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Abstract

This paper presents a set of facts on the cyclicalities of firm births and deaths in the U.S. during the period 1979–2013. Asymmetry in the cyclicalities between firm birth and firm death is observed: aggregate firm birth is generally significantly procyclical, while the (counter-)cyclicalities in firm death is ambiguous and sensitive to the choice of cyclical indicator. Such a pattern exists within the majority of sectors as well and is mainly driven by small firms. Young firms are the main contributors to the findings on firm death activity. Further examination along the time-dimension discovers a reason for the contemporaneous cyclicalities (or lack thereof) which can be documented as a new fact: firm births positively lead the usual business cycle measures and firm deaths positively lag them. Moreover, cyclicalities in business openings and closings differs from establishment level to firm level due to the internal adjustment of continuing firms.

Keywords: Firm entry and exit, Business cycles, Lead and lag, Firms and establishments

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