

Abstract

While large empirical literature analysed the impact of migration on labour market outcomes of natives, the native entrepreneurship behaviour has been largely neglected. Using massive migrant flow to Europe in 2016 as a source of exogenous variation in exposure to mass migration, we find that entrepreneurial activity of natives in the affected transit localities falls considerably compared to the localities that are not affected by mass migration. Our instrumental variable estimates also suggest a substantial fall in natives' entrepreneurial activity. We provide several additional analyses to understand mechanisms at play and to show heterogeneity in the entrepreneurial responses by population subgroups. Our results are primarily driven by young and middle-aged men (especially in between their late thirties and late fifties). We also find that risk aversion and perceived political instability are the main mechanisms explaining the fall in entrepreneurial activity.

*: Joint with Nicolas Ajzenman and Sergei Guriev