On the Nature of Entrepreneurship

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Highlights of the paper

1. 16 years of IRS data on SE vs. PE income with no top-coding

2. Positive selection of attached SE on prior earnings

3. Negative selection of attached SE on prior asset income

4. Much faster income growth for attached SE than for PE

Praise

- Better data than in prior studies!

- Overturns conventional wisdom on prior earnings and asset income

- Can help guide modeling (qualitatively and quantitatively)

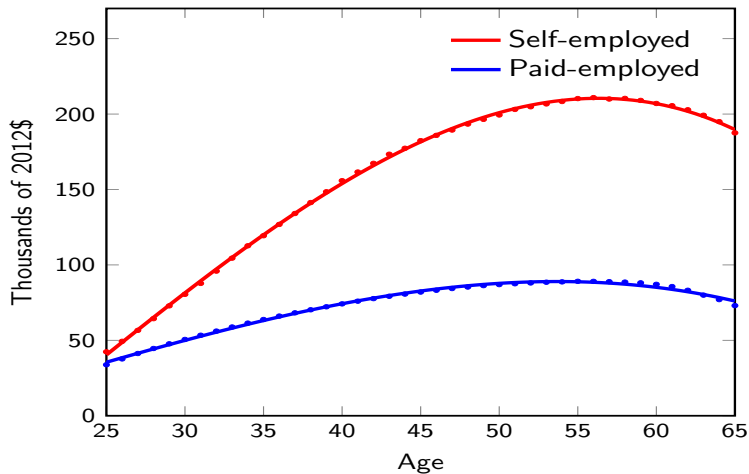- Promising relative to patent and R&D data

1. Firm employment growth vs. SE income growth

2. Selection of attached SE

3. Model ingredients

4. Things I'd like to see the paper do
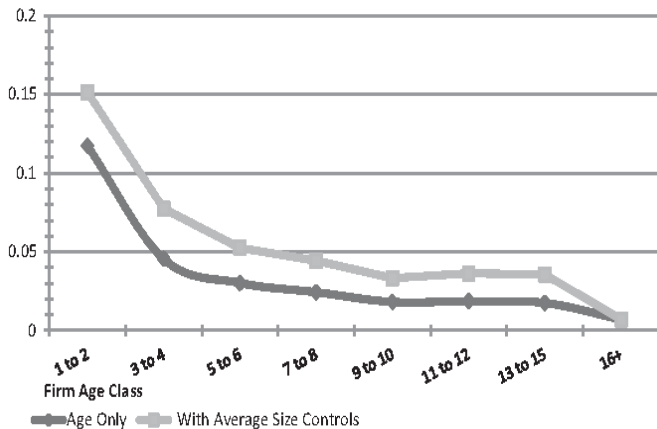
Source: Haltiwanger, Jarmin and Miranda (2013)

Income Profiles: Attached Subsamples

Growth Profiles: Attached Subsamples

Comment 1: Why such fast income growth for SE?

- Selection on attached?

- Moving to new businesses?

- Revenue rising faster than employment?

- SE income rising faster than revenue?

Comment 2: Selection on attachment to SE

- Could account for the deviation from conventional wisdom

  - Positive selection on prior earnings

  - Negative selection on prior assets

- "Lifestyle" versus "Transformative" entrepreneurs

- Why not look at cohort who *started* a business vs. comparison group?

Model ingredients

- Investment in intangibles

  - ▶ Rival

  - ▶ Managerial hours is one input

  - ▶ Market goods are another input

- No liquidity constraints

- Uncertainty about entrepreneurial skill

Comment 3: Model ingredients need more motivation

- Why not learning by doing rather than intangible investments?

- Are none of the intangible investments nonrival?

- How do we know how much time vs. goods are involved in intangible investments?

- How do we know what income people anticipate? Look at consumption?

Comment 4: Things I'd like to see the paper do

- Breakdown of SE income growth

- Contribution of "gazelles" to aggregate productivity growth

- Contribution of top entrepreneurs to aggregate productivity

- Try to predict gazelles versus lifestyle entrepreneurs

- Hours vs. Income/Hour

- Number of establishments (or firms)

- Revenue per establishment (or firm)

- Profits/Revenue

The *growth* rate of aggregate productivity

- How much do gazelles contribute?

- Existing literature looks mostly at Employment growth

- Can look at Revenue instead, and take into account Revenue/Inputs

- Much broader than relying on patent or R&D data

The *level* of aggregate productivity

- How much do top entrepreneurs contribute?

- Thicker right tail of the talent distribution with no top-coding?

- See the Lucas *Span of Control* model, for example

- Can break this down by age, immigration status, etc.

Can one predict gazelles?

- Do they differ in *ex ante* observable ways?

- Do they look liquidity constrained?

- How do they differ in terms of age, immigration status, etc.?

- Are they distinguishable from lifestyle entrepreneurs?