

## Executive Summary

**To:** Executive and Government Official

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**Subject:** How Employment Growth Shapes Crowdfunding-Based Entrepreneurship

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### Purpose of the Study

This research examines whether changes in local employment conditions influence entrepreneurial activity on online crowdfunding platforms such as Kickstarter. Specifically, it asks whether strengthening or weakening labor markets affect (1) the number of new crowdfunding projects launched in each state and (2) the likelihood that those projects reach their funding goals. Understanding this relationship helps clarify how broader economic conditions shape early-stage entrepreneurial behavior and informs policies aimed at supporting regional innovation and economic development.

### Data and Approach

To address this question, we assembled a panel dataset that follows each U.S. state over time, tracking the number of crowdfunding projects launched, the share that succeed, and total employment. For every state and year, we calculate percent changes in employment, project counts, and success rates relative to the previous year. These standardized measures allow meaningful comparisons across states of very different sizes.

Because employment and entrepreneurial activity can influence one another, simple correlations may not reveal a causal relationship. To address this challenge, the study applies a Bartik, or shift-share, instrument, a common approach in labor economics. The idea is that each state has a fixed industry mix in a base year: some are more concentrated in technology, others in manufacturing or hospitality. When national industry shocks occur, states that are more exposed to the affected industries experience employment changes that are largely outside of their control.

By combining national industry-specific shocks with each state's historical industry composition, we construct a measure that isolates the portion of employment growth driven by external economic forces rather than by local conditions.

### Key Findings

Across all statistical specifications, OLS, reduced-form, and instrumental variables, the analysis finds no evidence that year-to-year changes in employment meaningfully affect crowdfunding activity. Employment growth does not significantly predict changes in the number of projects launched or in the share of projects that reach their funding goals.

The Bartik instrument is very strong, indicating that the lack of statistical significance is not due to weak identification. States experiencing stronger or weaker employment growth do not exhibit systematic shifts in project formation or funding success.

These findings differ from traditional narratives that link entrepreneurship directly to business-cycle conditions. While broader economic trends undoubtedly affect household income and local demand, the short-run variation in employment examined here does not translate into measurable changes in crowdfunding-based entrepreneurship.

## **Implications for Policy and Practice**

The results of this study suggest that short-run changes in employment do not significantly influence crowdfunding-based entrepreneurial activity. This has several implications for policymakers and practitioners.

First, policies aimed at stabilizing or increasing employment are valuable for many reasons, but they should not be expected to directly stimulate or suppress crowdfunding activity in the short run. Kickstarter project formation and success appear relatively resilient to year-to-year labor-market fluctuations. Second, policymakers and analysts should interpret changes in crowdfunding activity with caution. A rise or fall in project launches or success rates is unlikely to be driven solely by local employment conditions and may instead reflect platform dynamics, sector-specific trends, or longer-term structural shifts. Finally, while states exposed to declining national industries may experience broader economic challenges, this study finds no evidence that such shocks translate directly into immediate changes in crowdfunding outcomes. Targeted support for entrepreneurial ecosystems may still be appropriate, but it should be motivated by broader regional development goals rather than by expectations of employment-driven changes in crowdfunding behavior.

## **Next Steps**

The next stage of the project will refine the quantitative estimates and explore whether longer-term or structural employment trends, not just year-to-year changes, play a more meaningful role in shaping crowdfunding activity. Additional analysis will examine whether the relationship varies across types of projects, industries, or states with different economic profiles. The study will also investigate alternative mechanisms that may better explain variation in crowdfunding outcomes, such as platform dynamics or sector-specific demand.