



## Economic Review

# The Widening Divide in Business Turnover between Large and Small Urban Areas

by: Jason P. Brown

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Business turnover has declined much more sharply in small urban areas than in large ones.

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Business turnover—the rate at which new firms enter and old firms exit the economy—has been declining for at least 40 years in the United States. Declining business turnover is potentially problematic, as it may signal a drop in innovation and productivity growth as well as a lower share of economic activity at new businesses. As a result, the economic fortunes of metropolitan areas are likely to be intertwined with the rate of business turnover they experience.

As the U.S. economy continues to transition from producing goods to providing services, changes in business turnover are unfolding differently in small versus large metropolitan areas. Jason P. Brown documents recent trends in business turnover across metropolitan areas of various sizes and shows that business turnover has declined much more sharply in small than in large urban areas. In addition, he finds that this gap widened in the years following the Great Recession. His results may help explain the widening economic divide between urban and rural areas of the country.

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Jason Brown is a Vice President and Economist in the Economic Research Department of the Federal Reserve Bank of Kansas City. In this role, he oversees the regional research and policy function at the bank. Brown also serves as Executive Director of the Kansas City Federal Statistical Research Data Center. He conducts research on issues related to regional economic growth, emerging industries, natural resource development, and economic structural change in rural versus urban areas. Prior to joining the Federal Reserve Bank of Kansas City, Jason was an economist at the USDA Economic Research Service in Washington, D.C. He holds a Ph.D. from Purdue University.

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