

Entrepreneurs In the USA: A Quantitative Study

2015 was a record year for new corporate and partnership business starts in the United States, a new study by SMR Research Corp. has found.

The number of these new businesses increased by 5.1% over 2014 levels. **It was the sixth straight year of increase in new company formations, following a huge 18.6% decline in new starts in the 2009 recessionary year.**

“The entrepreneurial spirit in the USA is alive, well, and growing,” commented SMR President Stuart A. Feldstein. “Record numbers of people are taking the plunge into new business ventures. Some will fail, of course, but some will succeed beyond their wildest dreams.”

SMR’s study was different than the “number of business establishments” survey done periodically by the U.S. Census Bureau. The Census survey counts all establishments – such as chain stores where a new store opening is merely an expansion of an existing business.

SMR’s study looked instead solely at brand new corporation, LLC, and other partnership startups. The firm used official corporation records in selected states where those records were recently available and represented a cross-section of the nation’s high-population-growth and lower-growth places.

State records included in the study came from all four of the largest states (California, Texas, Florida, and New York), plus Massachusetts, Ohio, Virginia, Michigan, Wisconsin, Tennessee, Iowa, and Missouri.

Each of these states reports the names and formation dates of all corporations and partnerships that were ever formed in their jurisdictions, whether or not those companies continue to exist.

Together, the 12 states reported 1.252 million new corporations and partnerships started in 2015. That was up from 1.191 million in 2014, and way up from only 907,366 in 2009.

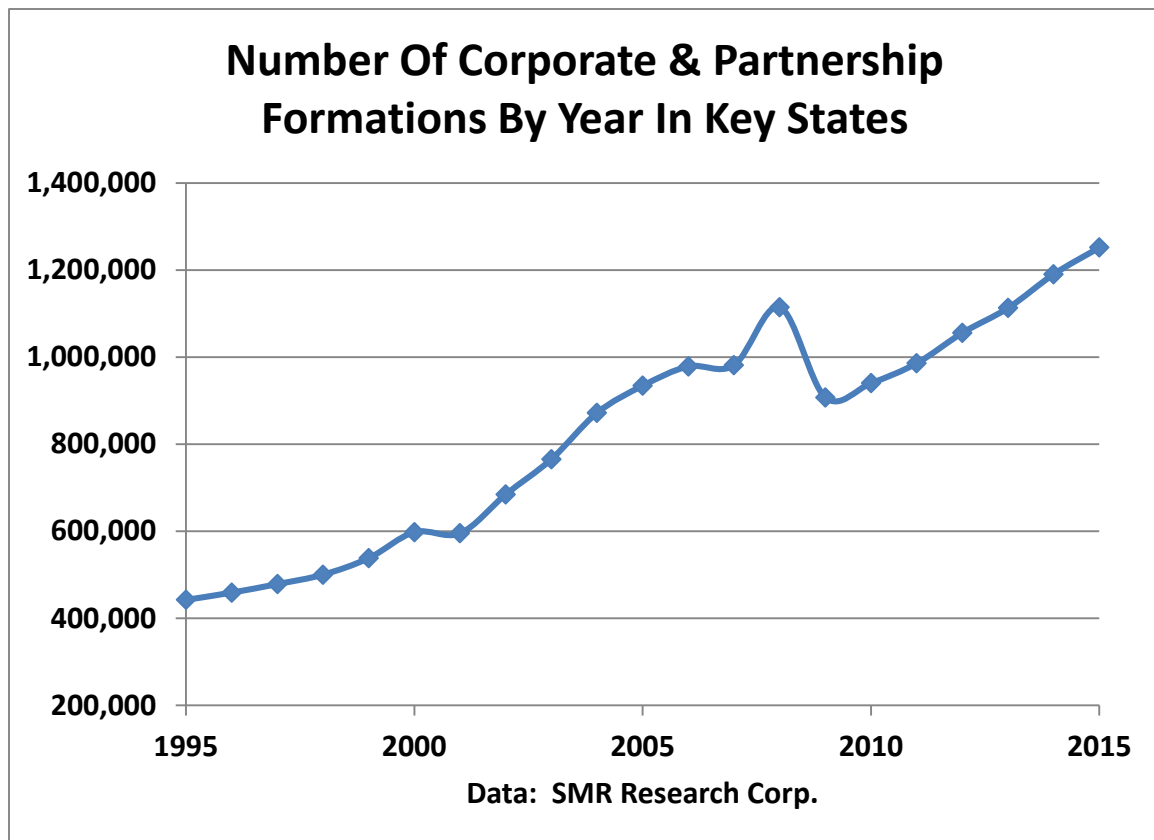
A New Company For Every 100 Adults

These states contain 51.3% of the total U.S. population. The implication is that nationwide, new corporation and partnership formations were probably around 2.44 million in 2015.

There are about 245.3 million adults in the U.S., meaning that in 2015 alone, there was a new company formed for roughly every 100 adults.

“The popularity of the Shark Tank television show highlights the sharp interest Americans have in striking out on their own with a new business startup,” Feldstein noted. “What we’ve done is to quantify this.”

State data used in the study included Texas and Florida, where fast population growth would tend to skew the results upward. SMR balanced these with data from much slower-growing states such as Michigan, Ohio, Missouri, Wisconsin, and New York.



The SMR data go back all the way to 1920, but data in the early years are not comparable to recent numbers.

From the 1920s to the 1960s, there were no limited liability companies, a recently popular company form that avoids the double-taxation of profits that regular corporations face. In those years, new companies often were started as sole proprietorships – a form not counted in state corporation records. Sole proprietor firms have no liability protection from lawsuits.

Nevertheless, the older data are interesting. The Great Depression began in 1929, and was followed by three consecutive years of decline in new corporation formations.

Similarly, when the U.S. entered World War II, the number of new corporations tumbled sharply. In 1942, new corporation starts dropped by 26.5% from one year earlier. Then, from 1944 to 1946, new corporate starts shot upward.

In more recent years, percentage increases in new starts were often higher than the 5.1% achieved in 2015. There were double-digit annual percentage increases in new starts in 2002, 2003, and 2004 – following a slight decline in 2001 (another recessionary year).

“What we’re seeing now is steady, if not electrifying, annual growth in new corporations and partnerships, with each recent year setting a new aggregate record,” Feldstein said.

SMR gathers corporation records from most U.S. states, along with more than 200 other sources of company information, to support its database of tenants in commercial buildings. We add tenant data and other important items to publicly available property records to create the Enhanced Commercial Property Database (ECPD).