

Economics of Entrepreneurship, Phd course

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Economics of Entrepreneurship is an important and understudied topic, with important links to corporate finance, macroeconomics, industrial organization, and labor economics. This mini-course exposes students to key research issues and methodologies. Students from Phd programs in Economics, Finance, and Management are especially encouraged to participate. The course covers both theoretical and empirical material. A central purpose will be to provide the students with background knowledge and tools to do independent work in the area. The lectures cover four different topics. Entrepreneurial entry, startup performance, business dynamics, and entrepreneurship in China.

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Requirements for course credit: (1) Participation in all sessions, (2) Student presentation, (3) Passing grade on take-home exam.

Student preparation: students are expected to be prepared for every lecture, and to participate actively in discussions.

Student presentations (open session): The open session covers revisions and further topics, in addition to student presentations. Please see the final pages of the syllabus for details.

Take-home exam: The take-home exam will be arranged over two weeks (student requests for timing will be taken seriously). The workload of the take-home exam will be approximately five days of full-time work.

Course registration:

Course homepage:

Preliminary syllabus, Economics of Entrepreneurship

Essential readings when preparing for a lecture is marked with a (*).

Background readings

- Bhidé, Amar (2000). *The Origins and Evolution of New Businesses*. Oxford University Press. (Study of 100 fast-growing companies in the U.S., very enjoyable read)
- Lerner, Josh (2009). *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed—And What to Do about It*. Princeton University Press. (The title is self-explanatory)
- Angrist, J. D. & J.-S. Pischke (2009). *Mostly Harmless Econometrics*. Princeton University Press. (Empirical methodology with focus on identification using non-experimental data)

Session 1. Entrepreneurial entry (about 4 hours)

We start out by discussing “what is entrepreneurship?” and then examine a canonical model for the transition between paid work and entrepreneurship. After studying the mechanics of the model we discuss public policy, and some potentially important features of entrepreneurship that are not covered by the model. We also consider some initial evidence on returns to entrepreneurship.

Readings

- Bernstein, S., E. Colonnelli, D. Malacrino, and T. McQuade (2022). "Who Creates New Firms When Local Opportunities Arise?" *Journal of Financial Economics*, 143, 107–130.
- (*)Evans, D. S. & B. Jovanovic (1989). An Estimated Model of Entrepreneurial Choice under Liquidity Constraints. *Journal of Political Economy*, 97, 808-827.
- Hamilton, B. (2000). Does Entrepreneurship Pay? An Empirical Analysis of the Returns to Self-Employment. *Journal of Political Economy*, 108, 604-31.
- Hurst, E. & A. Lusardi (2004). Liquidity Constraints, Household Wealth, and Entrepreneurship. *Journal of Political Economy*, 112, 319-47.
- Hvide, H. K. & J. Møen (2010). Lean and Hungry or Fat and Content? Entrepreneurs' Wealth and Start-up Performance. *Management Science*, 56, 1242-58.
- Kerr, W. R., R. Nanda & M. Rhodes-Kropf. Entrepreneurship as Experimentation (2014). *Journal of Economic Perspectives*, 28, 25-48.
- Landier, A. & D. Thesmar (2008). Financial Contracting with Optimistic Entrepreneurs: Theory and Evidence. *Review of Financial Studies*, 22, 117-50.
- Kihlstrom, R. & J. J. Laffont (1979). A General Equilibrium Entrepreneurial Theory of the Firm Based on Risk Aversion. *Journal of Political Economy*, 87, 719-48.
- Moskowitz, T. & A. Vissing-Jorgensen (2002). The Returns to Entrepreneurial Investment: A Private Equity Premium Puzzle? *American Economic Review*, 92, 745-78.

Additional readings

- Baumol, W. (1990). Entrepreneurship: Productive, Unproductive and Destructive, *Journal of Political Economy*, 98, 893-921.
- Camerer, C. & D. Lovo (1999). Overconfidence and Excess Entry: An Experimental Approach. *American Economic Review*, 89, 306-18.
- Kanbur, S. M. (1979a). Of risk taking and the personal distribution of income. *Journal of Political Economy*, 87, 769-97.
- Kanbur, S. M. (1979b). Impatience, Information and Risk Taking in a General Equilibrium Model of Entrepreneurial Choice. *Review of Economic Studies*, 707-18.
- Lazear, E. (2005). Entrepreneurship. *Journal of Labor Economics*, 23, 649-80.

Shane, S., E. A. Locke & C. J. Collins (2003). Entrepreneurial Motivation. *Human Resource Management Review*, 13, 257-79.

Session 2. Startup performance (about 4 hours)

We examine evidence on entrepreneurial returns and performance, and how performance interacts with selection into entrepreneurship. To this end, we mainly consider causal factors that influence startup performance, such as the engagement of the entrepreneur, patent shocks, demand shocks, and innovation policies.

Readings:

- Andersen, S. & K. Nielsen (2012). Ability or Finances as Constraints to Entrepreneurship? Evidence from Survival Rates in a Natural Experiment. *Review of Financial Studies*, 25, 3684-3710.
- Becker, S. & H. K. Hvide (2022). Entrepreneur Death and Startup Performance. *Review of Finance*, 26, 163-185.
- Farre-Mensa, D. Hegde, and A. Ljungquist (2019). What Is a Patent Worth? Evidence from the U.S. Patent “Lottery”. *Journal of Finance*, 75, 639-682.
- Hvide, H. K. & B. Jones (2018). Innovation by University Employees. *American Economic Review*, 108, 1860-88.
- Hvide, H. K. & T. Meling (2023). Do Transitory Demand Shocks have Long-Term Effects for Startups? (2023). *Review of Financial Studies*, 36, 317-50.
- Hvide, H. K. & P. Oyer. Dinner Table Capital and Entrepreneurship (2023). (Resubmitted, *Management Science*)
- Hvide, H. K. & G. Panos (2014). Risk Tolerance and Entrepreneurship. *Journal of Financial Economics*, 111, 200-23.
- Lerner, J. & U. Malmendier (2013). With a Little Help from My (Random) Friends: Success and Failure in Post-Business School Entrepreneurship. *Review of Financial Studies*, 26, 2411–2452.

Session 3. Entrepreneurship and business dynamism (about 4 hours)

Entrepreneurship is potentially important for business dynamism, the creation of new jobs, for market competitiveness, and for the economy’s response to shocks. In this part we review recent literature.

Readings

- Agcigit, U. & S. T. Ates (2023). What Happened to U.S. Business Dynamism? Forthcoming, *Journal of Political Economy*.
- Colaiacovo, I., Gross, D. P., and Guzman, J. A. (2023). The composition and dynamics of technology-enabled entrepreneurship. Working paper, Harvard Business School.
- Decker, R. A., Haltiwanger, J., Jarmin, R. S., and Miranda, J. (2020). Changing business dynamism and productivity: Shocks versus responsiveness. *American Economic Review*, 110(12):3952–90.
- Foster, L., J. Haltiwanger & C. Syverson (2008). Reallocation, Firm Turnover, and Efficiency: Selection on Productivity or Profitability? *American Economic Review*, 98, 394--425.
- Guzman, J. and Stern, S. (2020). The state of American entrepreneurship: New estimates of the quantity and quality of entrepreneurship for 32 US states, 1988–2014. *American Economic Journal: Economic Policy*, 12(4):212–43.
- (*)Haltiwanger, J., Jarmin, R. S., and Miranda, J. (2013). Who creates jobs? Small versus large versus young. *Review of Economics and Statistics*, 95(2):347–361.
- Hvide, H. K. & T. Meling (2023). New Technology and Business Dynamics.

Kerr, W. & R. Nanda (2009). Democratizing entry: banking deregulations, financing constraints, and entrepreneurship. *Journal of Financial Economics*, 94, 124-49.
Sedlacek, P. and Sterk, V. (2017). The growth potential of startups over the business cycle. *American Economic Review*, 107, 3182–3210.

Session 4. Entrepreneurship in China and student presentations

Here we review work on entrepreneurship in China, and in addition do the student presentations.

The format for the student presentations is 15 minutes individual presentations (including questions and discussion), or possibly mini-group presentations. The students are encouraged to pick a paper from the list below, but other work will also be considered, including recent papers in the readings listed above.

You are also free to propose a paper outside this list, ideally a high-quality working paper but recently published papers are also of interest (one place to look is at the home pages of the researchers listed below, or at the links of the NBER bootcamps, also listed below).

Some aid for the student presentation is to ask yourself these questions:

- i. What is the motivation of the paper? Is it important and why? Relate to existing literature
- ii. What are the main questions of the paper? Are they important and why? Relate to existing literature.
- iii. How does the paper analyze these questions? Is the method (and data, if applicable) appropriate?
- iv. What are the results? Which issues are there in the interpretation? Relate to iii.
- v. What are the research (and policy, if applicable) implications of the paper? Relate to ii and i. What is the overall quality of the paper?
- vi. Are there projects that might be worth doing in the extension of this paper? What would be the data requirements and are these requirements feasible?

Readings

- To be filled in

Preliminary timetable

- To be filled in

Links

Get acquainted with entrepreneurship by browsing at the web pages of leading researchers. Here is a partial list:

Ufuk Akcigit, U Chicago, <http://www.ufukakcigit.com/research-1>.

Shai Bernstein, HBS. <https://sites.google.com/view/shai-bernstein/home>

Francisco J. Buera, U Washington St Louis, <https://sites.google.com/site/fjbuera/>

Camille Hebert, U Toronto, <https://sites.google.com/site/camhebert/home>.

Thomas Hellmann, U of British Columbia, <http://strategy.sauder.ubc.ca/hellmann/>

Sabrina Howell, NYU, <http://www.sabrina-howell.com/>

Hans K. Hvide, U Bergen, <https://sites.google.com/site/hanshvide/home>

William Kerr, HBS, <https://www.hbs.edu/faculty/Pages/profile.aspx?facId=337265>

Josh Lerner, Harvard Business School, <https://www.hbs.edu/faculty/Pages/profile.aspx?facId=9961>

Adrien Matray, Princeton. <https://sites.google.com/view/adrienmatray/home>
Ramana Nanda, Imperial College, <https://www.imperial.ac.uk/people/ramana.nanda>
Morten Sorensen, Dartmouth College, <https://www.tuck.dartmouth.edu/faculty/faculty-directory/morten-sorensen>.
Antoinette Schoar, MIT Sloan School, <http://www.mit.edu/~aschoar/Research.htm>.
Rick Townsend, UCSD. <https://sites.google.com/site/rrtowns/>.

The [NBER entrepreneurship group](#) is in some ways the global center of entrepreneurship research. You are strongly encouraged to look up recent working papers etc.

The following links provide some literature from recent NBER entrepreneurship bootcamps:

[2023 NBER bootcamp](#)

[2022 NBER bootcamp](#)

[2021 NBER bootcamp](#)

List of papers for student presentations.

Entry

- Vereshchagina, V. & H. A. Hopenhayn (2009). Risk Taking by Entrepreneurs. *American Economic Review*, 99, 1808–1830.

Performance

- To be filled in

Dynamics

- To be filled in

Entrepreneurship in China

- To be filled in

Other papers

It is also highly welcome to suggest papers not on the reading list. In previous versions of the course, students have presented their own papers. This is highly welcome.