

# Maybe the decline in startups isn't so bad, economist argues

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By Trey Williams

WASHINGTON (MarketWatch) — New companies are the ones that typically create jobs, so conventional wisdom is that the downturn in their numbers is bad for the economy.

But during a panel discussion for the Cato Institute, American-Canadian economist and George Mason University professor Alex Tabarrok, offered a different possibility—it's not bad for the economy, necessarily.

Actually, he said fewer startups, and a market run predominantly by big firms, is a sign of economic development.

“Most developed economies around the world,” he said, “have fewer entrepreneurs and more large firms.”

Tabarrok said he loves going to underdeveloped countries and heading to the markets where everyone is selling some sort fruit, vegetable, or trinket. They are all, in their own right, entrepreneurs, and there are a lot of them. But Tabarrok argues that no one would grow.

In Tarbarrok's example, the supply of businesses is much larger than the demand, saturating the market.

John Haltiwanger, a professor of economics at the University of Maryland who joined Tarbarrok on the panel, said that the greater concern is that the U.S. is losing entrepreneurs who aspire to large growth.

While the verdict is still out on startups' contribution to declining economic dynamism, Haltiwanger said young workers not job hopping like they once did doesn't help the situation.

Both Haltiwanger and Tabarrok agreed that there's a lack of creativity, new ideas and means to find such, that might also have a hand in the decline.