Government, venture capital and the growth of European

Using a new European Union-sponsored firm-level longitudinal dataset, we assess the impact of government-managed (GVC) and independent venture capital (IVC) funds on the sales and employee growth of European high-tech entrepreneurial firms. Our results show that the main statistically robust and economically relevant positive effect is exerted by IVC investors on firm sales growth. Conversely, the impact of GVC alone appears to be negligible. We also find a positive and statistically significant impact of syndicated investments by both types of investors on firm sales growth, but only when led by IVC investors. Our results remain stable after controlling for endogeneity, survivorship bias, reverse causality, anticipation effects, legal and institutional differences across countries and over time and are stable with respect to potential non-linear patterns in the growth dynamics of entrepreneurial firms. Overall, our analysis casts doubt on the ability of governments to support high-tech entrepreneurial firms through a direct and active involvement in VC markets

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