Introduction

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This special issue of *Small Business Economics* is devoted to analysing the early stages of a firm's life; the volume comprises some of the papers presented at the International Conference on "Birth and Start-up of Small Firms", which was held at Bocconi University in Milan in June 1992.

As the title of this Special Issue "Birth and Start-up of New Firms: Empirical Evidence" shows, the papers which follow give valuable econometric support to the economic theory which focuses on the determinants of firm foundation and patterns of firm early development (as far as the theoretical discussion of these topics is concerned, see the forthcoming volume Birth and Start-Up of Small Firms, edited by the present editors and published by Kluwer Academic Publishers).

Here, the aim is to put forward a wide econometric evidence which we think to be of some help to throw light on the following relevant phenomenon which characterizes the modern industrial organization: the continuous turnover of firms which contributes (as Marshall noticed a long time ago) to the rejuvenation of the economic structure and to the general economic development.

In more detail, the first four contributions focus on the foundation of new small firms.

Foti and Vivarelli's paper is based on Italian data concerning both the entire economy and the sole manufacturing sector and it is an econometric attempt to support the wellknow self-employment theory, which has been often discussed in the previous issues of this Journal. Their results appear consistent with the theory since the birth of new firms out to be significantly correlated both with the income comparison (expected profits vs current wages) and with job lesses in the same area. Yet, other environmental factors, such as the presence of many small firms within the area, are of paramount importance in explaining new firms formation and they may obscure the role of profitability.

This last outcome is confirmed by Santarelli and Sterlacchini's contribution which again uses Italian data, this time collected according to a sectoral framework. Once manufacturing is plitted into its different branches, sectoral factors (such as the presence of small firms and especially the industry's growth) become dominant in influencing the foundation of new firms. In this context, income factors like wages and profits within the sector lose their unambiguous statistical significance in determining new firms formation and some collinearity problems arise.

These topics are also discussed in Carree and Thurik's paper, where firms net entry in the Dutch retail sector is investigated. According to the authors' econometric estimates, this particular sector is characterized by a high level of turbulence (high birth and death rates) and new firms formation is auto-correlated over time. As far as the determinants of firms foundation are concerned, sectoral demand is a relevant "pulling factor" (as in the previous paper) but also profits and unemployment play a significant role (this result is consistent with the self-employment theory and Foti and Vivarelli's outcomes).

Barkham's contribution, which studies all the economic sectors in three British areas, is more concerned with "entrepreneurship" than with market variables. Accordingly, the role of motivation, education, workskill and information in leading to a bigger size of new firms (and so to higher chances of survival) is correctly underlined.

The last three articles of this volume are concerned with the early stages of new firm's life. Arrighetti puts forward an interesting analysis which is based on an empirical survey embracing

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242 young manufacturing firms located in the district of Milan. According to the author, newborn firms can be splitted in two main categories: very small firms which enter "marginal" markets with a virtually optimum (though small) size, and young entrepreneurial firms which enter more "difficult" markets with a sub-optimal size. As far as the first typology is concerned, new firms can easily "staying in the business" without growing because competition within the "fringe" is very weak; within the second typology, instead, firm's growth is necessary in order to challenge the incumbents and policy support may be useful if the new entrants are potentially more advanced than the incumbents. Another outcome of Arrighetti's work is that financial entry barriers are positively correlated with survival in both typologies; in other words financial constraints involve self-selection of new entrants.

Yet, financial selection is not correlated with the personal characteristics of the founders, such as age, previous employment status, birthplace, education and so on. According to Storey's outcomes, which turn out from data involving young firms in all non-farm and non-retail sectors in the British county of Cleveland, bank lending does not take into account these "entrepreneurial features" but it is more related to the legal status of the new firm.

Finally, Bramanti and Girardi's article, based on ten Italian industries, underlines the importance of location factors in stimulating new firms formation. According to their residual analysis, economic policy should deal with problems of either over-utilisation or under-utilisation of such location factors in different areas of the same country.

On the whole, the different econometric evidences, briefly reported here, once again tell us that new firms formation is a very complex phenomenon and is related to different economic variables (such as profitability, industry growth, wages, unemployment, financial constraints), as well as to environmental backgrounds (location factors, high presence of small firms) and personal motivations.

Hence, individual studies can give important but necessarily partial indications to the policy makers who should always take into account the multiform nature of the new firms formation.