

Macro Roundup Article

Headline: Like the Broader Economy, the High Tech Sector is Becoming Less Dynamic

Article Link: <https://eig.org/high-tech-dynamism/>

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Tweet: .@cojobrien argues that the sectors of the economy with a high share of STEM workers appear to have converged with the rest of the economy in terms of their startup rate.

Summary: Although the High Tech sector still remains more dynamic than the non-High Tech sector of the economy, the gap between the two has gradually faded. Beginning with firm entry rate, we see a long-running decline in both the High Tech sector and the broader economy. The national firm entry rate, hitting a series high of 13.5 percent in 1984, fell below 10% during the Great Recession and has yet to recover. The High Tech sector saw much higher startup rates during the 1980s, peaking at 17.9%, also in 1984. High Tech industries saw another huge surge in new startups in the 1990s, coinciding with the dot-com boom, but their startup rates have yet to recover. In 2018, the gap between the national and High Tech startup rates fell below one percentage point to an all-time low, down from 5 to 6 percentage points in the 1990s. The rate of new firm creation in the High Tech sector, once far ahead of other sectors, now looks similar to that of the increasingly sclerotic national economy.

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Topics: Innovation/Research, Op-Ed/Blog Post, Productivity, Startups, Weekly

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