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Decline in immigrant entrepreneurship threatens U.S. competitiveness

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By J.D. Harrison

The once steady rise in immigrant entrepreneurship has stalled in the United States, threatening to further slow an already sluggish economic recovery.

Over the past six years, the proportion of new companies founded by foreign-born individuals has slipped to 24.3 percent from 25.3 percent, according to a Kauffman Foundation [survey](#) published Tuesday. This updated previous studies showing a boom in immigrant entrepreneurship over previous decades.

The group's researchers now wonder whether "the period of unprecedented expansion of immigrant-led entrepreneurship that characterized the 1980s and 1990s has come to a close."

The drop is even more pronounced in the nation's preeminent start-up community, [Silicon Valley](#), where the number of new firms with at least one immigrant founder dropped to 43.9 percent from 52.4 percent in 2005.

"I knew the numbers were slowing, but that was shocking, and that's when I realized this was worse than we thought," Vivek Wadhwa, director of research at the Center for Entrepreneurship and Research Commercialization at Duke University's Pratt School of Engineering, said in an interview about the study, which compiled data from 1,882 firms nationally that were started in the past six years. (Wadhwa writes a [column](#) for The Washington Post.)

The [growing consensus](#) among economists is that young businesses — rather than small businesses in general — represent the most reliable, [consistent source of job creation](#), and foreign-born entrepreneurs have long been at the helm of many of those firms. In December, the **National Foundation for American Policy** released [a study](#) showing that nearly half of the country's top venture-backed, early-stage companies were founded by at least one immigrant.

Expanded to include fast-growing start-ups with immigrants in upper-management positions, the number leaps to 74 percent.

But increasingly strict [immigration laws](#) are making it more difficult for those immigrants to start their enterprises in the United States, prompting a "reverse brain drain," according to the researchers behind the Kauffman study. Of particular concern is the growing

number of foreign-born students who earn advanced degrees at U.S. universities but after graduating are [forced to return home](#), where some create firms that compete against American companies.

Last month, 165 university presidents and chancellors sent [a letter](#) to Congress and President Obama urging them to support visa changes that would allow foreign-born students who earn advanced degrees to stay in the United States and work or start companies here. The current immigration system, they said, poses “a critical threat to America’s preeminence as a global center of innovation and prosperity.”

Lawmakers have already proposed several remedies over the past year – most recently, [Startup Act 2.0](#), which would create a new visa category for immigrants who start companies and hire workers in the United States. The bill would also provide green cards for students who receive graduate degrees in math and science fields from U.S. colleges. But the measure has been stalled by a bitter partisan divide over broader immigration changes.

“Both sides support these targeted changes, but Democrats want comprehensive immigration reform, and they’re concerned that, if this is taken care of, the urgency around immigration reform won’t be there anymore and they won’t be able to resolve the larger amnesty issue,” Wadhwa said. “So you have the all-or-nothing strategy versus the all-the-job-creators-we-can-get strategy. That’s what it boils down to right now.” Should lawmakers not address the country’s immigration issues, the economic road to recovery may get significantly longer, Wadhwa warned, and the United States will likely struggle to maintain competitiveness in global markets.

“If we wait five years to fix the immigration system, the undocumented, illegal workers will still be here, but the high-skilled immigrants will be long gone,” he said. “They’ll be back home building the next Googles and Intels in other countries, and we will wake up five years from now and wonder how we let this happen.”

http://www.washingtonpost.com/business/on-small-business/decline-in-immigrant-entrepreneurship-threatens-us-competitiveness/2012/10/02/bbe32c72-0cb8-11e2-a310-2363842b7057_story.html