Norwegian School of Economics
Department of Economics
Helleveien 30
NO-5045 Bergen
Norway
magne.asphjell@nhh.no
+47 938 03 677

April 11, 2012

Thomas Hellmann
University of British Columbia
Sauder School of Business
2053 Main Mall, Vancouver BC
Canada V6T 1Z2

Dear organizers.

I would like to signal my interest in participating in the NBER Entrepreneurship Bootcamp 2012 with this application and enclosed motivation letter.
In my third year as a PhD student at the Norwegian School of Economics I find myself with a somewhat diversified portfolio when it comes to research interests. The two papers I have worked on so far are on firms' factor adjustment decisions and the optimal timing of women's childbirths. My main motivation for working with these questions has been that I find analysis of optimal choices under uncertain conditions highly interesting, and the same motivation has led me to take an interest in the determinants of individuals selecting into entrepreneurship. I am particularly interested in the question of whether option value arguments can explain low cross sectional returns. I have already been in touch with the research department at Statistics Norway which is coordinating a large project on entrepreneurship recently initiated and who have signalled that I can get access to their very rich sources of Norwegian data. Also, I have recently completed a course on the economics of entrepreneurship tought by Prof. Hans Hvide at the University of Bergen, which has motivated me to apply for your bootcamp.
The enclosed letter of motivation gives a little more detail on what I expect to gain from participating in your workshop. A recommendation letter from Prof. Hvide is sent separately. I look forward to your reply.

Sincerely,

Magne K. Asphjell

Professor Hans K. Hvide
University of Bergen, University of Aberdeen, CEPR and IZA

NBER
Thomas Hellmann

Bergen, 05.04.12.

Re: Recommendation letter Magne Asphjell

Dear Thomas,

I am happy to write a reference letter for Magne Asphjell concerning his application to the NBER Entrepreneurship bootcamp 2012.

Magne is a third Phd student at NHH with a main focus on applied econometrics. He has an R&R at ReStat on investments (with his supervisor and Gerard Pfann) and some interesting new stuff on peer effects using Swedish data that not unlikely will become his job market paper.

I first met Magne a few weeks ago, when he attended my Phd course in Economics of Entrepreneurship in Bergen. The course lasted about 20 teaching hours. In addition to extensive class discussions (where Magne participated very actively), I talked one-on-one with Magne for about four or five hours during the week.

I made two observations about Magne. First, his technical skills seem very strong for somebody with his limited experience. Second, he has a solid background in economic theory and – even better – seems genuinely interested in it.

As way of comparison, among the 30 or so Phd students that I have taught my EoE course (in Oslo, Hamburg and Bergen), I'd rank him definitely top three, and likely at the very top. I'd say Magne is clearly a notch or even two above George Panos, who attended the bootcamp a couple of years ago.

The one weakness I can see in his application is that he has not an established research portfolio within the area. I think this is amended by two things; his demonstrated interested in the field, and by the fact that he knows Norwegian register data well through his prior work. This means that much of his fixed cost is already borne in terms of using Norwegian data for entrepreneurship research (in fact he is already in the process of getting access to some data that by international standard are quite unique).

I have no hesitation in strongly recommending Magne for the bootcamp. This will be the perfect opportunity for him to develop his interest in this area further, and I think the other participants will appreciate his intelligence, skills, and likeable character.

Do not hesitate to contact me with questions or inquiries, at email hans.hvide@econ.uib.no, or phone +47 970 98 431.

Best, Hans

https://sites.google.com/site/hanshvide/

Motivation Letter - ERBC 2012

Magne K. Asphjell

April 11, 2012

Entrepreneurship has been recognized as important driving force since Schumpeter (1942). Parker (2009) notes that entrepreneurial enterprise is considered as a source of innovation and specialized goods and services, and to intensify competition. From a policy perspective then, important empirical questions to be answered relate to the marginal entrepreneur and how entrepreneurs are characterized in terms of attitudes towards risk, financial status, education level, etc. In addition, theoretical as well as empirical work is done to understand why is it that so many individuals are wiling to accept risk often without the possibility of being compensated by a higher expected outcome. Vereshchagina and Hopenhayn (2009) propose a theoretical model where the real option value of entrepreneurship can explain why we see so many entries into entrepreneurship even though the unconditional expected outcome for entrepreneurs is lower than for wage workers. I find their contribution highly interesting, and I am particularly interested in the question of whether option value arguments can explain the low cross-sectional returns found in Hamilton (2000) and Moskowitz (2003).

At Statistics Norway, a research program has recently been initiated that focuses on dynamics, barriers and outcomes of entrepreneurship in Norway. The project has access to rich sources of data including shareholder registers, accounts statistics, plant- and firm level data and the possibility to match individual data with shareholder registers, and the employer-employee register. The data base covers entire Norwegian population, and in addition data is available on venture capital and subsidies from public programs. Tveteråas and Eide (2000) use the plant level data to describe the dynamics of small Norwegian manufacturing plants, and Hvide and Møen (2007) use combined information from individual data and data from founding documents to study the impact of liquidity constrants on entrepreneurial perforamance. In future work on ques-

tions related to the initiated research program I will be granted access to these data sources.

As noted by Parker (2009), one of the challenges of entrepreneurship research is related to the definitions used in applied work. These are often unclear and may seem ad hoc. In the data usually available it is hard to recognize the difference between a tax vehicle without ambitions of innovation and an entrepreneur with plenty of ambition but of poor quality. Basing the definition on a measure of growth will for example imply a selection conditional on success. In this context, the shareholder register can be helpful for an empirical definition as it can be used to identify owner-managers and their owner-income. Alstadsæter and Fjærli (2009) exploit these data to investigate the financial dispositions of such closely held corporations in inticipation of a pre-announced tax reform.

The work I have done so far as a PhD student have been on two rather different topics. The first paper is co-authored with Oivind Nilsen, Wilko Letterie and Gerard Pfann, and is entitled "Sequentiality versus Simultaneity: Interrelated Factor Demand". The paper studies factor adjustment dynamics and possible interrelations in the adjustment cost functions of Norwegian manufacturing firms using a simulated method of moments approach. The paper was given a revise and resubmit in REStat, and was recently resubmitted. The second paper is co-authored with Lena Hensvik and Peter Nilsson, and is entitled "Businesses, Buddies and Babies: Fertility and Social Interactions at Work". Here we study the impact of peer births on individual timing of first births. To gain understanding of the underlying mechanisms we attempt to compare empirical findings with predictions from a finite horizon real options model, similar to the standard model of Dixit and Pindyck (1994). The paper is currently ready for submission. Although the papers concentrate on topics in different subfields of economics, both papers are concerned with frictions affecting decisions under uncertainty. Since I am in general interested in what determines optimal choices when future outcomes are uncertain, I find that an interest in the determinants of individual entrepreneurship is only natural. One of the main challenges in my work so far has been to link empirical identification strategies with feasible theoretical models using ML, SMM or a reduced form approach. I hope that the experience gained from this work can be used to do empirical work with a solid theoretical connection that can help to understand more about the marginal

entrepreneur.

Magne Krogstad Asphjell

Email: magne.asphjell@nhh.no
Phone: +47 938 03 677

Norwegian School of Economics (NHH)
Department of Economics
Helleveien 30, NO-5045 Bergen
Norway

EDUCATION

Ph.D. in Economics, Norwegian school of economics, *ongoing studies*
Advisor: Oivind A. Nilsen

Visiting student at Stanford University, 2010-2011, host: Nick Bloom.

CEMFI Summer School, Structural Econometrics for Industrial Organization, with Victor Aguirregabiria 2009.

MSc in Economics, Norwegian School of Economics, 2009.

BSc in Economics and Business Administration, Norwegian School of Economics, 2007.

RESEARCH INTERESTS

Investment and hiring dynamics, fertility dynamics, applied microeconometrics, simulation based econometrics.

WORKING PAPER TITLES

"Sequentiality versus Simultaneity: Interrelated Factor Demand", with O. A. Nilsen, W. Letterie and G. Pfann

"Businesses, Buddies and Babies: Fertility and Social Interactions at Work", with L. Hensvik and J. P. Nilsson

PROFESSIONAL ACTIVITIES

Conferences:

2011: EALE (Pafos), EEA (Oslo), Nordic Econometric Meeting.

2010: Annual Meeting of Norwegian Economists.

2009: Nordic Econometric Meeting.

Invited Seminars:

2012: University of Oslo, ESOP

2011: Statistics Norway (Research Department)

Referee:

"European Economic Review, Economic Journal, Empirical Economics, LABOUR"

TEACHING

Teaching assistant to Prof. O. A. Nilsen, Econometric Analysis and Applications (master level, advanced), Spring 2009 and 2012.

Teaching assistant to Prof. O. A. Nilsen, Econometric Techniques (master level, introductory), Fall 2009 and 2011.

Teaching assistant to Prof. E. O. Sorensen, Empirical Economics, Spring 2010.

PERSONAL INFORMATION

Languages: Fluent in English and Norwegian.

Citizenship: Norway.

Year of Birth: 1984.

REFERENCES

Available upon request

List of PhD courses completed

Advanced Microeconomic Theory - *7.5 ECTS*
Advanced Macroeconomics - *7.5 ECTS*
Advanced Econometrics - *7.5 ECTS*
Topics in Mathematical and Numerical Methods - *7.5 ECTS*
Numerical Methods in Finance and Economics - *5 ECTS*
Scientific Methods - *5 ECTS*
Economics of Entrepreneurship - *5 ECTS*