

High-growth firms: A macro perspective

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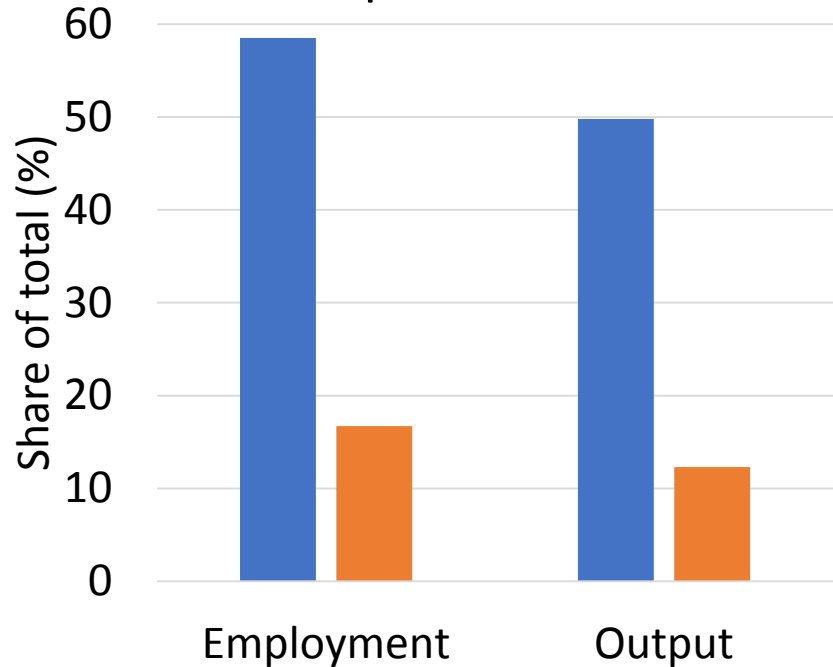
Without implication, this presentation draws on joint work with John Haltiwanger, Ron Jarmin, and Javier Miranda. Prepared for the 2020 Kenan Institute Frontiers of Entrepreneurship Conference.

The analysis and conclusions set forth here are those of the author and do not indicate concurrence by other members of the Federal Reserve research staff or the Board of Governors.

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High-growth (young) firms are critical

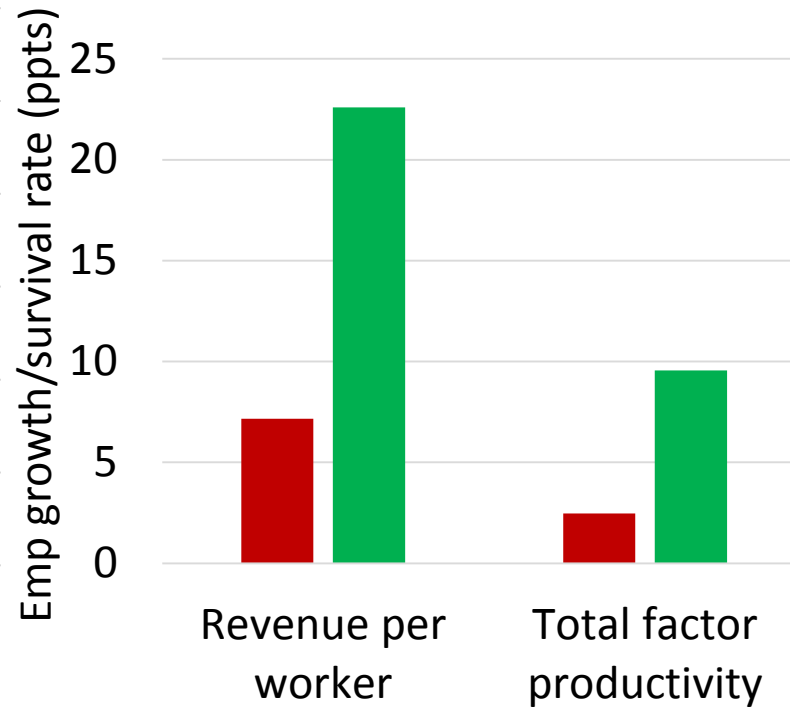
High-growth firms drive job and output creation



■ Share of gross creation
■ Share of firms

High growth = 25% annual growth rate.
Haltiwanger, Kulick, Jarmin, Miranda 2017, "High Growth Young Firms..."

Productive firms are the survivors and growers



■ Relative survival rate
■ Relative employment growth rate

Relative to industry mean. Decker, Haltiwanger, Jarmin, Miranda 2018, "Changing Business Dynamism and Productivity..."

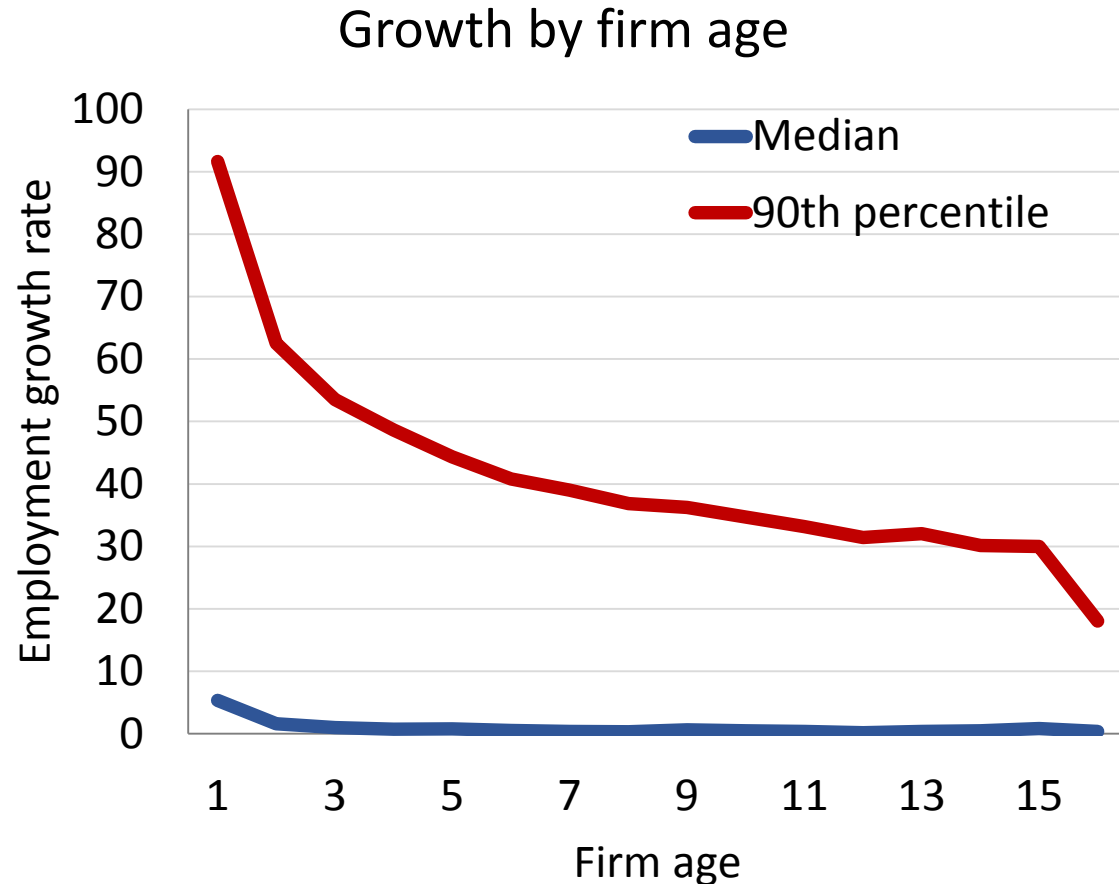
→ High-growth firms facilitate reallocation of resources that enhances aggregate output

Long-run effects can be large

- VC-financed firms may account for up to 1/3 of long-run GDP growth*

Akcigit, Dinlersoz, Greenwood, Penciakova 2019, "Synergizing Ventures"

High growth is rare



Employment-weighted percentiles. DHS growth rates.
Decker, Haltiwanger, Jarmin, Miranda 2014 “The role of entrepreneurship...”

- ~5 million employer firms in U.S.
 - ~400,000 new firms, 2016 (BDS)
- Only the young ones grow
- 1,000-2,000 VC deals per year (PWC)
- Fewer than **0.1%** of firms ever get VC funding*
 - Most are young
 - A large share have high-quality patents—which are also rare!
- Probability of IPO or large acquisition for an observationally average firm: **1 in 3,500****
- High growth is rare – though a firm need not be in the rarest group to make large contributions!

*Akcigit, Dinlersoz, Greenwood, Penciakova 2019, “Synergizing Ventures...” and Puri & Zarutskie 2012, “On the life cycle dynamics of...”
**Within 6 years of founding. Fazio, Guzman, Murray, Stern 2016, “A New View of the Skew...”

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