

Why Wait for Washington? How States Can Create Jobs and Economic Growth



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Speakers

Mitch Daniels, Governor, State of Indiana

Gray Davis, Former Governor of California; Of Counsel, Loeb & Loeb LLP

Tony Hsieh, CEO, Zappos.com

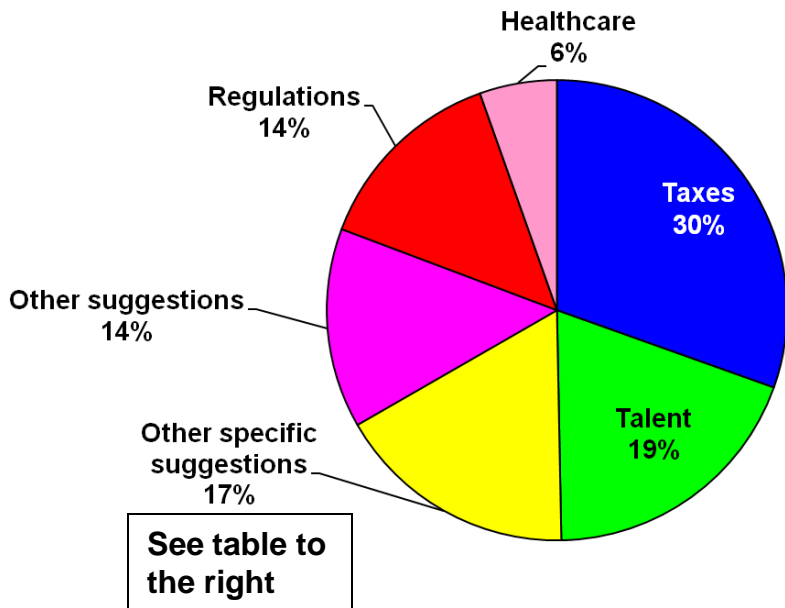
Robert Litan, Vice President for Research and Policy, Ewing Marion Kauffman Foundation

Moderator

Paul Kedrosky, Contributing Editor, Bloomberg; Partner, Omensetter Capital and SK Ventures

Business execs suggested changes for government

Harvard Business School survey results on U.S. competitiveness



| Other Specific Suggestions | |
|----------------------------|-------|
| Federal Budget | 20.1% |
| Energy Related | 13.8% |
| Legal Reform | 13.4% |
| Politics Related | 12.0% |
| Infrastructure | 10.9% |
| Small Business Support | 7.8% |
| Facilitate Start-ups | 7.7% |
| Manufacturing | 7.6% |
| Fairer Trade | 6.8% |

Top 20 best states for business

| STATE | 2011 Rank | 2010 Rank |
|----------------|-----------|-----------|
| Texas | 1 | 1 |
| North Carolina | 2 | 2 |
| Florida | 3 | 6 |
| Tennessee | 4 | 3 |
| Georgia | 5 | 7 |
| Indiana | 6 | 16 |
| Virginia | 7 | 4 |
| South Carolina | 8 | 10 |
| Utah | 9 | 9 |
| Nevada | 10 | 5 |

| STATE | 2011 Rank | 2010 Rank |
|---------------|-----------|-----------|
| Oklahoma | 11 | 19 |
| Colorado | 12 | 8 |
| Arizona | 13 | 11 |
| Wyoming | 14 | 15 |
| South Dakota | 15 | 14 |
| Delaware | 16 | 12 |
| Kentucky | 17 | 23 |
| New Hampshire | 18 | 18 |
| Idaho | 19 | 13 |
| Nebraska | 20 | 22 |

10 worst states for business



| State | 2011 Rank | 2010 Rank |
|---------------|-----------|-----------|
| Ohio | 41 | 43 |
| West Virginia | 42 | 34 |
| Hawaii | 43 | 42 |
| Connecticut | 44 | 44 |
| Massachusetts | 45 | 46 |
| Michigan | 46 | 48 |
| New Jersey | 47 | 47 |
| Illinois | 48 | 45 |
| New York | 49 | 49 |
| California | 50 | 50 |

Top 20 states ranked by job growth

State rankings on job growth (March 2011 – March 2012)



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| State | Rank 2012 | Rank 2011 |
|--------------|-----------|-----------|
| North Dakota | 1 | 1 |
| Louisiana | 2 | 17 |
| Oklahoma | 3 | 20 |
| Utah | 4 | 7 |
| Texas | 5 | 4 |
| Kentucky | 6 | 13 |
| Colorado | 7 | 28 |
| Arizona | 8 | 36 |
| Maryland | 9 | 23 |
| Idaho | 10 | 41 |

| State | Rank 2012 | Rank 2011 |
|----------------|-----------|-----------|
| New York | 11 | 22 |
| Tennessee | 12 | 8 |
| Washington | 13 | 32 |
| California | 14 | 18 |
| Indiana | 15 | 6 |
| Kansas | 16 | 35 |
| Michigan | 17 | 2 |
| South Carolina | 18 | 11 |
| West Virginia | 19 | 34 |
| Ohio | 20 | 25 |

10 worst states ranked by job growth

State rankings on job growth (March 2011 – March 2012)



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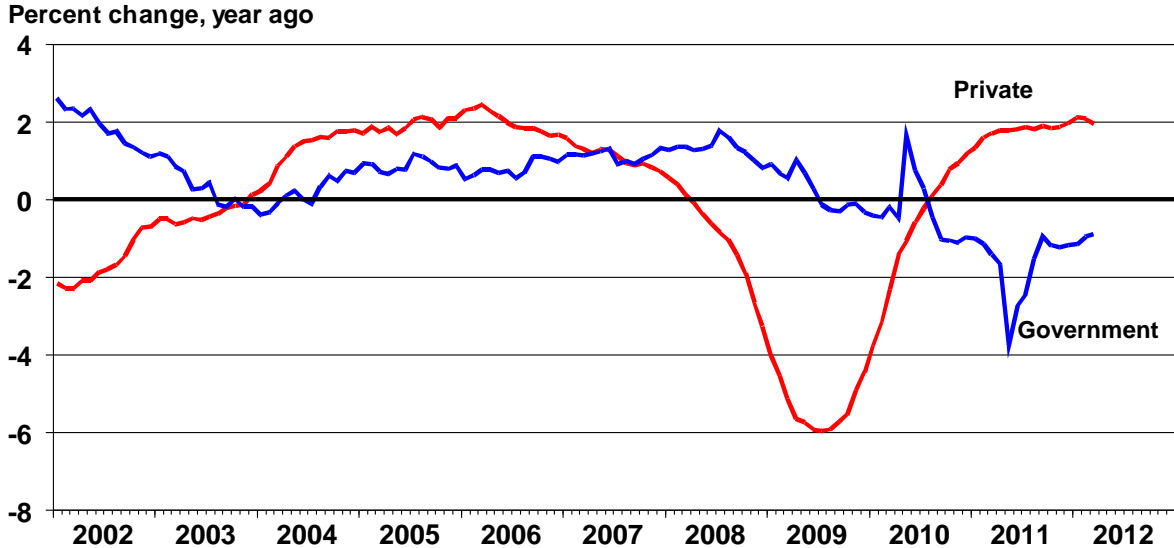
| State | Rank 2012 | Rank 2011 |
|---------------|-----------|-----------|
| Delaware | 41 | 5 |
| Maine | 42 | 47 |
| Nebraska | 43 | 38 |
| Missouri | 44 | 46 |
| Alabama | 45 | 45 |
| New Hampshire | 46 | 42 |
| Montana | 47 | 50 |
| Mississippi | 48 | 39 |
| Rhode Island | 49 | 44 |
| Wisconsin | 50 | 21 |

Private sector carries employment gains

United States



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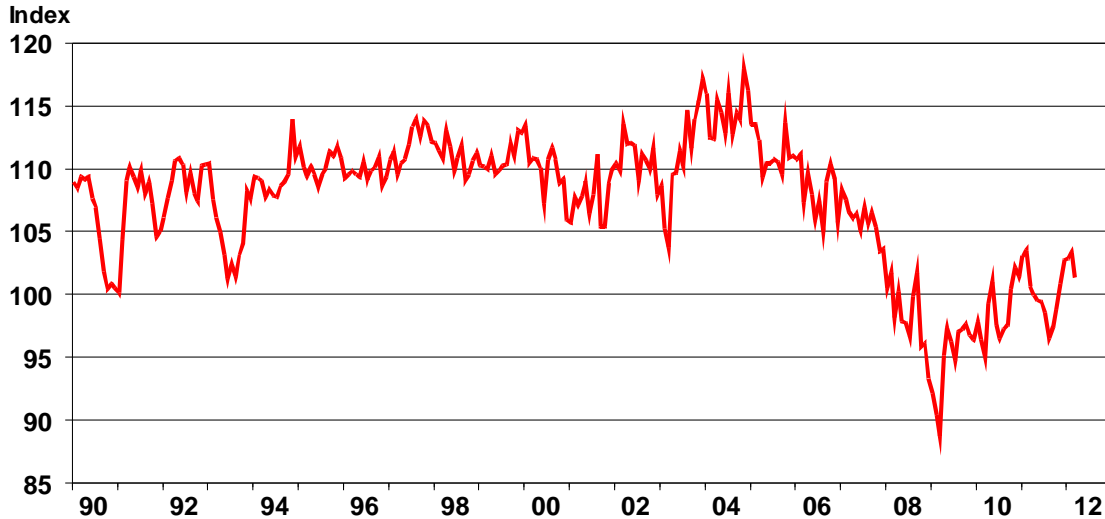
Sources: Bureau of Labor Statistics, IHS Global Insight.

U.S. small businesses mood still gloomy

Small Business Optimism Index



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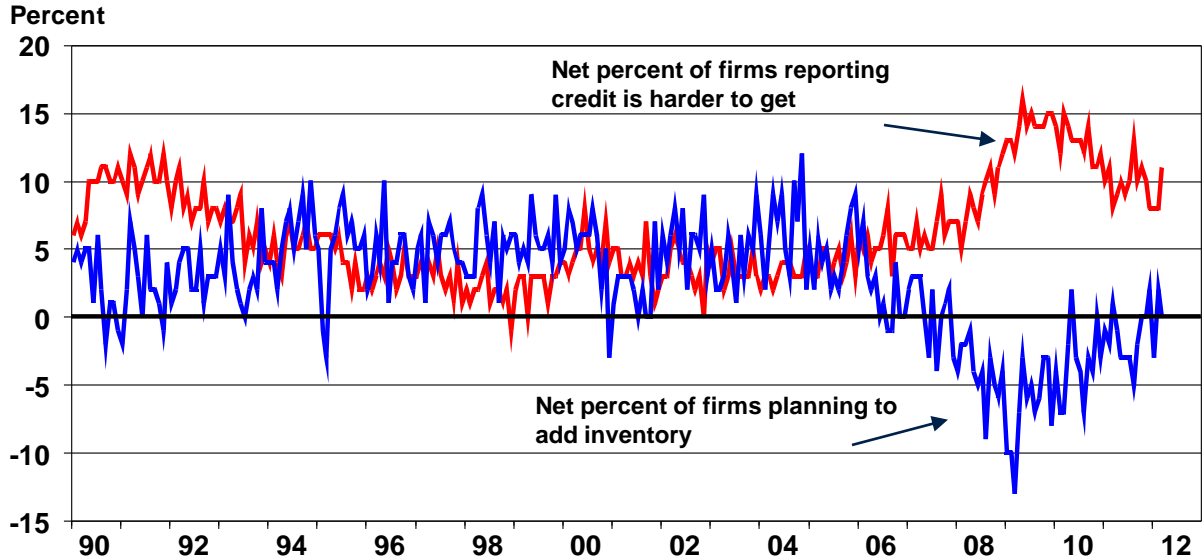
Sources: National Federation of Independent Business, Moody's Analytics.

U.S. small businesses still find difficulty accessing credit



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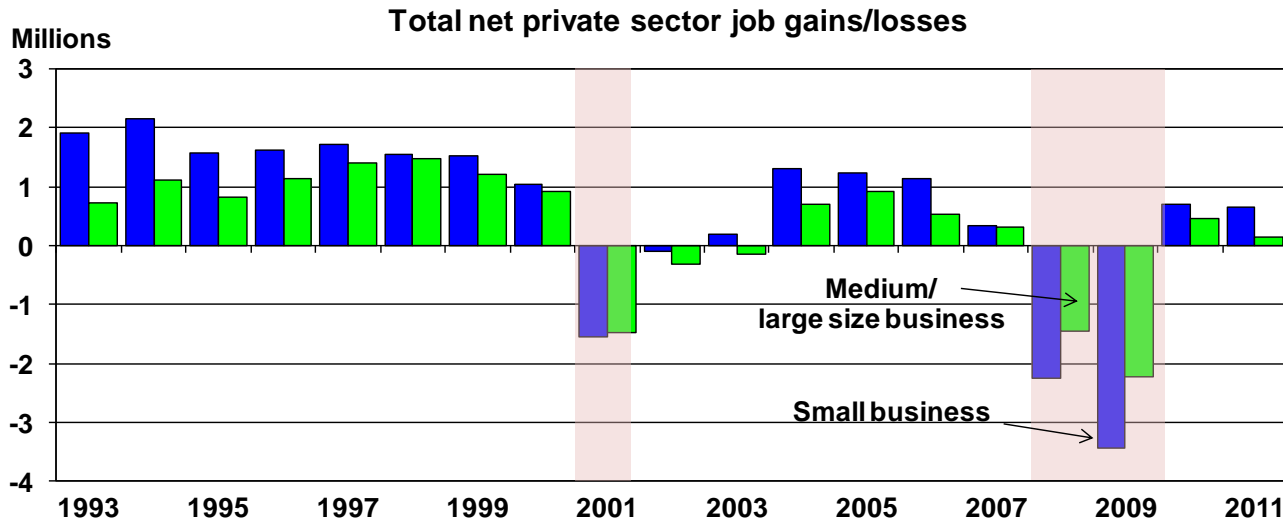
Small Business Optimism Index



Sources: National Federation of Independent Business, Moody's Analytics.



Large firms were less affected by recession



Note: Small business < 500 employees.

Sources: U.S. Bureau of Labor Statistics, Milken Institute.

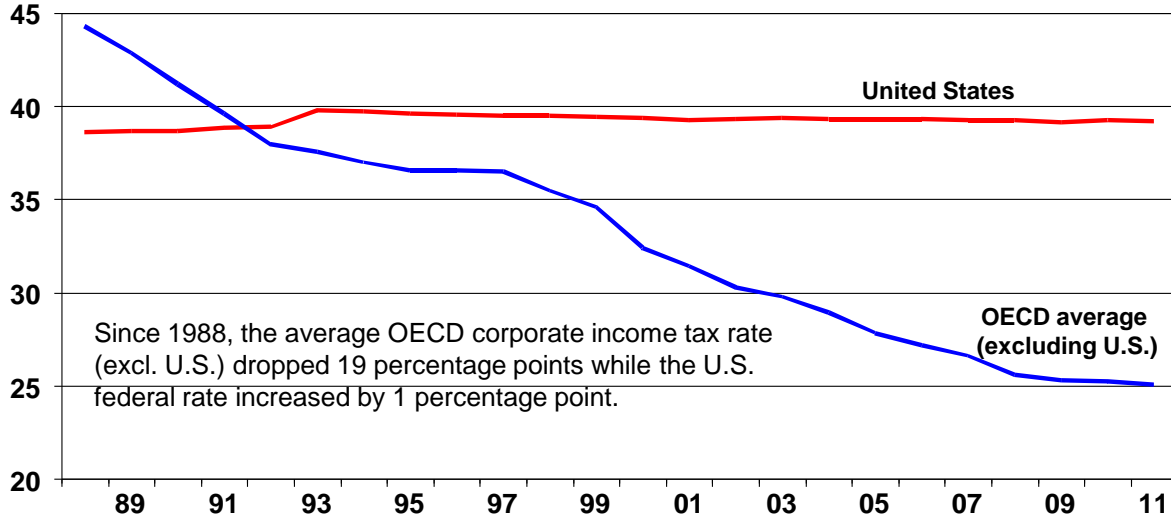
Corporate income tax rates

OECD average vs. United States



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Combined national and subnational top corporate tax rate



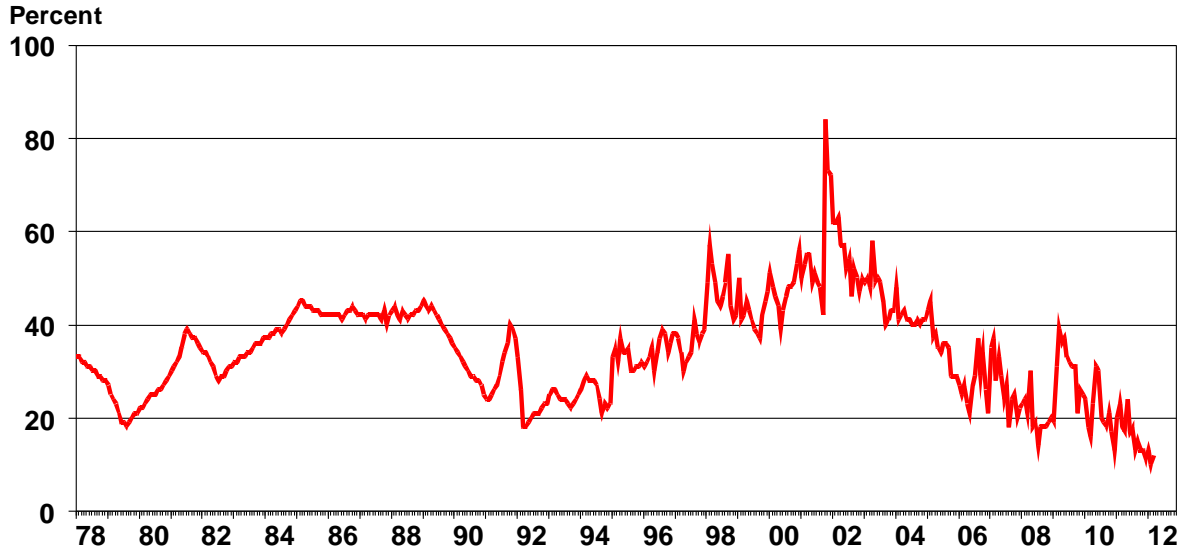
Sources: OECD.

U.S. Congressional job approval rating

Gallup poll



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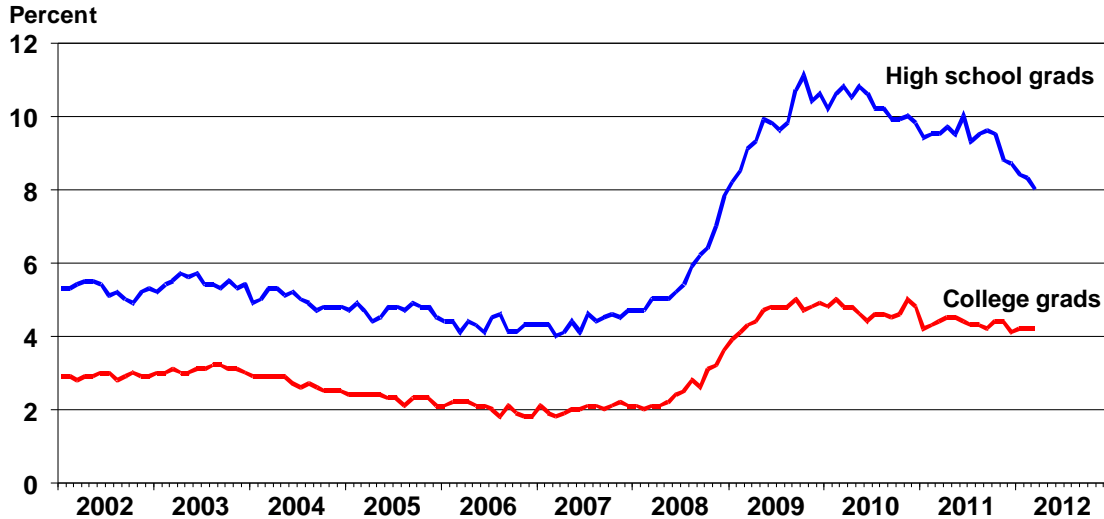
Source: Gallup News Service.

Unemployment rate by educational attainment



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High school vs. college grads



Sources: Bureau of Labor Statistics, Moody's Analytics.

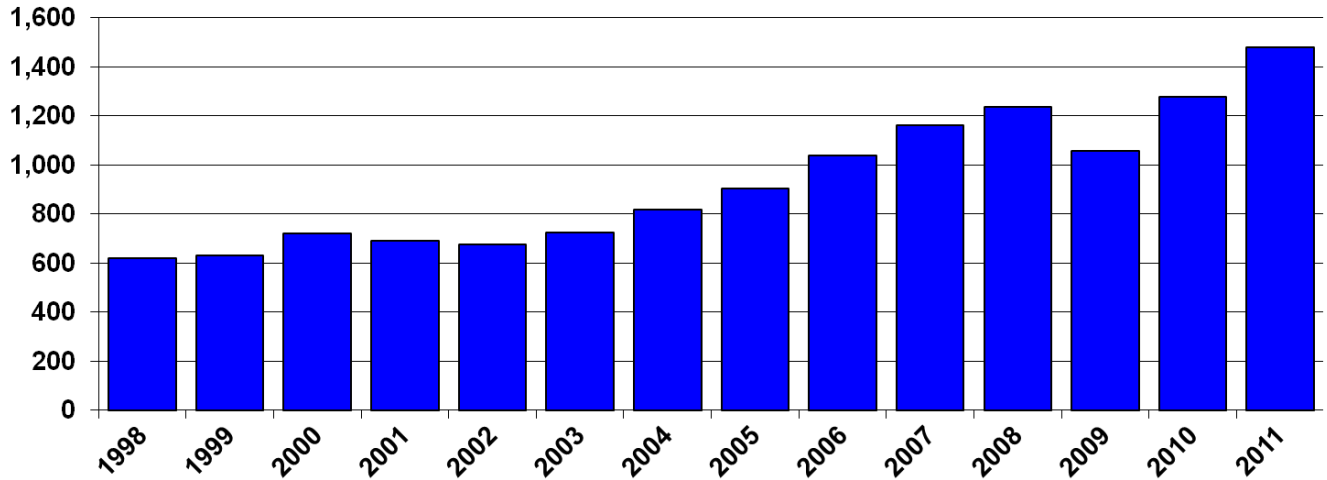
Exports have recovered and are an area of economic growth

Total Export Value



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US\$ Billions

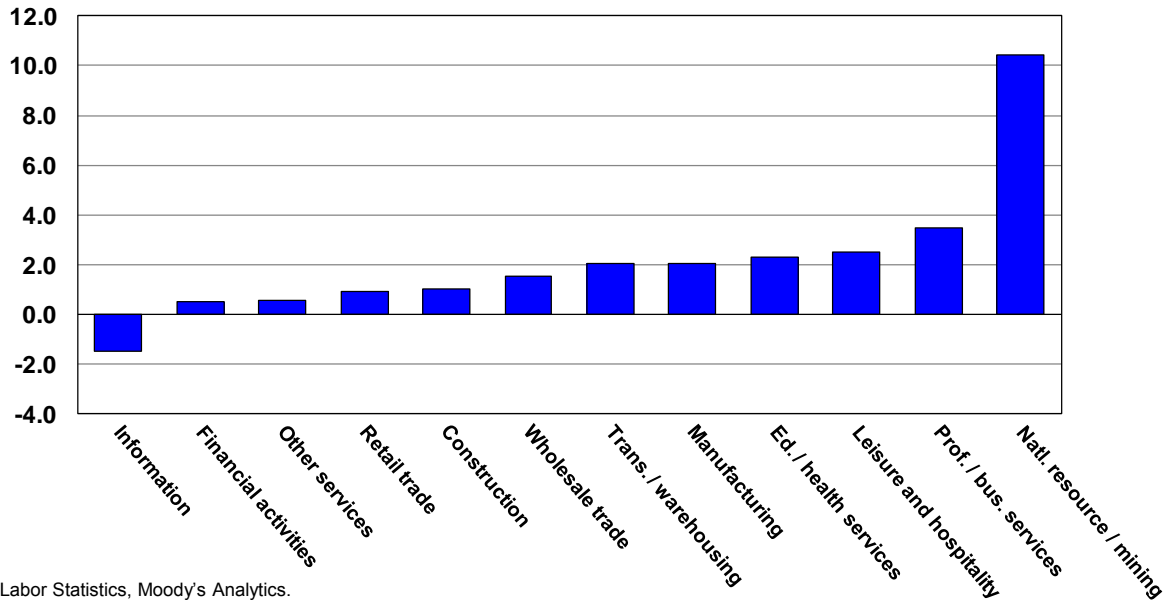


Source: International Trade Administration.

Energy exploration and business services lead recovery

Private sector job growth by industry, March 2011–March 2012

Percent change, year ago





State Startup Initiatives

*A menu of ideas that states can adopt to help jump-start
the U.S. Economy*

Possible Components of a Startup Act



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- Enhancing the supply of Entrepreneurs
 - Experiment with new methods for speeding up the commercialization of innovations developed by faculty at state universities
 - Create new health insurance options for entrepreneurs
 - Cut back on occupational licensing requirements (which inhibit the launch of new ventures), possibly moving to certification systems instead
 - Expand entrepreneurial education at state universities and community colleges



Possible Components of a Startup Act, cont.

- Facilitating the launch of new ventures
 - Reduce the administrative burdens of starting and closing businesses
 - Embrace digital firm formation
 - Implement land-use reform at both state and local levels
 - Allow and encourage disruptive business models in K-12 and higher education



Possible Components of a Startup Act, cont.

- Facilitating the growth of new ventures
 - Closely examine and, if necessary, change policy on non-compete enforcement
 - Permit credit unions to make limited equity investments in new enterprises
 - Simplify corporate taxes
 - Encourage apprenticeship programs for young people in new companies



Possible Components of a Startup Act, cont.

- Fostering a culture of entrepreneurship
 - Welcome immigrants
 - Foster networks of serial entrepreneurs and third-party investors
 - Promote and celebrate successful entrepreneurs
 - Measure entrepreneurial progress