



Economics ECON384(AFST 314)
LABOR MARKETS AND ENTREPRENEURSHIP

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MW: 3:30 - 4:50 pm
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Office Hours: TTR 10:30am-12:30 pm, or by appointment

Course Description

The choice between entrepreneurship and wage-employment has important implications for personal income, aggregate economic growth and the distribution of income in a country. This course examines the extent to which this critical occupational choice is driven by individual and group characteristics as well as the broader institutional and policy environment. The course will also address how these factors determine subsequent success in entrepreneurship and wage employment.

It is also well known that within a given country, there is remarkable inequality in terms of entrepreneurial success and labor market outcomes. For instance, despite the elimination of discriminatory laws, minority-owned businesses tend to perform poorly in the US and other multiracial countries. Racial and gender wage gaps remain large and persistent. This course provides students with theoretical and empirical approaches to examining between-group inequality in the likelihood of business ownership, post-entry entrepreneurial performance as well as labor market outcomes. We will also examine underlying mechanisms that would lead to the persistence of initial performance gaps across racial groups and how best to address them.

The course is organized in two parts. Part I is dedicated to entrepreneurship starting with determinants of the likelihood of business ownership and post-entry entrepreneurial success along racial lines. Key areas of discussion include historical racial inequality in financial capital, discrimination in access to external finance, and racial imbalances in the intergenerational transfer of business skills. We will examine these dynamic factors using empirical evidence from three multiracial countries: Brazil, South Africa and the United States. The choice of country cases is not random. Brazil and South Africa are both middle-income countries, and among the largest economies in Latin America and Sub-Saharan Africa, respectively, with a history of racial inequality. The US is not only the largest economy in the world but also the most liberal economy in the developed world with its own racial dynamics.

Part II deals with labor market outcomes and begins with a broader discussion about wage setting and access to jobs, and the role of human capital and unobserved individual traits. We will then closely examine racial gaps in labor market outcomes where students will be familiarized with the concepts of employer and employee prejudice, discrimination, stereotyping, segregation and related disadvantages. This would allow students to distinguish factors that affect racial inequality in the opportunity to accumulate human capital from factors that drive racial inequality in the returns to human capital. Similar to Part I, the empirical analysis in Part II will lean on empirical evidence from the US, South African and Brazilian labor markets.

COLL 350

This course allows students to fulfill the COLL 350 requirement. COLL 350 courses are designed to advance students' knowledge and critical analysis of the workings of power, privilege, and inequity in U.S. society and globally, past and present. The goals of the COLL 350 curriculum are: 1) to provide students with a rigorous academic space in which to explore differences in perspective while foregrounding reasoned and respectful discussion as the means for achieving common ground; 2) to deepen students' understanding of justice, equity, and the value-laden processes of social inclusion and exclusion through institutional, cultural, and normative practices that are both historical and ongoing.

Requirements and Grading:

Intermediate microeconomics is required to enroll in this course. Students who have taken only principles of microeconomics may also register with the prior approval of the instructor if they can prove enrollment in closely related courses. Some of the reading materials involve findings from regression analyses. Students will be provided with basic skills and rules-of-thumb on how to interpret regression results. A course in basic econometrics is advantageous but not required.

Table 1: Summary and Schedule of Course Assessment

Assessment Type	Grade	Due Date
Midterm Exam I	20%	Mar 6
Reflection Paper	10%	Mar 22
Midterm Exam II	20%	Apr 10
Group Presentation Assignment	15%	Apr 24 and 29, and May 1st
Class Participation	10%	
Final Exam	25%	tba

As indicated in Table 1, there will be two midterm exams each with a 20% weight in your final grade, and a non-cumulative final exam of 25% weight. All exams are supposed to be taken on the specified data. The group presentation assignment has a 15% weight. Topics for this group assignment and detailed instructions will be provided in due course. Students will also write a reflection paper based on a PBS documentary film entitled "Boss: Black Experience in Business". A link to the video and instructions for the reflection paper will be provided in due course.

I expect active participation of students in this internationally oriented, arguably sensitive and policy relevant course. Class participation accounts for 10% your final grade. Since a significant part of the course deals with racial issues in entrepreneurship and labor markets in the US, I would like students to engage openly in classroom discussions in a respectful and civil manner. The objective of these discussions is to develop deeper understanding of race and race relations in business and employment based on theoretical models and empirical evidence without antagonizing a particular individual or group of people. I will also ask students to be discussants for assigned readings as part of your class participation. As a discussant you will be expected to highlight the main objective(s) of a paper, its key findings and their implication and raise discussion points or questions.

I don't adhere to very hard pre-determined cutoff points to assign final letter grades. However, students who consistently score 92% and above are strong contenders for an "A" while students who score in the 80 to 87% range can expect to get a "B" with students in the higher 80s and lower 90s can expect a "B+" or "A-". Students with average scores in the 70-79% range can expect a "C" while students in the 60-69% range can expect to get a "D". Having said that, students who start at the lower end of the distribution but demonstrate steady improvement in their performance will be considered for a higher grade than their overall average may dictate.

I allow three days of absence from class without having to provide a formal excuse. However, such absences cannot be taken consecutively and cannot be taken on designated dates for exams and assignments. I expect all students to take exams and return assignments at designated times indicated in Table 1. I do not reschedule exam dates. However, if you miss a midterm exam, the full weight (and topics of the missed exam) can be shifted to your remaining exam(s) if you provide a convincing reason.

In rare cases where I am unable to hold in-person teaching, I may temporarily shift to virtual teaching on Zoom.

Mental and Physical Well-Being:

William & Mary recognizes that students juggle different responsibilities and can face challenges that make learning difficult. There are many resources available at W&M to help students navigate emotional/psychological, physical/medical, material/accessibility concerns, including:

The W&M Counseling Center at (757) 221-3620. Services are free and confidential.

For additional support or resources & questions, Contact the Dean of Students at 757-221-2510. For other resources available to students, see <https://tinyurl.com/wmmmentalhealth>

Readings:

Most of the readings for this course are journal articles which are uploaded on the course Blackboard. We will also use a few chapters from the following book:

Fairlie, R.W. and A.M. Robb. 2008. *'Race and Entrepreneurial Success: Black-, Asian-, and White-owned Businesses in the United States.'* MIT Press, Cambridge, MA.

Double asterisks (**) indicate suggested readings while the rest are required readings.

Course Outline

Part I. Entrepreneurship

January 24: Introduction

Weeks of 1/29 – 2/05: Characterizing US Entrepreneurs

Hamilton, H.B. 2000. "Does Entrepreneurship Pay? An Empirical Analysis of the Returns of Self-Employment," *Journal of Political Economy* 108, 3, 604-631.

Dunn, T. and D. Holtz-Eakin. 2000. "Financial Capital, Human Capital, and the Transition to Self-Employment: Evidence from Intergenerational Links," *Journal of Labor Economics* 18, 2, 282-305.

** Blanchflower, D.G. and A.J. Oswald. 1998 "What Makes an Entrepreneur?" *Journal of Labor Economics* 16, 26-60.

Week of 2/12 - 2/19 : Race and Discrimination in Small Business

Camara et al. 2019. "Entering Entrepreneurship: Racial Disparities in the pathways into Business Ownership," Report by The Samuel DuBois Cook Center on Social Equity, Duke University.

Blanchflower, D. G., P. B. Levine and D. J. Zimmerman. 2003. "Discrimination in the Small Business Credit Market," *Review of Economics and Statistics* 85, 4, 930-943.

Chatterji, A., and R. Seamans. 2012. "Entrepreneurial Finance, Credit Cards and Race," *Journal of Financial Economics* 106,1,182-195.

Fairlie, R., and F. Fossen. 2022. “The 2021 Paycheck Protection Program Reboot: Loan Disbursement to Employer and Nonemployer Businesses in Minority Communities,” *American Economic Review – Papers and Proceedings*, 112, 287-291.

Week of 2/26 - 3/04: Race and Entrepreneurial Performance in the US

Fairlie, R.W. and A.M. Robb. 2008. ‘*Race and Entrepreneurial Success: Black-, Asian-, and White-owned Businesses in the United States.*’ MIT Press, Cambridge, MA.

Chapter 1: Introduction.

Chapter 4: Why are African American-Owned Businesses Less Successful?

Albright, A., J. A. Cook, J. J. Feigenbaum, L. Kincaide, J. Long, and N. Nunn .2023. “After the burning: The economic effects of the 1921 Tulsa race massacre,” Working paper, National Bureau of Economic Research.

First Midterm Exam : Wednesday March 6

Spring Break: March 9-17

Week of 3/18 - 3/25: Entrepreneurship in South Africa and Brazil

Okechukwu C. Iheduru. 2004. “Black Economic Power and Nation-building in Post-apartheid South Africa,” *Journal of Modern African Studies*, 42, 1,1–30.

Lichand, Guilherme. 2010. “Decomposing the Effects of CCTs on Entrepreneurship,” World Bank, Economic Perspectives No. 4

Reflection Paper on Documentary Film – Due on Friday March 22

Part II. Labor Markets

Week of 3/25: (Un)employment and Returns to Human Capital

Weiss, A. 1995. "Human Capital Vs. Signaling Explanation of Wages," *Journal of Economic Perspectives* 9, 4, 133-154.

Week of 4/01- 4/08: Discrimination in the US Labor Market

Lang, K. 2007. 'Poverty and Discrimination,' Princeton University Press, Princeton, NJ. Chapter 10, Discrimination: Theory, pp. 265-282

Bertrand, M. and S. Mullainathan. 2004. "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94, 4, 991-1013

Bayer, P. and K. K. Charles (2018). Divergent paths: A new perspective on earnings differences between black and white men since 1940. *The Quarterly Journal of Economics* 133 (3), 1459–1501.

Second Midterm Exam: Wednesday April 10

Week of 4/15-4/22: Race and Labor Market in South Africa and Brazil

Mwabu, G. and P. Schulz. 2000. "Wage Premium for Education and Location of South African Workers by Gender and Race," *Economic Development and Cultural Change* 48, 2, 307-334

Banerjee, A., S. Galiani, J. Levinson, Z. McLaren and I. Woolard. 2008. "Why has unemployment risen in the New South Africa?" *Economics of Transition* 16, 4, 715-740.

Arias, O., G. Yamada, and L. Tejerina. 2004. "Education, family background and racial earnings inequality in Brazil," *International Journal of Manpower* 25, 3/4, 355-374

Arcand, J. and B. D'Hombres. 2004. "Racial Discrimination in The Brazilian Labor Market: Wage, Employment and Segregation Effects," *Journal of International Development* 16, 1053-1066.

**Kingdom, G. and J. Knight. 2007. "Unemployment in South Africa, 1995–2003: Causes, Problems and Policies," *Journal of African Economies* 16, 5, 813–848.

**Lam, D. 1999. "Generating Extreme Inequality: Schooling, Earnings, and Intergenerational Transmission of Human Capital in South Africa and Brazil," University of Michigan, Population Studies Center, Research Report No. 99-439.

Student Group Presentations – 4/24, 4/29 and 5/01

Some useful links:

United States Association for Small Business and Entrepreneurship (USASBE)

<http://usasbe.org/>

The International Council of Small Business (ICSB)

<http://www.icsb.org/>

The Babson-Kaufman Entrepreneurship Conference

<http://www.babson.edu/Academics/centers/blank-center/bcerc/Pages/home.aspx>

The International Labor Organization (ILO)

<http://www.ilo.org>