

# Startup Types, Structural Policy and Macroeconomic Performance in Europe\*

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## Abstract

How much can policymakers improve macroeconomic outcomes by encouraging the entry of high-performance startups? We construct a novel and comprehensive data set on startup firms in ten European countries and apply cluster analysis to identify distinct startup types and trace their development through early life. Three new stylized facts about entrepreneurial startup strategies transpire. First, we uncover five well-separated clusters of startups, which we label *Basic*, *Large*, *Capital intensive*, *Cash intensive*, and *High leverage*. Second, these five startup types are consistently present across countries, industries, and cohorts. Third, startup types are associated with specific life-cycle performance in terms of productivity, employment generation, and exit rates. Feeding these empirical results into an agnostic firm dynamics model, we quantify how much structural policy could improve macroeconomic performance by shifting the composition of startups towards high-performance types. We find that substantial gains in aggregate employment and productivity may be reaped through policies that benefit high-performance startups (such as large and capital intensive types) while discouraging the entry of underperforming startups (such as high-leverage ones).

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