Washington University in St. Louis
Barton Hamilton
Robert Brookings Smith Distinguished Professor of Entrepreneurship

March 1, 2015

Letter of Recommendation for **Andres Hincapie**

It is a pleasure to strongly and enthusiastically recommend Andres Hincapie for the NBER Entrepreneurship Research Boot Camp. I am Andres' principal thesis advisor and have been interacting with him regularly for the last 2 years on his dissertation research. Let me state at the outset that Andres is one of the two best PhD students I have worked with at Washington University over the last 15 years (the other student, Nick Papageorge, is an Assistant Professor in the Economics Department at Johns Hopkins University). Andres is an extremely bright, extremely hardworking PhD student who is exceptionally well trained in structural micro econometric methods. I feel that much of the research in entrepreneurship lacks strong econometric rigor, so it is exciting to me that an individual with Andres' skills has developed a research interest in this area. I think so highly of Andres that I asked him to be a co-author on a joint paper of mine with Nick Papageorge and Prof. Robert Miller, who is a chaired faculty member in the Tepper Business School at Carnegie Mellon. Each of us can attest to the fact that Andres has been an equal member of the research team. Moreover, we have all been extremely impressed with Andres' independence: he is not afraid to question our assumptions and take the lead in working on different aspects of that project, despite the fact that he is working with 2 chaired professors! The bottom line is I am very confident that Andres will carry out the research he has proposed and that it has the potential to be breakthrough research in entrepreneurship. I will be supervising his dissertation research. I should note that his dissertation committee has already accepted his dissertation proposal.

Andres' dissertation proposal is quite exciting. Surprisingly little is known about how entrepreneurship fits into an individual's career. For example, what is the optimal path to entrepreneurship? Is there an optimal sequence of paid employment occupations prior to starting a business? Do good managers make good entrepreneurs? How common is serial entrepreneurship in the population? Given the decline in business formation documented in the recent Kauffman report, investigating the role of entrepreneurship in career decisions will contribute substantially to our understanding of the startup (and dissolution) process. To answer these questions, Andres' will estimate a dynamic structural model of occupational and entrepreneurial choice. He incorporates uncertainty about one's sector-specific ability as an entrepreneur or in his paid employment occupation. This feature highlights the role of experimentation in entrepreneurship: an individual unsure of his entrepreneurial ability will enter self-employment and then learn over time whether he is a high quality or low quality entrepreneur. Such experimentation and learning might explain why so many individuals start businesses despite high failure rates. Finally, a surprisingly unanswered question in the literature is how occupational human capital and/or ability affect subsequent entrepreneurial success. Andres' model

Olin Business School, Washington University in St. Louis, Campus Box 1133, One Brookings Drive, St. Louis, Missouri 63130-4899; (314) 935-8057; *Fax*: (314) 935-6359; HamiltonB@wustl.edu

allows the accumulation of occupational-specific human capital, as well as correlation in sector-specific abilities, to affect self-employment entry and performance.

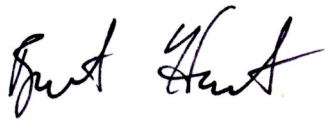
I have been very impressed by Andres' "entrepreneurial ability" in developing this project. He plans to estimate his model using the Panel Study of Income Dynamics (PSID) and has already cleaned the data and produced some interesting summary statistics. He finds substantial movement from different occupations into self-employment, particularly among managers and sales workers. Moreover, 27% of men in the sample try self-employment at some point during their careers, and almost half of these start more than one business. These findings provide reduced form support for Andres' model of correlated learning.

I am also very excited about the 2nd paper in Andres' dissertation that looks at non-profit startups. Andres has collected a dataset (from IRS form 990s) of every non-profit founded between 1999 and 2004, and matched this with data on the compensation and hours of the primary manager. A unique feature of the data is information on program expenditures, managerial expenditures, and donations. The objective of the paper is to look at how the reputations of non-profit startups evolve, as evidenced by the receipt of donations and the wage managers pay themselves, and how these reputations affect startup survival. This will be one of the first papers in economics to examine non-profit entrepreneurship, and I expect it to be influential in the field.

As you can tell, I am extremely enthusiastic about Andres' abilities and his dissertation work. The project will make important contributions to our understanding of how entrepreneurship fits into careers, and the roles that learning and experimentation play in explaining entry, failure and serial entrepreneurship. Andres has the potential to be a leading scholar in entrepreneurship. The NBER Entrepreneurship Research Boot Camp will be a great support to his progress.

Please do not hesitate to e-mail me at hamiltonb@wustl.edu or call me at (314) 935-8057 if you have any further questions about this excellent candidate.

Sincerely,



Barton Hamilton
Robert Brookings Smith Distinguished Professor of Entrepreneurship

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March 23, 2015

NBER Entrepreneurship Research Boot Camp
1050 Massachusetts Avenue
Cambridge, MA 02138, US

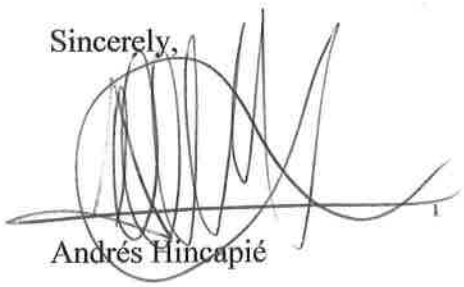
Dear NBER Entrepreneurship Boot Camp Selection Committee,

I am a fourth-year Econ PhD student at Washington University in St. Louis writing to apply to the 2015 NBER Entrepreneurship Research Boot Camp. I am very interested in participating because my research curiosity during my years as a PhD student has been driven towards innovation, experimentation and entrepreneurship.

I have had the opportunity to exchange ideas and collaborate in several research projects with Prof. Barton Hamilton, who is my main advisor and is writing my letter of recommendation. I am a highly focused student and my intentions are to produce valuable science and advance the sub field of entrepreneurship as much as my capabilities and hard work allow. These reasons make me an attractive candidate for the boot camp as not only will I share my experiences and learn extensively from my peer students and our academic entrepreneurship mentors, but also I will use the opportunity to further shape my future academic research.

I would greatly appreciate the opportunity to participate in the boot camp. Please feel free to contact me through my academic email address: andres@go.wustl.edu. Thank you for your time and consideration,

Sincerely,



Andrés Hincapié

Andrés Hincapié

One Brookings Drive ◇ St Louis, MO 63130
www.andreshincapie.com ◇ andres@go.wustl.edu
Updated: March 23, 2015

Country of citizenship: Colombia

EDUCATION

Ph.D. in Economics, Washington University in St. Louis, St. Louis, MO *Current*

M.A. in Economics, El Colegio de México, Mexico City *2010*

B.S. in Industrial Engineering, Universidad Tecnológica de Pereira, Pereira, Colombia *2006*

FIELDS

Primary: Entrepreneurship, Labor, Innovation

Secondary: Structural Microeconometrics, Health

RESEARCH

Published

- Family Income Inequality and the Role of Married Females' Earnings in Mexico: 1988-2010. (with Raymundo M. Campos-Vázquez and Ruben Irvin Rojas-Valdés). 2012, *Latin American Journal of Economics*; 49(1).

Work in Progress

- Entrepreneurship and Experimentation over the Life Cycle.

- Does Action Speak Louder than Words? Revealed versus Elicited Preferences. (with George-Levi Gayle and Limor Golan)

TEACHING

Washington University in St. Louis:

Statistics Camp [for incoming graduate] *August, 2013*

Statistics Camp [for incoming graduate] *August, 2014*

REFEREEING

Journal of Human Resources

OTHER EXPERIENCE AND FELLOWSHIPS

Fox International Fellow. *2011*
The MacMillan Center for International and Area Studies, Yale University, New Haven, CT

Operations Facilitator. *2006-2008*
Operations Department, Promasivo S.A., Pereira, Colombia

LANGUAGES

English (fluent), Spanish (native).

Essay

Entrepreneurship as a human endeavor caught my attention even before I switched into Economics from my previous and short career as an industrial engineer. In fact, during the time of my undergraduate education, I was exposed first hand to the challenges faced by small businesses as my mother owned a small couture workshop, or "taller", in my native Colombia. She had to make decisions on how to expand demand, optimize processes, respond to competitors as well as other numerous related activities. I remember how we would hammer away over what the optimal pricing policy was and how to keep systematic track of outstanding accounts.

Ultimately, my mother's business failed soon after cheaper and less tailored items flooded the local market. The sounds of foreign economies with higher productivity and lower labor costs resounded on both our ears as we watched the consequences of innovation and commerce materialize in front of our eyes, taking away old ideas while introducing new opportunities for consumers. Looking back as a timid consolation for those uneasy times, I tell myself that in a general equilibrium model the welfare gains from innovation and international trade must be downward adjusted to account for the six or eight workers that were pushed into unemployment, my mother included, as the business closed.

Often a diffuse concept, entrepreneurship is sometimes considered as such only when it entails some degree of innovation. Other times it is considered in a broader sense as the mere act of opening a business and undertaking the risks involved. I tend to side with the latter and enjoy witnessing how every new business pushes product niches closer into competitive markets. However, I am also keen on the process of innovation itself and how, as Joseph Schumpeter pointed out, new ideas destroy established ideas and push the technological frontier further.

As a consequence of my curiosity for entrepreneurship and innovation, several questions regarding these economic activities populate my research interests: What characterizes the wealth and income distribution effects of entrepreneurship? What motivates the timing of the entrepreneurial decision? Do individuals learn anything about their entrepreneurial aptitude as they go along their labor market careers? To what extent do married individuals incorporate their spouse's labor market status when deciding whether to undertake the risk of an entrepreneurial

activity? Are individuals who acquire labor experience in small firms more likely to either participate or be more successful at entrepreneurial activities? Is "necessity" entrepreneurship inherently less successful than "opportunity" entrepreneurship? How do consumers react to an innovation-driven evolving market? What is the value of reputation in social enterprises?

In my formal research, I have started addressing some of these issues. For instance, in my job market paper I deal with how experimentation and learning in the job market play a role determining whether and when people decide to undertake entrepreneurial activities. In my framework, entrepreneurship is one of several alternatives. Agents are aware of the returns to experience and education in each of these labor market alternatives and they are allocated an occupation specific match component that affects the level of returns. Individuals have no knowledge of the value of their vector of match qualities but have rational expectations; hence their prior corresponds to the population distribution. I allow this distribution to have a non-diagonal covariance matrix so that a salaried worker may still learn something about his quality as an entrepreneur.

In another project, joint ventured with Prof Barton Hamilton (Wash U), Prof. Robert Miller (CMU) and Assistant Prof. Nicholas Papageorge (JHU) we tackle a question of innovation in the market of treatments for HIV. In our model, at every period all individuals face a state of the market (or aggregate state) and, even though they have knowledge of the stochastic process that generates new treatments, they do not know the characteristics of future markets with exactitude. Treatments have direct health effects but they also have side effects that individuals dislike. In this changing environment, individuals must make cognizant consumption decisions.

Finally, I have also started research projects addressing more of the questions mentioned above. I have initiated joint projects studying the effects of small firm experience on entrepreneurial participation and the value of reputation on social enterprises. I plan to advance on these projects and ultimately advance further into other related questions as I acquire more knowledge and experience. It is for these reasons, personal and academic, that I would greatly appreciate the opportunity to participate in the NBER Entrepreneurship Research Boot Camp.