

## Global Entrepreneurship and the United States

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This paper analyzes U.S. entrepreneurship at the global level using the Global Entrepreneurship and Development Index (GEDI). The GEDI is a research tool that captures the contextual features of entrepreneurship in 71 countries. The GEDI builds on and improves earlier measures of entrepreneurship by incorporating for the first time both its quantitative and qualitative aspects. The index allows the comparison of 71 countries' entrepreneurial performance over a decade.

### Background

For many years, the level of entrepreneurship has been evaluated by some quantitative measure, for instance the self-employment rate, business ownership rate, or business startups. While these indicators or ratios have undergone some modification and change to incorporate *qualitative* measures, such as education or high-growth firms, they are basically limited to measuring the *quantity* of existing or nascent businesses. The conclusions derived from this kind of index tend to focus on increasing the quantity of businesses, when the quality of entrepreneurship is of greater import.

### Overall Findings

This research creates an independent index to provide a comprehensive measure of entrepreneurship. The index draws on previous measures of economic freedom, competitiveness, and entrepreneurial activity but improves on each of these by providing a more focused and quality-oriented approach. The United States ranks third on the GEDI overall; it ranks first on the entrepreneurial aspirations sub-

index, sixth in entrepreneurial attitudes, and eighth in entrepreneurial activity.

### Highlights

The GEDI's detailed rankings reveal the strengths and weaknesses of U.S. entrepreneurship, and compare U.S. performance vis-à-vis the world's other major economies. In particular, the index reveals the following:

- The United States is among the world leaders in startup skills; it is a leader in competition; and it is first in developing new technologies.
- The United States' apparent weaknesses are the tech sector, the lack of cultural support for entrepreneurship, and the lack of high-growth business.
- In many respects a slowdown in U.S. entrepreneurial activities may be a reflection of progress by the rest of the world—learning from the U.S. model and beginning to catch up.

### Scope and Methodology

The GEDI captures the contextual features of entrepreneurship by focusing on three broad areas which form the sub-indexes:

- Entrepreneurial attitudes, that is, the society's basic attitudes toward entrepreneurship through education and social stability;
- Entrepreneurial activity, or what individuals are actually doing to improve the quality of human resources and technological efficiency,
- Entrepreneurial aspirations, or how much of the entrepreneurial activity is being directed toward innovation, high-impact entrepreneurship, and globalization.

The index rankings utilize economic data on the firm formation process, as well as institutional data on economic freedom, social and economic conditions, market dominance, and education. These data have been gathered from more than a dozen sources: the Global Entrepreneurship Monitor, the Heritage Foundation, the OECD, Transparency International, the United Nations, UNESCO, the World Bank, the World Economic Forum, and several others.

The data and their contribution to the business formation process are supported by three decades of research into entrepreneurship across a host of countries. The unique index construction of individual and institutional measures integrates 31 variables into 14 pillars, three sub-indexes and a “super index”—the GEDI. The GEDI yields a relationship between entrepreneurship and economic development that appears mildly S-shaped. The findings suggest moving away from simpler measures of entrepreneurship across countries, which yield a U-shaped or L-shaped relationship between entrepreneurship and economic development, to more complex measures, which are positively related to development. The model has important implications for development policy.

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