IMESS DISSERTATION

Note: Please email the completed mark sheet to Year 2 coordinator
(cc Julia Korosteleva j.korosteleva@ucl.ac.uk and Marta Kotwas m.kotwas@ucl.ac.uk

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

Student:	Doina Chiselita
Dissertation title:	The Impact of Entrepreneurship on Economic Performance in Central and Eastern Europe

	Excellent		**Satisfactory**		**Poor**
Knowledge *Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.*	x				
Analysis & Interpretation *Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.*			x		
Structure & Argument *Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an arguments limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.*			x		
Presentation & Documentation *Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.*		x			

ECTS Mark:	C	**UCL mark:**	62	**Marker:**	Julia Korosteleva
Deducted for late submission:				**Signed:**	Julia Korosteleva
Deducted for inadequate referencing:				**Date:**	10/06/2015

MARKING GUIDELINES

A (UCL mark 70+): *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B/C (UCL mark 60-69):
A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D/E (UCL mark 50-59):
Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50):
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

CONTINUES OVERLEAF

PLEASE PROVIDE SUBSTANTIVE AND DETAILED FEEDBACK! Constructive comments, explaining strengths and weaknesses (*at least 300 words*):

The research topic is interesting and it still remains largely under-researched in the context of transition economies, in particular at the regional level of aggregation. Lack of data and a number of econometric issues associated with this specific type of analysis, poses certain challenges for academic scholars for undertaking a good-quality research of the topic. The research is overall well-contextualised into the literature on the role of entrepreneurship in economic development, summarising (in Table 1) the key up-to-date approaches, allowing for incorporation of entrepreneurship either implicitly or explicitly in the growth model. The literature review also discusses the role of entrepreneurship in transition economies, drawing on the legacy of the Soviet system. This part of literature review also discusses the importance of the institutional environment shaping entrepreneurial developments in the region. Overall, this work produces a fairly comprehensive literature overview of entrepreneurship, institutions and growth, although it could benefit further from more articulate discussion of the entrepreneurship-growth relationship at a regional (NUTS 2) level that is a key focus of the analysis in this study. The theoretical arguments pertaining to entrepreneurship-growth relationship are further tested empirically that raises some questions.

More specifically, my comments are listed below:

a. P. 25. "The Soviet Union, for example, invested a lot in R&D, and benefited from a large supply of human capital". You may need to state clearly here the peculiarity of the R&D system in the Soviet Union: R&D was taking place in extramural R&D organisations not enterprises.
b. p.30. when you discuss the effect of business regulatory environment, given its primarily importance in the early stage of transition, it may be beneficial to employ Heritage Foundation Economic Freedom indicators in part of business regulations to illustrate the change in business regulatory environment in transition economies over time, starting from 1995. Unfortunately, WB Business Doing Indicators series, employed here, start only from 2003, and do not precisely capture the importance of business regulations earlier on.
c. A study would benefit from a better organisation. For example, the beginning of Chapter 3 reads a bit odd while offering some conclusions. The key findings could be summarised in the Introduction and re-iterated further in the Conclusion, but they seem to be somehow out of place opening the discussion in Chapter 3.
d. P.55 Haussmann test should be corrected to 'Hausman' test

Empirical results:

1. A study seems to have a problem with measurements of GDP and capital. These should be taken at constant prices. On p.40. you state that economic activity is measured by GDP in mln. Euros, but it does not say anything at what prices – constant or current, and if constant what is the base year, or whether purchasing power standards (PPS) are used here? For the analysis you need GDP per capita at purchasing power standards, so is as far as the measure of the capital is concerned. Otherwise, it is difficult to make any inferences based on this cross-country-region comparative analysis using current prices. Similarly, at a country-level analysis (p.55), a dependent variable is defined as the level GDP with no information to follow concerning at what prices it is measured.
2. A sample for a cross-regional analysis is fairly small (43-45 observations) that undermines the robustness of the results.
3. A cross-sectional analysis does not deal with unobserved heterogeneity; if there are some omitted variables that are possibly correlated with covariates included in the model, the model is subject to potential endogeneity bias. For example, the study does not control for the level of creativity of the region, so it is an omitted variable that is captured via an error term. Since regional creativity could be possibly correlated with the level of entrepreneurship, an OLS assumption of uncorrelated residuals and covariates is violated.

There is no much one could do here, unless instrumenting potentially endogenous variables, although it is hard to find good instruments in this case. Unobserved heterogeneity that could possibly affect the model covariates should be then acknowledged as a limitation of a cross-sectional analysis.

4. While a study attempts to attenuate the possible endogeneity problem between the level of economic activity and entrepreneurship, by taking a lagged value of entrepreneurship, there remains a similar concern about the bi-directional relationship between R&D and GDP. It could be also beneficial to take a lagged value of R&D. Intuitively, one may also expect a time-lagged effect of R&D on growth as commercialisation of ideas takes time!
5. It may be interesting to explore the interaction effect of R&D and entrepreneurship.
6. Appendix 4 correlation matrix for regional-level indicators shows fairly high correlations reaching, for example, 95% between GDP and capital. This indicates a serious multicollinearity problem in the data.
7. What is wrong with a country-level analysis is not particularly clear as the explanation offered of that 'the countries in the region are not compatible and too heterogeneous in their associated data to produce statistically robust results at this level of aggregation' seems to be contradictory to the following point of that a panel data analysis is more suitable in the case of a diverse set of countries (from all areas of the world, not restricted to one area only) that would imply even more heterogeneity (p.56)! Why don't you supply the results for the country-level analysis? With the panel data you have better opportunities to address potential endogeneity of your regressors, employing, for example, a GMM model.

Specific questions you would like addressing at the oral defence (*<u>at least 2 questions</u>*):

(a) It would be interesting to see the results of a country-level, and the candidate to comment on point (7) of the feedback.
(b) I am also largely concerned about the measurements of GDP and capital in the regional-level data analysis. Would you please ask the candidate to comment on point (1) of the feedback.
(c) Is imitative entrepreneurship in the Central and Eastern Europe beneficial for growth?