APPLICATION FOR THE NBER ENTREPENEURSHIP RESEARCH BOOT CAMP 2012

FILIPPO MEZZANOTTI

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Recommendation Letter writer: Prof. Josh Lerner, Harvard Business School

Prof. Lerner will provide the recommendation letter by e-mail.

Dear Brett,

I am writing regarding three applicants from Harvard to the NBER Entrepreneurship Boot Camp.

Traditionally, we have had a somewhat lower bar for applicants from the Boston area, since they are low (or no) cost to the program, as opposed to those who need travel and lodging. This year we have three applicants from Harvard. Two of them seem quite strong and well over the bar; the third poses a few questions which we can discuss on the call when we confer about the applicants.

Lilei Xu seems like an excellent fit as a candidate. She has been working with Victoria Ivashina and I on a project on private equity co/direct investments, and has also taken our class on Theoretical and Empirical Perspectives on Entrepreneurship. In both these contexts, I have been very impressed with her maturity and analytic abilities. Her interests revolve around venture capital and entrepreneurial finance. I am optimistic that she will prove to be an excellent entrepreneurship finance researcher following the lead of Rick Townsend and Shai Bernstein, two recent very successful graduates of our PhD programs.

Yao Zhen differs from our classic applicant to the boot camp, but is quite intriguing, Yao is in the Harvard Economics Department and is focusing on the topic of theoretical asset pricing, but is very interested in incorporating perspectives entrepreneurship into these models: for instance, how the risks associated with individual actors taking uncertain actions in the real economy will be priced into the returns that investors demand. Yao took Theoretical and Empirical Perspectives on Entrepreneurship this spring and was an extremely active and thoughtful participant. Thus, I am confident that even though this may not reflect the profile of the typical applicant to the boot camp, Yao will be an active participant and benefit considerable from taking part in the seminar series.

The more challenging case is Filippo Mezzanotti. He has been one of my advisees in the Harvard Business Economics program, and seems very interested in entrepreneurship as a research area. He will be working as a research assistant for a project with Shai Bernstein and myself this summer on a project on private equity and the great recession, and has worked previously as a research assistant for Paula Sapienza and Luigi Zingales. But he is a first-year doctoral student at the moment without a well-defined research agenda. I know that the admissions committee has often felt that delaying participation until after oral exams (i.e., second year) is frequently desirable. I will look forward to discussing his case on our call.

I hope these comments are of use.

Best wishes,

Josh

Josh Lerner
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Graduate Studies:

Ph.D., Business Economics, Harvard University, 2011 to present
Expected Completion Date: June 2016
Fields: Corporate Finance, Entrepreneurship, Applied Econometrics

M.Sc., Economics, Università Commerciale "Luigi Bocconi", summa cum laude, 2008-2010

Undergraduate Studies:

B.A., Economics, Università Commerciale "Luigi Bocconi", summa cum laude, 2005-2008

Visiting Student, Department of Economics, Dartmouth College, 2007

Research Experience and Other Employment:

2010-2011	Visiting Pre-Doctoral Scholar, Department of Finance, Kellogg School of Management, Northwestern University. Supervisor: Prof. Paola Sapienza
2009-2010	Research Assistant, IGIER, Università Commerciale "Luigi Bocconi". Supervisor: Prof. Vincenzo Galasso
2007	Research Assistant, Department of Economics, Dartmouth College. Supervisor: Prof. Annamaria Lusardi

Honors, Scholarships, and Fellowships:

2011 to present	Bonaldo Stringher Scholarship, Bank of Italy
2008-2010	Bocconi Graduate Merit Award

Graduate Coursework for Filippo Mezzanotti

Completed:

- Econ 2010a-Microeconomic Theory. Instructors: Jerry Green and Edward Glaeser
- Econ 2010c-Macroeconomic Theory. Instructors: David Laibson and Robert Barro
- Econ 2110- Introductory Probability and Statistics for Economists. Instructor: Rustam Ibragimov

Current:

- Econ 2010b-Microeconomic Theory. Instructors: Jerry Green and Oliver Hart
- Econ 2010d-Macroeconomic Theory. Instructors: Emmanuel Farhi and Kenneth Rogoff
- Econ 2120- Introduction to Applied Econometrics. Instructor: Gary Chamberlain
- Econ 2140- Econometric Methods. Instructor: Guido Imbens

To whom it may concern,

The NBER Entrepreneurship Research Boot Camp is a unique opportunity to get exposed to cutting edge research in entrepreneurship. Being able to participate in the Boot Camp would give me the chance to work with leaders in entrepreneurial economics as well as with other fellow students who share my interest in this topic and my ambition to advance knowledge in the field with future research.

During the last two years, I have developed a strong interest in entrepreneurship and finance in general. I began approaching these topics during my time at the Department of Finance within The Kellogg School of Management, where I worked as Research Assistant for Professor Paola Sapienza and Luigi Zingales. Currently, by attending seminars and starting to work on some personal ideas throughout my first year at Harvard, my interest in this topic has become consolidated. Given my interest and eagerness to learn, I have planned to spend the next summer working for Professor Josh Lerner.

Though I do not yet have a well-defined research agenda, there are two topics that intrigue me the most: the role of financial constraints on the decision to start a new business, and how the decision between several sources of available funding is made and what different funding sources imply for the development of the new venture.

Understanding the role of financial constraints on the decision to start a new business is of great relevance today because it may help assess the effectiveness of public plans to foster entrepreneurship. Using US data, Lusardi and Hurst (2004) found that the relationship between wealth and probability of becoming an entrepreneur is non-linear, with wealth having an impact only at the top of the wealth distribution. This result challenged the standard view that financial constraints are a critical variable in explaining the decision to become an entrepreneur. However, there remains some ambiguity as to whether the result is driven by the effectiveness of policies already in existence, the efficiency of the US financial markets, or simply because large financial resources are generally not important for starting a new venture. Understanding which of these channels is more important is essential for policy because financial constraints still seem to matter a lot, in particular for developing countries (Paulson et al., 2004).

Currently, I am working with a colleague from Northwestern University, a fellow Ph.D. student, on a project that follows this line of research. Though still in a very preliminary stages, our objective in this project is to study the connection between wealth and

propensity to start a new business in the context of a developing country such as India using a novel household dataset. We believe that our analysis may help shed light on the importance of credit market development for creating a robust entrepreneurial environment. We think that India, where access to credit is constrained by various economic, cultural and institutional factors, may provide us with the right environment to study this problem. My hope is to be able to use the Boot Camp to present, at least informally, some preliminary results from this project.

Why and how entrepreneurs choose between different sources of funding is another critical question in the field of entrepreneurial finance. Each financing backer differs from another not only on the type of financial contract usually employed, but also on the level and quality of their non-monetary contribution. A relatively large chunk of literature in this field focuses on the funding decision between banks' lending and Venture Capital (VC). In general, the idea is that VCs provide value adding services and therefore they co-share the efforts with the entrepreneur, while banks usually serve as "passive investors" (De Bettingnies et al., 2007). This may explain the different types of financial contracts the two investors tend to use (equity vs. debt contract). There are various aspects of this problem that have been studied, however, as Da Rin et al. (2011) highlight, there is still little empirical evidence on the topic. The two main challenges on the empirical side are the limited amount and quality of data we can use, and the selection problem that naturally arises in this context. However, thanks to recent development in econometric literature and to the recent availability of higher quality data, I am confident that there is room to use empirical methods to get a better understanding of these issues and to try to get a sense of what each type of funding implies for the future development of a new venture.

The summer after the first year is a key moment in the career of a Ph.D. student. I believe that the endeavors one engages in during this time should provide the right inputs to initiate a successful research career. For this reason I am convinced that the NBER Entrepreneurship Research Boot Camp would be a terrific opportunity for me, thanks to the excellence of the faculty who will participate and the vibrant intellectual environment I would be exposed to.

Filippo Mezzanotti