Connecticut and Massachusetts are less burdensome than the U.S. average.

As Figure 4 shows, entrepreneurship in Massachusetts cities shows a consistent positive correlation with a moderate regulatory environment,¹⁵ indicating that cities with low taxes generally have high rates of entrepreneurship. The 20 major Massachusetts communities with the lowest tax rates boast 15 percent more startups per capita and more than four times the number of growth events per capita compared to the 19 cities with the highest tax rates in the sample.

Massachusetts communities with the lowest tax rates boast 15 percent more startups per capita and more than four times the number of growth events per capita compared to cities with the highest tax rates.

Fig. 4: Entrepreneurship per Capita and Commercial Property Tax Rates in MA - 2016



Source: Startup Cartography Project and Massachusetts Department of Revenue

Figure 4 shows that one factor in defining a welcoming entrepreneurial climate is taxation. Figure 5 provides a snapshot of cities with the lowest and highest commercial property tax rates in Massachusetts.

Fig. 5: The Least and Most Taxed Communities in Massachusetts - 2016

MA Municipalities with the Lowest Commercial Property Taxes	MA Municipalities with the Highest Commercial Property Taxes
Newburyport	Holyoke
Gloucester	Springfield
Northampton	Pittsfield
Cambridge	Framingham
Melrose	Everett
Leominster	North Adams
Somerville	Westfield
Gardner	New Bedford
Attleboro	Worcester
Medford	Taunton

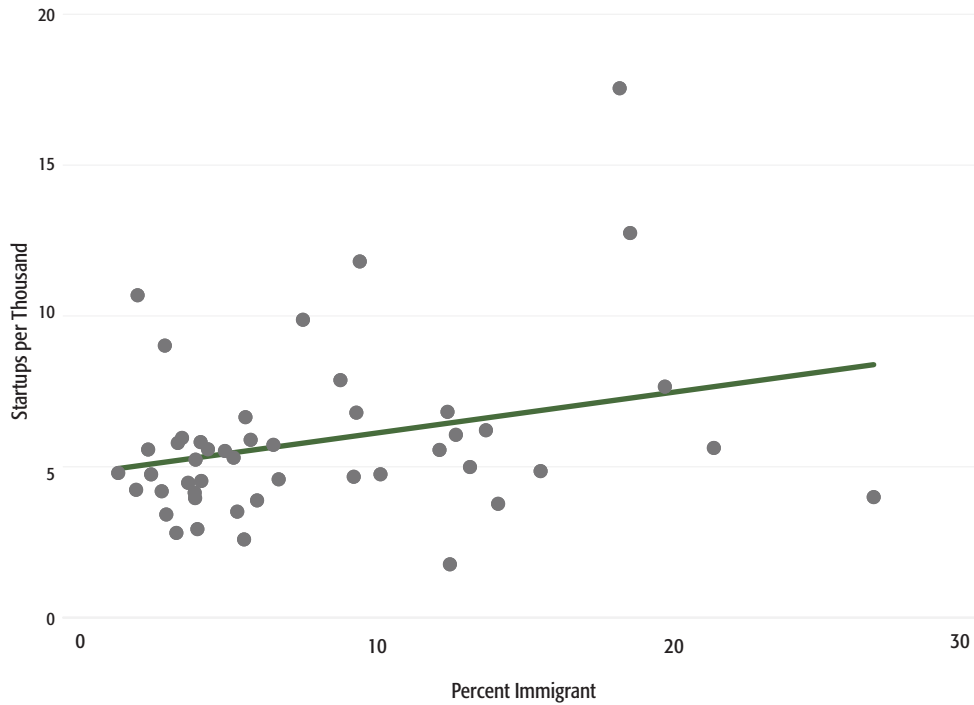
Source: Startup Cartography Project and Massachusetts Department of Revenue

Immigration

After the above analyses on entrepreneurship and regulation, this report moves to consider immigration and entrepreneurship. As Figures 6 and 7 make clear, the level of immigration correlates strongly with entrepreneurial activity. Immigrants are much more likely to engage in self-employment than native-born residents irrespective of educational attainment. While this is true globally, it is particularly so in the United States.¹⁶

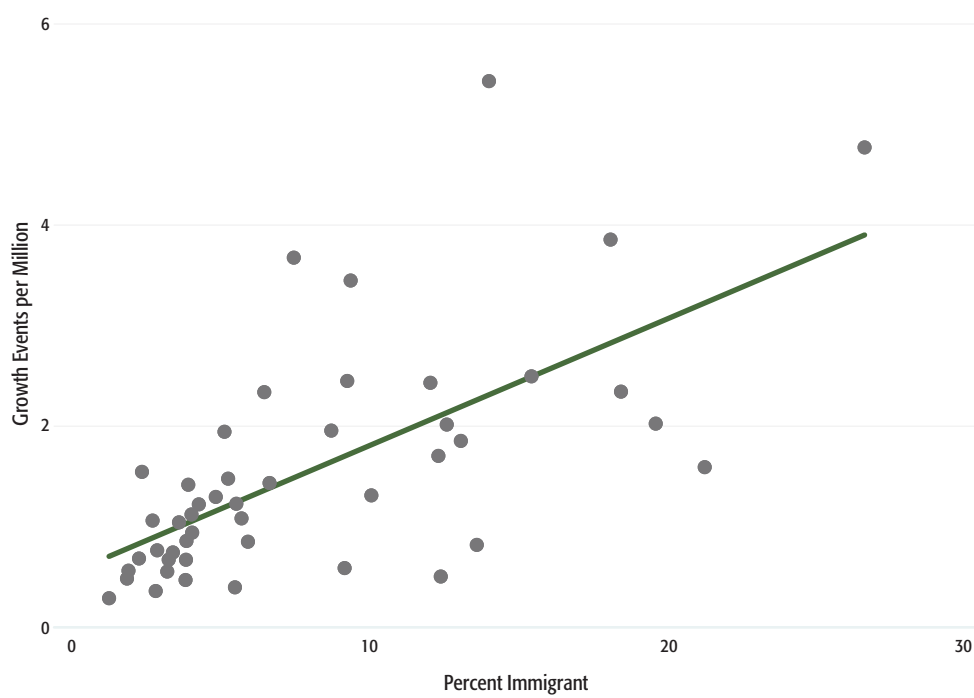
SCP and Census Bureau data confirm these positive correlations. Figure 6 demonstrates a 1 percent increase in the share of the state population that is composed of immigrants correlates with a 24 percent increase in startups per capita.

Fig. 6: Relationship Between Immigration and Startups per Thousand People, 1988–2016



Source: Census Bureau and Startup Cartography Project

Fig. 7: Relationship Between Immigration and Growth Events per Million People, 1988–2016



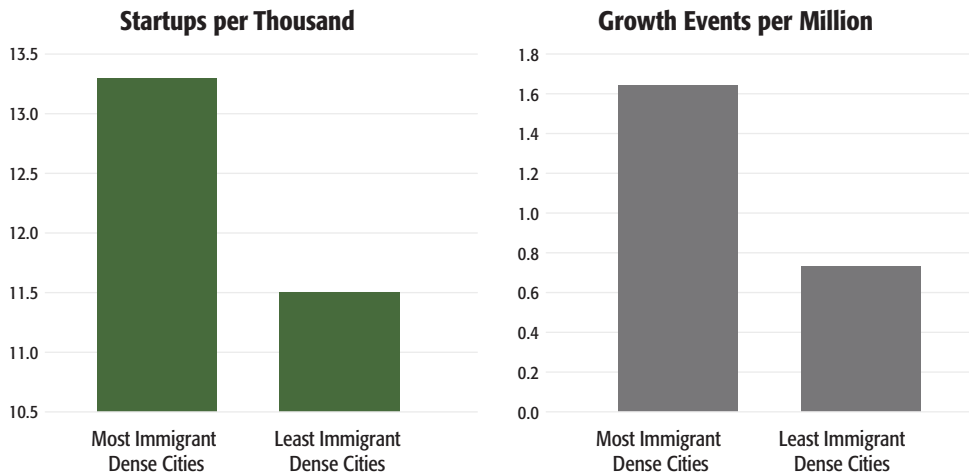
Source: Census Bureau and Startup Cartography Project

Figure 7 goes on to show an even stronger correlation between immigration and the most impactful types of entrepreneurship. A 1 percent increase in the share of the population that is composed of immigrants correlates with a 42 percent increase in high-value acquisitions and IPOs per capita. These numbers likely reflect the fact that immigrants are attracted to jurisdictions with low levels of regulation¹⁷ where they increase entrepreneurship upon their arrival.¹⁸

The robust connections between immigration and entrepreneurship shed light on why certain heavily regulated regions still boast high entrepreneurial activity. California, and to a lesser extent Massachusetts, serve as compelling examples, illustrating how a substantial immigrant presence is associated with entrepreneurship despite regulatory challenges. Various factors contribute to this phenomenon, including their coastal locations, well-established entrepreneurial ecosystems like Silicon Valley and Route 128, the collaborative synergy stemming from a rich pool of human capital in STEM fields, proximity to clusters of higher education, and a concentration of innovative industry sectors.¹⁹ The infusion of fresh ideas immigrants bring from their home countries significantly contributes to the culture of entrepreneurship and innovation that has flourished in Massachusetts and California.²⁰

The data underscore a persistent correlation between immigration and municipal entrepreneurship.

Fig. 8: Immigrant Density and Entrepreneurship per Capita in Large Cities



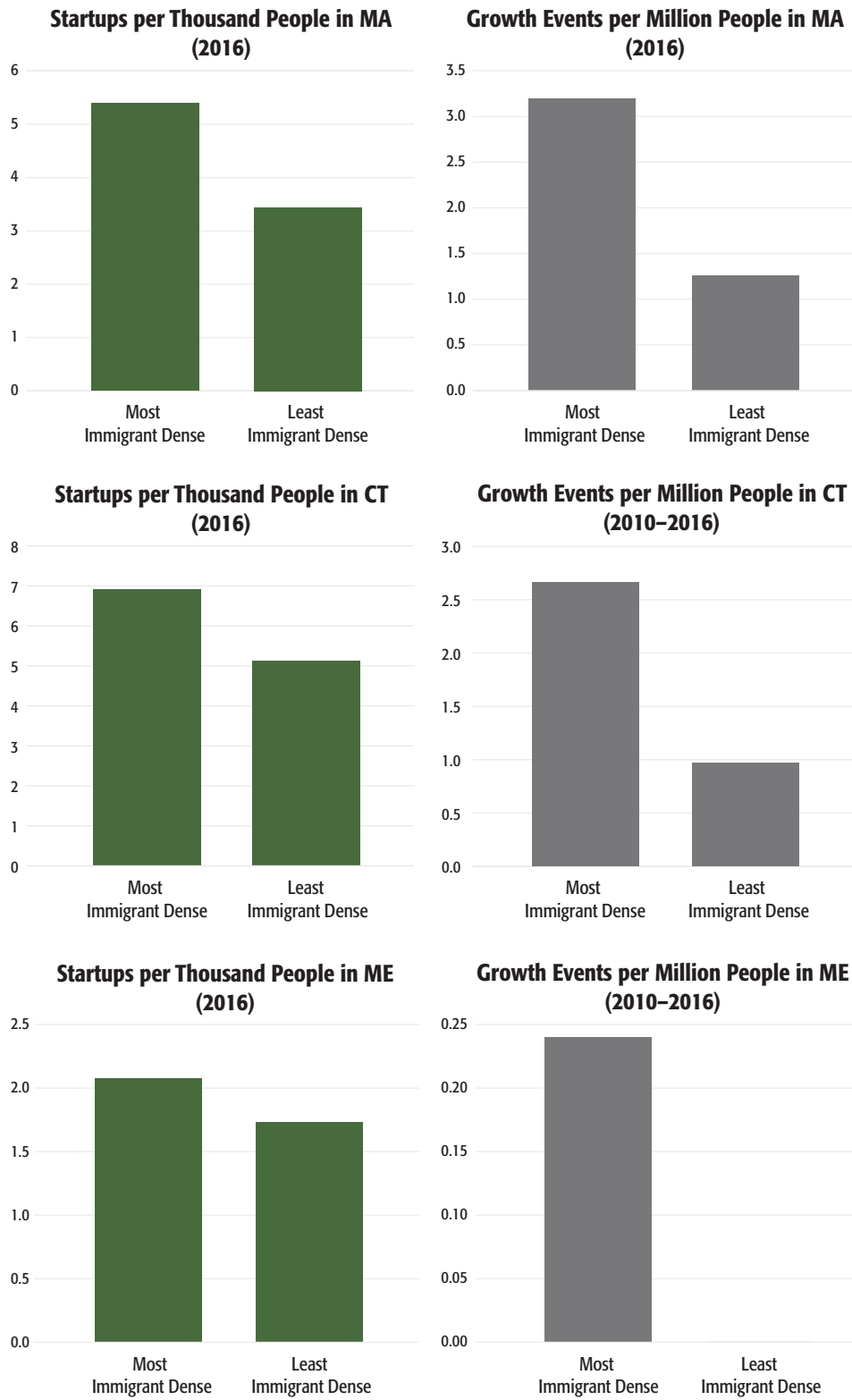
Source: Census Bureau and Startup Cartography Project

The SCP data also highlight the persistent correlation between immigration and entrepreneurship at the city level. Figure 8 focuses on U.S. cities with populations exceeding 200,000 and reveals that the most immigrant-dense cities exhibit over 15 percent more startups per thousand than their least immigrant-dense counterparts. Notably, differences in growth events per million are even more pronounced, with the most immigrant-dense cities experiencing more than double the growth events compared to cities with the lowest concentrations of immigrants.

Similar patterns emerge within New England cities. Figure 9 demonstrates the strong correlation between immigration and entrepreneurship in Massachusetts, Connecticut, and Maine. In Massachusetts, the most immigrant-dense cities outshine their counterparts by over 50 percent in terms of business registration rates and experience more than double the growth events per capita. A comparable trend is observed in Connecticut, where the most immigrant-rich cities boast nearly 35 percent more business registrations per capita and nearly triple the number of growth events per capita compared to the least immigrant-rich cities in the state. In Maine, the only city to experience high value acquisitions or IPOs from 2010 to 2016 is also the one with the highest proportion of immigrants — Portland. Immigrant-rich communities in Maine, like Portland, also demonstrate notable success in terms of business registration rates.

There's a strong correlation between immigration and entrepreneurship in Massachusetts, Connecticut, and Maine.

Fig. 9: Immigrant Density and Entrepreneurship per Capita in MA, CT, and ME



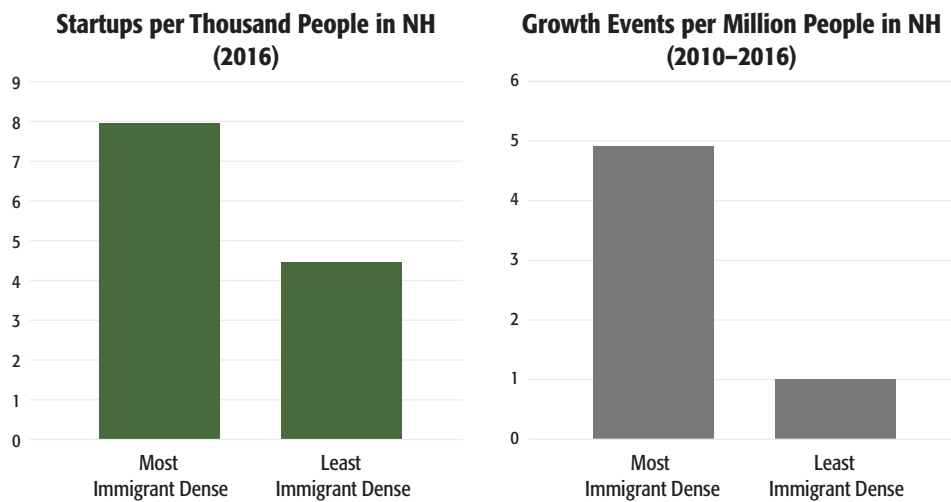
Source: Census Bureau and Startup Cartography Project

Figure 10 shows an even stronger correlation between immigration and entrepreneurship in New Hampshire. In the Granite State, cities with the highest immigrant density exhibit remarkable economic vitality, boasting over 75 percent more business registrations per capita and nearly five times as many growth events per capita compared to the least immigrant-dense cities. Lebanon, the fourth most immigrant-dense community in New Hampshire, stands out as a significant player in the state’s entrepreneurial landscape. Despite a population of less than 15,000 people, Lebanon led the state in high-value acquisitions and IPOs per capita between 2010 and 2016, ranking among the top 2 percent of U.S. cities for which data is available.

In New Hampshire, cities with the highest immigrant density exhibit 75 percent more business registrations per capita.

Noteworthy high-impact companies contributing to Lebanon’s success include the New England Alliance for Health, LLC, which provides counseling and consulting services, MPB Inc, specializing in bearing-related products for aerospace and computer companies, and Miller Automotive Group Inc, a Volvo and Volkswagen dealership . While not all these companies were founded by immigrants, immigrants in Lebanon contribute significantly to entrepreneurship, serving as both consumers and employees.²¹

Fig. 10: Immigrant Density and Entrepreneurship per Capita in NH



Source: Census Bureau and Startup Cartography Project

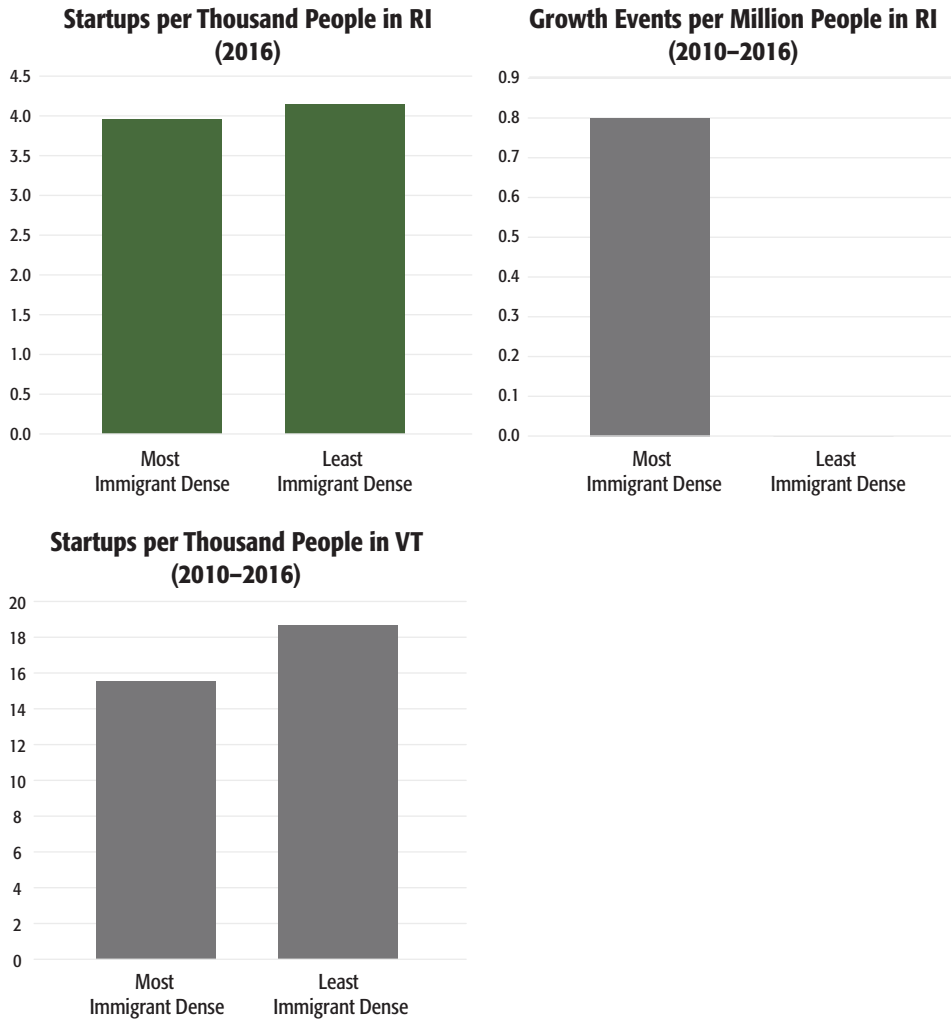
On the other hand, Figure 11 demonstrates the different experiences in Rhode Island and Vermont. In these states, immigrant-dense cities are not always more entrepreneurial than cities with fewer immigrants.

Providence, hosting almost twice as many immigrants per capita as the second most immigrant-rich community in Rhode Island, stands out as the sole city in the state to have undergone a high-value acquisition or IPO between 2010 and 2016. However, it’s worth noting that in Rhode Island, immigrant-rich communities exhibit slightly lower business registration rates compared to cities with fewer immigrants.

Like Rhode Island, immigrant-rich communities in Vermont do not experience more startups per capita compared to cities with fewer immigrants. More striking is the fact that Vermont did not experience a high-value acquisition or IPO during this time. Vermont stands out as a notable exception due to its combination of harsh regulations and low proportion of immigrants. Maine and New Hampshire also have low proportions of immigrants; however, both have significantly less harsh regulatory environments than Vermont, and both have significantly better entrepreneurship outcomes despite low proportions of immigrants.

The most immigrant-rich communities in each New England state are provided in Figure 12.

Fig. 11: Immigrant Density and Entrepreneurship per Capita in RI and VT



Source: Census Bureau and Startup Cartography Project

Figure 12: Most Immigrant Rich Communities in Each New England State - 2016 ²²

MA	CT	RI	NH	VT	ME
Chelsea	Stamford	Central Falls	Nashua	Winooski	Portland
Malden	Danbury	Providence	Manchester	Essex Junction	So. Portland
Everett	Bridgeport	Pawtucket	Lebanon	Burlington	Biddeford
Lawrence	Norwalk	Cranston	Somersworth	So. Burlington	Westbrook
Revere	Hartford	East Providence	Concord	Montpelier	Lewiston

Source: Census Bureau

Policy Implications and Recommendations

In summary, this report underscores substantial variations in entrepreneurship across the U.S. and New England. While the quantity of entrepreneurship has shown a consistent uptrend in both the U.S. and New England since the late 1980s, the quality and impact of individual businesses have notably declined since 2000. Certain parts of New England lag behind the rest of the U.S., while Connecticut, Massachusetts, and New Hampshire generally demonstrate relatively strong performance in both the quality and quantity of entrepreneurship.

Crucially, the study identifies two significant correlations. First, it establishes a clear link between entrepreneurship and regulatory environments. States and cities that promote entrepreneurship often implement favorable tax structures, facilitate easy hiring and firing practices, reduce barriers to starting businesses, simplify land use for commercial purposes, and limit occupational licensing. Second, this study documents a strong correlation between immigration and entrepreneurship. States and cities that have high concentrations of immigrants also tend to be highly entrepreneurial. While certain places with more stringent regulatory environments, like Boston and San Francisco, may nevertheless witness high rates of entrepreneurship, they leverage other advantages, such as substantial immigrant populations, that contribute to their entrepreneurial success.

Many of the costs and opportunity drivers for new entrepreneurs, whether they are immigrants or native-born Americans, are self-evident. To remove barriers and spur new business creation, policymakers should look towards common-sense solutions.

Municipal government officials can ease and simplify starting a business by:

- ***Streamlining unnecessary steps, limiting the number of agencies involved, and reducing fees.*** Municipalities like Boston erect regulatory barriers that unnecessarily impose costs and complexity on the business creation process. For example, to start a restaurant in Boston a potential entrepreneur would have to pay 12 different fees, deal with 9 separate agencies, complete 17 in-person activities, and fill out 22 forms. In total there are 92 steps. Other cities have been able to shorten this process and reduce the total number of steps to 35.²³
- ***Reducing land use regulations and fees associated with transferring land titles.*** Zoning regulations are particularly burdensome for entrepreneurs. Even the simple act of transferring a land title can be expensive. In Boston, transferring land titles is more than eight times as expensive as doing so in some other large cities.²⁴ To encourage entrepreneurship, these costs should be reduced. Houston has no formal zoning laws.²⁵ From 2010 to 2016, the most recent years for which SCP data is publicly available, Houston placed near the top third of U.S. cities in business registration rates per capita; it also was one of the few cities to experience any high-value acquisitions or IPOs in 2016.
- ***Creating a “one-stop-shop” online portal for potential entrepreneurs.*** Boston and other cities can ease the entrepreneurial process significantly by maintaining a centralized online portal where potential entrepreneurs can log in and navigate the necessary paperwork and approvals. Such an approach would reduce the time it takes to approve new businesses and make the process more accessible. Government officials can incorporate step-by-step guides or other important information to complete the regulatory process(es).
- ***Regularly assessing the state and effectiveness of entrepreneur focused resources through an inventory check.*** A number of programs offer support for entrepreneurs and immigrants by providing financial advice, offering business management courses, providing English language education, and offering pro-bono legal services. Local governments should regularly assess and catalog these programs to make sure they are coordinated, non-duplicative, easily accessible, and efficient. The inventory should be made publicly available to keep the system transparent and accountable.

States with sizable immigrant populations and a lenient regulatory environment tend to foster more entrepreneurship.

- ***Reducing information deficits in immigrant communities by more effectively and strategically partnering with community organizations.***
 - Because of language barriers, a lack of familiarity with local practices, and sometimes a distrust of government, immigrants are often unaware of programs that can make starting their business easier. For example, during the pandemic, the federal government created the Paycheck Protection Program (PPP) to loan small businesses capital and keep them afloat during shutdowns. While 80 percent of surveyed small business owners applied for a PPP loan²⁶, only about one in four Latin-owned entities utilized the program.²⁷
 - To communicate effectively, municipalities should partner with local immigrant and minority community groups like business coalitions, development organizations, and local leaders. These groups “have significantly more flexibility than governments in pooling resources and partnerships to provide specialized services and information exchanges to entrepreneurs from their communities.”²⁸
 - Immigrant entrepreneurs typically cluster in different business sectors. For example, Korean immigrants are much more likely than other immigrant groups to own a dry cleaning business, and Gujarati-speaking Indians are much more likely than other immigrants to own hotels.²⁹ These networks provide immigrant entrepreneurs with sector-specific skills and knowledge. Policy makers should take advantage of these networks and work closely with particular immigrant communities to identify the greatest entrepreneurial barriers.

State governments can further facilitate local entrepreneurship by:

- ***Eliminating unnecessary occupational licensing regulations and replacing them with optional certification systems.***
 - Governments at all levels require certain professions to undergo certification, often at great expense to entrepreneurs. In Massachusetts an occupational license takes an average of 511 days and \$331 to acquire.³⁰ Yet, there is little evidence that occupational licenses benefit consumers. Instead they are utilized by incumbent firms to prevent new businesses from entering the market. An alternative could be to introduce certification systems, where professionals are allowed to practice without certification but may not advertise themselves as certified. Indeed, California has had success with such a scheme.³¹
 - Occupational licensing laws are especially strict for immigrants, with states reserving the right to limit documented immigrants’ access to professional licenses. This practice leads to “brain waste,” as immigrants are unable to practice their trades to the full extent of their training. Only a few states, including Arkansas, Colorado, and New Mexico, have removed immigrant-related barriers to licensure.³² By following suit, states in New England can unleash immigrants’ potential as entrepreneurs and business creators.
- ***Advocating for immigration reform at the federal level.*** As states compete for businesses, immigration often receives less attention as a catalyst for entrepreneurship. However, data indicate that immigration should be actively promoted as a crucial driver of business formation. While immigration policies fall under the jurisdiction of the federal government, state and local governments can play a vital role in fostering entrepreneurship by advocating for and supporting legal immigration.

This report’s core finding highlights a clear statistical trend: entrepreneurs tend to gravitate towards regions with fewer regulatory obstacles.³³ Local authorities can capitalize on this trend by implementing reforms that dismantle barriers for entrepreneurs. This approach can effectively spur the influx of both foreign and native-born individuals with entrepreneurial aspirations. While state and local governments may have limited influence over national immigration policies, they possess ample opportunities to enact concrete reforms proven to facilitate business establishment within immigrant communities. These reforms can initiate a positive feedback cycle. As entrepreneurs flock to regions boasting favorable regulations, they, in turn, contribute to an enriched entrepreneurial landscape. This symbiotic relationship cultivates ongoing business expansion, job creation, increased investment, and heightened prosperity within the community.

Data indicates that immigration should be actively promoted as a crucial driver of business formation.

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About the Author

Josh Bedi began his undergraduate career with the International Business Program at Mississippi State University and received a Bachelor of Business Administration in business economics and a Bachelor of Arts in German. At Mississippi State, he worked with Germany Trade and Invest as a Service Industries Intern.

He earned his Ph.D. and was a Mercatus Center Fellow at George Mason University. He is now working at Copenhagen Business School as a Postdoc in Entrepreneurship at the Department of Strategy and Innovation. There, he works under the Mærsk McKinney Møller Chair in Entrepreneurship.

Mission

Pioneer Institute develops and communicates dynamic ideas that advance prosperity and a vibrant civic life in Massachusetts and beyond.

Vision

Success for Pioneer is when the citizens of our state and nation prosper and our society thrives because we enjoy world-class options in education, healthcare, transportation, and economic opportunity, and when our government is limited, accountable, and transparent.

Values

Pioneer believes that America is at its best when our citizenry is well-educated, committed to liberty, personal responsibility, and free enterprise, and both willing and able to test their beliefs based on facts and the free exchange of ideas.

