Jiaming Soh

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January 25th, 2023

National Bureau of Economic Research
Entrepreneurship Research Boot Camp 2023
Cambridge, MA

Dear Review Committee,

I am Jiaming Soh, a Ph.D. Candidate in Economics at the University of Michigan Ann-Arbor. My research interest is in studying the formation of small businesses and minority entrepreneurs, and I am writing to express my interest in applying to the Entrepreneurship Research Boot Camp 2023 in Cambridge, MA.

The faculty member that will provide my letter of recommendation is Professor Matthew D. Shapiro (shapiro@umich.edu) from the Department of Economics at the University of Michigan-Ann Arbor. Attached are my two-page essays and CV for your reference.

Thank you for your time and consideration of my application.

Sincerely,
Jiaming Soh

Statement of Work

Jiaming Soh*
Ph.D. Candidate in Economics, University of Michigan Ann-Arbor

January 25, 2023

1 Statement of Work

The contribution of small businesses and minority-owned businesses to the U.S. economy is non-trivial. Small businesses, particularly startups and young firms, account for approximately 20% of new jobs in the U.S. (Decker et al., 2014). Approximately 9.2 million minority-owned businesses contributed 2.5% of GDP, providing up to 8.9 million jobs in the United States. Despite the significant contribution of small businesses and minority entrepreneurs to the economy and job creation, little is known about them in the current economics literature. My research agenda, therefore, looks to fill this knowledge gap by investigating what drives the formation and development of small businesses and minority-owned businesses in the United States, as well as the role of government policies in this process. Given that business ownership is a key route to wealth creation in the United States (Buera (2009); Gemtry and Hubbard (2000); Nardi et al. (2007); Quadrini (1999)), understanding the drivers of the formation and survival of small businesses and minority entrepreneurs is crucial to close the racial and ethnic wealth gap.

My dissertation looks to fill this knowledge gap from several angles. First, relying on the premise that small businesses are responsible for a large share of entrepreneurial activity and job creation, policymakers have enacted a broad array of tax breaks, direct spending programs, and government contracts to promote such businesses. One main argument in economics for heavily subsidizing small businesses hinges on the notion that small businesses are crucial contributors to aggregate innovation and employment growth, but market forces alone are insufficient to allocate adequate resources to this sector. It, however, remains unclear whether providing government subsidies is the best way to spur the long-term expansion of minority-owned businesses. In fact, there is no empirical research assessing whether small business subsidies actually have a positive net present value (Hurst and Pugsley, 2015). In addition, while previous research has examined the aggregate effects of government purchases (Ramey, 2019), there is a lack of empirical evidence specifically examining the effects of such purchases, such as the role of government contracts, on the dynamics of small businesses and minority entrepreneurs. My current project, therefore, seeks to fill this gap by estimating the effect of government contracts on the job creation and formation of small businesses and minority entrepreneurs by constructing a new dataset. This

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project will inform the ongoing debate on whether to continue existing government programs or offer alternative initiatives to increase the participation and formation of small businesses in the United States.

In my second project, I investigate whether low personal wealth is the only factor contributing to the low minority-owned business rate. Previous research has emphasized mainly the role of personal wealth and financial constraints in explaining the low rates of business formation among minorities (Fairlie, 1999; Meyer, 1990), which serve as the foundation for numerous existing government financial programs in the United States. Less research focuses on understanding the role of exposure to entrepreneurship in explaining the gap between minority and non-minority entrepreneurs, particularly between Black and White entrepreneurs. Given that entrepreneurship is a risky career path, besides having sufficient financial resources, having a network of people willing to assist and provide assistance is crucial in encouraging new entrepreneurs. Despite the common knowledge that exposure to entrepreneurship is essential for the development of new entrepreneurs, there is a lack of empirical work that documents whether there is a relationship between exposure to entrepreneurship and entrepreneurial intent. My project, therefore, aims to fill this gap by estimating the importance of exposure to entrepreneurship - which I measure using parental entrepreneurship - relative to the role of personal wealth in influencing the decision of minority individuals to become entrepreneurs. The findings from this project will inform academics and policymakers on alternative methods to encourage and strengthen the participation of minorities in small businesses besides providing more financial aid.

This boot camp would be a unique opportunity for me to connect with other participants currently working on the economics of entrepreneurship, besides having the opportunity to study and learn from esteemed scholars in the field. I am excited to learn about the existing frontier work from leading scholars in this field, and I look forward to integrating these lessons into my research agenda. Through this boot camp, I also hope to acquire insights into navigating this research field as a graduate student. Furthermore, this workshop draws early career scholars in this field and provides a valuable chance to connect with other like-minded individuals. The ability to network and engage with a supportive community is an experience that I would like to be part of, which will aid in advancing my current research and career in the economics of entrepreneurship.

References

Buera, F. J. (2009). A dynamic model of entrepreneurship with borrowing constraints: theory and evidence. *Annals of Finance 5*, 443–464.

Decker, R., J. Haltiwanger, R. Jarmin, and J. Miranda (2014). The role of entrepreneurship in U.S. job creation and economic dynamism. *Journal of Economic Perspectives 28*, 3–24.

Fairlie, R. W. (1999). The absence of the African-American owned business: An analysis of the dynamics of self-employment. *Journal of Labor Economics*.

Gemtry, W. M. and R. G. Hubbard (2000). Entrepreneurship and household saving. *NBER Working Paper*.

Hurst, E. G. and B. W. Pugsley (2015). Wealth, tastes, and entrepreneurial choice. *NBER Working Paper Series*.

Meyer, B. D. (1990). Why are there so few Black entrepreneurs? *NBER Working Paper Series 3537*.

Nardi, M. D., D. Phil, and S. D. Krane (2007). Evidence on entrepreneurs in the United States: Data from the 1989-2004 Survey of Consumer Finances. *Federal Reserve Bank of Chicago Economic Perspective*.

Quadrini, V. (1999). The importance of entrepreneurship for wealth. *Review of Income and Wealth*.

Ramey, V. A. (2019, 3). Ten years after the financial crisis: What have we learned from the renaissance in fiscal research? *Journal of Economic Perspectives 33*, 89–114.

Jiaming Soh

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University of Michigan-Ann Arbor
Department of Economics

EDUCATION

University of Michigan-Ann Arbor
Ph.D. Candidate in Economics
M.A. in Economics (2021)

University of Wisconsin-Madison
B.A. in Mathematics and Economics (2011-2015)

COMPLETED COURSES IN MACROECONOMICS

1. 1st & 2nd Year Ph.D. Macroeconomics Sequence (UM-Ann Arbor)
2. 2nd Year Ph.D. International Trade & International Finance Sequence (UM-Ann Arbor)
3. Ph.D. Structural Estimation (UM-Ann Arbor)
4. Ph.D. Computational Macroeconomics (UM-Ann Arbor)
5. Advanced Tools for Macroeconomists by Wouter Den Haan, Rendahl, Sedláček (LSE)
6. Continuous Time Methods in Macroeconomics by Villaverde and Nuño (UPenn)

PAPER

Journal Publication

1. "The Nurture Effects of Multidimensional Parental Skills on College Attainment" (with Kegon Teng Kok Tan), *Journal of Human Capital*, 14(1) 2020 (Link)

Working Paper

2. "Entrepreneurship and Intergenerational Wealth Inequality"

TEACHING EXPERIENCE

(2020) First Year Ph.D. Macroeconomics Theory, University of Michigan-Ann Arbor

(2020, 2021) Introductory Macroeconomics and Microeconomics, University of Michigan-Ann Arbor

PREVIOUS EMPLOYMENT

(Summer 2022) IMF Ph.D. Fund Internship Program (FIP), Research Department (RES), International Monetary Fund

(Summer 2021) Research Assistant to Prof. Matthew Shapiro, University of Michigan-Ann Arbor

(Summer 2020) Research Assistant to Prof. Pablo Ottonello, University of Michigan-Ann Arbor

(2015-2019) Economist, Monetary Policy Department, Central Bank of Malaysia

AWARDS

(2022) James Morgan Innovation in the Analysis of Economic Behavior Fellowship ,
University of Michigan-Ann Arbor

(2022) Outstanding Third-Year Paper Award, University of Michigan-Ann Arbor

(2018) Best Paper by a Young Researcher Award, Bank for International Settlements

(2015) Outstanding Senior Honor Thesis Award, University of Wisconsin-Madison

COMPUTATIONAL SKILLS

Matlab, Julia, Stata

SERVICE

(2020) International/Macroeconomics Students' Seminar Organizer, University of Michigan-Ann Arbor

LSA ECONOMICS
UNIVERSITY OF MICHIGAN

Matthew D. Shapiro
Lawrence R. Klein Collegiate Professor of Economics
Director, Survey Research Center

January 2023

Dear Colleagues:

I am delighted to recommend **Jiaming Soh** for **NBER Entrepreneurship Research Boot Camp**. I have known Jiaming since he took my second-year PhD macroeconomics course in Winter 2021. I have supervised his research since he entered candidacy in his third year and expect to chair his dissertation committee.

His dissertation will be on the role of entrepreneurship in explaining the evolution of wealth of blacks. Hence, it fits squarely with the topic of the boot camp. He would benefit substantial from participation

While it is well understood that entrepreneurship is an important source of wealth accumulation and an important source of wealth mobility, Jiaming's focus on the role of minority-owned small business is novel and highly promising. His plan is to combine data on Federal contracting and Federal administrative data is ambitious. The scale and scope of these data should provide statistical power necessary to identify the racial differences. Jiaming has suggestive findings on the importance of entrepreneurship in explaining racial differences in wealth from the Panel Study of Income Dynamics (PSID, discuss below). Though the PSID is a large survey-based panel, the number of minority entrepreneurs is fairly small. Additionally, the matched contract data will allow for credible identification of the effects because of quasi-experimental variation in success in winning contracts. The use of these non-public Federal data requires approvals to access them in a Federal Statistical Research Data Center (FSRDC). The University of Michigan hosts the largest FSRDC outside of the DC area. The Survey Research Center provides strong support to students in gaining access to the FSRDC and in implementing successful research in it.

As I just mentioned, Jiaming has a completed project on the role of entrepreneurship in explaining wealth differences. He uses the PSID's intergenerational design to understand what launches entrepreneurs over the lifecycle. He has results examining the role of parental wealth in enabling their adult children to be entrepreneurs. He distinguishes different sources of parental wealth, e.g., housing, financial wealth, and business ownership. This lets him distinguish between the role of the asset position of parents and their experience as entrepreneurs *per se* in their children's outcomes. He has some very results on the role of debt that points toward a risk-taking channel: Parental support may

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allow children to borrow early in life to get onto the entrepreneurial escalator. He also shows the importance of "inheriting" entrepreneurship. Children are more likely to become entrepreneurs if their parents were also business owners, even after controlling for family wealth. This finding points to the importance of non-financial channels (sharing know-how or entrepreneurial spirits, social networks) in the intergenerational transmission of wealth.

Finally, he has preliminary findings that suggest that blacks are more likely to own small businesses in service or retail establishments, which are less likely to grow to create substantial wealth. The Census data will be important for getting better information about this issue.

I have been impressed by Jiaming's skill and tenacity in pursuing his interest in wealth inequality. In his research project in Summer 2021, he used the Survey of Consumer Finances (SCF) to study the role of business cycle shocks in wealth dynamics. Since the SCF is not a panel, he took a synthetic cohort approach. He identified some interesting effects of recessions on wealth across cohorts. While a worthwhile exercise, there are limitations to the synthetic cohort approach—especially in making inferences about mobility. Hence, for his third-year research, he switched to using the PSID. His initial work explored wealth transmission across generations by type of wealth. He has refined that work to focus on entrepreneurship.

Jiaming is well poised to lever this support for rapid progress in his research. As described above, he has promising preliminary results and a good plan for advancing them. He works effectively independently and makes effective use of advice. Accordingly, I am pleased to give Jiaming Soh strong and unqualified support for participation in the NBER boot camp.

Please feel free to get in touch with me if I can provide further information.

Sincerely,

Matthew D. Shapiro

Matthew D. Shapiro
Lawrence R. Klein Collegiate Professor of Economics
Director, Survey Research Center, Institute for Social Research