

Entrepreneurship policy report summary

Title	Small Business and State Growth: An econometric Investigation
Publish date	February 2007
Country and publisher	The United States Small Business Administration (SBA) Office of Advocacy
Type of report	Analytical Report The report investigates the relationship between small business activities and economic activity at the US state level using a panel of state data spanning the years 1988 to 2002.
Main message	Small firm establishment births have a larger impact than any other factor examined on gross state product (GSP), state personal income (SPI) and total state employment. Small firm establishment birth rate and death rate have equal and opposite effects on state economic growth. It suggests that economic growth will be faster when the birth rate exceed death rate. The state efforts to promote small business formation will be more fruitful in terms of generating economic growth than virtually any other policy option.
Governments policy targets/goals	
Definition (How are they quantified?)	
Focus/policy areas	Tax rates and other features of tax structure.
Implemented/suggested policies	The most fruitful policy option available to state governments to enhance GSP, SPI and employment growth rate is to establish and maintain a fertile environment for new establishment formation.
Key findings	<ul style="list-style-type: none"> - An increasing in small business births by 5 percent would result in a 0,465 percent increase in GSP growth - The number of small firm establishments and the dollar value of small business payroll in neighboring states both have positive but small effects on own-state GSP growth - States with lower manufacturing shares of their GSP and states with a smaller share of their population between the ages of 45 and 64 (relative to the reference percentage of below age 25) have higher GSP growth - Faster state employment growth is associated with more large-firm activity, lower population density, fewer highly educated residents, a younger population and a lower share of GSP from manufacturing. States without state-level inheritance, estate or gift taxes also tend to have higher rates of employment growth and similar trends emerge when analyzing changes in state personal income - The same conclusions above are reached whether small business is defined less than 500 employees or less than 100 employees.

<http://www.sba.gov/advo/research/rs292tot.pdf>