ECONOMICS, LABOR & BUSINESS

Who Creates New Jobs?

"Tracking Job Growth in Private Industry" by Richard Greene, in *Monthly Labor Review* (Sept. 1982), Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Record unemployment has made creating new private sector jobs a top priority of Washington policy-makers. According to Greene, a U.S. State Department economist, focusing on the role of Big Business would be ill-advised. Recent studies show that small firms create the overwhelming majority of new jobs.

In a landmark 1979 study of 5.6 million businesses between 1969 and 1976, Massachusetts Institute of Technology economist David Birch found that two-thirds of all net new jobs were created by firms with fewer than 20 employees; 80 percent were generated by businesses less than four years old. Indeed, other research shows a net gain during the last decade of three million new jobs by small businesses, while the top 1,000 U.S. firms posted virtually no net increase in employment.

Birch also found that about 50 percent of all jobs were lost every year through bankruptcy, contraction, and other factors. "Boom towns" such as Houston both lose old jobs and generate new ones at a faster pace. Plant relocations, while much publicized, account for only about .1 percent of all job losses and gains.

The birth of new firms accounted for slightly more new jobs than did expansion by existing companies. In 1976, subsidiaries and branch offices opened by larger parent corporations accounted for 70 percent of the new jobs created by such births, but independent firms with no branches created the majority of new jobs resulting from expansion.

Until recently, Greene says, questions about the data Birch used cast doubt on his conclusions. But 1981 studies by Michael B. Teitz of the University of California, and by Catherine Armington and Marjorie Odle of the Brookings Institution confirm much of Birch's work: The process of job creation is turbulent, dominated by smaller firms.

Such a diffuse market, involving thousands of local enterprises, is hard for Washington policy-makers to influence. But at least they know that the corporate behemoths, despite their financial prominence, play a relatively small role in the nation's employment growth.

The Glitter of Gold

"The Gold Standard: Historical Facts and Future Prospects" by Richard N. Cooper, in *Brookings Papers on Economic Activity* (1-1982), Brookings Publications Sales Office, 1775 Massachusetts Ave. N.W., Washington, D.C. 20036.

Advocates of a gold standard for the U.S. dollar tout it as the only way to end inflation and ensure stable long-term economic growth. But according to Cooper, a Harvard economist, history shows that the gold standard has never produced such happy results.