

News Release

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THE ROLE OF SMALL AND LARGE BUSINESSES IN ECONOMIC DEVELOPMENT

Increasingly, economic development experts are abandoning traditional approaches to economic development that rely on recruiting large enterprises instead of building businesses from the ground up and supporting the growth of existing enterprises.

“The Role of Small and Large Businesses in Economic Development,” by Kelly Edmiston, senior economist at the Federal Reserve Bank of Kansas City, evaluates this shift in strategies. The article appears in the second quarter edition of the Bank’s *Economic Review*.

Experience suggests the traditional strategies are unlikely to be successful – or successful only at great cost. Creating an environment conducive to small businesses, however, may produce more jobs than trying to lure one or two large enterprises and will help develop or recruit a highly skilled and educated workforce.

The overarching question in the article is whether promoting entrepreneurship and small businesses makes sense as an economic development strategy. The author describes traditional strategies, explores the role that small businesses play in creating jobs, compares job quality between small and larger firms, and examines how important small businesses are in the development of new products and markets.

Additionally, the author examines the accuracy of the conventional wisdom that states small businesses are more innovative than larger firms.

The article is available on the Bank’s website at www.KansasCityFed.org.

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