

Abstract

Recent research on cognitive biases in decision making suggests that over-optimism critically influences entrepreneurs' decisions to establish and sustain new firms. This paper looks at entrepreneurs' over-optimism during the early life course of the firm, in order to uncover the dynamics and persistence of over-optimism. We use a representative sample of start-ups in the Netherlands, which we divide into solo self-employed and employer firms. We find that while there is a persistence of over-optimism for the solo self-employed, namely initial over-optimists are more likely to be overoptimistic in subsequent periods; this is not the case for the employer firms.