

# **Transformative and Subsistence Entrepreneurs: Origins and Impacts on Economic Growth**

## **Abstract**

This paper explores the symbiotic relationship between transformative entrepreneurs and inventors, which is crucial for economic growth. We utilize microdata from Denmark to demonstrate that while the relationship between IQ and general entrepreneurship tends to be negative, it is strongly positive among transformative entrepreneurs. Transformative entrepreneurs, often with higher IQ and education levels, significantly drive R&D and business growth, thereby providing substantial opportunities for inventors. In contrast, average entrepreneurs are more influenced by their family's entrepreneurship background. Our economic model links these dynamics to overall economic progress, highlighting how higher education influences career paths in entrepreneurship and invention. We identify talent misallocation caused by unequal education access, particularly affecting lower-income families. Our findings indicate the most effective policies strengthen the interplay between higher education, innovation, and entrepreneurship to foster transformative businesses and achieve long-run economic growth.