



Economics ECON384(AFST 314)
LABOR MARKETS AND ENTREPRENEURSHIP

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MW: 2:00 - 3:20 pm
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Course Description

The choice between entrepreneurship and wage-employment has important implications for individual wellbeing, aggregate economic growth and the distribution of income in a given country. This course addresses potential drivers of this critical occupational choice by examining their individual and group characteristics as well as the policy environment they are operating in. We will further examine the implications of such factors for success in entrepreneurship and wage employment. Understanding the dynamics of employment choices is particularly relevant in this era of globalization where countries need to constantly adjust their business and labor market institutions/policies to remain competitive.

Within a given country, however, remarkable variation (inequality and even inequity) exists 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. This course provides students with theoretical and empirical approaches to examining between-group inequality in the likelihood of business ownership, in post-entry entrepreneurial performance as well as labor market outcomes. Equally important is understanding the persistence of initial performance gaps across racial groups and how best to address them.

The course is organized in two parts where Part I addresses entrepreneurship. We begin by examining determinants of business ownership and entrepreneurial success including race and gender of the entrepreneur. Key areas of discussion include racial inequality in initial financial capital, discrimination in access to finance, as well as racial disadvantages in the intergenerational transfer of business skills. We examine these issues 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 the largest and most advanced economies in Latin America and Sub-Saharan Africa, respectively. The US is not only the largest economy in the world but also the most liberal economy within the developed world.

Part II deals with labor market outcomes where we will examine wage setting and differences in access to jobs. It starts by examining the role of human capital in wage determination and the evolution of wage inequality in the US. Labor economists have shown that wage differences among workers cannot be fully explained by differences in human capital. The extent to which employers reward comparable attainments of human capital differently based on the group identity of employees is thus critical to understanding inequality and social justice. To address this, we will examine important concepts including racial prejudice, segregation, discrimination and other disadvantages using theoretical and empirical approaches. This would allow students to distinguish those factors that affect the opportunity to build productivity enhancing attributes from the effects of employer prejudice and discrimination in rewarding such attributes. Like in Part I, the empirical analysis in Part II will lean on evidence from the US, South African and Brazilian labor markets.

COLL 350

This course allows students to fulfill their COLL350 requirement. The COLL 350 requirement enhances students' knowledge and facilitates their 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 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 in this course 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 and students will be provided with basic technical skills on how to interpret such results. A course in econometrics is not required.

Your final grade will be determined as follows:

Assessment Type	Grade	Due Date
Midterm Exam I	20%	Mar 2nd
Reflection Paper on Documentary Video	10%	Mar 18
Midterm Exam II	20%	Apr 13
Group Presentation Assignment	15%	Apr 25 and 27
Class Participation	10%	
Final Exam	25%	tba

As indicated in the table, 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 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 the PBS documentary “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 international and policy-oriented 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 freely engage in class discussions in a respectful and civil manner. The objective of these discussions is to develop a deeper understanding of race and race relations in business and employment base on theoretical frameworks and empirical evidence on racial inequality and injustice while examining potential solutions without necessarily antagonizing a particular individual or group of people. I will also ask students to be discussants for a particular reading material. As a discussant you will be expected to highlight the main question the paper aims to answer, the approach/methods the authors used to answer the question, the main findings, etc.

Conditions for in-person learning under the pandemic

While we adhere to in-person instruction as the most effective way of learning, we are all aware of the pandemic situation we are living through and some of the uncertainty it brings about. To make this work, we will all follow W&M requirements regarding vaccinations and boosters, indoor masking, as well as quarantine and isolation when ill. For those who have tested positive, W&M’s requirements must be fulfilled before class can be attended in person. To be on safe side, anyone with symptoms consistent with COVID should not come to class even if they do not have a positive test. Please email me as soon as you know you will not be able to attend class in person (either because of having tested positive, having symptoms consistent with COVID, or other health matters). Given the uncertainty about the trajectory of the pandemic, we need to operate on the basis of a trustful relationship where I expect students to do their very best not to miss classes for non-health related reasons.

When your absence is health related and you have to miss only one or two classes, I will apply one of a few alternative approaches to accommodate your absence. These include sharing recorded classes or having extra office hours to discuss key aspects of missed sessions. I might also recruit a group of volunteer classmates who can be contacted for help with missed classes. I will discuss with each student who missed class to determine the best approach as their needs may be different. If your health-related absence goes beyond one week, you will need to notify me as well as the Dean of Student Affairs to discuss the best way forward as this may require modification of course assessment.

I also allow two days of non-health related absence from class without having to provide excuses. However, these unexcused absences may not be consecutive to each other, may not follow a health-related absence and cannot be taken on designated dates for exams and assignments. There are no special accommodations for non-health related absences except for consultation during regular office hours. I expect all students to take exams and return assignments at the 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) will be shifted to your other exams.

If I cannot conduct in-person teaching for my own health reasons, I may temporarily convert the class to virtual learning on Zoom.

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 supplementary readings; the rest are all required readings.

Course Outline

Part I. Entrepreneurship

January 26: Introduction

Weeks of 01/31 – 02/07: 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.

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

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.

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.

Week of 2/14: Race and Discrimination in Small Business Credit

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," Draft Working Paper Presented at the 2022 ASSA Conference.

Week of 2/21: Race and Entrepreneurial Performance

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 .2021. "After the burning: The economic effects of the 1921 tulsa race massacre," Working paper, National Bureau of Economic Research.

First Midterm Exam : Wednesday March 2nd

Week of 02/28: 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

Week of 03/07: Summarizing Entrepreneurship and Discussion on the Documentary "Boss: The Black Experience in Business"

Spring Break: March 12-20

Reflection Paper on Documentary Film – Due on Friday March 18

Part II. Labor Markets

Week of 3/21: (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 03/28: 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.

Week of 04/04: Racial Wage Inequality and Affirmative Action in the U.S.

Huffman, M. and P. Cohen. 2004. "Racial Wage Inequality: Job Segregation and Devaluation across U.S. Labor Markets," *American Journal of Sociology* 109,4, 902-936.

O'Neill, J. 1990. "The Role of Human Capital in Earnings Differences Between Black and White Men," *Journal of Economic Perspectives* 4,4, 25-45.

Coate, S. and G. Loury. 1993. "Will Affirmative Action Policies Remove Negative Stereotypes?" *American Economic Review* 83, 5, 1220-1240.

Second Midterm Exam: Wednesday April 13

Week of 04/11: The South African Labor Market

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.

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

Week of 04/18: The Brazilian Labor Market

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.

**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 – April 25 and 27

Week of 05/02 : Conclusion and Review Session

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>