

Wealth Protection in Bankruptcy and Serial Entrepreneurship

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Erasmus School of Economics

March 2025

Motivation

Bankruptcy law has to balance two conflicting interests

1. Protect creditor rights \Rightarrow increase credit supply
2. Protect debtor opportunities \Rightarrow encourage entrepreneurs to take risk

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RQ: Does protecting post-bankruptcy wealth help *failed* entrepreneurs to restart?

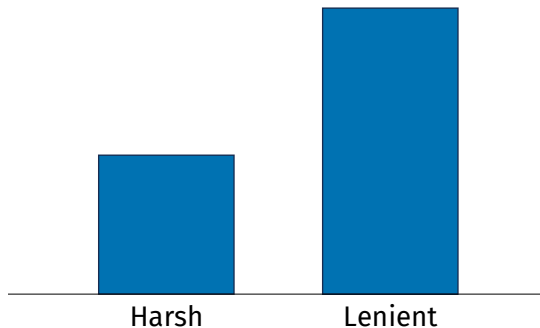
Post-bankruptcy wealth and serial entrepreneurship

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Variation in post-bankruptcy wealth by bankruptcy law



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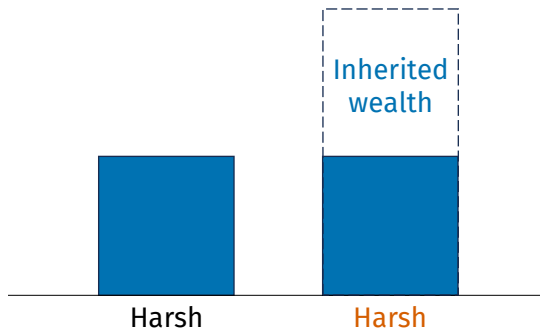
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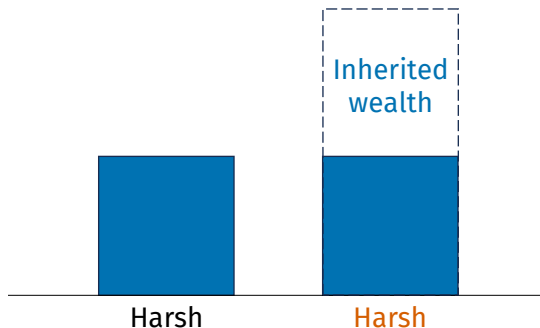


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Ideal experiment: randomly assign post-bankruptcy wealth to failed entrepreneurs

This study: exploit windfall wealth after bankruptcy from inheritance in Denmark

Variation in post-bankruptcy wealth while holding law constant



Identifying assumption: Timing of inheritance is random to that of bankruptcy

Personal bankruptcy in Denmark

Personal bankruptcy discharges personally liable debts

Bankruptcy process

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Institutional features about windfalls

1. If inheritance is anticipated, the court rejects the filing ▶ Fig: inheritance timing

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Institutional features about windfalls

1. If inheritance is anticipated, the court rejects the filing ► Fig: inheritance timing
2. Unexpected windfalls *after* bankruptcy ruling belong to debtor
 - Creditors do not have claims to them

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 - Parse 2,800 Gazette issues → 210,000 bankruptcy notices [▶ Illustration](#)
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- ⇒ Link 4 datasets via personal identifier (\simeq Social Security numbers in the US)

Sample selection

Treatment group: bankrupt entrepreneurs who receive windfalls from inheritance

- Treatment window: occurs up to 3 calendar years after bankruptcy
- Average: 55,000 EUR / Median[†]: 20,000 EUR
- Median inheritance[†] = 22% of pre-bankruptcy debt

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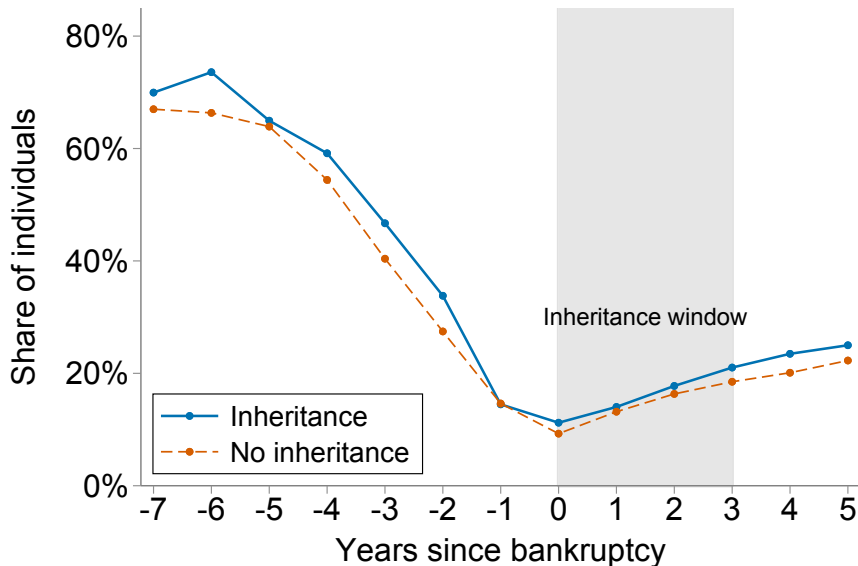
∴ Number of unique individuals: **214 treated & 205 matched control**

- Sample period: year of bankruptcy through 5 subsequent years (years 0–5)

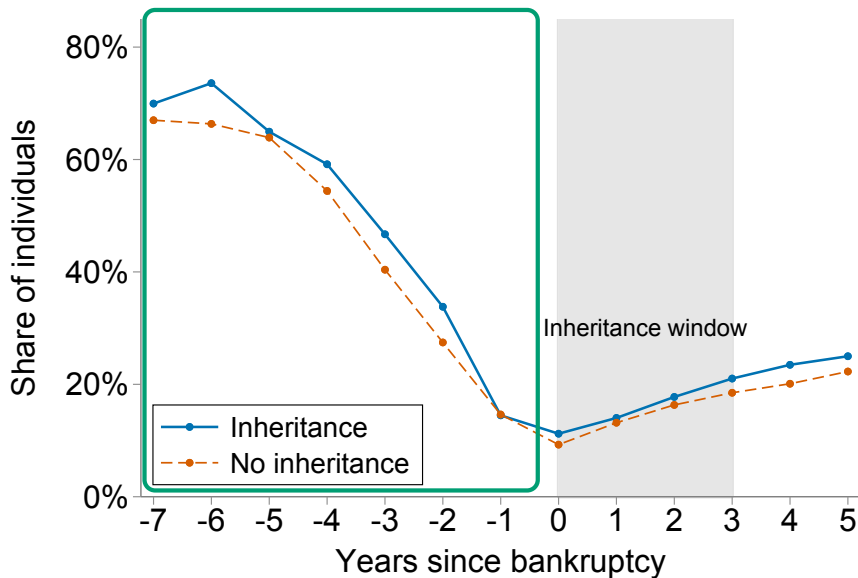
▶ Matching detail

▶ Summary statistics

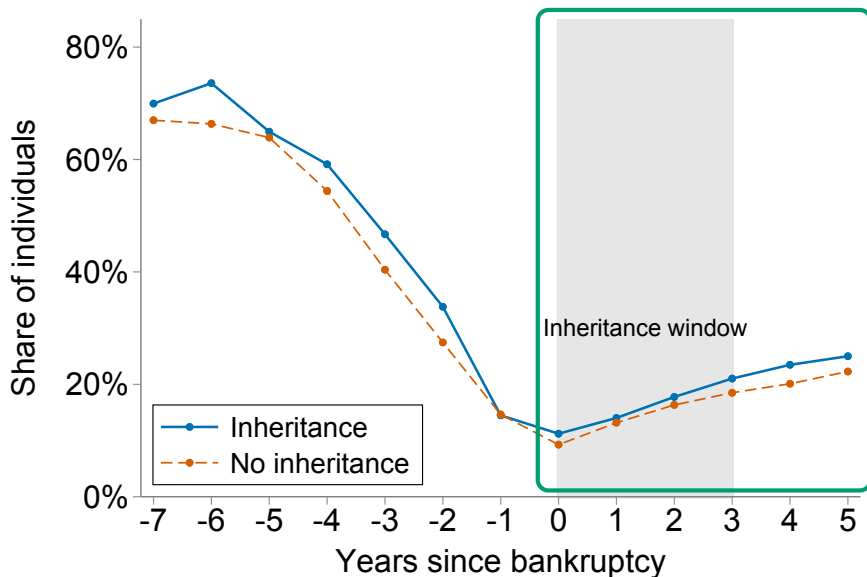
Dynamics of business ownership around bankruptcy



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Estimating effects of inheritance on serial entrepreneurship

Regression with matched sample:

$$Owner_{it} = \alpha_y + \beta After\ inheritance_{it} + \gamma X'_{it} + \varepsilon_{it}, (t = 0, \dots, 5)$$

- $Owner_{it}$: indicator equals one if individual i owns a business in event year t
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 - Alternative measure using variation in size: $Large\ inheritance_{it}$
- Calendar-year fixed effect: α_y
- Controls X'_{it} , characteristics on:
 - Bankruptcy case: bankruptcy chapter, discharge ratio
 - Individual: pre-bankruptcy wealth and income, age, gender, years of education
- Cluster standard errors at the individual level

Effect of inheritance on serial entrepreneurship

$$Owner_{it} = \alpha_y + \beta \text{After inheritance}_{it} + \gamma X'_{it} + \varepsilon_{it}, (t = 0, \dots, 5)$$

	(1)	(2)
After inheritance	0.048 (1.64)	0.054 (1.39)
After inheritance \times Large inheritance		-0.012 (-0.24)
Controls	Yes	Yes
Year fixed effects	Yes	Yes
Observations	2,480	2,480

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- Larger windfalls do not have incremental effect

Why doesn't windfall wealth promote serial entrepreneurship?

The null effect contrasts with related studies:

- Wealth protection in bankruptcy \Rightarrow *first-time* entrepreneurship \uparrow
(Fan and White 2003; Armour and Cumming 2008; Cerqueiro et al. 2019)
- Wealth windfalls *outside* bankruptcy \Rightarrow entrepreneurship \uparrow
(e.g., Holtz-Eakin et al. 1994; Andersen and Nielsen 2012; Bellon et al. 2021; Cespedes et al. 2021)

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→ **Experience of severe loss** may discourage reentry for bankrupt entrepreneurs

- Managers' personal experiences reduce their risk-taking
(e.g., Malmendier et al. 2011; Dittmar and Duchin 2016; Schoar and Zuo 2017)

Measures of experiencing severe losses

Entrepreneurial experiences with **severe** impacts on **personal** income & wealth

1. Experiencing **negative** personal income from business before bankruptcy

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Entrepreneurial experiences with **severe** impacts on **personal** income & wealth

1. Experiencing **negative** personal income from business before bankruptcy
2. Accumulating **large** personal debt from failed business
3. Being held **fully** personally liable for business debts (vs. partially liable)
 - Solely owned an unlimited liability company (ULC) before bankruptcy (vs. LLC)

Estimating effects of experiencing severe loss

Regression with matched sample:

$$\begin{aligned} Owner_{it} = & \alpha_y + \beta_1 After\ inheritance_{it} + \beta_2 Severe\ loss_i \\ & + \beta_3 After\ inheritance_{it} \times Severe\ loss_i + \gamma X'_{it} + \varepsilon_{it}, \end{aligned}$$

β_1 & β_3 : differential response to inheritance by experience of severe loss

Effect of experiencing severe loss

	Measures of severe loss		
	(1) Negative income	(2) Large business debt	(3) Full personal liability
After inheritance	0.131*** (2.78)	0.103*** (2.75)	0.126 (1.64)
After inheritance \times Severe loss	-0.136** (-2.31)	-0.132** (-2.31)	-0.102 (-1.27)
Controls	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Observations	2,018	2,480	2,480

- Sample mean of *Owner* = 19%

- Experience effect persists across different inheritance sizes:

→ Inherited wealth → Above-median inheritance

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Returns to serial entrepreneurship

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Returns to serial entrepreneurship

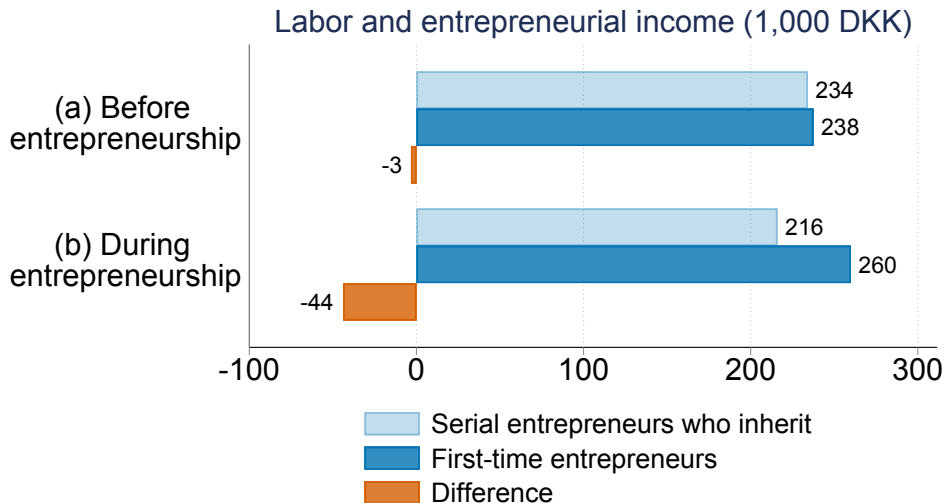
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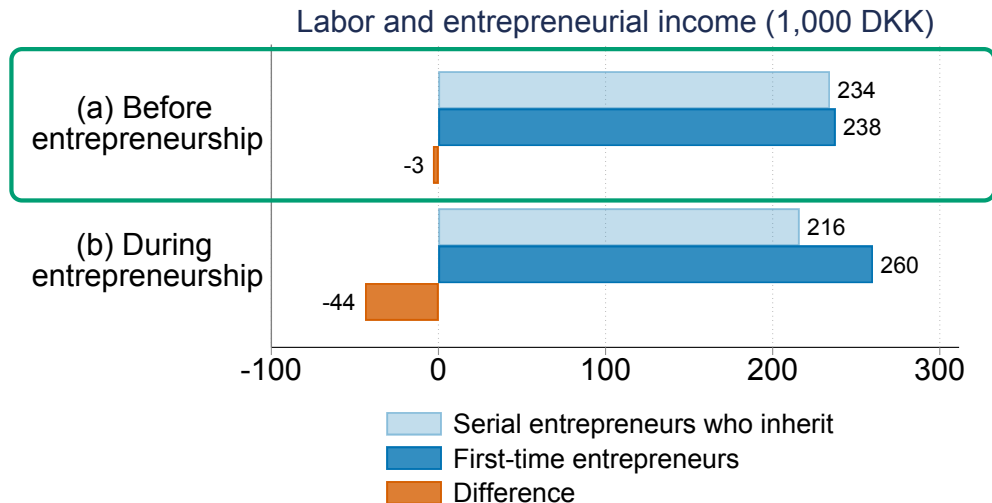
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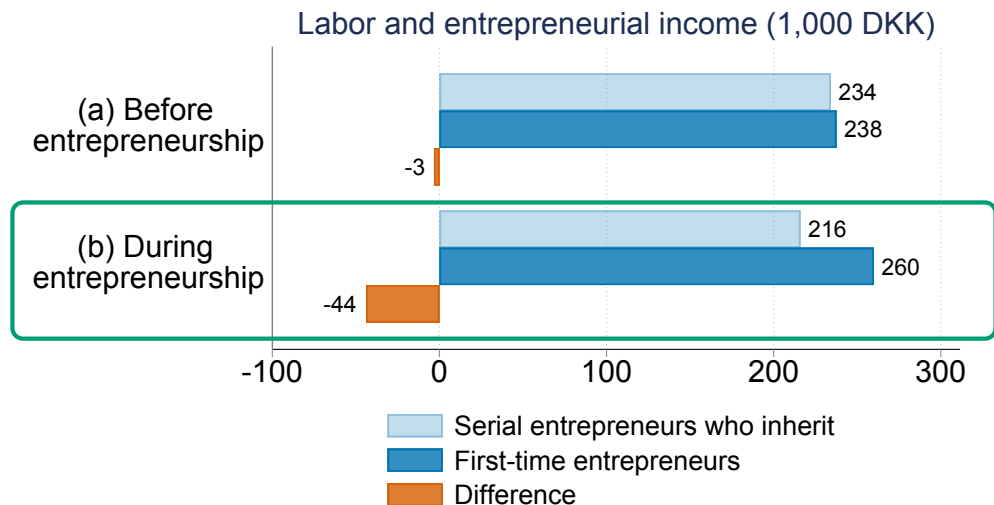
Returns to entrepreneurship between two groups



Before (re)starting, similar income levels



After (re)starting, 20% lower profits for the treated



Conclusion

First study to examine if post-bankruptcy wealth helps failed entrepreneurs to restart a business

- Windfall wealth \Rightarrow serial entrepreneurship, *only if* less severe experience

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Limited effectiveness of “second-chance” bankruptcy policies

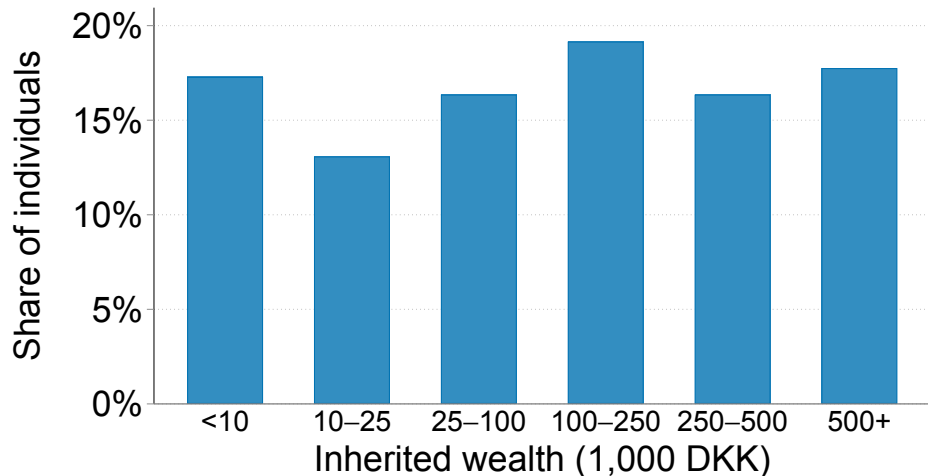
1. Wealth protection effect limited by personal experience
2. Low entrepreneurial quality
3. Costs for other entrepreneurs in the economy (e.g., reduced credit supply)

Thank you!

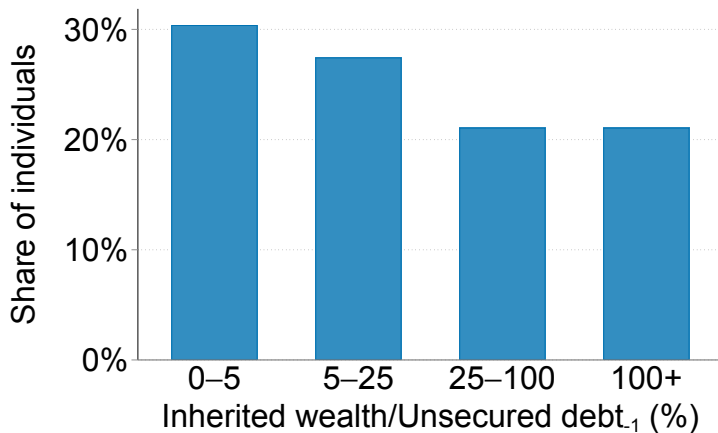
Appendix

Summary statistics: mean, [t-statistic]

	All	Matched sample		Difference	
		Treated (1)	Control (2)	(1)-(2)	
A. Wealth and income (1,000 DKK)					
Pre-bankruptcy wealth	-1,200.7	-1,114.3	-1,110.5	-3.8	[-0.0]
Pre-bankruptcy income	282.4	280.3	282.4	-2.1	[-0.2]
B. Individual characteristics					
Age	43.8	47.6	47.4	0.2	[0.3]
Male (%)	73.1	80.4	80.0	0.4	[0.1]
Years of education	11.7	11.7	11.5	0.2	[1.2]
C. Bankruptcy case characteristics					
Business debt chapter (%)	45.7	41.1	40.0	1.1	[0.2]
Discharge ratio (%)	91.0	90.3	92.1	-1.8	[-1.4]
D. Pre-bankruptcy personal business experience					
Pre-bankruptcy LLC owner (%)	18.4	21.0	19.0	2.0	[0.5]
Severe income loss (%)	61.6	55.7	62.7	-7.0	[-1.3]
Low past performance (%)	4.4	2.2	2.5	-0.2	[-0.1]
Number of individuals	4,851	214	205		



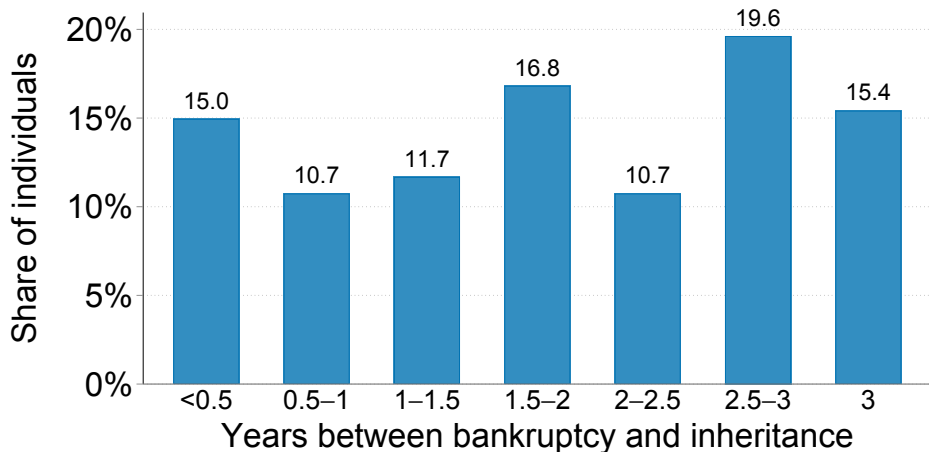
Average: 308,000 DKK (\approx 50,000 EUR in 2023) / Median[†]: 115,000 DKK (\approx 18,000 EUR)



- Unsecured debt = dischargeable debt
- Median ratio[†] = 22%

Timing of inheritances relative to bankruptcy

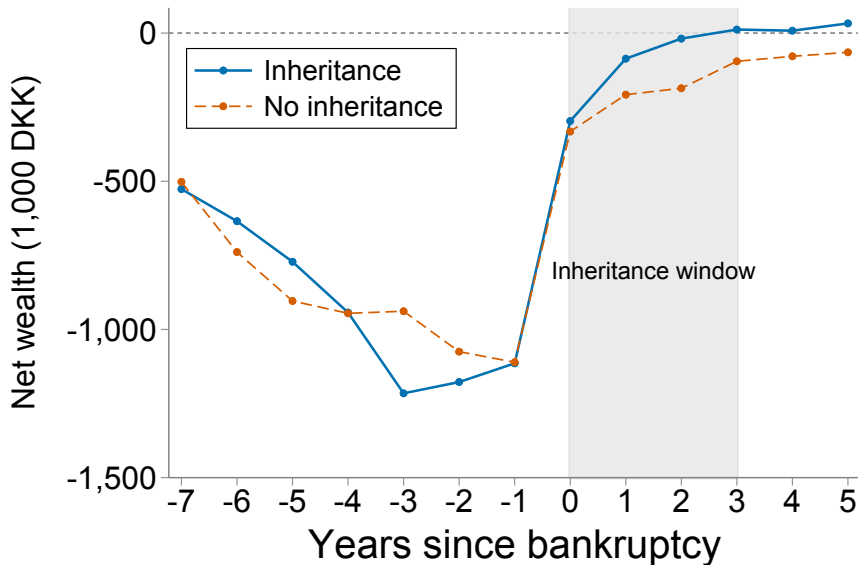
[▶ Back to wealth regression](#)



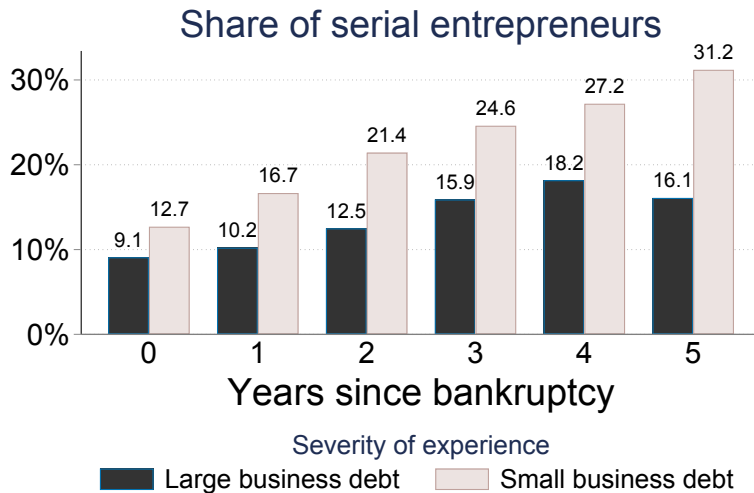
Timing of inheritances does not exhibit bunching in first 6-12 months

Dynamics of net wealth around bankruptcy

[▶ Back to wealth regression](#)



Effect of experiencing severe indebtedness from business





STATSTIDENDE

NR. 174 09.09.2016 113. ÅRGANG

Udgivet i henhold til lov nr. 419 af 31. maj 2000.

STATSTIDENDE

www.statstidende.dk

Udkommer hverdage kl. 04 undtagen mandage, dagen efter 2. påskedag, dagen efter 2. pinsedag, og dagen efter 2. juledag. Statstidende indeholder oversigt over retslige kundgørelser, forskellige kundgørelser fra stat, kommuner og virksomheder, samt mortifikationer i det første nummer i hvert kvartal.

Priser er pr. 15. august 2014 og forefindes på: www.statstidende.dk/priser.html.

Indrykning faktureres i den måned de offentliggøres. Fakturaen vedlægges ikke særskilt dokumentation. På www.statstidende.dk kan meddelelser fremsendes direkte online og i PDF-version i et år.

Brugerservice, tlf. 70 80 77 80 (man. – tors. kl. 8.30–16, fre. kl. 8.30–14.30) og publikationer@statstidende.dk.
Redaktionen, tlf. 43 43 33 11 (man. – tors. kl. 9–15, fre. kl. 9–14) og indkaldelser@statstidende.dk.
Bogholderi, tlf. 3395 1089 og bogholderi-statstidende@stratens-adm.dk.

Indrykning foregår via statstidende.dk og kan ske frem til kl. 07 dagen før offentliggørelse. Deadlines forudsætter fejlfrit indhold/skema. Fristen for mortifikationer og indkaldelse til ejendomsdom offentliggøres på forsiden af statstidende.dk.

Statstidende ISSN 1399-8714

Statstidende hører til Justitsministeriets område og varetages af Civilstyrelsen, tlf. 33 92 33 34, publikationer@civilstyrelsen.dk.

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JUSTITSMINISTERIET
CIVILSTYRELSEN

Sample page from the State Gazette

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JUSTITSMINISTERIET
CIVILSTYRELSEN

Sample page from the State Gazette

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- Using document index, locate relevant sections

torerne ikke får mulighed for at øve indflydelse på skifterettens afgørelse om gældssanering.

John Mikkelsen har drevet virksomheden JollyShopping.com v/ John Jensen, CVR-nr. 12345678.

Retten i Randers, den 07.09.2016.

Retskreds
Randers

S07092016-304
I gældssaneringsagen for

Thomas Thomassen

Fødselsdato 10.02.1945
Møllebakken 9
3400 Hillerød

Sagsnr. 1608-773

indkaldes kreditorerne til møde i Retten i Hillerød, Lokale B, Søndre Jernbanvej 18 B, stuen, 3400 Hillerød,

mandag den 10.10.2016, kl. 13.00,

til behandling af skyldnerens forslag til gældssanering.

Forslaget med bilag ligger til eftersyn i skifteretten. Udeblivelse medfører, at kreditorerne ikke får mulighed for at udøve indflydelse på skifterettens afgørelse om gældssanering.

Hillerød, den 07.09.2016.

Advokat Kristian Kristiansen

Retskreds
Hillerød

Kendelse

S07092016-37
Skifteretten i Hjørring har den 06.09.2016 afsagt kendelse om gældssanering for

Alice Mette Jakobsen

Fødselsdato 10.01.1964
Sønderparken 20
9800 Hjørring

Sagsnr. SKS SKIF-261/2016

på følgende vilkår:

Usikret gæld stiftet af Alice Mette Jakobsen før den 12.05.2016 nedsættes til en dividende på 0,6890%, der betales med en engangslodning, når kendelse om gældssanering er endelig.

Hjørring, den 06.09.2016.

Som skifterettens medhjælper:
Jens Jensen, advokat
Advokaterne Jens and Jesper
Vestergade 3
9800 Hjørring

Retskreds
Hjørring

S07092016-92
Sø- og Handelsrettens skifteret har den 06.09.2016 afsagt kendelse om gældssanering for

Jesper Rasmus Jespersen

Fødselsdato 19.10.1960
Waargrethevej 2, 4 th
2300 København S

Sagsnr. G 46/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den 12.04.2016 nedsættes til 34,94%, som afdrages over en fem-årig periode.

Sø- og Handelsrettens, Skifteretten, den 07.09.2016.

Retskreds
Sø- og Handelsretten

S07092016-99

Sø- og Handelsrettens skifteret har den 06.09.2016 afsagt kendelse om gældssanering for

Ali Hexam Amadu

Fødselsdato 14.07.1957
Vestergade 14, 4 th.
2100 København Ø

Sagsnr. G 76/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den 13.04.2016 nedsættes til 7,15952% og afdrages over en fem-årig periode.

Sø- og Handelsretten, Skifteretten, den 07.09.2016.

Retskreds
Sø- og Handelsretten

S07092016-106
Sø- og Handelsrettens skifteret har den 06.09.2016 afsagt kendelse om gældssanering for

Annie Rasmussen

Fødselsdato 25.12.1980
Christian 8.s Vej 2B, 1 tv.
1805 Frederiksberg C

Sagsnr. G 36/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den 08.03.2016 nedsættes til 4,65628% og afdrages over med 4,18564% 4 uger efter endelig kendelse om gældssanering og 0,47064% den 01.05.2017.

Sø- og Handelsretten, Skifteretten, den 07.09.2016.

Retskreds
Sø- og Handelsretten

Sample page from the State Gazette

- About 2,800 (daily) issues of the Gazette between 2006–2016
- Using document index, locate relevant sections
- Obtain 210,000 notices on different stages of bankruptcy & liquidation proceedings (e.g., case opens, calls for creditors, ruling is made ...)

torerne ikke får mulighed for at øve indflydelse på skifterettens afgørelse om gældssanering.

John Mikkelsen har drevet virksomheden JollyShopping.com v/ John Jensen, CVR-nr. 12345678.

Retten i Randers, den 07.09.2016.

Retskreds
Randers

S07092016-304
I gældssanerings sagen for

Thomas Thomassen

Fødselsdato 10.02.1945
Møllebakken 9
3400 Hillerød

Sagsnr. 1608-773

indkaldes kreditorerne til møde i Retten i Hillerød, Lokale B, Søndre Jernbanevej 18 B, stuen, 3400 Hillerød,

mandag den 10.10.2016, kl. 13.00,

til behandling af skyldnerens forslag til gældssanering.

Forslaget med bilag ligger til eftersyn i skifteretten. Udeblivelse medfører, at kreditorerne ikke får mulighed for at udøve indflydelse på skifterettens afgørelse om gældssanering.

Hillerød, den 07.09.2016.

Advokat Kristian Kristiansen

Retskreds
Hillerød

Kendelse

S07092016-37
Skifteretten i Hjørring har den 06.09.2016 afsagt kendelse om gældssanering for

Alice Mette Jakobsen

Fødselsdato 10.01.1964

Sønderparken 20

9800 Hjørring

Sagsnr. SKS SKIF-261/2016

på følgende vilkår:

Usikret gæld stiftet af Alice Mette Jakobsen før den 12.05.2016 nedsættes til en dividende på 0,6890%, der betales med en engangslodning, når kendelse om gældssanering er endelig.

Hjørring, den 06.09.2016.

Som skifterettens medhjælper:

Jens Jensen, advokat
Advokaterne Jens and Jesper
Vestergade 3
9800 Hjørring

Retskreds
Hjørring

S07092016-92
Sø- og Handelsrettens skifteret har den 06.09.2016 afsagt kendelse om gældssanering for

Jesper Rasmus Jespersen

Fødselsdato 19.10.1960

Waargrethevej 2, 4 th
2300 København S

Sagsnr. G 46/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den 12.04.2016 nedsættes til 34,94%, som afdrages over en fem-årig periode.

Sø- og Handelsretten, Skifteretten, den 07.09.2016.

Retskreds
Sø- og Handelsretten

S07092016-99

Sø- og Handelsrettens skifteret har den 06.09.2016 afsagt kendelse om gældssanering for

Ali Hesam Amadu

Fødselsdato 14.07.1957

Vestergade 14, 4 th.

2100 København Ø

Sagsnr. G 76/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den 13.04.2016 nedsættes til 7,15952% og afdrages over en fem-årig periode.

Sø- og Handelsretten, Skifteretten, den 07.09.2016.

Retskreds
Sø- og Handelsretten

S07092016-106
Sø- og Handelsrettens skifteret har den 06.09.2016 afsagt kendelse om gældssanering for

Annie Rasmussen

Fødselsdato 25.12.1980

Christian 8.s Vej 2B, 1 tv.

1805 Frederiksberg C

Sagsnr. G 36/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den 08.03.2016 nedsættes til 4,65628% og afdrages over med 4,18564% 4 uger efter endelig kendelse om gældssanering og 0,47064% den 01.05.2017.

Sø- og Handelsretten, Skifteretten, den 07.09.2016.

Retskreds
Sø- og Handelsretten

Sample page from the State Gazette

- About 2,800 (daily) issues of the Gazette between 2006–2016
- Using document index, locate relevant sections
- Obtain 210,000 notices on different stages of bankruptcy & liquidation proceedings (e.g., case opens, calls for creditors, ruling is made ...)
- Calls for creditors' meeting
- Rulings (under *Kendelse*)

..... S07092016-92
Sø- og Handelsrettens skifteret har den
06.09.2016 afsagt kendelse om
gældssanering for

Jesper Rasmus Jespersen

Fødselsdato 19.10.1938
Margrethevej 32, 2 th
2300 København S

Sagsnr. G 46/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den
12.04.2016 nedsættes til 34,94%, som
afdrages over en fem-årige periode.

Sø- og Handelsretten, Skifteretten, den
07.09.2016.

Retskreds

Sø- og Handelsretten

.....

Sample notice on bankruptcy ruling

Contains structured, textual info on the case & the debtor

S07092016-92
Sø- og Handelsrettens skifteret har den
06.09.2016 afsagt kendelse om
gældssanering for

Jesper Rasmus Jespersen

Fødselsdato 19.10.1938

Margrethevej 32, 2 th
2300 København S

Sagsnr. G 46/16-K

på følgende vilkår:

Skyldnerens gæld stiftet inden den
12.04.2016 nedsættes til 34,94%, som
afdrages over en fem-årig periode.

Sø- og Handelsretten, Skifteretten, den
07.09.2016.

Retskreds

Sø- og Handelsretten

Sample notice on bankruptcy ruling

Contains structured, textual info on the case & the debtor

- Date of ruling
- Name
- Date of birth
- Address
- Discharge ratio (= %Debt discharged in bankruptcy/Total debt)
- Court

→ Assign personal identifiers to 14,000 bankrupt individuals

Effect by inheritance size

Inherited wealth: measured in 1 million DKK

	Measures of severe loss		
	(1) Negative income	(2) Large business debt	(3) Full personal liability
After inheritance \times Inherited wealth	0.190*** (6.01)	0.060 (1.04)	0.131*** (3.84)
After inheritance \times Inherited wealth \times Severe loss	-0.206*** (-5.87)	-0.091 (-0.56)	-0.121*** (-2.79)
Controls	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Observations	2,018	2,480	2,480

[► Back to main spec](#)

Effect of larger inheritances

Large inheritance: indicator for inheritance above median

	Measures of severe loss		
	(1) Negative income	(2) Large business debt	(3) Full personal liability
After inheritance	0.149** (2.38)	0.099** (1.98)	0.217** (2.12)
After inheritance \times Severe loss	-0.145* (-1.81)	-0.111 (-1.42)	-0.194* (-1.80)
After inheritance \times Large inheritance	-0.040 (-0.43)	0.007 (0.10)	-0.155 (-1.21)
After inheritance \times Large inheritance \times Severe loss	0.023 (0.20)	-0.040 (-0.41)	0.159 (1.17)
Controls	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Observations	2,018	2,480	2,480

20% lower income from serial entrepreneurship

Income is measured in 1,000 DKK

	Labor and entrepreneurial income			Labor and entrepreneurial income (conditional on survival)		
	(1)	(2)	(3)	(4)	(5)	(6)
After inheritance	-63.8*** (-2.64)		-34.8 (-1.20)	-59.8** (-2.28)		-31.9 (-1.02)
After inheritance × Inherited wealth		-43.1*** (-2.91)			-41.1*** (-2.75)	
After inheritance × Large inheritance			-61.7** (-2.00)			-60.4* (-1.91)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,213	1,213	1,213	998	998	998

	All		Matched sample				Difference	
			Treated (1)		Control (2)		(1)-(2)	
A. Wealth and income (1,000 DKK)								
Pre-bankruptcy wealth	-1,200.7	(2,152.0)	-1,114.3	(1,780.2)	-1,110.5	(1,806.6)	-3.8	[-0.0]
Pre-bankruptcy income	282.4	(137.9)	280.3	(126.4)	282.4	(134.6)	-2.1	[-0.2]
B. Individual characteristics								
Age	43.8	(8.4)	47.6	(6.9)	47.4	(6.8)	0.2	[0.3]
Male (%)	73.1	(44.4)	80.4	(39.8)	80.0	(40.1)	0.4	[0.1]
Years of education	11.7	(1.8)	11.7	(1.9)	11.5	(1.9)	0.2	[1.2]
C. Bankruptcy case characteristics								
Business debt chapter (%)	45.7	(49.8)	41.1	(49.3)	40.0	(49.1)	1.1	[0.2]
Discharge ratio (%)	91.0	(13.5)	90.3	(14.6)	92.1	(11.3)	-1.8	[-1.4]
D. Pre-bankruptcy personal business experience								
Pre-bankruptcy LLC owner (%)	18.4	(38.7)	21.0	(40.8)	19.0	(39.3)	2.0	[0.5]
Pre-bankruptcy ULC owner (%)	82.8	(37.8)	82.2	(38.3)	81.0	(39.3)	1.3	[0.3]
Severe income loss (%)	61.6	(48.6)	55.7	(49.8)	62.7	(48.5)	-7.0	[-1.3]
Low past performance (%)	4.4	(20.6)	2.2	(14.8)	2.5	(15.5)	-0.2	[-0.1]
Number of individuals	4851		214		205			

Inheritance does not lead to serial entrepreneurship

[Back to Table](#)

	(1)	(2)	(3)
After inheritance	0.048 (1.64)		0.054 (1.39)
After inheritance × Inherited wealth		0.055 (1.03)	
After inheritance × Large inheritance			-0.012 (-0.24)
Business debt chapter	-0.062* (-1.83)	-0.060* (-1.79)	-0.061* (-1.82)
Discharge ratio	0.002** (2.39)	0.002** (2.32)	0.002** (2.41)
Pre-bankruptcy wealth	-0.000* (-1.78)	-0.000* (-1.73)	-0.000* (-1.79)
Pre-bankruptcy income	-0.000 (-1.61)	-0.000* (-1.66)	-0.000 (-1.60)
Age	-0.000 (-0.18)	-0.001 (-0.23)	-0.000 (-0.16)
Male	0.101*** (3.14)	0.104*** (3.25)	0.100*** (3.09)
Years of education	0.019** (2.29)	0.020** (2.34)	0.020** (2.29)
Year fixed effects	Yes	Yes	Yes
R^2	0.06	0.06	0.06
Individual-year observations	2,480	2,480	2,480

Personal experience: negative personal income [▶ Back to Table](#)

	(1)	(2)	(3)
After inheritance	0.131*** (2.78)		0.149** (2.38)
After inheritance × Severe income loss	-0.136** (-2.31)		-0.145* (-1.81)
After inheritance × Inherited wealth		0.190*** (6.01)	
After inheritance × Inherited wealth × Severe income loss		-0.206*** (-5.87)	
After inheritance × Large inheritance			-0.040 (-0.43)
After inheritance × Large inheritance × Severe income loss			0.023 (0.20)
Severe income loss	0.056* (1.68)	0.030 (0.94)	0.055* (1.68)
Business debt chapter	-0.027 (-0.71)	-0.027 (-0.69)	-0.026 (-0.68)
Discharge ratio	0.001 (1.56)	0.001 (1.42)	0.001 (1.53)
Pre-bankruptcy wealth	-0.000 (-1.03)	-0.000 (-1.04)	-0.000 (-1.04)
Pre-bankruptcy income	-0.000** (-2.46)	-0.000** (-2.50)	-0.000** (-2.47)
Age	0.000 (0.07)	0.000 (0.12)	0.000 (0.11)
Male	0.051 (1.28)	0.055 (1.38)	0.050 (1.24)
Years of education	0.019* (1.93)	0.021** (2.20)	0.019* (1.93)
Year fixed effects	Yes	Yes	Yes
R ²	0.05	0.07	0.05
Individual-year observations	2,018	2,018	2,018

Personal experience: large business debt [▶ Back to Table](#)

	(1)	(2)	(3)
After inheritance	0.103*** (2.75)		0.099** (1.98)
After inheritance × Business debt chapter	-0.132** (-2.31)		-0.111 (-1.42)
After inheritance × Inherited wealth		0.060 (1.04)	
After inheritance × Inherited wealth × Business debt chapter		-0.091 (-0.56)	
After inheritance × Large inheritance			0.007 (0.10)
After inheritance × Large inheritance × Business debt chapter			-0.040 (-0.41)
Business debt chapter	-0.014 (-0.37)	-0.053 (-1.50)	-0.014 (-0.36)
Discharge ratio	0.002** (2.35)	0.002** (2.31)	0.002** (2.35)
Pre-bankruptcy wealth	-0.000* (-1.77)	-0.000* (-1.73)	-0.000* (-1.78)
Pre-bankruptcy income	-0.000 (-1.54)	-0.000 (-1.63)	-0.000 (-1.54)
Age	-0.000 (-0.15)	-0.000 (-0.18)	-0.000 (-0.11)
Male	0.101*** (3.15)	0.104*** (3.23)	0.100*** (3.10)
Years of education	0.020** (2.30)	0.020** (2.35)	0.020** (2.29)
Year fixed effects	Yes	Yes	Yes
R ²	0.06	0.06	0.06
Individual-year observations	2,480	2,480	2,480

Personal experience: full personal liability [▶ Back to Table](#)

	(1)	(2)	(3)	(4)
After inheritance	0.126 (1.64)		0.217** (2.12)	
After inheritance × Full personal liability	-0.102 (-1.27)		-0.194* (-1.80)	
After inheritance × Inherited wealth		0.131*** (3.84)		
After inheritance × Inherited wealth × Full personal liability		-0.121*** (-2.79)		
After inheritance × Large inheritance			-0.155 (-1.21)	0.061 (0.63)
After inheritance × Large inheritance × Full personal liability			0.159 (1.17)	-0.035 (-0.34)
Full personal liability	-0.216*** (-3.85)	-0.234*** (-4.68)	-0.216*** (-3.85)	-0.216*** (-3.85)
Business debt chapter	-0.052 (-1.62)	-0.051 (-1.59)	-0.052 (-1.62)	-0.052 (-1.62)
Discharge ratio	0.002** (1.98)	0.001* (1.77)	0.002** (1.98)	0.002** (1.98)
Pre-bankruptcy wealth	-0.000 (-1.16)	-0.000 (-1.15)	-0.000 (-1.13)	-0.000 (-1.13)
Pre-bankruptcy income	-0.000** (-2.05)	-0.000** (-2.15)	-0.000* (-1.92)	-0.000* (-1.92)
Age	-0.002 (-1.05)	-0.002 (-0.91)	-0.002 (-1.02)	-0.002 (-1.02)
Male	0.090*** (2.83)	0.090*** (2.90)	0.086*** (2.72)	0.086*** (2.72)
Years of education	0.014 (1.56)	0.015* (1.68)	0.013 (1.54)	0.013 (1.54)
After inheritance × Small inheritance				0.217** (2.12)
After inheritance × Small inheritance × Full personal liability				-0.194* (-1.80)
Year fixed effects	Yes	Yes	Yes	Yes
R ²	0.13	0.13	0.13	0.13
Individual-year observations	2,480	2,480	2,480	2,480

Robustness: severe loss vs. low entrepreneurial quality

[▶ Back to Table](#)

	(1)	(2)	(3)	(4)
After inheritance	0.054* (1.69)	0.126*** (2.69)	0.103*** (2.63)	0.117 (1.22)
After inheritance × Low past performance	-0.167* (-1.81)	-0.162 (-1.60)	-0.217** (-2.31)	-0.145 (-1.59)
After inheritance × Severe income loss		-0.129** (-2.19)		
After inheritance × Business debt chapter			-0.125* (-1.95)	
After inheritance × Full personal liability				-0.086 (-0.86)
Low past performance	-0.049 (-0.59)	-0.037 (-0.40)	-0.030 (-0.37)	-0.021 (-0.24)
Severe income loss		0.058* (1.65)		
Business debt chapter	-0.049 (-1.25)	-0.040 (-1.00)	-0.002 (-0.05)	-0.048 (-1.30)
Full personal liability				-0.258*** (-3.63)
Discharge ratio	0.002** (2.03)	0.001 (1.58)	0.002* (1.95)	0.001* (1.73)
Pre-bankruptcy wealth	-0.000 (-1.47)	-0.000 (-1.07)	-0.000 (-1.45)	-0.000 (-0.63)
Pre-bankruptcy income	-0.000*** (-2.69)	-0.000** (-2.46)	-0.000*** (-2.62)	-0.000*** (-2.87)
Age	-0.000 (-0.15)	0.000 (0.03)	-0.000 (-0.17)	-0.002 (-0.80)
Male	0.071* (1.71)	0.053 (1.25)	0.071* (1.72)	0.063 (1.56)
Years of education	0.024** (2.55)	0.018* (1.79)	0.024** (2.50)	0.014 (1.45)
Year fixed effects	Yes	Yes	Yes	Yes
R ²	0.06	0.05	0.07	0.13
Individual-year observations	2,022	1,902	2,022	2,022

	Labor and entrepreneurial income			Labor and entrepreneurial income (conditional on survival)		
	(1)	(2)	(3)	(4)	(5)	(6)
After inheritance	-63.8*** (-2.64)		-34.8 (-1.20)	-59.8** (-2.28)		-31.9 (-1.02)
After inheritance × Inherited wealth		-43.1*** (-2.91)			-41.1*** (-2.75)	
After inheritance × Large inheritance			-61.7** (-2.00)			-60.4* (-1.91)
Past bankruptcy	-10.4 (-0.30)	-31.2 (-1.00)	-11.0 (-0.32)	-5.5 (-0.14)	-26.3 (-0.76)	-6.0 (-0.15)
Pre-entrepreneurial wealth	0.0 (0.39)	0.0 (0.43)	0.0 (0.12)	0.0 (0.22)	0.0 (0.26)	-0.0 (-0.08)
Pre-entrepreneurial labor income	0.7*** (10.90)	0.7*** (10.73)	0.7*** (11.16)	0.8*** (10.48)	0.8*** (10.30)	0.8*** (10.75)
Age	-1.1 (-0.72)	-1.2 (-0.79)	-1.0 (-0.68)	0.2 (0.11)	0.1 (0.06)	0.3 (0.17)
Male	17.1 (0.66)	14.8 (0.58)	16.4 (0.63)	19.8 (0.72)	18.3 (0.67)	18.7 (0.68)
Years of education	0.6 (0.14)	0.1 (0.01)	0.6 (0.14)	0.1 (0.02)	-0.5 (-0.10)	-0.0 (-0.00)
Starting a limited liability company	51.0** (2.37)	55.0** (2.52)	53.2** (2.49)	50.5** (2.08)	56.3** (2.30)	54.0** (2.24)
Years of business experience	7.0** (2.15)	7.0** (2.12)	7.0** (2.15)	6.4* (1.73)	6.6* (1.77)	6.3* (1.72)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
R ²	0.43	0.43	0.44	0.44	0.43	0.44
Individual-year observations	1,213	1,213	1,213	998	998	998

Robustness: severe loss vs. low entrepreneurial quality

Alternative channel: experiencing severe loss \approx ? low entrepreneurial quality

- Measure of low entrepreneurial quality: low past performance, *relative* to industry
- *Low past performance_i*: individual *i*'s annual entrepreneurial income has *always* remained at the bottom decile in the 88-industry before bankruptcy
- By measuring *persistent* low performance, separates low skills from 'bad luck'

Repeat the tests controlling for *Low past performance_i*

Severe loss \neq low entrepreneurial quality

[Full table](#)
[Back to Robustness](#)

	(1)	(2)	(3)	(4)
After inheritance	0.054* (1.69)	0.126*** (2.69)	0.103*** (2.63)	0.117 (1.22)
After inheritance \times Low past performance	-0.167* (-1.81)	-0.162 (-1.60)	-0.217** (-2.31)	-0.145 (-1.59)
After inheritance \times Severe income loss		-0.129** (-2.19)		
After inheritance \times Business debt chapter			-0.125* (-1.95)	
After inheritance \times Full personal liability				-0.086 (-0.86)
Low past performance	-0.049 (-0.59)	-0.037 (-0.40)	-0.030 (-0.37)	-0.021 (-0.24)
Severe income loss		0.058* (1.65)		
Full personal liability				-0.258*** (-3.63)
Controls	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Observations	2,022	1,902	2,022	2,022

	(1)
After inheritance	0.169*** (3.19)
Severe income loss	0.056* (1.73)
Long tenure in ULC	-0.025 (-0.69)
After inheritance \times Severe income loss	-0.129** (-2.17)
After inheritance \times Long tenure in ULC	-0.090 (-1.55)
Controls	Yes
Year fixed effects	Yes
Observations	2,018

Age has no effect on response

[▶ Back to Robustness](#)

	(1)	(2)
After inheritance	0.097 (0.51)	0.011 (0.28)
Age at bankruptcy	-0.001 (-0.45)	
After inheritance \times Age at bankruptcy	-0.001 (-0.27)	
Above median age		-0.030 (-0.81)
After inheritance \times Above median age		0.074 (1.31)
Controls	Yes	Yes
Year fixed effects	Yes	Yes
Observations	2,480	2,480

Effect of negative income similar across chapters [▶ Back to Robustness](#)

	(1) Ordinary chapter	(2) Business debt chapter
After inheritance	0.128** (2.31)	0.157* (1.89)
Severe income loss	0.051 (1.30)	0.093 (1.36)
After inheritance \times Severe income loss	-0.124* (-1.75)	-0.200* (-1.93)
Controls	Yes	Yes
Year fixed effects	Yes	Yes
Observations	1,290	728

Limit to bankruptcies up to 2014:

	Window: up to 7 years after bankruptcy			Window: between 4 and 7 years after bankruptcy		
	(1)	(2)	(3)	(4)	(5)	(6)
After inheritance	0.033 (0.97)		0.026 (0.57)	0.014 (0.32)		0.012 (0.22)
After inheritance \times Inherited wealth		0.042 (0.81)			0.026 (0.53)	
After inheritance \times Large inheritance			0.013 (0.24)			0.004 (0.07)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,644	2,644	2,644	1,296	1,296	1,296

Moreover, find consistent results on experience of severe loss

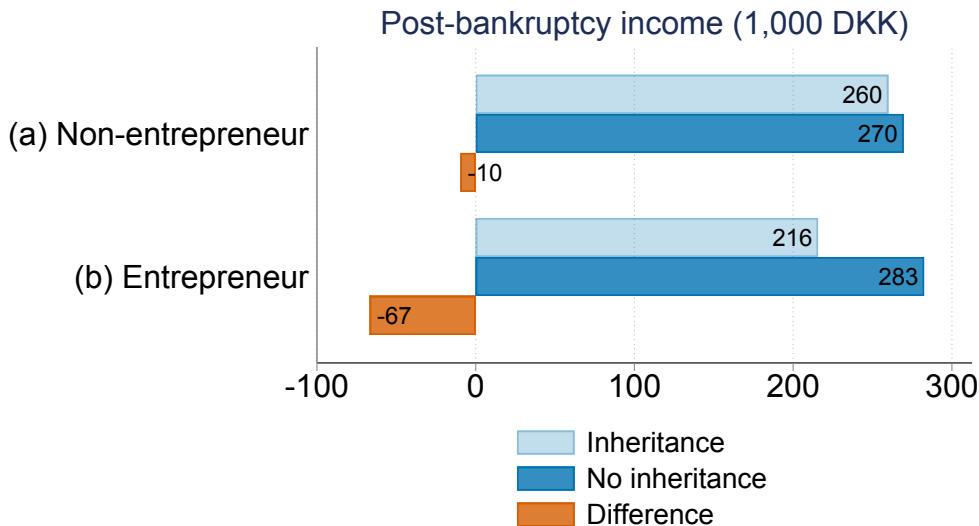
	Matched sample		Difference	
	Serial entrepreneurs (1)	First-time entrepreneurs (2)	(1)-(2)	
A. Pre-entrepreneurship wealth and income (1,000 DKK)				
Pre-entrepreneurial wealth	-608.4	591.7	-1,200.1***	[-4.1]
Pre-entrepreneurial labor income	251.0	254.5	-3.4	[-0.1]
B. Individual characteristics				
Age	49.2	49.1	0.1	[0.1]
Male	0.9	0.9	0.0	[0.0]
Years of education	11.9	11.9	0.0	[0.0]
C. Entrepreneurial characteristics				
Starting a limited liability company (%)	55.5	55.5	0.0	[0.0]
Years of business experience	6.4	0.0	6.4***	[16.7]
D. Experiencing windfall wealth after bankruptcy				
Inheritance event (%)	50.9	0.0	50.9***	[10.6]
Number of individuals	110	110		

Effect of inheritance on restarters' survival is ambiguous

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	(1)	(2)	(3)
After inheritance	0.086* (1.88)		0.144*** (2.72)
After inheritance × Inherited wealth		0.008 (0.36)	
After inheritance × Large inheritance			-0.124* (-1.92)
Past bankruptcy	0.040 (0.78)	0.075 (1.60)	0.039 (0.75)
Starting a limited liability company	0.130*** (3.18)	0.128*** (3.11)	0.135*** (3.27)
Years of business experience	-0.004 (-0.58)	-0.004 (-0.53)	-0.004 (-0.59)
Controls	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Observations	1,213	1,213	1,213

Consistent result when comparing profit *within* bankrupt

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Consistent result when comparing profit *within* bankrupt [► Back to table](#)

	Labor and entrepreneurial income			Total income		
	(1)	(2)	(3)	(4)	(5)	(6)
After inheritance	-17.3 (-1.31)		-26.2 (-1.56)	-8.2 (-0.89)		-14.3 (-1.26)
After inheritance × Owner	-65.3** (-2.15)		-67.1* (-1.80)	-57.2** (-2.05)		-69.6** (-2.14)
After inheritance × Inherited wealth		4.2 (0.49)			3.3 (0.54)	
After inheritance × Inherited wealth × Owner		-27.3 (-1.37)			-26.3 (-1.53)	
After inheritance × Large inheritance			16.9 (0.74)			11.5 (0.71)
After inheritance × Large inheritance × Owner			5.0 (0.12)			26.7 (0.72)
Owner	22.7 (0.92)	-1.9 (-0.10)	22.6 (0.91)	-3.5 (-0.16)	-24.1 (-1.41)	-3.7 (-0.16)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,480	2,480	2,480	2,480	2,480	2,480

Main control group: similar bankrupt entrepreneurs who do not receive inheritance

→ Find a nearest-neighbor for each 'treated' (with replacements):

1. Exact matching: year of bankruptcy, bankruptcy chapter (either ordinary or business debt chapters), gender, age at bankruptcy (± 1)
2. Among exact matches, select the nearest neighbor based on pre-bankruptcy wealth (measured at year -1)
3. Refine: exclude pairs with large wealth difference ($\geq 1,000,000$ DKK & $\geq 50\%$)

Control group of first-time entrepreneurs for comparing income: Compare profits between serial & matched group of *first-time* entrepreneurs (not bankrupt, by definition)

- Exact match by entrepreneurial characteristics
 - Age (± 1), gender, years of education, incorporation choice, year of (re)starting
- Choose the nearest neighbor in terms of pre-entrepreneurial income

Definition of entrepreneurs

Owners of: Unlimited or Limited liability companies (“ULC”, “LLC”)

1. ULC entrepreneur: primary income from ULC, per labor market register
 - Type of ULCs: sole proprietorship, partnership
 - Business debt = personally liable
 - Business income = personal income
2. LLC entrepreneur: person who owns a LLC, per Central Business Register
 - Type of LLCs: public & private limited liability companies
 - Business debt = personally liable, if borrowed personally or guaranteed

Two bankruptcy chapters: Ordinary vs. business debt chapters

- Denmark has two different personal bankruptcy procedures
- Mostly similar: liquidates all assets and discharges debt
- Difference: “business debt chapter” may be preferable for **eligible** entrepreneurs (Bang-Pedersen 2018)

	Ordinary chapter	Business debt chapter
Nature of debt	Any non-consumer debt	Business debt ($\geq 75\%$)[†]
Stable job at filing	Yes	No
Repayment period	5 years	3 years

[†] (Useful in identifying entrepreneurs with **large** business debts)