

Curb Your Enthusiasm: Optimistic Entrepreneurs Earn Less

Christopher Dawson , David de Meza , Andrew Henley ,
G. Reza Arabsheibani

PII: S0014-2921(18)30158-2
DOI: <https://doi.org/10.1016/j.euroecorev.2018.08.007>
Reference: EER 3179

To appear in: *European Economic Review*

Received date: 9 August 2017
Accepted date: 30 August 2018

Please cite this article as: Christopher Dawson , David de Meza , Andrew Henley ,
G. Reza Arabsheibani , Curb Your Enthusiasm: Optimistic Entrepreneurs Earn Less , *European Economic Review* (2018), doi: <https://doi.org/10.1016/j.euroecorev.2018.08.007>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Curb Your Enthusiasm: Optimistic Entrepreneurs Earn Less

Christopher Dawson*, David de Meza†, Andrew Henley‡, G. Reza Arabsheibani†

David de Meza^{a,*}, Chris Dawson^b

^aLondon School of Economics, Managerial Economics and Strategy Group, Houghton Street, London, WC2A 2AE, UK

^bSchool of Management, University of Bath, 8 West, Quarry Road, Bath, UK

*corresponding author. Email: d.de-meza@lse.ac.uk

Abstract

This paper concerns the implications of biased beliefs on entrepreneurial earnings. Amongst self-employed business owners, income is decreasing in optimism measured whilst still an employee. Controlling for earnings in paid employment, self-employment earnings of those with optimism above the mean are some 30% less than those with optimism below the mean. For employees, it is optimists that have higher earnings. These and associated results suggest that mistaken expectations lead to entry errors. As a test of external validity, future divorcees turn out to be financial optimists, indicating our measure captures an intrinsic psychological trait associated with rash decisions.

This paper concerns the implications of biased beliefs on entrepreneurial earnings. Amongst self-employed business owners, income is decreasing in optimism measured whilst still an employee. Controlling for earnings in paid employment, self-employment earnings of those with optimism above the mean are some 30% less than those with optimism below the mean. For employees, it is optimists that have higher earnings. These and associated results suggest that mistaken expectations lead to entry errors. As a test of external validity, future divorcees turn out to be financial optimists, indicating our measure captures an intrinsic psychological trait associated with rash decisions.

Keywords: Financial optimism, expectations, entrepreneurs

Download English Version:

<https://daneshyari.com/en/article/11011981>

Download Persian Version:

<https://daneshyari.com/article/11011981>

[Daneshyari.com](https://daneshyari.com)