

Guided Reading Questions to Accompany *Economy Matters* Gazelle Article

September 30, 2015

Discussion Questions Key

1. Approximately what percent of businesses are small, employing fewer than 50 people?

Out of the 5 million U.S. employer firms, 96 percent of them employ fewer than 50 people.

2. According to a growing body of research, what may be more important for businesses' economic performance than their size?

Some research suggests that the age of a company is more significant than the size. About 40 percent of high-growth firms were less than four years old and more than two-thirds were under 10 years old.

3. What seems to have been the impact of the Great Recession on business formation in the United States? (Provide supporting evidence from the article.)

During the Great Recession, the amount of credit available to small businesses contracted and aggregate demand fell. Business owners faced policy and economic uncertainty, which made it difficult to plan for the future. Real estate and 401(k) values fell and removed a source of credit available to business owners in the past. These are some of the factors that may help explain why the rate of business formation was affected so much by the Great Recession.

4. What is a top challenge facing small firms, according to a recent Federal Reserve survey of small businesses?

Small businesses continue to cite the lack of access to credit as the biggest challenge they face.

5. What is meant when the author writes that the "gazelle herd is thinning"?

In 2012, the United States had 25 percent fewer new companies formed than there were in 2007. At the same time, the number of high-growth firms decreased by 20 percent. This is a concern because fewer gazelles means fewer benefits to the economy from young high-growth firms.

6. What are some factors that foster entrepreneurship?

Entrepreneurship can be encouraged by making regulations "business friendly," promoting high levels of educational attainment, developing positive cultural attitudes toward business ownership, establishing business incubator programs, and providing opportunities for entrepreneurs to network regularly with financiers and one another.