



The Hidden Role of Political Values in Entrepreneurial Ecosystems

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What makes some regions magnets for innovation whereas others with comparable resources struggle to generate entrepreneurial momentum? New research suggests the answer may lie in a surprising and often overlooked factor: the political values of the people who live there.

Analyzing data from 387 U.S. metropolitan areas, we found that liberal-leaning regions consistently attract more venture capital investments than their conservative counterparts after considering the importance of traditional economic factors like GDP, education, and population size. On average, the difference amounts to millions of dollars in entrepreneurial investments. This insight offers a new lens for policymakers, investors, and ecosystem builders seeking to better understand and influence the environments where entrepreneurship flourishes.

Traditional approaches to building entrepreneurial ecosystems focus heavily on tangible infrastructure: incubators, accelerators, funding access, and policy incentives. These are necessary but not sufficient for the generation of high-growth and productive entrepreneurship.

Political ideology, understood as a region's collective orientation toward liberal or conservative values, shapes how people think, behave, and make decisions, especially under uncertainty. Liberals tend to embrace complexity, ambiguity, and novelty. They're more open to risk, more likely to challenge the status quo, and more willing to experiment. These are the fundamental traits of successful entrepreneurs. Conservatives, on the other hand, often favor tradition, predictability, and social order—traits that may lead to greater risk aversion and more hesitation when it comes to launching new ventures.

These psychological tendencies influence individual behavior and also aggregate to create a collective cultural climate, one that can either nurture or dampen entrepreneurial activity.

The way ideology shapes behavior can be understood through two psychological mechanisms:

- *Perceptual Filtering*: People unconsciously interpret information in ways that align with their values. A liberal might see an uncertain market as an exciting opportunity; a conservative might view the same scenario as a red flag.

- *Behavioral Channeling*: People consciously act in ways that reflect their beliefs. A liberal founder might feel energized by launching something disruptive. A conservative might prefer a venture that builds on existing strengths or ensures long-term community stability.

In our study, political ideology emerged as a consistent predictor of entrepreneurial activity, measured via venture capital inflows. And notably, this relationship became even stronger in areas with high levels of human capital—suggesting that when a region pairs ideological openness with education and skill, entrepreneurship accelerates.

The practical implication is clear: a one-size-fits-all approach to ecosystem development doesn't work. Instead, successful strategies must reflect the cultural values of the communities they serve. In liberal-leaning regions, highlight bold innovation and high-risk, high-reward ventures. Support founders who want to challenge norms and scale rapidly. In conservative-leaning regions, entrepreneurship can be positioned as a path to self-reliance, family legacy, or community resilience. Programs that emphasize structure, stability, and incremental innovation may gain more traction. In both cases, investing in human capital through higher education, upskilling initiatives, or knowledge-sharing platforms can unlock more entrepreneurial potential, especially when aligned with local values.

Entrepreneurship doesn't happen in a vacuum. It emerges from the values, mindsets, and preferences of the people in a place. Political ideology, while often considered irrelevant to business, may in fact be a key driver of whether a region supports or stalls entrepreneurial growth. Recognizing this opens new possibilities for tailored, values-consistent ecosystem design. If we want to cultivate an environment conducive to startups, it's time to look not just at the tools people have, but at the beliefs that guide how and whether they use them.

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