Strategic Games Among Individuals, Schools and Firms that Make Ventures Risky in Japan but not in Silicon Valley

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Abstract
The phenomenon of young people starting or working in ventures is common in Silicon Valley but rare in Japan. Avoiding cultural explanations, I apply strategic behavior theory to lay out a rational-choice explanation for this phenomenon. I identify individual and organizational players, consider their strategies, and compare equilibria in the institutional context of Japan and the US. I pay close attention to how competition in Japanese educational, labor, and marriage markets differs from such competition in the US to identify factors which raise the career attraction of big firms and thereby fuel adverse selection that hurts ventures. Contrary to popular stereotypes, I find that the founders and employees of Silicon Valley ventures are not heroic risk-takers and the Japanese are not necessarily more risk-averse.