Cover Letter for NBER Entrepreneurship Research Bootcamp

Applicant Details

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Letter Writer Details

Name: Prof. Johannes Stroebel

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Body

Please find attached my application for NBER Entrepreneurship Research Bootcamp.

Many thanks and regards,

Abhinav

Curriculum Vitae

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44 West 4th Street, Suite 9-197, New York, NY, 10012

EDUCATION

New York University Stern School of Business 2017 - Present
PhD Finance

Indian Institute of Management - Ahmedabad 2013 - 2015
M.B.A. Finance

Indian Institute of Technology - Kharagpur 2009 - 2013
B.Tech Electrical Engineering

INTERESTS Entrepreneurial finance, Household finance, Corporate finance

PUBLICATIONS

"International Trade and Social Connectedness",
(With Mike Bailey, Sebastian Hillenbrand, Theresa Kuchler, Rob Richmond and Johannes Stroebel)
Journal of International Economics, 129(103418), March 2021

WORK IN PROGRESS

"Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes",
(with Atul Gupta, Sabrina Howell and Constantine Yannelis)

"Social Connections and Liquidity Hoarding"

RESEARCH EXPERIENCE

Research Assistant 2018
Arpit Gupta, Johannes Stroebel
Worked on merging real-estate building level micro-data with private equity deal data; Worked on merging North Carolina education and Court Cases Data

TEACHING EXPERIENCE

Instructor - Summer Course 2020
Foundations of Finance

Teaching Assistant for Prof. Anthony Saunders 2021
Risk Management in Financial Institutions

WORK EXPERIENCE

Boston Consulting Group 2015 - 2017
Consultant
Worked on 4 strategy projects in banking, manufacturing and media involving market entry, customer experience improvement and org. structure redesign.

AWARDS

Institute Gold Medal (Indian Institute of Management - Ahmedabad)	2015
Ratan Tata Scholarship	2015
HUL T-Thomas Scholarship	2015
Presidents Silver Medal (Indian Institute of Technology - Kharagpur)	2013

OTHER

Programming languages: Stata, Python, PySpark, R, Matlab
Citizenship: Indian

Last updated: March 2021

Completed PhD Courses

Fall 2017

Math's for Economists

Microeconomics 1

Macroeconomics 1

Econometrics 1

Spring 2017

Microeconomics 2

Macroeconomics 2

Econometrics 2

Fall 2018

Financial Theory 1

Financial Theory 2

Financial Theory 3

Seminar on Empirical Household Finance

Spring 2018

Financial Theory 4

Financial Theory 5

Seminar on Financial Intermediation

Spring 2020

Nexus between Sovereign and Financial Sector

Essay for NBER Research Boot Camp

I am Abhinav Gupta, a fourth year PhD student in NYU Stern Finance department. I would like to use this opportunity to forward my name for the NBER entrepreneurship bootcamp.

I have been fortunate to work with many brilliant professors during my PhD stint at NYU. I have a recently published paper on social connections and international trade co-authored with Prof. Johannes Stroebel, Prof. Theresa Kuchler, Prof. Robert Richmond, Michael Bailey, and Sebastian Hillenbrand. In this paper, we use de-identified data from Facebook to construct a new and publicly available measure of the pairwise social connectedness between 170 countries and 332 European regions. We find that two countries trade more when they are more socially connected, especially for goods where information frictions may be large. The social connections that predict trade in specific products are those between the regions where the product is produced in the exporting country and the regions where it is used in the importing country. Once we control for social connectedness, the estimated effects of geographic distance and country borders on trade decline substantially.

I have also been working on another paper which explores the effect of private equity take-overs of nursing homes with Prof. Sabrina Howell, Prof. Atul Gupta, and Prof. Constantine Yannelis. In this paper, we study the effects of PE ownership on patient welfare at nursing homes. With administrative patient-level data, we use a within-facility differences-in-differences design to address non-random targeting of facilities. We use an instrumental variables strategy to control for the selection of patients into nursing homes. Our estimates show that PE ownership increases the short-term mortality of Medicare patients by 10%, implying 20,150 lives lost due to PE ownership over our twelve-year sample period. This is accompanied by declines in other measures of patient well-being, such as lower mobility, while taxpayer spending per patient episode increases by 11%. We observe operational changes that help to explain these effects, including declines in nursing staff and compliance with standards. Finally, we document a systematic shift in operating costs post-acquisition toward non-patient care items such as monitoring fees, interest, and lease payments.

Both these papers have helped me greatly to understand the process of doing robust and clean empirical research. I now plan to take the skills I have learnt from these papers and apply the same to questions about entrepreneurship and innovation.

I am currently working on my job market paper examining how immigrant labor frictions affect firm monopsony power, entrepreneurship, and innovation outcomes. I exploit a natural experiment in the US immigration process which unexpectedly increased Green Card (GC) wait times for Indian/Chinese

immigrants by ~5 years as compared to other workers. Using matched employee-employer data from LinkedIn, I first show that this employment shock differentially reduced inter-firm employee mobility by ~ 15% for the treated group. These reductions manifest only after employees have applied for GC and cannot be explained by an employee/firm selection-based story. I further show that the differential probability of within firm employee promotion and that of employees joining a start-up also reduced by ~30 and 20 % respectively. These restrictions boost the firm value for publicly listed companies and firms with 1% more Indian/Chinese origin workers reporting an increase of 1.5% in firm value around the time of policy announcement. However, this comes at the expense of start-ups with markets (industries X commuting zones) with 1% more Indian/Chinese workers seeing ~2% fewer new startups per 1000 employees. Future work for this study will focus on further understanding the effects of this policy on existing start-ups and innovations outcomes.

The NBER bootcamp will be extremely helpful to me as I plan to concentrate on entrepreneurship as my core research agenda. It will allow me to interact with scholars, across departments, who have been thinking about and studying these questions and thereby help me generate new ideas and refine my existing ideas. I am especially looking forward to lectures from the doyens of entrepreneurship research, as these will not only help me understand how they think about the existing literature, but also potentially identify opportunities to extend and link my own ideas to have the maximum impact.

I sincerely do hope that I am selected for this bootcamp and I look forward to utilizing this amazing opportunity to connect and learn from other scholars thinking about similar questions.

NEW YORK UNIVERSITY

Johannes Stroebel
David S. Loeb Professor of Finance

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Dear Organizing Committee,

it is my great pleasure to be writing this letter of recommendation to provide my **strongest possible support** for Abhinav Gupta's application to the NBER Entrepreneurship Research Bootcamp. I am advising Abhinav jointly with my NYU colleagues Sabrina Howell and Arpit Gupta. **Abhinav is the strongest PhD student that I have had the pleasure of working with in the 9 years since finishing my own PhD, and he will be the first one that I will recommend to "all departments, especially the top" when he will go on the job market this fall.**

Abhinav is a 4th year PhD student, and is working on what I expect to be a truly outstanding job market paper at the intersection of corporate finance, labor economics, and entrepreneurship. In the paper, Abhinav studies how labor reallocation frictions resulting from various quirks of the US immigration code affect firm monopsony power and employee entrepreneurship. The research design is incredibly clean given the importance of the question: in 2006, an unexpected change in the US immigration process unexpectedly increased Green Card wait times for Indian/Chinese immigrants by about 5 years, without affecting the wait times for immigrants with other nationalities. This increase in the wait time has large effects on these workers, since they cannot easily switch employers while their Green Card applications is pending (or, if they did, it would essentially restart the Green Card process). So this natural experiment dramatically reduced labor mobility for Indian/Chinese workers, without affecting labor mobility for other workers.

To study the effect that this has on workers' employment and entrepreneurship outcomes, Abhinav builds a matched employee-employer data base that includes details on education histories using data scraped from LinkedIn. His first result is that this shock immediately reduced inter-firm employee mobility by about 15% for Indian and Chinese workers, relative to the control group of other immigrant workers (these two groups move on highly parallel trends in the pre period). Exploiting the precise timing of Green Card applications, Abhinav can rule out that this is driven by any selection on the matching between firms and employees. The reduced ability of switching employers is also associated with a reduced probability of receiving promotions inside their current firm, suggesting that these firms exploit their suddenly increased monopsony power over their Indian and Chinese employees. Consistent with this finding, Abhinav uses an event-study design and finds disproportionate stock price increases for firms with many Indian and Chinese employees around the time of the policy announcement.

Most strikingly, Abhinav finds that following this unexpected policy change, there is a 20-30% decline in the probability of Indian and Chinese employees leaving their large employers to join

startups; he finds particularly large effects on the propensity to join VC-backed businesses. The effects are quantitatively large, and reduce the overall extent of entrepreneurship. To estimate the overall effects on entrepreneurship, Abhinav defines a number of distinct "markets" as industry x commuting zone combinations that differ in the extent of reliance in Indian/Chinese workers. He documents that markets with 1% more Indian or Chinese workers have about ~2% fewer new startups per employee; he is in the process of coming up with credible estimates of the total dollar-amount of losses associated with these lost start-ups. This is, to my knowledge, the most convincing research documenting the large effects of immigration restrictions on entrepreneurship activity.

As you can see, this is a cleanly identified paper on a topic of first order importance, and, as I have already mentioned, I expect that it will land Abhinav a first-rate academic job. The idea and the paper were developed with little faculty input (a casualty of the Covid lockdown), making it an even more impressive achievement. I hope that participation in the NBER Entrepreneurship Research Bootcamp will allow Abhinav to refine and expand his study of the effects of labor mobility and immigration policies on entrepreneurship.

Abhinav is also an extremely pleasant, friendly, and collegiate person to have around, something that I have much appreciated during my collaborations with him on a number of my own research projects, some of which he has become a co-author on.

In sum, Abhinav is an extremely strong candidate for the NBER Entrepreneurship Research Bootcamp, and I am highly confident that he will be a much-sought-after job market candidate in the fall.

Please do not hesitate to contact me if you have any other questions!

Sincerely



Johannes Stroebel