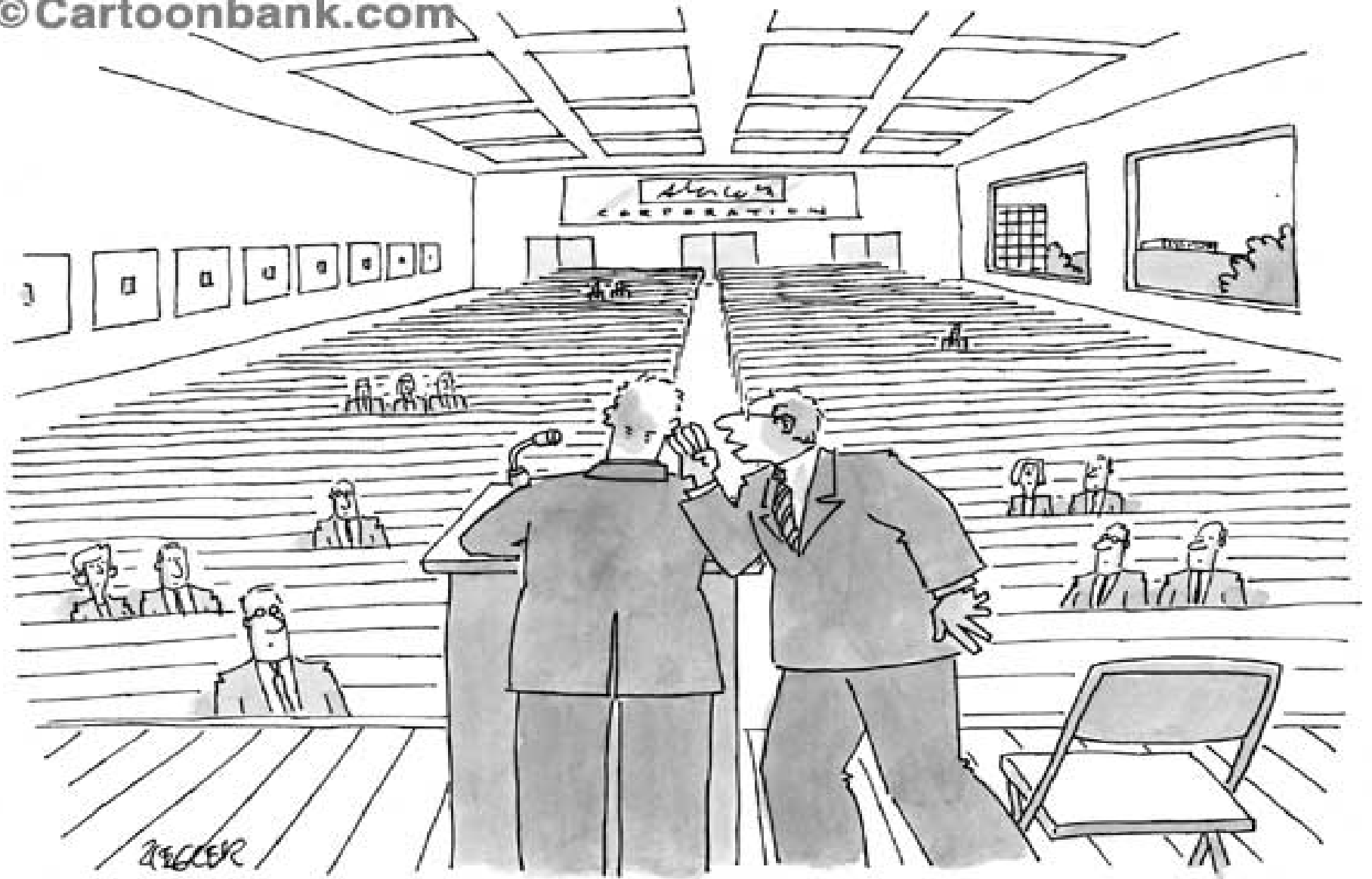


Mice, Gazelles and Elephants: The Menagerie of U.S. Business Dynamics

By John Haltiwanger
University of Maryland





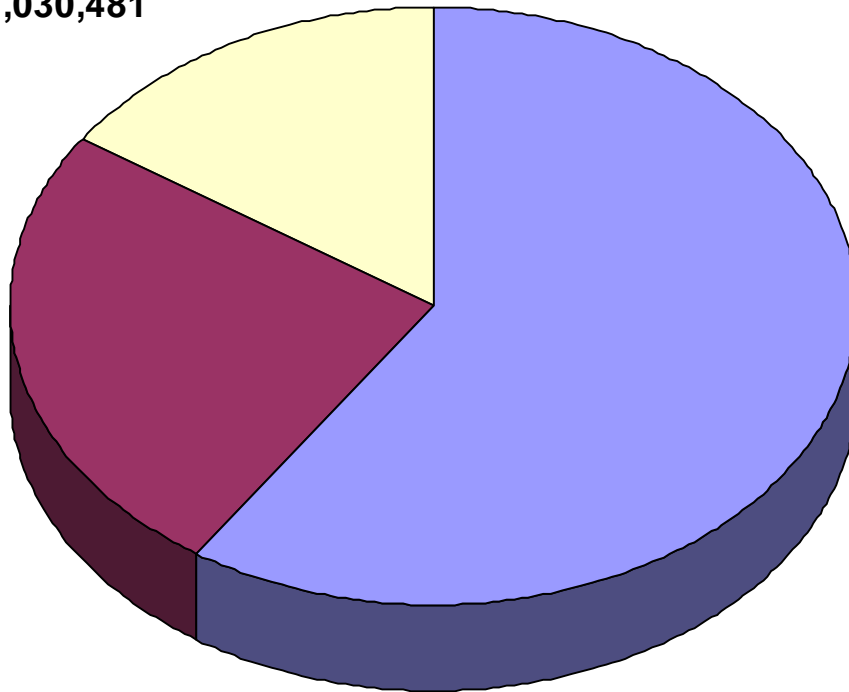
“Cut a few thousand jobs here, boss, a few thousand jobs there, and they start to add up.”

Share of Establishments by Firm Size, 2005



**Large Firms (500+ employees),
1,030,481**

**Small-Medium (10-500 employees),
1,669,297**



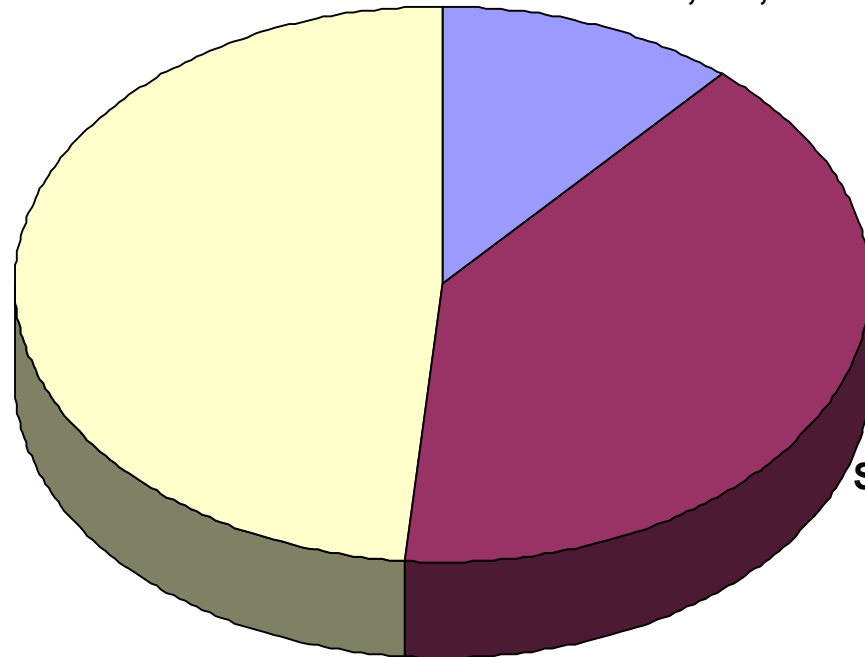
**Micro Firms (1-9 employees),
3,956,622**



Share of Employment by Firm Size, 2005



**Large Firms (500+ employees),
56,374,911**

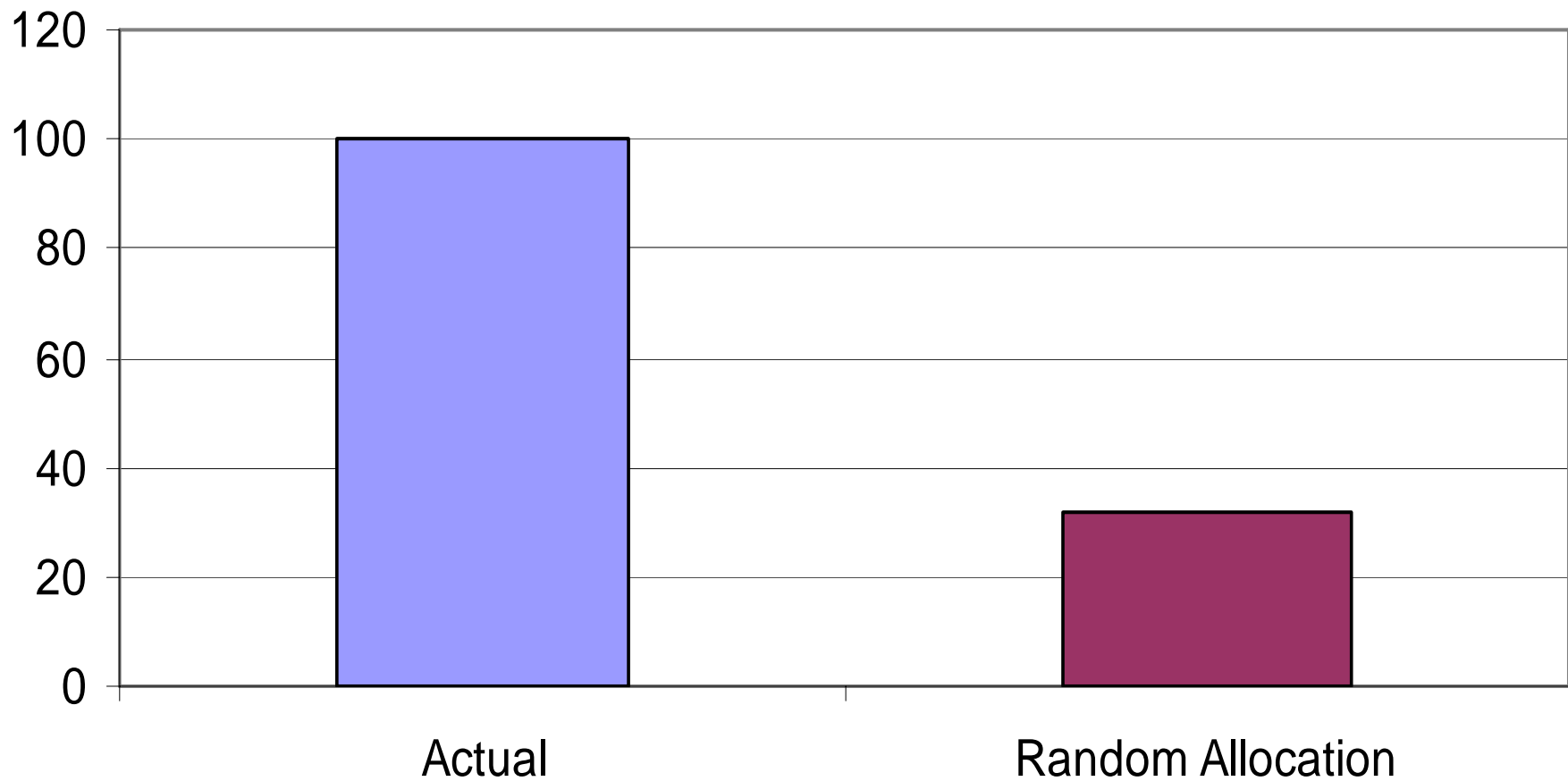


**Micro Firms (1-9 employees),
13,332,034**



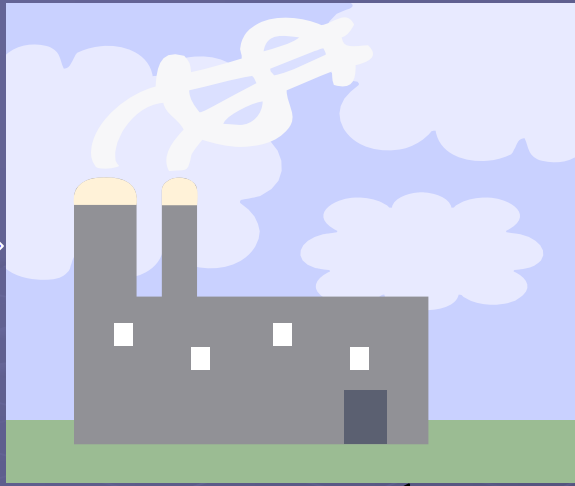
**Small-Medium (10-500 employees),
46,147,894**

U.S. Labor Productivity: Comparison Between Actual and Random Allocation of Size of Businesses





Hires



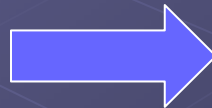
separations



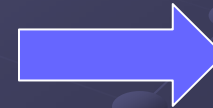
Job Destruction



Hires

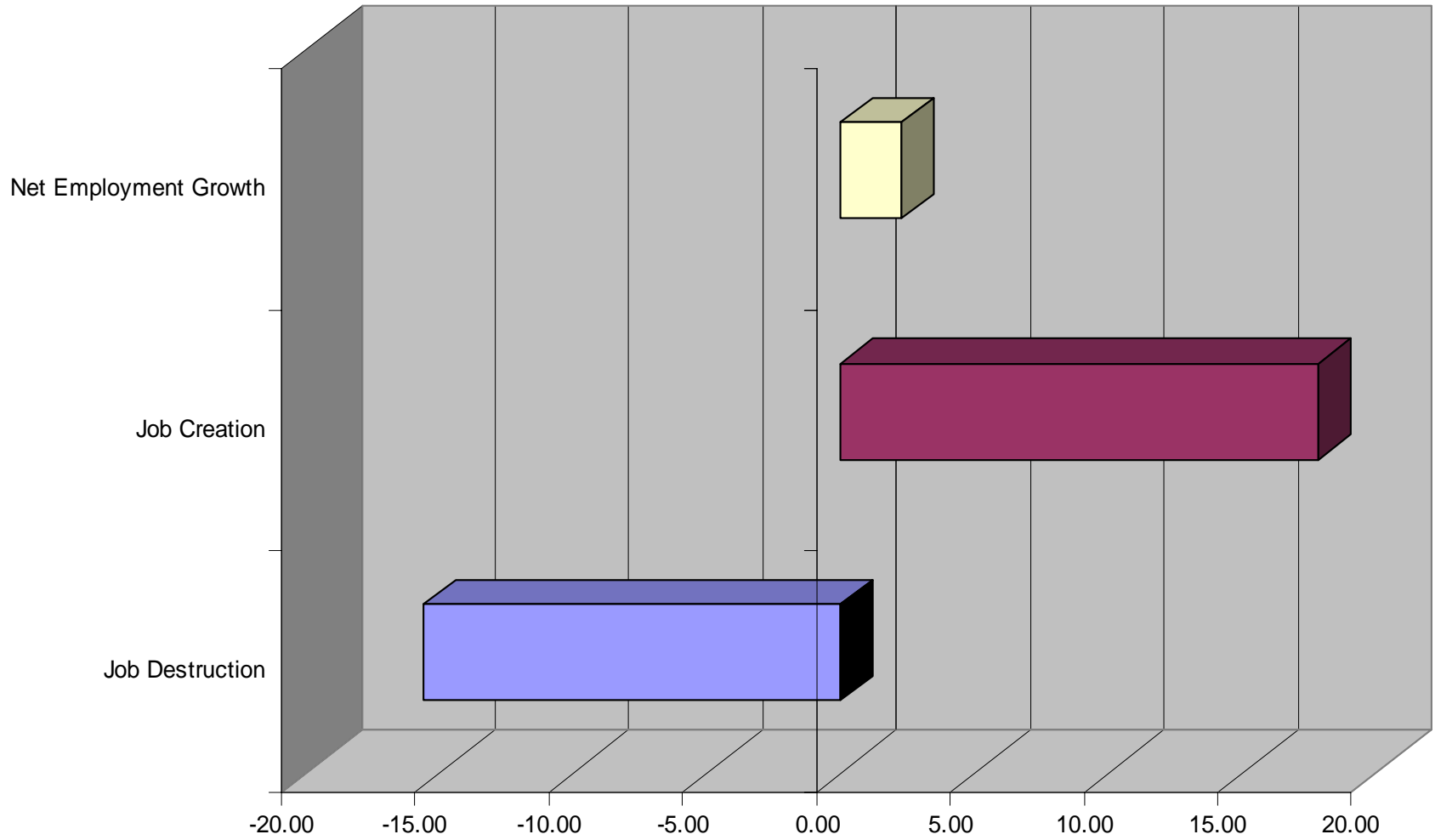


separations

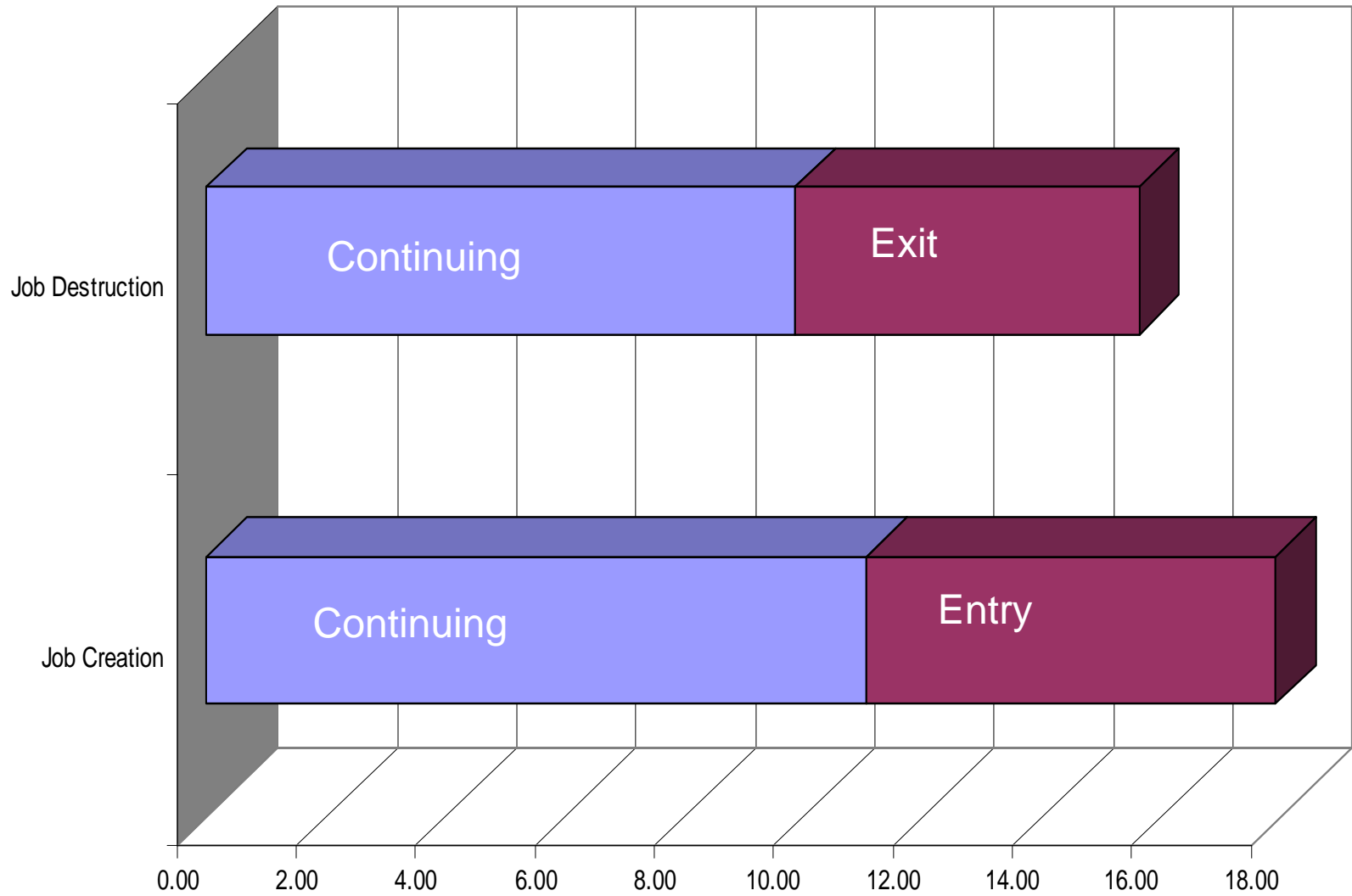


Job Creation

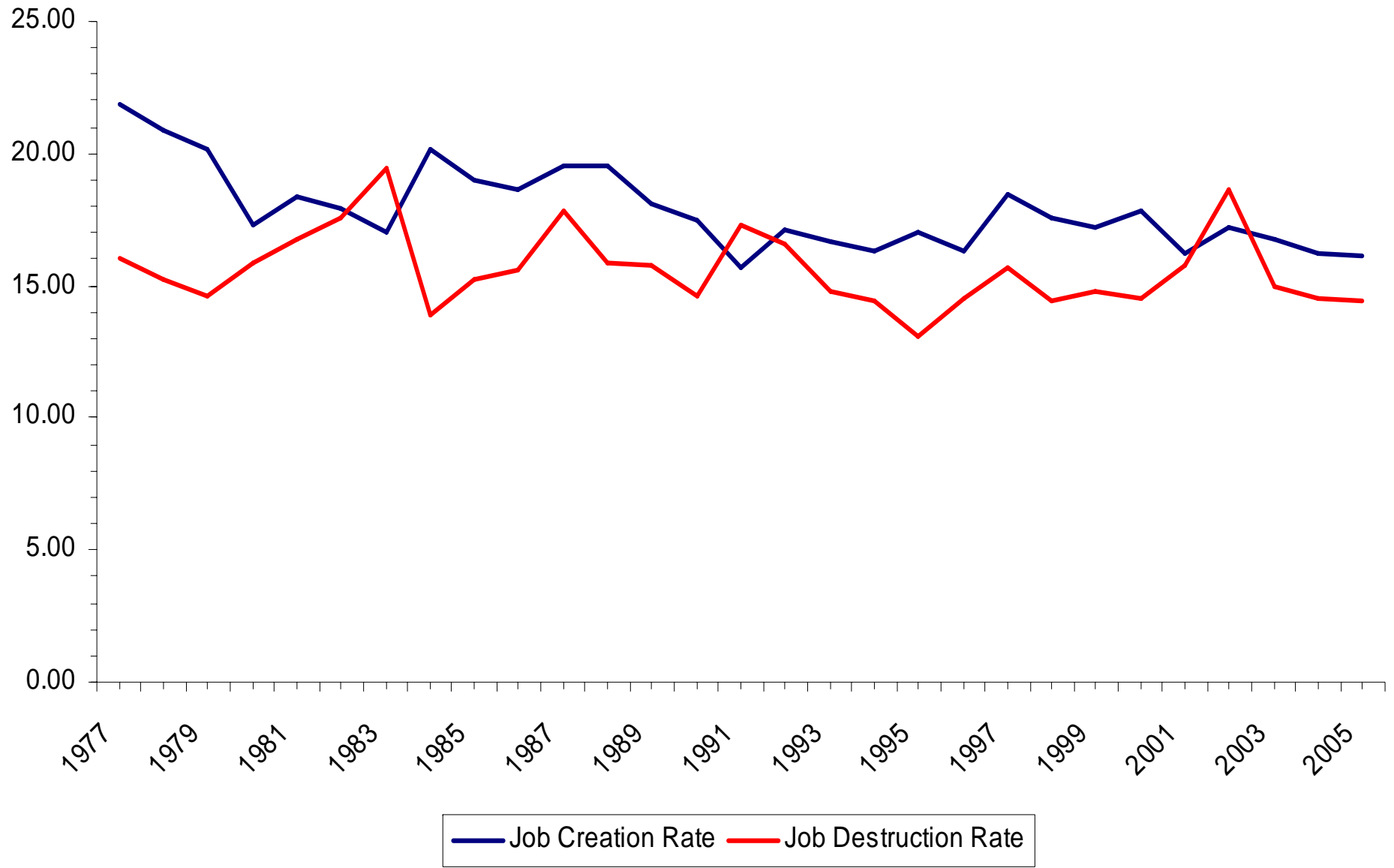
Creative Destruction in U.S.



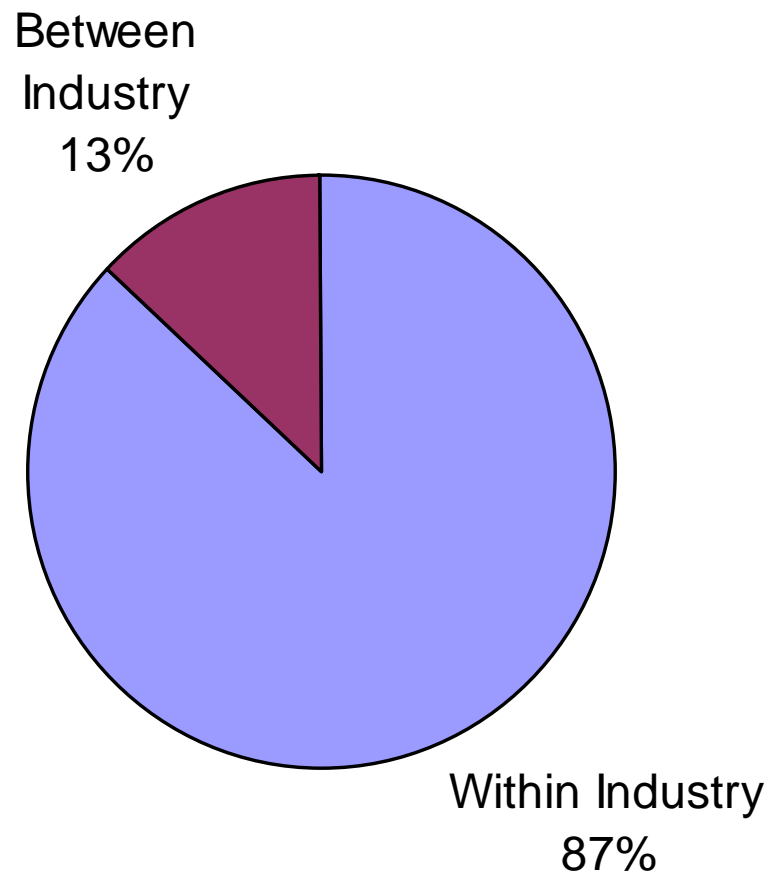
The Role of Establishment Entry and Exit



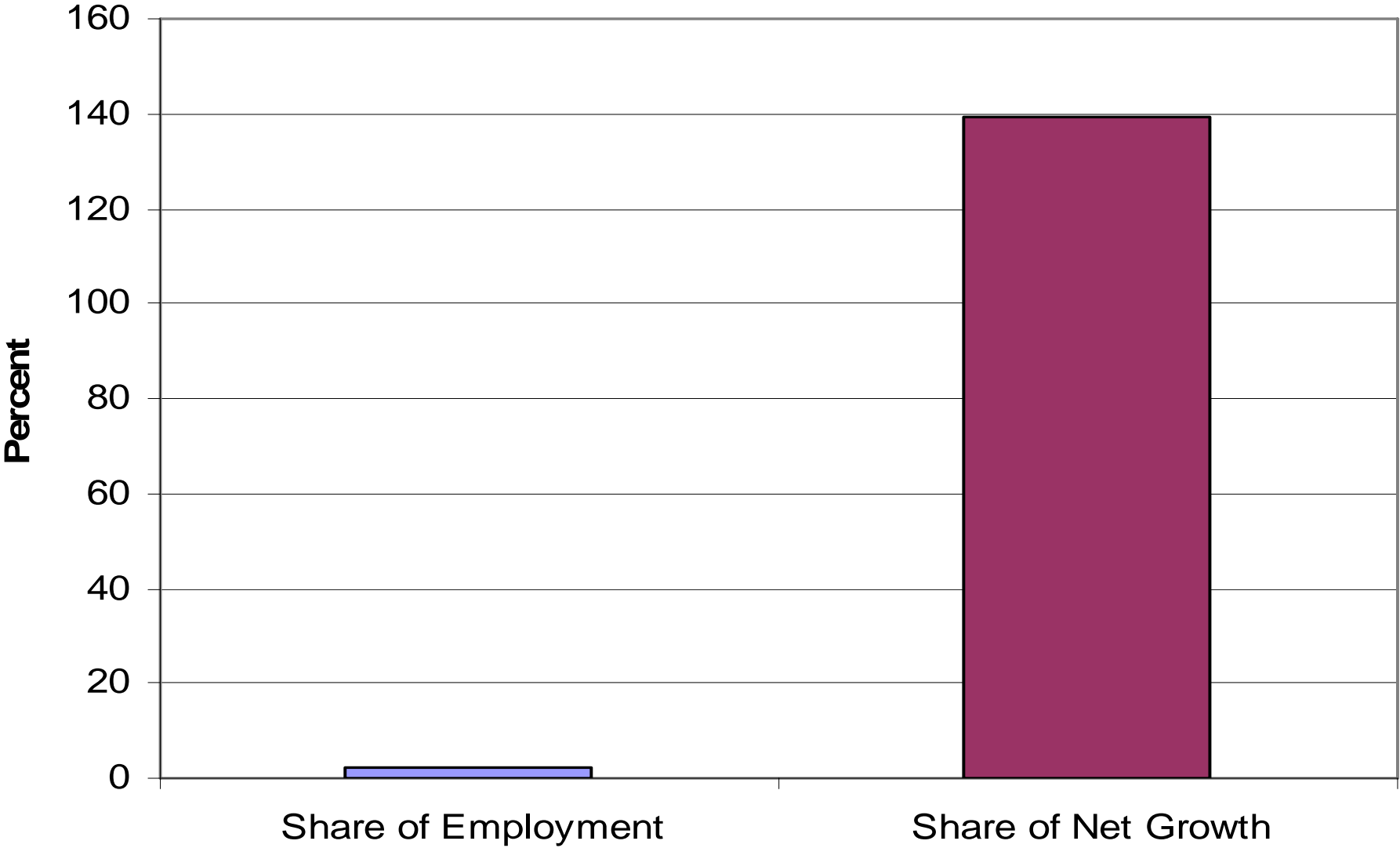
Job Creation/ Destruction Rates: Economy by Year



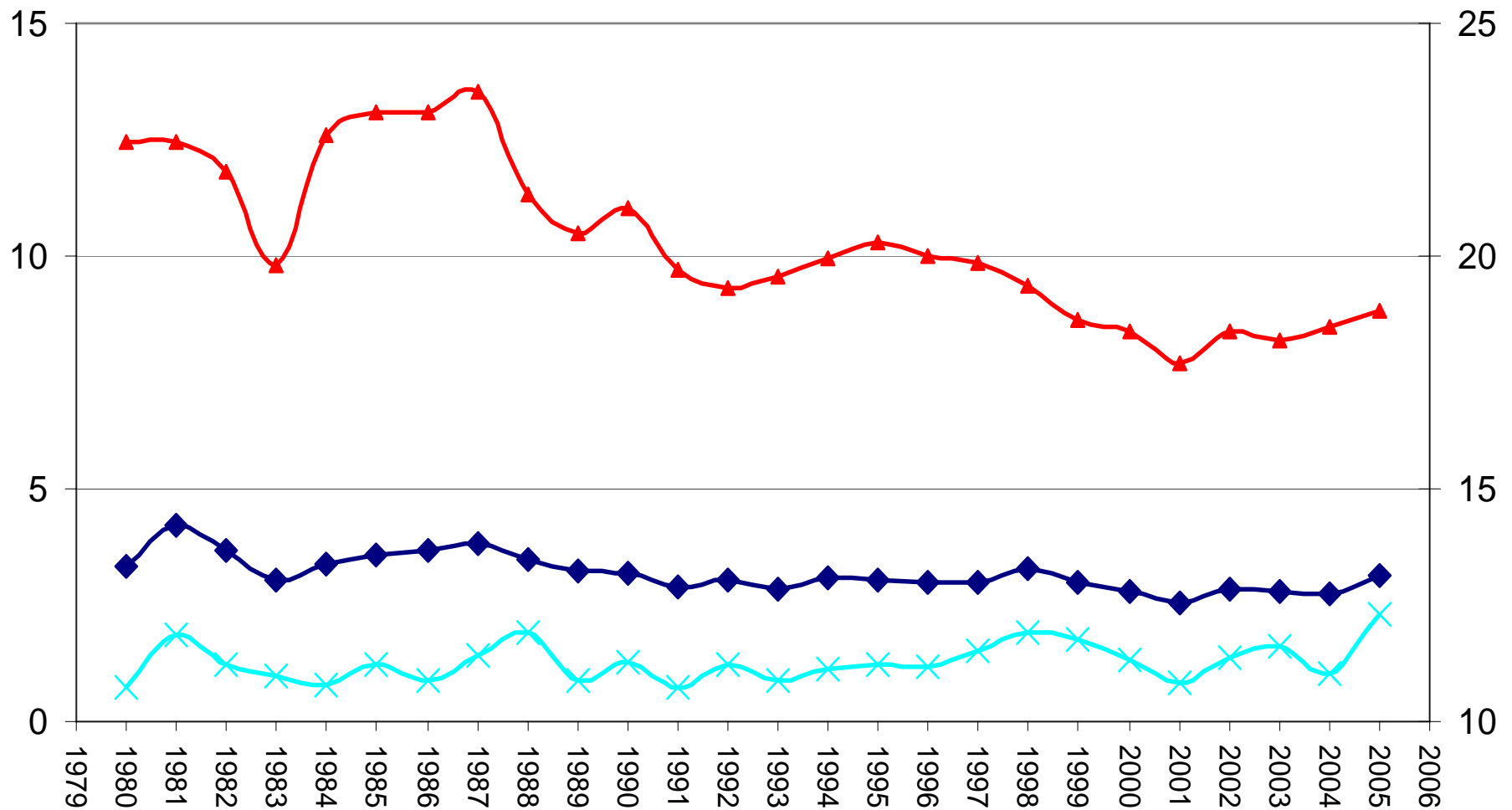
Share of Reallocation Between and Within Detailed Industries



Business Startups as Percentage of Employment and Net Growth



Percent of Jobs Accounted for by New Firms (All and Selected Size Classes)

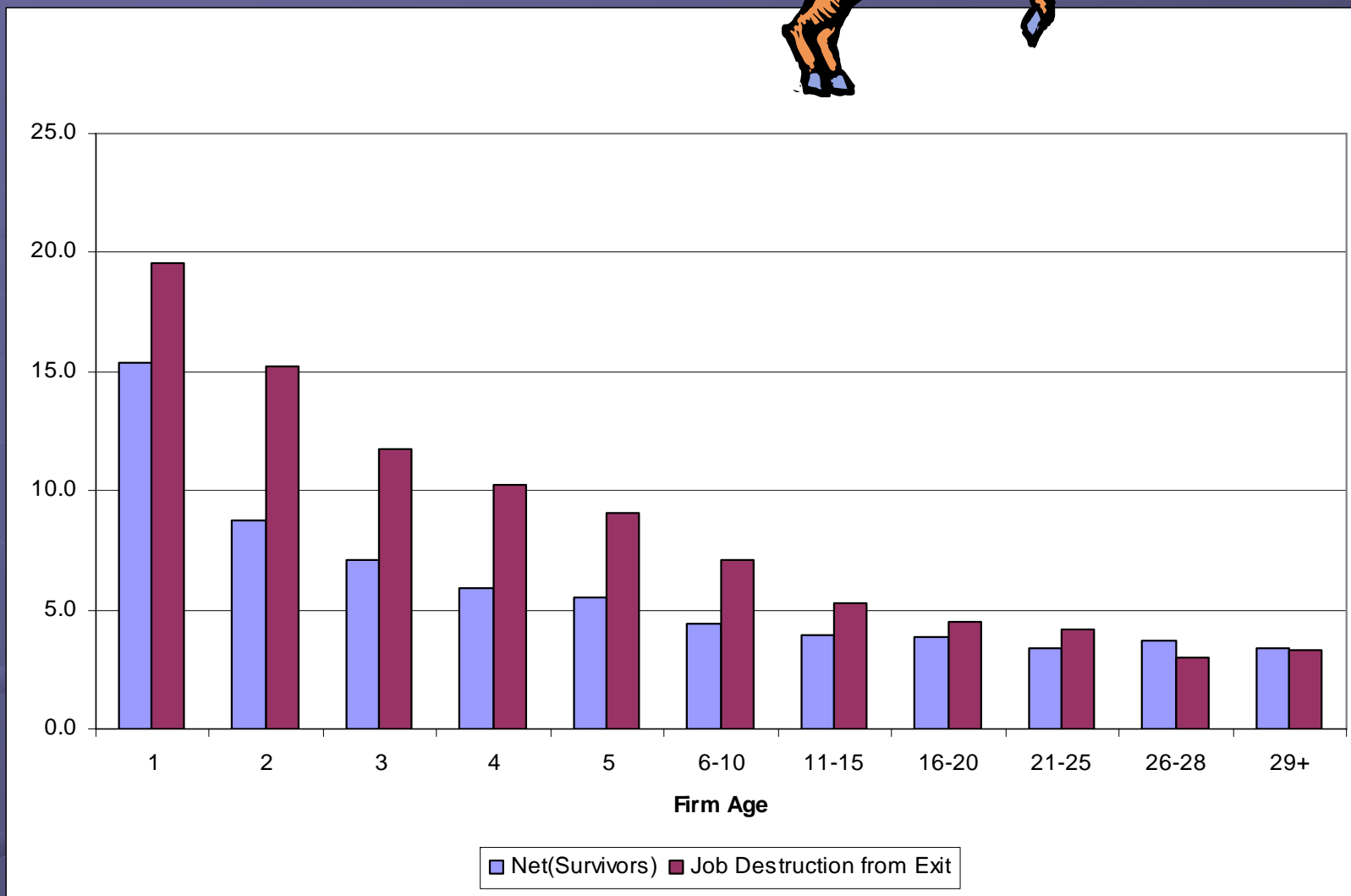
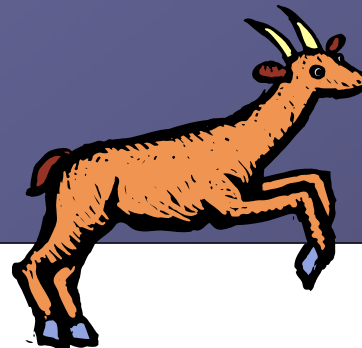


◆ All Startups

✕ Large Startups (250-499)

▲ Micro Startups (1-4) (Right Scale)

Are there Gazelles?

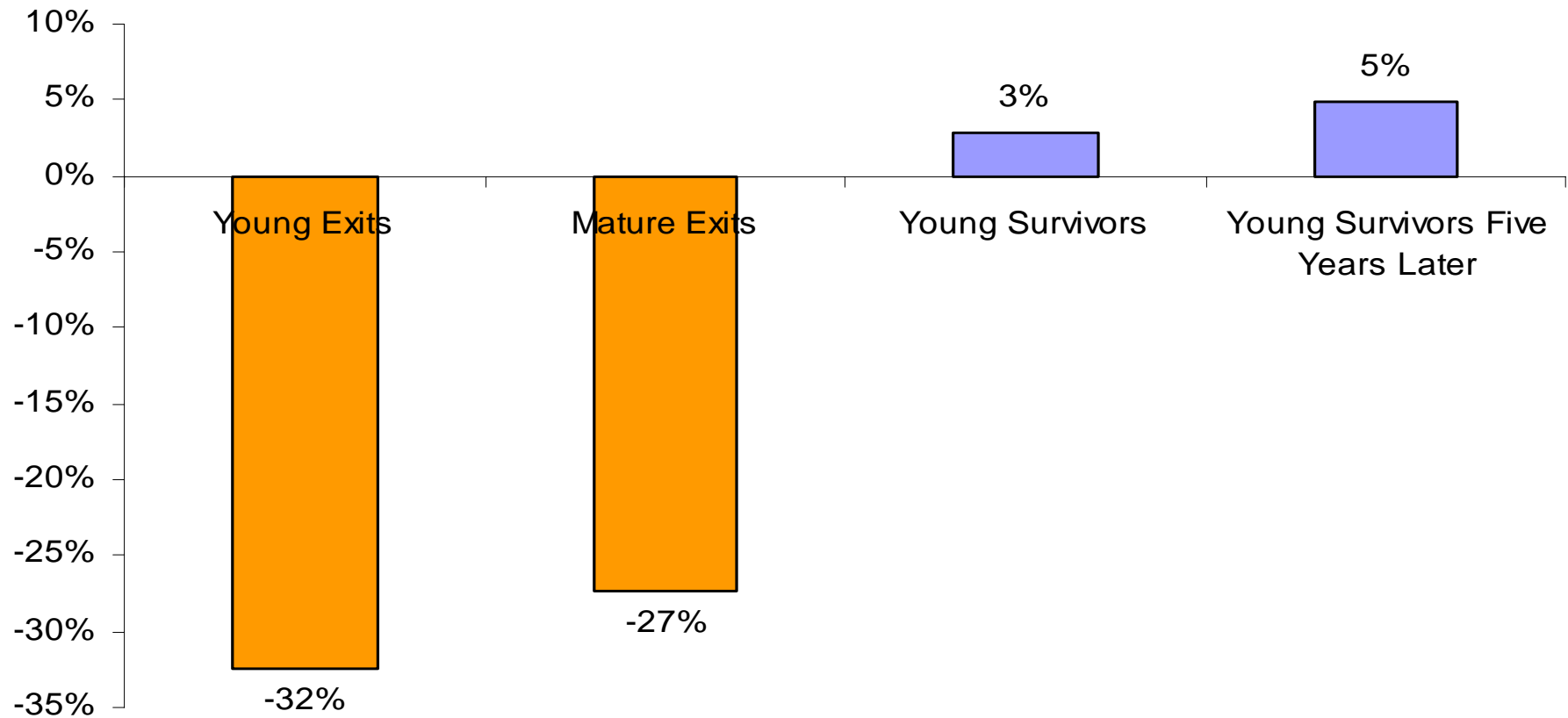


Contribution of Net Entry to Productivity Growth (10-year horizon)



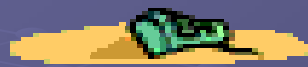
In Retail Trade, selection and learning effects play critical roles....

Productivity Relative to Mature Surviving Incumbents



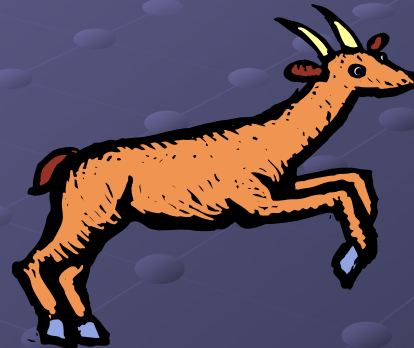
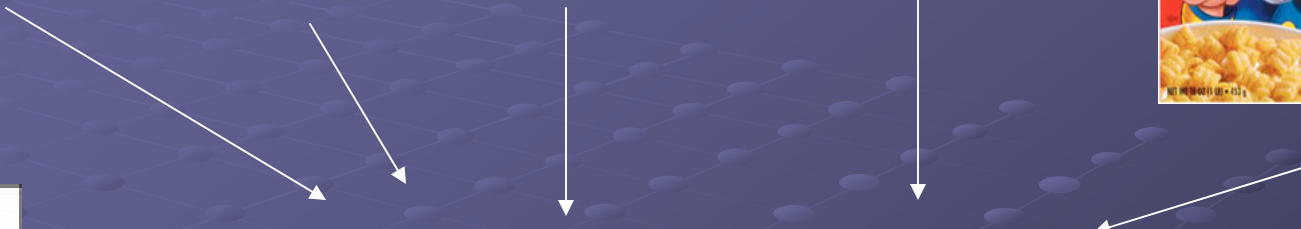


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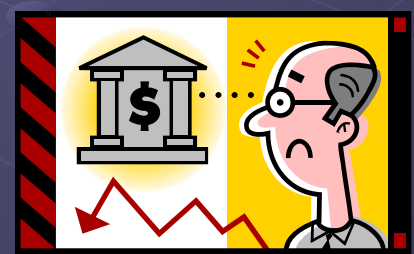
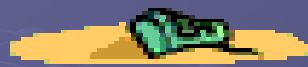


Usually as





???????



Main Messages

- Creative Destruction ubiquitous feature of U.S. (and other healthy market economies)
 - Large Magnitude
 - Creation in Recessions, Destruction in Booms
 - Idiosyncratic Effects (Difficult to Pick Winners)
 - Young, small businesses “Up or Out”
 - Productivity Enhancing
- No free lunch
 - Costly for firms and workers
 - Breakdowns in the process?
 - Collapse of Financial Markets?
 - But evidence clearly shows distorting process can have adverse consequences on allocative efficiency