



## EIG's Guide to the Latest Research and Analysis on Entrepreneurship in the United States

November 2015

*Entrepreneurship is a vital force for innovation, job creation and productivity growth. Yet the rate of new business formation in the United States has been declining for decades. In fact, 2008 was the first year on record that the rate of business closures exceeded the rate of business openings—and the gap continues to persist.*

*This document captures many of the most relevant and recent readings on entrepreneurship in the United States. The materials are intended to bring awareness to prevailing trends and their implications for the dynamism of the U.S. economy and its long-term capacity to generate broadly-shared economic growth.*

IN 2013, THE US  
WOULD HAVE SEEN

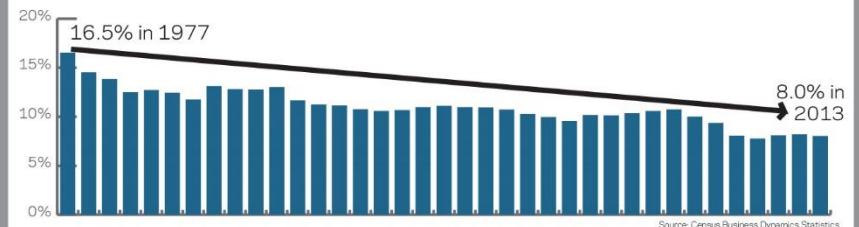
**427,800**  
new companies

&

**2.4 million** new jobs

WERE THE STARTUP RATE  
THE SAME AS IN THE LATE  
1970S.

STARTUPS AS A PERCENTAGE OF ALL FIRMS:



## Recent articles and op-eds:

**Eric Morath, “Why It Matters That New Businesses Are Creating Jobs More Slowly Than a Decade Ago,” *The Wall Street Journal’s Real Time Economics blog*, November 19, 2015.**

This analysis of the most recent BLS data reports that jobs created by newly forming businesses fell 7 percent from the fourth quarter of 2014 to the first quarter of 2015. The number of jobs lost due to business closures also fell. Both are long-term trends pointing to less risk-taking and innovation in the economy.

**Andrew Yang, “The Surprising Truth About Young Entrepreneurs: They’re Fewer Than Ever,” *Techonomy*, September 1, 2015.**

Entrepreneurship can become a more viable career choice for young people with the help of: mentorship; lower operating costs; lighter student loan burdens; increased access to technology and capital; and vibrant communities of entrepreneurs.

**Robert Litan, “Start-Up Slowdown: How the United States Can Regain its Entrepreneurial Edge,” *Foreign Affairs*, January/February 2015.**

Contrary to popular belief, the United States can no longer claim to be the world’s most entrepreneurial economy. The author argues that deep structural change is required not only on the part of government but also private investors to reverse the secular decline.

**Linda Rottenberg and Chris Bierly, “Making Entrepreneurship Contagious,” *Knowledge@Wharton*, October 28, 2015.**

Entrepreneurship is best fostered in tight-knit networks of entrepreneurs, who trade know-how & capital and nurture risk-taking. Government initiatives to boost entrepreneurship need to take place within or create local networks in which startups scale, scale-ups succeed, and successful entrepreneurs pass on their enthusiasm to a new generation of leaders.

**Robert Shiller, “The Culture of Entrepreneurship,” *Project Syndicate*, July 25, 2015.**

The author proposes that startup rates are not only a function of regulation but also of localized social norms. Entrepreneurship will be more prevalent in places where it is valued socially. Policy agendas should therefore be accompanied by steps to stoke a culture that rewards entrepreneurship.

**Ruth Simon and Caelainn Barr, “Endangered Species: Young U.S. Entrepreneurs,” *The Wall Street Journal*, January 2, 2015.**

Analysis of Federal Reserve data from 2013 finds that the share of people under 30 who own a stake in a private business reached a 24-year low, falling from 10.6 percent of the population in 1989 to 6.1 percent in 2010 and 3.6 percent in 2013.

**Karen Mills, “Being an Entrepreneur: A Right Only for America’s Well-Connected?” *FORTUNE Insider*, September 17, 2015.**

Now may be the easiest time in history for the elite to start a business, but evidence suggests that entrepreneurship is no longer seen as a viable path to the middle class for average Americans. Thankfully policy can address the problem even in a time of gridlock.

**Laura Tyson and Lenny Mendonca, “Beyond Silicon Valley,” *Project Syndicate*, April 30, 2015.**

The authors ask how to harness Silicon Valley’s entrepreneurial dynamism to achieve inclusive economic growth nationwide—including in distressed communities.

**John Dearie and Courtney Geduldig, “Startups Are the Key to Ending This Historic Jobs Crisis,” *Yahoo Finance*, October 4, 2013.**

The authors conducted roundtables with a total of 200 entrepreneurs in 12 U.S. cities to better understand obstacles to business formation. They call for a number of discrete policy steps to address the unique needs of startups, which are after all the economy’s net job creators.

## Primary sources:

**The Kauffman Foundation, “The Kauffman Index: Startup Activity” (Kansas City, MO: 2015).**

The Kauffman Foundation provides the authoritative resource on the latest entrepreneurship trends nationally and in states and large metropolitan areas. The 2015 index perceived an uptick in start-up activity nationally, in 32 of 50 states, and in 18 of 40 large metro areas.

**Jeffrey Sohl, “The Angel Investor Market in 2014: A Market Correction in Deal Size” (Durham, NH: Center for Venture Research at the University of New Hampshire, 2015).**

Total angel investments reached \$24.1 billion in 2014, down 2.8 percent over the prior year. A total of 73,400 ventures received angel funding in 2014, an increase of 3.8 percent, however.

**National Venture Capital Association, “Yearbook 2015” (2015).**

This annual update on the state of the country’s venture capital (VC) industry found that total new investments reached their highest level since 2000, \$49.3 billion—up from \$30.1 billion in 2013—however the increase was led by a small number of large companies.

**Babson College and Baruch College, “2014 United States Report” (Global Entrepreneurship Monitor, 2015).**

This profile of the entrepreneurial population reports, among many other things, that 9.4 percent of U.S. entrepreneurs are starting medium- to high-technology businesses.

**Jan Rivkin, Karen Mills, and Michael Porter, “The Challenge of Shared Prosperity” (Boston: Harvard Business School, 2015).**

This report summarizes findings from a 2015 survey of Harvard Business School alumni on the state of U.S. competitiveness. This sample of leaders, for their part, believe that the United States offers a much more supportive environment for entrepreneurship than other countries do. To them, this constitutes a leading competitive advantage.

**Sangeeta Bharadwaj Badal and Bryant Ott, “Many Entrepreneurs Aren’t Taking the Plunge,” *Gallup Business Journal*, February 18, 2015.**

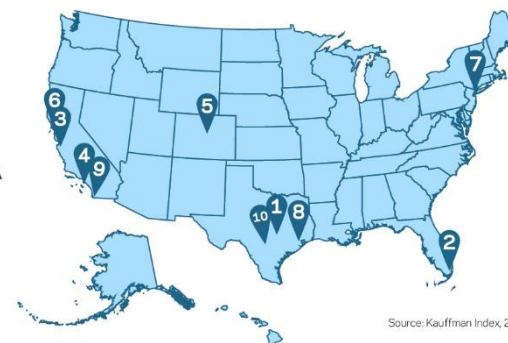
Gallup polling found that one-quarter of Americans have considered becoming business owners but decided not to. Targeting this population may be critical for turning around the long-term decline in startups in the United States.

**Vivek Wadhwa, et al., “The Anatomy of an Entrepreneur: Family Background and Motivation” (Kansas City, MO: The Kauffman Foundation, 2009).**

This survey of 549 company founders in a variety of industries presents a profile of successful entrepreneurs in the United States today. The authors find that, for example, entrepreneurs tend to come from middle-class or upper-lower-class backgrounds.

### TOP 10 METROPOLITAN AREAS ON KAUFFMAN STARTUP INDEX:

- #1: Austin, TX
- #2: Miami, FL
- #3: San Jose, CA
- #4: Los Angeles, CA
- #5: Denver, CO
- #6: San Francisco, CA
- #7: New York, NY/NJ
- #8: Houston, TX
- #9: San Diego, CA
- #10: San Antonio, TX



## Think tanks:

**The Miller Center for Public Affairs, “Can Startups Save the American Dream?” (Charlottesville, VA: University of Virginia, 2015).**

This report is the product of an initiative chaired by Steven Case of Revolution Capital and Carly Fiorina, formerly of Hewlett-Packard, that convened thought-leaders from across the private sector and academia to explore how entrepreneurship can be used to create and sustain middle class jobs.

**Ian Hathaway and Robert Litan, “Declining Business Dynamism in the United States: A Look at States and Metros” (Washington: Brookings Institution, 2014).**

The authors show that the decline in business dynamism is pervasive in the United States, occurring in all 50 states and in all but a handful of the country’s 366 metropolitan areas over the last three decades. Rates of business dynamism are converging across locations, too.

**Ian Hathaway and Robert Litan, “What’s Driving the Decline in the Firm Formation Rate? A Partial Explanation” (Washington: Brookings Institution, 2014).**

This paper presents partial explanations for the decline in new business formation in the United States. Slowing population growth especially in the South and West appears to be a major factor, as does business consolidation (See also by the same authors: “[The Other Aging of America: The Increasing Dominance of Older Firms](#)”).

## Academic papers:

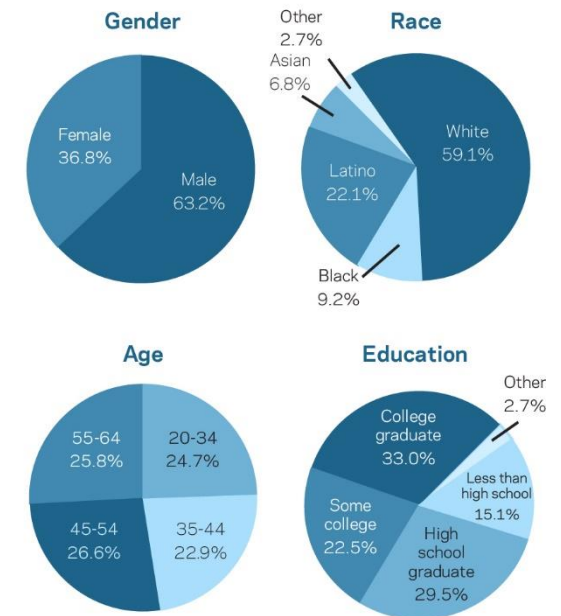
**John C. Haltiwanger, “Top Ten Signs of Declining Business Dynamism and Entrepreneurship in the United States.” Working Paper (University of Maryland and NBER, 2015).**

This short synopsis reviews 10 signs of declining dynamism (measured as job reallocation and firm entry/exit rates) in the U.S. economy.

**John Haltiwanger, Ron Jarmin, and Javier Miranda, “Who Creates Jobs? Small Versus Large Versus Young,” *The Review of Economics and Statistics* 95 (2) (2013): 347-361.**

The authors find that it is not just small but small *and young* firms, particularly firm births (and their subsequent survival and growth), that drive net job creation in the U.S. economy.

### ENTREPRENEUR DEMOGRAPHICS:



Source: Kauffman Index National Trends, 2015

## Recommended books:

John Dearie and Courtney Geduldig, *Where the Jobs Are: Entrepreneurship and the Soul of the American Economy* (New Jersey: Wiley & Sons, 2013).

Andrew Yang, *Smart People Should Build Things* (New York: HarperBusiness, 2014).

Walter Isaacson, *The Innovators: How a Group of Hackers, Geniuses, and Geeks Created the Digital Revolution* (New York: Simon & Schuster, 2014).

Brad Feld, *Startup Communities: Building an Entrepreneurial Ecosystem in Your City* (New Jersey: Wiley & Sons, 2012)

Robert Litan and Carl Schramm, *Better Capitalism: Renewing the Entrepreneurial Strength of the American Economy* (New Haven: Yale University Press, 2012)

Scott Shane, *The Illusions of Entrepreneurship: The Costly Myths That Entrepreneurs, Investors, and Policy Makers Live By* (New Haven: Yale University Press, 2008)

*Entrepreneurship remains a driver of U.S. economic dynamism and competitiveness. However, the declining rate in new business formation poses serious risks to the economy's capacity for future innovation, productivity gains, and growth.*

## About EIG:

EIG brings together leading entrepreneurs, investors, economists, and policymakers from across the political spectrum to address America's economic challenges. Our mission is to advance solutions that empower entrepreneurs and investors to forge a more dynamic and entrepreneurial economy throughout America.



