

# The Economics of Entrepreneurship

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## Description:

Entrepreneurship is complex phenomenon that is in the heart of economic growth. With a growing amount of available data at firm/individual level and the dissemination of Randomized Control Trials (RCTs) in Economics and other Social Sciences, scholars have been devoting increasing attention to this topic in recent years. This course explores the emerging work in this area. In particular, students will review the most recent empirical studies on the formation and growth of new firms and innovation. The course will also provide the theoretical tools to understand the puzzles and the hypotheses being tested in each study.

## Schedule:

08/31/2017

9.00 – 11.00 – Module 1: Occupational Choice, Risk, and Financial Constraints

14.00 – 17.00 – Module 2: Valuation of Private Ventures

09/01/2017

9.00 – 11.00 – Module 3: Banks, Microcredit and Deal Structure

14.00 – 17.00 – Module 4: Management, Productivity and R&D

## Reference textbooks:

- Smith, J. K., Smith, R. L., and Bliss, R. T. (2011). *Entrepreneurial Finance: Strategy, Valuation, and Deal Structure*, Stanford University Press.
- Parker, Simon C. (2009) *The Economics of Entrepreneurship*, Cambridge University Press.

## Course Modules (\* required reading before class):

### 1. Occupational Choice, Risk, and Financial Constraints

- Hurst, E., and Lusardi, A. (2004). "Liquidity Constraints, Household Wealth, and Entrepreneurship," *Journal of Political Economy*, 112 (2): 319-347. Available at <http://www.jstor.org/stable/10.1086/381478>
- Schmalz, M. C., Sraer, D. A. and Thesmar, D. (2017). "Housing Collateral and Entrepreneurship," *Journal of Finance*, 72 (1): 99–132. Available at <http://onlinelibrary.wiley.com/doi/10.1111/jofi.12468/abstract>
- de Mel, S., McKenzie, D. and Woodruff, C. (2008). "Returns to capital in microenterprises: Evidence from a field experiment," *Quarterly Journal of Economics* 123 (4): 1329-1372. Available at <https://www.jstor.org/stable/40506211>
- \* Robb, A. M. and Robinson, D. T. (2014). "The Capital Structure Decisions of New Firms," *Review of Financial Studies*, 27 (1): 153-179. Available at <https://doi.org/10.1093/rfs/hhs072>

- \* Bianchi, M., and Bobba, M. (2013). "Liquidity, Risk, and Occupational Choices," *Review of Economic Studies*, 80 (2(283)): 491-511. Available at <http://www.jstor.org/stable/43551493>
- Hurst, E. and Pugsley, B. W. (2011). "What Do Small Businesses Do?" *Brookings Papers on Economic Activity*, Fall 2011, n. 2. Available at <https://www.brookings.edu/bpea-articles/what-do-small-businesses-do/>
- La Porta, R. and Shleifer, A. (2014). "Informality and Development," *Journal of Economic Perspectives* 28 (3): 109-126. Available at <http://doi.org/10.1257/jep.28.3.109>
- Ribas, R. (2014). "Liquidity Constraints, Informal Financing, and Entrepreneurship: Direct and Indirect Effects of a Cash Transfer Program," Working Paper. <https://sites.google.com/site/r4ribas/research/jmp.pdf>
- Ayotte, K. (2007). "Bankruptcy and Entrepreneurship: The Value of a Fresh Start," *Journal of Law, Economics, & Organization*, 23 (1): 161-85. Available at <https://doi.org/10.1093/jleo/ewm007>
- \* Cerqueiro, G. and Penas, M. F. (2017). "How Does Personal Bankruptcy Law Affect Startups?" *Review of Financial Studies* 30 (7): 2523-2554. Available at <https://doi.org/10.1093/rfs/hhw081>
- Acharya, V. V. and Subramanian, K. V. (2009). "Bankruptcy Codes and Innovation." *Review of Financial Studies*, 22 (12): 4949-4988. Available at <https://doi.org/10.1093/rfs/hhp019>
- Berkowitz, J. and White, M. J. (2004). "Bankruptcy and Small Firms' Access to Credit," *RAND Journal of Economics* 35(1): 69-84. Available at <http://econweb.ucsd.edu/~miwhite/rje.spring04.berkowitz.pdf>

## 2. Valuation of Private Ventures

- Hamilton, B. H. (2000). "Does entrepreneurship pay? An empirical analysis of the returns to self-employment," *Journal of Political Economy*, 108 (3): 604-31. Available at <https://doi.org/10.1086/262131>
- \* Cooper, I. and Priestley, R. (2016) "The expected returns and valuations of private and public firms," *Journal of Financial Economics*, 120 (1): 41-57. Available at <http://dx.doi.org/10.1016/j.jfineco.2016.01.023>
- \* Moskowitz, T. J. and Vissing-Jorgensen, A. (2002). "The returns to entrepreneurial investment: A private equity premium puzzle?" *American Economic Review*, 92 (4): 745-78. Available at <https://www.aeaweb.org/articles?id=10.1257/00028280260344452>
- Korteweg, A. and Nagel, S. (2016). "Risk-Adjusting the Returns to Venture Capital," *Journal of Finance*, 71 (3): 1437-1470. Available at <http://onlinelibrary.wiley.com/doi/10.1111/jofi.12390/full>
- \* Manso, G. (2016). "Experimentation and the Returns to Entrepreneurship," *Review of Financial Studies*, 29 (9): 2319-2340. Available at <https://doi.org/10.1093/rfs/hhw019>

### 3. Banks, Microcredit and Deal Structure

- Black, S. E. and Strahan, P. E. (2002). "Entrepreneurship and bank credit availability," *Journal of Finance* 57 (6): 2807-2833. Available at <https://www.jstor.org/stable/3094544>
- Kerr, W. and Nanda, R. (2009). "Democratizing entry: Banking deregulations, financing constraints, and entrepreneurship," *Journal of Financial Economics* 94 (1): 124-149. Available at <http://www.sciencedirect.com/science/article/pii/S0304405X09001226>
- Kerr, W. and Nanda, R. (2010). "Banking deregulations, financing constraints, and firm entry size," *Journal of European Economic Association*, 8 (2-3): 582-593. Available at <https://doi.org/10.1111/j.1542-4774.2010.tb00528.x>
- \* Krishnan, K., Nandy, D. K. and Puri, M. (2015). "Does Financing Spur Small Business Productivity? Evidence from a Natural Experiment." *Review Financial Studies* 28 (6): 1768-1809. Available at <https://doi.org/10.1093/rfs/hhu087>
- Banerjee, A., Karlan, D. and Zinman, J. (2015). "Six Randomized Evaluations of Microcredit: Introduction and Further Steps," *American Economic Journal: Applied Economics*, 7(1): 1-21. Available at <https://www.aeaweb.org/articles?id=10.1257/app.20140287>
- Banerjee, A., Duflo, E., Glennerster, R. and Kinnan, C. (2015). "The Miracle of Microfinance? Evidence from a Randomized Evaluation," *American Economic Journal: Applied Economics*, 7(1): 22-53. Available at <https://www.aeaweb.org/articles?id=10.1257/app.20130533>
- Angelucci, M., Karlan, D. and Zinman, J. (2015). "Microcredit Impacts: Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco," *American Economic Journal: Applied Economics*, 7(1): 151-82. Available at <https://www.aeaweb.org/articles?id=10.1257/app.20130537>
- \* Karlan, D. and Zinman, J. (2011). "Microcredit in Theory and Practice: Using Randomized Credit Scoring for Impact Evaluation," *Science*, 332 (6035): 1278-1284. Available at <http://science.sciencemag.org/content/332/6035/1278>
- Lee, S. and Persson, P. (2016). "Financing from Family and Friends," *Review Financial Studies*, 29 (9): 2341-2386. Available at <https://doi.org/10.1093/rfs/hhw031>
- \* Attanasio, O., Augsburg, B., De Haas, R., Fitzsimons, E. and Harmgart, H. (2015). "The Impacts of Microfinance: Evidence from Joint-Liability Lending in Mongolia," *American Economic Journal: Applied Economics*, 7(1): 90-122. Available at <https://www.aeaweb.org/articles?id=10.1257/app.20130489>
- \* Kanz, M. (2016). "What Does Debt Relief Do for Development? Evidence from India's Bailout for Rural Households," *American Economic Journal: Applied Economics*, 8(4): 66-99. Available at <http://doi.org/10.1257/app.20130399>
- Prilmeier, R. (2017). "Why do loans contain covenants? Evidence from lending relationships," *Journal of Financial Economics*, 123 (3): 558-579. Available at <https://doi.org/10.1016/j.jfineco.2016.12.007>
- Bottazzi, L. Da Rin, M. and Hellmann, T. (2016). "The Importance of Trust for Investment: Evidence from Venture Capital," *Review of Financial Studies*, 29 (9): 2283-2318. Available at <https://doi.org/10.1093/rfs/hhw023>

- \* Landier, A. and Thesmar, D. (2009). "Financial Contracting with Optimistic Entrepreneurs," *Review of Financial Studies* 22 (1): 117-150. Available at <https://doi.org/10.1093/rfs/hhn065>
- Bernstein, S., Giroud, X. and Townsend, R. R. (2016). "The Impact of Venture Capital Monitoring," *Journal of Finance*, 71 (4): 1591–1622. Available at <http://onlinelibrary.wiley.com/doi/10.1111/jofi.12370/abstract>
- Kerr, W. R., Lerner, J. and Schoar, A. (2014). "The Consequences of Entrepreneurial Finance: Evidence from Angel Financings," *Review of Financial Studies* 27 (1): 20–55. Available at <https://doi.org/10.1093/rfs/hhr098>
- Bernstein, S., Korteweg, A. and Laws, K. (2017). "Attracting Early-Stage Investors: Evidence from a Randomized Field Experiment," *Journal of Finance*, 72 (2): 509–538. Available at <http://onlinelibrary.wiley.com/doi/10.1111/jofi.12470/full>
- Johnson, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (2000). "Tunneling," *American Economic Review Papers and Proceedings*, 90 (2): 22-27. Available at <https://www.aeaweb.org/articles?id=10.1257/aer.90.2.22>

#### 4. Management, Productivity and R&D

- Syverson, C. (2011). "What Determines Productivity?" *Journal of Economic Literature*, 49 (2): 326-365. Available at <http://home.uchicago.edu/syverson/productivitysurvey.pdf>
- \* Johnson, S., McMillan, J. and Woodruff, C. (2002), "Property rights and finance," *American Economic Review*, 92 (5): 1135-1156. Available at <https://www.jstor.org/stable/3083253>
- Boudreau, K. J., Lacetera, N. and Lakhani, K. R. (2011). "Incentives and problem uncertainty in innovation contests: An empirical analysis," *Management Science*, 57 (5): 843-863. Available at <https://doi.org/10.1287/mnsc.1110.1322>
- Williams, H. L. (2013). "Intellectual Property Rights and Innovation: Evidence from the Human Genome," *Journal of Political Economy*, 121 (1): 1-27. Available at <https://doi.org/10.1086/669706>
- Bernstein, S. (2015). "Does Going Public Affect Innovation?" *Journal of Finance*, 70 (4): 1365–1403. Available at <https://doi.org/10.1111/jofi.12275>
- Bernstein, S., McQuade, T. and Townsend, R. R. (2017). "Does Economic Insecurity Affect Employee Innovation?" Working Paper. Available at <https://people.stanford.edu/shaib/sites/default/files/bmt-july7.pdf>
- \* Dechezleprêtre, A., Einiö, E., Martin, R., Nguyen, K. T. and Van Reenen, J. (2016). "Do tax Incentives for Research Increase Firm Innovation? An RD Design for R&D," NBER Working Paper No. 22405. Available at <http://www.nber.org/papers/w22405>
- \* Bloom, N. and Van Reenen, J. (2007). "Measuring and Explaining Management Practices across Firms and Countries," *Quarterly Journal of Economics* 122 (4): 1351-1408. Available at <https://doi.org/10.1162/qjec.2007.122.4.1351>
- \* Bloom, N., Sadun, R. and Van Reenen, J. (2017). "Management as a Technology," Working Paper. Available at <http://cep.lse.ac.uk/pubs/download/dp1433.pdf>

- Aghion, P. and Tirole, J. (1994). "The Management of Innovation," *Quarterly Journal of Economics* 109 (4): 1185-1209. Available at <https://www.jstor.org/stable/2118360>
- Bloom, N., Liang, J., Roberts, J., and Ying, Z. J. (2015). "Does Working from Home Work? Evidence from a Chinese Experiment," *Quarterly Journal of Economics*, 130 (1): 165-218. Available at <https://doi.org/10.1093/qje/qju032>
- Davis, S. J., Haltiwanger, J., Handley, K., Jarmin, R., Lerner, J., and Miranda, J. (2014). "Private Equity, Jobs, and Productivity," *American Economic Review*, 104 (12): 3956-3990. Available at <https://www.aeaweb.org/articles?id=10.1257/aer.104.12.3956>
- \* Colonnelli, E. and Prem, M. (2017). "Corruption and Firms," Working Paper. Available at: <https://ssrn.com/abstract=2931602>