



NEWS RELEASE

Rate of small business startups in the U.S. down nearly 40 per cent over 40 years

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For immediate release

VANCOUVER, CANADA—The growth rate of small business startups in the United States—a key measure of entrepreneurial activity—is on the decline due, in part, to the country’s aging population, finds a new book released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Entrepreneurs drive innovation and technological advancement, but as America’s population ages, there are proportionately fewer entrepreneurial risk-takers, which can have negative effects on the economy,” said Steve Globerman, business professor at Western Washington University and contributing editor of *Demographics and Entrepreneurship: Mitigating the Effects of an Aging Population*.

The book, a collection of essays authored by leading scholars in Canada, the United States and Europe, spotlights declining entrepreneurship across the developed world and what can be done to stem the adverse effects of demographics on entrepreneurship.

Specifically, in the U.S., small business startups—as a percentage of all small businesses—fell sharply from 18.5 per cent in 1977 to 11.4 per cent in 2014, a decline of almost 40 per cent.

One of the reasons for this decline is an aging population.

Crucially, the percentage of America’s population between 25 and 49 years old—the prime age for entrepreneurialism, according to research—hit its peak at 38.4 per cent in 1995. By 2015, that percentage had fallen to 32.7 per cent, and by 2065, it’s expected to drop further to 30.2.

While governments can do little to stem the tide of demographics, they can improve the incentives for possible entrepreneurs and improve the environment within which entrepreneurs operate. For example, reducing personal and business income tax rates and eliminating the capital gains tax would promote and encourage greater entrepreneurial activity. And removing or reforming certain regulations could make it easier to start and grow a business.

“In light of the greying of our citizenry, it’s incumbent on policymakers to create better incentives for entrepreneurial risk-taking to spur innovation, technological advancement and ultimately create more opportunities and prosperity for all,” Globerman said.

The book is a collaboration between Canada’s Fraser Institute, the Center for Strategic and International Studies (CSIS) in the U.S., the Adam Smith Institute’s The Entrepreneurs Network in Britain and the Institute of Public Affairs in Australia.

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