

EXECUTIVE SUMMARY

The message of *Enterprising States* is that the 50 “little Republics” matter. State policies matter. Governors, state legislators, and local officials matter. Although the Federal government has been driving *stabilization* policy during the recent recession, it is the states [and territories] that will lead a crucial new *growth strategy* in the next decade. The nation needs an economic revival sufficiently robust to create 20 million jobs over the next decade—restoring the 7 million jobs lost to the current recession, and creating the 13 million new jobs that our growing nation will need in the next 10 years. And while the Federal government will affect the situation on the ground in broad strokes and from a distance, Governors and state and local government will drive the types of new, experimental, flexible job-growth strategies that can match the speed of the global economy and achieve this growth imperative.

Fiscal challenges can force important policy choices about taxation and spending priorities, and states must balance those decisions against the need to retain and attract private enterprise. In fact, many states have shown that fiscal prudence and bipartisan pragmatism are more likely to be achieved outside of Washington. The findings of *Enterprising States* are likely to surprise and prove powerful examples for the next wave of state-level policy innovation.

Consider: the State of North Dakota, perhaps an afterthought to some, was a national leader in job growth over the last decade. Montana, meanwhile, leads in many measures of entrepreneurship, Tennessee in several measures of taxes and regulation, and Minnesota on workforce development and training. Some states, like Texas and Utah, are strong across the board in both economic policies—and economic results. And despite a Midwestern manufacturing meltdown, a State like Indiana remained afloat because of sensible tax, budget, and regulatory policies, proving it can be done.

“America is a vast country made up of hundreds of diverse economies,” writes study co-author Joel Kotkin. The

flexibility to match local strengths with global needs will be paramount. It is local knowledge and local energy—among local officials and individual businesspeople and entrepreneurs—that will make the difference. Washington can focus on a few overriding national priorities, but most of the new ideas, new companies, and new jobs will come from local initiative.

As Kotkin writes, “This enterprising spirit reflects a broad, long-term American trend. U.S. employment has been shifting not to mega corporations but to individuals and smaller units; between 1980 and 2000, the number of self-employed individuals expanded tenfold to comprise 16 percent of the workforce.”

In the coming decades, the U.S. will enjoy a “demographic dividend” of more immigration and higher birthrates compared to most developed nations. This dividend of human capital could be a chief U.S. economic advantage in a global economy. But only if we match this demographic dividend with a “jobs dividend.”

Enterprising States finds:

- States are much more active than the Federal government on the job creation and economic development front. While the policies vary by state there is renewed focus nationwide on creating more favorable conditions for business growth.
- State priorities vary considerably. Some are strong in innovation. Others in exports or workforce development. Some have weathered tough times with relative success. Others were not prepared for an extended downturn. The recent recession, however, leaves a number of important lessons and gives all states a chance to reassess, reboot, and adopt proven strategies for the future.
- High tax rates do not lead to either healthy economies or budgets. On the contrary, many states with the highest tax rates and most onerous regulatory regimes

have experienced the worst budget crises. Taxpayers and businesses are leaving these states. States with more favorable tax and regulatory climates did not experience budget problems nearly as severe.

- Many states have implemented initiatives for streamlining red tape to help businesses sort through the many layers of government regulation and have incentivized private-sector investors primarily with tax credits.
- Targeted investments in infrastructure projects at the state-level can create growth-friendly environments in communities.
- Science- and technology-based economic development and clean-tech initiatives are proliferating amongst virtually all of the states.
- Productivity and competitiveness initiatives, while not necessarily job creating, are being used aggressively to strengthen and retain strong companies who already anchor state economies.
- There is widespread support for doubling exports but there are also states who have made significant headway using strategies for foreign direct investment (FDI).
- Cultivating people through workforce development and training will drive economic development at the state-level.
- Regional cultural variety could account for differences in entrepreneurial strength. For example, entrepreneurship is notably strong in the West and Northeast-Mid-Atlantic regions. Which begs the question: How might we translate this culture of entrepreneurship to other regions?

Enterprising States is a beginning, not an end. It is an in-depth look at the vast and complex network of economies we call the 50 states and territories. It is an attempt to find some of the most important regional and policy differences that can yield new information to local leaders and lawmakers. Studying the differences among the states should help them learn from one another. What works? What doesn't? By sharing these success stories and lessons learned we hope to create a roadmap to economic resilience and an ongoing dialogue that makes every state stronger.