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 ultimately support them*.

2. "Sound money" is typically used to refer to a monetary system that is tied to the value of a commodity such as gold (i.e., a metallic standard) but more generally refers to a monetary system that is driven by market forces rather than government intervention.

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*.

8. “Now the chief effect of inflation which makes it at first generally welcome to business is precisely that prices of products turn out to be higher in general than foreseen. It is this which produced the general state of euphoria, a false sense of wellbeing, in which everybody seems to prosper. Those who without inflation would have made high prices make still higher ones. Those who would have made normal profits make unusually high ones. And not only businesses which were near failure but even some which ought to fail are kept

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.

15. There is nothing to say how long such a scheme may last, merely that it cannot exist in the long run. Of course the long run may well be many calendar years in the future. One sign that the scheme is about to run its course is when the rate at which investors withdraw their money exceeds the rate of new money injections. This is the point at which the scheme unravels.

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 JEREMIE financing. Evans et al. (2009) applied this regional perspective to create peer groups based on static factors, dynamic factors, and innovation. This shows that similarities between regions might outweigh the fact that they are in different countries.

23. 2005/601/EC; 12th July 2005

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