NBER Entrepreneurship Research Boot Camp

Applicant: Leonard Sabetti

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Recommendation letter writer: Dr. Kim P. Huynh



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April 10, 2012

Dear Colleagues,

It is my pleasure to recommend Leonard "Leo" Sabetti NBER Entrepreneurship Research Boot Camp. I have known Leo since Fall 2007 but our interactions started mostly in 2009 when we started to discuss research. He has served as my Teaching Assistant (TA) for undergrad macro and as a Research Assistant (RA) at the Bank of Canada. Please note that although my present position is at the Bank of Canada, I continue to be affiliated with Indiana University as a Research Scientist. Therefore, this letter will discuss my academic and professional interactions with Leo.

In the Fall 2009 he came up with the idea of looking at the financial constraints of entrepreneurs before and after the crisis. Access to such data is hard to come by since it involves accessing private firm balance sheets. I was surprised that he was able to find the Kauffman Firm Survey (KFS) created by the Ewing Marion Kauffman Foundation. The KFS dataset has a public use file plus a richer set of financial data which is restricted via the University of Chicago NORC Data Enclave. Access to such a dataset costs $100/week, six month minimum. However, researchers could get Kauffmann-sponsored seat via research grant competition (five page research proposal). I was quite impressed that he undertook this task and was mildly surprised when it was approved.

As a result, he started working on the project as of January 2010. He was progressing quite nicely working with this large micro dataset and discovering some quite interesting stylized facts about nascent firm survival and the role of initial financing sources. During the Spring 2010, I was in the midst of my transition to my new position at the Bank of Canada. Although I was leaving Indiana we agreed to keep in touch so that I could provide feedback on his research. So, I was disappointed that in the Summer of 2010 he took a leave of absence from the economics Ph.D. programme. The reason for his departure was due to personal family issues which precipitated his return home to Montréal, Québec, Canada. He decided to take a year off from his studies in the hopes of getting work experience and being closer to his family.

Due to the close proximity, I was happy to recommend my research group at the Bank of Canada to hire Leo as our research assistant. His year stay has been productive as we have produced two working papers. I have witnessed personal and intellectual growth in Leo in the last three years. The early struggles with technical course work, self-doubt, and general naïvety has been displaced with a maturer and confident researcher who is willing to focus and ingest necessary technical details

in order to support their intuition and intellectual curiosity. The increase in maturity has resulted, more often than not, in understanding of what he can and *cannot* do given the current constraints.

He is now undertaking his doctoral studies at George Mason University. I know that he is talking to John Earle in the School of Public Policy about his project. However, the current faculty in the Economics department does not focus on entrepeneurship and no classes are offered. Therefore, Leo would be an ideal candidate to participate in the NBER Entrepreneurship Research Boot Camp.

If you require further details, please feel free to contact me.

Sincerely Yours,



Kim P. Huynh

Leonard Sabetti

Contact Information

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Education

George Mason University, Fairfax, VA

PhD student (transfer) in Economics — **September 2011 - present**

Indiana University, Bloomington, IN

MA., Economics — **August 2007 - May 2010**
Doctoral studies in Monetary theory, IO, and Econometrics

McGill University, Montreal, Canada

BA., Economics, Minor in Mathematics — **August 2004 - May 2007**

- First-class Honors
- Editor of *McGill Journal of Political Economy*

Academic Experience

George Mason University, Fairfax, VA USA

Lecturer — **September 2011 - April 2012**
Teaching undergraduate courses in Economics with class size of roughly 40 students. Bridge the gap between theory and practice and engage students to think critically beyond the textbook.

- Economics of Developing Areas
- Money and Banking

Professional Experience

Bank of Canada, Ottawa, Canada

Research Assistant — **August 2010 - August 2011**
Co-authored two papers on economics of payments issues. Major tasks were preparing and cleaning data, automating production of tables, and conducting econometric analysis. Prepared presentation materials to senior staff members on a routine basis. Presented work at the 2011 Canadian Economics Association Conference.

OneBridge Consulting Group, Montreal, Canada

Consultant — **May 2008 - August 2008**
Prepared informative reports on emerging markets' stock exchanges. Conducted risk analysis of each exchange's host country assessing the intricacies of political, legal, regulatory and macroeconomic risk.

Working Papers

How Do You Pay? The Role of Incentives at the Point-of-Sale with Carlos Arango and Kim P. Huynh.
The Impact of Retail Payment Innovations on Cash Usage: Evidence from Survey Data with Ben S.C. Fung and Kim P. Huynh.

Computer Skills

- MS Office, VBA/Excel, Stata, Latex
- Basic programming skills in Java, C++ and Python

Personal

Born August 31, 1985. U.S. citizen.
Proficient in French.

Leonard Sabetti
List of completed PhD courses at Indiana University

1. First year Microeconomics Sequence
2. First year Macroeconomics Sequence
3. Mathematical Economics
4. Statistical Foundations of Econometrics, Time Series/Regression Analysis
5. Microeconometrics
6. Two field courses in Monetary Theory
7. Two field courses in Industrial Organization
8. Theory of Asset Pricing

NBER Entrepreneurship Research Boot Camp, July 2012

Leonard Sabetti*

Department of Economics, George Mason University

April 2, 2012

"One hears of no brilliant innovations, of no charisma or any of the other stuff of which entrepreneurship is made," William Baumol, 1968.

Please consider me for the NBER Entrepreneurship Research Boot Camp. The Boot Camp would be an invaluable experience for me to gain insights into the frontier of research in entrepreneurship and firm dynamics and would directly improve the quality of my dissertation and future research.

Having completed graduate studies in Economics at Indiana University and after working for one year as a Research Assistant at the Bank of Canada in Ottawa, Canada, I have transferred to George Mason University where I hope complete my dissertation under the direction of Professor John Earle. Although I have done empirical work in the area of payment networks, my current interests lie in the area of entrepreneurship and the economics of new startup firms. I am currently working with the private-use version of the Kauffman Firm Survey (KFS), a panel survey of new U.S. startup firms launched in 2004. This dataset is proving to be an important source for contributing to the literature on firms and enriching our understanding of decision making of entrepreneurs. Currently, two research questions interest me.

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The first research question entails an empirical analysis of the dependence between age, size and initial financial condition on duration, or firm survival rates, and the role of unobserved heterogeneity. With the KFS, data on a cohort of entrant firms in 2004 up until present are available. Previously, a lack of data on young firms with financial balance sheet information made the task of studying the implications of initial financial state impossible. The availability of entrepreneurs' pre-entry experience in the KFS will allow us to control for age effects, like in Thompson (2005). The empirical analysis will help better understand the data and motivate further research questions.

Another interest lies with the pecking order theory of Myers and Majluf which relies on information asymmetries to predict capital structure choice of firms. But is this the only relevant factor for explaining financing decisions of startup firms? It is well known that startup firms often face uncertainties about cash flows in the first few years of operation, and servicing debt can be problematic and place strains on a firm's financial position. The upshot of equity financing is that it may leave more room for the entrepreneur to maneuver the competitive playing field. Therefore there seems to be an important tradeoff between debt over equity relevant for startups. We also know firms are constrained to the extent of the willingness of outsiders to invest in their projects. Although most startups in the KFS rely on internal funds, external finance in the form of both debt and equity features prominently in the startup firm's capital choice. I would like to further explore this question by formulating a theoretical model or an identification strategy and testing its predictions.

The NBER Entrepreneurship Research Boot Camp is an exciting opportunity to become immersed with the leading research topics in the field and to collaborate with colleagues working on similar questions. I look forward to the prospect of participating. Thank you for your consideration.

Sincerely yours,

Leonard Sabetti