

DISCUSSION PAPER SERIES

No. 5705

ENTREPRENEURSHIP IN CHINA AND RUSSIA COMPARED

Simeon Djankov, Yingyi Qian, Gérard
Roland and Ekaterina Zhuravskaya

*INSTITUTIONS AND ECONOMIC
PERFORMANCE*



Centre for **E**conomic **P**olicy **R**esearch

www.cepr.org

Available online at:

www.cepr.org/pubs/dps/DP5705.asp

ENTREPRENEURSHIP IN CHINA AND RUSSIA COMPARED

Simeon Djankov, The World Bank and CEPR
Yingyi Qian, University of California, Berkeley and CEPR
Gérard Roland, University of California, Berkeley and CEPR
Ekaterina Zhuravskaya, Center for Economic and Financial Research (CEFIR),
Moscow and CEPR

Discussion Paper No. 5705
June 2006

Centre for Economic Policy Research
90–98 Goswell Rd, London EC1V 7RR, UK
Tel: (44 20) 7878 2900, Fax: (44 20) 7878 2999
Email: cepr@cepr.org, Website: www.cepr.org

This Discussion Paper is issued under the auspices of the Centre's research programme in **INSTITUTIONS AND ECONOMIC PERFORMANCE**. Any opinions expressed here are those of the author(s) and not those of the Centre for Economic Policy Research. Research disseminated by CEPR may include views on policy, but the Centre itself takes no institutional policy positions.

The Centre for Economic Policy Research was established in 1983 as a private educational charity, to promote independent analysis and public discussion of open economies and the relations among them. It is pluralist and non-partisan, bringing economic research to bear on the analysis of medium- and long-run policy questions. Institutional (core) finance for the Centre has been provided through major grants from the Economic and Social Research Council, under which an ESRC Resource Centre operates within CEPR; the Esmée Fairbairn Charitable Trust; and the Bank of England. These organizations do not give prior review to the Centre's publications, nor do they necessarily endorse the views expressed therein.

These Discussion Papers often represent preliminary or incomplete work, circulated to encourage discussion and comment. Citation and use of such a paper should take account of its provisional character.

Copyright: Simeon Djankov, Yingyi Qian, Gérard Roland and Ekaterina Zhuravskaya

CEPR Discussion Paper No. 5705

June 2006

ABSTRACT

Entrepreneurship in China and Russia Compared*

We compare results from a pilot study on entrepreneurship in China and Russia. Compared to non-entrepreneurs, Russian and Chinese entrepreneurs have more entrepreneurs in their family and among childhood friends, value work more relative to leisure and have higher wealth ambitions. Russian entrepreneurs have a better educational background and their parents were more likely to have been members of the communist party but Chinese entrepreneurs are more risk-taking and greedy and have more entrepreneurs among their childhood friends.

JEL Classification: L22, M13 and P50

Keywords: China, entrepreneurs, entrepreneurship and Russia

Simeon Djankov
Financial Economist
World Bank, Room H6-340
1818 H Street, NW
Washington, DC 20433
USA
Tel: (1 202) 473 4748
Fax: (1 202) 522 2031
Email: sdjankov@worldbank.org

Yingyi Qian
Department of Economics
University of California
Berkeley, CA 94720-3880
USA
Tel: (1 510) 643 0687
Fax: (1 510) 642 6615
Email: yqian@econ.berkeley.edu

For further Discussion Papers by this author see:
www.cepr.org/pubs/new-dps/dplist.asp?authorid=131246

For further Discussion Papers by this author see:
www.cepr.org/pubs/new-dps/dplist.asp?authorid=109122

G rard Roland
Economics Department
605 Evans Hall #3880
University of California Berkeley
Berkeley CA 94720-3880
USA
Tel: (1 510) 642 4321
Fax: (1 510) 642 6615
Email: groland@econ.berkeley.edu

Ekaterina Zhuravskaya
Centre for Economic and
Financial Research (CEFIR)
Office 720
47 Nakhimovsky Prospect
117418 Moscow
RUSSIA
Tel: (7 095) 105 5002
Fax: (7 095) 105 5003
Email: ezhuravskaya@cefir.ru

For further Discussion Papers by this author see:
www.cepr.org/pubs/new-dps/dplist.asp?authorid=110240

For further Discussion Papers by this author see:
www.cepr.org/pubs/new-dps/dplist.asp?authorid=145424

* We thank Irina Levina and Xiaolu Wang for excellent research assistance,
and the International Finance Corporation for financial support.

Submitted 17 May 2006

1. Introduction.

The recent development and transition literatures have emphasized the importance of a strong and healthy small and medium enterprise sector for economic growth and development. Endogenous growth theory (Aghion and Howitt, 1997) has emphasized the Schumpeterian approach to growth which advances that entrepreneurial dynamism is fundamental for innovation and growth.

We have launched a research project trying to understand better the determinants of entrepreneurship using surveys of individuals that are being conducted in five large developing and transition countries: Russia, Brazil, China, India, and Nigeria. The samples include both entrepreneurs and non-entrepreneurs in order to understand how these groups differ in terms of three broad sets of variables put forward in social sciences as factors that potentially affect entrepreneurship: 1) individual characteristics such as skills, education, intellectual and personality traits, 2) sociological variables such as family background, social origins, social networks, values and beliefs, and 3) perceptions of the institutional, social and economic environment businesses face. While recent economic research has very much emphasized the role of credit institutions (Banerjee and Newman, 1993) or of institutions securing property rights (Johnson et al., 2002; Besley, 1995; Che and Qian, 1998, Djankov et al., 2002, Frye and Zhuravskaya, 2000, Roland and Verdier, 2003), we want to take a more comprehensive approach and try to disentangle the role all these factors play in promoting entrepreneurship across a variety of settings.

This paper reports and compares some findings from a pilot survey conducted in Russia in 2003-2004 and in China in 2004-2005.

2. The data.

In both Russia and China, we surveyed individuals in seven large cities in four different regions. To capture some of the regional heterogeneity in these countries, the regions were selected to maximize the cross-regions variation in the business climate. In Russia, the survey was done in Moscow; in Nizhny Novgorod and Dzershinsk in the Nizhegorodskaya Oblast; in Perm and Chaykovsky in the Permskaya Oblast; and in Rostov on the Don and Taganrog in the Rostovskaya Oblast. In China, the survey was conducted in

Beijing; in Wuhan and Huangshi in Hubei Province; in Guangzhou and Zhongshan in Guangdong Province; and in Xi'An and Baoji in Shaanxi Province.

In each country, we first surveyed a random sample of about 400 entrepreneurs – (100 in Moscow and Beijing metropolitan areas and 50 in each of the other six cities). These surveys were conducted in the fall of 2003 in Russia and in the fall of 2004 in China. We define entrepreneur as an owner-manager of a business with five or more employees because we wanted to make sure that individuals who we call entrepreneurs in our sample are more than just self-employed. After completion of the surveys of entrepreneurs in the respective countries, we conducted a survey of about 550 non-entrepreneurs in the same cities using a similar instrument.¹ We defined non-entrepreneurs as individuals who are not working for their own business. Non-entrepreneur surveys took place during the spring of 2004 and 2005 in Russia and China, respectively. In both countries 80% of respondents in the non-entrepreneur sample were chosen randomly conditional on matching the age, gender and educational attainment of entrepreneurs from the respective entrepreneur surveys and 20% were chosen at random. Finally, in each country a short survey was run among a random sample of 1,200 individuals (with the same breakdown across cities) asking nine questions about their personal characteristics, including a question about whether or not they are an entrepreneur or self-employed to get data on prevalence of entrepreneurship across cities. In all of the empirical analysis, the observations are weighted with weights equal to the inverse of the probability for a particular respondent (entrepreneur or non-entrepreneur) to get into our sample. The weights reflect differences in entrepreneurship, age, gender, and education across cities in the population, as well as the city size.

3. Comparing entrepreneurs to non-entrepreneurs in China and Russia.

In this section, we summarize differences in individual characteristics, social environment, values, beliefs, and perceptions of institutional environment for entrepreneurs and non-entrepreneurs in both countries. We report means for entrepreneurs and non-entrepreneurs in both countries on various questions from the survey. In order to have comparability, the means are conditional on gender, age, and education (with a quadratic

¹ 400 entrepreneurs and 550 non entrepreneurs was the target sample size given to the survey firms in both countries. In reality, these firms interviewed a slightly larger number of individuals to make sure that in the end we have the targeted number of valid questionnaires. The actual number of observations in the empirical analysis depends on the response rates for each particular question,.

term) of respondents and on city dummies. The standard errors and p-values for the differences in means between entrepreneurs and non-entrepreneurs are adjusted to allow for clustering of the error terms at the level of cities.

INSERT TABLE 1

First, we summarize differences in individual characteristics of entrepreneurs and non-entrepreneurs. Entrepreneurs on average are more mobile across jobs and geographically. In Russia, entrepreneurs have lived in significantly more localities than non-entrepreneurs and have had a significantly higher number of distinct professional activities. Although these differences have the same sign in China, they are statistically insignificant. In China, however, entrepreneurs worked in a significantly higher number of industries compared to non-entrepreneurs. This is in line with recent findings of Lazear (2002) who surveyed the population of former Stanford MBA students and found that those with a higher number of jobs and shorter job tenures before business school were most likely to become entrepreneurs afterwards.

In line with a common perception that entrepreneurship is associated with risk-taking, entrepreneurs report significantly lower risk aversion than non-entrepreneurs. When asked whether respondents were willing to accept one of two risk-neutral gambles – 1) win \$10 with probability $\frac{1}{2}$ and lose \$10 with probability $\frac{1}{2}$ or 2) win \$20 with probability $\frac{1}{2}$ and lose \$20 with probability $\frac{1}{2}$ – 77% of entrepreneurs in Russia and 90% of entrepreneurs in China responded yes (compared to 67% and 57% of non-entrepreneurs in Russia and China, respectively).

Entrepreneurs report higher levels of satisfaction with life compared to non-entrepreneurs. First, in Russia, a significantly higher share of entrepreneurs (92%) answered yes to the question whether they are happy compared to 73% of non-entrepreneurs. In China, this difference has the same sign but is insignificant. Second, entrepreneurs report to be in significantly better health than non-entrepreneurs in both countries. Finally, entrepreneurs are taller than non-entrepreneurs. The difference in height is statistically significant only in China. In addition, entrepreneurs marry more often and have more kids. The difference in % of married is significant in Russia and insignificant in China; while the difference in the number of children is significant in China only.

There are important differences between the two countries in religiosity and school achievement of entrepreneurs compared to non-entrepreneurs. Russian entrepreneurs tend to

be less religious but Chinese entrepreneurs are more religious. However, religiosity is very low in China (12% among entrepreneurs) and relatively high in Russia (68%).

Russian entrepreneurs report to have been higher achievers in school but this is not the case for China. Entrepreneurs tend to speak less foreign languages, an interesting fact. They scored higher than non-entrepreneurs on a test of cognitive ability, focusing on short-term recall (a digit-span test, available from the authors upon request) but the difference is not significant.

Another important difference that emerges relates to leisure-work choices of entrepreneurs and non-entrepreneurs. Respondents were asked whether they would retire if they received a windfall income of 100 or 500 times (5,000 times also in China) the annual GDP per capita of the country. Entrepreneurs were much less likely to respond positively than non-entrepreneurs. In both countries, a very strong reason for not retiring was the desire to earn more money. In Russia, job satisfaction and a feeling of being socially useful played a significant role also but not in China where one finds the opposite.

Now let us focus on social environment. Compared to non-entrepreneurs, a larger share of parents of Russian entrepreneurs (73% vs 48%) achieved higher or special education. There are no differences in parents' education in China. Nevertheless, fathers of entrepreneurs in both countries were more likely to have been bosses or directors (19% vs. 12% in Russia and 30% vs. 13% in China). In Russia, both parents of entrepreneurs were more likely to have been members of the communist party but not in China. Not only is there no significant difference for fathers in China but mothers of entrepreneurs were less often members of the communist party (10% compared to 15% for non-entrepreneurs).

A very large difference that emerges in both countries is the proportion of entrepreneurs in one's family and among one's friends. Entrepreneurs in both countries are much more likely to have entrepreneurs in their family (57% in Russia and 49% in China compared to respectively 34% and 24% among non-entrepreneurs). Respondents were asked to name five friends from their childhood and adolescence, and then to report how many of these five have become entrepreneurs. The difference in response for entrepreneurs and non-entrepreneurs is striking. In China, for example, 60% of entrepreneurs had adolescent friends who became entrepreneurs compared to 24% among non-entrepreneurs.

We also asked questions about values and beliefs. While there are statistically significant differences between entrepreneurs and non-entrepreneurs, the magnitude of the

differences is not very large except for a few cases. A major difference is the value attached to work: 75% of Russian and 80% of Chinese entrepreneurs consider work to be very important in their life compared to 53% and 63% for non-entrepreneurs in Russia and China. This is consistent with the labor-leisure preferences reported above. Note that Chinese entrepreneurs value political freedom very strongly compared to non-entrepreneurs (73% against 28%) whereas Russian entrepreneurs value political freedom significantly less than non-entrepreneurs (62% against 74%) even though they value it highly. Entrepreneurs seem to value relations with parents significantly less than non-entrepreneurs in both countries. Asked about social norms, entrepreneurs in both countries consider that bribes are more acceptable. This probably reflects their greater experience in the business environment rather than intrinsic values. Chinese entrepreneurs consider that shirking at work can be justified. We asked many questions about trust but no strong pattern emerged. Russian entrepreneurs are considerably less trustful of foreigners and of people out of town whereas there is no significant difference in China. It is worth noting that Russians (both entrepreneurs and non-entrepreneurs) trust the government at all levels substantially less than Chinese (for example, 37% of respondents had at least some trust in the central government in Russia compared to 77% in China).

Finally, we compare individual perceptions of entrepreneurs and non-entrepreneurs about the institutional environment controlling for the average differences across cities. Chinese entrepreneurs find that local government is more favorable to entrepreneurs (82% positive answers against 70% for non-entrepreneurs). In Russia, entrepreneurs find that local government is less favorable (only 49% of positive answers) even though the difference is not significant. In general, the perception of different levels of government regarding their attitude to entrepreneurs is more negative among Russian entrepreneurs compared to non-entrepreneurs. In China, it is only more negative with respect to the central government and even there the percentage of positive answers is higher than in Russia. Entrepreneurs in China also feel more secure with respect to theft of property. Russian entrepreneurs tend to distrust the courts more than non-entrepreneurs. In China, it is the opposite. When asked if they would go to court if abused by a government official, roughly 72% say yes in both countries. However, only 62% of Russian entrepreneurs respond positively whereas 80% of Chinese entrepreneurs do.

To summarize the main results of this section, entrepreneurs in both countries are risk-taking and have more entrepreneurs in their families and among their childhood and adolescence friends. Entrepreneurs value work very highly and are greedy. Russian entrepreneurs tend to come from a higher educational background but have a more negative perception of the institutional environment in which they operate compared to Chinese entrepreneurs. The latter tend to have a positive view of local governments' attitude towards entrepreneurs.

4. Results of multivariate probit regressions

In this section, we report results of multivariate analysis. We explain variation in individual decisions to become an entrepreneur in probit regressions with independent variables that can plausibly be considered exogenous to this decision. The main objective of these regressions is to see which variables are robustly associated to entrepreneurship and also to compare the differences between Russia only and China only.

INSERT TABLE 2.

The results are reported in table 2. Column 1 in Table 2 reports pooled results, columns 2 and 3 report separate results for Russia only and China only and columns 4 and 5 present a regression where all dependent variables include interactions with China dummy. The fourth column should thus be read as result for Russia² and the coefficients in the fifth column represent the difference in China relative to Russia. As above, all regressions include city fixed effects and controls for gender, age and a quadratic function of education. Standard errors are adjusted for clusters in error terms at the city level.

The pooled results in Table 1 show that entrepreneurship is positively associated with the father having been a member of the communist party, the mother having been a boss or a director, having family and friends being entrepreneurs (social network), greed (not willing to retire to earn more money) and a positive perception of the attitude of the local population towards entrepreneurs. However, when looking at the country regressions, one sees that only the social network variables and greed are robustly significant in both countries. Note from columns 2 and 3 that height has a negative coefficient in Russia and a positive one in China. Columns 2 and 4 show that for Russia having had a father in the communist party and a

² The results of column 2 and 4 are identical when the data are not weighted but they are slightly different because the weights are different in a regression including one versus countries.

mother director has positive correlation with entrepreneurship as well as for reporting to have been among the top 10% in school and also a positive perception of the population's attitude towards entrepreneurs. Column 5 shows the significant differences between entrepreneurship in China and Russia. Chinese entrepreneurs are more greedy and risk-taking (the Russia coefficient is negative but this is not the case in other specifications), are more likely to have entrepreneurs among their former school friends and were less good in school.

In terms of the importance of the different effects, since the reported coefficients are marginal effects, looking at column 1, the two most important effects are greed and having friends entrepreneurs. A one standard deviation increase in greed, increases the probability of being an entrepreneurs by about 9% while a one standard deviation increase in the "friends entrepreneurs" variable increases this probability by 7.2%.

As with most cross-section OLS regressions, we cannot rule out the possibility that an omitted variable simultaneously influenced entrepreneurship decisions of our respondents and of their families and friends. Thus, at this stage, we cannot establish a causal link between social networks and entrepreneurship; but we hope to address the question of causality in the subsequent stages of this project.

INSERT TABLE 3

So far we have held the variation in city-level institutional environment constant by including city dummies. To evaluate the effect of city-level institutional environment, we regress a dummy that equals one if entrepreneur plans to expand sales or employment on the average city-level measures of corruption and efficiency of courts (as reported in Table 1). These regressions include controls (not shown) for industry dummies and all individual characteristics as reported in Table 2. As above, error terms are clustered at the city-level. As one can see, these institutional variables are significant and have the expected sign. Note also the country effect showing the stronger economic dynamism in China.

5. Conclusions.

Russian and Chinese entrepreneurs have common characteristics relative to non-entrepreneurs controlling for age, gender and education. They are more risk-taking, place a higher value on work relative to leisure, are greedy and are much more likely to have entrepreneurs in their family as well as among childhood and adolescence friends. There are

however also differences. Russian entrepreneurs have a better educational background which is not the case for Chinese entrepreneurs and are more risk-taking and greedy and are even more likely than in Russia to have had school friends who became entrepreneurs. In future work, we want to understand better in particular the role of social networks and the channels through which they operate for entrepreneurs.

REFERENCES

- Aghion, Philippe and Peter Howitt (1997). *Endogenous Growth Theory*, MIT Press, Cambridge Massachusetts.
- Banerjee, Abhijit and Andrew Newman (1993). "Occupational Choice and the Process of Development" *Journal of Political Economy*, 101(2).
- Besley, Tim (1995). "Property Rights and Investment Incentives: Theory and Evidence from Ghana," *Journal of Political Economy*, Vol. 103 (5) pp. 903-37
- Che, Jiahua and Yingyi Qian (1998). "Insecure Property Rights and Government Ownership of Firms," *Quarterly Journal of Economics*, May, 113(2), pp. 467-496.
- Djankov, Simeon, Ed Glaeser, Andrei Shleifer (2002). "The Regulation of Entry" *Quarterly Journal of Economics*, 1-37.
- Djankov, S. E. Miguel, Y. Qian, G. Roland and E. Zhuravskaya (2005) "Who are Russia's Entrepreneurs ?" *Journal of the European Economic Association*, Vol. 3 (2-3), April-May, pp. 587-597.
- Frye, Timothy and Ekaterina Zhuravskaya (2000). "Rackets, Regulation and the Rule of Law," *Journal of Law, Economics, and Organization*, Vol. 16 (2) pp. 478-502.
- Johnson, Simon, John McMillan and Chris Woodruff, (2002). "Property Rights and Finance," *American Economic Review*, 92 (5) pp. 1335-1356.
- Lazear, E. (2002). "Entrepreneurship," NBER Working Paper No. w9109.
- Roland, Gérard and Thierry Verdier (2003). "Law Enforcement and Transition", *European Economic Review*..

TABLE 1. Entrepreneurs in Russia and China (comparison of means).

	Russia				China			
	Entre- preneurs	Non Entre- preneurs	p-value for test of difference in means		Entre- preneurs	Non Entre- preneurs	p-value for test of difference in means	
Individual Characteristics:								
Number of localities lived	2.42	2.18	0.01	***	1.85	1.55	0.15	
Number of distinct professional activities	2.76	2.54	0.06	*	2.40	2.13	0.24	
Number of industries respondent worked in					1.85	1.58	0.00	***
Accept a risk neutral gamble, %	0.77	0.67	0.00	***	0.90	0.57	0.01	***
Very happy or quite happy in life, %	0.92	0.73	0.00	***	0.92	0.91	0.76	
Very successful or quite successful in life, %	0.74	0.37	0.00	***	0.64	0.43	0.01	***
Good health, self described, %	0.12	0.07	0.00	***	0.51	0.37	0.09	*
Got ill last week, %	0.25	0.30	0.02	**	0.04	0.08	0.00	***
Height, cm	172.58	172.38	0.43		169.04	168.22	0.02	***
Married, %	0.74	0.60	0.00	***	0.84	0.80	0.53	
Number of children	1.34	1.31	0.22		1.19	0.99	0.00	***
Religious believer, %	0.68	0.78	0.00	***	0.12	0.08	0.09	*
Cognitive text score	3.32	3.15	0.15		3.92	3.80	0.62	
Top 10% in secondary school (self reported), %	0.44	0.34	0.00	***	0.37	0.38	0.82	
Top 10% in high school, college or university (self reported), %	0.41	0.38	0.13		0.36	0.38	0.10	
Speak foreign language, %	0.38	0.58	0.01	**	0.35	0.49	0.22	
Motivation, Greed:								
Retire if won 100 times GDP per capita, %	0.08	0.27	0.00	***	0.05	0.24	0.02	**
Retire if won 500 times GDP per capita, %	0.18	0.29	0.00	***	0.14	0.37	0.00	***
Retire if won 5000 times GDP per capita, %	.	.	.		0.31	0.44	0.05	*
Not retire if won a large sum: I like what I do, %	0.82	0.69	0.00	***	0.74	0.75	0.93	
Not retire if won a large sum: I want more money, %	0.50	0.28	0.00	***	0.70	0.43	0.01	***
Not retire if won a large sum: my work serves useful social purpose, %	0.70	0.37	0.00	***	0.18	0.81	0.00	***
Sociological Characteristics:								
Father has secondary special or higher education, %	0.73	0.48	0.00	***	0.29	0.27	0.57	
Mother has secondary special or higher education, %	0.73	0.48	0.00	***	0.14	0.18	0.46	
Father was a boss or director, %	0.19	0.12	0.00	***	0.30	0.13	0.02	**
Mother was a boss or director, %	0.08	0.00	0.00	***	0.06	0.03	0.10	
Father was a worker or employee without special education, %	0.43	0.44	0.43		0.56	0.72	0.01	**
Mother was a worker or employee without special education, %	0.30	0.53	0.00	***	0.70	0.71	0.86	
Father was a member of the Communist party, %	0.48	0.37	0.00	***	0.40	0.31	0.42	
Mother was a member of the Communist party, %	0.19	0.12	0.01	***	0.10	0.15	0.01	***
Members of the family were running business, %	0.57	0.34	0.00	***	0.49	0.24	0.00	***
Had childhood friends, who became entrepreneurs, %	0.59	0.37	0.00	***	0.45	0.28	0.01	**
Had adolescent friends, who became entrepreneurs, %	0.67	0.48	0.00	***	0.60	0.24	0.00	***
Values:								

Friends are very important, %	0.43	0.53	0.01	***	0.60	0.66	0.16	
Relations with parents are very important, %	0.84	0.92	0.00	***	0.86	0.88	0.10	*
Financial well-being is very important, %	0.53	0.58	0.02	**	0.73	0.62	0.08	*
Leisure time is very important, %	0.23	0.26	0.02	**	0.19	0.20	0.85	
Health is very important, %	0.75	0.80	0.00	***	0.93	0.88	0.20	
Service to others is very important, %	0.21	0.29	0.00	***	0.19	0.19	0.92	
Political freedom is very important, %	0.62	0.74	0.03	**	0.73	0.28	0.00	***
Power is very important, %	0.10	0.07	0.00	***	0.32	0.26	0.01	**
Work is very important, %	0.75	0.53	0.00	***	0.80	0.63	0.00	***
Intellectual achievement is very important, %	0.43	0.49	0.00	***	0.24	0.33	0.02	**
Values of Legal Social Norms:								
Not paying a fare can be justified to some degree, %	0.77	0.76	0.68		0.08	0.05	0.48	
Shirking at work can be justified to some degree, %	0.54	0.58	0.27		0.23	0.07	0.00	***
Accepting a bribe can be justified to some degree, %	0.32	0.18	0.00	***	0.19	0.06	0.00	***
Trust:								
Most people can be trusted, %	0.16	0.22	0.05	**	0.56	0.54	0.79	
Have a lot of trust in family members, %	0.90	0.86	0.00	***	0.96	0.92	0.48	
Have a lot of trust in friends, %	0.49	0.48	0.17		0.58	0.58	0.98	
Have a lot of trust in colleagues, %	0.26	0.20	0.02	**	0.38	0.33	0.46	
Have a lot of trust or some trust in businessmen, %	0.61	0.66	0.06	*	0.71	0.46	0.02	**
Have a lot of trust or some trust in subordinates, %	0.79	0.82	0.06	*	0.95	0.83	0.02	**
Have a lot of trust or some trust in other people from town, %	0.54	0.85	0.00	***	0.42	0.50	0.29	
Have a lot of trust or some trust in foreigners, %	0.44	0.70	0.00	***	0.29	0.38	0.39	
Have a lot of trust or some trust in local government officials, %	0.40	0.40	1.00		0.69	0.59	0.07	*
Have a lot of trust or some trust in regional government officials, %	0.39	0.42	0.38		0.68	0.64	0.43	
Have a lot of trust or some trust in central government officials, %	0.40	0.41	0.76		0.75	0.75	0.99	
Individual Perceptions of Institutions:								
People in your town are favorable towards entrepreneurs, %	0.67	0.65	0.36		0.68	0.60	0.33	
Local government is favorable towards entrepreneurs, %	0.49	0.53	0.26		0.82	0.70	0.00	***
Regional government is favorable towards entrepreneurs, %	0.51	0.61	0.01	***	0.78	0.76	0.74	
Central government is favorable towards entrepreneurs, %	0.57	0.62	0.08	*	0.81	0.90	0.10	*
Private entrepreneurs pay bribes to avoid regulations, %	0.72	0.83	0.00	***	0.50	0.54	0.57	
Private entrepreneurs pay bribes to change rules, %	0.56	0.69	0.00	***	0.40	0.50	0.39	
Are businessmen subject to theft of property, %	0.88	0.85	0.18		0.70	0.98	0.08	*
Go to court against a business relation if cheated, %	0.66	0.71	0.01	**	0.90	0.88	0.48	
Go to court against a government official if abused, %	0.62	0.72	0.00	***	0.80	0.73	0.00	***
It is relatively easy to find money to start a business in town, %	0.21	0.16	0.02	**	0.38	0.26	0.28	

Note: The reported differences in means are conditional on city-level variation, age, gender, education, and education squared. Standard errors (and P-values) are adjusted to allow clusters of error term at the level of cities.

Table 2. Entrepreneurship in Russia and China. Probit regressions. Marginal effects reported.

	Pooled	Russia only	China only	Russia and China compared	China interaction
Father with secondary or higher education	0.003 [0.021]	-0.014 [0.012]	0.004 [0.007]	-0.008 [0.007]	0.018 [0.019]
Father was a member of the communist party	0.073 [0.036]**	0.108 [0.023]***	0.011 [0.023]	0.066 [0.015]***	-0.034 [0.036]
Mother was a boss or director	0.271 [0.116]**	0.371 [0.136]***	0.066 [0.047]	0.283 [0.124]**	-0.054 [0.030]*
Mother with secondary or higher education	-0.034 [0.023]	-0.013 [0.009]	-0.016 [0.008]*	-0.008 [0.005]	-0.031 [0.022]
Family members entrepreneurs	0.039 [0.006]***	0.05 [0.003]***	0.012 [0.007]*	0.03 [0.003]***	-0.001 [0.009]
Friends entrepreneurs (from the last place of study)	0.06 [0.010]***	0.075 [0.009]***	0.032 [0.011]***	0.045 [0.006]***	0.029 [0.012]**
Cognitive test score	0.007 [0.007]	-0.006 [0.007]	0.003 [0.005]	-0.004 [0.004]	0.011 [0.013]
Height	0 [0.002]	-0.005 [0.001]***	0.001 [0.000]***	-0.003 [0.001]***	0.006 [0.001]***
Risk-loving	0.061 [0.053]	-0.033 [0.009]***	0.08 [0.006]***	-0.019 [0.006]***	0.327 [0.069]***
Top 10% in secondary school (self reported)	0.021 [0.026]	0.087 [0.011]***	-0.009 [0.010]	0.053 [0.008]***	-0.059 [0.016]***
Greed	0.186 [0.073]**	0.097 [0.019]***	0.155 [0.015]***	0.059 [0.012]***	0.246 [0.060]***
City population perceived favorable towards entrepreneurs	0.043 [0.020]**	0.035 [0.017]**	0.011 [0.011]	0.021 [0.010]**	0.006 [0.025]
Government perceived favorable towards entrepreneurs	-0.002 [0.008]	0.006 [0.006]	-0.001 [0.006]	0.003 [0.004]	-0.005 [0.013]
Observations	1530	726	804	1530	

Robust standard errors corrected for clusters of error term at city level in brackets. Also control for gender, age, education, and education squared. * significant at 10%; ** significant at 5%; *** significant at 1%

Table 3. Institutions and plans to expand sales and employment. Entrepreneur sample.

	Planned sales growth	Planned employment growth	Planned sales growth	Planned employment growth
average city-level corruption	-1.702 [0.608]**	-1.503 [0.751]*		
average city-level efficiency of courts			1.215 [0.418]**	1.047 [0.591]
Country	0.364 [0.091]***	0.026 [0.268]	0.294 [0.136]*	-0.035 [0.326]
Observations	362	342	362	342

Robust standard errors corrected for clusters of error term at city level in brackets. Also control for gender, age, education, and education squared. * significant at 10%; ** significant at 5%; *** significant at 1%. All regressions include industry dummies and all the regressors as in the first column of table 2.