Cambridge University Press 978-0-521-89960-4 - The Economics of Entrepreneurship Simon C. Parker Index More information

# Index

2SE (two-step estimator) 95 2SLS (two-stage least squares) 89 3Com 64 achievement motive 129 Acs, Zoltan 293 active learning 356 additionality 408, 415 Adobe Systems 64 adolescence 389-90, 395 affirmative action schemes 440 age of entrepreneur ageing and retirement 351-5 as determinant of entrepreneurship 113-15 as determinant of nascent entrepreneurship 152 as determinant of venture growth 319 agency costs, equity finance 245 agents 52 agglomeration benefits 149 aggregate wealth accumulation, entrepreneurs' role in 264 - 5Aghion and Bolton (1997) model 69, 216, 272 agreeableness 130 altruism, and non-profit enterprises 59 Amazon 406 ambiguity tolerance 129 AMD 64 'artisanal' development 68-9 Audretsch, David 293 Australia gender earnings gap 190, 191, 192 immigrant self-employment rates 177 nascent entrepreneurship 9 self-employment rates 16, 18 Australian Innovation Investment Fund programme 420 autonomy 110-13 BancoSol 252 Banerjee and Newman (1993) model 68-9, 271-2 bank competition 227, 352

bankruptcy 446-8 banks over-optimism 225 screening 217-21 see also Bester's (1985) screening model; due diligence see also investment banks BANs (business angel networks) 419 Baumol, William 1-2, 3-4 Bayesian learning see Fraser and Greene's Bayh-Dole Act (1980) 424 benefits, of entrepreneurship to society 1 see also agglomeration benefits; retirement benefits Berger and Udell (1992) 282-3 Bernhardt's (2000) model 228-9 Bester's (1985) screening model 230-1 bias see hindsight bias; sample selection bias; status quo bias; survival bias binary choice models, for duration of spells in entrepreneurship 100 Birch, David 293 Birch Report 297 bivariate probit model 94-5 black-owned businesses credit 167-8 gazelles 176 performance 164 bootstrapping 277 Borjas (1986) decomposition 181-2 borrowing constraints 56 Botswana, self-employment rates 22 Branson, Sir Richard 376 bribery 445 Buffett, Warren 126-7 burn rate 243 business advice and assistance 440-2, 460 business angel networks (BANs) 419 business angels 195, 234, 245, 248-50, 423 business cycle, as determinant of entrepreneurship 142-3 business ownership, as measure of entrepreneurship 10

bank-optimal interest rate 214

Bank Rayat 252

business plans

and new venture survival 153 and venture growth 321, 322 business stealing effect 407 Canada business angels 423 immigrant self-employment 177 job satisfaction 112 loan guarantee schemes 413 nascent entrepreneurship 9, 154 public policy 420 self-employment rates 16, 18 Cantillon, Richard 32 capital gains tax (CGT) 421-2 care homes, use of sedatives 59-60 Carlsson, Chester 64 Carroll et al.'s (2000a) model of labour demand and taxation 294-5, 306-7 category opening products 304 certification, by venture capitalists 240 CGT (capital gains tax) 421-2 Chapter 11 bankruptcy 446 Chapter 7 bankruptcy 446 children, presence of, and propensity to entrepreneurship 188-9 China, self-employment rates 23-4 Choice Dilemma Questionnaire 122 closed-end venture funds 235, 247 co-integrating vectors 97 co-operative finance schemes 257-9 Coase, R. 52 codified knowledge 73 collateral 205-6 as screening instrument 217-18 competing risks models 101 computer usage and business ownership 140 of entrepreneurs 95 conscientiousness 130 contractors, rationale of using ('make or buy' decision) 52-7 see also 'hire or outsource' model convertible contracts 242-4 corporate governance regulation 450 corporate venture capital 237-8 corporation tax (CT) 423, 436-7 correlations 86 corruption 339, 435, 445, 449 see also rent seeking 'costly state verification' argument 209 country effects 329 Cox proportional hazard model 101 CPS Monthly Household Labour Force Survey 17 creative destruction 34-5 credit co-operatives 257-8 credit markets asymmetric information 204 and intrapreneurship 66-7 black-owned businesses 167-8 discrimination against women 196

employer discrimination spillover 167 regulation 451-3 credit rationing 203 and profitability 280-1 Type I 209, 212 see also Bernhardt's (2000) model Type II 209 evidence relating to 281-4 see also Stiglitz and Weiss' (1981) model typology 209-11 see also Bester's (1985) screening model credit scoring 207-8 cross-section binary models of occupational choice 90-2 extensions 92 heteroscedastic probit 96 inclusion of relative incomes 92-4 multiple equation systems 94-5 multiple occupational choices 94 non-binary occupational choices 96 cross-section regression models 87-90 CT (corporation tax) 423, 436-7 Cypress 64 DARA (decreasing absolute risk aversion) 37-8, 276 de Meza and Southey (1996) model 225 de Meza and Webb (1987) over-investment model 223-5, 226 deadweight cost 408 debt finance fragility of models 226-7 new venture survival 394 optimality of 208-9 overview 204-5, 226-8 terminology 209-12 see also convertible contracts Dell, Michael 376 dependent self-employed workers 13 dependent spinoffs 31 determinants of entrepreneurship 155-7 destructive entrepreneurship see unproductive/destructive entrepreneurship determinants of entrepreneurship business cycle 142-3 dependent starts 155-7 equations for 106-7 family background 134-8 health issues 133-4 human capital 44, 113-19 independence and job satisfaction 110-13 industry characteristics 138-9 knowledge spillovers 140-2 marital status 132-3, 187-8 pecuniary incentives 107-10 psychological traits 128-32 over-optimism and over-confidence 123-8 regional factors 147-51 risk attitudes 121-4 social capital 119-21 summary 108, 157 technology 139-40

UK 109 unemployment 143-7 determinants of nascent entrepreneurship 151-5 difference-in-means approaches 86-7 discouraged borrower phenomenon 284 discrimination see ethnic discrimination displacement 408 distressed company phenomenon 283 Dixit, A. 40 double moral hazard 243, 422 see also Keuschnigg-Nielsen double moral hazard model draw 363, 368 due diligence 237 EAS (Enterprise Allowance Scheme) 438-9 econometric methods 86-7 economics, and the study of entrepreneurship 2-5 economics of entrepreneurship, definitions 4 education see education level; entrepreneurship education education level and raising finance 219-20 and startup propensities 154 and success 376-80 and survival 393 as determinant of entrepreneurship 117-19, 178-80 as determinant of venture growth 320 female entrepreneurs 117, 186 see also RTE EF see equity finance efficiency effect 302-3 empirical methods 86-7 employer discrimination against ethnic minorities 165-6 spillover into credit market 167 employment assistance schemes 438-40 employment protection legislation (EPL) 450-1 endogeneity 86 in cross-section regression models 88-90 English Common Law 420, 449 Enterprise Allowance Scheme (EAS) 438-9 enterprise culture 457-8 entrepreneurial ability in Lucas model 44 Lucas model extensions 45 entrepreneurial duration models 100-1 entrepreneurial dynasties 68 entrepreneurial effort 333-4 see also work hours entrepreneurial learning 356-7 entrepreneurial managerial ability, as variable over time 44 entrepreneurial spawning agency cost theories 65-7 definitions 61 determinants of entrepreneurship 155-7 incumbents' firm size 62-3 incumbents' organisational limitations 63-5 learning theories 67 see also independent spinoffs

entrepreneurs as 'jacks of all trades' 45 see also Lazear (2005) jack-of-all-trades (JAT) hypothesis definitions 1, 6, 7 founder characteristics and venture growth 319 inexorable decline in numbers predictions 42-3 role in aggregate wealth accumulation 264-5 unwillingness to cede ownership and control rights 244 - 5see also habitual entrepreneurs; nascent entrepreneurs; necessity entrepreneurs; novice entrepreneurs; opportunity entrepreneurs entrepreneurship definitions 6 measures of 7-15 vs paid employment, theory of the firm considerations 52-7 see also theories of entrepreneurship entrepreneurship capital 327, 330 entrepreneurship education 119 see also business advice and assistance entrepreneurship policies 403-4 case against 407-8 case for 405-7 credit market interventions 417-18 policy evaluation 409-10 principles of policy design 408-9 promotion of equity finance 418-19 regulatory policies 419-21 tax policies 421-3 see also innovation policy; Loan Guarantee Schemes EPL (employment protection legislation) 450-1 equilibrium, economic concept of 3 equity finance (EF) as an optimal financial contract 242-4 factors inhibiting use 244-6 public policy promotions 418-19 regulatory policies 419-21 tax policies 421-3 see also business angels equity gap 246 equity rationing 246-7 escape mechanisms 277-8 ethnic cultures 173-4 ethnic differences 174-5 ethnic discrimination in product markets 170-1 in the capital market 166-70 in the labour market 165-6 positive factors 171-4 see also affirmative action schemes ethnic enclaves 172-3, 178 ethnic entrepreneurship in transition economies 22 overview 163-5 ethnic-minority businesses, family finance 250 ethnic role models 174

ethnicity and intergenerational entrepreneurship 137-8 as determinant of nascent entrepreneurship 152 Evans and Jovanovic (1989) model 263-71 evolutionary theories of enterprise development 317 exits see venture closure, and failure experience, as determinant of entrepreneurship 115-17 extroversion 130 Fairchild Semiconductor 64, 67 family background as determinant of entrepreneurship 134-8 as determinant of nascent entrepreneurship 151 family-business background, entrepreneurs with 46, 135 family finance 169, 203, 234, 250-1 family labour, use in ethnic groups 173 family-owned firms and profit-non-maximization 57-8 retirement 355 role in the economy 328 see also entrepreneurial dynasties female entrepreneurship age as determinant 114 and venture growth 320 and venture survival 393 education level as determinant 117, 186 financing 195-6 gender earnings gap 190-4 growth and survival rates 194-5 hiring workers 295-6 in transition economies 22 marriage and household production 187-8 moonlighting 341 mothers' self-employment experience 137 motivations 108 nascent entrepreneurship 9, 155 overview 184-6, 197-8 retirement 354 self-employment rates, UK 18 unemployment as determinant 145 work hours 341 see also affirmative action schemes FIML (Full Information Maximum Likelihood) 95 financing 203-5 female entrepreneurship 195-6 sources of 234-5, 261 see also co-operative finance schemes; debt finance; family finance; non-profit-making lenders; self-finance; trade credit; venture capital Finland age as determinant 115 habitual entrepreneurs 25 income 371 nascent entrepreneurship 9 new firm survival rates 389 first-mover advantage 315 first-order stochastic dominance (FOSD) 78 fixed-effects models 98 flexibility hypothesis 188-9

FOSD (first-order stochastic dominance) 78 France business set-up procedures 443 employment assistance schemes 438 family background of entrepreneurs 134 loan guarantee schemes 413 nascent entrepreneurship 9 new firm survival rates 389 self-employment rates 16, 17-18, 140 franchisees and classification as entrepreneurs 13-14 relative incomes 381 franchising, avoiding discrimination problems 169-71 Frank's model of entrepreneurs' labour supply and ageing 351-2, 356, 357-8 Fraser and Greene's (2006) heteroscedastic probit model 102-3 Fried and Howitt's (1980) implicit contract theory 283 Full Information Maximum Likelihood (FIML) 95 Gates, Bill 376 gazelles 316, 397 GEM (Global Entrepreneurship Monitor) 7-8 generated regressors 93 Germany employment assistance schemes 438-9 habitual entrepreneurs 25 incomes 371 loan guarantee schemes 413 Mutual Guarantee Schemes 258 nascent entrepreneurship 9 new firm survival rates 389 regional growth 327 self-employment rates 18 Ghatak et al. (2007) model 75 Gibrat's Law of Proportionate Effect 42, 43, 310, 311, 330 Gifford, S. 32 glass ceiling 193-4, 197 Glass-Steagall Act 244 Global Entrepreneurship Monitor (GEM) 7-8 GLSs (group lending schemes) 258 government failure, risk of 408 Grameen Bank 252-3 grammar schools 118 grandstanding 241 group lending schemes (GLSs) 258 growth see macroeconomic growth; venture growth growth aspirations, as determinant of venture growth 319 habitual entrepreneurs 15, 24-6 see also portfolio entrepreneurs; serial entrepreneurs happiness 112 hazard models for duration of spells in entrepreneurship 100-1 see also moral hazard hazard ratios 101 health, as determinant of entrepreneurship 133-4

health insurance 134

Heckman's method for correcting for selection bias 88 heteroscedastic probit, for cross-section binary models of occupational choice 96 high-tech firms and entrepreneurial spawning 67 and firm size 58 hindsight bias 8 'hire or outsource' model 79-80 see also 'make or buy' decision hobby businesses 7, 10 Holmes-Schmitz model 46 Holmstrom and Milgrom (1994) 52, 54, 80 homeworkers 13 homophily 119-20 household income, and new venture survival 394 human capital as determinant of entrepreneurship 44, 113-19 as explaining gender earnings gap 191 female entrepreneurs 186 see also Parker (2005) human capital based model identification issues 93 identifying instruments 89 immigrant entrepreneurship determinants of 178-80 mobility traps 375 participation 165 immigrants, propensities to entrepreneurship 176-7 immigration, effects on entrepreneurship 180-1 imperfect competition 3 imperfect information 3 incentive effects, and work hours 350 income effect, and entrepreneurial work hours 344 income splitting 432 income tax (IT) 423 empirical evidence 433-6 theoretical issues 429-33 incomes and profits 363 definitions 363-4 determinants findings 378-82 theory and methods 375-8 evidence of relative incomes 369-72 inequality and volatility 372-5 measurement problems 364-9 non-response to survey questions 368 under-reporting 365-8 see also household income, and new venture survival; pecuniary incentives incorporated businesses 11 incorporation 206 see also corporation tax independence, as incentive to entrepreneurship 110 - 13independent spinoffs 31 see also entrepreneurial spawning India, dearth of research 23 Indonesia micro-finance schemes 252

self-employment rates 22 industry characteristics as determinant of entrepreneurship 138-9 female entrepreneurs 186 hiring workers 296 inflation 459 information costs, equity finance 245-6 information spillovers, regional 149 inheritance and business formation 274 as security for a loan 251 wealth transmission 265 inheritance tax (IHT) 437 inherited traits 131 hiring workers 296 see also intergenerational entrepreneurship inherited wealth model 68-9 innovation, modelling 2 innovation policy 423-5 innovation ratios 421 innovative rebelliousness 130 inside collateral 205 institutional entrepreneurs 454 Intel 63, 64 interest-free loans 251 interest rates, as determinant of entrepreneurship 143 intergenerational entrepreneurship 134-8 see also inherited traits intergenerational models, education choices 118 intergenerational transmission, as regional effect 149 internal locus of control 129 international trade, tariff reduction to reduce unproductive entrepreneurship 335 intertemporal substitution 350 intrapreneurs 62-3 see also dependent spinoffs intrapreneurship 31 intuition 130 Inverse Mills Ratio 88, 93 investment banks 227 IPR (intellectual property rights) and entrepreneurial spawning 65-6, 156 and public policy 406, 449-50 IQ (intelligence quotient) 131 IR35 legislation 12 IT (income tax) 423 empirical evidence 433-6 theoretical issues 429-33 Italv bankruptcy provisions 446 business set-up procedures 443 female entrepreneurship 185 Mutual Guarantee Schemes 258 nascent entrepreneurship 9 self-employment rates 14, 16, 18 IV (Instrumental Variables), in cross-section regression models 89–90 'jacks of all trades', entrepreneurs as 45

see also Lazear (2005) jack-of-all-trades (JAT) hypothesis

## CAMBRIDGE

## 546 Index

Japan nascent entrepreneurship 9 self-employment rates 14, 16, 18, 140 Jefferson (1997) model 294 iob creation by entrepreneurs evidence 295-6 hiring others 293-4 job quality 300, 408 theoretical analysis 294-5 by new firms 299–300 by small firms 297-300 job insecurity 374 job satisfaction 111-13 smaller firms 158 'job-shopping' theory see Miller's Jovanovic's (1982) model of industry selection 41, 312-14 judicial efficiency 340, 449 Kanbur, S. M. 34, 36, 39 Keuschnigg-Nielsen double moral hazard model 425-6 Kihlstrom and Laffont (1979) model 49-51, 121-4 Kirzner, I. 32 Klepper, Steven 64, 311 (1996) theory of venture growth 314-15 Knight, Frank H. 32-3, 47 knowledge-based theories of macroeconomic growth 72-4 knowledge spillovers 72-3 and public policy 406-7 as determinant of entrepreneurship 140-2 regional 149-50 Kodak 64 Labour Sponsored Venture Capital Corporations (LSVCCs) 420 Landier (2004) serial entrepreneurship model 74-5, 81 - 2language proficiency, host country 174 latent entrepreneurs 113 latent entrepreneurship 26 Laussel and Le Breton model 47 Lazear (2005) jack-of-all-trades (JAT) hypothesis 71, 116. 151. 381

learning see education level; entrepreneurial learning; entrepreneurship education
lender discrimination, against ethnic minorities 166–70
Lewis, W. Arthur 22
liabilities of newness and smallness 389–90, 395
liability of obsolescence 390
life-cycle models of entrepreneurial participation 350–1
limited liability 206–7, 218
limited liability constraint 269
Loan Guarantee Schemes (LGS) 282, 459
evaluation of 415–17
organisation 412–13
theoretical perspectives 413–15 logit model 91 loss offsetting 430 lottery participation 122 LSI Logic 64 Lucas (1978) model 41-3 criticisms 43-4, 77 variants and extensions 44-9 macroeconomic growth 324-30 theories 67-8 knowledge-based 72-4 technology-based 70-2 wealth-based 68-70 'make or buy' decision 52-7 see also 'hire or outsource' model managerial ability 45 Manove and Padilla (1999) model 225 marginal tax rates (MTR) 434 marital status as determinant of entrepreneurship 132-3, 187-8 as determinant of nascent entrepreneurship 151 Marshall effect 396 mean-preserving spread (MPS) 38, 78 Mexico, self-employment rates 16, 18 MGSs (Mutual Guarantee Schemes) 258-9 micro-finance promise 255 micro-finance schemes 251-7 Miller's (1984) 'job-shopping' theory 114 Miner Sentence Completion Scale 122 minority-owned banks 170 MNL (multinomial logit) model 94 mobility trap 375 mode of entry 46 monitoring, by venture capitalists 239-40 moonlighting 341-3 moral hazard and Newman's (2007) model 50-1, 272 and public policy 421-2 see also double moral hazard MPS (mean-preserving spread) 38, 78 MTR (marginal tax rates) 434 multi-variate models 86 multinomial logit (MNL) model 94 multiplier effect 396 nascent entrepreneurs (NEs) 8-10 characteristics 151-2 moonlighting 341 venture development paths 152-5 National Semiconductor 64 NDC (Non-Distribution Constraint), competitive advantage from 59-60 necessity entrepreneurs 7, 111 necessity spinoffs 26 need for achievement, as determinant of entrepreneurship 129 Nepal, self-employment rates 22 NEs see nascent entrepreneurs neuroticism 130 new firm formation, and economic growth 325-30 new firms, job creation 299-300

new venture creation, as measure of entrepreneurship 7 - 10Newman's (2007) moral hazard model 50-1, 272 niche purveyor strategy, and new venture survival 395 non-profit-making lenders 257 non-stationarity 86 non-stationary processes 97 Norway habitual entrepreneurs 24 nascent entrepreneurs 154 self-employment rates 16, 18 novice entrepreneurs 15, 24 NP (not-for-profit) sector 58 see also social enterprises occupational choice 36 hysteresis (path-dependence) 40 occupational choice models with heterogeneous ability 41-9 with heterogeneous risk attitudes 49-51 with homogeneous agents definitions of risk aversion and risk 37-8 dynamic models 39-41 static models 38-9 occupational following 137 OECD Labour Force Statistics 11 OLS (ordinary least squares) estimation 87 openness to experience 130 opportunity entrepreneurs 7-8 opportunity spinoffs 26 optimal level of entrepreneurship 329, 330, 460 optimisation, economic concept of 2-3 optimism see over-optimism outside collateral 205 over-investment 211-12, 223 see also de Meza and Webb (1987) over-investment model over-optimism 225 advantages of 127-8 as determinant of entrepreneurship 124-6 misconstrued as risk-taking 123 overconfidence advantages of 127 conflation with over-optimism 125 paid employment, definitions 31 panel-data models 98–100 Panel Study of Entrepreneurial Dynamics (PSED) 8 Pareto optimality 209 Parker (2005) human capital based model 76, 82-3, 150 Parker and Rougier's model of the entrepreneurial retirement decision 353, 354, 359-60 Parker and van Praag (2006) model 89-90 passive learning 356 patent races 71, 74 Paulson et al. (2006) structural model 286

pecuniary incentives vs non-pecuniary 107-9 see also relative incomes/earnings, as incentive to entrepreneurship Philippines, self-employment rates 22 Poland income 371, 374 self-employment rates 19, 20 political instability 458-9 pooled regression models 98 portfolio entrepreneurs 15, 24, 26 positive assortative matching 253 postmaterialism, and determinants of entrepreneurship 110 Prince's Trust 442 principals 52 private equity premium puzzle 263, 266-8 probit model 91 procedural utility 111 procurement schemes 440 product quality strategy, and new venture survival 395 professionalisation, provided by venture capitalists 240 profits 363 see also incomes property rights and credit misallocation 340 and rent seeking 336-7, 338 promoting entrepreneurship 448-50 'prosperity-pull' effects 143-4 PSED (Panel Study of Entrepreneurial Dynamics) 8 public insurance 430 public policy 403-4, 459-62 fostering an enterprise culture 457-8 role in promoting entrepreneurship 21 see also affirmative action schemes; business advice and assistance; employment assistance schemes; entrepreneurship policies; innovation policy; political instability; procurement schemes: welfare state random-effects estimators 98 random-effects models 98-9 rational expectations hypothesis 3 'recession-push' effects 143, 145-6 redlining 211, 215-16 reduced form approach 91 reduced form probit 93 reference group neglect 125 regional employment, and new firm formation 325-6 regional factors, as determinants of entrepreneurship 147-51 regression analysis 86 regression fallacy 297 regulation 442, 454-5, 461 costs of compliance 453-4 credit markets 451-3 of entry 442-5 of exit 446-8 see also employment protection legislation regulatory capture 420

payroll taxes (PT) 429

see also income tax

pecking-order hypothesis 245

Cambridge University Press 978-0-521-89960-4 - The Economics of Entrepreneurship Simon C. Parker Index More information

### 548 Index

Regulatory Flexibility Act 454, 461 relationship lending 207 relative incomes/earnings as incentive to entrepreneurship 109-10 inclusion in cross-section binary models of occupational choice 92-4 rent seeking 333 see also unproductive/destructive entrepreneurship replacement effect 303 retirement, and working hours 351-5 retirement benefits 457 'revealed preference' principle 6, 26, 86 risk distinction from 'uncertainty' 33 technical definitions 77-8 risk attitudes as determinants of entrepreneurship 121-4 risk aversion 37 as explaining gender earnings gap 192-3 in static models 38-9 technical definitions 77-8 see also private equity premium puzzle risk capital 237 risk-loving preference 37 risk neutrality 37 Romer, P. M. 72 Roscas (Rotating Savings and Credit Associations) 169-70, 258 Rosen's (1981) theory of 'superstars' 373 Rotter Scale 129 RTE (return to an extra year of education) 376-80, 382 Russia challenges to promoting entrepreneurship 21 entrepreneurial effort 339 income 371, 374 self-employment rates 19-22 sample attrition 99 sample selection bias 86 in cross-section regression models 87-8 Sarbanes-Oxley (SOX) Act 450 saving rates, of entrepreneurs 265 Say, Jean-Baptiste 33-4 SBIR (Small Business Innovation Research) programme 423-4 school voucher programmes 118 Schumpeter, Josef 6, 34-5, 107, 300 screening by banks 217-21 see also Bester's (1985) screening model; due diligence screening by employers 376 Segal and Spivak's (1989) model 315-16 self-efficacy 130 self-employment as measure of entrepreneurship 10-15 preference for 11-12, 19 rates in developed countries 15-19 rates in developing countries 22-4 rates in transition economies 19-22 self-finance 203, 224 and new venture success 155

and new venture survival 394 preference for 276 senescence 390 separation of ownership and control 219 serial entrepreneurs 15, 24 and venture capitalists 241 serial entrepreneurship 25-6 see also Landier (2004) serial entrepreneurship model shadow wages 345 shallow pockets 247 Shockley Labs 64 Sierra Semiconductor 64 signalling 127, 149, 206 Silicon Valley compared to Massachusetts 141 regional factors 149 self-employment rates 26 see also determinants of entrepreneurship, dependent starts single risk hazard models 101 size distribution fallacy 297 skewed returns, preference for 267-8, 285-6 Small Business Technology Transfer (STTR) programme 424 small firms and profit-non-maximization 57-8 innovation 300-1 evidence 303-5 theoretical arguments 301-3 job creation 297-300 job satisfaction 158 likelihood of employees to become entrepreneurs 62 Small Firms Loan Guarantee Scheme 410 SME policies 403-4 SMEs (small and medium sized firms) as measure of entrepreneurship 10 importance in the economy 18-19 see also small firms Smith, Adam 124 social capital as determinant of venture growth 319 as explaining gender earnings gap 192 social enterprises competitive advantage 58-61 definitions 58 social entrepreneurs cheerfulness 61 see also social enterprises social mobility 374-5 social security contributions 432 sojourner theory 176, 178-9 sole proprietorships 11 SOSD (second-order stochastic dominance) 38, 78 Spain, self-employment rates 18 spinoffs public policy 425 see also dependent spinoffs; independent spinoffs; necessity spinoffs; opportunity spinoffs

CAMBRIDGE

Index 549

spouses advantages of having 132 affect on retirement age 353 and new venture survival 394 education level 381 occupational choices of 95 stages of growth models 317 start-up capital, as explaining gender earnings gap 191 state-dependent choices 99 statistical discrimination 166-7 status quo bias 130 stickiness of commercial loan rates 282-3 Stiglitz and Weiss' (1981) model 212-16, 229-30 counter-rebuttals 221-3 rebuttals 216-21 Storey, David 316 stress and anxiety 112 strong ties 119 'structural' occupational choice models 91 STTR (Small Business Technology Transfer) programme 424 substitution effect, and entrepreneurial work hours 344 supernormal profits 3 superstars 373 survival 385 see also venture survival survival bias 8 Sweden, habitual entrepreneurs 24-5 Swedish model welfare state 456 switching between entrepreneurship and paid employment 40 Switzerland, self-employment rates 18 tacit knowledge 73 target income 350 tax compliance enforcement (TCE) 434-5 tax deductibility of not-for-profit organizations 60-1 tax systems, and measures of self-employment 12 taxation 459 and venture growth 324 entrepreneurship policies 421-3 evasion and income under-reporting 364-8, 432, 433, 434, 459-60 on interest income 224-5 promoting entrepreneurial saving 265 see also capital gains tax; corporation tax; income tax taxicab companies 52, 53 TC (trade credit) 259-61 TCMP (Taxpayer Compliance Measurement Program) 364 - 5TEA (Total Entrepreneurial Activity) index 7 team starts 9 and venture growth 321 'theory of the firm' considerations 56 technical elasticity of substitution 42 technological change and Lucas model 43-4 as determinant of entrepreneurship 139-40 impact of 71-2

technology-based theories of macroeconomic growth 70-2 technology strategy, and new venture survival 395 ten-percenters 316 testosterone, and risk tolerance 130 TFP (total factor productivity) 139-40 theories of entrepreneurship 31-2 early theories 32, 35-6 arbitrage and the bearing of risk and uncertainty 32-3 co-ordination of factors of production 33-4 creative destruction 34-5 leadership and motivation 35 personal or psychological traits 35 existence of an entrepreneurial option 51 non-profit-maximising ventures 57-61 theory of the firm considerations 52-7 macroeconomic growth theories 67-8 knowledge-based 72-4 technology-based 70-2 wealth-based 68-70 modern theories 36, 76-7 multiple equilibrium models 74-6 see also occupational choice models third age entrepreneurship 355 tiering 453 time-series models 96-8 tolerance of ambiguity 129 top coding 369 Total Entrepreneurial Activity (TEA) 7 trade credit (TC) 259-61 trade unions 457 transition economies, self-employment rates 19-22 'troublesome' variables 88 trucking companies 52, 53, 54 turbulence 324 two-equation simultaneous equation model, reduced form 101-2

#### UK

bankruptcy regulation 446, 448 business advice and assistance 441 business angels 248-50 Enterprise Allowance Scheme (EAS) 438-9 enterprise culture 457-8 ethnic discrimination in the capital market 166-7, 169 habitual entrepreneurs 24 income inequality 373-4 income under-reporting 365 Loan Guarantee Schemes 413, 415-17 relative incomes 371 self-employment rates 18, 147 venture growth 316 uncertainty, distinction from 'risk' 33 uncertainty avoidance 129 uncompensated wage elasticity 345 under-investment 211 equity finance 247-8 underbidding, by employers 66

unemployment, as determinant of entrepreneurship 143-7 unobserved heterogeneity 86 unpaid family workers, and classification as entrepreneurs 14 unproductive/destructive entrepreneurship 333 conceptual issues 334-8 evidence 338-40 urban areas 150 USA age as determinant 114 bankruptcy regulation 446 business angels 248-50 credit market interventions 417-18 ethnic discrimination in the capital market 167-9 ethnic discrimination in the product market 170 habitual entrepreneurs 25 health insurance 187 job creation by new firms 299 Loan Guarantee Schemes 413, 415-17 new firms survival rates 389 public policy 404, 408 Regulatory Flexibility Act 454, 461 Sarbanes-Oxley (SOX) Act 450 self-employment rates 17-18 venture capital market 238-9 Venice, state ownership of galleys 430 venture capital advantages 239-42 definitions 235 drawbacks 244-8 market size 238-9 organisational structure 235-8 see also equity finance venture closure, and failure 386-8 venture cycle 235 venture growth and survival 385, 393 definitional and measurement issues 317-18 evidence 316-17 evidence about determinants 319-24 overview 310 theories 311-16 venture survival definitions 385-6

empirical determinants 391-6 overview 396-7 rates of 388-9 theoretical determinants 389-91 vesting 236 vulture capital 245 weak ties 119 wealth and venture investment decisions 280 and venture survival 279 as determinant of nascent entrepreneurship 152 relationship with entrepreneurship 269, 284-5 Aghion and Bolton (1997) model 69, 216, 272 alternative interpretations 275-9 Banerjee and Newman (1993) model 68-9, 271 - 2empirical evidence 273-5 Evans and Jovanovic (1989) model 263-71 Newman's (2007) moral hazard model 50-1, 272 wealth-based theories of macroeconomic growth 68 - 70wealth diversification 268-9 wealth inequality, entrepreneurs' role in 265 wealth taxes 437 welfare state size 455-6 social security transfers 457 windfalls 273-4, 276 window dressing activities 243 women see female entrepreneurship work-family conflict 112-13 work hours 112, 185, 341-3 ageing and retirement 351-5 explanations for 343-51 see also flexibility hypothesis worker co-operatives, and classification as entrepreneurs 14 worker monitoring 54

Xerox 63-4

Yunus, Muhammad 252

Zilog 64