

Entrepreneurship and Innovation: discussion

Finance and Productivity (FINPRO) conference

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Macroeconomic Perspective

Some disconcerting macro trends:

- Productivity Slowdown (Fernald,..)
- Increasing Inequality (Piketty,..)
- Increasing Markups (De Loecker & Eeckhout)

...have all been linked to firm heterogeneity.

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Common approach in macro:

- Study behavior of **existing firms**
 - ▶ effect of (macroeconomic) shocks on investment, hiring, innovation, etc.

Some recent literature:

- study **business formation**
 - ▶ number of startup, types of startups, etc.

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Can startups explain macro trends?

Ongoing research. Three relevant questions:

- i) Are startup decisions **special**?
- ii) Are startups decisions **important**?
- iii) Are startups **changing**?

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i) Are startup decisions special?

Many reasons to believe so:

- Irreversible choices (business proposition, physical and organizational structure, financial structure)
- Evolving opportunities and **outside options** (career path, life cycle, labor market)
- Heightened vulnerabilities (**financial conditions**, demand conditions)

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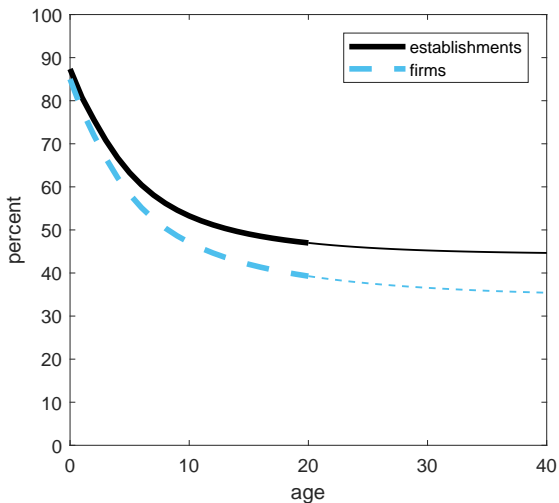
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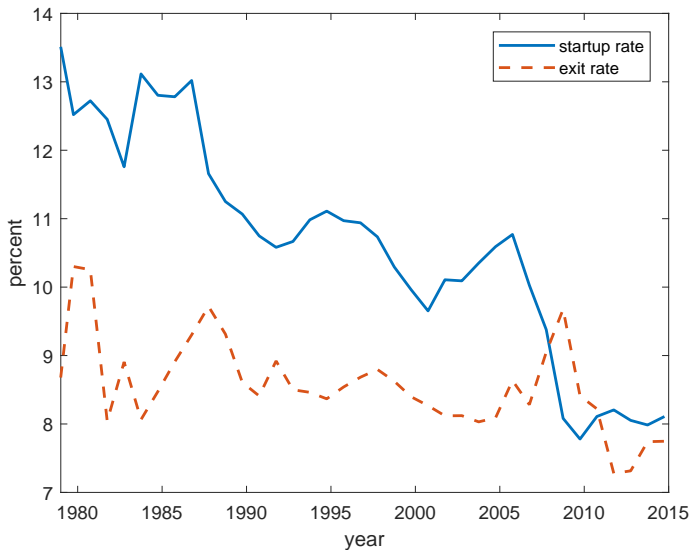
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Percentage of variance in firm employment accounted for by initial conditions.

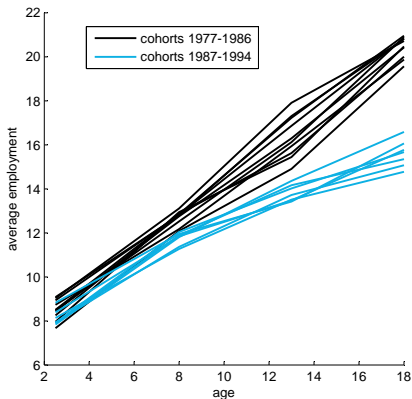
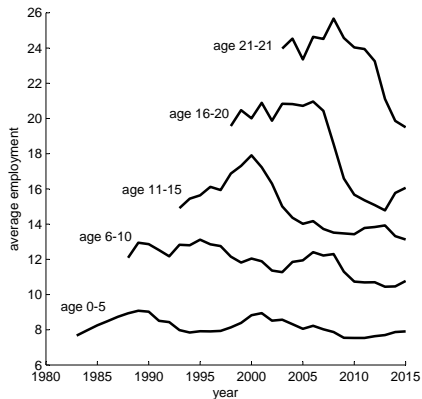
Source: LBD, Pugsley, Sedlacek and Sterk (2018).

iii) Are startups changing?



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