Americans aren’t starting new businesses at the rate they once did, a phenomenon that dates back to the 1980s.

This seems counterintuitive in Seattle where new tech darlings dominate the news, but America has a startup problem.

We can’t blame it on the Great Recession, although that no doubt made the shortfall worse. But Americans aren’t starting new businesses at the rate they once did, a phenomenon that dates back to the 1980s.

Looking through a very wide lens, the Census Bureau logged in around 410,000 new firms in 2012, the most recent year available. But in 1977, the number was nearly 565,000.

In the intervening years, that number has never been surpassed, even though the population has grown and the Internet and PC revolutions took place.

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The Census Bureau and the Ewing Marion Kauffman Foundation have tracked the age of companies. They’re getting older. These aging companies are dominant job providers, much more so than 20 years ago.

Even as the labor market improved, the rate of business creation fell through 2013.

Not only that, but data from the U.S. Bureau of Labor Statistics indicate that the number of employees sustained by a startup has fallen steadily.

Caution is in order in reaching sweeping conclusions. Are Americans losing their risk-taking spirit? Are they facing new roadblocks? Defining “entrepreneur” is tricky. And a new company created by the merger of two existing ones isn’t necessarily a plus.

But the evidence of a problem is clear and the scholarship extensive. The most definitive yet came last summer from Ryan Decker, John Haltiwanger, Ron Jarmin and Javier Miranda in the Journal of Economic Perspectives.

Among their findings is that the decline in new businesses cuts across all sectors. It began to afflict high-tech companies after 2000. The result is making the American economy less dynamic and productive.

The latest paper comes from Benjamin Pugsley and Aysegul Sahin at the Federal Reserve Bank of New York. They argue that the “startup deficit” is contributing to the jobless recoveries the country has endured, with increasing severity, in recent decades.

Come to think of it, at least some of the conditions described above aren’t so alien to us.

How often have you heard: “When are we going to create the next Microsoft (or
Amazon or Starbucks)?”

Based on the declining rate of startups and the increasing number of older firms, the answer is murkier than ever.

This reality is cloaked by the hot startup moment here and in a few other fortunate cities. They are attracting plenty of capital and talent. Astounding valuations for star tech companies have created a mania detached from the real economy.

Few if any of these new firms are going to be the next Microsoft or Boeing, General Electric or General Motors. Unless something fundamental changes, most will employ few people, do little to drive productivity and their leaders will look to be snapped up soon at a premium.

More research needs to be done to pin down the causes, but I have a few nominations:

• Consolidation of a host of industries and lack of effective antitrust enforcement have made the big bigger and allowed them to keep out new rivals and devastate local economies. Giants can game policy to favor their market position. They can sit on patents. Pricing power allows them to run any upstart out of business.

• A host of sectors have been “disrupted” by technology, innovation and giants that control pricing of supply chains. Thus, hardly anyone is starting, say, a neighborhood bookstore or office-supply shop anymore.

• Globalization makes entry in the marketplace more difficult for new companies, especially manufacturers. They can’t compete on price with Asia. Entire sectors that were once mighty engines of productivity, good paychecks and new companies are in severe contraction.

• Changes in the capital markets have distorted financing. Money chases the latest bubble, while the investment that once helped start and grow practical businesses is harder to find.
• Outside of defense and domestic security, government has played less of a role in research and investment. This has become more serious with the austerity of recent years. Yet government investments in, say, air travel, the interstate-highway system and creation of the Internet have been transformative for the private sector.

Declining research, along with the giants and Wall Street holding the commanding heights, leaves us without the next breakthrough that will create sustainable, job-creating startups.

Rising inequality and narrowing opportunity surely plays a role.

The 1 percent have the means to start companies but many of them would rather gather rents or play the Wall Street casino.

Universal health care might free many people to try their entrepreneurial dream. But that’s unlikely in America.

So there's little reason to expect the long stagnation of business starts to reverse itself.

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