



## **This Is the State With the Most Successful Entrepreneurs**

*Douglas A. McIntyre*

*March 31, 2022*

Starting a new business is risky. About 20% of new businesses last only two years. Companies with fewer than 100 workers employ a third of the U.S. workforce, according to the U.S. Census Bureau.

Of course, many entrepreneurs believe that they can create companies like those that have been the most successful in the past several decades. Google was started in 1998. Tesla was founded in 2003 and Facebook launched in 2004. The founders of these companies are now billionaires and have made some of their employees millions of dollars.

A Cato Institute report notes startup formation declined in 2020 as the pandemic slammed many small and upstart businesses. Yet the decline in startups has been on a downward trajectory since the early 1980s. The startup rate dropped from more than 10% in the early 1980s to 8% in 2018. In 2020, small business revenues and the number of small businesses operating slumped by 30% from the previous year.

The report argues states should ease up on regulations to boost entrepreneurial startups. It lists Georgia, South Dakota, North Dakota, Colorado, New Hampshire, Kansas, Indiana, Wyoming, Utah and Ohio as most welcoming to entrepreneurs. Conversely, Rhode Island, Oregon, Nevada, New York, West Virginia, Washington, Hawaii, California, New Jersey and Connecticut put up the highest barriers.

To identify the state with the most successful entrepreneurs, 24/7 Wall St. developed an index based on several indicators measuring venture capital activity, patent activity and earnings for self-employed workers, using data from the Census Bureau, the U.S. Patent and Trademark Office and more.

Despite the Cato Institute citing California as a high-barrier state, the Golden State tops the list as the state with the most successful entrepreneurs. The average venture capital deal hit a whopping \$22 million, with the state's entrepreneurs granted the most patents.

This likely is not surprising, considering California is home to Silicon Valley, among other tech and business centers. Entrepreneurs apparently are willing to navigate the state's regulatory hoops and ladders to gain access to its technology hubs, large workforce and consumer base.

Similarly, it is unsurprising to find Massachusetts (a biotech hub) and Washington (home to Amazon, Microsoft and more) in the top five. Nor is it surprising to find New York (which boasts the world's financial capital in New York City) and New Jersey (home to several pharmaceutical giants, like Johnson & Johnson, Pfizer and Merck) in the top 10. Often, large companies encourage innovation and entrepreneurial spirit and themselves invest in startups.

Methodology: To identify the state with the most successful entrepreneurs, the index 24/7 Wall St. developed included the following measures.

The average size of a venture capital deal in each state was calculated using the number of deals from Jan. 1, 2019, to Sept. 30, 2021, and the total dollar amount of deal activity over the same period with data from the [PitchBook-National Venture Capital Association Venture Monitor](#) third-quarter report. This measure was included in the index at full weight.

The number of patents issued in 2020 per 100,000 residents in each state was calculated using data on the number of patents granted that year from the Patent and Trademark Office and population estimates for July 1, 2020, from the Census Bureau's Population and Housing Unit Estimates program. This measure was included in the index at full weight.

The ratio of average earnings for self-employed workers at incorporated and unincorporated businesses to the average earnings for employed workers was calculated using one-year Public Use Microdata Sample data from the Census Bureau's 2019 American Community Survey and was included in the index at full weight.

Supplemental data on the percentage of workers who are self-employed and the percentage of self-employed workers in each industry also came from the 2019 American Community Survey.