PASTBEHAVIOR RESEARCH

The First Economy

What history says about when an earner starts behaving like a business

Companies have spent decades deciding when a casual seller, freelancer, creator, or customer becomes something commercially different. We looked at the historical record to see which signals companies used, what happened when they acted on them, and where the evidence still stops.

The economy creates people who sit between consumer and business long before they formally choose one category. The interesting historical question is how companies recognized that transition, and what happened when they acted on it.

10 min read · 8 company cases · 5 academic studies · 1 policy natural experiment

Evidence labels: EVIDENCED (documented in filings, policy records, or peer-reviewed research), DIRECTIONAL (a recurring pattern without causal isolation), UNRESOLVED (the record cannot answer it).

CONTENTS

EXECUTIVE VERDICT

The transition shows up in behavior before identity. The evidence behind any single signal is narrower.

01 **Entrepreneurial environments change later behavior.**

Being raised or working around entrepreneurship raises the probability of later entrepreneurship. Swedish adoption data shows the transmission is largely learned rather than inherited: post-birth environment accounts for roughly twice as much as pre-birth factors, with inheritance of the business and family capital largely ruled out as the channel.

EVIDENCED

02 **Active responsibility looks more consequential than passive exposure.**

The best-conditioned contrast available compares owners who worked in a family business with owners who merely had a self-employed relative. The first group closes less, earns more, and sells roughly 40 percent more. The second group shows almost nothing. But that sample is conditioned on already owning a business, and no study isolates which responsibility carries the effect.

DIRECTIONAL

03 **Companies repeatedly used behavior to define or trigger business graduation before formal identity.**

eBay tiered sellers on trailing sales volume and transaction count. Amazon's Professional plan triggers at 40 items a month. Square, Shopify, and PayPal underwrote lending on processing history, not incorporation documents. The label followed the behavior in nearly every documented case.

EVIDENCED

04 **The recurring signals are behavioral, not financial.**

Transaction frequency, sustained volume over a trailing window, multiple unrelated payers, repeat customers, and operating complexity recur across the case set. They were observable in real time, and they are what companies actually built triggers on. Whether each is independently predictive is not established.

EVIDENCED AS USED · DIRECTIONAL AS PREDICTIVE

05 **Income alone is a weak and misleading trigger.**

The 1099-K threshold cut to $600 gross with no transaction minimum swept in casual sellers disposing of personal items at a loss. The IRS estimated 44 million forms, delayed the rule three times, and Congress reversed it in July 2025.

EVIDENCED

06 **Whether owning demand causes independence is unresolved.**

Sellers who bring their own customers look more independent. They were also the strongest sellers before anyone measured them. Reverse causality runs through every available comparison, and no dated policy shock breaks it.

UNRESOLVED

01 / THE HISTORICAL PROBLEM

When does an earner become a business?

A person can receive money outside payroll while relying almost completely on someone else for demand, pricing, and infrastructure. Another person can look identical in the data and already behave like an operator: finding customers, setting prices, absorbing the loss when something goes wrong.

Institutions have had to decide where that boundary sits for a century. Telephone carriers classified lines as residential or business and priced them differently; in October 1995 a single business line averaged $41.77 a month, and the marker was use pattern and line count, not a filing. Merchant acquirers policed commercial use on consumer accounts by volume, chargeback exposure, and transaction type. The boundary was behavioral long before it was digital.

A prior question sits underneath the commercial one. Does early exposure to market activity change later economic behavior at all? The strongest research designs say environment transmits entrepreneurship, and that the transmission is largely learned.

Swedish adoptees — LINDQUIST, SOL AND VAN PRAAG (2015)

Nearly 4,000 Swedish adoptees. Having an entrepreneurial parent raises the probability of the child's own entrepreneurship by about 60 percent. Post-birth environment accounts for roughly twice as much as pre-birth factors, and the design largely rules out inheriting the business or accessing family capital as the channel. Role modeling is the favored reading.

What it cannot say: Which experiences inside the environment matter. Nothing is measured at the level of market functions.

EVIDENCED

Entrepreneurial coworkers — NANDA AND SØRENSEN (2010)

Roughly 270,000 Danish workers hired in 1990 and tracked to 1997. Workers with formerly entrepreneurial coworkers were more likely to become entrepreneurs, with the strongest effects for people with little other exposure.

What it cannot say: Passive proximity already predicts entry. The design cannot say whether active responsibility would predict it more.

EVIDENCED

Family-business work — FAIRLIE AND ROBB (2007), US CENSUS CHARACTERISTICS OF BUSINESS OWNERS

Among US business owners, having worked in a self-employed relative's business predicts lower closure, higher profits, higher employer status, and roughly 40 percent higher sales. Merely having the self-employed relative predicts almost none of these.

What it cannot say: The sample contains only existing owners, so it cannot say active exposure causes entry. Selection into working in the family business is severe.

DIRECTIONAL

Platform-era gig work DENES, LAGARAS AND TSOUTSOURA (2025), US TAX RECORDS 2012 TO 2021

Gig workers are more likely to become entrepreneurs, and their firms start larger: about 23 percent higher revenue and 39 percent higher employment at inception. They are also about 3 percentage points less likely to survive one to three years.

What it cannot say: Which function the gig role taught. The mechanism reads as on-the-job learning, not proven market-making skill.

DIRECTIONAL

~60%	2×	~40%
increase in the probability of later entrepreneurship when a parent is an entrepreneur (Lindquist, Sol and Van Praag 2015)	post-birth environment accounts for twice as much as pre-birth factors in the adoption decomposition	higher sales among owners who worked in a family business; merely having the relative showed almost no effect (Fairlie and Robb 2007)

Read together: exposure matters, and active responsibility is the better bet over passive proximity. But no design isolates customer acquisition, pricing authority, or risk-bearing as the causal ingredient. The question of which market function matters sits exactly where the identification is weakest.

> One asymmetry recurs: exposure raises entry more reliably than it raises survival.

02 / THE SIGNALS

What companies actually watched.

Companies could not wait for self-declared identity. They built triggers on what they could observe. Six signals recur across the historical record.

TRANSACTION FREQUENCY

Repeated activity rather than a one-off receipt.

Amazon draws its plan line at 40 items a month. eBay's PowerSeller tiers required at least 100 transactions.

EVIDENCED AS USED

SUSTAINED VOLUME

Activity that persists over a trailing window rather than spiking once.

eBay keyed tiers to trailing-12-month volume. Square underwrites on processing history and account tenure.

EVIDENCED AS USED

MULTIPLE COUNTERPARTIES

More than one unrelated payer or customer.

Intuit built QuickBooks Self-Employed around comingled expenses and multiple payers, not an income line.

DIRECTIONAL

OPERATING COMPLEXITY

Expenses, invoicing, mileage, and bookkeeping outgrowing a consumer product.

Intuit's signal was Mint users forcing business expenses into a personal finance tool.

DIRECTIONAL

REPEAT RELATIONSHIPS

Buyers who come back.

eBay's 2008 changes explicitly rewarded repeat transactions and buyer satisfaction.

DIRECTIONAL

ACCOUNT SEPARATION

The user starts walling off business flows from personal ones.

Mint users categorized business expenses as “other” to keep them apart. Venmo let a personal login spin up a business profile.

DIRECTIONAL

These six recur as the signals companies built on. The research does not establish that each is independently predictive, and no case isolates one signal from the others. Income, the most obvious candidate, is the weakest of all. Section 05 covers why.

03 / HISTORICAL CASES

Eight companies that drew the line.

Eight cases, chosen because each shows a different way of drawing the boundary. The format is fixed: what changed, what the company could see, what it did, what happened, and what the evidence actually supports.

PayPal
2001 TO 2002 | RECONSTRUCTION

WHAT CHANGED

Personal accounts could not receive credit-card-funded payments. Business accounts could, and a personal account could upgrade at any time.

WHAT THE COMPANY COULD SEE

Incoming payment type and volume. Card-funded receipts required the merchant tier.

WHAT IT DID

Let the mechanics of accepting payment force the label. No one had to declare a business; accepting card-funded payments required the upgrade.

WHAT HAPPENED

622,000 customers upgraded in the nine months ended September 30, 2001, and 377,000 more in the three months ended March 31, 2002. A rare dated migration count.

622,000

customers upgraded from personal to business accounts in the nine months ended September 30, 2001

WHAT WE CAN ACTUALLY CONCLUDE

Behavior forced the category. The trigger was the act of accepting commercial payment, not the user's declared identity. Descriptive, but one of the few hard before-and-after counts in the record.

DESCRIPTIVE

Intuit
2015 | RECONSTRUCTION

WHAT CHANGED

Nothing was imposed. Intuit noticed consumer Mint users categorizing business expenses as “other” to keep them separate from personal spending.

WHAT THE COMPANY COULD SEE

Account-separation behavior inside a consumer product, in users who had registered nothing.

WHAT IT DID

Built QuickBooks Self-Employed around expense separation, mileage tracking, quarterly tax estimation, and invoicing. Launched January 2015; QuickBooks Solopreneur followed in 2024.

WHAT HAPPENED

Documented response, outcome unknown at the cohort level. Alex Chriss: “So we took a step back and said: we don't have a product for these folks.”

WHAT WE CAN ACTUALLY CONCLUDE

The graduation signal was operating complexity, not revenue or legal structure. The behavior preceded any formal business identity. Directional.

DIRECTIONAL

Square
2013 TO PRESENT | RECONSTRUCTION

WHAT CHANGED

Square began offering capital to sellers in 2013, inside the product they already used to take payments.

WHAT THE COMPANY COULD SEE

Payment processing volume, account history, and payment frequency, plus chargeback history. Explicitly not credit scores or filings.

WHAT IT DID

Made pre-qualified offers inside the dashboard, repaid as a fixed percentage of daily card sales.

WHAT HAPPENED

Square Loans originated $5.7 billion in 2024. A 2025 underwriting expansion reported that nearly half of sellers taking the new loans had never received an offer before, with 66 percent of offers going to sellers under $25,000 in annual GPV.

$5.7B

originated in 2024, the largest online business lending total deBanked tracks

WHAT WE CAN ACTUALLY CONCLUDE

Processing behavior alone underwrote credit, well below any incorporation event. Square's claim that borrowers "typically experience growth" is selection, not a proven treatment effect. Directional.

DIRECTIONAL

Shopify Capital

2016 TO PRESENT · RECONSTRUCTION

WHAT CHANGED

Financing offers surface when internal criteria are met. Merchants cannot apply.

WHAT THE COMPANY COULD SEE

Trailing sales performance, account health, and roughly 90 days of history. The Capital Flex line requires trailing-12-month GMV of at least $50,000.

WHAT IT DID

Underwrote on sales history rather than legal status.

WHAT HAPPENED

Cumulative funding grew from roughly $3 billion in 2024 to $4.2 billion in 2025, opening 2026 at $1.4 billion against $821 million a year earlier. Cohort outcomes are not disclosed.

$4.2B

cumulative funding in 2025, up from roughly $3 billion in 2024 (Funder Intel)

WHAT WE CAN ACTUALLY CONCLUDE

The same pattern as Square. Sales history is the underwriting substrate, not incorporation. Descriptive.

DESCRIPTIVE

Amazon

ONGOING · PATTERN CATALOGUE

WHAT CHANGED

Two plans with an explicit transaction-count line. Below 40 items a month, the Individual plan at $0.99 per item is cheaper. At 41 or more, the $39.99 Professional plan wins.

WHAT THE COMPANY COULD SEE

Unit velocity, category, and fulfillment method.

WHAT IT DID

Let fee arithmetic do the sorting, and gated the Professional tier's value: Buy Box eligibility, advertising, bulk tools, and ten additional restricted categories.

WHAT HAPPENED

Documented response, outcome unknown at the cohort level.

40

items per month marks the explicit graduation line between selling plans

WHAT WE CAN ACTUALLY CONCLUDE

The graduation line is transaction count, not revenue. Amazon prices the boundary and lets sellers cross it themselves. Descriptive.

DESCRIPTIVE

eBay

2008 · RECONSTRUCTION · CAUTIONARY

WHAT CHANGED

Announced January 2008. eBay cut insertion fees, raised final value fees (the auction-style rate moved from about 5.25 to 8.75 percent), removed sellers' ability to leave negative or neutral feedback for buyers, and gave discounts to the highest-rated sellers.

WHAT THE COMPANY COULD SEE

Sales volume, transaction count, feedback, and detailed seller ratings. PowerSeller tiers ran on trailing-12-month volume, at least 100 transactions, and 98 percent positive feedback.

WHAT IT DID

−5%

decline in Marketplaces net transaction revenue in 2009 versus 2008 (FY2009 10-K)

Imposed a repricing aimed at shifting the seller mix toward professional, high-service sellers. In eBay's words: “There will be discounts and incentives for those who satisfy customers best.”

WHAT HAPPENED

The Professional eBay Sellers Alliance reported members seeing fewer items sell at lower prices. Sellers organized boycotts. Marketplaces net transaction revenue fell $249.2 million, or 5 percent, in 2009 while GMV excluding vehicles rose 1 percent. Active-user growth was weak and stagnated for years.

WHAT WE CAN ACTUALLY CONCLUDE

A dated imposition followed by weak metrics is a sequence, not an effect. The 2008 to 2009 financial crisis is a large confound, and eBay survived to renarrate the episode as a quality push. The caution stands with that caveat: repricing a marketplace to graduate its base toward professional economics can suppress the casual supply that fed it.

DESCRIPTIVE TO DIRECTIONAL

Etsy Offsite Ads

2020 RECONSTRUCTION

WHAT CHANGED

Announced February 2020, effective May 2020. Sellers who made $10,000 or more in any consecutive 365-day period were required to participate in Offsite Ads “for the lifetime of your shop” and pay a 12 percent fee on attributed orders. Sellers under the threshold were auto-enrolled with an opt-out; those who stayed paid 15 percent.

WHAT THE COMPANY COULD SEE

Trailing revenue per seller, and whether a seller sells elsewhere.

WHAT IT DID

Monetized its most successful sellers on the theory that they were too dependent to leave.

WHAT HAPPENED

Documented reactions included across-the-board price increases (“a 20% price increase across the board, took all my listings off automatic renew”) and exit threats (“brought my customers with me elsewhere”). Etsy revenue kept rising; the isolated contribution of Offsite Ads is not separable from the 2020 pandemic demand surge.

12%

mandatory ad fee imposed on sellers at $10,000 or more in trailing-365-day revenue

WHAT WE CAN ACTUALLY CONCLUDE

The threshold selects exactly the sellers most able to leave. This is the value-versus-leavability tension made into policy. Directional, and confounded.

DIRECTIONAL

Apple / Epic

2021 TO 2025 RECONSTRUCTION

WHAT CHANGED

Anti-steering rules barred developers from pointing users to external purchases. After the Epic litigation, Apple's January 2024 link-out entitlement kept a 27 percent commission and restrictive presentation, including a warning screen.

WHAT THE COMPANY COULD SEE

Apple controlled customer access entirely, and could measure uptake of the escape hatch it designed.

WHAT IT DID

Priced the exit and added friction to it.

WHAT HAPPENED

As of May 2024, only 34 of approximately 136,000 developers had applied, and seventeen of those had not offered in-app purchases in the first place. In spring 2025 Judge Yvonne Gonzalez Rogers found Apple had willfully violated the injunction and ordered it to stop charging commissions on external purchases.

34

developers out of roughly 136,000 who applied for Apple's link-out entitlement

WHAT WE CAN ACTUALLY CONCLUDE

A narrow claim, used narrowly: when a platform controls customer access, the friction of the escape hatch governs whether anyone uses it, not only the fee. Quasi-causal for that claim. This page does not generalize it into an App Store case study.

QUASI-CAUSAL (FRICTION CLAIM ONLY)

04 / WHAT WORKED

Patterns that recur across the cases.

Four patterns recur across the cases that ended well, or at least without visible damage. All are directional: the record shows responses and sequences, not controlled experiments.

01

Act on behavior before formal identity.

Business-like behavior was visible months or years before incorporation or a tax entity would have revealed it. PayPal, Intuit, Square, and Shopify all acted on signals visible before any registration.

DIRECTIONAL

02

Use signals that update themselves.

Processing volume, payment frequency, and account tenure are observable in real time and refresh with every transaction. Square, Shopify, PayPal, and Amazon's item-count trigger all ran on data the company already had.

EVIDENCED AS USED

03

Offer a path, not a reclassification.

PayPal's upgrade-any-time and Venmo's business profile spun from a personal login let users cross the boundary themselves. The imposed versions, eBay's repricing and Etsy's mandatory ads, produced the resistance.

DIRECTIONAL

04

Read complexity as need.

Comingled expenses, multiple payers, and consumer tools stretched past their design surfaced product need before any business registration. Intuit is the clearest case.

DIRECTIONAL

05 / WHAT DID NOT WORK

Three ways to get the boundary wrong.

The failures are more instructive than the successes, and better documented. Three ways of drawing the line produced visible damage.

Income alone

THE 1099-K $600 THRESHOLD

The American Rescue Plan Act of 2021 replaced a reporting threshold of more than $20,000 and more than 200 transactions with a single $600 gross threshold and no transaction minimum.

Gross receipts, not profit or business activity, drove the form. The IRS's own worked example is a car sold online for $21,000 at a loss, which nets to zero taxable income and still exceeds even the old threshold. The IRS conceded the rule “could also include casual sellers who sold personal stuff... that they paid more than they sold it for.”

The Coalition for 1099-K Fairness, co-founded by eBay, Etsy, Mercari, OfferUp, Poshmark, and Reverb with PayPal, Airbnb, and Block among its members, argued the threshold swept in people “not running a business.”

44M

estimated Forms 1099-K the IRS expected the $600 threshold to produce

MARCH 2021	The American Rescue Plan Act replaces the threshold with a single $600 gross trigger, intended for tax year 2022.
2022	The IRS delays implementation for tax year 2022 (Notice 2023-10).
2023	The IRS delays again for 2023 and plans a $5,000 phase-in for 2024 (Notice 2023-74), citing the estimated 44 million forms.
2024	The IRS formalizes $5,000 for 2024, $2,500 for 2025, and $600 for 2026 (Notice 2024-85).
JULY 2025	Congress repeals the $600 rule and reinstates $20,000 and 200 transactions, retroactive to 2022.

> **Gross income is a poor and politically fragile proxy for business status. Transaction count plus behavioral markers outperforms it. This is the cleanest natural experiment in the research, and it fails income as a trigger.**
>
> QUASI-CAUSAL FOR THE NARROW CLAIM

Forced professionalization EBAY 2008

eBay's 2008 restructuring treated fee economics as the lever to push the seller base toward professional economics. It was imposed, precisely dated, and followed by seller boycotts, reported declines in items sold and prices, and multi-year active-user stagnation.

Two caveats keep the claim honest. The financial crisis is a large confound. And eBay survived to renarrate the episode as a quality push, which is what survivorship bias looks like in practice.

> **A marketplace that reprices to graduate its base can suppress the casual supply that feeds the professional tier. Directional, crisis-confounded.**
>
> DESCRIPTIVE TO DIRECTIONAL

Taxing success and restricting exit ETSY OFFSITE ADS AND APPLE LINK-OUT

Etsy imposed a lifetime 12 percent ad fee on its highest-revenue sellers. Apple's link-out design attracted 34 of roughly 136,000 developers and ended in a court finding of willful violation.

The modest lesson: companies create resistance when they treat growing independence as something to punish rather than something to serve. Both episodes are confounded or narrow, so this is not a universal rule. It is a pattern worth respecting.

> **Restrictions in the record took three forms: block (Amazon), tax (Etsy, Upwork), or allow with tools (Airbnb, Venmo). Whether any restriction worked is not resolvable from public data.**
>
> DIRECTIONAL

06 / THE MARKETPLACE TENSION

Valuable and portable at the same time.

The behaviors that make a participant more valuable can also make them more capable of leaving. This is the finding marketplace leaders should sit with.

VALUE	LEAVABILITY
More volume	More direct relationships
More repeat business	More external brand equity
More inventory and catalog breadth	More multichannel activity

More professional operation	More ability to operate elsewhere

Airbnb	Serves with tools	Airbnb's filings name professional hosts as both a growth engine and a dependency risk, warning that without "professional tools, application programming interfaces, and payment processes... these professional Hosts may choose to provide less inventory." In a California dataset, multi-listing hosts generated 27.8 percent more revenue per available night than single-listing hosts, while full-time hosts generated 23.8 percent less. Value and behavior diverge; identity is not structure.
Etsy	Taxes success	Etsy's own disclosures show about half of sellers sell exclusively on Etsy, and among those who sell elsewhere, roughly a third generate most of their sales on the marketplace. Half the base already operates across channels. Offsite Ads then imposed a lifetime fee on the highest-revenue cohort.
Upwork	Prices the exit	Taking a client relationship off-platform requires a conversion fee of 13.5 percent of estimated annual earnings, with a floor around $1,000, a cap up to $50,000, and a two-year non-circumvention window. Upwork also cut its freelancer fee to a flat 10 percent in May 2023, removing the tenure discount that had rewarded staying.
Amazon	Blocks access	External links, phone numbers, and email addresses are prohibited except where required for order completion, and sellers get one review request per order. The rules encode a belief that customer access is the platform's asset, not the seller's.

Three forms of restriction appear in the record: block (Amazon), tax (Etsy, Upwork), allow with tools (Airbnb, Venmo). Whether any of them worked is not resolvable from public data. The tension itself is documented at the filing level.

07 / THE OPEN QUESTION

Who brought the customer?

It remains a useful question. It may reveal how dependent someone is on a platform, and how much of the commercial relationship they control. The exposure research calls customer ownership the sharpest divide between older independent earners and platform earners: owner-operators and independent youth earners often owned the customer relationship outright, while platform earners usually do not.

But the historical record does not establish that owned demand causes better business outcomes. Sellers who bring their own customers were already the strongest before anyone measured them. Reverse causality is the default explanation, not a threat to be dismissed. The dated policy shocks, Amazon's messaging limits, Etsy's Offsite Ads, Apple's anti-steering, show platforms restricting or pricing customer access. None provides a clean before-and-after on whether owned demand caused independence.

> **"Who brought the customer?" may be a better measurement question. It is not yet a proven causal answer.**
>
> UNRESOLVED

The honest position is to keep asking it as measurement while declining to treat it as mechanism.

08 / OPERATOR IMPLICATIONS

What to do with this.

FOR FINTECH PRODUCT LEADERS

Watch behavior before identity.

SIGNALS TO WATCH

- Recurring inflows
- Multiple unrelated payers
- Payment frequency
- Account-separation behavior

FOR MARKETPLACE LEADERS

Your most valuable participants may also be your most portable.

SIGNALS TO WATCH

- Volume and repeat business
- Catalog breadth
- Multichannel activity

FOR CONSUMER-TO-BUSINESS LEADERS

Behavior changes before identity.

SIGNALS TO WATCH

- Recurring business-like usage
- Collaboration and seats
- Multiple counterparties
- Consumer tools stretched past their design

Operating complexity: expenses, invoicing, bookkeeping Do not wait for incorporation or self-declared business status before surfacing business-relevant products. Square and Shopify underwrote credit on processing history; Intuit built after watching users segregate business expenses inside a personal tool. Treat this as a historically informed product hypothesis, not a guaranteed rule. What would change it: Internal cohort data showing gross-income thresholds predict adoption and repayment as well as complexity signals. The 1099-K reversal is the cautionary precedent. DIRECTIONAL	Direct customer relationships Track value and independence at the same time. Instrument multihoming directly rather than waiting for a lagging churn number; Etsy could see that half its sellers sell elsewhere. Serving professional users with better tools may be more durable than trying to trap the relationship. What would change it: A restriction that demonstrably raises retention without churn or off-platform migration in the top decile. If churn or price pass-through rises after an imposed change, reverse quickly. EVIDENCED (TENSION) · DIRECTIONAL (PREDICTION)	Look for business-like usage patterns before forcing a user into a new category. Many freelancers decline the “business owner” label even while operating as one, often reserving it for the moment they hire an employee. Offer identity portability: Venmo spun a business profile off a personal login, and PayPal allowed upgrade at any time. Optional graduation paths may outperform premature reclassification. What would change it: Cohort data showing revenue or legal-formation triggers convert and retain better than complexity triggers. The historical weight favors complexity. DIRECTIONAL

09 / HONEST LIMITS

What history does not tell us.

No study isolates customer acquisition, pricing authority, or risk-bearing as the causal ingredient. The clean designs measure environment; the responsibility contrasts are selected or lack outcome data.

Most company cases lack cohort-level retention, conversion, or lifetime-value outcomes. Companies rarely disclose the internal trigger or the post-response cohort result.

Public filings reveal strategy more often than the signal that triggered it.

Owned demand remains unresolved. Reverse causality is unbroken in the record.

The exposure research measures entrepreneurship entry, survival, earnings, and persistence. It does not establish what someone will later want from a bank, a brand, or an employer. That bridge is extrapolation.

Many modern company cases are reconstructions from filings and announcements, not causal experiments. A metric moving after a dated change is a sequence, not an effect.

Survivorship bias is pervasive. Every firm with usable filings survived to file, so the failures that surface skew toward recoverable mistakes.

10 / FINAL TAKEAWAY

The line appears in behavior first.

Companies have been drawing the line between consumer and business for decades. The historical pattern is that the line rarely appears first in a legal filing or a self-declared identity. It appears in behavior.

More transactions. More counterparties. More recurring activity. More operating complexity.

The mistake is treating one threshold as the answer: a revenue line, a registration, a label. History suggests a better place to look is a cluster of behaviors that signals a person's economic role is changing, rather than a single revenue threshold or formal label.

And hold the two honest caveats alongside. Exposure raises entry more reliably than durability. And the behaviors that make a participant valuable also make them portable.

> **The line between consumer and business appears in behavior before it appears in any filing.**

Methodology and limitations

SOURCES

Two research dossiers. The first reconstructs how companies, platforms, and institutions recognized when a casual earner became a business-like operator, from SEC filings, product announcements, pricing changes, terms of service, litigation records, and regulatory notices. The second examines whether early market exposure changes later economic behavior, drawing on peer-reviewed studies and administrative data.

EVIDENCE LABELS

EVIDENCED: documented in filings, policy records, or peer-reviewed research. DIRECTIONAL: a recurring pattern without causal isolation. UNRESOLVED: the record cannot answer the question. Company cases are classified as Reconstruction or Pattern catalogue; most are documented response, outcome unknown.

KNOWN WEAKNESSES

> The best reconstructions are confounded by macro shocks: the 2008 to 2009 financial crisis for eBay, the 2020 pandemic demand surge for Etsy. A dated change followed by a moving metric is a sequence, not an effect.

> Survivorship bias is pervasive. Every firm with usable filings survived to file. Failures skew toward mistakes survivors recovered from and later narrated as learning.

> Several quantitative claims (Square's borrower growth, Shopify's funding totals) come from company or advocacy sources and carry their framing.

> The owned-demand question is genuinely unresolved. Direct demand is what success looks like from outside, and reverse causality is the default explanation.

> The exposure literature measures entry, survival, earnings, and persistence. Any bridge to what people later want from financial products, brands, or employers is extrapolation.

Facing a product or distribution problem that has happened before?

PastBehavior studies how similar problems have played out, separates durable patterns from attractive stories, and turns that evidence into product, distribution, and execution decisions.

DISCUSS A PRODUCT PROBLEM

RELATED READING

The First Economy

The companion essay on ThenForward.

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