INDUSTRY INVESTMENT IN R&D

Industry investment in research and development as a percentage of Gross State Product (GSP).[38]

Why Is This Important? Research and development, which yields product innovations and adds to the knowledge base of industry, is a key driver of economic growth. Business provides more than two-thirds of all R&D funding. After steadily rising in the 1980s and falling in the early 1990s, business-funded R&D as a share of GDP has continued its upward climb, reaching its highest levels ever in 2000, both in inflation-adjusted dollars and as a share of GDP.

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The Rankings: The two smallest states, Rhode Island and Delaware, rank 1st and 3rd respectively in R&D intensity. Rhode Island's rank may be because of a number of defense electronics firms there and the fact that it instituted the nation's most generous R&D tax credit several years ago. In Delaware's case, the presence of Dupont and other R&D-intensive chemical and pharmaceutical firms led to its No. 3 showing. The other leading states (such as California, Massachusetts, or Washington) all tend to have strong high-tech sectors that perform significant amounts of R&D. In general, states score well that have significant corporate R&D laboratory facilities (like Connecticut, Michigan, and New Jersey), or significant federal laboratory facilities (as in Idaho and New Mexico), which may further stimulate corporate R&D.

The top five		Adjusted R&D as a percentage of state GSP
1	Rhode Island	4.29%
2	Idaho	3.68%
3	Delaware	3.63%
4	New Jersey	3.21%
5	New Mexico	3.15%
	U.S. average	**1.91%**

Source: National Science Foundation, 1999 data.