Policies to Grow State Economies

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Policy Framework for Economic Growth: Six Factors

- **Entrepreneurs**, the individuals who seed, grow, and renew businesses;
- **Education and skills**, the concentration of highly educated, highly skilled individuals within economies;
- **Innovation and technology**, the new ideas and technologies that enter the economy and change what is produced, how it is produced, and the way production itself is organized;
- **Private capital**, the sufficiency and availability of debt and equity financing at all stages of company formation;
- **Global markets and linkages**, the businesses competing successfully in global markets; and
- **Industry clusters**, the firms embedded in regional clusters supported by institutions providing education, training, finance, and marketing services, which experience higher rates of job and wage growth than comparable firms not embedded in such clusters.
An Action Plan for Growth: 12 Actions

Twelve Actions for Growing State Economies

Policymakers with responsibility for growing economies can create a locally meaningful strategy by following twelve basic steps to help the private sector grow and thrive, creating new job opportunities for their citizens:

STRATEGIC AND FOUNDATIONAL

1. Create a competitive tax and regulatory environment.
2. Put entrepreneurial activity at the top of the state’s economic agenda.
3. Distinguish among different kinds of entrepreneurs and businesses—and target policies and resources accordingly.

FOCUSED ON STARTUP COMPANIES

4. Cast a wide net to find entrepreneurs.
5. Teach entrepreneurship skills and attitudes at all education levels.
6. Build a startup environment and culture.

FOCUSED ON HIGH-GROWTH COMPANIES

7. Find the potential high-growth companies and help them grow.
8. Get your entrepreneurs to give back.

FOCUSED ON ALL COMPANIES

9. Help companies open doors to new customers—globally and locally.
10. Reward strong ties among universities, companies, and entrepreneurs.
11. Encourage entrepreneurs and companies, small and large, to build innovation clusters.
12. Build ecosystems, not programs.
STRICTIC AND FOUNDATIONAL

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Distinguish among different entrepreneurs and companies; target resources accordingly.
Job creation by very small firms (those with fewer than 20 employees) and newly formed firms (established within the past five years) accounts for a majority of all overall job creation in any given year.\textsuperscript{10}  

\textit{Kane, 2010}
### FIGURE 1
Top Growth Concerns by Business Type

<table>
<thead>
<tr>
<th>Concern</th>
<th>Kauffman Poll of Inc 500 Firms</th>
<th>National Federation of Independent Business Survey of Small Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding qualified people</td>
<td>40%</td>
<td>5%</td>
</tr>
<tr>
<td>Managing fast growth</td>
<td>21%</td>
<td>—</td>
</tr>
<tr>
<td>Accessing capital</td>
<td>16%</td>
<td>3%</td>
</tr>
<tr>
<td>Sluggish economy</td>
<td>13%</td>
<td>25%</td>
</tr>
<tr>
<td>Regulatory uncertainty</td>
<td>3%</td>
<td>19%</td>
</tr>
<tr>
<td>Taxes</td>
<td>4%</td>
<td>19%</td>
</tr>
<tr>
<td>Penetrating global markets</td>
<td>3%</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>29%</td>
</tr>
</tbody>
</table>
FOCUSED ON STARTUP COMPANIES

4. Cast a wide net to find entrepreneurs.

5. Teach entrepreneurship skills and attitudes at all education levels.

6. Build a startup environment and culture.
Cast a wide net.
Not all entrepreneurs are twenty-something “techies” – reach out to baby boomers (“reinventuers”), women, immigrants.
Provide entrepreneurship training for veterans and the unemployed.
FOCUSED ON HIGH-GROWTH COMPANIES

7 Find the potential high-growth companies and help them grow.

8 Get your entrepreneurs to give back.
Find the high-growth companies; help them grow.
Success Stories

• Innovation Works (Pennsylvania)
  – Has invested more than $50 million in over 150 companies that have created thousands of new jobs and attracted over $1.2 billion in follow-on capital.

• Pipeline Fellowship Program (Kansas)
  – Since 2007, companies led by Pipeline fellows have grown at an average rate of 82 percent.
FOCUSED ON ALL COMPANIES

9. Help companies open doors to new customers—globally and locally.

10. Reward strong ties among universities, companies, and entrepreneurs.

11. Encourage entrepreneurs and companies, small and large, to build innovation clusters.

12. Build ecosystems, not programs.
Reward strong ties among universities, companies, and entrepreneurs.
Offer R&D funding in new ways.

Utah Science Technology and Research Initiative (USTAR)

– Utah has invested a total of $977 million in research teams and infrastructure, which has generated $4.9 billion in new research funds and $4.9 in new state revenues.

– The University of Utah generated more startups in 2011 than any other U.S. university.
Utah’s Results

Source: Jack Brittain, Presentation to NGA, April 25, 2012.
Invest in mega partnerships.

Virginia’s Commonwealth for Advanced Manufacturing

- State played key role in developing a “mega” partnership of that provided tailored R&D and workforce to attract a Rolls Royce production facility to the state.
- Partnership includes worldwide manufacturers, 3 universities, and the state.
- CCAM’s eight industry members, including Newport News Shipbuilding, Rolls Royce, and Siemens, make sizable contributions to the partnership, drive university research to be production ready, and provide direction on workforce strategy.
Build ecosystems, not programs.
FIGURE 8
Elements Work in Concert to Build a Successful Innovation Ecosystem

- Government
  - Regulations
  - Taxes/Incentives
  - Laws (e.g. Bankruptcy)

- Culture
  - Collaborative
  - Risk-taking
  - Accept failure

- Demand
  - Economy
  - Big companies
  - Other companies

- Invention
  - Universities
  - Corporate R&D
  - Open Innovation

- Funding
  - Debt
  - Equity
  - Full range of options

- Infrastructure
  - Physical
  - Services

- Entrepreneurs
  - Labor pool
  - Education
  - Network

Source: Based on Aulet Diagram, 2011

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