

Sorry--recessions don't breed more startups

One of those silver lining stories you read a lot is that recessions are prolific times for startups. Cheer up, world! Things may be awful, but at least we know there are tons of innovative new companies being created.

Only, it's not true, according to new research. A pretty thorough study released by the Ewing Marion Kauffman Foundation found that, contrary to popular wisdom, the number of new companies created in the U.S. has been pretty consistent over time.

In fact, according to the study, none of the usual suspects, including recessions, as well as tax changes, population growth, scarce or abundant capital, technological advances, and so on, had much of any impact on the pace of startups starting up.

In addition, the research showed that entrepreneurship education and venture capital had little affect on entrepreneurial activity.

The authors did quite exhaustive research, combing through 1977 to 2005 and 1951 to 1960 data from the U.S. Census Bureau, the Small Business Administration, and the Bureau of Labor Statistics. And regardless of the dataset examined, each year's total of new companies was about the same as other periods. In fact, they found that the quarterly measure of new businesses was similar to the annual totals.

Still, these findings don't say anything about the success of these businesses. And, there, according to one of the authors, there may be a recession advantage. Paul Kedrosky, co-author, is quoted in Bloomberg BusinessWeek as saying: "Companies that are created in a bad economic period are more disposed to succeed. These entrepreneurs are the few, the proud, and the crazy."

In other words, the quantity may be the same throughout the years, but the quality is a lot better in bad times.

So, maybe there is a silver lining, after all.