

The Effect of Firms IPOs on The Wealth of Regions in The United States

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Abstract

There is increasing evidence showing importance of entrepreneurship in the development of cities and regions. In this paper, we look at the effect of firms' IPOs on economic prosperity at the regional level in the United States. According to our panel of subdivisions with yearly observations from 1968 to 2008, we find that regions are more prosperous when there are new IPOs in the regions. Our findings are robust to a comprehensive set of economic and corporative controls commonly used in the literature. We also find that the effect holds with using regions at different levels - the city level, the county level, and 3-dig zip code level, and using alternative measures of development such as income per capita and nighttime light intensity. We investigate the channels of the effect and find that firms' IPOs are correlated with local employment, housing prices, and tax income. We also find that the magnitudes of the effects of IPOs differs according to firms' characteristics by sectors and sizes. In addition, we would like to add deregulation in banking industry to our study and investigate whether the aforementioned relations differ with bank deregulation.

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