

Entrepreneurship and the Platform Economy: Evidence from U.S. Tax Returns*

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Abstract

Platform intermediation of goods and services has considerably transformed the U.S. economy. Using confidential, administrative data on U.S. tax returns for the universe of firms and individuals, we study the effect of the platform economy on entrepreneurship. We find that flexible labor availability increases the entry of individuals into entrepreneurship. Using detailed information on individual-level income, we show that income derived from platforms facilitate new firm creation. Additionally, platform-based income appears to alleviate financial constraints, in addition to providing flexibility and learning for entrepreneurs. We also compare firms started by entrepreneurs with platform-based income with similar firms founded in the same area and at the same time. We find that gig-founded firms are more likely to survive, have more employees, and be profitable. Taken together, these results highlight the interaction between entry into entrepreneurship and flexible labor opportunities using detailed data on firms and individuals in the U.S. economy over the past 15 years, in addition to the role of tax administration and services for newly-created firms.

JEL Classification: G30, J24, L26

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