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IS THERE A SWEET SPOT FOR U.S. METROPOLITAN AREAS? 
EXPLORING THE GROWTH IN EMPLOYMENT AND WAGES IN U.S. 
ENTREPRENEURSHIP AND TECHNOLOGY CENTERS IN METROPOLITAN AREAS 
OVER THE LAST BUSINESS CYCLE, 1991 TO 2007

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Principal Topic

The promotion of entrepreneurship and high-tech activity are often both significant components of public policy to foster regional economic growth. This paper considers the efficacy of this and analyzes the influence of entrepreneurship and technology concentration on the economic performance of U.S. metropolitan areas (MSAs) over the course of the last business cycle from 1991 to 2007.

Method

Panel data regression analysis is used to measure the impacts of technology concentration and entrepreneurship on employment growth. The analysis is conducted using a variety of data sources including employment and technology-concentration (Bureau of Labor Statistics-BLS), demographic (U.S. Current Population Survey), and entrepreneurship data (Kauffman Foundation’s index of entrepreneurial activity - the percent of individuals ages twenty to sixty-four in each metropolitan area who do not own a business in the U.S. Census Current Population Survey that start a business in the following month with fifteen or more hours worked per week). Turning points determined by the National Bureau of Economic Research are used to define the periods of growth and contractions in the U.S. economy.

Results and Implications

The analysis of the largest 116 U.S. MSAs indicates that over the last business cycle entrepreneurship had robust positive influence on employment growth during all stages of the business cycle. There is also evidence that the levels of high tech concentration were negatively correlated with employment creation. However growth in high technology concentration spurred employment growth in U.S. metropolitan areas. This suggests that having a large high technology base is not a sufficient condition for job creation. Expansion of the high technology base, on the other hand, creates the condition for job growth.

Overall the findings are in support of the economic efficacy of entrepreneurship and high technology expansion for focusing regional development efforts. However, the findings are in conflict with the view of a large but steady high technology concentration as a strong contributing factor to employment growth.

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