



The Daily Dish

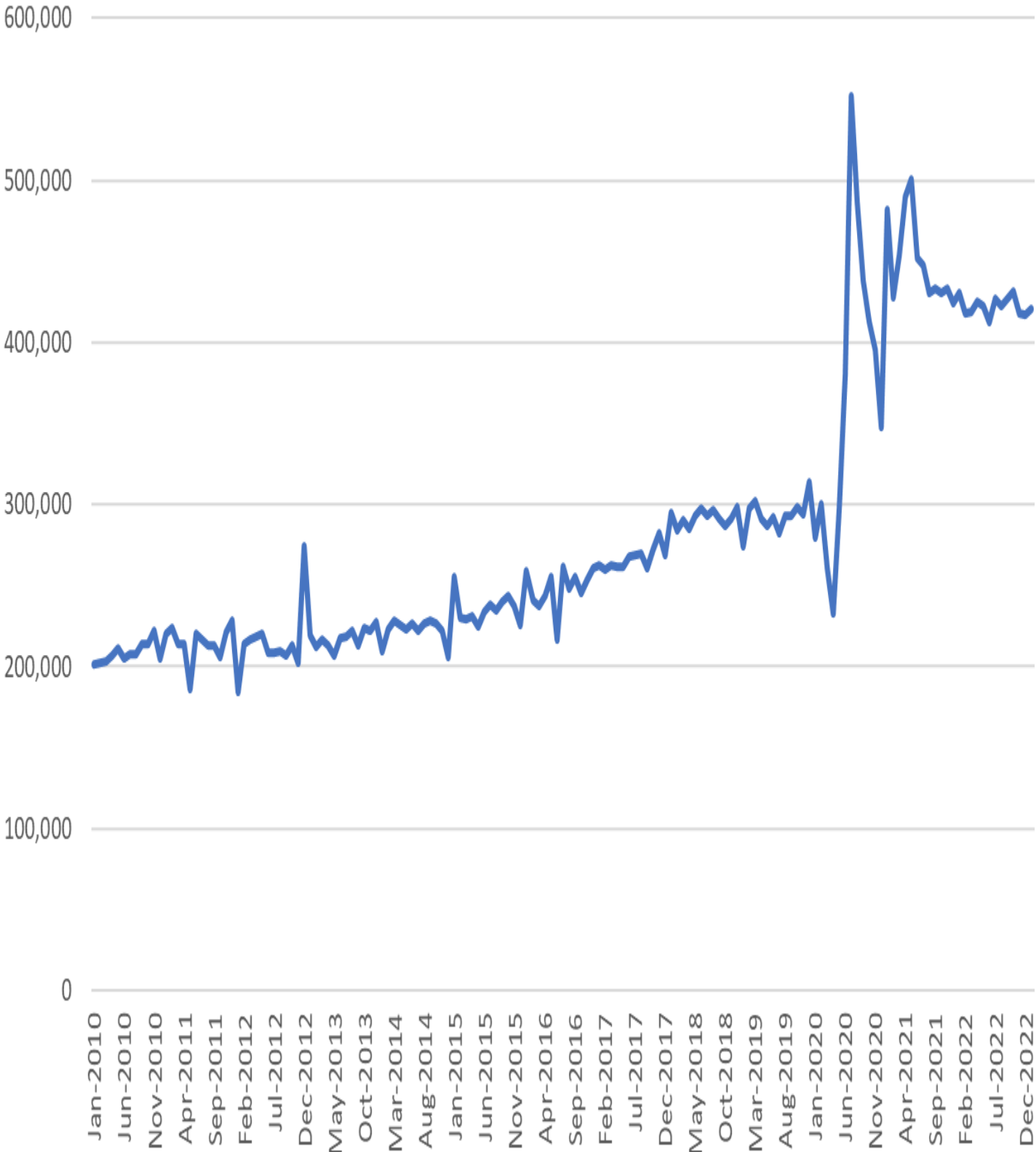
The Outlook for Economic Vitality

DOUGLAS HOLTZ-EAKIN | MARCH 6, 2023

In the years leading up to the pandemic, one of the top concerns was the state of entrepreneurship and economic vitality in the United States. More recently, a theme of the Biden Administration has been concern over rising concentration, increasing monopoly power, and reduced competition across the economic landscape. (The [work](#) of AAF's Fred Ashton casts doubt on this theme.) What do the data say?

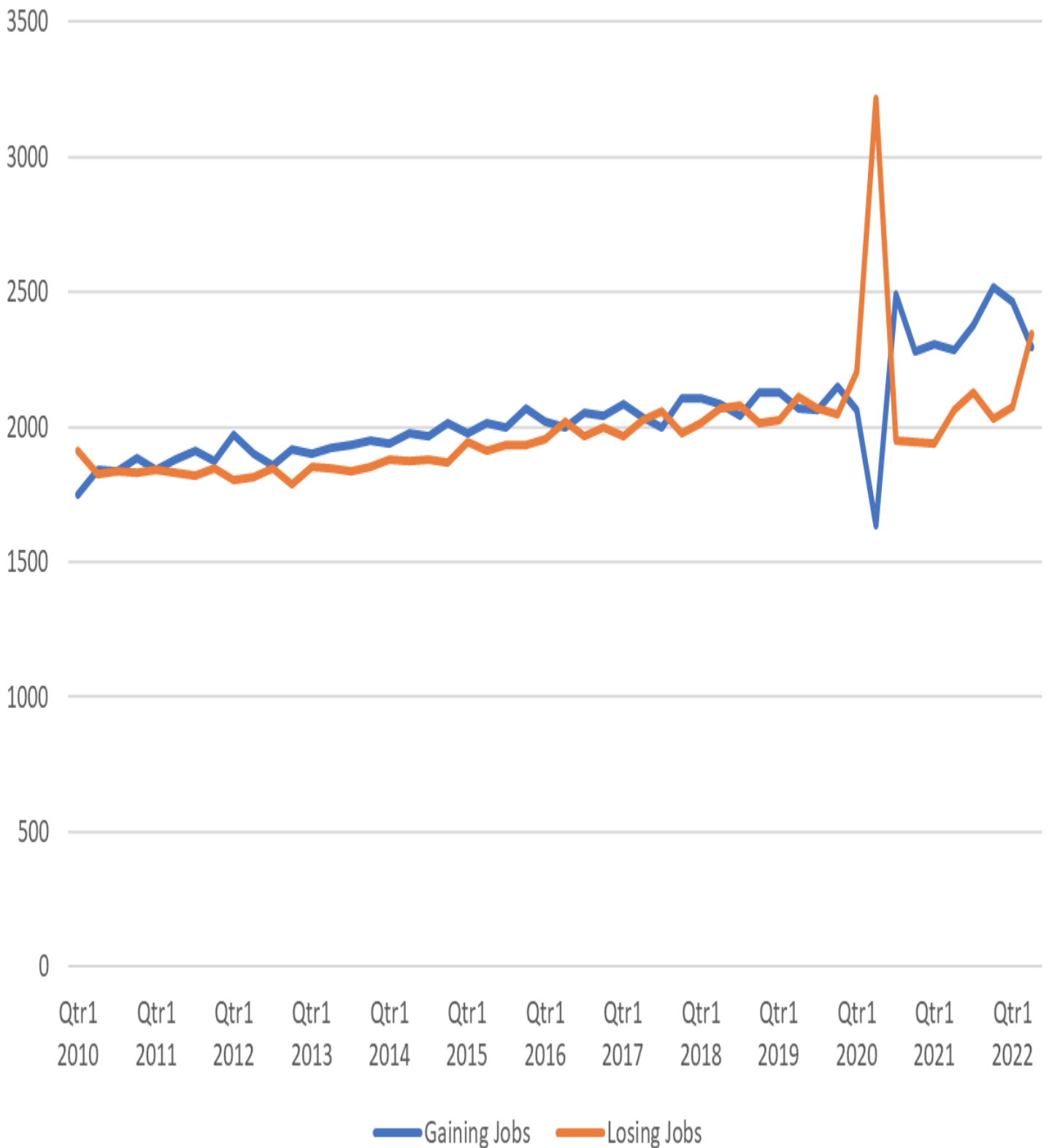
The U.S. Census collects a standardized [data series](#) on new business formations. As shown below, business startups rose reasonably steadily from 200,000 to 300,000 between 2010 and 2019. No surprise, with the arrival of COVID-19, formations fell sharply in April 2020 (the same month that the United States lost 20 million jobs). But by July 2020, new business startups had exploded to 550,000. Since then, new businesses have settled in the neighborhood of 400,000.

New Business Formation



Another window into economic vitality comes from the Bureau of Labor Statistics (BLS), which quarterly tracks the [number of firms](#) either gaining or losing jobs. The pattern is very similar, with a steady and modest climb from 2010 through 2019. With the arrival of the pandemic, the number of firms gaining jobs fell sharply. There was a corresponding sharp rise in the number of firms losing jobs. Just as with the Census data, there is an immediate and sharp reversal. Job-gaining firms shot north, while job-losing firms declined sharply. Both settled into a range above the pre-pandemic level.

Businesses Gaining and Losing Jobs



So, the data hardly suggest major economic sclerosis over the past three years. But the real question is: What

next? Will business formation remain elevated? Or will the Biden Administration's addiction to big spending, big deficits, and executive actions with concomitant heavy regulatory burdens act as a headwind to business formation and vitality?