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SUMMARY

RURAL AND URBAN ESTABLISHMENT BIRTHS AND DEATHS USING THE U.S. CENSUS BUREAU’S BUSINESS INFORMATION TRACKING SERIES

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Principal Topic

The entry and exit of firms is a mechanism by which outdated ideas and industry practices are replaced by new and potentially revolutionary ones. Urban and suburban areas are said to have a fast pace of life, but it is unclear if such density translates into higher rates of entry and exit. Thus, this paper has two objectives: first, it documents a set of county-level establishment birth and death (EBD) tabulations available from the U.S. Census Bureau. Second, it presents a descriptive analysis of establishment birth and death rates across rural and urban counties.

Method

The EBD tabulations were extracted from the Census Bureau’s Business Information Tracking Series (BITS) file. These tabulations report total, single-unit, and multi-unit establishment births and deaths by industry classification for every county in the United States from 1990 to 2003. A birth in a given year is counted if an establishment reports payroll sometime in the current year and no payroll the year prior. A death in a given year is counted if payroll is zero in the current year and positive the year prior. In addition to reporting descriptive statistics of the data, the paper discusses various practical matters on using the tabulations for scholarly research.

For the urban-rural analysis, the birth and death rates are calculated using the ecological method and the labor force methods. The ecological rate is the number of establishment births or deaths divided by the number of establishments in the previous year. The labor force rate is the number of establishment births or deaths divided by the county labor force in the previous year. These rates are compared across urban and rural areas defined alternatively by metropolitan statistical areas (MSA) and rural urban continuum codes (RUCC).

Results and Implications

The analysis yields a surprising result: the differences in the average rates of establishment births and deaths across urban and rural areas, although statistically significant, are extremely small. Thus, it would appear that rural counties are just as “entrepreneurial” as urban areas. This result has implications for economic development policy, especially where such policies hinge on stimulating and supporting local entrepreneurial activity (e.g., “economic gardening” programs).

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