

APPENDIX TABLES

SMART AND ILLICIT:
WHO BECOMES AN ENTREPRENEUR AND DO THEY EARN MORE?

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APPENDIX TABLE I
 NLSY79: Demographics and Labor Market Outcomes by Employment Type
 With and Without imputed Incorporated

	All		Salaried		Self-Employed					
	(1)	(2)	(3)	(4)	All		Uninc.		Inc.	
					(5)	(6)	(7)	(8)	(9)	(10)
Observations	132681	132460	121782	121782	10899	10678	8963	8768	1936	1910
	100.0%	100.0%	91.8%	91.9%	8.2%	8.1%	6.8%	6.6%	1.5%	1.4%
Excluding	None	Imputed Incor/SE	None	Imputed Incor/SE	None	Imputed Incor/SE	None	Imputed Incor/SE	None	Imputed Incor/SE
% of Original		99.8%		100.0%		98.0%		97.8%		98.7%
<i>A. Labor Market Outcomes</i>										
Mean Earnings	\$ 44,725	\$ 44,721	\$ 43,605	\$ 43,605	\$ 55,785	\$ 55,848	\$ 45,713	\$ 45,840	\$ 93,411	\$ 93,336
Median Earnings	\$ 35,170	\$ 35,170	\$ 35,222	\$ 35,222	\$ 33,965	\$ 33,965	\$ 28,672	\$ 28,793	\$ 61,424	\$ 61,409
Median Hourly Earnings	\$ 17.2	\$ 17.2	\$ 17.2	\$ 17.2	\$ 16.8	\$ 16.8	\$ 14.7	\$ 14.7	\$ 26.2	\$ 26.2
Annual Hours Worked	1966	1967	1953	1953	2088	2106	1991	2012	2461	2467
Full-Time, Full-Year	0.59	0.59	0.59	0.59	0.53	0.54	0.48	0.49	0.72	0.72
<i>B. Demographics</i>										
Age	36.2	36.2	36.0	36.0	38.1	38.2	37.5	37.6	40.1	40.1
White	0.81	0.81	0.80	0.80	0.87	0.87	0.86	0.86	0.90	0.90
Female	0.47	0.47	0.48	0.48	0.38	0.38	0.41	0.40	0.28	0.28
Years of Schooling	13.8	13.8	13.8	13.8	13.6	13.6	13.4	13.4	14.2	14.2
College Graduate (+)	0.30	0.30	0.30	0.30	0.26	0.26	0.23	0.24	0.36	0.36
<i>C. Firm Size: Number of Employees (in year person becomes full-time, full-year self-employed)</i>										
Median					0.0	0.0	0.0	0.0	2.0	2.0
Mean					8.6	8.7	2.1	2.1	23.0	23.2

Notes: This table provides the Table I summary statistics for the NLSY79 while including and excluding the few observations for which we impute incorporated. The role labeled "Excluding" indicates whether zero imputed observations are excluded (None) or whether all imputed incorporated observations are excluded (Imputed Incor/SE). The row labeled "% of Original" lists the number observations with no imputed incorporation data as a percentage of the sample with imputed values. See the Table I notes for details.

APPENDIX TABLE II
HOME ENVIRONMENT, EARLY PERSONAL TRAITS, AND OTHER CHARACTERISTICS
WITH and WITHOUT IMPUTED INCORPORATED

	All		Salaried		All		Self-Employed		Inc.	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Observations	132681	132460	121782	121782	10899	10678	8963	8768	1936	1910
	100.0%	100.0%	91.8%	91.9%	8.2%	8.1%	6.8%	6.6%	1.5%	1.4%
Excluding	None	Imputed	None	Imputed	None	Imputed	None	Imputed	None	Imputed
		Incor/SE		Incor/SE		Incor/SE		Incor/SE		Incor/SE
% of Original		99.8%		100.0%		98.0%		97.8%		98.7%
<i>A. Family background</i>										
Mother's Education	11.7	11.7	11.7	11.7	12.0	12.0	11.8	11.8	12.6	12.6
Mother's Education (imputed)	11.6	11.6	11.6	11.6	11.9	11.9	11.7	11.7	12.5	12.5
Father's Education	11.9	11.9	11.9	11.9	12.2	12.2	12.1	12.1	12.7	12.7
Father's Education (imputed)	11.8	11.8	11.7	11.7	12.0	12.1	11.9	11.9	12.5	12.5
Two parents family (14)	0.76	0.76	0.76	0.76	0.77	0.77	0.76	0.76	0.83	0.83
Family Income in 1979 (using 1980-81 & impute w/ means)	\$ 58,185	\$ 58,200	\$ 57,894	\$ 57,894	\$ 60,940	\$ 61,142	\$ 58,246	\$ 58,427	\$ 71,384	\$ 71,614
Family Income in 1979 (using 1980-81)	\$ 58,515	\$ 58,529	\$ 58,208	\$ 58,208	\$ 61,444	\$ 61,650	\$ 58,638	\$ 58,821	\$ 72,356	\$ 72,596
<i>B. Cognitive and non-cognitive traits</i>										
AFQT	50.1	50.1	50.0	50.0	51.4	51.4	50.4	50.5	55.2	55.2
Rotter Locus of Control (standardized)	-0.10	-0.10	-0.09	-0.09	-0.18	-0.19	-0.16	-0.17	-0.28	-0.28
Rosenberg Self-Esteem (standardized)	0.08	0.08	0.07	0.07	0.10	0.11	0.06	0.06	0.27	0.27
Illicit Activity Index (standardized)	0.01	0.01	0.00	0.00	0.12	0.13	0.10	0.11	0.20	0.20
Illicit Activity Index 0-6 intensive (standardized)	0.00	0.00	-0.01	-0.01	0.06	0.06	0.06	0.06	0.07	0.07
Force (raw)	0.04	0.04	0.04	0.04	0.06	0.06	0.06	0.06	0.08	0.08
Steal 50 or less (raw)	0.21	0.21	0.21	0.21	0.24	0.24	0.23	0.23	0.26	0.26
Stopped by Police (raw)	0.19	0.19	0.18	0.18	0.22	0.22	0.21	0.21	0.26	0.26
<i>C. Self-designation and invention (2010)</i>										
Entrepreneur (residual)	0.20	0.20	0.16	0.16	0.50	0.50	0.46	0.46	0.67	0.68
Applied for Patent (residual)	0.00	0.00	-0.07	-0.07	0.77	0.78	0.66	0.66	1.20	1.21

Entrepreneur (residual standardized)	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.04	0.04
Applied for Patent (residual standardized)	0.00	0.00	-0.01	-0.01	0.07	0.07	0.01	0.01	0.30	0.30

Notes . This table provides the Table II summary statistics for the NLSY79 while including and excluding the few observations for which we impute incorporated. The role labeled "Excluding" indicates whether zero imputed observations are excluded (None) or whether all imputed incorporated observations are excluded (Imputed Incor/SE). The row labeled "% of Original" lists the number observations with no imputed incorporation data as a percentage of the sample with imputed values. See the Table II notes for details.

Furthermore, the table provides statistics on two measures of Family Income in 1979. First, as in Table II, this table provides the statistics on Family Income in 1979 (using 1980-81 & imputed with means). It uses the earliest non-missing value in 1979-1981. Then, for the remaining observations, this first measure imputes family income by using the mean value of family income by race (Black, Hispanic, White). The second measure reported in this table, "Family Income in 1979 (using 1980-81)," does not include the imputation based on the means by race. This table also provides summary statistics on both Illicit Activity Index (standardized) and Illicit Activity Index 0-6 intensive (standardized. These are defined in the Online Data Appendix. Table II provide summary statistics on Illicit Activity Index (standardized), which is repeated here. In addition, this table provides information on the Illicit Activity Index 0-6 Intensive, which is computed as follows: 1. Use the full answers to the 17 delinquency variables concerning the number of times the respondent engaged in the activity. Specifically, there are seven possible answers: (0) never, (1) once, (2) twice, (3) 3-5 times, (4) 6-10 times, (5) 11-50 times, and (6) more than 50 times. 2. Assign the values 0, 1, 2, 4, 8, 30, and 50 to the seven answers. 3. Compute the standardized value of each of the 20 questions ((value – mean)/standard deviation)), which also include the 3 "police" variables that compose the illicit index. 4 Sum the values and divide by 20.

APPENDIX TABLE IV
 JOB TASK REQUIREMENTS BY EMPLOYMENT TYPE
 WITH AND WITHOUT IMPUTED INCORPORATED

	All		Salaried		Self-Employed					
					All		Uninc.		Inc.	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Observations	132681	132460	121782	121782	10899	10678	8963	8768	1936	1910
	100.0%	100.0%	91.8%	91.9%	8.2%	8.1%	6.8%	6.6%	1.5%	1.4%
Excluding	None	Imputed	None	Imputed	None	Imputed	None	Imputed	None	Imputed
		Incor/SE		Incor/SE		Incor/SE		Incor/SE		Incor/SE
% of Original		99.8%		100.0%		98.0%		97.8%		98.7%
<i>1. Job Task Requirements</i>										
Nonroutine Analytical	3.72	3.72	3.73	3.73	3.65	3.66	3.43	3.44	4.51	4.50
Nonroutine Direction, Control, Planning	2.73	2.73	2.69	2.69	3.12	3.14	2.80	2.82	4.33	4.35
Nonroutine Manual	1.05	1.05	1.03	1.03	1.19	1.20	1.25	1.26	0.95	0.96
<i>2. Job Task Requirements Last Salaried Job</i>										
Nonroutine Analytical	3.72	3.72	3.73	3.73	3.69	3.70	3.53	3.54	4.30	4.30
Nonroutine Direction, Control, Planning	2.67	2.67	2.67	2.67	2.69	2.70	2.41	2.42	3.70	3.71
Nonroutine Manual	1.05	1.05	1.03	1.03	1.17	1.18	1.23	1.23	0.97	0.98

Notes. This table provides the Table IV summary statistics for the NLSY79 while including and excluding the few observations for which we impute incorporated. The role labeled "Excluding" indicates whether zero imputed observations are excluded (None) or whether all imputed incorporated observations are excluded (Imputed Incorpor/SE). The row labeled "% of Original" lists the number observations with no imputed incorporation data as a percentage of the sample with imputed values. See the Table IV notes for details.

APPENDIX TABLE V.A
SELECTION INTO UNINCORPORATED AND INCORPORATED SELF-EMPLOYMENT, CPS PANEL
WITH AND WITHOUT YEAR AND STATE FIXED EFFECTS

	Unincorporated	Incorporated	Unincorporated	Incorporated
	(1)	(2)	(3)	(4)
<i>Job Task Requirements Last Year:</i>				
Nonroutine Analytical	-0.038** (0.019)	0.055*** (0.017)	-0.034* (0.019)	0.058*** (0.016)
Nonroutine Direction, Control, Planning	-0.001 (0.006)	0.039*** (0.008)	0.001 (0.006)	0.039*** (0.008)
Nonroutine Manual	0.037** (0.018)	-0.139*** (0.031)	0.038** (0.018)	-0.140*** (0.030)
<i>Demographics:</i>				
Years of Schooling	0.011 (0.012)	0.055*** (0.012)	0.011 (0.012)	0.057*** (0.012)
Annual Hours Worked Last Year	-0.998*** (0.077)	0.418*** (0.109)	-0.986*** (0.076)	0.410*** (0.110)
Female	-0.366*** (0.049)	-0.734*** (0.048)	-0.362*** (0.049)	-0.735*** (0.049)
Year and State Fixed Effects	Yes	Yes	No	No
Observations	230,330	230,330	230,330	230,330
Pseudo R-squared	0.99	0.99	0.025	0.025

Notes: This table repeats the table V regressions in columns 1 and 2 and then provides the estimates while excluding state and year fixed effects in columns (3) and (4). The table reports multinomial logit estimates of the probability that a worker between the ages of 25 and 55 is unincorporated or incorporated self-employed. Salaried workers are the excluded category. The regressions also include state, year, and race fixed effects, as well as a quartic for experience. The sample excludes people who do not work either as salaried or self-employed, people with missing data on relevant demographics and labor market outcomes, and people living within group quarters. The analyses include the sub-sample of CPS observations for which we have a matched, two-year panel over the work years 1995 through 2012. Data on job task requirements are from Autor, Levy, and Murnane (2003), who link data from the Dictionary of Occupational Titles with the occupational categories in the CPS. Nonroutine Analytical measures the degree to which the task demands analytical flexibility, creativity, and generalized problem-solving, including tasks such as forming and testing hypotheses, making medical diagnoses, etc. Nonroutine Direction, Control, Planning measures the degree to which the task demands complex interpersonal communications such as persuading, selling, and managing others. Nonroutine Manual measures the degree to which the task demands eye, hand, and foot coordination, including landscaping, truck driving, carpentry, plumbing, and piloting a commercial airline. Heteroskedasticity robust standard errors clustered at the year-level are in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels respectively.

APPENDIX TABLE V.B
SELECTION INTO INCORPORATED AMONG NEW SELF-EMPLOYED, CPS
WITH AND WITHOUT OCCUPATION FIXED EFFECTS

	(1)	(2)	(3)
<i>Job Task Requirements Last Year:</i>			
Nonroutine Analytical	0.090*** (0.026)		0.141*** (0.048)
Nonroutine Direction, Control, Planning	0.042*** (0.010)		-0.002 (0.014)
Nonroutine Manual	-0.168*** (0.030)		-0.085** (0.036)
<i>Demographics:</i>			
Years of Schooling	0.066*** (0.018)	0.074*** (0.023)	0.091*** (0.022)
Annual Hours Worked Last Year	0.796*** (0.100)	0.724*** (0.125)	0.753*** (0.103)
Female	-0.394*** (0.081)	-0.375*** (0.089)	-0.376*** (0.085)
Controlling for occupation last year	No	Yes 3-digits occupation fixed effect	Yes 12 major occupations CPS-IPUMS
Observations	7129	7129	7129
Pseudo R-squared	0.0804	0.9995	0.9994

Notes: This table builds on Table V by examining selection into incorporated self-employment for the sample of individuals who switch into self-employment under the following conditions: (1) without controlling for occupation effects, (2) while including occupation fixed effects at the 3-digit occupation level, and (3) while including fixed effects for the 12 major occupation categories in the CPS-IPUMS. See Table V for variable definitions and a discussion of the statistical methods.

APPENDIX TABLE VII.A
 SELECTION INTO EMPLOYMENT TYPES ON COGNITIVE, NONCOGNITIVE, AND FAMILY TRAITS
 USING ILLICIT ACTIVITY INDEX 0-6 INTENSIVE (STANDARDIZED)

<i>Self-Employment by Type:</i>	All (vs Salaried)	By Type (vs Salaried)							
		Unincorporated				Incorporated			
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Cognitive and Non-cognitive Traits</i>									
AFQT	0.084 (0.114)	-0.036 (0.123)	-0.033 (0.124)	-0.101 (0.132)	-0.049 (0.161)	0.608*** (0.234)	0.593** (0.235)	0.083 (0.257)	-0.096 (0.291)
ILLICIT ACTIVITY INDEX 0-6 INTENSIVE	0.173*** (0.042)	0.183*** (0.043)	0.297*** (0.075)	0.285*** (0.077)	0.239** (0.120)	0.138 (0.092)	-0.093 (0.125)	-0.131 (0.134)	-0.253 (0.197)
Rosenberg Score	0.026 (0.029)	-0.011 (0.031)	-0.014 (0.031)	-0.019 (0.031)	-0.010 (0.039)	0.199*** (0.058)	0.205*** (0.059)	0.180*** (0.059)	0.180*** (0.069)
Rotter Score	-0.095*** (0.028)	-0.086*** (0.030)	-0.085*** (0.030)	-0.084*** (0.030)	-0.085** (0.038)	-0.137** (0.056)	-0.139** (0.056)	-0.125** (0.056)	-0.126* (0.071)
AFQT*ILLICIT ACTIVITY INDEX 0-6 INTENSIVE			-0.370* (0.215)	-0.356 (0.219)	-0.306 (0.285)		0.568* (0.294)	0.652** (0.299)	0.850** (0.348)
<i>Demographics</i>									
Black		-0.499*** (0.075)	-0.498*** (0.075)	-0.534*** (0.077)		-0.895*** (0.164)	-0.903*** (0.164)	-0.787*** (0.168)	
Hispanic		-0.328*** (0.079)	-0.330*** (0.079)	-0.265*** (0.085)		-0.258 (0.167)	-0.258 (0.167)	0.048 (0.175)	
Female		-0.263*** (0.057)	-0.269*** (0.057)	-0.273*** (0.057)	-0.227*** (0.072)	-0.774*** (0.116)	-0.768*** (0.116)	-0.746*** (0.116)	-0.796*** (0.142)
<i>Family Traits</i>									
Family Income				-0.074 (0.093)	-0.090 (0.108)			0.446*** (0.155)	0.437** (0.176)
Mother Education				0.017 (0.014)	0.011 (0.019)			0.085*** (0.027)	0.115*** (0.035)
Father Education				0.010 (0.011)	0.021 (0.014)			0.009 (0.021)	-0.010 (0.028)
Race/Ethnicity	All	All	All	All	Whites	All	All	All	Whites
Pseudo R-Square	0.028	0.0305	0.0309	0.0349	0.0264	0.0305	0.0309	0.0349	0.0264

Observations	125166	125166	125166	125166	69503	125166	125166	125166	69503
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Notes . This table provides the results of conducting the Table VII analyses using the intensive Illicit Activity Index. Specifically, for the Illicit Activity Index 0-6 Intensive, we 1. Use the full answers to the 17 delinquency variables concerning the number of times the respondent engaged in the activity. Specifically, there are seven possible answers: (0) never, (1) once, (2) twice, (3) 3-5 times, (4) 6-10 times, (5) 11-50 times, and (6) more than 50 times. 2. Assign the values 0, 1, 2, 4, 8, 30, and 50 to the seven answers. 3. Compute the standardized value of each of the 20 questions $((\text{value} - \text{mean})/\text{standard deviation})$, which also include the 3 "police" variables that compose the illicit index. 4 Sum the values and divide by 20.

APPENDIX TABLE VII.B
SELECTION INTO EMPLOYMENT TYPES ON COGNITIVE, NONCOGNITIVE, AND FAMILY TRAITS
USING NO IMPUTED VALUES OF ANY VARIABLE

<i>Self-Employment by Type:</i>	All (vs Salaried) (1)	By Type (vs Salaried)							
		Unincorporated				Incorporated			
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Cognitive and Non-cognitive Traits</i>									
AFQT	0.114 (0.118)	-0.005 (0.128)	-0.000 (0.128)	-0.068 (0.136)	0.012 (0.168)	0.641*** (0.243)	0.602** (0.246)	0.097 (0.270)	-0.113 (0.303)
Illicit	0.080*** (0.028)	0.073** (0.030)	0.146*** (0.050)	0.133*** (0.050)	0.184*** (0.069)	0.116** (0.057)	-0.032 (0.092)	-0.056 (0.097)	-0.112 (0.129)
Rosenberg Score	0.034 (0.030)	-0.005 (0.032)	-0.007 (0.032)	-0.012 (0.032)	0.004 (0.041)	0.217*** (0.062)	0.222*** (0.062)	0.197*** (0.063)	0.185*** (0.072)
Rotter Score	-0.100*** (0.029)	-0.091*** (0.031)	-0.090*** (0.031)	-0.088*** (0.031)	-0.083** (0.039)	-0.145** (0.058)	-0.148** (0.058)	-0.133** (0.058)	-0.149** (0.074)
AFQT*Illicit			-0.184* (0.108)	-0.172 (0.108)	-0.267** (0.130)		0.307** (0.156)	0.337** (0.162)	0.422** (0.197)
<i>Demographics</i>									
Black	-0.568*** (0.074)	-0.508*** (0.077)	-0.505*** (0.077)	-0.540*** (0.079)		-0.925*** (0.170)	-0.935*** (0.171)	-0.825*** (0.173)	
Hispanic	-0.319*** (0.078)	-0.339*** (0.082)	-0.334*** (0.082)	-0.270*** (0.089)		-0.229 (0.171)	-0.237 (0.172)	0.059 (0.180)	
Female	-0.336*** (0.057)	-0.259*** (0.061)	-0.261*** (0.061)	-0.269*** (0.061)	-0.222*** (0.077)	-0.709*** (0.123)	-0.706*** (0.123)	-0.694*** (0.123)	-0.732*** (0.150)
<i>Family Traits</i>									
Family Income				-0.097 (0.095)	-0.112 (0.110)			0.410*** (0.158)	0.407** (0.180)
Mother Education				0.018 (0.014)	0.016 (0.020)			0.082*** (0.028)	0.115*** (0.037)
Father Education				0.011 (0.011)	0.021 (0.014)			0.012 (0.022)	-0.010 (0.029)
Race/Ethnicity	All	All	All	All	Whites	All	All	All	Whites
Pseudo R-Square	0.0282	0.0308	0.0312	0.0347	0.0265	0.0308	0.0312	0.0347	0.0265
Observations	118670	118670	118670	118670	65849	118670	118670	118670	65849

Notes : This provides the Table VII estimates for a sample that excludes all imputed observations.

APPENDIX TABLE VIII
DIFFERENCES IN JOB TASK REQUIREMENTS OF BUSINESSES BY INDIVIDUAL TRAITS
USING ILLICIT ACTIVITY INDEX 0-6 INTENSIVE (STANDARDIZED)

	The Task Requirements of the Industry of the New Business											
	Nonroutine Analytical Industry				Nonroutine Direction, Control, Planning				Nonroutine Manual Industry			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Illicit Activity Index 0-6 Intensive (0=0; 1=1; 2=2; 3=4; 4=8; 5=30; 6=50)											
Incorporated	0.040 (0.056)	0.125* (0.068)	0.328*** (0.090)	0.106 (0.097)	0.018 (0.088)	0.184 (0.117)	0.544*** (0.180)	0.188 (0.127)	0.017 (0.053)	-0.009 (0.056)	-0.120 (0.082)	-0.082 (0.069)
Unincorporated	-0.050 (0.031)	0.040 (0.058)	0.043 (0.092)	0.072 (0.083)	-0.247*** (0.044)	-0.094 (0.079)	-0.278** (0.122)	-0.243** (0.115)	0.232*** (0.027)	0.067 (0.049)	0.079 (0.078)	0.127** (0.058)
<i>Sample</i>												
AFQT	< = 50	> 50	> 75	> 75	< = 50	> 50	> 75	> 75	< = 50	> 50	> 75	> 75
Illicit Activity Index 0-6 Intensive (standardized)	or <= 0	and >0	and >0	and <=0	or <= 0	and >0	and >0	and <=0	or <= 0	and >0	and >0	and <=0
Observations	23783	5629	2760	6227	23783	5629	2760	6227	23783	5629	2760	6227
R-square	0.585	0.617	0.672	0.589	0.554	0.611	0.645	0.592	0.603	0.580	0.598	0.604

Notes : This table provides the results of conducting the Table VIII analyses using the intensive Illicit Activity Index. Specifically, for the Illicit Activity Index 0-6 Intensive, we: (1) Use the full answers to the 17 delinquency variables concerning the number of times the respondent engaged in the activity. There are seven possible answers: never, once, twice, 3-5 times, 6-10 times, 11-50 times, and more than 50 times. (2) Assign the values 0, 1, 2, 4, 30, and 50 to the seven answers. (3) Compute the standardized value of each of the 20 questions ((value-mean)/standard deviation), which also include the three "police" variables that compose the illicit index. (4) Sum the values and divide by 20. See Table VIII for more details.

APPENDIX TABLE VIII.B
DIFFERENCES IN JOB TASK REQUIREMENTS OF BUSINESSES BY INDIVIDUAL TRAITS
FOR THE FULL SAMPLE AND FOR THE SAMPLE OF WHITE MALES

	The Task Requirements of the Industry of the New Business											
	Nonroutine Analytical Industry				Nonroutine Direction, Control, Planning				Nonroutine Manual Industry			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>Sample</i>												
AFQT	< = 50	> 50	> 75	> 75	< = 50	> 50	> 75	> 75	< = 50	> 50	> 75	> 75
Illicit Index	or <= 0	and >0	and >0	and <=0	or <= 0	and >0	and >0	and <=0	or <= 0	and >0	and >0	and <=0
	Panel A: All											
Incorporated	-0.093** (0.040)	0.086 (0.061)	0.259*** (0.073)	-0.005 (0.093)	-0.142** (0.062)	0.158* (0.090)	0.492*** (0.124)	0.032 (0.127)	0.065* (0.034)	-0.052 (0.049)	-0.118** (0.057)	-0.063 (0.060)
Unincorporated	-0.371*** (0.023)	-0.074 (0.051)	-0.104 (0.084)	-0.172*** (0.059)	-0.265*** (0.030)	-0.087 (0.065)	-0.206** (0.095)	-0.108 (0.082)	0.124*** (0.014)	0.073** (0.033)	0.091* (0.053)	0.038 (0.034)
Observations	93227	12371	5332	13761	93227	12371	5332	13761	93227	12371	5332	13761
R-square	0.557	0.565	0.588	0.539	0.573	0.581	0.581	0.617	0.568	0.551	0.565	0.576
	Panel B: White males											
Incorporated	0.045 (0.060)	0.097 (0.064)	0.290*** (0.078)	0.078 (0.120)	-0.030 (0.096)	0.212** (0.101)	0.541*** (0.140)	0.054 (0.155)	0.037 (0.058)	-0.033 (0.049)	-0.127* (0.068)	-0.066 (0.084)
Unincorporated	-0.060* (0.032)	0.059 (0.055)	0.094 (0.091)	0.036 (0.085)	-0.246*** (0.045)	-0.126* (0.075)	-0.217** (0.110)	-0.283** (0.124)	0.233*** (0.028)	0.090** (0.045)	0.046 (0.074)	0.154*** (0.059)
Observations	22542	6870	3504	5483	22542	6870	3504	5483	22542	6870	3504	5483
R-square	0.587	0.602	0.633	0.598	0.561	0.580	0.590	0.613	0.604	0.575	0.593	0.607

Notes : This table provides the Table VIII results for different samples. For details, see the note to Table VIII and the Online Data Appendix.

APPENDIX TABLE IX
CPS EARNINGS AND INDIVIDUAL EFFECTS

	<i>Annual Earnings</i>				<i>Hourly Earnings</i>			
	Levels		1st Difference		Levels		1st Difference	
	OLS	Median	OLS	Median	OLS	Median	OLS	Median
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Incorporated	32402*** (1860)	11248*** (732)			10.3*** (0.759)	2.1*** (0.292)		
ΔIncorporated			7906*** (2246)	2562*** (243)			2.7*** (0.885)	0.6*** (0.136)
Unincorporated	-5700*** (1178)	-10874*** (563)			-4.1*** (0.466)	-6.0*** (0.228)		
ΔUnincorporated			-11273*** (2679)	-7955*** (273)			-5.0*** (1.046)	-4.0*** (0.149)
R-square (Pseudo R2)	0.177	0.1198	0.003	0.0032	0.163	0.1152	0.003	0.0030
Observations	144930	144930	72465	72465	144930	144930	72465	72465
<i>% Difference from Salaried Worker</i>								
Incorporated	47.5%	21.0%	11.6%	4.8%	35.8%	9.0%	9.4%	2.6%
Unincorporated	-8.4%	-20.3%	-16.5%	-14.9%	-14.2%	-25.8%	-17.4%	-17.2%

Notes: This table reports regression results of both annual earnings and hourly earnings on employment type using data from the CPS for the subsample of observations for which we have a matched two-year panel. The sample covers work years 1995 through 2012. The table provides estimated coefficients from earnings regressions in levels and first-differences, using both OLS and median regressions. All of the regressions control year and state fixed effects, as well as standard Mincerian characteristics. The sample includes white males, who are full-time workers between the ages of 25 and 55, as in Table I. Heteroskedasticity-consistent standard errors, clustered at the year level are in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels respectively.

APPENDIX TABLE IX.B
CPS, EARNINGS IN THE FULL AND MATCHED SAMPLES

	Panel A: Median Regressions			
	Annual Earnings		Hourly Earnings	
	Full Sample	Matched Sample	Full Sample	Matched Sample
Incorporated	11303*** (447)	11248*** (732)	1.930*** (0.184)	2.087*** (0.292)
Unincorporated	-11791*** (304)	-10874*** (563)	-6.337*** (0.146)	-5.974*** (0.228)
Observations	351746	144930	351746	144930
	Panel B: OLS Regressions			
	Annual Earnings		Hourly Earnings	
	Full Sample	Matched Sample	Full Sample	Matched Sample
Incorporated	32843*** (1368)	32402*** (1860)	10.2*** (0.468)	10.3*** (0.759)
Unincorporated	-6488*** (1041)	-5700*** (1178)	-4.2*** (0.398)	-4.1*** (0.466)
Observations	351746	144930	351746	144930

Notes: This table provides earnings analyses for the CPS, using both the full sample and the matched, two-year panel sample. (APPENDIX TABLE IX only provides results for the matched, two-year panel sample.) See APPENDIX TABLE IX for a description of the data.

APPENDIX TABLE IX.C
NLSY79 EARNINGS CONTROLLING FOR LAWYERS, DOCTORS, AND ACCOUNTANTS

<i>Sample</i>	Without FE			With FE		
	All	All Fixed effects for lawyers, doctors, and accountants	Excluding lawyers, doctors, and accountants	All	All Fixed effects for lawyers, doctors, and accountants	Excluding lawyers, doctors, and accountants
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Mean and annual earnings						
Incorporated	45926*** (6546)	43699*** (6584)	45226*** (6566)	17446*** (3885)	17376*** (3877)	17801*** (3831)
Unincorporated	8893*** (2961)	7919*** (2835)	8186*** (2705)	5417*** (1809)	5498*** (1810)	5192*** (1727)
Lawyers		48720*** (12433)			-2424 (10451)	
Doctors		93770*** (15353)			30476* (18262)	
Accountants		4762 (6128)			-21344*** (4781)	
Constant	-9426* (4966)	-5263 (4676)	-2812 (4618)	8102 (25292)	2329 (22569)	-5758 (21377)
Observations	23657	23657	23036	23657	23657	23036
R-square	0.253	0.280	0.234	0.631	0.633	0.623

APPENDIX TABLE IX.C (CONTINUED ...)

Panel B: Median and annual earnings						
Incorporated	27146*** (2767)	26764*** (3240)	26696*** (2973)	5378*** (621)	5204*** (645)	5417*** (628)
Unincorporated	-1927 (1206)	-2573** (1238)	-2630** (1233)	-367 (478)	-320 (389)	-689 (469)
Lawyers		68000*** (4525)			4005** (1766)	
Doctors		103502*** (7151)			11850*** (1380)	
Accountants		17869*** (2976)			-9872*** (1111)	
Constant	40064*** (2369)	39231*** (2255)	39362*** (2160)	2179** (978)	2118** (913)	1468* (832)
Observations	23657	23657	23036	23657	23657	23036
Pseudo R2	0.041	0.062	0.042	0.111	0.111	0.110

Notes: This presents the results from conducting the Table IX analyses when either (A) including dummy variables for lawyers (lawyers and judges), doctors (physicians and surgeons, dentists, and pediatricians), and accountants (accountants and auditors) or (B) excluding these occupations. The table provides OLS and median regressions for annual earnings. The top panel provides OLS regressions. The bottom panel provides median regressions. Columns (1) and (4) replicate the Table IX results. Columns (2) and (5) introduce dummies for doctors, lawyers and accountants (one dummy for each occupation). Columns (3) and (6) exclude doctors, lawyers, and accountants. Columns (1) through (3) do not include individual fixed effects while columns (4) through (6) do. See Table IX for variable definitions and description of the sample and methods.

APPENDIX TABLE IX.D
EARNINGS WITH FAMILY TRAITS

Panel A: Annual Earnings	OLS			MEDIAN		
	Levels			Levels		
	(1)	(1')	(2)	(5)	(5')	(6)
Incorporated	45926*** (6546)	44884*** (6456)	17446*** (3885)	23941*** (3459)	24094*** (3478)	5378*** (621)
Unincorporated	8893*** (2961)	9206*** (2935)	5417*** (1809)	-687 (1042)	-676 (946)	-367 (478)
% Difference from Salaried Worker						
Incorporated	75%	73%	29%	49%	49%	11%
Unincorporated	15%	15%	9%	-1%	-1%	-1%
Individual Fixed Effects	No	No	Yes	No	No	Yes
Observations	23657	23657	23657	23657	23657	23657
R-square	0.253	0.267	0.631	0.132	0.141	0.111
Panel B: Hourly Earnings	OLS			MEDIAN		
	Levels			Levels		
	(9)	(9')	(10)	(13)	(13')	(14)
Incorporated	13.141*** (2.250)	12.723*** (2.214)	4.384*** (1.407)	5.317*** (1.094)	5.583*** (1.140)	0.978*** (0.311)
Unincorporated	0.376 (1.062)	0.476 (1.053)	0.739 (0.665)	-2.737*** (0.356)	-2.587*** (0.360)	-0.849*** (0.224)
% Difference from Salaried Worker						
Incorporated	52%	51%	18%	26%	27%	5%
Unincorporated	2%	2%	3%	-13%	-13%	-4%
Individual Fixed Effects	No	No	Yes	No	No	Yes
Cognitive, Non-cognitive, Schooling	Yes	Yes	--	Yes	Yes	--
Family Traits	No	Yes	--	No	Yes	--
Observations	23657	23657	23657	23657	23657	23657
R-square	0.255	0.267	0.625	0.136	0.144	0.110

Notes : This table provides the results for Table IX, for the levels regressions that do not control for individual effects, while also controlling for Family income, Mother's education, and Father's education. For the regressions in first differences and the levels regressions while controlling for individual fixed effects, these family traits drop from the analyses.

APPENDIX TABLE XI
 THE CHANGE IN MEDIAN EARNINGS DIFFERENTIATING BY "SMART AND ILLICIT"
 USING ILLICIT ACTIVITY INDEX 0-6 INTENSIVE

	(1)	(2)	(3)	(4)
Δ Incorporated	729* (376)	6843*** (916)		
Δ Unincorporated	-378 (455)	129 (969)		
Δ Self-Employed x Nonroutine Cognitive Industry			-2766*** (921)	4502*** (1001)
Δ Self-Employed			451 (475)	2018*** (715)
Nonroutine Cognitive Industry			1126*** (193)	1401*** (407)
<i>% Difference from Salaried Worker</i>				
Incorporated	1%	12%		
Unincorporated	-1%	0%		
Self-Employed in Nonroutine Industry			-3%	10%
Self-Employed			2%	3%
<i>Sample</i>				
<i>AFQT</i>		AFQT ≤50 or AFQT >50 &	AFQT ≤50 or AFQT >50 &	
<i>Illicit Activity Index (0-6) Intensive</i>		Illicit ≤0	Illicit ≤0	Illicit >0
Pseudo R-squared	0.016	0.020	0.017	0.021
Observations	14100	3379	14100	3379

Notes : This table provides the Table XI results for median earnings while using the "intensive" version of the Illicit Activity Index, which is described in the Data Appendix. See Table XI for details.

APPENDIX TABLE XII
THE COEFFICIENT OF VARIATION IN HOURLY EARNINGS, CPS AND NLSY79

	Coefficient of Variation	
	CPS Panel	NLSY79
Incorporated	0.157*** (0.007)	0.181*** (0.027)
Unincorporated	0.176 (0.138)	0.213*** (0.017)
Constant	0.197*** (0.001)	0.301*** (0.047)
Observations	67533	3120
R-square	0.003	0.124

Notes : This table reports regressions of the coefficient of variation per person-employment spell on employment type. For the CPS and NLSY79 samples, we compute the coefficient of variation over employment spells, where we define an employment spell as an individual working for two or more consecutive years either as a salaried worker or as self-employed. We define a self-employment spell as an individual being self-employed (either incorporated or unincorporated) for one or more consecutive years. Thus, many individuals have more than one employment spell. We control for the length of the employment spell. Standard errors are in parentheses, corrected for heteroskedasticity, and clustered at the individual level in the NLSY79 regression. The symbols ***, **, and * signify significance at the one, five, and ten percent levels respectively.

The results indicate that the coefficient of variation in earnings is greater when a person is an incorporated business owner than when the person is a salaried worker. Consider the NLSY79 results, which are very similar to those from the CPS. The estimated coefficient of variation for the average salaried worker is 0.30, as indicated by the estimated constant, while the estimated coefficient of variation for incorporated business owners is 0.48 (=0.30 + 0.18). As reported in the paper, the estimated increase in annual earnings for an individual who chooses to become an incorporated business owner is 12%. For comparison purposes, the coefficient of variation for the S&P500 over 1926-2002 period is about 1.8 and the average annual return is about 12%. (Over the period from 1926-2002, Ibbotson EnCorr Analyzer indicates that the coefficient of variation (CV) on the S&P 500 is 1.78, with a standard deviation of 21.9% and an arithmetic mean return of 12.3%. Over the same period, the CV on 30-day T-bills is 0.237, with a standard deviation of 0.9% and mean of 3.8%, and the CV for long-term government bonds is 1.414, with standard deviation of 8.2% and mean returns of 5.8%.) Taken together, these results and Figures I and II are consistent with the view that entrepreneurs undertake risky endeavors that offer the possibility of enormous boosts in earnings.

APPENDIX TABLE XIII
SELECTION INTO SELF-EMPLOYMENT ON ADJUSTED WAGES AS A SALARIED WORKER, NLSY79

<i>Self-Employment Type:</i>	Self- Employed (1)	Unincorporated			Incorporated		
		(2)	(3)	(4)	(5)	(6)	(7)
Adjusted wages	-0.357*** (0.123)	-0.645*** (0.123)	-0.661*** (0.136)	-0.843*** (0.174)	0.663** (0.276)	0.520* (0.271)	0.391 (0.315)
Illicit	0.085** (0.043)	0.071 (0.049)	0.076 (0.054)	0.072 (0.069)	0.139** (0.071)	0.109 (0.073)	0.125 (0.084)
Adjusted wages * Illicit			0.022 (0.073)	-0.048 (0.107)		0.414** (0.162)	0.449** (0.192)
<i>Controlling for</i>							
AFQT, Rotter and Rosenberg scores	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Family income and parents' education	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Education and experience	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample	All	All	All	FTFY	All	All	FTFY
Observations	33405	33405	33405	23957	33405	33405	23957
Pseudo R-Square	0.0291	0.0451	0.0465	0.0530	0.0451	0.0465	0.0530

Notes : This table reports multinomial logit estimates of the probability that an individual, 25 years of age or older, is self-employed, incorporated self-employed, or unincorporated self-employed, where salaried employment is the excluded category. All dummy variables are defined exclusively. Adjusted Wages are computed as the person fixed effect from a Mincerian log wage regression when people work as full-time, full-year salaried workers, where the wage regression is estimated over the full sample period. Though unreported in the table, all regressions control for year of birth, the year of the survey, a dummy variable of whether both parents were living at the home of the individual at the age of 14, educational attainment (six categories), a quartic for potential experience and dummy variables for individuals with missing family income (for which we impute the average value in the sample) and missing parental education (for which we impute values based on the other parent's education and the average for the sample if no parental education is reported). We exclude observations in which the person is neither salaried nor self-employed and observations with missing demographics (gender, race and ethnicity, schooling) or missing values for AFQT, Rosenberg Self-Esteem, Rotter Locus of Control, and Illicit. These regressions only include white (non-Hispanic) males who are at least 25 years old. See Online Data Appendix for detailed variable definitions. Reported standard errors (in parentheses) are corrected for heteroskedasticity and clustered by individual. The symbols ***, **, and * signify significance at the one, five, and ten percent levels respectively.