

ECONOMIC SNAPSHOT

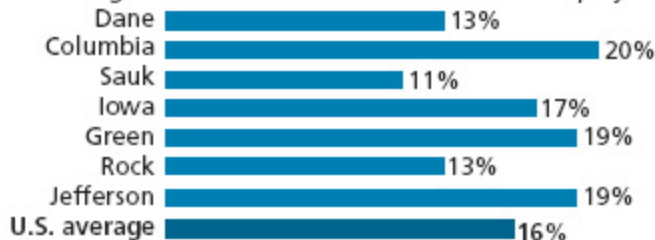
Entrepreneurship and its relationship to the economy

In a recent study, the Federal Reserve assessed the impact of entrepreneurial activity using two measures. The first ratio, **breadth** (number of nonfarm business owners compared to the total nonfarm employment), provides an indicator of the level of entrepreneurial activity in a community. **Depth** (nonfarm business owners' income compared to employee income) is used to measure the relative value created by entrepreneurs.

The study concluded that the breadth of entrepreneurship is particularly high in rural areas, especially the Great Plains. Depth is higher in metropolitan areas as reflected by the fact that, in 2003, average annual self-employment income was \$4,900 higher in metropolitan counties than rural counties. The study concludes that entrepreneurial activity is most often higher in rural areas, but the value they created is generally higher in urban areas. Ideally, counties would like to score high in both.

Breadth

Percentage of nonfarm work force that is self-employed



Depth

Nonfarm self-employed income compared to all employee income



SOURCE: Federal Reserve Bank

Part 1 of this month's series on entrepreneurship
Next week:
How Madison and other Wisconsin cities rank nationally

Economic Snapshot is a weekly feature provided by the Center for Community and Economic Development, University of Wisconsin Extension.

QUESTIONS: Contact Professor Greg Wise, Center for Community & Economic Development, University of Wisconsin-Extension at greg.wise@uwex.edu.

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