
Seminario de microeconomía aplicada 23: Where are the Young Entrepreneurs? A Study of Entrepreneurship over the Life Cycle

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Resumen: Academics and the popular press celebrate entrepreneurship, particularly young entrepreneurs. However, most individuals do not start a business and, if they do, tend to do so well into their thirties. While policies encouraging young, would-be entrepreneurs are popular, little is known about whether they are effective. Using data from the Panel Study of Income Dynamics, I estimate a dynamic Roy model with imperfect information about ability to evaluate the relative importance of various economic determinants of entrepreneurial participation. Risk-averse, forward-looking individuals sequentially select entrepreneurial and paid-employment occupations based on their returns to experience, information value, non-pecuniary benefits, and entry costs. Results show that the main barriers faced by young entrepreneurs are entry costs and information frictions. I consider two policy counterfactuals: a subsidy targeting entry costs and entrepreneurship education targeting information frictions. I extend previous literature providing a mapping from the information quality of entrepreneurship education into career choices and long-term outcomes. A subsidy for young entrepreneurs increases participation but has small long-term effects. Entrepreneurship education can have sizable effects on participation and present value of income flows, even for low information quality. Nevertheless, the value of any particular entrepreneurship education program will depend on its cost and its information quality.

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