DOMESTIC MIGRATION AND NEW BUSINESS CREATION IN THE UNITED STATES (INTERACTIVE PAPER)

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**Recommended Citation**

Baughn, C. Christopher; Neupert, Kent E.; and Sugheir, Jeff (2010) "DOMESTIC MIGRATION AND NEW BUSINESS CREATION IN THE UNITED STATES (INTERACTIVE PAPER)," *Frontiers of Entrepreneurship Research*: Vol. 30: Iss. 15, Article 21.  
Available at: http://digitalknowledge.babson.edu/fer/vol30/iss15/21
INTERACTIVE PAPER

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Principal Topic

This study examines the relationship between new business creation and population migration between states in the U.S. In addition to general migration patterns between the states, the study tracks the movement of the young, single and college-educated segment of the population. This cohort may be less risk averse and more geographically mobile, and also bring intellectual resources to the areas where they choose to live.

The study builds on two lines of inquiry regarding entrepreneurial activity and geographic mobility of human capital. International studies of immigrant entrepreneurship examine the propensity of migrants to subsequently become entrepreneurs. Recent studies of highly-educated immigrants relate entrepreneurial activity to knowledge migration. A second line of inquiry examines the extent to which cities and regions serve as attractors of talented people.

Method

Average new business creation rates for the period of 2006-2008 constitute the dependent variable, using the Kauffman Index of Entrepreneurial Activity. This measure captures the percentage of the adult population in each state that creates a business (Fairlie, 2008, 2009). The key independent variables are net domestic migration, reflecting the difference between in-migration and out-migration prior to the 2006-2008 period, and net domestic migration of young (25-39), single, college-educated populations, utilizing U.S. Census data. Because net migration patterns may reflect economic conditions that are also associated with entrepreneurship, this study provides several controls. Control variables include prior rates of new business creation, unemployment rates, economic growth, population, the stock of college-educated individuals in each state, and average wage salaries.

Results and Implications

The net migration of young, single, college-educated individuals is a significant predictor of business creation, and it is the migration of this cohort, rather than overall migration patterns, that is associated with subsequent business creation. This finding remains significant when controlling for state levels of unemployment, economic growth, average wage salary, population and education, as well as prior levels of entrepreneurship. This study emphasizes the importance of understanding the location preferences of young, highly-educated people. Regions that are attracting and retaining this group are more entrepreneurially dynamic than would be indicated by overall levels of migration.

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