

What makes a successful entrepreneur? The effect of elite college and intergenerational transfer.

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Abstract

This paper studies the effect of elite college and intergenerational transfer on entrepreneurial decision and performance. We first document the positive relationship between going to elite college and successful entrepreneurship (owning incorporated business). We then build a life-cycle model, which explicitly models different education choices and career paths, together with intergenerational ability transfer and monetary transfer. We find that elite college increases entrepreneur's human capital and leads to more successful entrepreneurs and higher entrepreneurial income, while intergenerational transfer reduces the numbers of elite-college students and successful entrepreneurs. Our counterfactual experiments suggest that releasing the borrowing constraint for entrepreneurs has a big impact on entrepreneur decision and performance. Relaxing the borrowing constraint for college students or providing subsidy to elite college students can also increase the number of successful entrepreneurs.

Keywords: entrepreneurship, elite college, intergenerational transfer

JEL classification: D15, I20, J24

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