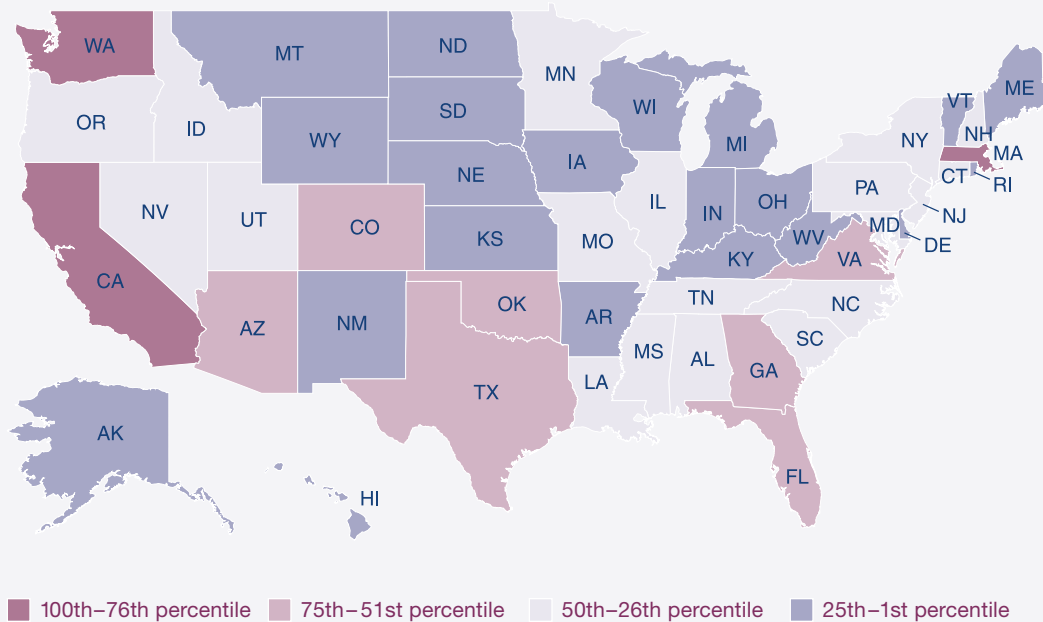


ECONOMIC DYNAMISM

The old economy was epitomized by large companies facing limited competition in stable, cost-based markets. The New Economy is all about economic dynamism and competition and is epitomized by fast-growing, entrepreneurial companies, one of its hallmarks. The ability of firms to innovate and get to market faster is becoming a more important determinant of competitive advantage. Likewise, the ability of state economies to rejuvenate themselves through the formation of new, innovative companies is a key in determining their economic vitality.

The dynamism and competition indicators in this section measure three things: 1) the share of jobs in fast-growing gazelle firms; 2) the degree of job churning (which is a product of new business start-ups and existing business failures); and 3) the value of companies' IPOs.

Aggregated Economic Dynamism Scores



Rank	State	Score
1	Washington	19.83
2	California	16.56
3	Massachusetts	16.19
4	Colorado	14.08
5	Arizona	13.51
6	Florida	12.83
7	Virginia	12.81
8	Texas	12.80
9	Georgia	12.44
10	Oklahoma	12.43
11	Maryland	12.26
12	Utah	12.03
13	Nevada	11.77
14	Missouri	11.50
15	Connecticut	11.39
16	Illinois	11.17
17	Oregon	10.60
18	New Jersey	10.42
19	Minnesota	10.18
20	North Carolina	10.12
21	New York	10.11
22	Pennsylvania	9.87
23	Mississippi	9.70
24	Tennessee	9.63
25	New Hampshire	9.59
26	Louisiana	9.45
27	Alabama	9.17
28	South Carolina	9.08
29	Idaho	8.72
30	Indiana	8.52
31	Iowa	8.48
32	Maine	8.44
33	Kentucky	8.41
34	Kansas	8.38
35	Arkansas	8.38
36	Vermont	8.31
37	New Mexico	8.28
38	South Dakota	8.26
39	Alaska	8.02
40	Michigan	7.87
41	Nebraska	7.80
42	Rhode Island	7.76
43	Delaware	7.70
44	Ohio	7.47
45	Montana	7.45
46	Wisconsin	6.92
47	Wyoming	6.68
48	West Virginia	6.26
49	Hawaii	5.43
50	North Dakota	4.96
U.S. average		10.00

Source: Authors' calculations based on the states' scores in three indicators—jobs in gazelle companies, job churning, and IPOs.