

Entrepreneurship as Empowerment: Economic Mobility in the U.S.

Ryan Herron, BSBA '20

University of North Carolina at Chapel Hill

Abstract

Although many coin the United States as “the land of opportunity,” recent research suggests the country does not provide the level of opportunity that many imagined it to have. Research related to the underlying factors behind this lack of opportunity revealed that economic mobility in the United States is impacted by residential segregation, income inequality, school quality, social capital, and family stability. To date, researchers in the United States have yet to explore the potential impact of entrepreneurship—known to be a promoter of economic growth, job creation, and wealth accumulation—on mobility despite a vast body of international literature surrounding the mobility-entrepreneurship relationship. This study finds a significant relationship between entrepreneurship and economic mobility in America by examining the relationship on a county-level across the United States.

Methods

Overview

My methodology involved a **multivariate regression** using economic mobility and entrepreneurship data from two disparate datasets that were joined based on county FIPS codes. The final subset of counties used in the analysis was limited to **280 counties** with available economic mobility and entrepreneurship data.

Methods, continued

Economic Mobility Data

The economic mobility data came from the **Opportunity Atlas'** (the database made available by the Opportunity Project) **2012** dataset². The six key variables¹ used were:

- Economic Mobility
- Segregation
- Income Inequality
- Education
- Social Capital
- Family Structure

Entrepreneurship Data

The entrepreneurship data revolved around various measures of **self-employment** derived from the **ASEC Supplement** of the **IPUMS-CPS** data from **2010-2014**. Self-employment was used as a proxy for entrepreneurship because this is the method used by the Kaufmann Foundation—the premier source for entrepreneurship data and research in the U.S. The five key variables used were:

- Entry Into Self-Employment
- Leaves Self-Employment
- Self-Employed in Either Year
- Self-Employed in Both Years
- Change in Self-Employment 2010-2014

County Composition

The 280 counties used in my analysis represented larger metropolitan regions of the United States. Key statistics regarding these counties can be found below.

- **40%** of all U.S. counties in 2012
- **99.9%** of the counties were urban
- **450,000** average population

Results

Through an analysis that included several tables and regressions on 280 U.S. counties between 2010 to 2014, this study revealed a strong positive correlation between rates of entrepreneurship, measured through various measures of self-employment, and economic mobility. The table below illustrates several qualities of counties across different levels of economic mobility.

Mobility Tier	Became Self-Employed	Children with Single Mother	Racial Segregation	Gini Coefficient
1	0.0162	0.166	0.0571	0.356
2	0.0134	0.182	0.0733	0.364
3	0.0092	0.203	0.0883	0.386
4	0.0090	0.252	0.1094	0.425

Note: Each mobility tier above is comprised of 70 counties. Tier 1 = 75th - 100th Percentile; Tier 2 = 50th - 75th Percentile; Tier 3 = 25th - 50th Percentile; Tier 4 = 0 - 25th Percentile. For all variables above, the Tier 1 value is statistically different from the Tier 4 value at a 99% confidence level.

The results of the multivariate regression produced two key findings regarding the economic mobility-entrepreneurship relationship:

- 1 Entrepreneurship is significantly related to mobility** at a 99% confidence level
- For every 100 people that **enter self-employment**, the **economic mobility index increases** by 0.04 points

Conclusion

This study provided evidence for the economic mobility-entrepreneurship relationship in America. Moving forward, entrepreneurship can and should be used to empower those individuals with the ideas that could change the course of modern technology, healthcare, entertainment, and so many other fields. However, it is first imperative to overcome the current barriers to entrepreneurship. The largest of such being the entrepreneur gap, which impedes women and racial minorities from receiving adequate funding to become entrepreneurs. Encouraging entrepreneurship in America means breaking down the entrepreneur gap, building entrepreneurial outlets (such as incubators and coworking spaces), and funding all Americans who bring disruptive ideas to the table regardless of gender or race.

Limitations

1. The availability of county-level entrepreneurship data
2. The potential for reverse causality
3. The effects of the entrepreneur gap for women and racial minorities on rates of entrepreneurship
4. The non-random sampling method used to obtain the entrepreneurship data

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¹ Chetty, R., Hendren, N., Kline, P., & Saez, E. (2014). Where is the land of opportunity? The geography of intergenerational mobility in the United States. *The Quarterly Journal of Economics*, 129(4), 1553–1623. <https://doi.org/10.1093/qje/qju022>

² *Data Library*. (n.d.). [Opportunity Insights]. Retrieved from <https://opportunityinsights.org/data/>