

# SMALL BUSINESS

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# RESEARCH SUMMARY

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## Small Business Share of Private, Nonfarm Gross Domestic Product

1997, 77 p. Joel Popkin and Company, 1101 Vermont Ave., N. W., Washington, DC 20005  
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### Purpose

Gross domestic product (GDP) is the most comprehensive single measure of aggregate economic output. It is the market value of the total output of goods and services produced by a nation's economy. Gross product originating (GPO) refers to the private industry sector contributions to the GDP.

The purpose of this study is to estimate what proportion of total private, nonfarm GPO was produced by small business and by large business for the period 1982-1992. The project extends earlier work performed for the U.S. Small Business Administration by Joel Popkin and Company that estimated the small and large business share of private, nonfarm GPO for the period 1958-1982.

### Scope and Methodology

The major sources of data used for the study included *Enterprise Statistics* for 1982 and 1987 and the quinquennial economic censuses for 1982, 1987 and 1992 (U.S. Department of Commerce, Bureau of the Census); and *Statistics of Income* for 1982 through 1992 (U.S. Department of the Treasury, Internal Revenue Service). Other data sources used for the calculations included *National Income and Products Accounts and Input-Output Tables* for 1982 and 1987 (U.S. Department of

Commerce, Bureau of Economic Analysis) and *Employee Benefits* (U.S. Chamber of Commerce).

Estimates of GPO for small businesses (those with fewer than 500 employees) and large firms were calculated for six major industrial sectors: mining and manufacturing; construction; transportation, communications and public utilities (TCPU); trade (wholesale and retail); finance, insurance and real estate (FIRE); and services. For each industry, GPO is defined as the sum of its five major components of "value-added." Value-added is the amount that remains after subtracting an industry's intermediate inputs from its gross output. The five major components of value-added are: (1) compensation, (2) net interest, (3) indirect business taxes, (4) capital consumption, and (5) profit-type income.

The procedures for calculating the estimates by business size required numerous steps. The 1982-1987 estimates were calculated using the methodology developed for calculating the 1958-1982 estimates. This methodology could not be followed for the 1988-1992 estimates because of a delay in the publication of one of the more important data sources, the 1992 *Enterprise Statistics*. Additionally, two of the major industry sectors—FIRE and TCPU—were covered by the quinquennial economic censuses for the first time in 1992. Consequently, some of the methodology had to be revised and other data sources consulted, such as

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Advocacy's firm size data base, to produce the 1988-1992 numbers.

The GPO estimates by business size were first developed for the benchmark years. The benchmark years correspond to the years for which quinquennial economic censuses are conducted. Two censuses have been completed since the last set of GPO estimates by business size were released, 1987 and 1992. Once business size shares for those benchmark years were calculated, the remaining years were interpolated.

## Highlights

- The share of private, nonfarm, gross domestic product that originated in small business was stable at 51 percent in both 1982 and 1992, although it reached a level of 52 percent during the 1985-1987 period. However, there was more movement in the small business shares for individual industries than is indicated by the stability of the overall share.
- During the 10-year period, construction was the only major industrial sector in which the small business GPO share rose significantly. The small business share in trade, FIRE, and services fell, and slight gains were made by small businesses in TCPU and manufacturing and mining.
- That the small business share of the private nonfarm economy remained stable during a period when the small business share fell in several industries stems from a shift in the overall economy away from the large-business-dominated mining and manufacturing sector and toward the small-business-dominated services sector. Between 1982 and 1992, the overall share of private, nonfarm GPO accounted for by mining and manufacturing fell from 31.7 percent to 24.4 percent. At the same time, the overall share

of services rose from 18.5 percent in 1982 to 25.0 percent in 1992. Consequently, even though the share of services being produced by small businesses in 1992 was smaller than in 1982, the services sector of the economy grew significantly, helping to maintain the share of small business output overall.

For further information about small business data or research, consult SBA's Web-sites at [sba.gov/ADVO/stats](http://sba.gov/ADVO/stats) and [sba.gov/ADVO/research](http://sba.gov/ADVO/research).

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