NBER Entrepreneurship Research Boot Camp 2020

Applicant Information

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Even during my early forays into academic research, I quickly saw the important role that innovation and entrepreneurship played in shaping the American economy. As a research assistant at Chicago Booth prior to graduate school, I worked with IRS taxpayer records to help examine questions at the intersection of labor economics, public economics, and corporate finance. During this time, I learned how the dynamics of entrepreneurial activity were critical to understanding income inequality, employment growth, labor productivity, and spatial misallocation.

These early experiences inspired me to investigate entrepreneurship as an area of research focus upon entering graduate school. During my time at Fuqua, I've cultivated my academic interest in entrepreneurship in several ways. As entrepreneurship research lies at the intersection of several fields, I have tried to develop a broad foundation through coursework in related areas, including corporate finance, industrial organization, and applied macroeconomics. For example, through courses such as "Empirical Macroeconomics" and "R&D, Productivity, and Technological Change," I was introduced to important topics including firm heterogeneity and endogenous R&D (e.g. learning by doing), as well as empirical methods for the structural estimation of productivity (e.g. production function estimation). Similarly, I recently audited the industrial organization sequence to better understand demand estimation techniques and the literature surrounding market structure and strategic firm behavior. These courses have helped supplement the traditional corporate finance training my program fosters. In addition, I have sought out faculty members with a history of working in entrepreneurship research, including on my dissertation committee (David Robinson and Manuel Adelino).

Though the interdisciplinary nature of entrepreneurship excites me, it has also posed challenges in trying to build a focused research agenda. Each of the courses I've taken in related fields have only grazed the surface (and often with few classes focused directly on entrepreneurship); attending the NBER bootcamp will allow me to more fully integrate the insights from various disciplines through a deep dive on entrepreneurship as a dedicated topic.

My current research examines how private equity firms respond to competitive incentives. I presented this work in the fall of 2019 at an entrepreneurial finance conference, the Private Equity Research Symposium. In this paper, I study how investments by private equity funds in nursing home chains influence quality of care, and focus on heterogeneity in these effects according to competition. Using variation in local market concentration as well as the introduction of a rating system that increased the salience of quality among consumers, I find that the effects of private equity ownership are mediated by competitive incentives. Beyond this project, I believe that the intersection of entrepreneurial finance, firm strategy, and market structure is a promising avenue for future study.

One of the key insights I drew from this research was regarding the importance of local markets in shaping the strategic behavior of firms and investors. Upon further examination, I recognized that this theme was pervasive in a broader economic discourse. A well-established literature in urban economics demonstrates the significance of agglomeration in shaping entrepreneurial activity, and the national political dialogue has been increasingly shaped by the cleavages in economic opportunity along spatial lines. This regional divergence has led to innovation and entrepreneurship becoming entrenched in just a few metropolitan areas: one-third of US high-growth innovation jobs are located in just 16 counties, and more than half reside in 41 counties.

A variety of local conditions and factors affect entrepreneurial activity, including the decision to begin or grow a business, as well as decisions regarding where to do so. One of the most important factors driving new firm formation and employment growth is the availability of financing. For example, Akcigit et al. (2019) find that firms backed by venture capital investment increased employment by 475% compared to

a control group of peers. Adelino et al. (2015) suggest that increases in collateral from housing wealth facilitated small business starts and self-employment prior to the Great Recession. While financing is critically important for startup success, it remains highly geographically concentrated. During the 2014-2018 period, over 70% of venture capital funding was concentrated in just three states, with the bottom 25 states accounting for 1.3% together (Brown et al. 2020).

Taken together, it bears asking: to what extent does the spatial inequality in capital access determine the spatial inequality in small business starts and employment growth? In particular, I am interested in examining how access to capital factors into a young firm's location choice. While prior work has described the impact of financing shocks on economic outcomes, there is a lack of evidence surrounding effects of the spatial distribution of finance. Understanding the role that financing inequality plays in shaping the geographic distribution of entrepreneurial activity is notably important for policymakers, who may be looking to understand which dimensions of local ecosystems drive entrepreneurial outcomes.

One of the enduring challenges of pursuing entrepreneurship research is access to high quality data. Though data on public firms are widely available, young firms are almost always private, making it difficult to study entrepreneurial firms and the decisions of their founders and investors. For this reason, I pursued access to Census Bureau microdata and recently received approval for a proposal utilizing the LEHD and LBD databases. One of the reasons I'm particularly excited about the NBER bootcamp is the important research that several of the professors involved with the program have conducted using Census data (e.g. John Haltiwanger and Scott Stern). The opportunity to learn from active researchers who have worked with the data would be invaluable in navigating the unique challenges of working with administrative data.

I hope to use the Census data to develop a job market paper focused on entrepreneurship and economic growth.[1] I aim for this to be the beginning of a longer term research agenda involving entrepreneurial finance. Attending the NBER Entrepreneurship Research Bootcamp will allow me to develop a community of like-minded peers with similar research interests from other programs across the country. The opportunity to meet other students and interact with important faculty active in entrepreneurship research would be tremendously valuable in building networks for future research collaborations and to receive feedback on ongoing work. As a fourth year student, I'm on the cusp of writing a job market paper and would benefit from a careful study of important trends and latest research in entrepreneurship. Classmates from the Fuqua PhD program who attended in years past (e.g. YoungJun Song, Ben McCartney, and Ahmet Degerli) spoke highly of the bootcamp and impressed on me the importance of the bootcamp in helping them forge personal and professional connections.

[1] For example, I can pursue the earlier question by identifying entrepreneur and firm relocations in the Census microdata, attempting to predict such relocations using exogenous variation in local financing availability. As the LEHD provides location histories for both workers and establishments, I can identify all residential and commercial relocation events. To identify startups, I will use the LBD to obtain a list of firm-year observations where all establishments associated with the parent firm appear for the first time. Matching these firm-years into the LEHD develops a database of all employees in young firms. From this, I can identify a panel of entrepreneurs that includes location, employer, and wage histories. Lastly, I aim to connect firms to VC financing events from Pitchbook and Crunchbase.

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EDUCATION

Duke University — Durham, NC
Fuqua School of Business — 2016–
Ph.D. in Finance
Committee: John Graham (Chair), David Robinson, Manuel Adelino, Victor Bennett

Pomona College — Claremont, CA
B.A. in Economics (Major GPA: 3.98) — May 2012
Minor in Mathematics

- Leland M. Backstrand Memorial Award in Economics
- Pomona College Scholar (semesterly)
- Distinction in the Senior Exercise
- Phi Beta Kappa

RESEARCH INTERESTS

Corporate Finance, Household Finance

RESEARCH IN PROGRESS

1. **"Private Equity, Competition, and Quality in the Nursing Home Industry"**
   with Ashvin Gandhi and YoungJun Song
   What role do regulators play in how private equity (PE) affects stakeholders? This paper examines 68 PE deals covering nearly 20,000 facilities between 1995 and 2016 in order to understand how PE ownership affects nursing home quality and the role that regulators' have played in shaping these effects. We find significant heterogeneity in the effect of PE acquisitions. PE owners are highly sensitive to local market competition: PE owners in low-concentration markets increase facility quality significantly more than PE owners in highly-concentrated markets. We study the introduction of the Nursing Home Compare Five Star Rating System, a simple online system intended to guide consumers to higher quality facilities, and find that PE owned facilities were significantly more Together, these results suggest that competitive incentives can be used to align the impacts of PE with policymakers objectives.

2. **"Vacancy Chains and Real Estate Pass-through"**
   with Ashvin Gandhi

3. **"Highly Localized Determinants of Housing Supply"**
   with Ashvin Gandhi

TEACHING EXPERIENCE

Duke University, Fuqua School of Business

FINANCE 645: Global Financial Management (*Adriano Rampini*)	Fall 2017
FINANCE 661: Raising Capital and FinTech (*Manju Puri*)	Spring 2018
FINANCE 660: Venture Capital and Private Equity (*David Robinson*)	Fall 2018
FINANCE 646: Corporate Finance (*Felipe Varas*)	Fall 2018
FINANCE 661: Raising Capital and FinTech (*Manju Puri*)	Spring 2019

FINANCE 660: Venture Capital and Private Equity (*David Robinson*) Fall 2019
FINANCE 646: Corporate Finance (*Felipe Varas, Sasha Indarte*) Fall 2019
FINANCE 661: Raising Capital and FinTech (*Manju Puri*) Spring 2020

EMPLOYMENT HISTORY

University of Chicago Booth School of Business
Research Professional 2014–2016

Worked as a research assistant to Professors Owen Zidar and Eric Zwick, on research projects in public finance, labor economics, and corporate finance. Acted as the primary statistical analyst working with large-scale Internal Revenue Service databases containing information from the universe of federal taxpayer records.

Cornerstone Research
Analyst 2012–2014

Performed economic analyses for commercial and business litigation matters, supporting experts in preparation for depositions and trial testimonies.

COURSEWORK

Microeconomics I
Econometrics I
Asset Pricing Theory
Empirical Asset Pricing
Corporate Finance Theory
Empirical Corporate Finance (Duke Fuqua)
Empirical Corporate Finance (UNC Kenan-Flagler)
Public Economics of Education
Personnel Economics of Education
R&D, Productivity, and Technological Change
Dynamic Discrete Choice
Advanced Panel Data Methods
Graduate Public Finance I & II
Empirical Macroeconomics & International Finance

John R. Graham
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March 27, 2020

Prab Upadrashta, Duke University, Fuqua School of Business Ph.D. student

Prabhava (Prab) Upadrashta is a Ph.D. student at the Fuqua School of Business, Duke University. I am Prab's chair. He is in the dissertation stage of our Ph.D. program. I write to recommend Prab to the NBER Entrepreneurship camp.

Prab is interested in entrepreneurship and entrepreneurial finance.

- For the past two years, he's attended the Frontiers of Entrepreneurship Conference (co-sponsored by Duke, UNC Kenan-Flagler, Wharton, Yale SOM, Stanford, and Chicago Booth) as Duke's Ph.D. student representative. This has allowed Prab to better understand active areas of entrepreneurship research, as well as help him generate new ideas from interacting with faculty and relevant policymakers.
- He recently applied for the 2020 Kauffman Knowledge Challenge to support a research project on the location of entrepreneurial activity.
- He has existing work in the broad area of entrepreneurial finance, examining private equity investment and competitive incentives in the healthcare industry.
- Earlier this year, he received approval for Census RDC access based on a research proposal focused on household and entrepreneurial finance. His goal is to use the Census microdata to develop a job market paper focused on entrepreneurship and its role in local economic activity.
- His dissertation committee also reflects a commitment to entrepreneurship research (e.g., David Robinson and Manuel Adelino).

Prab would benefit greatly from attending the NBER's bootcamp.

- Prab would certainly benefit from additional exposure to the latest research and perspectives from experienced professors regarding the important and understudied questions in the field.
- He would benefit from the opportunity to interact with students from other schools and programs, as well as to interact with the important faculty in the area. This will help him build networks for future research collaborations and receive feedback on ongoing work. This is particularly relevant as a fourth year student, given that he is in the process of actively formulating and cementing ideas for his job market paper and is beginning to shape the direction of his early-career research agenda.

Prab will benefit enormously if you choose him to attend. Please let me know if I can provide any more information.

Sincerely,

John R. Graham