The unintended consequences of easy money: How access to finance impedes entrepreneurship

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Notes

1. Notice also that there is a rhetorical difference between these two concerns. Whereas the moral hazard argument implies that *if governments hand out money entrepreneurs may change their plans and behave recklessly*; the adverse selection argument is that *if governments hand out money they'll be enticing the most vulnerable people into market conditions that can not*

sought to raise the profile of entrepreneurship away from being a peripheral concept, to being the central driver of the market process. And this is important, because it shows that entrepreneurship and competition are actually two sides of the same coin. See Kirzner (1973).

6. Even if the entrepreneur owns capital, it makes sense to view them as lending themselves the money. Indeed in some sense we can only *ever* borrow money from ourselves, albeit our future self.

7. If we define a monopoly as "an enforceable property right in a product or market share" (O'Driscoll and Rizzo 1985, p.149) it becomes clear that it is only through regulatory intervention that monopolies *exist*.

12. This particular survey did not estimate the absolute amount of funding for each threshold. Therefore it is possible that although a certain proportion of investments in the range of £1 m to £2 m are funded by business angels, there are significantly fewer deals for this amount than other thresholds.

13. See "Bridging the finance gap: next steps in improving access to growth capital for small businesses", HM Treasury and Small Business Service, December 2003

14. See Budget 2005, UK Treasury [http://newsimg.bbc.co.uk/nol/shared/bsp/hi/pdfs/bud05_completereport_1_87.pdf] Date accessed August 13, 13.

19. A region receives Objective 1 status if it has a GDP per capita of under 75 % of the EU average, or if it has a particularly low population. Hence rich member states qualify (such as Sweden), poor regions within rich member states (such as Merseyside) as well as accession countries (such as Romania).

20. See http://ec.europa.eu/regional_policy/funds/procf/cf_en.htm

21. See “The 2007 EU Funding guide for Private Sector” ISBN:2-914793-60-x and “The 2007 EU funding Comprehensive Guide” ISBN:2-914793-58-8

22. The author of this paper was involved in a consultancy project to advise the EIF on ways to create peer-group analysis of EU regions for the purposes of

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