

## Macro Roundup Article

**Headline:** [Stock Market Wealth and Entrepreneurship](#)

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**Tweet:** Norwegian households with levels of financial wealth between 50-600k kroner, or \$5-56k, who saw a 20% increase in their wealth from stock gains were 20% more likely to start a firm, suggesting financial constraints may impede entrepreneurship.

**Summary:** Does initial wealth affect who starts a firm or the type of business they build? We show a causal effect of wealth on entry using a research design that compares individuals with the same ex ante stock portfolio characteristics but different ex post market returns arising from idiosyncratic holdings. The first row of Figure 4 presents the estimated relative effects for each wealth bin. There is a notable positive effect of having a relatively high return of 25% or above for the moderate wealth group. In contrast, the effects for high wealth are much smaller. The effect also appears to be asymmetric in the sign of buy-and-hold returns with [the] only significant effects observed for sufficiently high positive returns, consistent with positive returns moving individuals above their wealth cutoff for starting a business. We also examine aggregate return heterogeneity by interacting each of the wealth-by-return bins with whether the aggregate stock return is above or below its median. In bad stock market years, the effect of returns is fairly flat and close to zero. In contrast, in good stock market years, the propensity to start a business is increasing in return bins, particularly for the moderate wealth stock owners.

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**Primary Topic:** Growth

**Topics:** Academic paper, Database, GDP, Growth, Startups, Weekly

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