

Abstract: In this paper, we present novel data from the German-speaking area on 13,422 venture capital investments between 1999 and 2019, and document a novel and yet unexplained contributor to investors' home bias. We propose a new measure of regional identity based on a recent vehicle license plate liberalization in Germany, and leverage on a unique dataset of historical borders to examine how regional identity is formed. We use an instrumental strategy to establish a causal link between historical political instability, regional identity, and the home bias. Our results indicate that a common regional identity is highly relevant for investment decisions.