Foreign Investments and Jobs:
Evidence from US Venture Capital Investments in Sweden

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ABSTRACT

Venture capital (VC) has been hailed as an engine of new job creation. VC mainly developed in the US, but governments across the world have since tried to establish a VC industry in their countries. The hope is not only that VC speeds up growth and job creation in the firms that receive investments, but that these investments create spillover effects, creating additional jobs in the industry and region. In this process, an interesting question arises about the role of foreign (and especially US) investors. One view is that US VCs are potentially a more powerful engine of economic growth, given their greater expertise and deeper networks. Under this view US VCs would be associated with more job creation and positive spillovers on entrepreneurs and employees. A second view, however, is more skeptical of the foreign investors, arguing that they have less interest in creating local jobs, and greater incentives to relocate jobs to the US or elsewhere with potential negative effects on job creation, entrepreneurs, and employees. Whether US or domestic VCs create more jobs is an empirical question which we study in this paper by using Sweden as a laboratory. Access to population data on firms and individuals over two decades provide us with a unique opportunity to study the labor economics of venture capital investments and exits.

JEL-classifications: G24, J20.