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A Nation of Startup Cities

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You can throw a stone in the Bay Area and hit dozens of entrepreneurs and venture capitalists. That's because there are more business founders in San Francisco than anywhere else in the United States. ¹ The city sees 196 new business registrations *every week*. ² And San Francisco isn't alone—the United States is home to numerous other start-up meccas, from New York City and Los Angeles to Austin and Washington, DC.

But what about entrepreneurs in the hundreds of other smaller cities? The story there is often vastly different. More than half of US counties had a net loss of businesses between 2000 and 2022. During this period, the states of Illinois, Indiana, Iowa, Michigan, Missouri, Ohio, Pennsylvania, and Wisconsin *together* added fewer businesses than Brooklyn. ³

Right now, there are 132 small-to-midsize cities (populations between 100,000–350,000) in states that aren't on the coasts. Think about cities like Reno, Toledo, Des Moines, Grand Rapids, Chattanooga, Tempe, Waco, and Allentown. Some of these cities across America have made strides in supporting entrepreneurs. But many of the 132 have struggled. Case in point: the Heartland only sees about 16% of all venture capital deals and 9% of VC investment. ⁴

There are a whole mix of reasons why startups have struggled in some of these small-to-midsize cities. Industries that once anchored towns may have moved to more dynamic areas or out of the country. Affordable capital flowed toward other higher-growth regions. Young talent packed up in search of opportunities elsewhere. And, amid these trends, government hasn't met the moment.

Yes, the government provides Small Business Administration loans. Various federal small business centers provide support. And the tax code has some limited incentives to revitalize communities. **But we need to build and support a lot more startups in this country in order to increase middle-class wealth.**

That's because entrepreneurship is essential for wealth building, both for families and communities. Black entrepreneurs, for example, have 12 times more net worth than their peers who work for an employer.⁵ And as the Center for Entrepreneurial Opportunity notes, younger firms tend to create more jobs than older ones—and the most successful of these businesses disproportionately drive job growth.⁶

Because of that, the next president should pledge to create Startup America, beginning by designating 100 new startup cities across the nation in their first term. The time for tinkering is over. We need to stop solely relying on legacy institutions and programs to revolutionize economic opportunity. And we need to make sure more small-to-mid size cities can build the next generation of startups that will spread jobs, growth, and opportunity to their states and regions.

How Do We Build 100 Startup Cities?

We propose a sweeping new initiative that would give startups and entrepreneurs in historically-overlooked cities a shot at success through private capital, public capital, startup and workforce development, and the removal of red tape. Here's how:

Small-to-midsize communities would compete to be one of 100 designated Startup Cities. Once selected, each city would receive federal resources to support startups in three ways:

First, Startup Cities will inject more capital into local businesses. Capital is the lifeblood of entrepreneurship and all too often makes or breaks a startup. New businesses in the 100 cities would be exempt from paying taxes on their first \$100,000 of revenue in their first year. The federal government would also significantly scale up public capital to states to create venture capital programs to fund new businesses. This expansion of the State Small Business Credit Initiative would make affordable capital available as well as provide startups with loan guarantees and collateral support.⁷

Second, Startup Cities will build strong business skills and a talented workforce. People with a dream need business acumen to get a startup off the ground, and they need a ready pool of people they can hire. Cities would ensure that every public high school in the 100 cities offers entrepreneurship classes as well as financial literacy courses. Partnerships would be created between

community colleges, chambers of commerce, and other business organizations to sync curriculum and hiring. Technical apprenticeships would be expanded in high-growth fields. A special visa would be created for immigrants to move to places that are subject to large working-age population decline, as proposed by the Economic Innovation Group.⁸ And mini MBA-style bootcamps would help entrepreneurs scale early-stage startups to more mature ventures.

Third, Startup Cities will cut the red tape that strangles entrepreneurship. Small business owners may need to secure a business license, business permit, occupational license, or other approvals—often from multiple levels of government.⁹ Cities would create a one-stop shop that provides federal, state, and local licensing information in one place to help entrepreneurs cut through red tape. These would also help entrepreneurs navigate regulatory requirements, reduce complexity, limit agency interactions, and shorten wait times. And while these cities reduce regulatory burdens, the federal government should too. Federal agencies would be directed to reduce paperwork, streamline loan and program processes, and reduce filing and service fees.

Finally, the entire effort shouldn't add a dime to the deficit. There are numerous ways Startup Cities can be funded. One option would be to dedicate revenue from the corporate code to offset the costs. It's clear that Democrats are going to want to raise the corporate tax rate. Rather than spending those savings elsewhere, they could dedicate the revenue gained from raising the corporate rate one percentage point (\$140 billion over 10 years) to this program.¹⁰

Democrats need to be the party that boosts wealth for working- and middle-class families, and that means spreading economic opportunity to more people in more places. To do that, there needs to be a large-scale commitment to building and supporting startups—not just in the handful of high-flying urban areas, but everywhere. Now is the time to be big and bold. Let's create a nation of startup cities.

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ENDNOTES

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