Entrepreneurship through Employee Mobility, Innovation, and Growth

by **Salomé Baslandze**

Discussion by Rüdiger Bachmann, University of Notre Dame, CEPR, CESifo, ifo

53nd Konstanz Seminar on Monetary Theory and Monetary Policy

June 2, 2022

Background

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2. More recent literature, say Pugsley, Sedlacek and Sterk (2021): ex ante heterogeneity, firms have types, but exogenously given
3. This paper: can we endogenize/microfound ex ante heterogeneity?

Story

Spinouts: Inventors leave firms where they used to undertake *R&D* activities, and they take some of the quality of their *R&D*-activity with them when they found new firms.

$$\Downarrow$$

Produces firm types.

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  - Calibration and validation.
- Policy part:
  - Get rid of non-compete clauses altogether.

Comment I

Table 1: Summary Statistics

Patent data	Spinout Entrants	Regular Entrants	Incumbents
Number of firms	17295	46888	11452
Years in sample	4.28	3.69	23.07
Number of spinouts spawned	0.29	0.14	0.82
Number of parents	1.22	.	.
Lifetime number of patents	11.09	4.55	67.77
Lifetime number of cit-weighted	199.85	77.11	950.64
Patent + Compustat data			
Number of firms	777	2229	2249
Years in sample	9.70	9.19	29.82
Number of spinouts spawned	0.91	0.41	2.25
Number of parents	1.36	.	.
Lifetime number of patents	79.39	28.58	244.32
Lifetime number of cit-weighted patents	1618.07	585.40	3605.18
Sales(yearly)	919.65	938.10	3283.89
Sales growth (yearly)	23.62%	17.95%	10.13%
Employees (yearly)	3.77	3.61	12.34
Assets(yearly)	1219.56	1569.49	4361.11
R&D Expenditure (yearly)	61.12	47.76	108.46

It's true that spinout firms have more *R&D* activity and grow faster. But they don't have more assets and don't seem to be more productive (at least measured in aggr. labor productivity). Why?

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I understand, technically, why you do this. But how good an assumption is it given the features of this market? How would it, qualitatively, change your results to give them a more directed "search"?

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1 *Direct entry*: spinout leads to more entry—positive
2 *Knowledge diffusion*: spinout leads to more high-type firms—positive
3 *Firm composition*: spinout promotes more competition—positive
4a *Disincentive effect* ***in your story***: spinout hurts the incumbents (which they will take into account)—negative
4b *Disincentive effect* ***in the model*** (given random product line assignment, no direct competition with incumbent): incumbent loses its technological advantage to 1. Seems rather ad hoc.

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Can you convince the reader that this is not the case? Put differently: how would the world have to look like for the disincentive effect to dominate?

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1. The validation exercises you chose seem a bit all over the place and not well motivated. Would give the reader a bit more guidance here.
2. Why overweight one moment in the calibration exercise by two? Without an explanation, readers are left a bit puzzled.
3. Why use the Hagedorn-Manovskii calibration in the bargaining problem of incumbents and *R&D* managers? They use this calibration for a particular business cycle purpose but you don't need that. Suggest you tighten this part of the calibration.

Conclusion

This is a very interesting paper which provides a quantitative story for ex ante firm types and, therefore, pushes the level of heterogeneous-firm models up a notch.