



**Chairman Richard Hanna  
Committee on Small Business  
Subcommittee on Contracting and Workforce  
Hearing: “The Decline in Business Formation: Implications for Entrepreneurship and the  
Economy”  
September 11, 2014**

Good morning. Thank you for being with us today. I call this hearing to order.

According to economists the Great Recession ended in 2009, yet five years later we are still struggling to see any signs of robust and lasting economic growth. The non-partisan Congressional Budget Office estimates a long-term average annual growth rate of 2.2 percent; a substantial decrease from the pace that existed between 1948 and 2007, which averaged 3.4 percent.

We’ve all heard various reasons and causes for the United States’ lackluster rebound – excessive regulations, complex tax code, and workforce shortages – to name a few. We’ve also heard several solutions and frequently have looked for small businesses to lead the way to greater prosperity. Small firms are the catalysts for job creation, creating more than half of the net new jobs between 1993 and 2013. Even more noteworthy are the contributions of new firms, which offer the best opportunities for growth.

However, as economists have examined America’s stagnant economy, a disturbing new trend has emerged. Fewer new businesses are being created each year than ever before. According to a recent report by the Federal Reserve Bank of Cleveland, in 1978, Americans created 12 new firms per existing business; but in 2011 this dropped, almost in half, to 6.2 new firms per existing business. Even more startling, economic research suggests that while the Great Recession exacerbated this drop, the decline has actually been occurring for 30 years. This downturn not only has dramatic negative impacts on our economy, but also signals that entrepreneurship may not be as strong and vibrant in America as we would like.

Today we are here to learn more about what this decline in new business creation means for the American economy and what we might do to reverse this trend. I would like to thank each of our witnesses for taking time to provide testimony on ways we can all work together to bolster new businesses and the jobs they create. I am hopeful that we can find ways to reinvigorate the entrepreneurial spirit and allow more Americans to realize the dream of opening and owning their own small business.

I now yield to Ranking Member Meng for her opening statement.