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Steve Morse

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AN ANALYSIS OF BUSINESS CYCLES AND RESTAURANT FAILURE RATES

Steve Morse

University of South Carolina

ABSTRACT

The relationships between restaurant failure rates and business cycles are examined at two levels: (1) state level for 50 U.S. states and (2) U.S. regional level for nine regions for the period 1990–1996. As a proxy measure for each state business cycle, deflated state Gross Domestic Product is used. Restaurant failure rates are derived from official U.S. Bankruptcy Court records. The correlation analysis suggests a negative linear relationship between state restaurant failure rates and state business cycles. At the regional level, both positive and negative relationships are observed.