Response to Reader 3’s Comments on
“Export activity, innovation and institutions in Southern European nascent entrepreneurship”

Thank you very much for your constructive and thoughtful comments, which are much appreciated. I am happy to revise the paper as described in the responses below.

1. It would be useful to add separate estimations for the countries, for which a sufficient number of firms is available, I suppose this is possible at least for Spain and Italy. A table with the number of observations and the number of firms for each country would also be useful for the reader of the paper.

Response: Another reader had said that the sample is not representative for Italy and Portugal. Therefore, the individual-level regressions have been repeated for the Spain and Greece subsample. Note that the number of observations for Spain and Greece correspond to, respectively, 82.97% and 10.90% of the total data used in the paper. Therefore, repeating the estimations for these two countries does not change the results, neither does repeating them for Spain alone, given its share of observations. This also means that there are no outliers in either country that might have been driving the results. The estimation results tables have been placed in an Appendix as well as complemented with an explanation in the newly created robustness checks section (section 5).

2. Selection model (second paragraph of p. 8 and footnote 5): Please present in more detail the rationale for the selection model and the respective estimation procedure (STATA?).

Response: Please note that in Section 3 it is said that: “The regression models for export propensity and for export intensity may be related by means of a second stage ordered probit for positive export intensity with a Heckman selection correction estimated as a first stage binary probit for export propensity (see De Luca and Perotti, 2011). However, in this sample, the correlation between the errors of the two equations is not significant, so the selection model is not required. Therefore, the export intensity and propensity models are estimated separately, with the former being estimated as ordered logit, and the latter being estimated as a binary logit.” I can add that the Heckman selection correction proposed by DeLuca and Perotti (2011) can be estimated in STATA using the command heckoprobit, which is what I have used.

3. Correlation matrix in Table A.3: It is not clear to me why the values of the correlation coefficients are so large. Usually, perfect correlation is equal 1, all other values smaller than 1. Please clarify.

Response: Please note that the table has as heading “Table A3: Association between individual-level covariates” and it has a note at the bottom saying: “NOTE: The Pearson Chi-
squared tests for association between each pair of variables. Rejection of the null hypothesis of no association at the 1%, 5% or 10% significance levels is represented by ***, **, *, respectively. The jobnow and jobgrow variables were discretized at, respectively, less than 5 jobs, between 5 and 10, and more than 10 jobs, and for negative, null and positive growth.” Therefore, the table represents values of Chi-square, which can take any non-negative value.